

# ANNUAL REPORT 2018



**Bank Alfalah**  
The Way Forward

*Revolutionising  
The Way Forward*





This year Bank Alfalah has transformed the landscape of banking in Pakistan by riding the wave of global digital trends. By introducing a vast array of technologically advanced features, the Bank is determined to provide its customers the new way forward.



# AWARDS

## Recognition at the 3rd Pakistan Banking Awards

Bank Alfalah believes in offering the best banking experience to its customers. The Bank's efforts were recognised at the 3rd Pakistan Banking Awards held on 9th November, 2018. Bank Alfalah received two prestigious awards in different categories.





## BEST CUSTOMER FRANCHISE

For the most efficient service delivery and attention to customer requirements, the Bank got the award for the third consecutive year.



## BEST SME BANK

For providing financial support to SMEs and helping them develop a sustainable growth strategy.



# OUR COMPANY

Bank Alfalah Limited is the fifth largest bank in Pakistan, on the basis of profitability and net assets, with a network of 649 branches across 205 cities in the country and international presence in Afghanistan, Bangladesh, Bahrain and Dubai. The Bank also has a representative office in the UAE. Bank Alfalah is owned and operated by the Abu Dhabi Group.

Incorporated as a public limited company on 21st June, 1992 under the Companies Act, 2017, Bank Alfalah commenced its banking operations in the same year.

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 and credit, securities brokerage, commercial, SME, agri-finance, Islamic and asset financing solutions.



## VISION

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

## MISSION

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

## VALUES

### YOU

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

### YOUR NEEDS

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

### YOUR WAY

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

### THE RIGHT WAY

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



# Stakeholder Information

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## CUSTOMERS

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

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



## EMPLOYEES

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

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

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



## SHAREHOLDERS/ INSTITUTIONAL INVESTORS

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



## REGULATORY BODIES

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



# Company Information

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## Board of Directors

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

**Abdulla Nasser Hawaileel Al Mansoori**  
Director

**Abdulla Khalil Al Mutawa**  
Director

**Khalid Mana Saeed Al Otaiba**  
Director

**Efstratios Georgios Arapoglou**  
Director

**Shehzad Naqvi**  
Director

**Dr. Gyorgy Tamas Ladics**  
Director

**Dr. Ayesha Khan**  
Director

**Nauman Ansari**  
President/CEO and Director



## Senior Management Team

### Nauman Ansari

President and Chief Executive Officer

### Aasim Wajid Jawad

Head Strategy

### Anjum Hai

Chief Financial Officer

### Bilal Asghar

Head Corporate, Investment Banking  
and International Business

### Faisal Rabbani

Chief Risk Officer

### Hafsa Abbasy

Head Human Resource and Learning

### Haroon Khalid

Head Compliance and Control

### Khawaja Muhammad Ahmed

Head Operations and Corporate Services

### Mehreen Ahmed

Head Retail Banking

### Mohib Hasan Khan

Chief Information Officer

### Muhammad Akram Sawleh

Company Secretary, Head Legal  
and Corporate Affairs

### Dr. Muhammad Imran

Head Islamic Banking

### Muhammad Yahya Khan

Head Digital Banking

### Syed Ali Sultan

Head Treasury and Capital Markets

### Tahir Khurshid

Head Audit and Inspection

### Zahid Anjum

Head Special Assets Management

## Chief Financial Officer

Anjum Hai

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## Company Secretary

Muhammad Akram Sawleh

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## Auditors

EY Ford Rhodes

Chartered Accountants

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## Registered/Head Office

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

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## Share Registrar

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



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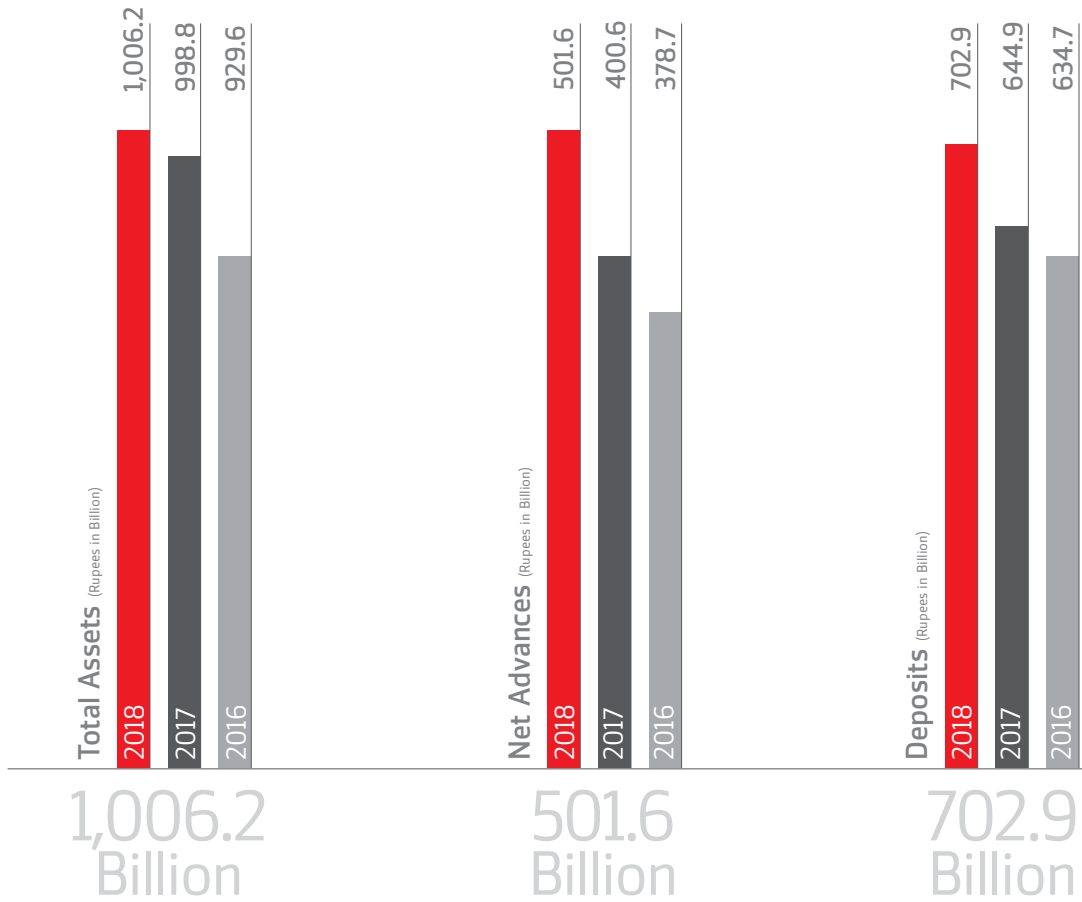
# OVERVIEW







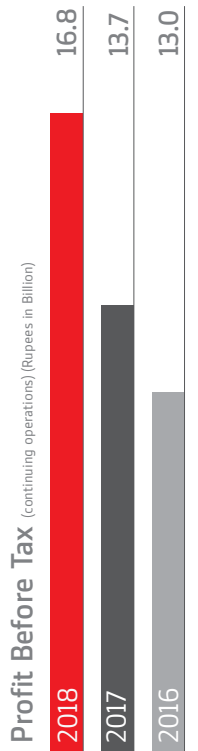
# 2018 Highlights



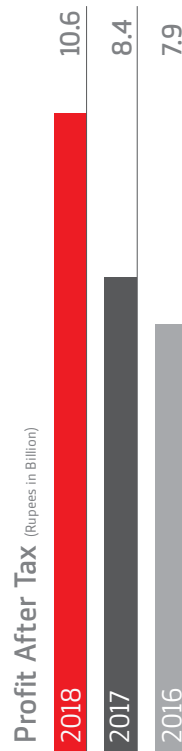
ROE:  
15.33%

ROA:  
1.11%

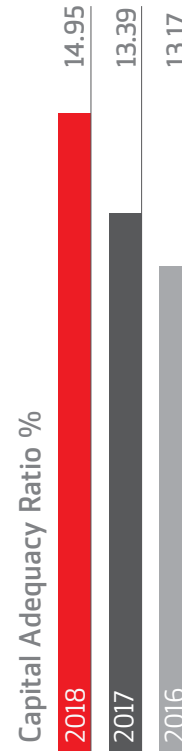
EPS:  
Rs. 5.99



16.8  
Billion



10.6  
Billion



14.95%

Bonus per  
100 Shares:  
10 Shares

Dividend  
per Share:  
Rs. 2.50

Share Price:  
Rs. 40.59  
As at 31st Dec, 2018

Long-term: AA+\*  
Short-term: A1+\*  
\*Credit ratings by PACRA and JCR VIS









# Chairman's Review

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I am pleased to see that Bank Alfalah has delivered a solid financial performance along with a satisfactory shareholders' returns despite navigating through a challenging year. The Board of Directors is pleased with the Bank's progress and confident its sound foundation will support it through changing tides.

I am very proud of the fact that our Bank was recognised as the 'Best Customer Franchise' for the third consecutive year along with the 'Best Bank for Small/Medium Businesses' at the Pakistan Banking Awards jointly organised by the Institute of Bankers, A. F. Ferguson & Company and Dawn Media Group in 2018. These awards are a testimony to our customer-centric focus and outreach, which drives us to constantly engage with them and deliver services that surpass expectations.

The Bank is optimistic about the economic prospects in 2019. We will continue to play our role in Pakistan's banking system. The new government inherited a platform with many challenges in the shape of twin deficits, losses in Public Sector Entities (PSE), infrastructure challenges and declining reserves. However, the new Government seems committed towards addressing the macroeconomic challenges, and generating higher growth and employment opportunities. Pakistan is poised to recover with agriculture and industrial production gaining momentum. Looking ahead, boost to exports in the backdrop of global economic recovery and improvement in domestic investment climate, backed by various initiatives of the Government, supports favourable growth outlook. It is the time for the private sector of Pakistan to prove its credentials as an 'engine of growth' by committing capital in growth sectors to generate wealth, create jobs and sustain the economy.

Technology is reshaping the world faster than ever. The shifting customer preferences for digital products, which has been a success story in the shape of various e-commerce setups has become an inspiration for the banks to revamp the traditional way of banking. The customers, demanding ease of doing transactions, is itself inducing a change in customer behaviour and making customers ask for more convenience from their bank. Many purely digital banks have been setup and performing well in different markets. Further, the rapid growth of the more nimble Fintech players are forcing the banks to enter into partnership with them to improve service delivery and customer service. A Boston Consulting report says that smartphone users will equal bank accounts by 2020. This explains why banks and Fintech companies are falling over one another to attract customers by sprucing up their digital banking facilities. It is the Bank's core strategy to lead the digital wave and simplify banking for our customers by offering

products and enabling secure payments through effective use of technology.

The Bank has a robust balance sheet with strong capital levels, sustainable earnings and inherent value across its businesses. The Bank has always demonstrated its ability to spot emerging opportunities and execute strategies to capture them. I am optimistic about the future, being confident in our ability to turn challenges into opportunities. The Bank is well-positioned to leverage all eventualities for profitable growth and value creation. It will continue its commitment to being a partner in Pakistan's growth and development.

A key strength of the Bank is its depth of leadership talent, and the contribution and commitment of the employees. The management team under the leadership of the President is executing a focused strategy, leveraging existing strengths, and building new capabilities to stay ahead in the evolving environment. I deeply value and appreciate the commitment, dedication and hard work of the Bank's employees. It is their passion to do things passionately and their determination to act with integrity, which has made it possible for the Bank to live up to its values and deliver on the promise made to our stakeholders.

In line with our strategy of delivering superior results in a compliant manner, while taking care of our People and our Customers, 2019 has been declared as the '**Year of Happiness at Bank Alfalah**'. We realise that our workplace influences a large part of our lives, and as such we want to commit to making working at Bank Alfalah a truly memorable experience. We believe that by investing in and enriching the employee experience positively impacts both our productivity and our customer experience. This is the journey, which we believe will help us stand out and become an employer of choice.

I would like to take this opportunity to thank all our external and internal stakeholders especially Securities and Exchange Commission of Pakistan and State Bank of Pakistan for supporting us through one of our most challenging periods last year. We remain focused in our priorities and will continue to build a trusted, compliant and financially strong Bank, which will remain at the forefront to find new ways to secure the financial future of our customers in this fast changing world of today.

**HH SHEIKH NAHAYAN MABARAK AL NAHAYAN**

Abu Dhabi

21st February, 2019







# Directors' Report to the Shareholders

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Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Bank along with the audited financial statements and Auditors' report for the year ended December 31, 2018.

## Economic Review

The year 2018 saw some of the structural constraints of Pakistan economy come to the fore, which were magnified by the political noise associated with an election year. While the country saw a major positive of democratic continuity, economic challenges continued to grab the headlines.

Key data points announced during the year indicated that the country continued to observe high growth in FY18. Real GDP recorded a growth of 5.8%, highest in a decade, supported by manufacturing and service sectors which grew by 6.84% and 6.43%, respectively. This translated into average GDP growth of the last five years i.e. FY13 to FY18 clocking in at 4.8%, compared to 2.8% in FY08-13. Growth numbers for FY18 have subsequently been revised to 5.2%.

This growth momentum kept credit demand at elevated levels and credit to private sector increased by 16% YoY in FY18. Despite a likely slowdown in GDP growth during FY19, private sector credit has not shown signs of abating during Jun-Dec 2018, where provisional numbers reflect a 20% YoY growth.

The high growth phase seen in the economy during the last few years, has on the other hand resulted in stresses with the external account imbalance leading the way. Strong import growth to meet rising domestic consumption saw Pakistan's import bill grow at a CAGR of 10% over the last five years. In comparison, exports from Pakistan remained stagnant in the last few years due to multitude of factors, which resulted in compressing exports to only 9.4% of the GDP.

Rising domestic demand as well as soaring commodity prices further dented the external position in FY18, stretching country's trade deficit to US\$37.5bn. Capital inflows and worker remittances were insufficient to bridge the trade deficit, which resulted in depletion of Pakistan foreign exchange reserves, from US\$20.2bn at start of 2018 to US\$13.8bn by December 2018.

The impact of depletion of foreign exchange reserves was seen in monetary and currency market adjustments during the year. The cumulative interest rate hike during CY18 stood at 425 bps while the currency depreciated by 26% to PKR139.5/USD by year end. In addition, policy initiatives were also taken to encourage exports and discourage imports. The impact of the above was also seen in inflation,

which, as measured by the Consumer Price Index (CPI) increased to 6.2% for December 2018, compared to 4.6% for December 2017. Notable increase was seen in core inflation which increased from 5.5% to 8.4%.

Though inflationary pressures were by and large considered manageable, the depleting foreign exchange reserves amid Pakistan's upcoming debt repayments, has put Pakistan in a difficult situation. While structural reforms to address the deficiencies will require time, the new government was able to avert near-term pressures by bridging the shortfall via inflows from friendly countries, namely Saudi Arabia and UAE, while China also extended support in multiple forms.

In addition to cash deposits of US\$3bn each by Saudi Arabia and UAE, the two Middle Eastern countries are also considering to supply oil worth US\$3bn each to Pakistan on a deferred payment basis, which should provide meaningful respite to Pakistan's external accounts beginning CY19. While the immediate pressures were averted due to timely support from friendly countries, the next phase requires much-needed external account reforms.

Another area that requires immediate attention is the burgeoning fiscal deficit that has grown to 6.6% of GDP in FY18 (highest since FY14) from 5.8% in the previous year. The strain of higher current expenditures has been magnified by a slowdown in non-tax revenues, which can be traced to the absence of Coalition Support Fund (CSF) and lower markup/dividend income from PSEs. Tax revenues showed an increase of 13% YoY, but were lower than the target. As per provisional data for 1Q FY19, the deficit has not slowed down and is 1.4% of the GDP for the quarter. The incoming government has however announced a number of fiscal measures via two Addendums to the Finance Bill.

## Outlook

Going forward, the key talking point is likely to be the level of engagement between Pakistan and the IMF. Discussions with IMF have been underway since the government assumed power, but details have not been made public. While there is consensus on the perceived economic stability that will come with an IMF programme, views differ on the conditionalities vis-à-vis the government's economic goals and objectives.

Irrespective of the outcome of ongoing discussions with IMF, the upcoming twelve months are likely to be instrumental in shaping the medium term outlook for Pakistan's economy. With the election year behind us, the government has gradually laid down key pillars of its macro-economic framework with an emphasis on reindustrialisation and export push.



Results of some of the measures and adjustments will start reflecting more meaningfully in macro-economic data over the next few months, but the initial signs indicate that the steps are bearing nascent fruit. While GDP growth is likely to clock in the 3.5-4.5% range, policy decisions will be instrumental in depicting the government's desired equilibrium between stability and economic growth.

### **BANKING SECTOR REVIEW**

In 2018, despite economic challenges and political noise of an election year, Pakistan's banking sector continued exhibiting positive momentum on multiple fronts. Barring external factors impacting profitability, the banking sector received positive traction with gradual increase in spreads following several rounds of monetary tightening and stable capital adequacy.

Domestic deposits growth remained on lower side, clocking in at 8% YoY, the slowest deposit growth seen in the last decade. The latest available category wise data up to September 2018 however suggest that this could partially be due to a conscious effort by banks to focus on mix of deposits, as banks solicited lower cost transactional deposits and did not aggressively pursue higher-cost fixed deposits. CASA deposits depicted an increase of 12% YoY by September 2018, taking mix to 77.2%; 200bps higher YoY. Further, banking industry also faced multiple challenges in deposit generation due to accountability drive, slowdown in government payments and devaluation, where all of these resulted in liquidity erosion and depositors staying away from the banking system.

Gross advances of the sector witnessed another year of remarkable growth in 2018, increasing by 21% YoY, prompted by higher credit to private sector. This led to net Advance to Deposit Ratio (ADR) of the sector increasing to 56% in 2018, highest in last 6 years and marked a shift from investments to advances, capitalising the rising capital demand in the economy. Correspondingly, Investments to Deposits Ratio (IDR) receded to 56.7% as of end 2018 vs. 69.0% at the same time last year.

Asset quality of the banking sector witnessed nascent signs of strain, owing to economic challenges domestically, while devaluation of the currency inflated the stock of overseas NPL in PKR terms. Combination of the two saw the stock of outstanding NPLs increase by PKR44bn in first nine months of 2018. The vibrant loan growth, however, meant that the gross NPL ratio at 8.0% in September 2018 was materially better than the reading of 9.2% at the same time last year. More importantly, banks ensured that the coverage of increased NPL stock inched up further to 86%.

On the investments front, government securities continued to remain the dominant component of the investment pie, with a visible shortening of maturities seen during the year. Expectation of monetary tightening accompanied by gradual maturity of PIBs

shortened the duration of investments of the sector and skewed the concentration towards Treasury Bills.

On the profitability front, rising interest rates saw the sector record gradual increase in spreads. This helped offset the impact of maturity of higher yielding PIBs on net interest income. On the non-interest income front, the increased volatility in the forex market provided the banks an avenue of recording higher income from dealing in foreign currencies. While these emerged as positive contributors, the impact of the same on bottom line was countered by higher credit cost, as banks maintained the coverage ratios on the higher NPL stock mentioned above. Other headwinds to sector profitability emerged from lower capital gains, and also due to other extraordinary events impacting some industry players during the year.

On the regulatory front, few notable developments were introduction of 1) Deposit Protection Fund (DPF) and 2) Domestic Systematically Important Banks (DSIBs). While under the first initiative, all banks were mandated to deposit a certain percentage of their deposits into an Insurance/Protection Fund created by the SBP, the second revolved around increased minimum Capital Adequacy Requirements for banks designated as DSIB.

Going forward, the industry outlook will depend on how the economic landscape shapes up in light of policies of the new government. Path of interest rates might emerge as one of the key drivers, while government's fiscal needs and desired maturity profile of borrowing will shape the colour of the Bank's investment books, in terms of the split between shorter tenor T-Bills and longer tenor PIBs. As existing stock of PIBs mature and banks build fresh bond positions as and when the opportunity arises, capital and currency markets vibrancy will likely be bigger determinants of market related income for banks for most part of the year. Furthermore, reinstatement of 4% Super Tax with back dated impact and removal of the 1% p.a. reduction in the same announced earlier, would impact profitability for 2019. The banking sector has been singled out by the government by reinstating this levy and exempting other industries.

Government's focus towards reindustrialisation and export push carries positive undertones for both loan growth and trade related fee income, but the high interest rate environment will keep banks vary of asset quality pressures, especially in light of SBP looking to transition to a more conservative and forward looking provisioning regime in the near future.

### **THE BANK'S PERFORMANCE**

The Bank's performance for 2018 remained impressive as we closed the year delivering sound financial results.

The highlights of the financial results for 2018 are as follows:

	2018	2017
		(Restated)
<b>Financial Position</b>	Rupees in Millions	
Shareholders' Equity	75,647	65,800
Total Deposits	702,895	644,985
Total Assets	1,006,218	998,828
Advances – net	501,636	400,655
Investments – net	277,660	400,733
	<b>2018</b>	<b>2017</b>
		(Restated)
<b>Financial Performance</b>	Rupees in Millions	
Net Interest Income and Non-markup Income – continued operations	41,791	38,052
Non-markup Expenses – continued operations	24,365	24,963
Provisions and write offs (net) – continued operations	588	(616)
<b>Profit before Tax – continued operations</b>	<b>16,838</b>	<b>13,705</b>
<b>Profit after Tax</b>	<b>10,625</b>	<b>8,367</b>
Profit after tax – continued operations	10,150	8,166
Profit after tax – discontinuing operations	475	201
Basic Earnings per Share – Rupees	5.99	4.74
Diluted Earnings per Share - Rupees	5.98	4.72

The Bank recorded an impressive growth of 27% in profit after tax despite a challenging operating environment. The Bank's profit before taxation (from continued operations) for the year stands at Rs. 16.838 billion as against Rs. 13.705 billion last year, showing improvement of 22.9%. Profit after tax (from continued operations) is Rs. 10.150 billion as against Rs. 8.166 billion last year, improving by 24.3%. The total profit after tax of the Bank stands at Rs. 10.625 billion against Rs. 8.367 billion, improving by 27.0%. This translates into an EPS of Rs. 5.99 per share (2017: Rs. 4.74 per share).

On the revenue front, net markup income and non-markup income from continued operations show combined growth of 9.83%. The Bank was able to overcome the pressure on net interest income (NII) due to the maturities of high yielding bonds through growth in overall average earning assets and improved spreads. Non-funded income stood at Rs. 10.200 billion, an increase of 12.39% over the corresponding period last year, led by strong growth in foreign exchange income, fee businesses as well as dividend income.

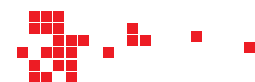
Total non-mark up expenses (from continued operations) were reported at Rs. 24.365 billion as against Rs. 24.964 billion last year, declining by 2.4%. This is after taking an impact of branch expansion and

investment in IT infrastructure, digital channels, deposit protection premium along with inflationary adjustments and PKR devaluation at the latter part of the year. Excluding the one-offs in 2017 and 2018, the operating expenses remained flat.

The Bank's profit from discontinuing operation has increased from Rs. 201.064 million to 474.952 million and includes reversal of provision amounting to Rs. 443.898 million (USD3.949 million), previously held against amount blocked in the Bank's Nostro account following settlement of dispute, and release of funds in favour of the Bank.

The Bank achieved robust growth in its retail and corporate businesses, across lending and deposit-taking. The Bank's gross advances portfolio increased impressively by Rs. 100.981 billion, i.e. 25.20% year on year. The Bank's strategy is to acquire high quality credit while maintaining an efficient risk weighted assets (RWA) profile. The Bank has managed to adequately cover its non-performing advances of Rs. 18.822 billion. Our NPL ratio has improved to 3.6% as compared to 4.2% last year, and continues to remain one of the lowest infection ratios in the industry. As at December 2018, the Bank's provision coverage stands at 84.39%. These ratios incorporate the impact of subjective provisioning taken by the Bank based on prudence.





We continue to carry a diversified deposit mix on the balance sheet with improved concentration levels. This buildup in the core deposit levels, positions the Bank ideally to maximise on the yield upside in its net earnings as interest rates trend upwards. Our focus throughout the year remained on improving our deposit profile and managing spreads. Total Deposits were reported at Rs. 702.895 billion as against Rs. 644.985 billion reported last year mainly led by growth in current accounts by 11.07%. At the year end, our gross advances to deposits ratio stands at 73.8%, and remains an indicator where Bank maintains a lead in the industry.

On the investments side, following the significant maturity of PIBs, the investment mix shifted towards Treasury Bills. Investments (net) have been reported at Rs. 277.660 billion as against Rs. 400.733 billion reported last year.

As at December 31, 2018, the Bank remains adequately capitalised as outlined in the section on Capital Structure below.

### **SUBSIDIARY COMPANIES**

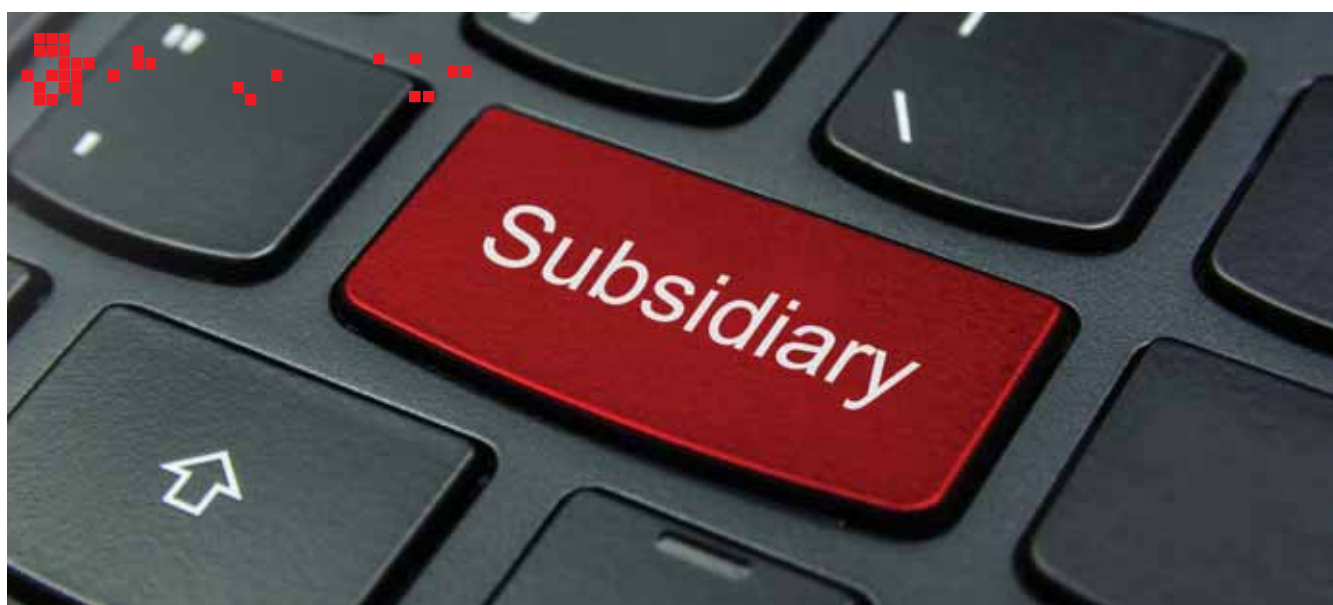
Bank Alfalah posted consolidated profit after tax (PAT) of Rs. 10.991 billion for the year ended December 31, 2018 (2017: Rs. 8.613 billion). Earnings per share (EPS) was measured at Rs. 6.20 in comparison to Rs. 4.88 for the corresponding period last year.

The Bank has 97.91% shareholding in Alfalah Securities (Private) Limited, which is engaged in the business of stock brokerage, investment consultancy and fund placements. During the year, CLSA JV Holdings Limited and Bank Alfalah Limited entered into a strategic partnership in Pakistan that will leverage Alfalah Securities' market leading position and CLSA's award-winning research and outstanding client base of global institutional investors. According to the agreement, CLSA JV and other investors, subsequent to the year-end have acquired shares in Alfalah Securities by way of right issue diluting the Bank's holding to 62%

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

### **Performance of Subsidiaries**

The Asset Under Management (AUMs) of Alfalah GHP Investment Management Limited increased from Rs. 25.59 billion to Rs. 31.12 billion; or up 21% YoY. The industry AUMs of open end mutual funds meanwhile increased from Rs. 541 billion to Rs. 552 billion i.e. 2% during the year. The Company has earned gross revenue amounting to Rs 470 million as compared to Rs. 539 million last year. AUMs in high fee earning equity and equity related funds declined due to bearish stock market resulting in pressure on stock funds both from redemption and revaluation losses. On the other hand due to high interest rates, money market and fixed income funds became more attractive. The profit after tax amounted to Rs. 164 million as compared to Rs. 165 million last year. The bottom line remained intact due to cost control on discretionary expenses and prior year's tax benefit. Alfalah Securities earned an operating revenue of Rs. 130.807 million as compared to Rs. 192.867 million for the corresponding period. The company posted before and after-tax loss of Rs. 62.123 million and Rs. 75.556 million respectively as compared to before and after-tax profit of Rs. 31.043 million and Rs. 19.536 million respectively for the corresponding period. The loss per share for the year stood at Rs. 3.02 as compared to profit per share of Rs. 0.33 for the corresponding period. The main reason for decline in revenue and earnings were persistent low market volumes at local bourses and negative sentiment among the investors throughout the year. The focus of the Company in the upcoming year will be on earnings growth through capturing market share, as investor sentiment recovers. The partnership with CLSA should work well to achieve this target.



## BONUS SHARES AND DIVIDEND

The Directors have recommended final payment of Cash Dividend of Rs. 1.50 per share (15%) for the year ended 31st December, 2018, subject to approval of the shareholders in the upcoming annual general meeting, bringing the total cash dividend for the year to Rs. 2.50 per share. The Board had earlier declared and paid interim cash dividend of Rs. 1.00 per share. The Board had also declared interim stock dividend of 10% i.e. 10 shares for every 100 shares held.

## ASSETS HELD FOR SALE

During 2017, the Board accorded its in-principle approval and authorised the management of the Bank to explore the possibility to sell the Afghanistan Operations of the Bank to the potential buyer, subject to obtaining all regulatory approvals, in compliance with applicable laws and regulations in the matter.

In Q2 2018, the Bank signed a Business Transfer Agreement with the potential buyer for the sale of the Afghanistan Operations and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the Central Bank in Afghanistan. The DAB has raised some queries on the application which the Bank and the potential buyers are in the process of responding.

Resultantly, all assets and liabilities and income and expense for the Bank's Afghanistan Operations are presented as a separate line items on the balance sheet as Assets and Liabilities Held for Sale and Profit after Taxation from discontinuing operations respectively, rather than as part of actual line items under which they were being reported historically. The details have been given in note 21 to the unconsolidated financial statements.

## CREDIT RATING

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

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

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

## CORPORATE GOVERNANCE

The Bank is in compliance with the significant requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed as part of the Annual Report.

The Directors are pleased to give the following statements required under Chapter XIII - Reporting and Disclosure of the aforementioned Regulations:

1. The total number of directors are nine as per the following:
  - i. Male Eight
  - ii. Female One
2. The composition of the Board is as follows:
  - i. Independent Directors Three
  - ii. Other Non-executive Directors Five
  - iii. Executive Director One
3. The Board from time-to-time establishes committees to discharge its responsibilities. For each board committee, the Board adopts a formal Terms of Reference (ToRs) setting out the matters relevant to the composition, roles, functions, responsibilities and administration. The following committees have been constituted by the Board:
  - i. Board Audit Committee
  - ii. Board Strategy and Finance Committee
  - iii. Board Risk Management Committee
  - iv. Board Human Resource, Remuneration and Nomination Committee
  - v. Board Information Technology Committee [new committee formed in 2018]
  - vi. Board Compensation Committee

For committees' members and ToRs, please refer the Corporate Governance Section of Annual Report.

4. The Directors' fee structure was approved by the members in annual general meeting held on March 29, 2012, whereas payout is approved on post facto basis every year by the members, as required by SBP Prudential Regulations. The new code requires a formal policy which is in the process of being formulated and shall be in place in due course. The required disclosure regarding Directors' fee form part of note 41 of the unconsolidated financial statements.

As a matter of best practice, the Directors are pleased to give the following statements:

- a) The financial statements, prepared by the management, present fairly the state of affairs of the Bank, the result of its operations, cash flows and changes in equity;



- b) Proper books of accounts of the Bank have been maintained;
- c) Appropriate accounting policies, as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts about the Bank's ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance;
- h) Summarised key operating and financial data of last six years has been presented as part of the Annual Report;
- i) The number of Board and Board Committee meetings held during the year 2018 and the attendance by each director was as follows:

Name of Director	Board of Directors	Board Audit Committee	Board Strategy and Finance Committee	Board Human Resources and Nominations Committee	Board Risk Management Committee	Board Information Technology Committee	Board Compensation Committee
No. of Meetings held during the year	6	7	5	5	5	2	1
HH Sheikh Nahayan Mabarak Al Nahayan	5	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	6	7	5	5	5	2	1
Mr. Khalid Mana Saeed Al Otaiba	6	7	5	5	5	2	1
Mr. Efstratios Georgios Arapoglou	6	7	5	N/A	3	2	N/A
Mr. Shehzad Naqvi*	4	4	3	3	3	N/A	N/A
Dr. Ayesha Khan*	3	4	N/A	3	N/A	N/A	N/A
Dr. Gyorgy Tamas Ladics*	3	N/A	N/A	3	N/A	2	N/A
Mr. Nauman Ansari	6	N/A	5	N/A	5	2	N/A
Mr. Kamran Y. Mirza (Ex-Director) **	2	3	N/A	2	N/A	N/A	1
Mr. Khalid Qurashi (Ex-Director) **	1	N/A	1	N/A	1	N/A	N/A

\* Directors elected and appointed during the year.

\*\* The directors retired/resigned during the year.

- j) As at December 31, 2018, the Bank is compliant in respect of the Director's training requirement provided in the Code of Corporate Governance;
- k) The pattern of shareholding is attached as part of this Annual Report;
- l) There are no loans, TFCs, sukuks or any other debt instruments in which the Bank is in default or likely to default; and
- m) Trading pattern in the shares of the Bank, by directors, executives, their spouses and minor children have been disclosed as part of the Annual Report.

## RISK MANAGEMENT


During the course of the year, Bank Alfalah continued to further strengthen its risk management framework. This includes automation, refinement of credit approval process and implementation of Centralised Loan

Origination System for UAE Operations too. The Bank has implemented IFRS 9 in its UAE, Afghanistan and Bahrain operations.

Owing to its branch-led model, robust credit underwriting criteria and strong collection framework, the Bank has maintained lower infection ratio than industry average, while at the same time maintaining a strong growth trajectory in advances. The Bank was also selected as sample bank by the Regulator under the D-SIB (Domestically Systematically Important Bank) and it stands complied with enhanced supervisory requirements. In addition, Bank also completed the quantitative and qualitative impact assessment of IFRS 9 for Pakistan Operations.

## Capital Structure of the Bank

The Bank remained a well-capitalised institution with a capital base well above the regulatory limits and Basel capital requirements.



The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. The Bank's total Capital Adequacy Ratio is 14.95% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio, which comes to 10.90% against the requirement of 6.00%. The Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.5 % of the total RWA, to be maintained in the form of Common Equity Tier 1 by the year end 2019. The Bank's adequate capitalisation also resulted in a leverage ratio of 5.64%, which is above the regulatory limit of 3.0%.

#### **Information Security**

Information security is a key risk for the financial industry amid growing cyber security threats and events across the globe. Information security mitigates risks to the Bank's technology assets by developing IT security baselines for IT solutions that support products and services. Additionally, significant developments with respect to the cyber security action plan took place during the year, including further strengthening our resilience and defence capabilities through monitoring of threats and vulnerabilities via 24/7 Security Operations Centre.

#### **Compliance Risk**

Bank Alfalah has been committed to enhance its compliance area across the network, including overseas operations. Compliance and Control Group of the Bank comprises three divisions i.e. Compliance, Internal Control and Fraud Risk Management Unit. Following the global and local regulatory focus on AML/CFT and sanctions, the Compliance and Control Group has a major participation in the meetings of Board Audit Committee. The committee is monitoring an approved Compliance Action Plan, compliance affairs of local and

overseas operations, and matters pertaining to regulatory concerns.

#### **FORWARD LOOKING STATEMENT**

2018 has been a rewarding year for us at Bank Alfalah across many spectrums. We continued on our journey of delivering sustainable and solid financial results. During the year, Bank Alfalah won the 'Best SME Bank' award as well as the 'Best Customer Franchise' award, for the third year running, at the Pakistan Banking Awards. These awards are a testament to our continued commitment and dedication towards our customers and stakeholders. The SME Award is particularly special as SMEs represent one of the most underserved market segment in the country.

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

In line with our mission, we seek to be the preferred bank for our customers and will always look to put our customers and their needs first. We are also committed to providing the best workplace environment for our employees by living our values and by enriching the employee experience. To this end, 2019 has been declared as the 'Year of Happiness' at Bank Alfalah. It is ultimately through our employees that we will be able to achieve our mission.







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

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

- Decisions on Discount Rate/Monetary policy;
- Revisions to rate of returns on deposits;
- Geo-political risks and uncertainties across the geography that we operate in;
- Law and order situation;
- Local government rules and regulations;
- Inflation, fuel and general commodity prices; and
- Corporate taxation measures.

The Bank's Risk Management Group performs stress testing against various pre-determined scenarios to analyse potential losses and to determine whether the Bank has enough capital to withstand the impact of adverse economic developments. The results of such tests has showed that the Bank has adequate capital, liquidity and profitability to bear such losses.

### INTERNAL CONTROLS

The Board considers Sound Control Framework as a key to sustainable growth and vehicle for Value Creation. In accordance with the Board's Vision and in line with SBP and SECP guidelines, the management has been continuously striving for implementing a Comprehensive Governance and Control Framework to ensure efficiency and effectiveness of operations, compliance with legal requirements and reliability of financial reporting. Adequate systems, processes and controls have been put in place to identify and

mitigate the risk of failure to achieve the overall objectives of the Bank.


The Bank has a dedicated Internal Control Division (ICD), which, through its regular onsite field visits and offsite thematic reviews, facilitates the management in timely identification and resolution of the key control/ compliance risk exposures, which can affect the Bank adversely. The ICD helps management to ensure that the Bank's operations are carried out as per the defined procedures; transactions are recorded on timely manner; financial and management reporting is accurate, reliable and complete; and that the Bank is compliant with the applicable laws, Regulations and Policies. Showing commitment to culture focusing on controls improvement, in 2018, under the guidance of the Board, ICD also introduced a Comprehensive Grading Framework for identification and quantification of different types of control risk exposures, which would help management in developing strategies to mitigate those control gaps with focused and targeted approach. Besides ICD, Compliance Division and Risk Management Division are also an integral part of BAFL Control Framework, helping the management in improving controls.

Existing policies and procedures are reviewed on a regular basis and improved from time to time, when required. The Board has constituted its sub-committees for oversight of the overall Risk Management Framework, Finance and Strategy, which meet at regular intervals to ensure adequacy of governance.

The Board also obtains regular independent opinion over control health of the Bank through an independent and well-functioning Audit and Inspection Setup, which is reporting to the Board through Board Audit Committee. Remedial Actions are advised and followed up for implementation against the control breaches by Board Audit Committee as well.







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

### **CORPORATE SOCIAL RESPONSIBILITY**

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

We are firm in our commitment to operate within an ethical framework, while contributing to socio-economic development. As we continue to build responsible business practices across the Bank, we ensure that we capture every opportunity deepening the impact of our Corporate Social Responsibility and philanthropic footprint. During the year, the Bank has paid charitable donation amounting to Rs. 36.594 million to different educational and charitable institutions, including Rs. 8.650 million to Supreme Court Diaper Bhasha and Mohmand Dam Fund. The staff of the Bank has also contributed their one day salary towards the Dam Fund.

As a Bank, we are focused on energy conservation initiatives and providing sustainable finance. We work to improve the communities around us, especially within the health and education sectors.

### **EXTERNAL AUDIT**

Based on the consent received from the Bank's existing auditors M/s EY Ford Rhodes & Co., Chartered Accountants, to continue to act as auditors of the Bank, if so appointed. The Audit Committee has suggested their name to be appointed as external auditors of the Bank for the next year.

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

### **ACKNOWLEDGEMENT**

On behalf of the Board, we would once again like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Ministry of Finance and other regulatory authorities for their continuous guidance and support. At the same time, we would like to express our gratitude to our shareholders, our customers, business partners and the Bank's staff for their continued patronage.

Our values are to put our customers and their needs front and centre, to achieve good results, but to do so in a way that treats all of our stakeholders – employees, customers, regulators and shareholders – in a fair and

transparent way. This we believe is the RIGHT WAY and will continue to govern our actions.

We expect the Pakistan economy to show reasonable growth in 2019, helped by recovering consumer confidence, improving investment environment and trade. We look forward to seeing 2019 as a prosperous year for Pakistan and Bank Alfalah.

**Nauman Ansari**  
President and  
Chief Executive Officer

**Shehzad Naqvi**  
Director

Bank Alfalah  
21st February, 2019  
Abu Dhabi



## کارپوریٹ سماجی ذمہ داریوں کی ادائیگی

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

ہم پختہ عزم کے ساتھ اخلاقی فریم ورک کے دائرے میں رہتے ہوئے سماجی و معاشی ترقی میں اپنا بھرپور کردار ادا کر رہے ہیں۔ ہم بینک میں ذمہ دارانہ کاروباری عمل کو جاری رکھتے ہوئے یقینی بناتے ہیں کہ ہم نہ ہر موقع سے فائدہ اٹھا یا ہے جس سے ہمارے کارپوریٹ سوشل رسپانسیبلٹی اور فاعی کاموں کے اثر کو بڑھانے میں مدد ملے۔ سال کے دوران بینک نے 36,594 ملین روپے کی رقم مختلف تعلیمی اور خیراتی اداروں کو عطیہ کی ہے، بشمول 8,650 ملین روپے سپریم کورٹ دیامر، بھاشا اور مہمند ڈیم فنڈ۔ بینک کے عملے نے بھی اپنی ایک دن کی سیلری ڈیم فنڈ میں عطیہ کی ہے۔

بطور بینک ہم انرجی کنزرویشن اقدامات اور پائیدار فنانس کی فراہمی پر توجہ دے رہے ہیں۔ ہم اپنے اردگرد موجود کمیونٹی کے حالات بہتر بنانے کیلئے کام کر رہے ہیں، خصوصاً صحت اور تعلیم کے شعبے میں۔

### ایکسٹرنل آڈٹ

بینک کے موجودہ آڈیٹرز میسرز ای وائی فورڈ روڈز اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے بینک کے آڈیٹرز کے طور پر کام جاری رکھنے کی رضامندی کی بنیاد پر انہیں نامزد کیا جاسکتا ہے۔ آڈٹ کمیٹی نے اگلے سال کیلئے ان کا نام بطور ایکسٹرنل آڈیٹرز نامزد کیا ہے۔

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

### اظہار تشکر:

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

ہم اپنی اقدار کے مطابق اپنے کسٹمر کی ضروریات کو پورا کرنے کیلئے کوشاں ہیں تاکہ بہتر نتائج ملیں اور ہمارے اسٹیٹ ہولڈرز، عملہ، کسٹمر، ریگولیٹرز اور شیئر ہولڈرز بھی مطمئن ہوں۔ ہمیں یقین ہے کہ یہی درست راستہ ہے اور اس پر چلتے ہوئے ہی ہمارے اقدامات موزوں طریقے سے لاگو ہوں گے۔

ہمیں توقع ہے کہ پاکستانی معیشت 2019 میں بہتر نمونہ نظر آئے گی، جس سے صارفین کا اعتماد، سرمایہ کاری اور تجارتی ماحول میں بہتری آنے میں مدد ملے گی۔ ہم 2019 کو پاکستان اور بینک الفلاح کی خوشحالی کے سال کے طور پر دیکھتے ہیں۔

شہزاد تقوی

ڈائریکٹر

نعمان انصاری

صدر اور چیف ایگزیکٹو آفیسر

بینک الفلاح

21 فروری 2019

مقام: ابوظہبی

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

- ڈسکاؤنٹ ریٹ / مانیٹری پالیسی کے حوالے سے فیصلے

- ڈیپازٹس کی شرح منافع پر نظر ثانی

- جہاں ہم آپریٹ کرتے ہیں وہاں کے خطے میں جیو پالیٹیکل خطرات اور غیر یقینی صورتحال

- امن و امان کی صورتحال

- مقامی حکومت کے قوانین

- افراط زر، فیول اور عام اجناس کی قیمتیں

- کارپوریٹ ٹیکسیشن کے پیمانے

بینک کا رسک منیجمنٹ گروپ مختلف پیشگی تعین کردہ صورتحال میں اسٹرس ٹیسٹنگ کرتا ہے تاکہ ہونے والے ممکنہ نقصانات کا تجزیہ کیا جاسکے اور بینک کے پاس مناسب سرمائے کا تعین کرنا تاکہ برے معاشی حالات کا سامنا کر سکے۔ ایسی جانچ کے نتائج نے ظاہر کیا کہ ایسے نقصانات کو برداشت کرنے کیلئے بینک کے پاس مناسب کیپٹل، لیکوئڈٹیٹی اور منافع کمانے کی اہلیت موجود ہے۔

### اندرونی کنٹرول

بورڈ کی نظر میں پائیدار نمو اور قدر بنانے کیلئے بہترین کنٹرول فریم ورک ضروری ہے۔ آپریشنز کی کارکردگی بڑھانے اور انہیں مؤثر بنانے، قانونی تقاضوں سے مطابقت اور فنانشل رپورٹنگ کا قابل بھروسہ ہونے کو یقینی بنانے کیلئے بورڈ کے فہم اور SBP اور SECP کی ہدایات کے مطابق منیجمنٹ جامع گورننس اور کنٹرول فریم ورک کے اطلاق کیلئے کوشاں ہے۔ بینک کے مجموعی اہداف حاصل کرنے کے لیے ناکامی کے خدشات کی نشاندہی اور ان سے نمٹنے کے لیے موزوں سسٹمز، پراسیسز اور کنٹرولز نافذ کیے گئے ہیں۔

بینک کا مخصوص انٹرنل کنٹرول ڈپارٹمنٹ ہے۔ یہ منیجمنٹ کو بروقت اہم کنٹرول رسک مسائل جو بینک پر برے اثرات مرتب کر سکتے ہیں، باقاعدگی سے آن سائٹ فیلڈ وزٹ اور آف سائٹ تھمپٹک ریویوز سے ان کی نشاندہی اور انہیں حل کرنے میں معاونت کرتا ہے۔ آئی سی ڈی منیجمنٹ کی مدد کرتے ہوئے یقینی بنانا ہے کہ بینک کے آپریشنز طے کردہ طریقوں سے مکمل ہونے ہیں، تمام فنانشل ٹرانزیکشنز بروقت ریکارڈ ہوئیں ہیں، فنانشل اور منیجمنٹ رپورٹنگ درست، قابل بھروسہ اور مکمل ہے اور بینک لاگو قوانین، ریگولیشنز اور پالیسیز سے ہم آہنگ ہے۔ 2018 میں کنٹرولز میں بہتری پر توجہ دینے کا عزم کیا گیا۔ مختلف نوعیت کے کنٹرول رسک ایکسپوزر کی شناخت اور تعداد کیلئے بورڈ کی رہنمائی میں آئی سی ڈی نے جامع گریڈنگ فریم ورک متعارف کروایا جس سے منیجمنٹ کو کنٹرول کے مسائل کو حل کرنے کیلئے حکمت عملی ترتیب میں مدد ملے گی۔ آئی سی ڈی کے ساتھ کمپلائنس ڈویژن اور رسک منیجمنٹ ڈویژن بی اے ایف ایل کنٹرول فریم ورک کا لازمی حصہ ہیں اور منیجمنٹ کو کنٹرولز کو بہتر بنانے میں معاونت کرتے ہیں۔

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

کنٹرول ہیلتھ کے حوالے سے بینک آزاد اور فعال آڈٹ اور انسپکشن سیٹ اپ کے ذریعے باقاعدگی سے غیر جانبدار مؤقف حاصل کرتا رہتا ہے جو بورڈ آڈٹ کمیٹی کے ذریعے بورڈ کو جوابدہ ہے۔ کنٹرول کی خلاف ورزی کے مسائل کے حل کیلئے بورڈ آڈٹ کمیٹی کی جانب سے تجاویز حاصل کی جاتی ہیں اور ان کے اطلاق کیلئے نگرانی کی جاتی ہے۔

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



Name of Director	Board of Directors	Board Audit Committee	Board Strategy and Finance Committee	Board Human Resources and Nominations Committee	Board Risk Management Committee	Board Information Technology Committee	Board Compensation Committee
No. of Meetings held during the year	6	7	5	5	5	2	1
HH Sheikh Nahayan Mabarak Al Nahayan	5	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	6	7	5	5	5	2	1
Mr. Khalid Mana Saeed Al Otaiba	6	7	5	5	5	2	1
Mr. Efstratios Georgios Arapoglou	6	7	5	N/A	3	2	N/A
Mr. Shehzad Naqvi*	4	4	3	3	3	N/A	N/A
Dr. Ayesha Khan*	3	4	N/A	3	N/A	N/A	N/A
Dr. Gyorgy Tamas Ladics*	3	N/A	N/A	3	N/A	2	N/A
Mr. Nauman Ansari	6	N/A	5	N/A	5	2	N/A
Mr. Kamran Y. Mirza (Ex-Director) **	2	3	N/A	2	N/A	N/A	1
Mr. Khalid Qurashi (Ex-Director) **	1	N/A	1	N/A	1	N/A	N/A

\*Directors elected and appointed during the year.

\*\* The directors retired/resigned during the year.

سیکیورٹی بینکنگ انڈسٹری کے لئے اہم خطرہ ہے۔ آئی ٹی سیکیورٹی کی بیس لائن تیار کر کے بینک کی ٹیکنالوجی ایسیسٹنس سے انفارمیشن سیکیورٹی خطرات میں کمی آئی ہے جو پروڈکٹس اور سروسز کی معاونت کرتی ہے۔ سال کے دوران سائبر سیکیورٹی ایکشن پلان کے حوالے سے اہم پیش رفت مسائل کو حل کرنے اور حفاظتی صلاحیت کو سیکیورٹی آپریشنز سینٹر میں خطروں اور قابل ہدف ہونے کی مانیٹرنگ کے ذریعے مزید مضبوط بنانے کی۔

**کمپلائنس رسک**  
بینک الفلاح پورے نیٹ ورک بشمول اوور سیز آپریشنز میں کمپلائنس میں اضافے کیلئے پرعزم ہے۔ بینک کے کمپلائنس اور کنٹرول گروپ تین حصوں جیسے کمپلائنس، انٹرنل کنٹرول اور فراڈ رسک مینیجمنٹ یونٹ پر مشتمل ہے۔ عالمی اور مقامی ریگولیٹری توجہ کے مطابق AML / CFT پابندیوں پر توجہ دی ہے، بورڈ آڈٹ کمیٹی کی مانیٹرنگ میں کمپلائنس اور کنٹرول گروپ کی اہم شرکت ہوتی ہے۔ کمپلائنس ایکشن پلان، مقامی اور اوور سیز آپریشنز کے کمپلائنس کے معاملات اور ریگولیٹری کے حوالے سے معاملات کی کمیٹی مانیٹرنگ کرتی ہے۔

**آگے بڑھنے کا عزم**  
بینک الفلاح کیلئے 2018 کا سال کئی لحاظ سے کامیابیوں کا سال ہے۔ اس سال ہم نے دیرپا اور مضبوط مالی نتائج کی فراہمی کا سلسلہ جاری رکھا۔ بینک الفلاح نے پاکستانی بینک ایوارڈ حاصل کئے، جن میں "بیسٹ SME بینک" ایوارڈ اور "بیسٹ کسٹمر فرینڈز" ایوارڈ شامل ہیں۔ یہ ایوارڈ ہمارے کسٹمرز اور اسٹیک ہولڈرز کے حوالے سے ہمارے عزم اور محنت کا منہ بولتا ثبوت ہیں۔ SME ایوارڈ خاص طور پر اہم ہے کیونکہ ایس ایم ایز کو ملک میں سب سے کم توجہ دی جانے والے مارکیٹ کا حصہ سمجھا جاتا ہے۔

بینک الفلاح پائیدار نمو اور شینر ہولڈر کی طویل مدتی قدر بنانے کیلئے کوشاں ہے۔ ہم ڈیجیٹل بینکنگ، ٹیکنالوجی انفراسٹرکچر، افرادی قوت اور کمپلائنس اور کنٹرولز کو مضبوط بنانے کیلئے سرمایہ کاری جاری رکھیں گے۔ اس کے ساتھ ساتھ ہم کم لاگت کی ڈیپازٹ بیس بنانے، رسک ایسٹنس کے سرمائے پر منافع میں بہتری، بینکنگ بک سے منافع میں اضافہ کرنا اور بینک میں ہونے والے اخراجات پر نظم و ضبط قائم کرنے پر توجہ جاری رکھیں گے۔ پچھلے سال انٹرسٹ ریٹ میں مناسب خطرہ اور کریڈٹ کے مسائل کا خطرہ بڑھا، اس کو دیکھتے ہوئے ہم محتاط مینیجمنٹ پریکٹسز اور لون بک کو بہتر طریقے سے دیکھیں گے۔

ہم اپنے کسٹمرز کیلئے ان کا ترجیحی بینک بننے کیلئے کوشاں ہیں اور ہمارے کسٹمر اور ان کی ضروریات کو پورا کرنا ہمیشہ ہماری ترجیح رہے گی۔ اپنی اقدار اور ملازمت میں بہتر مواقع فراہم کر کے ہم اپنے ملازمین کو کام کا بہترین ماحول فراہم کرنے کے حوالے سے پرعزم ہیں۔ بینک الفلاح نے 2019 کو "خوشیوں کا سال" قرار دیا ہے۔ اپنے ملازمین کے ذریعے ہم اپنے مشن کو حاصل کرنے کے قابل ہوں گے۔

10. 31 دسمبر 2018 کی مدت کے اختتام پر بینک کو ڈ آف کارپوریٹ گورننس کے تحت ڈائریکٹرز کی تربیت کا تقاضہ بھی پورا کر چکا ہے۔

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

12. بینک کسی بھی قسم کے قرض، ٹی ایف سیز، سکوک یا دیگر قرضوں کے کسی دوسرے انسٹرومنٹ کا نابدندہ نہیں ہے اور اس کی نابدندگی کا کوئی خدشہ نہیں ہے۔

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

### رسک مینیجمنٹ

سال کے دوران بینک الفلاح نے اپنا رسک مینیجمنٹ فریم ورک مزید مضبوط کیا۔ مکمل خود کاری عمل کے تحت کریڈٹ کی منظوری کا عمل بہتر بنایا گیا اور یو اے ای کیلئے بھی سینٹرلائزڈ لون اور جینیٹیشن سسٹم کا اطلاق شامل ہے۔ بینک نے یو اے ای، افغانستان اور بحرین آپریشن کیلئے IFRS 9 لاگو کیا ہے۔

اپنے برانچ لیڈ ماڈل اور مضبوط کریڈٹ دینے کے معیار اور مضبوط کلیکشن فریم ورک کے ساتھ بینکوں کے مقابلے میں بینک کی سب سے کم انفیکشن شرح ہے۔ اس کے ساتھ ساتھ ایڈوانسز میں بہتر نمو کو برقرار رکھا گیا ہے۔ بینک کو (D-SIB) ڈومیسٹک سسٹمیٹک امپورٹنٹ بینک کے تحت ریگولیٹری کی جانب سے بینک کو منتخب کیا گیا ہے اور بینک نے وسیع نگرانی کی ضروریات کو پورا کیا ہے۔ بینک نے پاکستان آپریشنز کیلئے IFRS 9 کی کوائٹیٹیو اور کوالٹیٹیو امپیکٹ اسسمنٹ کو مکمل کیا ہے۔

### بینک کے سرمائے کی ساخت

بینک معقول سرمایہ رکھنے والا ادارہ ہے، جس کا کیپٹل بنیادی ریگولیٹری حد اور Basel کیپٹل ضروریات سے زیادہ ہے۔ بینک مناسب منافع برقرار رکھنے کی پالیسی کو جاری رکھے ہوئے ہے تاکہ اس کی رسک برداشت کرنی کی صلاحیت میں اضافہ ہو۔ بینک کی کل کیپٹل موزون شرح درکار % 11.90 کے مقابلے میں % 14.95 ہے (بشمول % 1.90 کیپٹل کنزرویشن بفر)۔ بینک کی عام ایکوٹی (CET1 Tier-1) میں کل رسک ویٹڈ ایسٹنس کی شرح سے سرمائے کا معیار ظاہر ہے جو درکار % 6.00 کے مقابلے میں % 10.90 ہے۔ RWA کی کل % 2.5 کیپٹل کنزرویشن بفر (CCB) پورا کرنے کے لئے بینک کی کیپٹل بیس کافی محفوظ ہے جو سال 2019 کے آخر میں کیپٹل ایکوٹی Tier 1 کی صورت میں برقرار رکھا جائے گا۔ بینک کے معقول سرمائے کا نتیجہ % 5.64 شرح ہے جو ریگولیٹری حد % 3.0 سے زیادہ ہے۔

### انفارمیشن سیکیورٹی

انفارمیشن سیکیورٹی تھریٹس اور دنیا بھر میں واقعات کی وجہ سے انفارمیشن



## فروخت کیلئے پیش کردہ اثاثے

2. بورڈ کی کمپوزیشن مندرجہ ذیل ہے:

- i. انڈیپنڈنٹ ڈائریکٹرز تین
- ii. دیگر نان ایگزیکٹو ڈائریکٹرز پانچ
- iii. ایگزیکٹو ڈائریکٹرز ایک

3. بورڈ اپنی ذمہ داریوں سے سبکدوش ہونے کیلئے وقتاً فوقتاً کمیٹیز قائم کرتا ہے۔ ہر بورڈ ہر کمیٹی کیلئے تشکیل، قوانین، عمل، ذمہ داریوں اور ایڈمنسٹریشن سے متعلق معاملات کے حوالے سے بورڈ ٹرم آف ریفرنس (ToR) اختیار کرتا ہے۔ بورڈ کی جانب سے مندرجہ ذیل کمیٹیز تشکیل دی گئی ہیں:

- i. بورڈ آڈٹ کمیٹی
- ii. بورڈ اسٹریٹیجی اینڈ فنانس کمیٹی
- iii. بورڈ رسک منیجمنٹ کمیٹی
- iv. بورڈ ہیومن ریسورس، ریمونیریشن اینڈ نونمیشن کمیٹی
- v. بورڈ انفارمیشن ٹیکنالوجی کمیٹی (نتی کمیٹی 2018 میں تشکیل پائی)
- vi. بورڈ کمپنیشن کمیٹی

کمیٹی ممبرز اور ToR کیلئے برائے مہربانی سالانہ رپورٹ دیکھیں۔

4. ڈائریکٹرز کا فیس اسٹریکچر 29 مارچ 2012 کو ہونے والے سالانہ اجلاس عام میں منظوری کیا گیا۔ ممبرز کی جانب سے ہر سال پوسٹ فیکٹو بیس پر ادائیگی کی منظوری ایس بی بی پروڈینشل ریگولیشنز کے مطابق دی جاتی ہے۔ نئے کوڈ کو فارمل پالیسی کی ضرورت ہے جو تشکیل کے مرحلے میں ہے اور مناسب وقت پر پیش کی جائے گی۔ ڈائریکٹرز فیس فارم کے انکنسولڈیٹڈ فنانشل اسٹیٹمنٹس کے 41 نوٹ کا حصہ ہے۔

بیسٹ پریکٹسز کیلئے ڈائریکٹرز کی جانب سے مندرجہ ذیل بیان دیا جا رہا ہے:

1. بینک کی انتظامیہ کی جانب سے مرتب کردہ فنانشل اسٹیٹمنٹس، بینک کے معاملات کی درست عکاسی کرتے ہیں جن میں بینک کے آپریشنز، کیش فلو اور ایکویٹی میں ہونے والی تبدیلی سے متعلق تفصیلات بھی شامل ہیں۔
2. بینک کے اکاؤنٹس (حسابات) کی درست کتابیں مرتب کی گئی ہیں۔
3. فنانشل اسٹیٹمنٹس مرتب کرنے میں متعلقہ اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے اسٹیٹمنٹس مناسب اور مؤثر فیصلوں پر مبنی ہیں۔
4. فنانشل اسٹیٹمنٹس کی تیاری میں پاکستان کے بینکوں پر لاگو ہونے والے عالمی فنانشل رپورٹنگ معیارات کی پاسداری کی گئی ہے۔

5. انٹرنل کنٹرول کا سسٹم ڈیزائن کے لحاظ سے مضبوط ہونے کے ساتھ مؤثر انداز میں نافذ اور مانیتئر کیا جا رہا ہے۔

6. اس بات میں کوئی شک نہیں ہے کہ بینک ایک منافع بخش ادارے کے طور پر اپنا سفر جاری رکھنے کی مکمل صلاحیت رکھتا ہے۔

7. بیسٹ پریکٹسز کارپوریٹ گورننس اصولوں سے انحراف نہیں کیا گیا۔

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

9. سال 2018 کے دوران بورڈ اور بورڈ کمیٹی کے اجلاس اور ڈائریکٹرز کی شرکت کی انفرادی تفصیل درج ذیل ہے۔

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

2018 کی دوسری سہ ماہی میں بینک نے افغانستان آپریشنز کی فروخت کیلئے موزوں خریدار سے بزنس ٹرانسفر ایگریمنٹ کیا اور فروخت کی منظوری کے عمل کی تکمیل کیلئے ڈی اے افغانستان بینک (DAB) کو درخواست دی گئی جو افغانستان کا مرکزی بینک ہے۔ ڈی اے بی نے درخواست پر کچھ سوالات کئے ہیں جس کا جواب بینک اور موزوں خریدار دینے کی تیاری کر رہے ہیں۔

نان کرنٹ ایسٹس اور واجبات کے طور پر بیلنس شیٹ میں بینک کے افغانستان آپریشنز کے تمام اثاثے اور واجبات الگ سے پیش کئے گئے ہیں اور بالترتیب آپریشن منقطع ہونے کے بعد بعد از ٹیکس منافع پیش کئے گئے ہیں۔ اس کی تفصیل غیر مشترکہ فنانشل اسٹیٹمنٹ کے نوٹ 21 میں درج ہے۔

## کریڈٹ ریٹنگ

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

کریڈٹ ریٹنگ کمپنی JCR-VIS نے بینک الفلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A-1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ بینک کے ان سیکورڈ Tier 1 کیپیٹل (ٹرم فنانس سرٹیفکیٹ) کی ریٹنگ AA- (ڈبل اے مائنس) تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

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

## کارپوریٹ گورننس

بینک لسٹڈ کمپنیز (کوڈ آف گورننس) ریگولیشنز 2017 سے متعلق بیشتر تقاضوں کو پورا کر چکا ہے۔ اس بارے میں انتظامیہ کے تفصیلی بیان اور آڈیٹرز کی جائزہ رپورٹ کو سالانہ رپورٹ کا حصہ بنایا گیا ہے۔

چیپٹر XIII - ریپورٹنگ اینڈ ڈسکلوزر مذکورہ بالا ریگولیشنز کے تحت ڈائریکٹرز مندرجہ ذیل اسٹیٹمنٹ دے رہے ہیں:

1. ڈائریکٹرز کی کل تعداد نو ہے:

- i. مرد: آٹھ
- ii. خواتین: ایک

## ذیلی کمپنیاں

بینک الفلاح نے 31 دسمبر 2018 کو ختم ہونے والے سال کیلئے بعد از ٹیکس 10.991 بلین روپے (2017: 8.613 بلین روپے) مجموعی منافع دیا۔ فی حصص آمدن (EPS) 6.20 روپے رہی جبکہ پچھلے سال اسی دورانیے میں 4.88 روپے تھی۔

بینک کے الفلاح سیکورٹیز (پرائیویٹ) لمیٹڈ میں 97.91% شیئرز ہیں، جو اسٹاک بروکیج، انوسٹمنٹ کنسلٹنسی اور فنڈ پلیسمنٹ میں موجود ہے۔ اس سال CLSA JV ہولنگز لمیٹڈ اور بینک الفلاح لمیٹڈ کے درمیان پاکستان میں اسٹریٹیجک پارٹنرشپ ہوئی ہے جس کی وجہ الفلاح سیکورٹیز مارکیٹ میں سرفہرست ہو جانے گی۔ CLSA کی ایوارڈ وننگ ریسرچ اور گلوبل انسٹیٹیوشنل انوسٹرز کی بنیاد پر غیر معمولی مقام کی حامل ہے۔ معاہدے کے مطابق CLSA JV اور دیگر انوسٹرز سال کے آخر میں الفلاح سیکورٹی کے رائٹ ایشو شیئرز حاصل کر چکے ہیں، جس کی وجہ سے بینک کے 62% شیئرز رہ جائیں گے۔ اس کے علاوہ بینک کے الفلاح جی ایچ پی انوسٹمنٹ منیجمنٹ لمیٹڈ میں 40.22% شیئرز ہیں جو نان بینکنگ فننانس کمپنی (اسٹیبلشمنٹ اینڈ ریگولیشن) رولز کے تحت ایسٹ منیجمنٹ کمپنی اور انوسٹمنٹ ایڈوائزر کے طور پر رجسٹرڈ ہے۔

## ذیلی کمپنیوں کی کارکردگی

سال کے دوران الفلاح جی ایچ پی منیجمنٹ لمیٹڈ کے ایسٹ انٹر منیجمنٹ (AUMs) میں 25.59 بلین روپے سے بڑھ کر 31.12 بلین روپے یا سالہا سال اضافہ 21% ہو گئے ہیں۔ سال کے دوران اوپن اور میوچل فنڈز انڈسٹری AUMs 546 بلین روپے سے اضافہ ہو کر 552 بلین روپے یا سالہا سال اضافہ 1% ہو گئے ہیں۔ کمپنی نے مجموعی منافع 470 ملین روپے حاصل کیا ہے جبکہ پچھلے سال 539 ملین روپے تھا۔ AUMs میں زیادہ فی حاصل کرنے والی ایکویٹی اور ایکویٹی سے متعلقہ فنڈز اسٹاک مارکیٹ میں مندی کے نتیجے میں اسٹاک فنڈز پر دباؤ سے لوگوں نے فنڈز نکلوانے اور قدر کم ہونے کی وجہ سے کم ہوئے۔ دوسری جانب زیادہ انٹرسٹ ریٹ کی وجہ سے منی مارکیٹ اور فکسڈ انکم فنڈز زیادہ پرکشش ہو گئے۔ بعد از ٹیکس منافع 164 ملین روپے رہا جب کہ پچھلے سال 165 ملین روپے تھا۔ پرافٹ پوزیشن صوابدیدی اخراجات کی لاگت پر قابو اور پچھلے سال کے ٹیکس کے فوائد کی وجہ سے پچھلے سال کے مقابلے میں غیر تبدیل شدہ رہی۔

الفلاح سیکورٹیز نے آپریٹنگ آمدن 130.801 ملین روپے حاصل کی جو پچھلے سال اسی دورانیے میں 192.867 ملین روپے تھی۔ کمپنی کا پیشگی اور بعد از ٹیکس نقصان بالترتیب 86.229 ملین روپے اور 99.662 ملین روپے رہا جبکہ پچھلے سال اسی دورانیے میں پیشگی اور بعد از ٹیکس پرافٹ 31.043 ملین روپے اور 19.536 ملین روپے بالترتیب تھا۔ اس سال فی حصص نقصان 3.99 روپے ہوا پچھلے سال اسی دورانیے میں فی حصص منافع 0.33 روپے تھا۔ منافع میں کمی کی اہم وجہ مقامی صرافہ بازار کا حجم کم رہا اور سال بھر انوسٹر میں منفی رجحان رہا۔ اس وجہ سے کمپنی کی توجہ اسٹاک مارکیٹ 2019 میں دوبارہ ابھرنے کی توقع کے ساتھ مارکیٹ شیئرز حاصل کرنے پر ہے۔ ہماری CLSA کے ساتھ پارٹنرشپ کی وجہ سے امید ہے کہ یہ ہدف حاصل کرنے میں کامیابی ہوگی۔

## بونس شیئرز اور ڈیویڈنڈ

31 دسمبر 2018 کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے کیش ڈیویڈنڈ 1.50 روپے فی شیئر (15%) حتمی ادائیگی کی تجویز دی ہے جو آنے والے سالانہ اجلاس عام میں شیئربولڈرز کی منظوری سے مشروط ہے، اس سال کیلئے کل کیش ڈیویڈنڈ 2.50 روپے فی شیئر ہے۔ بورڈ نے پہلے عبوری کیش ڈیویڈنڈ 1.00 روپے فی شیئر کا اعلان اور ادائیگی کی تھی۔ بورڈ نے موجود ہر 100 شیئرز کیلئے 10 شیئرز (10%) عبوری اسٹاک ڈیویڈنڈ کا اعلان کیا تھا۔

بینک نے بعد از ٹیکس چیلنجنگ آپریٹنگ ماحول کے باوجود 27% متاثر کن نمو حاصل کی ہے۔ سال کے لیے بینک کے قبل از ٹیکس منافع (جاری آپریشنز سے) کی مالیت 16.838 ارب روپے 22.9% بہتر ریکارڈ کی گئی جو گزشتہ سال 13.705 ارب روپے رہی تھی۔ بینک کا بعد از ٹیکس منافع (جاری آپریشنز سے) 10.150 ارب روپے 24.3% بہتر رہا جبکہ گزشتہ سال بعد از ٹیکس منافع 8.166 ارب روپے تھا۔ بینک کا بعد از ٹیکس کل منافع 10.625 ارب روپے 27.0% بہتر رہا جبکہ گزشتہ سال بعد از ٹیکس منافع 8.367 ارب روپے تھا جو 5.99 روپے فی حصص آمدن (2017: 4.74 روپے فی حصص آمدن) میں تبدیل ہوئے۔

جاری آپریشنز سے خالص انٹرسٹ آمدن اور بغیر مارک اپ آمدن 9.83% مشترکہ نمو کو ظاہر کرتے ہیں۔ بینک مجموعی طور پر آمدن والے اثاثوں اور بہتر اسپریڈز کے ذریعے زیادہ آمدن والے بانڈز کی میچورٹی کی وجہ سے خالص انٹرسٹ آمدن پر آنے والے دباؤ پر قابو پانے میں کامیاب رہا۔ بغیر مارک اپ آمدن 10.200 بلین روپے کے ساتھ 12.39% بڑھی جو فارن ایکسچینج آمدن، فی بزنسز اور ڈیویڈنڈ کی آمدن میں اضافے کی وجہ سے ہوئی۔

کل نان مارک اپ اخراجات (جاری آپریشنز سے) پچھلے سال 24.964 ارب روپے کے مقابلے میں 24.365 ارب روپے رہے، جو 2.4% کی کمی کو ظاہر کرتے ہیں۔ ان اخراجات میں برانچز میں توسیع، آئی ٹی انفراسٹرکچر میں انوسٹمنٹ، ڈیجیٹل چینلز، ڈپازٹ پروٹیکشن پیمین، انفلیشنری ایڈجسٹمنٹس اور روپے کی قدر میں کمی کے اثرات شامل ہیں۔ معمول کے مطابق 2017 اور 2018 میں آپریشنز کے اخراجات یکساں رہے۔

منقطع آپریشنز سے بینک کا منافع 201.064 ملین روپے سے بڑھ کر 474.952 ملین روپے ہو گیا جس میں 443.898 ملین روپے (3.949 ملین ڈالر) شامل ہیں، جو بینک کے ناسٹرو اکاؤنٹ میں تنازعے کی سیٹلمنٹ کی وجہ سے ہوا۔

بینک نے اپنے ریٹیل اور کارپوریٹ لینڈنگ اور ڈپازٹ ٹیکنگ میں نمایاں نمو حاصل کی ہے۔ بینک کا گراس ایڈوانسز پورٹ فولیو 100.981 ارب روپے بڑھا، جو کہ 25.20% سالہا سال ہے۔ بینک کی حکمت عملی ہائی کوالٹی کریڈٹ حاصل کرنے کے ساتھ ساتھ مؤثر رسک ویڈ ایسٹس (RWAs) پر فائل برقرار رکھنا ہے۔ بینک نے اپنے 18.822 بلین روپے کے نان پرفارمنگ ایڈوانسز کا موزوں طور پر احاطہ کیا۔ اس کے نتیجے میں ہماری این پی ایل شرح پچھلے سال کی 4.2% سے بہتر ہو کر 3.6% ہو گئی ہے اور انڈسٹری میں اب تک سب سے کم انٹیکشن شرح ہے۔ دسمبر 2018 کے اختتام پر بینک کی پروژن کوریج 84.39% رہی۔

بہتر ارتکاز کے ساتھ ہم بیلنس شیٹ پر مختلف ڈپازٹ مکس رکھنے کے عمل کو جاری رکھے ہوئے ہیں۔ اس وجہ سے بینک کی خالص آمدن بطور انٹرسٹ ریٹس میں بھی اضافہ ہو رہا ہے۔ ہماری توجہ سال بھر اپنی ڈپازٹ پروفائل بہتر بنانے اور اسپریڈز کو برقرار رکھنے پر رہی۔ کل ڈپازٹ پچھلے سال 644.985 ارب روپے کے مقابلے میں 702.895 ارب روپے رہے، کرنٹ اکاؤنٹس میں مرکزی نمو 11.07% رہی۔ سال کے آخر میں ہمارے گراس ایڈوانسز ڈپازٹ 73.8% رہے اور یہ بینک انڈسٹری میں سرفہرست رہنے کی علامت ہے۔

انوسٹمنٹ مکس ٹریڈری بلز کی طرف مائل رہا جس کی وجہ سے بی بی کی میچورٹی رہی۔ انوسٹمنٹ کی مجموعی مالیت 277.660 بلین روپے رہی جو کہ پچھلے سال 400.733 بلین روپے تھی۔

31 دسمبر 2018 کو بینک موزوں سرمائے کا حامل رہا۔





سے بینکنوں کو فارن کرنسیز میں ڈیلنگ کرنے سے زیادہ آمدن ہوئی۔ جہاں ان سے مثبت شراکت ہوئی، اس کا منفی اثر اور زیادہ کریڈٹ لاگت نے دیا۔ بینکنگ سیکٹر کو منافع کے لئے دوسرا مسئلہ انوسٹمنٹ کی فروخت سے ملنے والی آمدن میں کمی اور دیگر غیر معمولی واقعات کی صورت میں رہا۔

ریگولیشنری حوالے سے کچھ اہم پیش رفت دیکھنے میں آئیں جن میں 1) ڈپازٹ پروٹیکشن فنڈ (DPF) اور 2) ڈومیسٹک سسٹمیٹک اپورٹنٹ بینکنگ (D-SIBs) متعارف کروانا شامل ہیں۔ اس کے پہلے مرحلے میں تمام بینکنوں کو لازم ہے کہ وہ اپنے ڈپازٹس کی مخصوص شرح SBP کی جانب سے قائم کردہ انشورنس / پروٹیکشن فنڈ میں جمع کروائیں، دوسرا قدم بینکنوں کیلئے کم از کم کیپٹل کی حد میں اضافہ بطور D-SIBs ہے۔

معیشت کا پیش منظر نئی حکومت کی پالیسی کو مدنظر رکھتے ہوئے ترتیب پانے گا۔ انٹرسٹ ریٹ اہم عنصر ہوگا، حکومت کی مالی ضروریات اور قرضے کے حصول کیلئے میچورٹی پروفائل مختصر مدتی ٹی بلز اور طویل مدتی پی آئی بیز میں بینکنگ کی سرمایہ کاری کو نئی جہت دے گی۔ پی آئی بیز کا موجودہ اسٹاک میچور ہے اور جب موقع میسر آئے گا، سرمایہ اور کرنسی مارکیٹ ابھرے گی اور سال کے بڑے حصے میں بینکنوں کیلئے آمدن سے متعلقہ مواقع ہوں گے تو بینکن نئے معاہدے کریں گے۔ مزید 4% سپر ٹیکس کی پرانی تاریخ سے بحالی اور 1% سالانہ کمی (جو کہ پہلے اعلان کیا گیا تھا) کا 2019 میں منافع پر اثر پڑے گا۔ صرف بینکنگ سیکٹر کیلئے یہ لیوی بحال کی گئی ہے جبکہ دیگر صنعتیں کو اس سے استثنیٰ حاصل ہے۔

حکومت کی توجہ ری انڈسٹریلائزیشن اور ایکسپورٹ پر ہے جس کا فی انکم کے حوالے سے لون گروتھ اور ٹریڈر مٹھٹ اثر پڑے گا لیکن زیادہ انٹرسٹ ریٹ بینکنوں کی ایسٹ کوالٹی کو دباؤ میں رکھے گا، خاص طور پر جہاں SBP سخت اور دور اندیش پرویژن پالیسی کی طرف بڑھ رہا ہے وہاں بھی مشکلات درپیش ہوں گی۔

### بینک کی کارکردگی کا جائزہ

بینک کی کارکردگی برائے سال 2018 متاثر کن رہی۔ سال کے اختتام پر بہترین مالی نتائج فراہم ہوئے۔

2018 کے فنانشل نتائج کے اہم نکات مندرجہ ذیل ہیں:

2017	2018	
(ری اسٹیٹڈ)		
فنانشل پوزیشن		
65,800	75,647	شیر ہولڈرز کی ایکویٹی (قبل از سرپلس)
644,985	702,895	جمع شدہ رقوم (ڈپازٹس) کی مجموعی مالیت
998,828	1,006,218	اثاثوں کی مجموعی مالیت
400,655	501,636	قرضہ جات - خالص
400,733	277,660	سرمایہ کاری - خالص
2017	2018	
(ری اسٹیٹڈ)		
فنانشل کارکردگی		
38,052	41,791	خالص انٹرسٹ آمدن اور بغیر مارک اپ آمدن - جاری آپریشنز
24,963	24,365	بغیر مارک اپ اخراجات - جاری آپریشنز
(616)	588	پروویژن اور رائٹ آف (خالص) - جاری آپریشنز
13,705	16,838	قبل از ٹیکس منافع - جاری آپریشنز
8,367	10,625	بعد از ٹیکس منافع
8,166	10,150	بعد از ٹیکس منافع - جاری آپریشنز
201	475	بعد از ٹیکس منافع - منقطع آپریشنز
4.74	5.99	بنیادی فی حصص آمدن - روپے
4.72	5.98	ڈائیلوٹڈ فی حصص آمدن - روپے

تبدیل ہونے کے بعد احتساب کے آغاز، سرکاری ادائیگیوں میں کمی اور روپے کی قدر میں کمی کی وجہ سے مجموعی طور پر ڈپازٹس کے حوالے سے کئی مسائل کا سامنا کیا ہے، ان کی وجہ سے لیکویڈٹی میں کمی اور ڈپازٹرز بینکنگ سسٹم سے دور ہو گئے ہیں۔

سیکٹر کے مجموعی ایڈوانسز 2018 میں زبردست نمو کی عکاسی کرتے ہیں، سالہا سال 21% اضافہ ہوا، جس سے نجی شعبے میں زیادہ کریڈٹ دیکھنے میں آئے۔ سیکٹر کی خالص ایڈوانس ٹو ڈپازٹرز ریشو (ADR) میں 2018 میں 56% اضافہ ہوا جو پچھلے 6 سال میں سب سے زیادہ تھا اور اس سے انوسٹمنٹس سے ایڈوانسز میں منتقلی دیکھنے میں آئی، معیشت میں سرمایہ کاری کی طلب میں اضافہ ہوا۔ انوسٹمنٹ ٹو ڈپازٹرز ریشو (IDR) 2018 میں 56.7% دیکھا گیا جبکہ پچھلے سال 69.0% تھا۔

بینکنگ سیکٹر کے اثاثوں کی معیار پر دباؤ کی وجوہات معیشت کے مسائل اور کرنسی کی قدر میں کمی کی وجہ سے بڑھتے ہوئے روپے کے اوورسیز این پی ایل اسٹاک میں کمی رہیں۔ دونوں کی وجہ سے 2018 کے پہلے نو مہینوں میں واجب الادا این پی ایلز کے اسٹاک میں 44 بلین روپے اضافہ ہوا۔ لون کی نمو میں بہتری کی وجہ سے ستمبر 2018 میں مجموعی این پی ایل شرح 8.0% تھی جبکہ پچھلے سال 9.2% تھی۔ بینکنوں نے این پی ایل اسٹاک کی کوریج کو 86% رکھا۔

سرمایہ کاری کے حوالے سے حکومتی سیکورٹیز سرمایہ کاری کا مرکزی حصہ رہیں، اس کے ساتھ اس سال کے دوران میچورٹی میں کمی دیکھنے میں آئی۔ پالیسی ریٹ میں اضافے کی توقعات اور پی آئی بی کی میچورٹی میں کمی نے سیکٹر کی سرمایہ کاری کو ٹریڈر بلز کی طرف مائل کیا۔

منافع کے حوالے سے دیکھا جائے تو بینکنگ سیکٹر میں انٹرسٹ مارجن میں اضافہ ہوا اور خالص انٹرسٹ آمدن پر پی آئی بی کے زیادہ میچورٹی کے اثر کو کم کرنے میں اس سے مدد ملی۔ نان انٹرسٹ آمدن کے حوالے سے فاریکس مارکیٹ میں اتار چڑھاؤ

## ڈائریکٹرز کی رپورٹ برائے شیئر ہولڈرز

معزز شیئر ہولڈرز،

ہم بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2018 کو ختم ہونے والے سال کے آڈٹ شدہ مالیاتی حسابات پیش کر رہے ہیں۔

### معاشی جائزہ:

سال 2018 میں پاکستانی معیشت کی ترقی میں کچھ رکاوٹیں دیکھنے میں آئیں جو الیکشن کے سال کی وجہ سے مزید نمایاں ہوئیں۔ جبکہ ملک میں جمہوریت کا تسلسل دیکھنے میں آیا تو دوسری جانب معاشی مسائل نے ملک کو جکڑے رکھا۔

اہم شماریاتی اعداد و شمار کے مطابق مالی سال 2018 میں بھی زیادہ شرح نمو دیکھنے میں آئی۔ اصل جی ڈی پی کی شرح نمو 5.8% ریکارڈ کی گئی جو اس عشرے میں سب سے زیادہ ہے، اس میں مینوفیکچرنگ اور سروس سیکٹر کا تعاون رہا جن کی نمو بالترتیب 6.84% اور 6.43% رہی۔ اس سے پچھلے پانچ مالی سال 2013 سے مالی سال 2018 تک کی اوسط جی ڈی پی کی نمو 4.8% رہی جو مالی سال 2013-2018 کی نمو 2.8% کے مقابلے میں بہتر تھی۔ بعد ازاں سال 2018 کی تبدیل شدہ شرح نمو 5.2% رہی۔

اس ترقی کی رفتار نے کریڈٹ کی طلب کو عروج پر رکھا اور پرائیویٹ سیکٹر کا کریڈٹ مالی سال 2018 میں 16% بڑھا۔ مالی سال 2019 میں جی ڈی پی کی نمو میں متوقع کمی کے باوجود پرائیویٹ سیکٹر کریڈٹ جون تا دسمبر 2018 میں کم ہوتا نظر نہیں آ رہا ہے، جہاں عبوری تعداد سالہاسال 20% کی عکاسی کرتی ہے۔

پچھلے کچھ سالوں سے بلند شرح نمو دیکھنے میں آئی جبکہ دوسری جانب اس وجہ سے بیرونی اکاؤنٹ میں عدم توازن رہا۔ ملک میں بڑھتی طلب کی وجہ سے امپورٹ بڑھی اور پاکستان کا امپورٹ بل پچھلے پانچ سالوں میں مجموعی طور پر 10% بڑھا۔ اس کے مقابلے میں کئی وجوہات کی بنا پر پاکستان کی ایکسپورٹ میں اضافہ نہ ہوا جس کی وجہ سے ایکسپورٹ سکڑ کر جی ڈی پی کا صرف 9.4% رہی۔

بڑھتی طلب کے ساتھ کموڈٹی کی قیمتوں میں اضافے نے بیرونی پوزیشن کو مالی سال 2018 میں مزید نقصان پہنچایا، جس کی وجہ سے ملکی تجارتی خسارہ 37.5 بلین ڈالر ہو گیا۔ سرمائے کی آمد اور بیرون ملک افراد کی ریمیٹنسز تجارتی خسارے کو ختم کرنے کیلئے ناکافی تھیں، جس کے نتیجے میں پاکستان کے غیر ملکی زر مبادلہ کے ذخائر میں کمی آئی جو 2018 کے آغاز میں 20.2 بلین ڈالر تھے اور دسمبر 2018 تک 13.8 بلین ڈالر رہ گئے تھے۔

مانیٹری اور کرنسی مارکیٹ میں ہونے والی ایڈجسٹمنٹس میں اس کے اثرات رواں برس دیکھنے میں آئے۔ سال 2018 میں مجموعی طور پر پالیسی ریٹ میں اضافہ ہوا جو 425 bps رہا جبکہ کرنسی کی قیمت میں 26% کمی ہوئی جو سال کے آخر میں 139.5 روپے فی ڈالر ہو گئی۔ اس کے علاوہ ایکسپورٹ کی حوصلہ افزائی اور امپورٹ میں کمی کے حوالے سے اقدامات کئے گئے۔ مذکورہ بالا کا اثر افراط زر پر بھی دیکھنے میں آیا، جس کی پیمائش کنزیومر پرائس انڈیکس (CPI) نے کی جو دسمبر 2018 میں بڑھ کر 6.2% ہو گیا جبکہ دسمبر 2017 میں 4.6% تھا۔ بنیادی افراط زر میں معمول سے زیادہ اضافہ دیکھنے میں آیا جو 5.5% سے بڑھ کر 8.4% ہوا۔

اگرچہ افراط زر کا دباؤ سنبھالنے کے قابل تھا، پاکستان کے قرضوں کی آنے والی ادائیگی کے دوران غیر ملکی زر مبادلہ میں کمی نے پاکستان کو مشکل صورتحال سے دوچار کیا ہے۔ مشکلات سے نمٹنے کیلئے اصلاحات کرنے میں وقت لگے گا، نئی حکومت کو قریبی مالی دباؤ سے نکلنے کیلئے دوست ممالک جیسے سعودی عرب، یو اے ای نے بھی مالی تعاون کیا جبکہ چین نے بھی کئی مقامات پر معاونت کی۔

سعودی عرب اور یو اے ای دونوں سے الگ الگ 3 بلین ڈالر کیش ڈپازٹ کے ساتھ ساتھ دونوں ممالک سے بعد میں ادائیگی کی بنیاد پر 3 بلین ڈالر کے آئل کی فراہمی بھی زیر غور ہے، جس سے پاکستان کے سال 2019 کے آغاز میں بیرون اکاؤنٹس کیلئے اچھا سہارا مل سکے گا۔ یوں دوست ممالک کے بروقت تعاون سے فوری دباؤ کم ہو گیا ہے لیکن اگلے مرحلے میں بیرون اکاؤنٹ اصلاحات کی ضرورت ہوگی۔

تیزی سے بڑھتے ہوئے مالی خسارے پر فوری توجہ کی ضرورت ہے جو مالی سال 2018 میں جی ڈی پی کا 6.6% ہو گیا (مالی سال 2014 سے سب سے زیادہ) جبکہ پچھلے سال 5.8% تھا۔ نان ٹیکس آمدنی میں کمی اور بڑھتے ہوئے اخراجات نے دباؤ میں اضافہ کیا ہے، جو کلیکشن سپورٹ فنڈ (CSF) اور PSEs سے کم مارک اپ / ڈیویڈنڈ آمدن کی عدم موجودگی سے اندازہ لگایا جا سکتا ہے۔ ٹیکس ریوینو میں سالہاسال 13% اضافہ دیکھنے میں آیا مگر ہدف سے کم تھا۔ مالی سال 2019 کی پہلی سہ ماہی کے منظور شدہ ڈیٹا کے مطابق خسارہ کم نہیں ہوا اور سہ ماہی کیلئے جی ڈی پی کا 1.4% ہے۔ آنے والی نئی حکومت نے فنانشل بل کیلئے دو ضمیموں کے ذریعے مالی اقدامات کا اعلان کیا ہے۔

### آؤٹ لک

پاکستان اور آئی ایم ایف کے درمیان قرضہ لینے کے حوالے سے اہم نکات زیر بحث ہیں۔ اگرچہ نئی حکومت کے اقتدار میں آنے کے بعد آئی ایم ایف سے مذاکرات جاری ہیں مگر اس کی تفصیلات عوام کے سامنے نہیں لائی گئیں۔ امید کی جاتی ہے کہ آئی ایم ایف پروگرام سے قرضے کے بعد معاشی استحکام آنے گا اور حکومت کے اہداف اور مقاصد کو حاصل کرنے میں مدد ملے گی۔

علاوہ ازیں آئی ایم ایف سے مذاکرات، آنے والے بارہ مہینے پاکستان کی معیشت کیلئے درمیانی مدت کے آؤٹ لک کیلئے اہم ہیں۔ پچھلا سال الیکشن کا ہونے کے بعد نئی حکومت میکرو اکنامک فریم ورک پر زور دیتے ہوئے صنعتوں کی بحالی اور ایکسپورٹ میں اضافے کی خواہشمند نظر آتی ہے۔

حکومت کی جانب سے کئے جانے والے اقدامات کا میکرو اکنامک ڈیٹا کے حوالے سے اگلے کچھ مہینوں میں اچھا نتیجہ دیکھنے میں آئے گا اور ان اقدامات کی ابتدائی علامات بہتری کی نشاندہی کرتی ہیں۔ جی ڈی پی کی نمو 4.5% - 3.5% کے درمیان رہے گی، جبکہ پالیسی ساز فیصلے حکومت کے استحکام اور معاشی نمو کے درمیان توازن کی خواہش کو ظاہر کرتے ہیں۔

### بینکنگ سیکٹر کا جائزہ

2018 میں معاشی مسائل اور الیکشن کے سال کے باوجود پاکستان کے بینکنگ سیکٹر نے کئی حوالوں سے مثبت پیش رفت جاری رکھی۔ بیرونی مسائل نے منافع پر اثرات مرتب کئے، بینکنگ سیکٹر نے مثبت اور آہستہ آہستہ بہتری کی جانب قدم بڑھانے، جس کی وجہ پالیسی ریٹ میں اضافہ اور مستحکم کیپٹل ایڈیکوونسی تھے۔

ڈپازٹ کی نمو کم رہی جو سالہاسال 8% رہی، یہ گزشتہ عشرے میں سب سے کم ڈپازٹ نمو تھی۔ کیٹیگری کے مطابق ستمبر 2018 تک کاسٹیبا ڈیٹا تجویز کرتا ہے کہ بینکوں کو ڈپازٹ مکس پر توجہ دینے کی ضرورت ہے جبکہ بینکوں نے کم لاگت کے ٹرانزیکشن ڈپازٹس پر زور دیا اور زیادہ لاگت فکسڈ ڈپازٹس کیلئے بھرپور کوششیں نہیں کیں۔

CASA ڈپازٹس میں ستمبر 2018 تک سالہاسال 12% اضافہ ہوا جو مکس کو 77.2% تک لے گیا، سالہاسال 200 bps زیادہ رہا۔ بینکنگ انڈسٹری نے حکومت



# Our Strategy

## Strategic Objectives

We aim to maximise long-term shareholder value and exceed stakeholder expectations by:

- Delivering superior customer service and by developing innovative products to serve customer needs
- Emerging as the foremost digital bank in the country
- Enhancing our controls and compliance framework, and following prudent and robust risk management practices
- Creating a sustainable culture of ethics, integrity and transparency
- Investing in human capital and becoming the employer of choice

## Strategic Initiatives

In 2016, Bank Alfalah developed a comprehensive 'Transformation Strategy' to establish itself as the fastest growing value focused and innovative bank in the country.

A series of strategic initiatives were outlined with the objectives of maximising productivity, improving operational efficiency, and leading market in innovation. Following is a brief summary of the Bank's core strategic actions:

### Drive branch sales productivity across products

*(CPI\* = Profitability)*

The Branch Transformation project has been rolled out with the objective of embedding a structured sales management process in branches and improve branch productivity. The programme focuses on enhancing deposit generation and cross sell activities as well as improving customer service and utilisation of branch resources.

### Scale up Consumer Finance

*(CPI\* = Profitability)*

Key consumer processes are being revamped and automated to enhance customer experience and ramp up sales. At the same time, the Bank continues to enhance the risk and operational architecture of the consumer finance business.

### SME Banking

*(CPI\* = Profitability)*

SME Banking is a significant focus area, which caters to the entire banking needs of the SME customers across the length and breadth of the country. The focus is on developing innovative products and financial solutions for customers, and then distributing these products through dedicated relationship managers in branches.

### Scale up Islamic Banking platform

*(CPI\* = Profitability)*

The Bank's focus is to scale up the Islamic business through the introduction of innovative and Shari'ah compliant products and services to meet the needs of Islamic banking customers. One of the key objectives is also to enhance the sales productivity of the distribution network.

### Optimise Corporate Banking returns on capital

*(CPI\* = Profitability, Capital Adequacy)*

To enhance shareholder returns, the objective here is to institutionalise value driven account planning in corporate banking, and inculcate a culture which measures revenue and profitability of each customer.

### Improve operating efficiency

*(CPI\* = Operational Efficiency)*

The objective here is to build a strong financial discipline across the Bank and improve the cost to income ratio and intermediation cost of the Bank.

### Grow the fee income base

*(CPI\* = Profitability)*

To drive fee income through price optimisation, fee leakage reduction and expansion of fee heavy businesses.

### Leverage advanced analytics

*(CPI\* = Profitability, Operational Efficiency)*

The objective is to build a data driven culture in the Bank to drive and improve decision-making. The Bank's aim is to leverage internal and external customer data to generate meaningful customer insights and to predict/anticipate customer behaviour in order to enhance revenues, strengthen control and improve the risk management architecture.

### Build scalability in the cash management platform

*(CPI\* = Profitability)*

Build a plug and play cash management platform focused particularly on the SME and Commercial segments in order to drive current account growth and improve customer stickiness.

### Invest in Digital Banking

*(CPI\* = Profitability, Operational Efficiency)*

Investing in digital banking is critical to the long-term sustainability of the Bank in order to cater to the rapid change in customer behaviours across the world as well as increased smartphone usage and technological change.

The Bank aims to be the foremost player in digital banking in the country and plans to invest significantly in this area.

*\*CPI = Critical Performance Indicator*

*All the aforementioned CPIs will remain relevant in the future.*



## Capital Structure of the Bank

Bank Alfalah is a well-capitalised institution with an equity base and Capital Adequacy Ratio well above the regulatory requirements. The Bank's Capital Adequacy Ratio on 31st December, 2018 stands at 14.95% (December 2017: 13.39%), which is well-above the regulatory requirement of 11.90%.

The Common Equity Tier-1 (CET-1) to total risk weighted assets ratio on 31st December, 2018 stands at 10.90% against the requirement of 6.00%.

The Bank successfully issued Pakistan's first listed Additional Tier 1 Capital for PKR 7 Bn in 2018. The proceeds from the issue have further augmented the capital base of the Bank. The instrument has been rated as 'AA-' (Double A Minus) with 'Stable' Outlook by JCR-VIS. The assigned ratings reflect the Bank's diversified operations, healthy financial risk profile, strong sponsors and existing market presence. These ratings denote a very low expectation of credit risk, a strong capacity for timely payment of financial commitments in the long-term, and the highest capacity for timely repayment in the short-term, respectively.

The Bank regularly assesses its future capital requirements and ensures that the minimum capital requirements specified by the State Bank of Pakistan are strictly adhered to. Internal Capital Adequacy Assessment is a regular activity and the Bank aims to maintain an internal buffer over and above the minimum regulatory requirement. Stress levels of major risks are assessed against the minimum capital requirement.

The Bank will continue its policy of sufficient profit retention whilst looking at opportunities to optimise its capital structure to increase its risk taking capacity and capitalise on opportunities to improve long-term shareholder value whilst protecting the interests of all stakeholders.

## Bank's Significant Resources

### Deposits

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

### Capital Employed

Shareholders' Equity represents capital commitments of shareholders and investors. Such funding constitutes of diversified sources and types, each entitling investors with unique income distribution, liquidation and voting privileges. Several regulatory ratios and requirements such as CAR are based on the shareholder's capital. Equity capital, being an expensive source is raised in case of strategic decisions like expansion, acquisitions and

mergers, and in some cases to restore the capital position of an entity. On the debt side, the principal component consists of long-term debt. Typical debt instruments include Term Finance Certificates repayable over a defined term. The Bank has successfully issued five Term Finance Certificates, of which four issues have matured.

The Bank has issued additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in 2018.

## Human Capital

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

## Technology

The Bank sees technological advancements as vital in terms of attaining long-term growth and sustainability. The integration of technology into the banking sector has witnessed significant breakthroughs like paperless operations, branchless banking through digital channels and on the go 'single-platform but multi-purpose solutions'. Bank Alfalah's vision to be the only 'Real Digital Bank in Pakistan' has seen the Bank deploy cutting-edge technology to equip its customers with end-to-end solutions.

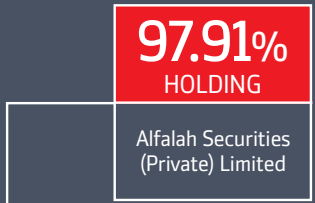




# Our Group Ownership Structure

Bank Alfalah Limited provides financial solutions to consumers, corporations, institutions and governments through a broad spectrum of products and services, including Corporate and Investment Banking, Consumer Banking and Credit, Commercial, SME, Agri-finance, Islamic and Asset Financing. The Bank currently serves more than 1.9 million customers.

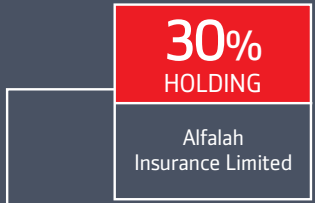




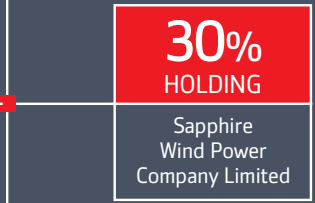
Alfalah Securities is engaged in the business of stock brokerage, investment counseling, fund placements and investment consultancy. It promises to offer exceptional services to its clients based on strong research and execution capability.



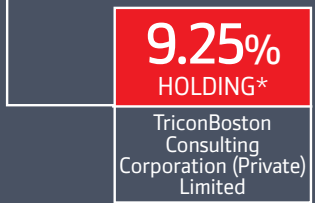
Alfalah GHP Investment Management Limited is an asset management company and pension fund manager. It also manages portfolio of investors under non-discretionary portfolio management agreements. It has the right solutions to match the needs of individuals, corporates and retirement funds.



Alfalah Insurance Company Limited is a general non-life insurance company, which also works as window Takaful operator. Alfalah Insurance Limited offers first-class security and services to the insuring public, which is comparable to international standards.



Sapphire Group and Bank Alfalah took the lead in entering the nascent wind energy sector in Pakistan and established Sapphire Wind Power Company Limited (SWPCL) for undertaking independent development of a wind farm in the country. It is committed to be part of the revolutionary shift in the energy paradigm by offering clean, green and affordable energy solutions.



TriconBoston Consulting Corporation (Private) Limited (TBCCPL) is a Special Purpose Vehicle (SPV) set up to develop, own and operate 3x50 mw wind farm as an independent power producer in Sindh, Pakistan. It aims to become the leading company in the renewable energy field in Pakistan.

\*Associate due to nominee Director



# Bank Alfalah and Green Banking

Traditionally, financial considerations have been the main drivers of profits. The severity and accelerated pace of environmental degradation and social deterioration forced a redrawing of priorities for companies as to how they should do business and for the banks as to what and who should they finance.

By virtue of their role as intermediaries between people with shortages and surpluses of capital, banks hold a unique position in the economy with regard to sustainable development. This intermediary role is both quantitative and qualitative. There is a reason when it is said that the greatest impact we have on the environment and society is through our financing activities.

Due to their credit approval systems, banks are well-equipped to weigh risks and attach a price to these risks. Through such price differentiation, banks can foster sustainability.

Green Banking provides integration of financial, social and environmental considerations into decision-making to enable higher returns on investments and sustained profits.

## Green Banking in Bank Alfalah

SBP Green Banking Guidelines mark the entry of Central Bank to introduce Green Banking in Pakistan and initiate the process of its incorporation in the banks' systems. In order to implement the SBP Guidelines, Bank Alfalah now has an approved Green Banking Policy. Green Banking is divided in the following three areas:

a) **Environmental Risk Management** which requires banks to integrate in their credit approval process, adoption of environmental risk management practices as well as compliance of environmental laws by the borrowers in the banks' credit portfolio.

As a responsible corporate citizen, Bank Alfalah in collaboration with IFC had, in early 2015, started to integrate Environmental and Social Management System in its credit approval system. The Bank's borrowers are now aware of the importance of environment, the need for environmental due diligence, environmental laws, and the role of environmental protection agencies in each province.



b) **Business Facilitation** which entails providing finance to businesses willing to invest in operations/technologies through bringing improvement in Environmental Risk Management and resource efficiency.

Bank Alfalah encourages its clients to improve their operations and technologies by initiating eco-friendly initiatives.

c) **Own Impact Reduction** which entails reducing Bank Alfalah's own carbon footprint. This would involve increasing the use of solar energy, which will decrease its reliance on grid-energy/fossil fuel based energy, reduction in paper consumption, rationalisation of water consumption, etc.

For its own impact reduction, the Bank is continuously bringing about resource efficiency and reducing cost by optimal utilisation of all resources.

Some of the initiatives include the conversion of more than 150 ATMs on solar energy, decrease in paper consumption, replacement of diesel fuelled generators with UPSs for backup power supplies, replacement of regular saver lights with low consumption LEDs, and replacement of conventional ACs with inverter ACs.

The cumulative effect of all steps taken so far shows that Bank Alfalah has begun to move towards achieving the objectives of Green Banking as laid down in the SBP Guidelines.





# Our International Presence







## AFGHANISTAN

Branch Banking Operations

Largest foreign bank in terms of assets.

Services offered to clients include retail and wholesale banking.

## BAHRAIN

Wholesale Banking Unit

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

## UNITED ARAB EMIRATES

Wholesale Banking Branch

Received license of incorporation in 2017.

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

## BANGLADESH

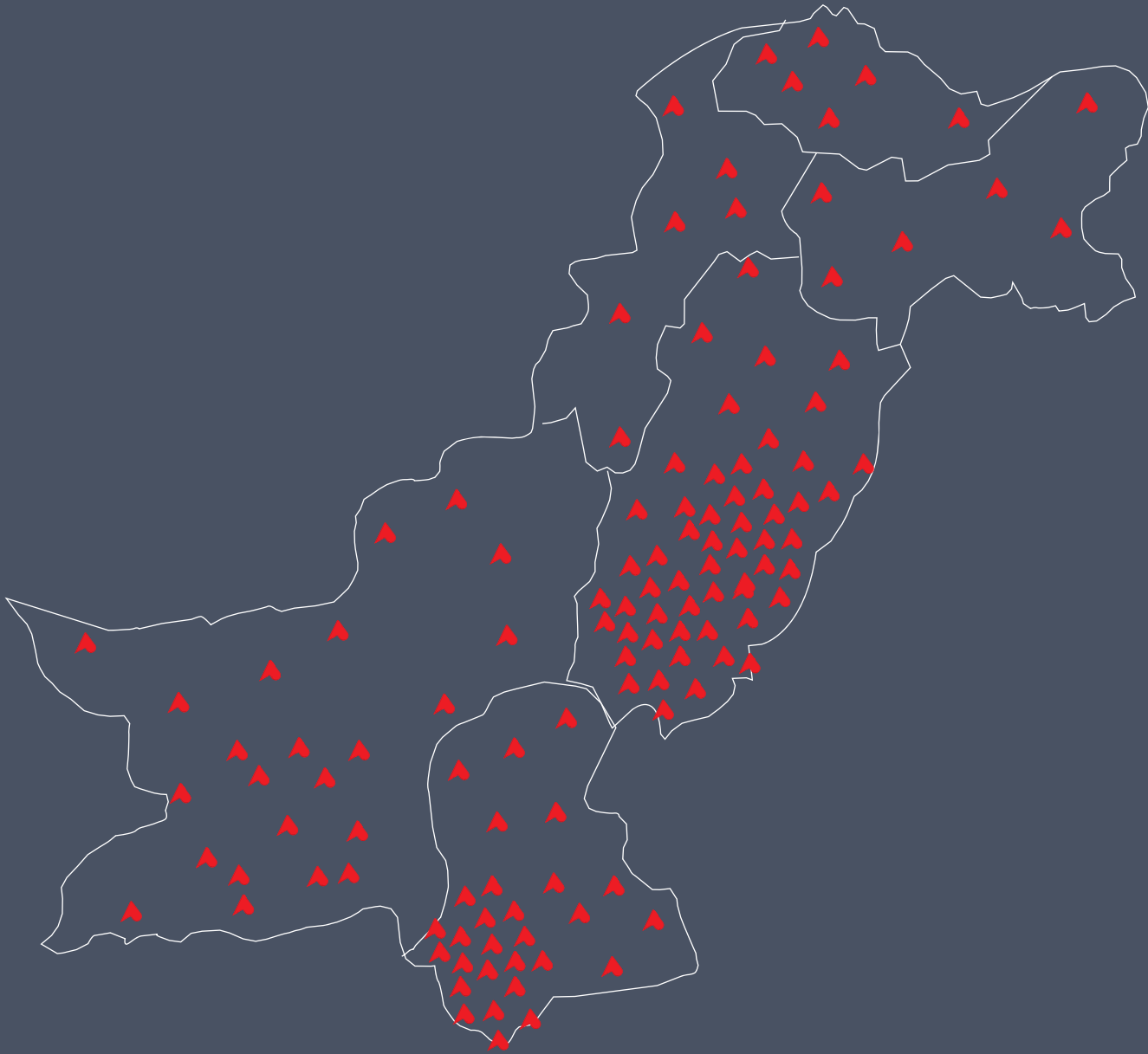
Branch Banking Operations

7 branches providing financial solutions to consumers, corporates and government, including retail and wholesale banking.



# Our Domestic Presence

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Bank Alfalah is one of the largest private bank in Pakistan with a network of over **600** branches in more than **200** cities across Pakistan.

Bank's province/region wise distribution of branches is as follows.

**147** SINDH

**360** PUNJAB

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**46** KHYBER  
PAKHTUNKHWA

**6** GILGIT BALTISTAN

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**38** FEDERAL

**2** FATA

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**32** BALOCHISTAN

**7** AZAD KASHMIR



# Our Investors

In order to facilitate our investors, Bank Alfalah has a two pronged strategy. There's a fully functional Investor Relations ('IR') Department which ensures that all material developments are communicated to investors via statutory announcements and quarterly result briefings. The presentation material of these briefings is available on the website which can readily be accessed by our investors. In addition, designated personnel in the IR Department are available to address any query or conduct meetings with investors for detailed discussions on the impact of external and internal developments on the Bank's operations, profitability and/or share price. In addition, the Bank's IR team gets feedback from international investors on a timely basis through regular participation in international conferences and roadshows.

The other part of the strategy pertains to the operational logistics where the Bank's in-house staff and contracted third parties (Share Registrar, etc.) strive for timely dissemination of material to the shareholders. However, a dedicated staff is stationed in the Company Secretariat to address any grievance of the shareholders. Contact details of designated people are prominently displayed in the relevant section of the Bank's website. The shareholders can reach out with their complaints electronically, over the phone or in writing, and these are addressed promptly by the Bank.

## **Investors' Relations Section on the Corporate Website**

The Bank has a dedicated section on the website for information related to Investors' Relations. In addition to other relevant documents and links, the section also has Annual and Quarterly Financial Statements for the past 10 years and Analyst Briefing Presentations from the year 2013 onwards for ready reference and ease of access.

## **Analyst Briefing**

In line with standard practice, four analyst briefings were conducted during the calendar year 2018. The initial briefing was to cover annual results of 2017 and the remaining three to cover the results of three quarters of the year 2018.

The briefings contained commentary on the results, explaining any one-offs that were seen in the results, while also highlighting emerging and/or prevailing trends that provide analysts and investors with better insight into the Bank's overall strategy and financial performance.

In addition to this, the presentations for analyst briefings included a quarterly trend analysis of key drivers to depict volatility in comparison to previous quarters along with historical data for the last 5 years, along with a Compounded Annual Growth Rate ('CAGR') of different line items.



# Our Employees

With the view to make Bank Alfalah a great place to work, our Human Resources and Learning Group (HRLG) has strengthened its focus on establishing a link between people, strategy, and performance as a means to execute the Bank's overall strategy. Using this as the guiding principle, the Bank's key focus during the year was to improve the overall employee experience, improve productivity, enhance cost efficiency, develop and grow talent, build leadership and create a conducive work environment.

## Management Trainee Programme

The Bank continued hiring the top of the line fresh talent from Pakistan's top educational institutions, and successfully onboarded its 4th batch to augment an already robust pipeline. Bank Alfalah is committed to hiring top talent and mold them into future leaders.

## 360 Degree Feedback/Talent Management

Development and growth of talent in any organisation is pivotal for retaining top performers. Bank Alfalah launched the first of its kind App based 360 degree feedback survey. The survey covered approximately 700+ staff in critical roles. The feedback (generated in the form of a report) will be used for developmental purposes, and will feed into succession planning and talent identification exercises.

## Voice of Employee (VOE) Sessions

HR conducted VOE sessions with the staff in different job families and cities. The purpose of conducting these sessions was to get an in-depth understanding of the issues faced by the staff and the barriers they encounter in their growth. HR explored the recurring themes that were identified during these sessions and implemented solutions.

## HR Helpdesk

In line with the Bank Alfalah's 'Way Forward' initiatives, HR launched 'Your HR', a digital helpdesk for staff, providing them a communication platform to post all HR-related queries, and to track and get responses swiftly and efficiently. The HR Helpdesk is being widely used and acknowledged by our staff from all over the country.

## Employee Onboarding Experience

The onboarding process has been reengineered to create a wow experience for new joiners. Improvements in this procedure have been made in line with the best industry practices. This will facilitate the new joiners in familiarising with the culture in the shortest possible time besides avoiding delays in enrolment due to incomplete documentation, thus resulting in better turnaround time for employee onboarding.





### **Learning and Development**

With focus on four major pillars i.e. Product/Process Knowledge, Conduct Service and Leadership, HRLG revamped the learning agenda in 2018. Orientation programmes were redesigned for the new joiners. Role-based certifications, and product and process refreshers were offered to the existing staff. Service clinics were introduced to improve the service culture and customer experience. Trade certification programmes were offered for capacity building of the staff in trade functions. Customised batch learning programmes were also made part of the Management Trainee Programme and SME/ARM Programmes.

Bank Alfalah became the first Bank to launch gamified learning contents with the launch of 'Alfalah-Learning on the Go' App for Android and iOS devices. First gamified training on AML/CFT has been rolled out. Furthermore, Bank Alfalah staff located in distant areas were trained through frequent mobile learning programmes. HRLG, in collaboration with Branch Transformation team, also conducted nationwide initiative of BM Assessments. To develop in-house talent, Potential Development Programmes were conducted with the aim to empower potential candidates for the available slots of the Branch and Operations Managers. A major initiative of the indigenously developed modular programme was run successfully to conduct in-house assessment of credit skills in business and risk functions.

### **Launch of HR Risk Framework/Dashboard**

In order to mitigate the HR Risk and compliance of various SBP Guidelines on HR, HR Risk Framework/Dashboard has been launched. It will not only help us to monitor the overall HR performance in terms of providing services to employees, but also portray employee attrition and outstanding loan liabilities of ex-employees.

### **Revamping of Grievance Policy and Procedure**

Bank Alfalah strives to create and maintain a work environment in which staff members are treated with dignity, decency, respect and fairness. The Bank employees should be able to work and learn in a safe, yet stimulating atmosphere. The revamping of grievance policy and procedure ensures that the work environment is characterised by mutual trust and goodwill, and also prevents unfair treatment, discrimination, intimidation, oppression and harassment.

### **Employee Relation Champions**

HRLG has launched a bank-wide 'Train The Trainer – Employee Relation (ER) Champions' campaign to provide awareness to our staff on employee relation products and to identify ER Champions who will be provided further in-depth training on fair accountability, disciplinary and grievance management.





## Diversity and Inclusion

Bank Alfalah understands the key role that diversity and inclusion play in the evolution and growth of an organization. Therefore, it has embarked upon a journey of building a work environment that is fair and inclusive. Following are some of the policies that we have recently introduced:

- **Childcare Allowance:** With the aim to actively support our female staff and single parents, Bank Alfalah has introduced the childcare policy. A monthly childcare allowance of Rs. 10,000/- is available for female and/or single parents who are working in the Bank as permanent or contractual employees.
- **Flexible Working Policy:** Bank Alfalah wants to create an environment where the value of flexible working is understood. Under this programme, our employees have the option to either have flexible timings or work from home arrangement.
- **Paternity Leave:** Bank Alfalah now offers 7-day paternity leave to our male employees along with 90-day maternity leave to our female employees.
- **Iddat Leave:** Bank Alfalah has introduced a fully paid 130-day Iddat leave for our female employees in case of death of their spouse, so they have job security along with some peace of mind during this troubled time.

## BAF Staff TV Channel

With the intention to improve internal communication and to keep our staff well-informed, engaged and educated, Bank Alfalah has launched the first of its kind Staff TV Channel. Based on the overwhelming response, this initiative will be scaled-up in 2019.

## ACE Awards

ACE Awards were launched in 2018 to encourage and recognise the desired behaviours in both individuals and teams. Award categories include Customer Connect, Collaboration, Continuous Improvement and Conduct & Integrity. The awards will be given out on a quarterly basis.

## HRLG Way Forward in 2019

As Bank Alfalah continues to evolve and progress, HRLG will direct its efforts to ensure the Bank becomes an employer of choice. Our key focus areas will be to hire on the basis of aptitude, develop and grow talent, build leaders, digitise our processes, become a truly diverse and inclusive workplace, and engage and recognise our employees.



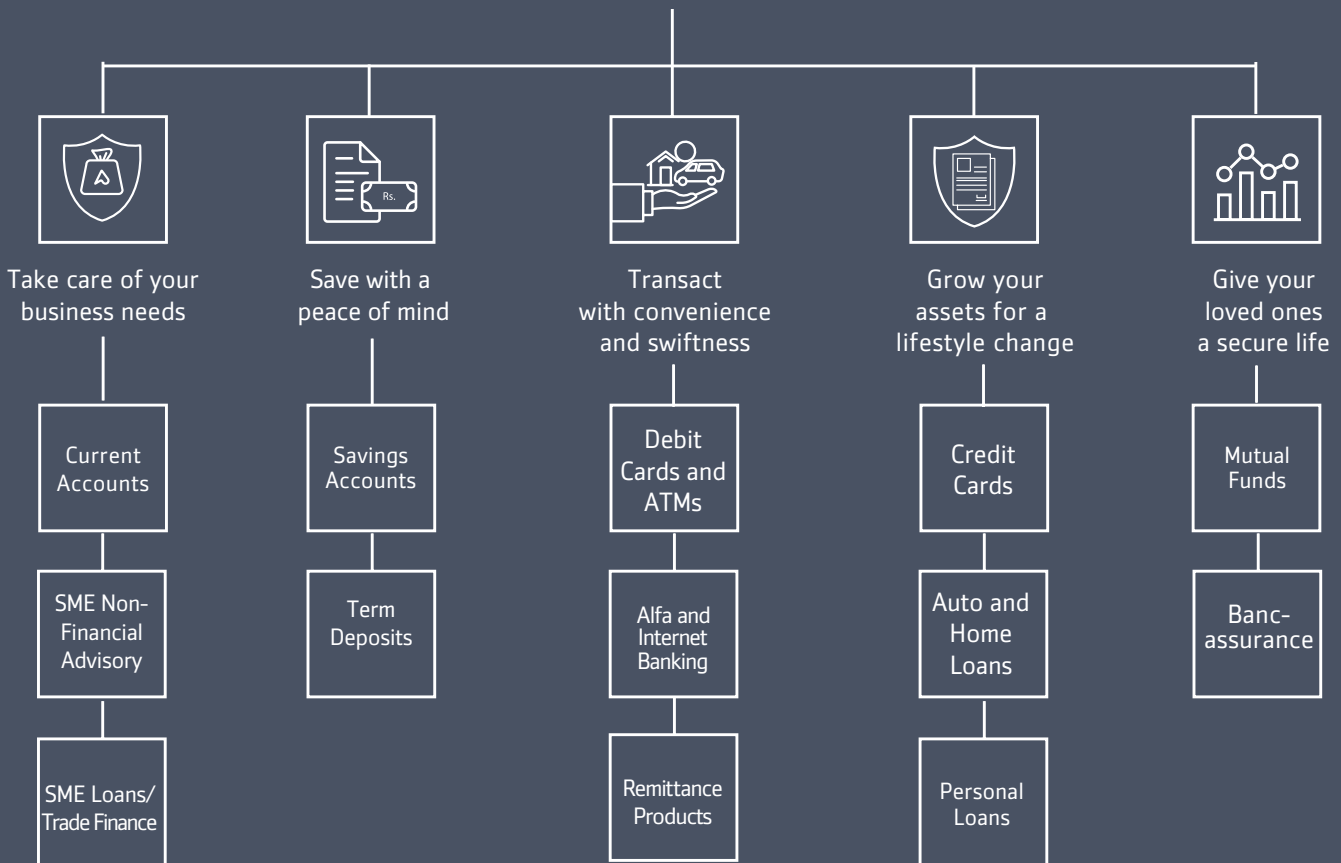
# Our Business

## Retail Banking

Bank Alfalah offers one of the widest Personal Banking and SME product propositions in the market through its Retail network consisting of 481 branches, 535 ATMs, state-of-the-art call centre and digital banking. The Bank's diverse range of services and products include a range of deposit accounts, consumer loans, SME loans, wealth management products and other payment solutions.



### OUR RETAIL BANKING PORTFOLIO



RETAIL DEPOSITS  
**464.652** BILLION

CONSUMER FINANCE  
**28.955** BILLION

## DEPOSIT PRODUCTS

Bank Alfalah offers a comprehensive deposit product suite, which is complemented through our vast branch network and digital banking solutions. From transactional current accounts, structured savings products to basic banking accounts, term deposits and foreign currency products, customers can choose the option that best suits their banking requirements.

## WEALTH MANAGEMENT

Bank Alfalah offers a vast portfolio of Bancassurance and Investment solutions, including Mutual Funds, Life Insurance, Health Insurance and General Insurance products distributed through the Bank's branch wide network.

## CONSUMER FINANCE

The Bank's wide range of consumer finance products include personal loans, auto loans and home loans. The payment products and services comprise of debit cards, credit cards, travel currency cards and Point-of-Sale (POS) terminals.

## ALFALAH ORBIT REWARDS

Bank Alfalah's award winning Alfalah Orbit Rewards Programme is the first enterprise wide loyalty programme launched by Bank Alfalah in January 2017. Under the umbrella of this rewards programme, Bank Alfalah customers can earn Orbit points across various Bank Alfalah products, and redeem against multiple options like telco bill payments, utility bill payments, QR transactions, donations, Orbit Mall e-commerce portal, POS merchants, and much more.

## RETAIL LENDING

**133.826** BILLION

## SME LENDING

Bank Alfalah takes pride in providing the largest suite of financial and non-financial products and services to its SME customers. Bank Alfalah is the only bank which has introduced formal Non-Financial Advisory Services for its SME clients. The Bank has products ranging from working capital, long-term finance, fleet financing, bill discounting, invoice financing, supply chain finance and cash-flow based clean lending products for SME customers. The Bank's superior services, unique product propositions and world-class advisory programme enabled the Bank to receive the 'Best SME Bank Award' at Pakistan's most prestigious banking award ceremony.

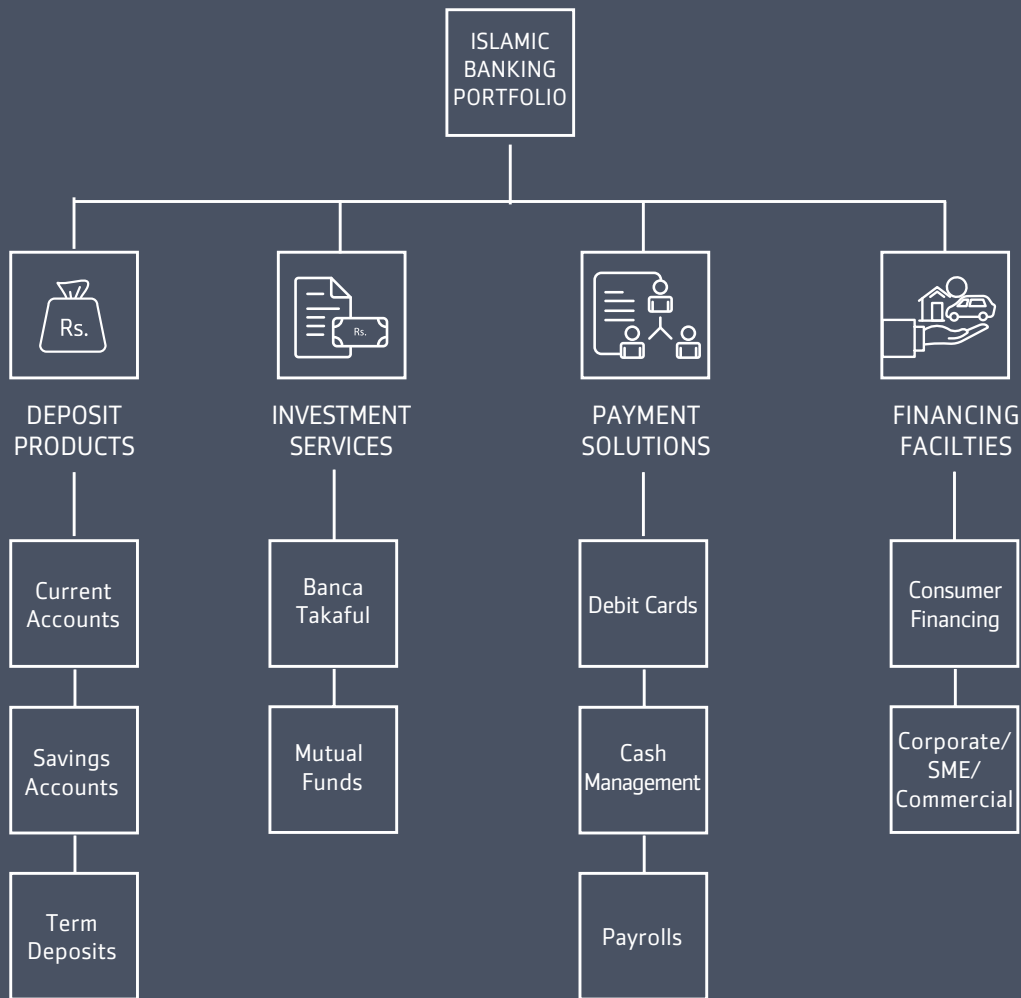
## PREMIER BANKING

At Bank Alfalah Premier, customers are at the front and centre of our universe as the Bank invests time and efforts in order to understand their unique needs and create tailor-made solutions. Bank Alfalah Premier Lounges offer unparalleled banking experience with key elements of strategy encompassing industry firsts, including, but not limited to, seamless onboarding (instant account opening and debit card issuance), dedicated Relationship Managers, designer lounges with Espresso alliance across the lounge network, and accelerated Orbit Rewards along with access to a dedicated Premier Airport Lounge at the Jinnah International Airport, Karachi. With market leading and differentiated card strategy that encompasses alliances with top notch brands unique to the Premier segment, Alfalah Premier customers can enjoy amazing discounts on their Alfalah Premier Credit Card and Alfalah Premier Visa Signature Debit Card at top notch brands.



# Islamic Banking

With a full range of Shari'ah compliant Islamic Banking solutions for corporate and consumer banking customers, the Bank is geared towards exploring new markets with a view to diversify its client base and provide innovative financial solutions.



## ISLAMIC DEPOSIT PRODUCTS

Bank Alfalah Islamic offers a wide choice of deposit accounts that are Shari'ah compliant i.e. designed in strict adherence to Shari'ah principles. From current deposits, basic banking, term deposits, foreign currency to structured savings products, daily banking services can easily be catered through the vast branch network and self-service banking solutions.

ISLAMIC DEPOSITS  
**113.541** BILLION

ISLAMIC ADVANCES  
**87.055** BILLION

## CURRENT ACCOUNTS

Based on the concept of Qardh, the Bank's current accounts have been developed to cater the liquidity and daily transaction requirements of the customers in a Shari'ah compliant manner.

## SAVINGS ACCOUNTS

Alfalah Islamic savings accounts are based on the concept of Mudarabah, and aim at providing the necessary tools for various segments of the consumer market, including individuals, sole proprietors, traders, businessmen, corporate clients and commercial customers to transact their entire Bank related activities nationwide.

## TERM DEPOSITS

Based on the concept of Mudarabah, the TDRs offer attractive short-term, mid-term and long-term investment options with flexibility and convenience. With various tenor options available for different target markets, combined with different profit pay-out options and the added facility of being able to avail credit facility against their investments, customers can choose the term deposit that suits their needs.

## INVESTMENT SERVICES

Bank Alfalah Islamic offers investment services, including Bancatakaful and Islamic GHP Funds, which enables customers to manage their investment needs in a Shari'ah compliant way.

## PAYMENT SOLUTIONS

Bank Alfalah Islamic offers a variety of payment solutions both for retail and corporate clients, including debit cards, payrolls and cash management services that cater different collections and payment needs of corporate clients in a Shari'ah compliant manner.

## ALFALAH ORBIT REWARDS

Bank Alfalah not only values but also rewards every relationship that the Bank builds as an affirmation of its commitment to finding new and innovative ways to create value for customers.

Every product whether it's a debit card, deposit account, Home Musharakah, Car Ijarah, internet banking or mobile application, bancatakaful or an investment policy, allows customers to earn Orbits, a revolutionary reward currency. Customers can use Orbits to redeem items from the Bank's extensive online rewards catalogue and make bill payments on internet banking and Alfa mobile application. Customers can even transfer Orbits to other Alfalah Islamic customers. The more Bank Alfalah products a customer holds, the greater is the potential to earn across all products in the form of a tier bonus every month!

## CONSUMER FINANCING

Bank Alfalah Islamic provides its retail segment with the options to avail financing facilities, including Alfalah Islamic Car Ijarah and Alfalah Islamic Home Musharakah.

## SME/COMMERCIAL/ CORPORATE FINANCING

In order to efficiently cater the needs of Small and Medium Enterprises (SMEs) that are considered to be the engine of growth for developing countries like Pakistan, enhance economic growth and increase economic activity in the country, Bank Alfalah Islamic offers products like Alfalah Islamic Karobar Finance and Alfalah Islamic Milkiat Finance. Bank Alfalah Islamic offers financing facilities for different customer requirements like purchase of goods/ raw materials, manufacturing, constructions, working capital needs and financing of corporate and commercial assets.



# Corporate Banking

Bank Alfalah provides corporate banking solution that comprise of credit, transaction banking, syndication and investment banking

## CREDITS

Bank Alfalah has introduced loan and fee-based products and services, which are developed keeping in focus the financial requirements of medium and large sized corporate clients. These include cash credit facilities, demand and short-term loans, project finance, export credit, structured products, discounting of bills, documentary credits, guarantees and foreign exchange. The Bank's liability products for medium and large segments comprise of current accounts and time deposits.

## INVESTMENT BANKING

The Investment Banking Group offers a holistic range of solutions designed to allow our clients the freedom to choose from a wide array of financing options. The Bank is a key market player in the Project Finance and Syndications segments with focus on power, sugar, cement and steel. The Bank's service suite comprises of long-term and short-term lending with flexibility for structured products, syndications, project finance and advisory services.

## TRANSACTION BANKING

Transaction Banking Division offers a wide range of transactional banking services, including cash management, international trade services, supply-chain financing solutions, and online banking. Anchor driven financial models, structured product programmes along with refined process flows, state-of-the-art customised products are some distinguishing features of Transaction Banking Division that empower its customers to maximise their financial performance.

Cash Management provides a wide range of value added services to corporate clients through the Bank's vast network of online branches. Structured and optimised products enable customers to realise their sale proceeds swiftly from across the country, supported by a real-time Management Information System. Alfalah Transact is an electronic platform, which enables corporate, middle market and SME clients to securely prepare their payment and transfer instructions in real-time to the Bank. The Bank can receive these instructions securely and process them electronically after due validation and verification with convenience, security and cost-efficiency.

Trade Finance and Supply Chain Finance are the two key pillars of Transaction Banking Division, which in tandem with Cash Management propositions, strengthens Bank Alfalah's Transaction Banking Products' Suite. In addition to standard trade finance services, the Bank has developed a suite of bespoke value chain finance solutions for its SME and corporate customers. In order to optimise value chain of large corporates and extend financial access to SME segment, the Bank's Supply Chain Finance propositions and Working Capital solutions are being explicitly tailored as per their financial and commercial requirements.

### CORPORATE DEPOSITS

**92.178** BILLION

### CORPORATE ADVANCES

**242.956** BILLION





# Global Treasury and Capital Markets

Global Treasury and Capital Markets Group plays a pivotal role in guiding the Bank and its customers through markets that impact the balance of risks and returns.

## GLOBAL TREASURY

Bank Alfalah Treasury is an established and active player in both Conventional and Islamic Interbank Money and the FX markets, with major focus on client centric solutions. It also contributes significantly to the Bank's bottom line whilst managing its balance sheet risk exposures emanating in the form of liquidity risk, interest rate risk, foreign exchange risk and counter party risk.

Taking advantage of Treasury's strong and well-entrenched market presence, the Treasury Sales Desk with offices situated across main business centres of Pakistan, provides a wide range of product suite to cater its clients' foreign exchange, interest rate, financing and investment needs. Acknowledging the fast changing technological landscape of the financial industry, Treasury also offers Electronic Trading Portal 'EIPS' for the Bank's retail clientele, enabling individuals to participate in the primary markets and also invest through the secondary markets in Treasury bills, Pakistan Investment Bonds and Ijarah Sukuks via the Bank's Internet Banking Portal. This further enables the Treasury to enhance its outreach by capitalising on the Bank's digital capabilities.

Due to the Bank's global footprint and with a mission to serve our client's market specific needs, the Treasury has in place Overseas Treasury Units catering exclusively to that region's unique dynamics.

## CAPITAL MARKETS

Capital Markets offer comprehensive equity solutions for in-house and clients' needs. Leveraging its active role in Capital Markets and their development, the Bank has established an award winning Equity Advisory and Investor Relations franchise.

FX EARNINGS (2018)

**2** BILLION

CAPITAL GAINS (2018)

**1** BILLION



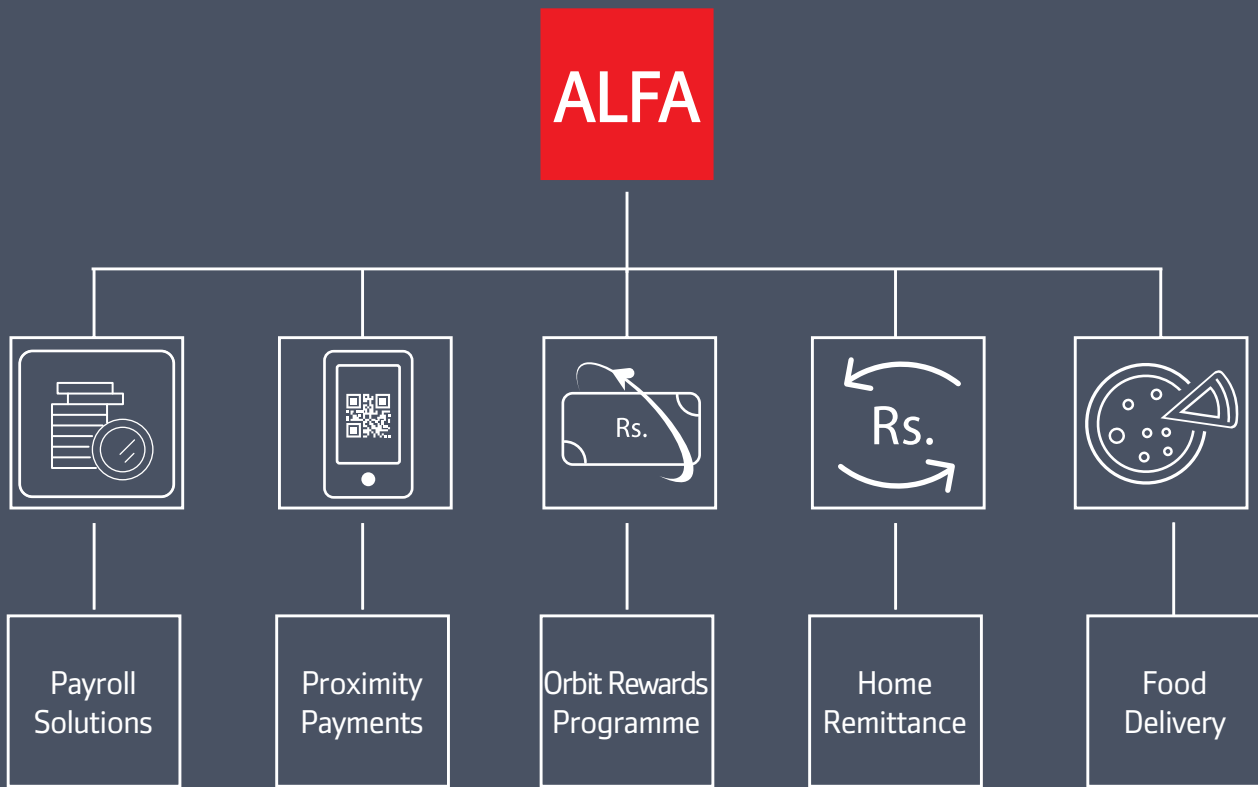
# Digital Banking – Live more. Bank less!

Bank Alfalah believes banking can be simpler, faster and more effortless for all. Therefore, as a thought leader in the industry, Bank Alfalah has positioned its digital services to grow beyond the core banking services.

The Bank has presented its key digital banking platform 'Alfa' as a lifestyle application that does not only facilitate banking transactions, but also provides services like food ordering, ticket booking, mobile top-up, shopping and more.

Lifestyle Banking was launched where ordering of food from top restaurant in Pakistan was enabled, including payment and tracking of delivery from within the App. Home Remittance

Account (HRA) wallets were also introduced, which enhanced the digital products offerings. Bank Alfalah's award winning Alfalah Orbit Rewards saw new features added to the programme. In addition, the Bank launched QR payments resulting in acceptance of proximity payments from Alfa App at more than 100K+ fonepay locations serving more than 15K+ unique customers until date. Lastly, with Alfalah Payroll Solutions, the Bank signed up with more than 125 companies for its blue-collar payroll staff to digitise salary payments, disbursing around Rs. 4.7 billion in the year 2018.



ALFA ANNUAL THROUGHPUT

**USD 1** BILLION

ALFA CUSTOMER BASE

**450,000+**



## FOOD ORDERING ON ALFA

Alfa stands to be the first banking app in Pakistan to launch food ordering using Eat Mubarak. Now Alfa customers can login and order food, search for deals and discounts, track order, review history and make payment all in one place, hence, diversifying its range of services.

## HOME REMITTANCE ON ALFA

Bank Alfalah launched its HRA wallet in February 2018 to comply with the SBP regulations and to support country's initiative of promoting financial inclusion, aiming a prospective collection of USD20 billion worth of remittances each year. This new category of account offered free airtime of PKR 1 against each USD remitted into beneficiary HRA wallet. The Bank is also actively working on converting CoC transactions to HRA wallet credits.

## ORBITS PROGRAMME - THE ALFA CURRENCY

Bank Alfalah's award winning Alfalah Orbit Rewards programme is the first enterprise wide loyalty programme launched by Bank Alfalah in January 2017. Under the umbrella of this Rewards programme, Bank Alfalah customers can earn Orbit points across various products and make redemptions against multiple options like telco bill payments, utility bill payments, QR transactions, donations, Orbit Mall, e-commerce portals like Yayvo.com, POS merchants, and much more.

Compared to last year, the orbits redemption rate grew by 13% where 86% of the total redemptions were done through Alfa, Internet Banking, POS and Alfalah Payment Gateway compared to 45% at the launch of the programme.

## PROXIMITY PAYMENTS

Bank Alfalah launched QR payments resulting in acceptance of proximity payments from Alfa App. Today, this technology has been deployed at more than 100K+ fonepay locations having served 15K+ unique customers.

## PAYROLL SOLUTIONS

With Alfa Payroll Solutions, Bank Alfalah managed to digitise payroll for blue-collar job industry. In 2018, more than 125 companies have been signed up for blue collar payroll staff with Rs. 4.7Bn disbursed as salaries.

## DISRUPTING THE INDUSTRY WITH BIG DATA

Digital technology and big data analytics are poised to shake up the financial services industry. At Bank Alfalah, the Data Science Unit strengthens up by leveraging internal and external data with machine learning algorithms for X sell, uses geo-location analytics to suggest new branch locations based on historical performance of existing branches, and enables social media analytics through sentiment analysis.

This year, Contextual Marketing Unit was also established under the umbrella of data science, leveraging the Bank's capabilities to target new and existing customers digitally, based on data driven customer profile and predictive analytics to anticipate customer banking needs to offer the right product at the right time.

## SCHOOL FEE PAYMENT

In 2018, in order to reduce the branch counter traffic, 143 schools were shortlisted for Digital Fee payments via Alfa. This enables users to make payment for their child's education expenses directly from their phones.

## BILLING AND TICKETING

Customised payment collection solutions for different types of billers and ticketing companies have been integrated in Alfa allowing the users to book bus tickets, cinema tickets and pay various utility bills on the go, using Alfa on their phones.



# Our Way of Doing Business

## IT Governance Policy

Bank Alfalah's IT Governance Framework and Policies, are based on best industry practices, aim to ensure that Senior Management with the approval of the Board, formulates and effectively implements the overall IT Strategy and Digital Strategy, ensuring strategic alignment with overall business strategy of the Bank as well as adoption of global technology trends and developments. Effective IT Governance aims at transforming IT solutions and domains to surpass the needs and expectations of the business and its customers.

The Bank places high importance on efficient and secure IT systems, while facilitating timely responsiveness to market developments. To promote and enable robust, secure and cost-effective IT systems, comprehensive IT Management and IT Security Policies have been enforced, engineered jointly by the Bank's Technology Group, Corporate Services Group, Risk Management, IT Security, Compliance and IT Audit Departments, in accordance with regulatory Enterprise Technology Governance and Risk Management (ETG & RM) Framework as well as the Bank's financial and technological accountability.

The Bank's IT Group is committed to deliver exceptional value combined with seamless quality, highest level of security along with best possible performance and value of technology. All IT related functional units are managed by the Chief Information Officer who reports directly to the Chief Executive Officer and works in close coordination with other business groups as well as the Board IT Committee (BITC), Central Management Committee

(CMC) and the IT Steering Committee (ITSC). The CIO oversees the entire Enterprise Technology Governance Framework, policies and controls, keeps the Bank abreast with new technological enhancements and system deliveries, ensuring that the Bank is equipped with innovative, world-class and robust IT solutions to outperform competition. The CIO is also responsible for monitoring, improving and strengthening the IT Governance Framework by providing guidance and valuable strategic insight.


The meticulous implementation of Bank Alfalah IT Strategy roadmap has produced outstanding results and has brought in multiple accolades, awards and matchless achievements along with local and international recognition. The Bank's Core Banking System is well-recognised for its high stability and efficiency; a result of carefully planned performance-enhancements, architectural redesigning, optimisation along with a large number of successfully in-house developed T24 new products, features and major T24 enhancements, including T24 Islamic Core Banking capability; managed completely by Bank Alfalah ITG in-house teams in a very short span of time. The Bank's T24 international operations are seamlessly managed from production site in Karachi. This in turn has resulted in large benefits in terms of time, quality and customer experience.

In line with the Bank's IT Strategy, bank-wide technological solution enhancements have been successfully implemented providing a high level of automation and digitisation with a marked reduction in overall TATs and cost.

Bank Alfalah has deployed the best industry security solution and control. These include Advanced Threat Analytics and Advanced Threat Protection with the capability to detect advanced cyberattacks along with deployment of cyberattack incident response and forensics service, enhanced automated technical vulnerability compliance management solutions, SIEM solutions, cyber threat management implementation, and improved DDOS protection.

The Bank has invested in the best of the breed, next generation infrastructure, enterprise and networking solutions, which include server virtualisation, enterprise level SAN storages, clustered High Available (HA), CRM and Contact Centre enhancements and upgradations of key infrastructure components such as authentication services, emailing solutions, databases and operating systems to the latest version, etc. Bank Alfalah infrastructure consolidation and rationalisation has brought huge cost savings for datacentre in terms of power, cooling, rack space, security and overall operational cost.





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

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

Bank Alfalah has a unique and unparalleled Disaster Recovery Strategy, which includes complete automated bank-wide DR drills having geographical diversity, covering all critical and core supporting applications running from our DR site with equal capacity and performance. The automated DR drill switchover of all Bank's applications between production and DR sites has been seamless operationally and successfully executed with two complete drills conducted in 2018 without any issue. Major focus being placed on customer satisfaction, system operational performance excellence, security enhancement, maximising uptime and process automation.

On the basis of technological developments made during the past couple of years, Bank Alfalah is recognised as a 'Technology Driven Bank'.

## Whistle Blowing Policy and Procedures

### Overview

In line with the goal of maintaining highest standards of ethical, moral and legal business conduct, the Bank has established a Whistle Blowing Policy to ensure that any concerns raised in relation to unethical behaviour, corruption and fraudulent activities, that may cause damage to the Bank's assets/reputation, are duly addressed.

This reinforces enhanced focus and commitment to create an environment of trust and transparency, which eventually contributes to cherish a culture based on honesty and the highest ethical standards.

### Purpose

The core purpose of the Whistle Blowing Policy is to provide a safe and secure channel to internal as well as external stakeholders of the Bank (i.e. Bank's staff or any other person), having genuine suspicions about any wrongdoing/irregularity for raising concerns/complaints without any fear of reprisal or adverse consequences. The objective of the policy is to encourage everyone to come forward and register concerns on a secure and confidential channel, for onward redressal of complaints and concerns for prevention or further detection of any impropriety or malpractice, and to safeguard the interest







and reputation of the Bank. It remains the ethical responsibility of all directors, senior management and employees to comply and report violations in accordance with the Whistle Blowing Policy last reviewed/approved by BOD in its meeting held on 19th April, 2018.

### Scope

The policy encompasses deliberate, voluntary disclosures by a person about any type of actual or suspected wrongdoing/improprieties at individual/organisational level, including unethical, fraudulent activities and misconducts that may pose serious threats to the Bank's operations, financial performance and reputation.

### Process of the Whistle Blow

The person with an intention to disclose any wrongdoing/impropriety, whether actual or suspected, should immediately report it in writing to the Head – Audit and Inspection Group either through email at [whistleblowing@bankalfalah.com](mailto:whistleblowing@bankalfalah.com), surface mail, or interoffice mail at the official address of Head – Audit and Inspection Group by marking the envelope as 'Confidential'. Confidentiality of the complainant's identity, the nature of the reported incident, and the identity of the suspected person is strictly maintained in accordance with the contents of the policy. Keeping in view the nature, materiality and

seriousness of the allegation, the Head – Audit and Inspection Group decides as whether the allegation requires an immediate investigation, or is to be covered during the upcoming regular audit as per Annual Audit Plan. All the whistle blow complaints are subject to review by Chairman BAC without any exception.

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

### Reward for Whistle Blower

A whistle blower may even be rewarded by the Bank Alfalah management, if any significant/critical nature issue is raised by him/her.

### Number of instances during the year

Reported instances are presented through Head – Audit and Inspection Group for oversight of the Board Audit Committee (BAC) in BAC meetings. The instructions from the BAC are immediately circulated to concerned departments for enforcement of the actions required on real time basis. 30 whistles were blown during the year 2018 and details thereof have been duly submitted to the BAC.





### Business Continuity Plan and Disaster Recovery Plan

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

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

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

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

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

The disaster Recovery Framework incorporates three primary notions which are:

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

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

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

The efforts to date constitute the development of a Comprehensive Business Continuity Management

Framework through various BCP documents, including:

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

### Safety of Records of the Bank

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

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





## Customer Experience and Complaint Management

An impeccable customer experience is a priority at Bank Alfalah. The Bank simply puts the customer needs at the centre of everything that the Bank does, hence providing a flawless experience. While in line with the Bank's vision of 'inspiring and empowering people to do things differently and shaping their own path in life and business', the Bank ensures that every interaction that customers have is exemplary and something to remember for.

The Bank is a staunch believer in focusing on end-to-end customer journeys, maintaining continuous visibility of service performance across every service touchpoint, primarily including branch network, contact centres, social media, customer surveys, employee feedback and complaints.

Customer experience at Bank Alfalah is resolved to maintain and improve the quality standards of the service touchpoints along with providing relevant solutions to customer grievances, if any. The Bank's priority is to ensure that the Bank conducts itself with the customers in a fair and transparent manner, impart awareness to take informed decisions, and at the same time deliver upon its committed standards.

One of the testament to Bank's service commitment came in 2018 at the 'Pakistan Banking Awards' when Bank Alfalah bagged the 'Best Customer Franchise Award' for the third consecutive time.

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

**Consumer Protection Policy:** The Bank has an extensive consumer protection policy embedded with defined and detailed guidelines for customer management throughout the customer journey, ranging from product development, sales practices, marketing activities, communication protocols and handling of customers.

**Voice of Customer Programme:** Being custodians for the Voice of Customer (VoC) programme, the Bank conducts extensive customer surveys regarding almost every product that it has to offer to gauge customer's satisfaction respectively along with getting insights regarding customer's needs for development of any future product to surpass customer's expectations.

**Quality Assurance:** The Bank has a comprehensive Quality Assurance Platform that spans across various products, channels, including, but not limited to, digital channels, branch banking, consumer finance, centralised operations and support segments with an aim to identify gaps, resulting in high turnaround times, while driving efforts to meet the committed service standards.

**Knowledge Initiatives:** The Bank drives a robust knowledge enhancement programme that's focused towards increasing staff awareness levels on products, processes and customer handling techniques. To inculcate the service mindset in the Bank Alfalah family, not only

the Bank takes the contemporary approach, but also utilises mediums such as service snippets, infograms, online portal, etc. For the year 2018, the Bank has successfully included SME and AMEX Card teams for the online testing platform to enhance their product related knowledge and train them, if necessary.

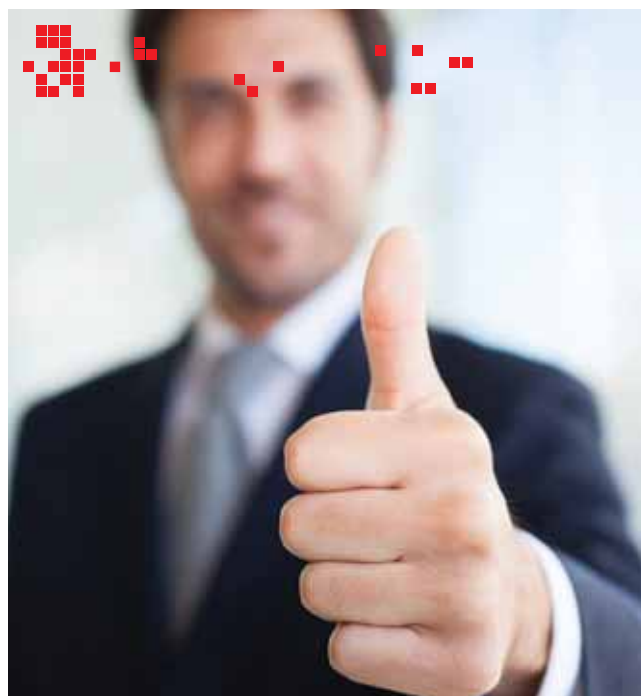
**Process Optimisation:** Process Optimisation for a better customer experience thoroughly keeps in lens all the facts and figures emanating from Complaint Management Unit and the platforms mentioned above, and yields strategies and plans to make the service TATs better for the customers.

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

**Video Mystery Shopping Programme:** The Bank has a robust and unique Video Mystery Shopping Programme (VMSP) to better gauge the service standards at conventional, Islamic and corporate branches. A programme with such profundity enhances the foresightedness to provide better services for prospective customers.

**Complaint Management Unit:** Complaint resolution at Bank Alfalah is to ensure due diligent complaint closures, while maintaining high FTC (Fair Treatment of Customers) standards.

In 2018, the Bank directly received a total of 78,582 complaints, which were resolved in an average of four working days. In addition, Bank Alfalah conducts thorough root cause analysis to facilitate/drive continuous improvement in tandem with the business and product management teams via various avenues as elaborated above.



## Outsourced Arrangements

In order to enable financial institutions to effectively manage the risks arising out of outsourcing, the State Bank of Pakistan has updated the Guidelines on Outsourcing Arrangements issued vide BPRD Circular No. 09 of 2007. The revised instructions are called 'Framework for Risk Management in Outsourcing Arrangement by Financial Institutions'. The new framework is based on international standards and best practices. These instructions aim to enhance the proactive environment in FIs on various aspects

of the outsourcing, including, but not limited to, governance, risk management, insourcing of services, group outsourcing, information technology outsourcing and collaboration/outsourcing arrangements by FIs with financial technologies. As required under the guidelines, material outsourcing arrangements already in place at Bank have been streamlined to comply with this framework.

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

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

The total cost incurred on these identified outsourced activities during 2018 was approximately Rs. 636.858 million (2017: Rs. 653.673 million).

## Corporate Social Responsibility

Bank Alfalah considers Corporate Social Responsibility as one of the most important aspects of its business. The Bank believes that, by creating shared values, its success and customer's success are intertwined. As the Bank continues to build responsible business practices across its operations, the Bank ensures that it also actively gives back to the society.

The Bank believes in supporting programmes that address social problems. Building on the Bank's past philanthropic investments, its priority areas include education, health, social welfare, environmental sustainability, leadership development, and promotion of sports, arts and culture. Some of the Bank's major philanthropic initiatives in 2018 are mentioned below:

### 1. Child Aid Association and National Institute of Child Health

Bank Alfalah supported child aid associations to provide health services, including free treatment to children suffering from cancer and another 6,000 patients at National Institute of Child Health (N.I.C.H.). Bank Alfalah provided Child Aid Association (CAA) a new ultrasound machine for children, special transfusion chairs for administration and a generator.

### 2. Family Educational Services Foundation

Family Education Services Foundation (FESF) is a non-profit organisation. Deaf Reach Schools, a project of FESF, provide highly subsidised education to deaf children and young adults. Bank Alfalah provided FESF student scholarships that included pick and drop services, tuition fees, vocational materials, lunches and uniforms.

### 3. Prime Minister and Supreme Court Diامر Bhasha and Mohmand Dam Fund

To address the national concern over shortage of water reserves for the country, the honourable Supreme Court of Pakistan established 'Diامر Basha Dam Fund – 2018'. Bank Alfalah decided that all employees could choose to donate one day's basic salary towards this cause.

### 4. IBA Karachi

Bank Alfalah made a valuable commitment to IBA General Endowment Fund. The amount provided for the CSR initiative would support IBA's vision of providing quality education in Pakistan.

### Sponsorships

Bank Alfalah also sponsored several fundraising efforts in 2018, with the proceeds going towards charitable, non-profit, or welfare institutions.

Some of the organisations that Bank Alfalah partnered with in this regard are listed below:

- Pakistan Horti Expo
- Citizen Archive Pakistan
- Karachi Down Syndrome Program
- Karachi Women's Swimming Championship
- Bay View College Entrepreneurship Competition
- Kidney Center



# Risk Management

The Board of Directors recognise the risks to which the Bank is exposed to and ensure that the required culture, practices and systems are in place to address such risks.

The Board shall mainly be responsible for the following risk management activities:

- Formulation and maintenance of an integrated bank-wide risk management framework;
- Establishing a bank-wide strategy incorporating the risk management strategy;
- Defining the overall risk appetite of the Bank and maintaining adequate capital for carrying out business activities under various business lines and products;
- Defining the risk management policies;
- Ensuring implementation of the risk management framework, and maintaining adequate and capable infrastructure to support the framework;
- Reviewing exception reports prepared by the Risk Management Division highlighting deviations of

activities and operations from established standards; and

- Regularly reviewing significant risk issues to determine their impact on the Bank's strategy and aligning the strategy to address the existing or potential risks.

## Strategy to Mitigate the Risk

Risk is referred to as a possibility that the outcome of an action or event could bring adverse impacts resulting in direct losses of earnings/capital, or imposition of constraints on the Bank's ability to meet its business objectives. Risks may therefore potentially hinder the Bank's ability to continue its ongoing business as planned, or to take benefit of opportunities to enhance stakeholder value.

These risks and their sub-categories are defined as follows for which the Bank's management shall ensure effective management through an integrated bank-wide risk management and Internal Control Framework:

S.No.	Risk Type	Strategy to Mitigate the Risk
1	Credit Risk	The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly identified and analysed, 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 emphasising prudence in lending activities and ensuring the high quality of asset portfolio. Besides above, Bank Alfalah has approved Credit Operational Manual (COM) and Credit Policy Manuals (CPM) in place to strategise and govern the Bank's overall lending strategy, thereby addressing the credit risk embedded in the process.
1(a)	Credit Concentration Risk	Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of credit concentration, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, to restrict the industry concentration risk, the Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industries. The Bank manages and monitors its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure.
2	Market Risk	To manage and control market risk, a well-defined risk management structure under the Board's approved Market and Liquidity Risk Management Policy is in place. Market Risk Department is actively involved in identifying, measuring and setting risk control limit to optimise 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).
2(a)	Currency/Foreign Exchange Risk	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 a 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.
2(b)	Interest Rate Risk	The Bank has formulated a separate Interest Rate Risk Management (IRRM) framework which establishes aggregate and tenor-wise balance sheet level PVO1 (Price Value of 1bps) limits to manage interest rate risk within the Board approved risk appetite. Treasury is primarily responsible for management of interest rate risk on a



S.No.	Risk Type	Strategy to Mitigate the Risk
		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.
2(c)	Equity Investment Risk	The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD independently monitors and reports portfolio and scrip level internal and external limits on daily basis, which include management action point and stop loss limits.
3	Liquidity Risk	The Bank has in place detailed Board approved Market and Liquidity Risk Management Policy for liquidity risk management. The policy comprehensively defines the risks they cover and their sources; specific roles and responsibilities; risk measurement methodology and 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 RMD is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and Board approved risk framework.
4	Country Risk	In order to monitor and mitigate the risk, the 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 utilisation are monitored and controlled at head office level, and country risk exposures are reported to Central Credit Committee at a defined frequency.
5	Operational Risk	<p>The Bank has the strategy for identification, assessment, mitigating, monitoring, reporting and measurement of Operational Risk. RMD [ORM Unit] along with the support of the BRMC and management ensures that adequate strategies are implemented to achieve the operational objectives of the Bank.</p> <p>The Bank has implemented an effective, consistent and comprehensive ORM framework and approach for monitoring and communicating risks, supported by a suite of principles, policies and controls, including a code of conduct, authority guidelines, business process standards, policies regarding major risk categories, systems and processing controls, and an approval process for new products.</p> <p>The ORM Unit uses Risks and Controls Self-Assessment (RCSA) as a tool to identify and assess the key operational risk inherent in all existing activities, processes and systems. RCSA exercises are conducted within each key business and support unit in the Bank mainly through meetings/workshops with the relevant head of department/unit head. The business and support units are identified using the following parameters: a) Bank's operational and reporting structure; b) Qualitative and quantitative materiality; and c) Discussion with ORM unit.</p>
6	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 is derived 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 the Bank's technology assets by developing IT security baselines for IT solutions that support products and services, security solutions selection, and acquisition, including vendor and/or service provider selection managed by IT security in close coordination with ITG and procurement/central administration monitoring of threats and vulnerabilities through Security Operations Centre (24/7), 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 IT Committee (BITC)/ITSC/Board.
7	Environmental and Social Risk Management Unit	<p>The Bank has an integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental and Social Management System (ESMS) is in place. The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated against:</p> <ul style="list-style-type: none"> <li>• IFC exclusion list</li> <li>• Applicable national laws on environment, health, safety and social</li> <li>• IFC performance standards</li> </ul> <p>This framework is an integral part of the credit approval process and all relevant credit proposals require clearance of E&amp;S Officer prior to approval of the competent authority.</p> <p>The Environmental and Social Risk Management Unit, part of RMD is responsible for identifying, vetting and approving projects from an Environmental and Social Management Risk (ESRM) perspective.</p>



# KEY FINANCIAL INFORMATION

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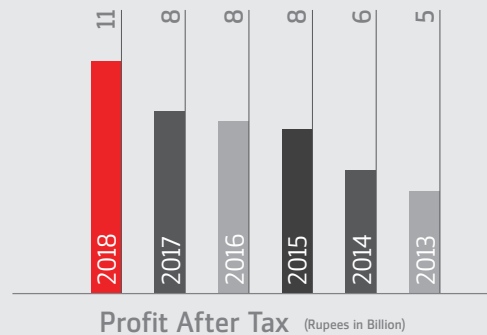
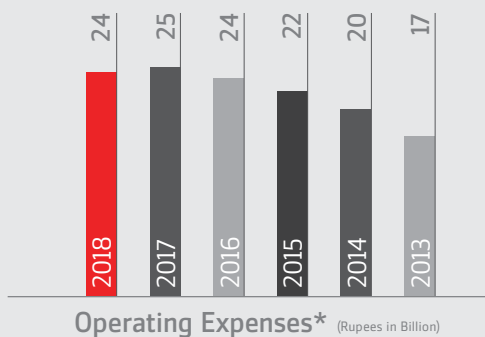
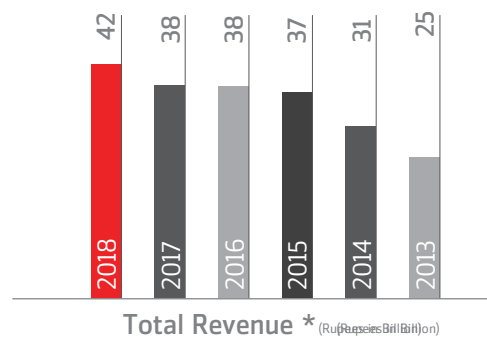
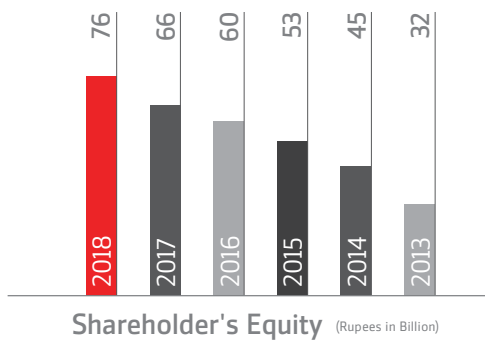
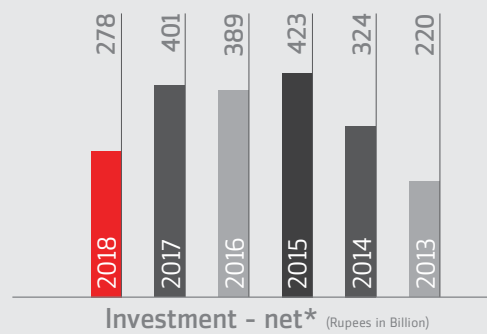
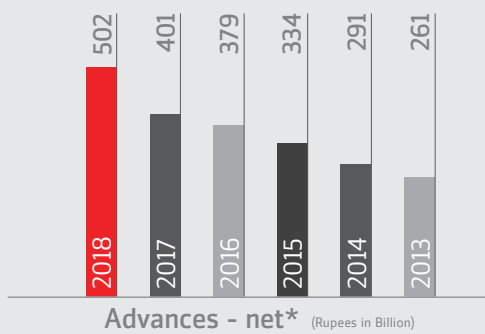
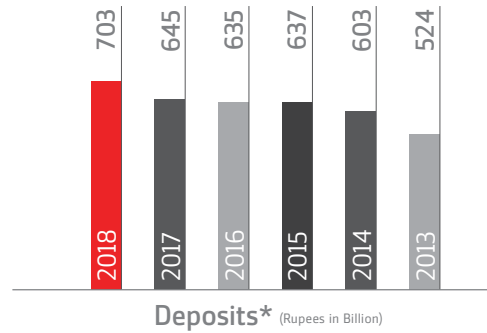
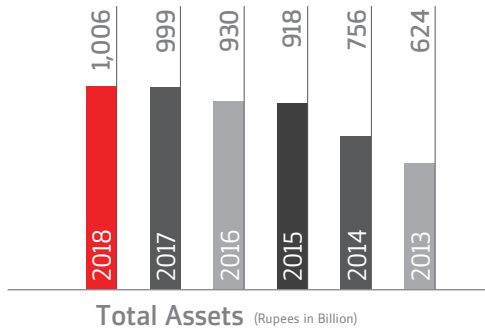
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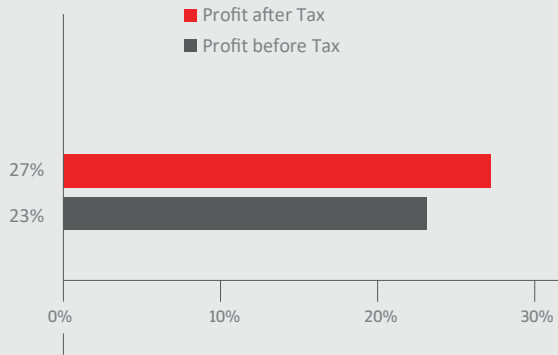
# Six Years Financial Position



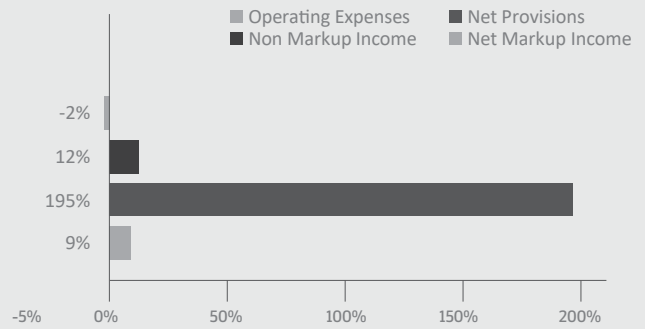
\* Continuing Operations

# Graphical Presentation of Financial Statements

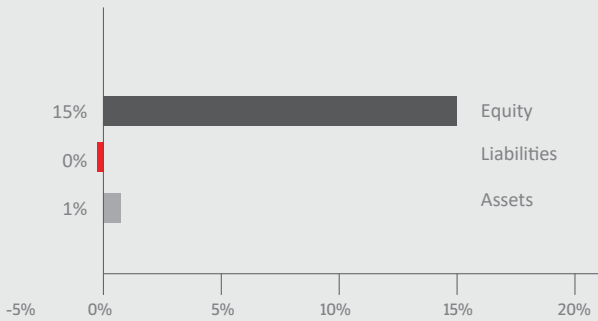
Profitability (variance from 2017)



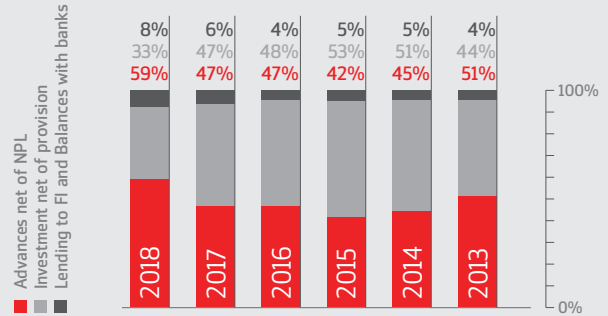
Profitability Components (variance from 2017)



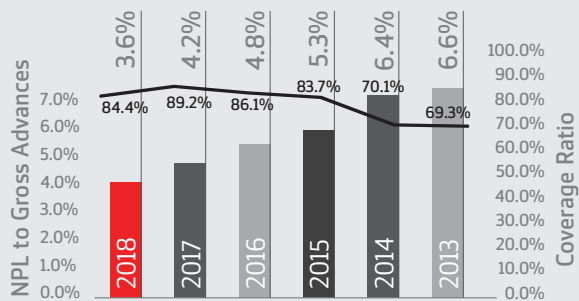
Balance Sheet (variance from 2017)



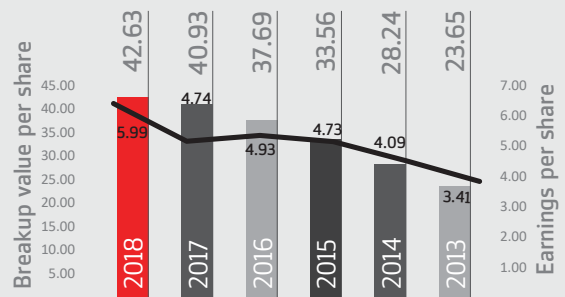
Earning Assets Mix



Asset Quality



Returns





# Six Years Financial Summary

		2018	2017	2016	2015	2014	2013
<b>Profit &amp; Loss Account</b>							
Mark-up / return / interest earned	Rs. Mn	59,318	56,176	57,144	61,439	55,378	43,961
Mark-up / return / interest expensed	Rs. Mn	27,727	27,199	28,153	32,811	33,505	27,066
Non-Fund based income	Rs. Mn	10,200	9,076	8,907	8,860	8,876	8,279
Total Income	Rs. Mn	41,791	38,052	37,899	37,488	30,749	25,174
Operating Expenses	Rs. Mn	24,365	24,964	23,802	22,286	20,308	17,473
Operating Profit before tax and provision	Rs. Mn	17,426	13,089	14,096	15,202	10,441	7,701
Provisions / write-offs	Rs. Mn	588	(616)	1,073	2,599	1,928	894
Profit before tax - Continuing operations	Rs. Mn	16,838	13,705	13,023	12,603	8,513	6,807
Profit after tax - Continuing operations	Rs. Mn	10,150	8,166	7,900	7,522	5,640	4,676
Profit after tax - Discontinuing operations	Rs. Mn	475	201	-	-	-	-
Profit after tax	Rs. Mn	10,625	8,367	7,900	7,522	5,640	4,676
<b>Statement of Financial Position</b>							
Authorised Capital	Rs. Mn	23,000	23,000	23,000	23,000	23,000	23,000
Paid up Capital	Rs. Mn	17,744	16,076	15,952	15,898	15,872	13,492
Reserves	Rs. Mn	23,051	18,157	15,896	14,164	12,338	7,274
Unappropriated Profit	Rs. Mn	27,470	24,283	17,307	12,363	9,614	7,500
Surplus on revaluation of assets - net of tax	Rs. Mn	7,383	7,285	10,970	10,928	6,995	3,636
Shareholders' equity	Rs. Mn	75,647	65,800	60,125	53,353	44,819	31,902
Total Assets	Rs. Mn	1,006,218	998,828	929,645	918,404	755,902	624,276
Earning Assets	Rs. Mn	840,662	851,165	800,778	794,826	638,837	497,916
Gross Advances	Rs. Mn	518,392	417,182	395,863	350,351	304,848	273,827
Advances - net of Provision	Rs. Mn	501,636	400,655	378,720	334,159	290,597	260,780
Non Performing Loans	Rs. Mn	18,822	17,579	19,019	18,455	19,412	17,947
Investments - at Cost	Rs. Mn	279,135	398,188	381,458	419,329	324,336	225,035
Investments - Net	Rs. Mn	277,660	400,733	389,093	423,100	324,319	219,690
Total Liabilities	Rs. Mn	930,571	933,028	869,520	865,051	711,083	592,374
Deposits & Other Accounts	Rs. Mn	702,895	644,985	634,740	636,863	603,440	524,080
Borrowings	Rs. Mn	123,738	207,194	178,311	172,393	55,233	23,115
<b>Profitability Ratios:</b>							
Profit before tax ratio (PBT / Gross Mark-up Income)	%	28.39%	24.40%	22.79%	20.51%	15.37%	15.48%
Gross Yield on Average Earning Assets	%	7.01%	6.80%	7.16%	8.57%	9.74%	9.47%
Gross Yield on Earning Assets	%	7.06%	6.60%	7.14%	7.73%	8.67%	8.83%
Gross Spread	%	53.26%	51.58%	50.73%	46.60%	39.50%	38.43%
Non Interest income to total income	%	14.67%	13.91%	13.49%	12.60%	13.81%	15.85%
Return on equity (ROE)	%	15.33%	13.22%	13.86%	15.48%	16.39%	16.43%
Return on average assets (ROA)	%	1.11%	0.87%	0.88%	0.93%	0.83%	0.82%
Cost to income ratio	%	58.30%	65.60%	62.80%	59.45%	66.04%	69.41%
<b>Investment Ratios:</b>							
Earnings per share	Rs	5.99	4.74	4.93	4.73	4.09	3.41
Diluted Earnings per share	Rs	5.98	4.72	4.93	4.73	4.09	3.41
Breakup value per share	Rs	42.63	40.93	37.69	33.56	28.24	23.65
<b>Market Ratios</b>							
Cash Dividend - Interim	%	10%	-	-	-	-	-
Cash Dividend - Final	%	15%	15%	-	10%	20%	20%
Stock Dividend	%	10%	-	-	-	-	-
Dividend Yield ratio ( based on cash dividend)	%	6.16%	3.53%	-	3.47%	5.73%	7.40%
Dividend Payout ratio	%	41.74%	31.65%	-	21.14%	48.90%	58.65%
Price to book ratio	%	95.21%	103.83%	100.71%	85.88%	123.52%	114.36%
Price to book value ratio	Times	0.95	1.04	1.01	0.86	1.24	1.14
Price to earning ratio	Times	6.78	8.97	7.7	6.09	8.53	7.93
Dividend cover ratio	Times	2.40	3.16	-	4.73	2.05	1.71

		2018	2017	2016	2015	2014	2013
<b>Share Information</b>							
Market value per share - Dec 31 (Closing Rate)	Rs.	40.59	42.5	37.96	28.82	34.88	27.04
High - during the year	Rs.	58.94	47.24	38.00	35.05	35.10	28.39
Low - during the year	Rs.	40.59	36.03	23.90	23.82	24.91	14.75
Market Capitalisation	Rs. Mn	72,021	68,322	60,554	45,818	55,362	36,482
No. of Shares outstanding	Mn	1,774	1,608	1,595	1,590	1,587	1,349
<b>Assets Quality and Liquidity Ratios</b>							
Gross Advances to Deposits ratio	%	73.75%	64.68%	62.37%	55.01%	50.52%	52.25%
Net Advances to Deposits ratio	%	71.37%	62.12%	59.67%	52.47%	48.16%	49.76%
Net Investments to Deposits ratio	%	39.50%	62.13%	61.30%	66.44%	53.75%	41.92%
Cost of Deposits	%	3.10%	2.70%	3.06%	4.03%	5.17%	4.87%
NPLs to Gross Advances ratio	%	3.63%	4.21%	4.80%	5.27%	6.37%	6.55%
Coverage Ratio (specific provision / NPLs)	%	84.39%	89.22%	86.06%	83.73%	70.06%	69.32%
Earnings assets to total assets ratio	%	83.55%	85.22%	86.14%	86.54%	84.51%	79.76%
Deposits to shareholders equity	Times	9.29	9.80	10.56	11.94	13.46	16.43
Assets to Equity	Times	13.30	15.18	15.46	17.21	16.87	19.57
<b>Capital Adequacy</b>							
Tier 1 Capital	Rs. Mn	66,810	53,662	42,550	36,850	33,399	25,251
Total Eligible Capital	Rs. Mn	82,050	65,779	56,902	50,957	44,490	36,085
Risk Weighted Assets (RWA)	Rs. Mn	548,794	491,228	431,628	380,195	348,833	299,297
RWA to Total Assets	%	54.54%	49.18%	46.43%	41.40%	46.15%	47.94%
Tier 1 to RWA	%	12.17%	10.92%	9.86%	9.69%	9.57%	8.44%
Capital Adequacy Ratio	%	14.95%	13.39%	13.18%	13.40%	12.75%	12.06%
Earning Assets to total Assets Ratio	%	83.55%	85.22%	86.14%	86.54%	84.51%	79.76%
<b>Cash Flow Summary</b>							
Cash and cash equivalents at the beginning of the year	Rs. Mn	93,421	88,751	93,596	65,879	98,406	85,556
Cash flow from Operating Activities	Rs. Mn	(142,470)	30,307	(29,355)	103,243	51,245	44,688
Cash flow from Investing Activities	Rs. Mn	143,495	(22,993)	27,665	(72,611)	(87,293)	(30,172)
Cash flow from Financing Activities	Rs. Mn	3,080	(3,137)	(3,166)	(3,127)	3,925	(2,368)
Exchange difference on translation of the net investment in foreign branches	Rs. Mn	2,975	493	11	211	(405)	701
Increase in cash and cash equivalents	Rs. Mn	7,080	4,670	(4,845)	27,715	(32,526)	12,851
Cash and cash equivalents at the end of the year	Rs. Mn	100,501	93,421	88,751	93,596	65,879	98,406
<b>DuPont Analysis</b>							
Net Operating Margin (PAT/Gross Income)	%	15.28%	12.82%	11.96%	10.70%	8.78%	8.95%
Asset Utilization (Gross Income / Average Assets)	%	6.93%	6.77%	7.15%	8.40%	9.31%	9.00%
Equity Multiplier (Total Assets / Equity)	Times	13.30	15.18	15.46	17.21	16.87	19.57
Return on Assets	%	1.11%	0.87%	0.88%	0.93%	0.83%	0.82%
Return on Equity	%	15.33%	13.22%	13.86%	15.48%	16.39%	16.43%
<b>Trade</b>							
Imports - Volume	Rs. Mn	563,947	509,036	415,187	400,879	374,901	370,556
Exports - Volume	Rs. Mn	248,159	194,993	199,230	211,785	202,369	212,871
<b>Others</b>							
No of Branches		649	638	639	653	648	574
No of Permanent Employees		8,530	7,849	7,808	7,565	7,509	6,853

**Note:**

- (1) Prior years comparative information has been re-classified and re-arranged, wherever necessary to facilitate comparison.
- (2) Effective 2017, Assets and Liabilities and Income and Expenses for the Bank's Afghanistan Operations are being presented as separate line items, rather than as part of actual line items under which they were being reported historically.





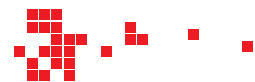
# Six Years Vertical Analysis

	2018		2017		2016		2015		2014		2013	
	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	82,408	8%	70,381	7%	74,071	8%	62,369	7%	50,516	7%	61,205	10%
Balances with other banks	3,875	0%	3,754	0%	9,373	1%	16,552	2%	12,332	2%	34,764	6%
Lendings to financial institutions	62,172	6%	48,896	5%	30,149	3%	27,626	3%	18,313	2%	2,522	0%
Investments - net	277,660	28%	400,733	40%	389,093	42%	423,100	46%	324,319	43%	219,690	35%
Advances - net	501,636	50%	400,655	40%	378,720	41%	334,159	36%	290,597	38%	260,780	42%
Operating fixed assets and Intangible assets	19,556	2%	17,628	2%	18,133	2%	17,242	2%	15,740	2%	14,835	2%
Deferred tax assets	-	0%	-	0%	-	0%	-	0%	-	0%	1,204	0%
Assets held for sale	23,589	2%	26,821	3%	-	0%	-	0%	-	0%	-	0%
Other assets	35,321	4%	29,959	3%	30,106	3%	37,356	4%	44,085	6%	29,276	5%
	1,006,218	100%	998,828	100%	929,645	100%	918,404	100%	755,902	100%	624,276	100%
<b>LIABILITIES</b>												
Bills Payable	35,988	4%	20,883	2%	19,091	2%	13,059	1%	14,281	2%	10,990	2%
Borrowings	123,738	12%	207,194	21%	178,311	19%	172,393	19%	55,233	7%	23,115	4%
Deposits & other accounts	702,895	70%	644,985	65%	634,740	68%	636,863	69%	603,440	80%	524,080	84%
Subordinated loans	11,989	1%	4,991	0%	8,318	1%	9,983	1%	9,987	1%	9,991	2%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	2,071	0%	3,154	0%	2,650	0%	1,824	0%	853	0%	-	0%
Liabilities directly associated with the assets held for sale	20,435	2%	24,759	2%	-	0%	-	0%	-	0%	-	0%
Other liabilities	33,455	3%	27,063	3%	26,410	3%	30,929	3%	27,289	4%	24,198	4%
	930,571	92%	933,028	93%	869,520	94%	865,051	94%	711,083	94%	592,374	95%
<b>NET ASSETS</b>	75,647	8%	65,800	7%	60,125	6%	53,353	6%	44,819	6%	31,902	5%
<b>REPRESENTED BY :</b>												
Authorized Capital	23,000		23,000		23,000		23,000		23,000		23,000	
Share capital	17,744	2%	16,076	2%	15,952	2%	15,898	2%	15,872	2%	13,492	2%
Reserves	23,051	2%	18,157	2%	15,896	2%	14,164	2%	12,338	2%	7,274	1%
Unappropriated profit	27,470	3%	24,283	2%	17,307	2%	12,363	1%	9,614	1%	7,500	1%
Surplus on revaluation of fixed assets - net of tax	7,383	1%	7,285	1%	10,970	1%	10,928	1%	6,995	1%	3,636	1%
	75,647	8%	65,800	7%	60,125	6%	53,353	6%	44,819	6%	31,902	5%
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Mark-up / return / interest earned	59,318	85%	56,176	86%	57,144	87%	61,439	87%	55,378	86%	43,961	84%
Mark-up / return / interest expensed	(27,727)	-40%	(27,199)	-42%	(28,153)	-43%	(32,811)	-47%	(33,505)	-52%	(27,066)	-52%
<b>Net mark-up / interest income (NMR)</b>	<b>31,591</b>	<b>45%</b>	<b>28,976</b>	<b>44%</b>	<b>28,991</b>	<b>44%</b>	<b>28,628</b>	<b>41%</b>	<b>21,873</b>	<b>34%</b>	<b>16,895</b>	<b>32%</b>
Non mark-up/interest Income	10,200	15%	9,076	14%	8,907	13%	8,860	13%	8,876	14%	8,279	16%
<b>Total income</b>	<b>41,791</b>	<b>60%</b>	<b>38,052</b>	<b>58%</b>	<b>37,899</b>	<b>57%</b>	<b>37,488</b>	<b>53%</b>	<b>30,749</b>	<b>48%</b>	<b>25,174</b>	<b>48%</b>
Non mark-up / interest expenses	(24,365)	-35%	(24,964)	-38%	(23,802)	-36%	(22,286)	-32%	(20,308)	-32%	(17,473)	-33%
Net mark-up / interest income before provisions	17,426	25%	13,089	20%	14,096	21%	15,202	22%	10,441	16%	7,701	15%
Provision and Write-offs	(588)	-1%	616	1%	(1,073)	-2%	(2,599)	-4%	(1,928)	-3%	(894)	-2%
<b>Profit Before Taxation</b>	<b>16,838</b>	<b>24%</b>	<b>13,705</b>	<b>21%</b>	<b>13,023</b>	<b>20%</b>	<b>12,603</b>	<b>18%</b>	<b>8,513</b>	<b>13%</b>	<b>6,807</b>	<b>13%</b>
Taxation	(6,687)	-10%	(5,539)	-8%	(5,123)	-8%	(5,081)	-7%	(2,873)	-4%	(2,131)	-4%
<b>Profit After Taxation from continuing operations</b>	<b>10,150</b>	<b>15%</b>	<b>8,166</b>	<b>13%</b>	<b>7,900</b>	<b>12%</b>	<b>7,522</b>	<b>11%</b>	<b>5,640</b>	<b>9%</b>	<b>4,676</b>	<b>9%</b>
Profit After Taxation from discontinuing operations	475	1%	201	0%	-	0%	-	0%	-	0%	-	0%
<b>Profit After Taxation</b>	<b>10,625</b>	<b>15%</b>	<b>8,367</b>	<b>13%</b>	<b>7,900</b>	<b>12%</b>	<b>7,522</b>	<b>11%</b>	<b>5,640</b>	<b>9%</b>	<b>4,676</b>	<b>9%</b>



# Six Years Horizontal Analysis

	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14	2014	14 vs 13	2013	13 vs 12
	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	82,408	17%	70,381	-5%	74,071	19%	62,369	23%	50,516	-17%	61,205	5%
Balances with other banks	3,875	3%	3,754	-60%	9,373	-43%	16,552	34%	12,332	-65%	34,764	30%
Lendings to financial institutions	62,172	27%	48,896	62%	30,149	9%	27,626	51%	18,313	626%	2,522	188%
Investments - net	277,660	-31%	400,733	3%	389,093	-8%	423,100	30%	324,319	48%	219,690	16%
Advances - net	501,636	25%	400,655	6%	378,720	13%	334,159	15%	290,597	11%	260,780	11%
Operating fixed assets and Intangible assets	19,556	11%	17,628	-3%	18,133	5%	17,242	10%	15,740	6%	14,835	8%
Deferred tax assets	-	0%	-	0%	-	0%	-	0%	-	-100%	1,204	148%
Assets held for sale	23,589	-12%	26,821	100%	-	0%	-	0%	-	0%	-	0%
Other assets	35,321	18%	29,959	0%	30,106	-19%	37,356	-15%	44,085	51%	29,276	121%
	1,006,218	1%	998,828	7%	929,645	1%	918,404	21%	755,902	21%	624,276	16%
<b>LIABILITIES</b>												
Bills Payable	35,988	72%	20,883	9%	19,091	46%	13,059	-9%	14,281	30%	10,990	30%
Borrowings	123,738	-40%	207,194	16%	178,311	3%	172,393	212%	55,233	139%	23,115	9%
Deposits & other accounts	702,895	9%	644,985	2%	634,740	0%	636,863	6%	603,440	15%	524,080	15%
Subordinated loans	11,989	140%	4,991	-40%	8,318	-17%	9,983	0%	9,987	0%	9,991	70%
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	2,071	-34%	3,154	19%	2,650	45%	1,824	114%	853	-	-	-
Liabilities directly associated with the assets held for sale	20,435	-17%	24,759	100%	-	0%	-	0%	-	0%	-	0%
Other Liabilities	33,455	24%	27,063	2%	26,410	-15%	30,929	13%	27,289	13%	24,198	74%
	930,571	0%	933,028	7%	869,520	1%	865,051	22%	711,083	20%	592,374	17%
<b>NET ASSETS</b>	<b>75,647</b>	<b>15%</b>	<b>65,800</b>	<b>9%</b>	<b>60,125</b>	<b>13%</b>	<b>53,353</b>	<b>19%</b>	<b>44,819</b>	<b>40%</b>	<b>31,902</b>	<b>6%</b>
<b>REPRESENTED BY :</b>												
Share capital	17,744	10%	16,076	1%	15,952	0%	15,898	0%	15,872	18%	13,492	0%
Reserves	23,051	27%	18,157	14%	15,896	12%	14,164	15%	12,338	70%	7,274	29%
Unappropriated profit	27,470	13%	24,283	40%	17,307	40%	12,363	29%	9,614	28%	7,500	18%
Surplus on revaluation of fixed assets - net of tax	7,383	1%	7,285	-34%	10,970	0%	10,928	56%	6,995	92%	3,636	-20%
<b>Net Assets</b>	<b>75,647</b>	<b>15%</b>	<b>65,800</b>	<b>9%</b>	<b>60,125</b>	<b>13%</b>	<b>53,353</b>	<b>19%</b>	<b>44,819</b>	<b>40%</b>	<b>31,902</b>	<b>6%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Mark-up / return / interest earned	59,318	6%	56,176	-2%	57,144	-7%	61,439	11%	55,378	26%	43,961	-5%
Mark-up / return / interest expensed	(27,727)	2%	(27,199)	-3%	(28,153)	-14%	(32,811)	-2%	(33,505)	24%	(27,066)	-2%
<b>Net mark-up / interest income (NMR)</b>	<b>31,591</b>	<b>9%</b>	<b>28,977</b>	<b>0%</b>	<b>28,991</b>	<b>1%</b>	<b>28,628</b>	<b>31%</b>	<b>21,873</b>	<b>29%</b>	<b>16,895</b>	<b>-9%</b>
Non mark-up/interest Income	10,200	12%	9,076	2%	8,907	1%	8,860	0%	8,876	7%	8,279	14%
<b>Total Income</b>	<b>41,791</b>	<b>10%</b>	<b>38,053</b>	<b>0%</b>	<b>37,899</b>	<b>1%</b>	<b>37,488</b>	<b>22%</b>	<b>30,749</b>	<b>22%</b>	<b>25,174</b>	<b>-3%</b>
Non mark-up/interest expenses	(24,365)	-2%	(24,964)	5%	(23,802)	7%	(22,286)	10%	(20,308)	16%	(17,473)	13%
<b>Net mark-up / interest income before provisions</b>	<b>17,426</b>	<b>33%</b>	<b>13,089</b>	<b>-7%</b>	<b>14,096</b>	<b>-7%</b>	<b>15,202</b>	<b>46%</b>	<b>10,441</b>	<b>36%</b>	<b>7,701</b>	<b>-26%</b>
Provision and Write-offs	(588)	-195%	616	-157%	(1,073)	-59%	(2,599)	35%	(1,928)	116%	(894)	-76%
<b>Profit Before Taxation</b>	<b>16,838</b>	<b>23%</b>	<b>13,705</b>	<b>5%</b>	<b>13,023</b>	<b>3%</b>	<b>12,603</b>	<b>48%</b>	<b>8,513</b>	<b>25%</b>	<b>6,807</b>	<b>0%</b>
Taxation	(6,688)	21%	(5,539)	8%	(5,123)	1%	(5,081)	77%	(2,873)	35%	(2,131)	-4%
<b>Profit After Taxation from continuing operations</b>	<b>10,150</b>	<b>24%</b>	<b>8,166</b>	<b>3%</b>	<b>7,900</b>	<b>5%</b>	<b>7,522</b>	<b>33%</b>	<b>5,640</b>	<b>21%</b>	<b>4,676</b>	<b>3%</b>
<b>Profit After Taxation from discontinuing operations</b>	<b>475</b>	<b>136%</b>	<b>201</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>
<b>Profit After Taxation</b>	<b>10,625</b>	<b>27%</b>	<b>8,367</b>	<b>6%</b>	<b>7,900</b>	<b>5%</b>	<b>7,522</b>	<b>33%</b>	<b>5,640</b>	<b>21%</b>	<b>4,676</b>	<b>3%</b>



# Review of Six Years' Performance

## Statement of Financial Position

### Total Assets

The asset base of the Bank has grown remarkably over the last 6 years and has crossed Rs. 1 trillion mark in December 2018 from Rs. 624.276 billion in December 2013 – a CAGR of 10.02%. Key contributions to the increase have been through investments and advances, which are detailed below. The Bank's strategy over the years has been to manage the asset mix in a way that maximises returns to stakeholders, while maintaining an efficient risk weighted assets (RWA) profile.

### Advances

The Bank's ADR ratio continues to remain one of the highest in the industry. In December 2018, the Bank's Gross ADR stands at 73.75%, and has been consistently above the industry average over the last six years. Over the period, the Bank's Gross Advances grew at a CAGR of 13.62%. The Bank has continued to strengthen its risk management framework over the years with full automation, refinement of credit approval process and implementation of Centralised Loan Origination System for both domestic and overseas operations.

### Non-Performing Loans

Owing to branch-led model and robust credit underwriting criteria, the Bank consistently has one of the lowest infection ratios amongst top-tier banks, while our growth trajectory in advances has been maintained. Our infection ratio has witnessed a significant drop, from 6.55% in 2013 to 3.63% in 2018 – a testimony to the Bank's focus on maintaining asset quality. The Bank's dedicated Special Assets Management Group has been able to facilitate significant recoveries over the years. Most importantly, the Bank's coverage ratio stands significantly improved from 69.32% in 2013 to 84.39% in 2018. The ratio at December 2018 incorporates the impact of subjective provisioning taken by the Bank based on prudence.

### Investments

The Bank's investments portfolio has grown over the years and predominately concentrated in high yielding Government Securities. With a CAGR of 4.40% over the last six years, the investment base (at cost) of the Bank has grown from Rs. 225.035 billion in 2013 to Rs. 279.135 billion at end 2018. The Bank's equity book consists of investments in diverse companies with strong fundamentals with a view to earn stable dividends. Post 2012, no significant impairment charge has been considered against investment, which is indicative of the quality of our investment book.

### Deposits

The deposit base of the Bank has continued to grow over the last six years, which has supported the balance sheet growth indicated above. Total deposits have

increased from Rs. 524.080 billion in 2013 to Rs. 702.895 billion in 2018. The Bank's CASA percentage at December 2018 stands at 77.17%. The Bank's focus remained on improving its deposit profile by expanding current account and shedding high cost deposits. The buildup in the core deposit levels positions the Bank ideally to maximise on the yield upside in its net earnings as interest rates trend upwards. The Bank enjoys a diversified product suite, with products catered to meet varying customer needs. The Bank's focus remains on maintaining service excellence, and providing adequate returns to depositors together with transactional convenience through the Bank's Digital Banking and Alternate Delivery Channels.

### Equity

The paid-up capital of the Bank has grown from Rs. 13.492 billion in 2013 to Rs. 17.744 billion in 2018. In 2014, IFC acquired a stake of 15% in the Bank, which represented a key strategic alliance in the Bank's history. This alliance has continued to bring in synergies in technology, human resource and trade business. Furthermore, the Bank's first-ever Employee Stock Option scheme successfully ran from 2014 to 2016, in which options were granted to certain key executives and employees as approved by the Board Compensation Committee. Under the scheme, selected employees granted with options are eligible to exercise the same over the defined exercise periods, and subscribe for new shares (without rights) at an agreed discount. Till December 2018, 25.815 million additional shares have been subscribed by the employees who have exercised their options, and the final vesting period under the scheme shall end in 2019. In 2018, the Bank issued its first-ever additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments. The size of the issue was Rs. 7 billion and was oversubscribed. The proceeds from the issue contributed towards the Bank's additional Tier-1 capital and utilised towards enhancement of the Bank's business operations.

### Dividends

Over the years, the Bank has had a consistent dividend payout stream, however, for 2015 and 2016, profit retention was also focused to increase the Bank's risk absorption capacity, and in turn facilitate greater returns over the medium to long-term. The Bank's Capital Adequacy Ratio is currently above the requirement (including capital conservation buffer). The Board has recommended a payout of 15% as final Cash Dividend for the year 2018. The Board had earlier declared and paid interim Cash Dividend of Rs. 1.00 per share, bringing the total Cash Dividend for the year to Rs. 2.5 per share. The Board had also declared interim stock dividend of 10% i.e. 10 shares for every 100 shares held.

## Profit and Loss Account

### Income

The composition of markup income saw a shift in recent years on the back of concentration shift in the Bank's earning asset base, as referred to the above. The net markup income of the Bank almost doubled in the last six years, supported by increase in core deposits primarily current accounts. Increase in high quality advance book led by Corporate Group has also helped to increase the net interest margin. Contributions from non-fund income during the last six years have supported bottom line profitability. Core fee, commission income, foreign exchange income, have all indicated growth, while capital gains on both capital and money market fronts have supplemented the NFI. Over the course of the years, key changes to the Bank's technology platform, cross-sell initiatives and branch transformation programmes have helped the Bank deliver further transactional convenience to its customers, and facilitated contribution from non-fund based income.

### Operating Expenses

Over the years, the Bank has seen a significant transformation. More than 75 branches have been opened over the period from 2013 to 2018. The overall growth in administrative costs has primarily been on account of costs attributable to additional branches under the Bank's expansion plan, rising rentals and utility costs, and significant IT costs relating to infrastructural improvements to the core banking system and the overall technological platform. However, the Bank has kept a check on these factors. Strict cost discipline measures were introduced with a focus on improving the cost to income ratio. Centralisation of

various expenses and regular revisits to expenditure approval authorities were undertaken to keep costs in check. Non-recurring items continue to be tracked separately. In 2018, through cost rationalisation measures and a greater discipline over spending, the operating expenses remained flat.

### Cash Flow Statement

#### Cash Flow from Operating Activities

Cash flow from operating activities showed a positive trend in most of the years from 2013 to 2018. This is primarily due to steady growth in profitability, stable deposits and advances. Due to arbitrage opportunity available in 2015, funds were borrowed from the inter-bank market for investment in high yielding government securities. In 2018, majority of these borrowings were replaced with deposits. Also in 2018, due to significant increase in advances, the cash flow from operating activities is negative.

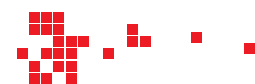
#### Cash Flow from Investing Activities

The residual funds available after loans and advances is invested in the high yielding government securities. The investment is also required to comply with the Statutory Liquidity Requirement of the State Bank of Pakistan. In all years under review, the Bank has increased its investment portfolio except in case of 2016, when the deposit growth was very low, and in 2018, when the portfolio was re-profiled into loans and advances.

#### Cash Flow from Financing Activities

Bank Alfalah has paid steady dividend in all the years under review with the exception in 2016. The dividend payment and TFC redemptions have resulted in negative cash flow from financing activities. In 2018, the cash flow is positive due to issuance of ADT 1 instrument.

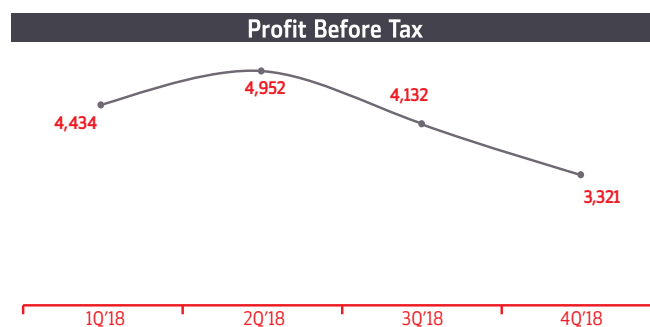
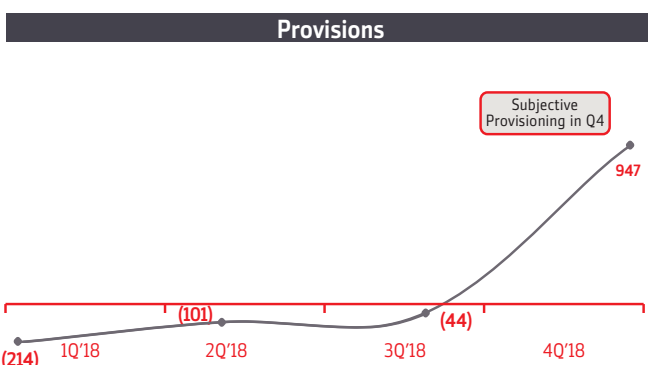
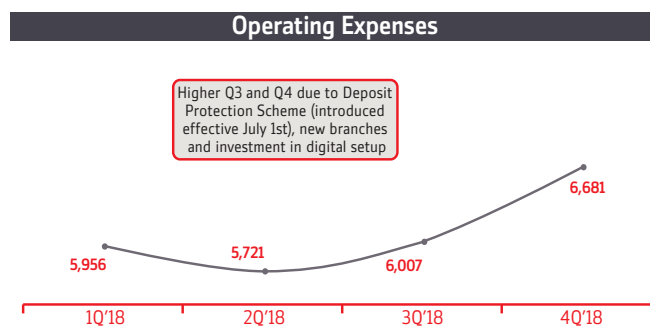
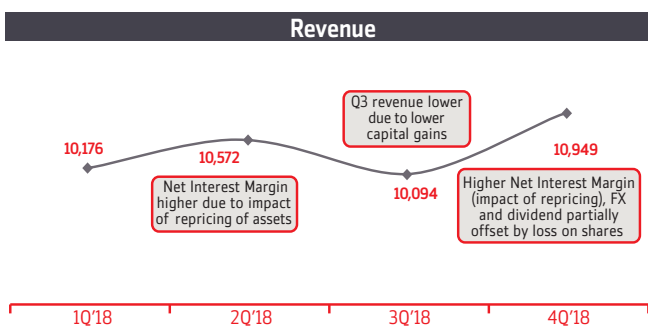




# Quarterly Performance Review

(Continuing Operations)

	Q1	Q2	Q3	Q4	Total
	----- Rupees in million -----				
Revenue (Net Markup Income and Non Markup Income)	10,176	10,572	10,094	10,949	41,791
Operating expenses	5,956	5,721	6,007	6,681	24,365
Operating Profit	4,220	4,851	4,087	4,268	17,426
Provision / (Reversal)	(214)	(101)	(44)	947	588
Profit Before Taxation	4,434	4,952	4,131	3,321	16,838





# Business Performance Review

## Retail Bank Group

The Bank's retail business strategy for 2018 focused primarily on building synergies between various functional chains and to sustain efficiency created after the complete reorganisation of the management structure in 2017. This was created through the formation of a collaborative workspace environment between various functions such as Branch Banking, Consumer Finance, SME, Marketing along with back office functions such as customer experience and operations, brought together through a focused branch transformation programme. The fundamental focus remained on sustaining and augmenting the Bank's inherent strengths in order to achieve greater agility in the distribution of products and services to customers.

The effective implementation of this strategy was witnessed through the delivery of outstanding results in 2018. Balance sheet and revenue momentum displayed an upward trajectory through consistent and sustainable growth whilst maintaining a disciplined control over costs. YoY profitability grew through an 11% growth in current accounts, 16% growth in advances, and continued focus on growth in fee and commissions. Cost of deposit was managed proactively in line with rate changes and controlling the increase to only 50 bps over last year despite a 425 bps increase in interest rate. Significant cost cutting and efficiency measures resulted in direct expenses being stagnant over last year resulting in a 21% reduction in the cost to income ratio.

Product innovation and the provision of increasingly responsive services remained a key agenda in 2018, and the Bank was awarded the Best SME Bank for the first time and the Best Customer Franchise for the third time in a row at the PBA Awards, which is a testament to our customer centric and relationship based banking.

## Corporate, Investment Banking Group

Corporate and Investment Banking Group (CIBG) continued to capitalise on its strategic positioning as one of the leading wholesale banking service providers in Pakistan. During the year, CIBG successfully maintained focus on robust balance sheet growth and strategic expansion, resulting in increased asset acquisition by 21% to close at Rs. 243 billion as at 31st December, 2018 as compared to Rs. 200 billion as at 31st December, 2017.

Throughout the year, deposit maintained in line with Bank Alfalah strategy of offloading high cost deposits and focus on CASA only, resulted in improved CASA mix of 55%. Total deposits and current account deposits increased by approx. 20% and 39% respectively as of 31st December, 2018 as compared to 31st December, 2017.

Cash Management Division extended its outreach through new client acquisition, product development and marketing efforts. During the year, Cash Management witnessed overall throughput growth of 43% YoY basis, where payments portfolio grew by 134% with actual payments processed amounting to Rs. 47 billion.

## Islamic Banking Group

Bank Alfalah's Islamic Banking business offers a complete range of Shari'ah compliant products and services. With a network of 152 branches spread throughout the country, Bank Alfalah is one of the leading Islamic Banks in Pakistan. The Bank has a zero tolerance policy for non-compliance of Shari'ah principles. Extensive staff trainings were conducted during the year to help employees understand and uphold Shari'ah compliant banking practices.

On the liabilities side, IBG's main focus was on low cost current deposit, which increased by 12%, improving CA mix to 45%. CASA mix stood strong at 88%. On the assets side, IBG maintained its financing exposure in all sectors and continued to actively pursue growth in Small and Medium Enterprise (SME)/Commercial and Consumer segment. Islamic financing and related assets grew by 53% from December 2017.

With a well-diversified product base, the Bank is well-positioned to cater to all financing needs of customers in a Shari'ah compliant manner. Trade business grew by 27% to close at Rs. 138 billion. In line with changing business dynamics and business requirements, IBG continues to focus on new products/propositions tailored to the needs of diversified customer base. IBG launched Alfalah Islamic Signature Debit Card that caters to the needs of high net worth individuals by providing them a host of enhanced features and benefits along with the ability to perform transactions across Pakistan and abroad. New products, specifically envisaged to furnish the requirements of Small and Medium Enterprises were also launched, which included Alfalah Islamic Milkiat Finance, Alfalah Islamic Fleet Finance and Alfalah Islamic Karobar Finance.





## Treasury and Capital Market Group

In the last two years, Treasury proactively re-positioned its long-term fixed income portfolio by shifting the Bank's investment portfolio from Pakistan Investment Bonds (PIB) to Market Treasury Bills in view of bottoming out of interest rates, realising a capital gain of Rs. 1.3 billion on sale of PIBs. The Bank's investment portfolio is well-positioned among its peer banks to take advantage of rising interest rates, which will be reflected in the Bank's Net Interest Income going forward.

On the Foreign Exchange side, Treasury remained one of the leading market maker in the industry taking advantage of its strong sales clientele, which resulted in a record growth of over 50% in 'Income from Dealing in Foreign Currencies' in 2018 at the overall Bank level. Building upon our client centric approach and to improve client outreach, a satellite treasury sales office was established in Islamabad in addition to existing Lahore Sales Office, during the outgoing year.

IBG Treasury efficiently deployed surplus liquidity in Shari'ah compliant treasury assets despite major placement challenges. IBG Treasury portfolio was proactively managed in a manner to take maximum advantage of the profit rate movements.

Furthermore, Bank Alfalah Treasury successfully distributed Pakistan's first-ever listed, perpetual, unsecured and subordinated convertible Tier-1 debt Term Finance Certificate (TFC) of Rs. 7 billion with over 60% going to the non-banking sector.

Capital markets were able to navigate turbulent times in a tough year for equities with a positive contribution to the Bank's bottom line, by virtue of its dividend centric and blue-chip portfolio. Timely decisions ensured that the Bank's equity portfolio yielded positive returns in a year where all benchmark indices posted negative returns.

The Bank's unlisted investments also turned remunerative with one asset achieving successful listing, while another one started yielding dividend income for the Bank. Both Investor Relations and Equity Advisory functions of the Bank, managed by the Capital Markets Team, continued their award winning run and were recognised as the best in their league by CFA Society Pakistan.

## Digital Banking Group

2018 has been an outstanding year for the Digital Banking Group.

Alfa App registered more than 450,000+ customers during the year. Introduction of QR payments in Alfa enabled acceptance of proximity payments from the App at more than 100K+ fonepay locations, serving more than 15K+ unique customers till date. Further, ordering and payment for food delivery was made simpler with the launch of Lifestyle Banking in the App.

Bank Alfalah's award winning Alfalah Orbit Rewards saw new features added to the programme. Orbit Mall was launched in partnership with Yayvo to offer a superior customer menu and delivery experience in addition to extending orbit redemptions at POS and QR. The loyalty programme was also launched for Islamic Banking customers.

Home Remittance Account (HRA) wallets were also introduced, which enhanced the digital products offerings. Moreover, instant wallet issuance kiosks have also been deployed in famous malls of Karachi and Lahore.

The Bank has a Call Centre, which is currently servicing both traditional and digital customers, providing both inbound and web chat. In 2018, an average of 300,000 interactions a month took place with customers of Digital Banking, G2P and Alfalah retail clients' segment.

Under the G2P and Corporate solutions segment, the Bank had a registered EOBI pensioner base of 400,000 with Rs. 27 billion disbursed to their account during the year. Alternate disbursement channels were also established during the year to facilitate the pensioners for their convenience. In BISP, the Bank expanded the biometric verification cash-out services (BVS) to five different districts. 30% of total registered beneficiaries were migrated to the new BVS based disbursement system. Total disbursement to these beneficiaries during the year was approx Rs. 15 billion.

The Bank signed up with more than 125 companies for its blue collar payroll staff to digitise salary payments, disbursing around Rs. 4.7 billion in the year 2018.





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

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

### Financial Measures

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

- **Deposits:** The Bank periodically reviews the quality of its deposit mix with focus towards CASA. Apart from the deposit mix, it is essential that the cost of such deposits is kept at such a level that the Bank remains competitive within the industry.
- **Advances:** Sustainable growth in advances is the key behind profitability, as advances remain the prime revenue source for the institution. The Bank places great emphasis on credit quality and segmental diversification of its advances portfolio. Growth in advances needs to be managed effectively, as this has a direct impact on earnings, if resources are not adequately deployed. A robust Risk Assessment mechanism is essential to maintain quality of the advances portfolio.
- **Investments:** The Bank depending on the interest rate forecasts manages its bonds and T-bill portfolio to maximise return.
- **Business Volume:** Business Volume refers to the application of a bank's resources to cater to customers' demands. This incorporates New-to-Business customer advances, trade business volumes, advisory services, over the counter services, and services channeled through digital platforms. One-shop solutions and cross-sell initiatives have been a major breakthrough in terms of escalating business volumes.
- **Cost to Income Ratio:** The Bank continues to prioritise cost efficiency. Centralisation of expenses and removal of redundancies remains a key initiative towards cost control.
- **Returns on Earning Assets (ROEA):** The ROEA depicts the ability of a bank's earning assets to generate income. This is often the result of sound management policies as well as the company's ability to garner a larger share of the market.
- **Net Spread:** Net spread is a key financial measure in evaluating the core profitability of a bank. Interest

earned on advances and other interest bearing assets, and interest paid out on deposits and borrowings is prudently managed for all sources and uses of funds.

- **Return on Equity:** Return on equity remains a key measure to assess returns for the Bank's shareholders.

### Non-Financial Measures

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

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

### Performance versus Budget

The Bank performed well during 2018 against the budget. Increase in profitability against the budget mainly ensued from:

- a) Higher net interest income due to better spreads on deposits;
- b) Higher FX Income due to increased FX volatility during some of the months in 2018;
- c) Admin expenses remained within the budget despite un-budgeted one offs like provision against long outstanding balances, deposit protection charges, property deficit loss and digital banking setup expenses. This has been partially off-set by positive one off – reversal of provisions held against Hikmat Shadman (Afghanistan); and
- d) Better bad debts recoveries of delinquent loans resulting in lower net provision charges against non-performing loans.



# Statement of Value Added and Distributed

(Continuing Operations)

	2018 Rs in Mn		2017 Rs in Mn	
<b>Value Added</b>				
Net Interest Income	31,591		28,976	
Non Interest Income	10,200		9,076	
Operating Expenses excluding Staff costs depreciation, amortization, donations and WWF	(12,076)		(12,390)	
Provision against advances, Lendings, Investments & Others	(588)		616	
<b>Value added available for distribution</b>	<u>29,127</u>		<u>26,278</u>	
<b>Distribution of Value Added</b>				
		%		%
<b>To Employees</b>				
Remuneration, provident fund and other benefits	9,654	33%	10,044	38%
<b>To Government</b>				
Worker Welfare Fund	392	1%	259	1%
Income Tax	6,687	23%	5,539	21%
	7,079	24%	5,798	22%
<b>To providers of capital</b>				
Interim/Final Cash dividends to shareholders	4,275	15%	2,411	9%
Bonus Shares	1,613	6%	-	0%
	5,888	20%	2,411	9%
<b>To Society</b>				
Donations	37	0.13%	10	0.04%
<b>To Expansion and growth</b>				
Depreciation	1,718	6%	1,814	7%
Amortization	488	2%	446	2%
Retained Earnings	4,263	15%	5,755	22%
	6,469	22%	8,015	31%
	<u>29,127</u>	<u>100%</u>	<u>26,278</u>	<u>100%</u>

During 2018, the Bank generated revenue of Rs. 29.127 Bn. Out of this Rs. 9.654 Bn was paid as employees' benefits, Rs. 5.888 Bn was given as dividends and bonus shares to the shareholders, Rs. 7.079 Bn was paid as taxes/levies to the government and Rs. 4.263 Bn has been retained for expansion of the business and to comply with the future capital and lending requirements.

The contribution to the government has increased both in percentage and monetary terms as compared to last year due to higher profits. The issuance of bonus shares and dividend to the shareholders in 2018 have increased distribution to the shareholders from 9% to 20%.

# Share Price Sensitivity Analysis

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

## Regulatory/Policy Changes

Any regulatory or policy change initiated by the government or the regulator that directly impacts the overall banking landscape along with key cost and/or revenue drivers are likely to exert the biggest influence on the Bank's profitability and hence stock price.

These changes include, but are not limited to, any changes in the taxation regime governing banks, by the government. Other developments could emanate from the Central Bank in terms of change in discount rate and/or change in minimum rate. Similarly, any capital adequacy related requirements could positively or negatively impact the Bank's dividend paying capacity and reflect in stock price.

## Performance and Market Sentiment

Positive or negative surprises with respect to the Bank's profitability and performance is likely to drive sentiments. While this is difficult to quantify, but investment climate in general or the stock market in particular can also affect the sentiments and hence the Bank's share price. Such a sentiment driven impact on the share price can occur even in the absence of any fundamental development or change in the Bank's business case.

## Change in Macro Environment

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

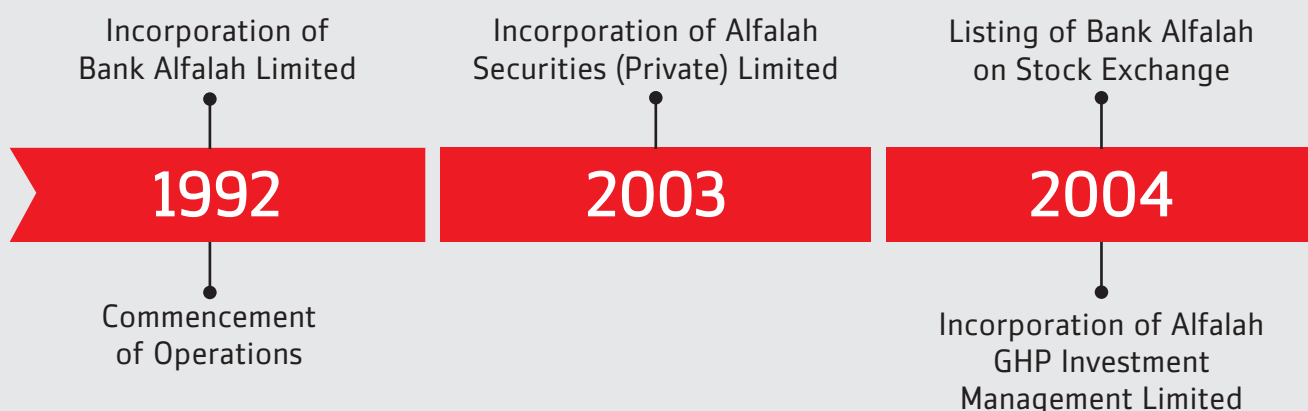
## Share Price Information

	Unadjusted	Adjusted for Bonus
High Price	58.94	53.58
Low Price	40.59	39.53
Average Volume	1,379,490	
No. of Trading Days	246	
Days Traded	246	
% of Days Traded	100%	





# Calendar of Major Events



## Financial Calendar

### 2018


1st Quarter Results approved on	19th April, 2018
Election of Directors held on	27th May, 2018
2nd Quarter Results approved on	26th August, 2018
3rd Quarter Results approved on	25th October, 2018
Annual Accounts to be approved in	
27th Annual General Meeting scheduled on	28th March, 2019

### 2017

1st Quarter Results approved on	24th April, 2017
2nd Quarter Results approved on	17th August, 2017
3rd Quarter Results approved on	25th October, 2017
Annual Accounts approved in	
26th Annual General Meeting held on	28th March, 2018

### 2016

1st Quarter Results approved on	27th April, 2016
2nd Quarter Results approved on	24th August, 2016
3rd Quarter Results approved on	26th October, 2016
Annual Accounts approved in	
25th Annual General Meeting held on	28th March, 2017



Incorporation of  
Alfalah Insurance Limited

2005

Investments in Sapphire  
Wind Power Company Limited

2013

Investments in TriconBoston  
Consulting Corporation  
(Private) Limited

2017

ADT Tier 1 Capital Issuance

## 2015

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1st Quarter Results approved on	22nd April, 2015
Election of Directors held on	27th May, 2015
2nd Quarter Results approved on	18th August, 2015
3rd Quarter Results approved on	21st October, 2015
Annual Accounts approved in	
24th Annual General Meeting held on	28th March, 2016

## 2014

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1st Quarter Results approved on	27th April, 2014
2nd Quarter Results approved on	18th August, 2014
Extra Ordinary General Meeting held on	10th October, 2014
3rd Quarter Results approved on	28th October, 2014
Annual Accounts approved in	
23rd Annual General Meeting held on	27th March, 2015

## 2013

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1st Quarter Results approved on	23rd April, 2013
2nd Quarter Results approved on	14th August, 2013
3rd Quarter Results approved on	27th October, 2013
Extra Ordinary General Meeting held on	22nd November, 2013
Annual Accounts approved in	
22nd Annual General Meeting held on	28th March, 2014

# CORPORATE GOVERNANCE



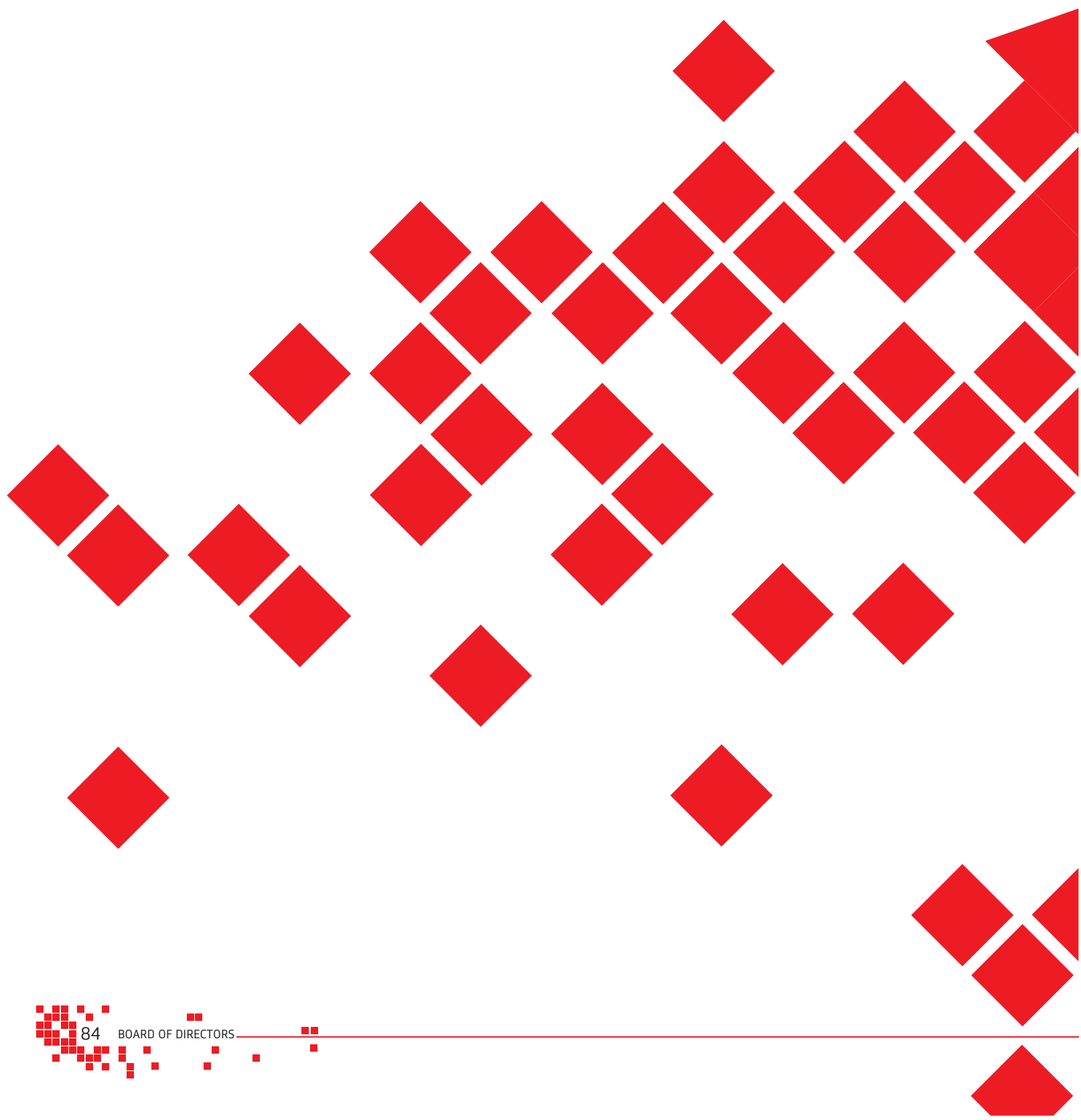






# Board of Directors

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**His Highness Sheikh Nahayan Mubarak Al Nahayan**

Chairman

His Highness Sheikh Nahayan Mubarak Al Nahayan is a prominent member of the ruling family of Abu Dhabi, UAE. Currently, His Highness is UAE Cabinet Member and Minister of State for Tolerance. Prior to his current responsibility, he served as Minister of Culture and Knowledge Development; Culture, Youth, and Social Development; and Minister of Higher Education and Scientific Research. Besides his ministerial responsibilities, he has been playing a leading and distinguished part in the educational advancements, focusing on the role of education in achieving development and progress. His Highness owns substantial business interests, hotels and other investments in the UAE, Pakistan, Africa, USA and Central Asia. His Highness also holds various offices as Chairman and Director at boards and trusts along with Patronship of various local and foreign organisations and affiliates. His direct and indirect business interests spread throughout various industry sectors such as banking, telecom, insurance, hospitality, healthcare, construction, project financing and investment management. Moreover, he supports many charitable institutions and devotes special attention to the disabled children as the Honorary President of Abu Dhabi Future Rehabilitation Centre, formerly known as Future Centre for Special Needs. His Highness is also the recipient of Pakistan's highest civilian award, the 'Hilal-e-Pakistan', which was conferred upon him in 2005 for his contribution to the economic growth of Pakistan. His Highness received his education from the British Midfield School until the high secondary level before joining Magdalen College at Oxford University, UK.



**Abdulla Nasser Hawaileel Al Mansoori**

Director

Abdulla Nasser Hawaileel Al Mansoori is a prominent businessman of Abu Dhabi, UAE. He is Chairman of Al Nasser Holdings and Group Companies. He was also Director of the National Investor, Abu Dhabi, UAE. In the past, 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. He was also a nominated member of Federal National Council. Abdulla Nasser Hawaileel holds a B.Sc. (Hons.) degree in Electrical Engineering from Swansea University, UK.



**Abdulla Khalil Al Mutawa**

Director

Abdulla Khalil Al Mutawa is the General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahayan. He is also Director of the Abu Dhabi Commercial Bank Ltd, and Chairman of Makhazen Investment Company in Abu Dhabi. Abdulla Khalil Al Mutawa is a non-Executive Member of the Board of EFG Hermes Holding, S.A.E. Abdulla Khalil Al Mutawa holds a B.Sc. degree in Business Administration from the University of North Carolina, USA.



**Khalid Mana Saeed Al Otaiba**

Director

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



**Dr. Gyorgy Tamas Ladics**

Director

Dr. Gyorgy Tamas Ladics is a dynamic, versatile professional and organisational leader having 25+ years of progressive experience. He has strong management acumen with a background in digital banking, FinTech collaboration, innovation, business strategy, open API and multi-channel banking platforms, organisation and business transformation and development, IPO preparation, operations and technology, digital transformation, credit administration and collections, business planning, programme and project management, business intelligence and analytics, business expansion activities.

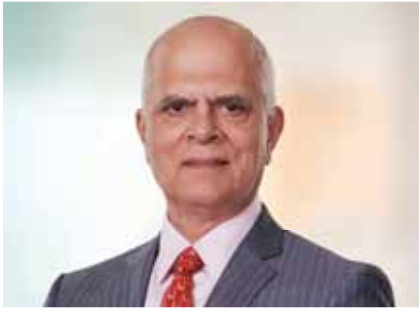
He has extensive experience in business and product enhancements (digital, retail, commercial, treasury and global markets), technical and operational solution delivery, process implementation, achieving and maintenance of quality standards, customer service benchmarks and employee satisfaction. Dr. Gyorgy has worked in various geographical regions, including the UAE, Egypt, Africa, India, Pakistan, Central Europe, Russia, Singapore and Brunei. Presently, he is the Chief Operating Officer at Bank Islam Brunei Darussalam (BIBD) in Brunei – secondment by Fajr Capital, and International Director at Fajr Capital. In the past, he has worked as Chief Technology Officer, Barclays Bank, Emerging Market, Regional Technology Office, Dubai; Chief Operating Officer, Prague, Citibank Central Europe Cluster; Head of Operations, Citibank Hungary, Budapest etc. Dr. Gyorgy holds Doctorate Degree in Economics and Master's Degree in Electrical Engineering and Informatics from Budapest University of Technology and Economics. He also has qualifications on Foreign Trade - Advance Business Administration and Advanced Banking Financial Management Program.



**Dr. Ayesha Khan**

Director

Dr. Ayesha Khan is an expert in the field of corporate strategy and institutional growth in emerging markets. She is currently the CEO and Country Head for Pakistan at Acumen – a global impact investment fund. Dr. Khan has previously been the Head of Strategy and Corporate Planning at HBL, the first person to hold this position at the Bank. She has also worked in New York as a Management Consultant with McKinsey and Company, where she focused on the financial sector, taught economics at Harvard University, and consulted with UNDP on the Millennium Development Project. Dr. Khan holds a Doctorate from Harvard Business School (HBS), where she focused on corporate strategy, institutional development and emerging markets. Her doctoral research concentrated on consumer financial choices in the banking sector. In addition, Dr. Khan has authored HBS case studies and published several articles focused on several dimensions of building a successful business for various publications, including the Harvard Business Review and Harvard Law School ILSP. Dr. Khan also holds a Masters' degree in International Development from Harvard Kennedy School as well as an Undergraduate degree in Economics from Princeton University.



### **Shehzad Naqvi**

Director

Shehzad Naqvi is a seasoned banker with more than 30 years diversified senior level banking experience. Presently, he is the Director of Virtual University of Pakistan; Solaris Research Ltd.; and Children's Foundation of Pakistan, and Partner in Silicon Valley Venture Capital Firm, ePlanet Ventures. Shehzad Naqvi started his career with Saudi American Bank (Jeddah, Saudi Arabia) in 1982. Later he joined American Express Bank and Citibank N.A., Karachi. He joined ABN AMRO in 1993 as Country Head in Pakistan, and was then appointed Head of Asia-Pacific Relationship Management and Structured Finance, based in Hong Kong and Singapore. In 1996, he joined Citibank as Managing Director and Country Head in Singapore. Moving back to Pakistan as Managing Director and Country Head in 1998, he was subsequently appointed as Managing Director and Regional Head of Citibank's global corporate and investment banking operations in the Gulf, Levant and Pakistan, based in Dubai. In 2004, he moved to Citigroup London, UK as Managing Director, Central and Eastern Europe, Middle East and Africa. From June 2005 to February 2008, he served as President and CEO of Crescent Commercial Bank in Pakistan and from March 2008 to July 2010 as President and CEO of Royal Bank of Scotland (RBS) in Pakistan (ex ABN AMRO Bank).

He was also Senior Advisor, Khan Bank Mongolia, a member of the Board of Directors of Engro Corp, and Chairman FIP/State Bank of Pakistan Innovation Challenge Committee. He has also served as a Director on the Board of MasterCard International SAAMEA region and as a member of the National Advisory Council to the Prime Minister of Pakistan. He is a graduate in Economic Institutions and Planning from the London School of Economics.



### **Efstratios Georgios Arapoglou**

Director

Efstratios Georgios Arapoglou is a Corporate Advisor, with an international executive career in corporate and investment banking, international capital markets, and in managing, restructuring and advising financial institutions. He has been CEO of Commercial Banking at EFG Hermes Holding, S.A.E. Group, operating in the Middle East and Africa (2010-2013). Earlier, he was Chairman and CEO of the National Bank of Greece Group (2004-2009), Chairman of the Hellenic Banks Association (2005-2009), and Managing Director and Global Head of the Banks and Securities Industry for Citigroup (1999-2004). He has served on several boards of publicly listed companies in Europe, the Middle East and Africa, as well as on boards of educational foundations, including the Institute of Corporate Culture Affairs in Frankfurt as Chairman. He is currently holding the following non-executive board positions: Chairman of Tsakos Energy Navigation (TEN) Ltd., listed in the NYSE; Chairman of Titan Cement SA, listed in the Athens SE; board member of EFG Hermes Holding, S.A.E., listed in Cairo and the London SE, board member of Credit Libanais SAL and board member of Bank Alfalah Ltd., listed in Pakistan, representing the International Finance Corporation (IFC). He is Chairman of the International Advisory Board of Tufts University in Boston, MA, and a member of the Business Advisory Council for the International MBA programme of Athens University of Economics and Business. He has degrees in Mathematics, Naval Architecture & Ocean Engineering and Management from Greek and British Universities.



### **Nauman Ansari**

Director and CEO

Nauman Ansari joined Bank Alfalah Limited as President and CEO in July 2017. Prior to this, Nauman served various banks during his 24-year professional career, including leading institutions like Standard Chartered Bank, Bank of America, ABN AMRO, Fortis Bank and Samba. He began his career with Standard Chartered Bank, Karachi in 1993, followed by three years at the Bank of America. After joining ABN AMRO in 1998, he was appointed Director Portfolio Strategy and Execution in 2004. He then joined Fortis Bank, Dubai, in 2006, as Head of Institutional Banking – Middle East and 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 and Investment Banking in 2008, and was appointed President and CEO in 2014. Nauman is reputed to be a seasoned banker with strong professional acumen. He is a business graduate of Miami University, USA.





# Senior Management



## Left to Right

**Haroon Khalid** – Head Control and Compliance  
**Mohib Hasan Khan** – Chief Information Officer  
**Muhammad Yahya Khan** – Head Digital Banking  
**Syed Ali Sultan** – Head Treasury and Capital Markets

**Anjum Nair** – Chief Financial Officer  
**Nauman Ansari** – President/CEO and Director  
**Bilal Asghar** – Head Corporate, Investment Banking and International Business  
**Mehreen Ahmed** – Head Retail Banking





**Faisal Rabbani** – Chief Risk Officer  
**Dr. Muhammad Imran** – Head Islamic Banking  
**Muhammad Akram Sawleh** – Company Secretary and Head Legal and Corporate Affairs  
**Tahir Khurshid** – Head Audit and Inspection

**Hafsa Abbasy** – Head HR and Learning  
**Khawaja Muhammad Ahmed** – Head Operations and Corporate Services  
**Zahid Anjum** – Head Special Assets Management  
**Aasim Wajid Jawad** – Head Strategy



**Nauman Ansari**  
President and Chief  
Executive Officer

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



**Bilal Asghar**  
Head - Corporate,  
Investment Banking and  
International Business

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



**Mehreen Ahmed**  
Head - Retail Banking

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



**Muhammad Yahya Khan**  
Head - Digital Banking

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



**Dr Muhammad Imran**  
Head - Islamic Banking

Dr Muhammad Imran joined Bank Alfalah in August 2018. He has over 21 years of banking and non-banking experience with leading institutions like National Bank of Oman, UBL, Bank Islami Pakistan Limited, Standard Chartered Bank, Shell Pakistan Limited and Philips Pakistan Limited. He holds a Ph.D. in Economics from University of Karachi and a Master's degree in Business Administration from IBA, Karachi, in which he was awarded a gold medal.



**Syed Ali Sultan**  
Head - Treasury and Capital Markets

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



**Anjum Hai**  
Chief Financial Officer

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



**Hafsa Abbasy**  
Head - Human Resources and Learning

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



**Faisal Rabbani**  
Chief Risk Officer

Faisal Rabbani joined Bank Alfalah in November 2018. Faisal has over 25 years of extensive banking experience with renowned financial institutions like Abu Dhabi Islamic Bank (UAE), Noor Bank (UAE), Commercial Banking Group (UAE) and Citibank Pakistan. He has been heading credits, risk management, commercial banking, trade finance and cash management products. Faisal holds a Master's degree in Business Administration from IBA, Karachi.



**Aasim Wajid Jawad**  
Head - Strategy

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



**Khawaja Muhammad Ahmed**  
Head - Operations and Corporate Services

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



**Mohib Hasan Khan**  
Chief Information Officer

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



**Haroon Khalid**  
Head - Compliance and Control

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



**Muhammad Akram Sawleh**  
Company Secretary and Head - Legal and Corporate Affairs

Muhammad Akram Swaleh joined Bank Alfalah in August 2018. He possesses over 20 years of diversified experience as a practicing lawyer as well as in-house counsel for some renowned corporations like HBL, Standard Chartered Bank, Union Bank and State Bank of Pakistan. He holds a LLB degree from University Law College, Punjab University, Lahore.



**Tahir Khurshid**  
Head - Audit and Inspection

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



**Zahid Anjum**  
Head - Special Assets Management

Zahid Anjum joined Bank Alfalah in August 2018. Zahid has over 25 years of diversified experience with leading commercial banks; his main area of expertise being management of special assets, credit management and structuring, and relationship management. Prior to joining Bank Alfalah, Zahid was associated with Faysal Bank Limited as Head Special Assets Management and Government Relations. He holds a Master's degree in Business Administration and Law from Punjab University.



# Organisational Structure







# Role of the Board and the Management

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The Board has retained ultimate responsibility for the strategic direction and control of the Bank. The Board has delegated the senior management team under the leadership of the Chief Executive Officer, to deliver the strategic direction and goals determined by the Board. A key function of the Board is to monitor the performance of senior management in this function.

The Board from time-to-time establishes committees to streamline the discharge of its responsibilities. For each standing committee, the Board adopts a formal Terms of Reference (ToRs) setting out the matters relevant to the composition, roles, functions, responsibilities and administration of such committees. The Board has currently established the following committees:

1. Board Audit Committee
2. Board Strategy and Finance Committee
3. Board Risk Management Committee
4. Board Human Resource, Remuneration and Nomination Committee
5. Board Information Technology Committee
6. Board Compensation Committee

The committees' ToRs are reviewed annually. It is intended that each standing committee has a non-executive director as Chairman of the committee. As a matter of principle, committee members have access to the appropriate external and professional advice needed to assist the committee in fulfilling its role.



# Board Committees and Terms of Reference

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## Board Audit Committee (BAC)

- To oversee the integrity of the accounting and financial reporting processes as well as of the financial statements with focus on compliance with applicable accounting and reporting standards to give a true and fair view of the financial position and performance of the Bank.
- To oversee the Bank's compliance with legal and regulatory requirements.
- To oversee the Internal Control Framework (both policies as well as procedures), established by management, to ensure the compliance of applicable laws and regulations, and to ensure the adherence of accounting and reporting standards.
- To oversee adherence of employees and management to Bank's Control Framework and Code of Conduct.
- Selection and recommendation of the External Auditor to the BOD, after, thorough analysis of qualification and competence, and ensuring its independence from the management.
- Establishment and smooth functioning of an independent, objective and competent Internal Audit Group supported by adequate resources.
- To review the performance of Internal Audit Function and External Auditors.
- Review and recommendation to the Board of Directors the amendments in the 'Internal Audit Policy'.
- Approval of the Audit Manual, Assurance Level and Audit Rating System, prepared and presented by Head-AIG, after thorough discussion and analysis, with prime focus on Risk Based Audit Approach.
- To ensure that AIG is independent of the activities it audited and from the everyday internal control process and is adequately structured to achieve its chartered objectives and responsibilities.
- To oversee Shari'ah Audit Function, Credit Risk Review of Corporate Portfolio and management's actions for identification of gaps and implementation of controls as a preventive measure against frauds as stated in fraud preventive policy.
- Review and discuss with Head-AIG and Management, the status of implementation of the Committee's decisions and reasons for any significant delay(s) together with Committee's direction for necessary actions.
- Fulfilment of any other task/responsibility assigned by the Board as well as by the regulators.

## Committee Members

Shehzad Naqvi  
Chairman

Abdulla Khalil Al Mutawa  
Member

Khalid Mana Saeed Al  
Otaiba  
Member

Efstratios Georgios  
Arapoglou  
Member

Dr. Ayesha Khan  
Member





## Board Human Resources, Remuneration and Nominations Committee

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

### Committee Members

Dr. Ayesha Khan  
Chairperson

Abdulla Khalil Al Mutawa  
Member

Khalid Mana Saeed Al  
Otaiba  
Member

Dr. Gyorgy Tamas Ladics  
Member

Shehzad Naqvi  
Member



## Board Strategy and Finance Committee

- To assist the Board in performing its functions and responsibilities with focus on policy making and general direction, oversight and supervision, within the framework of applicable regulations and without involvement in the day to day operations of the Bank.
- To review all matters relating to Strategy and Finance, as well as all other matters not specifically covered in the Terms of Reference of other specialised Board committees.
- To review the strategic plan of the Bank and periodically monitor the status of the implementation of the approved strategic plan.
- To review the annual business and capital expenditure budgets, operational budgets and periodic reviews of the Bank's performance, vis-à-vis approved budget and against peer banks and industry.
- To review the financial and operational performance of the Bank as well as acquisitions, investments, impairments/write-offs, claims against the Bank, etc.
- To oversee aspects of capital management, including issuance of shares and capital instruments, issuance of cash/stock dividend and capital injection decisions for overseas operations.
- To review and approve capital expenditures, recurring and operating expenses and write-offs as per defined thresholds.
- To review, obtain updates and recommend annual branch network expansion plans, including plans for overseas operations, setting-up companies/operations/offices in new overseas locations, for approval to the Board.
- To review and recommend Shari'ah Board reports in compliance with SBP Shari'ah Governance Framework, for approval to the Board.
- To review and recommend matters relating to the shareholders and related parties to the Board, in consultation with the Chairman.

### Committee Members

Abdulla Khalil Al Mutawa  
Chairman

Khalid Mana Saeed Al  
Otaiba  
Member

Efstratios Georgios  
Arapoglou  
Member

Shehzad Naqvi  
Member

Nauman Ansari  
Member



## Board Risk Management Committee

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

## Committee Members

Khalid Mana Saeed Al  
Otaiba  
Chairman

Abdulla Khalil Al Mutawa  
Member

Shehzad Naqvi  
Member

Efstratios Georgios  
Arapoglou  
Member

Nauman Ansari  
Member



## Board Compensation Committee (BCC)

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

### Committee Members

Khalid Mana Saeed Al  
Otaiba  
Chairman

Abdulla Khalil Al Mutawa  
Member

Dr. Ayesha Khan  
Member

Efstratios Georgios  
Arapoglou  
Member





## Board Information Technology Committee (BITC)

- To review and recommend IT strategy and digital strategy of the Bank to the Board.
- To advise and report to the Board on the status of technology activities and digital initiatives in the banks. To review and monitor the implementation of SBP 'Enterprise Technology Governance and Risk Management Framework'.
- To monitor the overall impact with regard to business, customer, control as well as the impact of Information Technology infrastructure and applications, to assess and address strategic gaps and issues.
- To monitor, oversee and optimise technology related investments and capital expenditure related to Information Technology and to recommend to the Board for approval of IT budget.
- To reinforce Information Technology roles and responsibilities through relevant policies and to issue high level policy guidelines.
- To ensure that effective Risk Management strategies are designed and implemented to achieve resilience, including the ability to effectively respond to wide-scale disruptions, cyberattacks and attacks on critical infrastructure.
- To monitor and track all major technology related projects, ITG performance and IT services delivery.
- To ensure compliance of regulatory and audit requirements.
- To review IT capacity planning and resource management (including financial, data and information, infrastructure and assets, human resource staff development, recruitment and the retention of skilled staff, vendors, etc.).

### Committee Members

Dr. Gyorgy Tamas Ladics  
Chairman

Abdulla Khalil Al Mutawa  
Member

Khalid Mana Saeed Al  
Otaiba  
Member

Efstratios Georgios  
Arapoglou  
Member

Nauman Ansari  
Member



# Management Committees

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Bank Alfalah has three main management committees for the purpose of strategic planning and decision-making under the Chairmanship of the CEO. The committees and their TORs have been approved by the Board. The role of these committees is to ensure that the activities of the Bank reflects its vision, purpose and aims. They establish the fundamental values, ethical principles and strategic direction in which the Bank operates. These committees meet regularly and their decisions are communicated to the Board frequently.

1. Central Management Committee (CMC)
2. Country Credit Committee
3. Digital Council

To carry out the mandate of the CMC, it has formed the sub-committees. For each sub-committee, the CMC adopts formal TORs setting-out the matters relevant to the composition, roles, functions and responsibilities. The CMC has full authority to review and reorganise the composition and terms of reference of the sub-committees.

## Central Management Committee

- Nauman Ansari – Chairman
- Faisal Rabbani
- Khawaja Muhammad Ahmed
- Mohib Hasan Khan
- Mehreen Ahmed
- Dr. Muhammad Imran
- Hafsa Abbasy
- Anjum Hai
- Bilal Asghar
- Aasim Wajid Jawad
- Syed Ali Sultan
- Haroon Khalid
- Muhammad Akram Sawleh
- Muhammad Yahya Khan
- Zahid Anjum
- Zahra Anwar Furniturewalla – Secretary

## Country Credit Committee

- Nauman Ansari – Chairman
- Faisal Rabbani
- Bilal Asghar
- Mehreen Ahmed
- Muhammad Imran
- Najam Uz Zaman Siddiqui
- Ali Sultan
- Javed Iqbal
- Beena Fawad – Secretary

## Digital Council

- Nauman Ansari – Chairman
- Muhammad Yahya Khan
- Mehreen Ahmed
- Khawaja Muhammad Ahmed
- Faisal Rabbani
- Anjum Hai
- Mohib Hasan Khan
- Aasim Wajid Jawad
- Hafsa Abbasy
- Waseem Yousaf – Secretary



## **SUB-COMMITTEES OF CMC Customer Experience Council**

- Nauman Ansari – Chairman
- Muhammad Yahya Khan
- Hafsa Abbasy
- Khawaja Muhammad Ahmed
- Mohib Hasan Khan
- Mehreen Ahmed
- Dr. Muhammad Imran
- Shahzad Ishaq
- Husnain Zaiqam
- Farooq Qamar Khan
- Talal Raza
- Shahzad Gulzar
- Mustafa Rabbani
- Umair Mangrio
- Karim Najmuddin
- Sajid Ahmed Khan
- Suhail Siddiqui – Secretary

## **Information Technology Steering Committee (ITSC)**

- Nauman Ansari – Chairman
- Mohib Hasan Khan
- Anjum Hai
- Kamran Mehmood
- Faisal Rabbani
- Khawaja Muhammad Ahmed
- Dr. Muhammad Imran
- Mehreen Ahmed
- Zubair Abdul Qavi (Officiating)
- Muhammad Yahya Khan
- Jerome Andrades – Secretary

## **Controls and Compliance Committee**

- Nauman Ansari – Chairman
- Faisal Rabbani
- Haroon Khalid
- Muhammad Ayyaz Ashraf
- Khawaja Muhammad Ahmed

- Mohib Hasan Khan
- Mehreen Ahmed
- Dr. Muhammad Imran
- Hafsa Abbasy
- Aamir Patel
- Anjum Hai
- Bilal Asghar
- Raees Ahmed
- Faisal Ahmed – Secretary

## **Asset and Liability Committee (ALCO)**

- Nauman Ansari – Chairman
- Faisal Rabbani
- Mehreen Ahmed
- Dr. Muhammad Imran
- Anjum Hai
- Bilal Asghar
- Syed Ali Sultan
- Hasan Ahmed Khan – Secretary

## **Process Improvement Committee (PIC)**

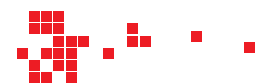
- Khawaja Muhammad Ahmed – Chairman
- Haroon Khalid
- AIG Representative (by invitation)
- Moiez Ahmed Usmani
- Farhan Ali
- Afsheen Jalal – Secretary

## **Investment Committee**

- Nauman Ansari – Chairman
- Faisal Rabbani
- Anjum Hai
- Bilal Asghar
- Syed Ali Sultan
- Kamran Khawaja – Secretary

## **Expenditure Control Committee (ECC)**

- Anjum Hai – Chairperson
- Khawaja Muhammad Ahmed
- Mohammad Maqsood Usmani
- Amin Sukhiani
- Muhammad Ashraf
- Ali Murtaza – Secretary



# Shari'ah Board

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

Dr. Mufti Khalil Ahmad Aazami is a renowned Shari'ah Scholar in the Islamic Banking industry.

He joined Bank Alfalah Islamic Banking in 2003 as a Shari'ah Advisor and is now serving as Chairperson Shari'ah Board.

Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate degree in 'Islamic Jurisprudence' from Karachi University.

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

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

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

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

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

Mufti Mohib ul Haq is a prominent and a well-recognised Shari'ah scholar. He holds a specialised degree of Shahadat-ul-Aalamia (Masters in Islamic Studies and Arabic) and Takhassus-fil-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) from the esteemed Jamia Darul Uloom, Karachi.

Mufti Mohib ul Haq has been serving as a member of the Shari'ah Board at Bank Alfalah-Islamic Banking. He also serves as the Chairperson of Shari'ah Board at Faysal Bank and member of Shari'ah Board at Bank Al-Habib-Islamic Banking since 2015. He is also a permanent faculty member of Jamia Darul Uloom, Karachi, and Centre for Islamic Economics (a division of Jamia Darul Uloom, Karachi).

He is a well-known and experienced lecturer and trainer in field of Islamic Finance, Fiqh, Islamic aspect of Economics, Shari'ah compliance and audit mechanism, Islamic financial law and general Islamic sciences. He also serves as a member of the State Bank of Pakistan's Committee for Shari'ah Review.

Mufti Mohib ul Haq in the past has also served as Shari'ah Scholar, Advisor and Facilitator at the following institution:

- Shari'ah Advisor – Faysal Bank Ltd (2006-2015)
- Member Shari'ah Supervisory Council – JS Investment Ltd (2012-2016)
- Member Shari'ah Board – Takaful Pakistan (2006-2014)
- Member Shari'ah Board – Royal Bank of Scotland Berhad, Malaysia (September 2007-2009)
- Shari'ah Advisor – Bank Al-Habib (2003-2006)

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

Mufti Ovais Ahmed Qazi is serving Bank Alfalah Ltd-Islamic Banking as Resident Shari'ah Board member since 2015. He was Assistant Shari'ah Advisor in the Bank for more than two years. Prior to his time at Bank Alfalah, he worked in Shari'ah Compliance Department at Burque Corporation (Pvt) Ltd, Karachi.

He holds a Master's degree in Business Administration (Banking and Finance) from Institute of Business Management, Karachi (IoBM). He obtained Shahadat-ul-Aalamiyya (Dars e Nizami) and Takhassus-fil-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) qualifications from Jamia Darul Uloom, Karachi. Further, he is a 'Certified Islamic Finance Executive (CIFE)' by Ethica Institute of Islamic Finance (UAE).

He is also a member of Sub-Committee for Review of AAOIFI Shari'ah Standards, established by State Bank of Pakistan-Islamic Banking Department.

He is a visiting faculty of Centre for Islamic Economics, Hira Foundation Academy, Sheikh Zayed Islamic Center (University of Karachi) and IBA-CEIF for the subjects related with Islamic Finance.



# Roles and Responsibilities – Chairman and CEO

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

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

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

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

### **Other responsibilities include:**

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

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

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

### **Key responsibilities include:**

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



# Chairman's Review of the Board's Performance

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The Chairman as part of his responsibilities reviews the performance of the Board annually. The review includes the following:

- Examination of the effectiveness and composition of the Board and its committees, including the required mix of skills, knowledge experience, independence and diversity, which the non-executive directors should bring to the Board and its committees so that they function competently and efficiently;
- Bank's strategic direction and objectives;
- assessment of whether corporate governance practices are appropriate; and
- assessment of whether the expectations of differing stakeholders have been met.

Over the past years, the Board has met the expectations of the Chairman to steer the Bank in the right direction and efficiently fulfilling their vested roles and responsibilities toward stakeholders and management.





# Annual Evaluation of the Board's Performance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# Other Matters Relating to Governance

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## Orientation Courses for Directors

Board orientation refers to a process for helping new Directors contribute fully, and as early in their tenure as possible, to the governing work of the Board. The objective of the orientation is to enable the Directors:

- To understand their roles, responsibilities and time commitment to governance work around the Board and committees;
- Be aware of the current goals, opportunities and challenges facing the organisation;
- Be aware of who the organisation's main stakeholders are, including clients, partners, the public, as well as staff;
- Have some sense of how their own background, knowledge, experience and skills will contribute to the current work of the Board, and the goals of the organisation;
- Appreciate the background, knowledge, experience and skills of each of the other Directors;
- Knowledge of how board meetings are run, decisions are made, and what formal governing policies and practices exist; and
- Understand how the Board functions similarly or differently than other boards they have served on or are serving on.

During 2018, three new Directors were elected and a comprehensive orientation session spanning two full days was held in June 2018. The session focused on areas of Business, Risk Management, HR, Capital, Finance, Treasury, Business Intelligence and Digital Banking. In addition, legal orientation was also given in the Board meeting held in August 2018.

## Directors' Training Programme (DTP)

The current Board comprise of nine Directors. At present, four Directors namely, Mr. Shehzad Naqvi, Dr. Ayesha Khan, Dr. Gyorgy Tamas Ladics and Mr. Nauman Ansari have certification of the SECP's approved Directors' Training Programme from Pakistan Institute of Corporate Governance (PICG), whereas some of the Directors meet the exemption criteria of Directors' Training Programme as mentioned in the Code.

## Policy for Remuneration to Non-Executive Directors

Non-Executive Directors of the Bank play a crucial role to the independent functioning of the Board. They bring in external and wider perspective to the decision-making by the Board. They provide leadership and strategic guidance, while maintaining objective judgement. They also help the Bank in ensuring that legal requirements and corporate governance are well taken care of. The responsibilities and obligations imposed on the Non-Executive Directors have increased manifold in recent years on account of a number of factors, including the growth in the activities of the Bank and the rapid evolution arising out of legal and regulatory provisions and requirements.

The Bank follows the regulations relating to remuneration to the Directors issued by SECP and SBP. A formal policy and transparent procedure for remuneration of directors in accordance with the Act and the Code is in making and shall be placed in due course of time.

## Security Clearance of Foreign Directors

The security of the Directors living outside Pakistan is the Bank's topmost priority when they visit Pakistan. The Bank ensures compliance with SECP's instructions based on national security policy of the Government.

## Corporate Governance Implementation

The expectations of regulators, investors, and other stakeholders regarding governance have shifted over the past few years. Stakeholders now see Board as more accountable for the effectiveness of their overall governance processes. This shift is real, it is significant, and is likely to amount to an expectation of greater Board involvement in the means by which governance is organised and effected, and for more active oversight by the Board and its committees.

While the Board is accountable for oversight of the governance processes, management is responsible for implementing the policies and procedures through which governance is implemented within the organisation. The Board is responsible for understanding and for advising management on the processes through which governance is implemented within the organisation, and is accountable for the results of those processes. Management is responsible for the governance processes, their workings, and for their results.



## Board's Policy on Diversity

The Bank recognises diversity as one of our most important resources because we believe that diversity in our workforce helps us:

- a) attract, retain and motivate employees from the widest possible pool of talent;
- b) improve employment and career development opportunities for women; and
- c) provide people with a disability, employment opportunities and career advancements.

The Bank's Board is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Bank and on the Bank's Board. The Board is responsible for developing measurable objectives and strategies to meet the defined goals and monitoring the progress through the monitoring, evaluation and reporting mechanisms. The Board has approved the following policies to promote diversity within the Bank:

- Childcare Allowance which supports female staff and single parents;
- Flexible Working Policy which aims to create an environment where the value of flexible working is understood; and
- Paternity Leave for both female and male employees to ensure proper care for the newborn.

## Conflict of Interest

The Directors have an ultimate responsibility for managing the affairs of the Bank and accordingly holds fiduciary duties of care and loyalty to the Bank and the shareholder. One of the key duties that Directors owe to the Bank is the duty to avoid conflicts of interest. The duty includes not placing oneself in a position where the Directors' personal interest may possibly conflict with their duty to the company.

Conflicts may arise in several situations; some of the typical ones are:

- Where the Directors have a direct or indirect material interest in transaction that the Bank enters into;
- Where the Directors hold positions or offices, or possess property that may result in conflicting duties; and
- Where the Directors stand to benefit from information received by them or opportunities made available to them in their capacity as Directors or Officers.

The Bank exercises particular care in monitoring whether or not they are placed in position of actual or potential conflicts.

In dealing with conflict of interest, the Bank pays close attention to the:

- Provision of the Companies Act, 2017
- PSX listing rules
- Bank's Article of Associations

The ultimate objective of procedures to deal with conflicts are protection of the interest of the Bank and promotion of transparency for benefit of the shareholders.

## Related Party Transactions

Bank Alfalah Limited enters into transactions with many related parties in its day to day operations. The Bank enters into such transactions to meet its business objectives, and at the same time it recognises the need to maintain transparency and being compliant of its obligations towards stakeholders, including shareholders, regulators, employees, etc. It believes that there shall not be any conflicts of interest or non-disclosure of such transactions. To meet this objective, the Bank has a Related Party Transactions Policy, which aims at ensuring that the Bank follows a transparent and compliant procedure and guidelines to enter into such transactions.

The Policy is subject to guidance from the SECP and/or actions taken by the Company's Board of Directors or the Board Audit Committee. The purpose of this Policy is to ensure that Bank Alfalah meets its obligations under:

- a) The Companies Act, 2017;
- b) The Banking Companies Ordinance, 1962;
- c) The Prudential Regulations of State Bank of Pakistan; and
- d) The Code of Corporate Governance.

Details of transactions with the related parties have been disclosed in the annual financial statements.



### **Statement of Management's Responsibility for Financial Statements**

The management is responsible for the preparation and fair presentation of the financial statements as at 31st December, 2018 in accordance with the applicable international financial reporting standards issued by IASB and local laws and regulations. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying suitable accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators and other users.

### **Board Audit Committee Meeting**

The Board Committee Meetings are designed to facilitate and encourage communication among the committee members, senior management, the internal audit function and the Bank's external auditors. The Committee held seven (7) meetings during the year 2018. Members' attendance records are reported as part of the Directors' Report which is the part of the Annual Report. The BAC, in accordance with the requirements of the Code of Corporate Governance, met with the internal and external auditors both with and without the presence of the management. They discussed the results of the audit's examinations/evaluation of internal control and the overall quality of company's financial reporting. The Committee also discussed the scope and plan for the next year with the Head of Internal Audit and External Auditors.

The BAC discharges its oversight responsibilities as mandated by the Board, in accordance with the requirements of Code of Corporate Governance, Listing Regulations and applicable laws/directives issued by the Regulators.



# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

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## Year ended 31st December, 2018

The Bank has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ('Code') in the following manner:

1. The total number of directors are nine as per the following:
  - a. Male Eight
  - b. Female One
2. The composition of Board is as follows:
  - a. Independent Directors Three
  - b. Other Non-Executive Directors Five
  - c. Executive Director One
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including the Bank (excluding the listed subsidiaries of listed holding companies, where applicable).
4. The Bank has prepared a 'Code of Conduct - Ethics and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. A formal policy and transparent procedure for remuneration of directors in accordance with the Act and these Regulations is in the making and shall be in place in due course of time.
9. The Bank is compliant with the requirements of the Directors' Training Programme under the Code of Corporate Governance Regulations as on 31st December, 2018.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed/reconstituted the committees comprising of members given below:
  - A) **Board Audit Committee**
    1. Mr. Shehzad Naqvi, Chairman
    2. Mr. Abdulla Khalil Al Mutawa, Member
    3. Mr. Khalid Mana Saeed Al Otaiba, Member
    4. Mr. Efstratios Georgios Arapoglou, Member
    5. Dr. Ayesha Khan, Member
  - B) **Board Strategy and Finance Committee**
    1. Mr. Abdulla Khalil Al Mutawa, Chairman
    2. Mr. Khalid Mana Saeed Al Otaiba, Member
    3. Mr. Efstratios Georgios Arapoglou, Member
    4. Mr. Shehzad Naqvi, Member
    5. Mr. Nauman Ansari, Member



#### C) Board Risk Management Committee

1. Mr. Khalid Mana Saeed Al Otaiba, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Shehzad Naqvi, Member
4. Mr. Efstratios Georgios Arapoglou, Member
5. Mr. Nauman Ansari, Member

#### D) Board Information Technology Committee

1. Dr. Gyorgy Tamas Ladics, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Mr. Efstratios Georgios Arapoglou, Member
5. Mr. Nauman Ansari, Member

#### E) Board Human Resources, Remuneration and Nomination Committee

1. Dr. Ayesha Khan, Chairperson
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Dr. Gyorgy Tamas Ladics, Member
5. Mr. Shehzad Naqvi, Member

#### F) Board Compensation Committee

1. Mr. Khalid Mana Saeed Al Otaiba, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Dr. Ayesha Khan, Member
4. Mr. Efstratios Georgios Arapoglou, Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following (the meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank):

Name of Committee	No. of meetings held during the year
Board Audit Committee	Seven
Board Strategy and Finance Committee	Five
Board Risk Management Committee	Five
Board Information Technology Committee	Two
Board Human Resources, Remuneration and Nomination Committee	Five
Board Compensation Committee	One

15. The Board has set up an effective internal audit function, conversant with the policies and procedures of the Bank.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company, and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement, and the auditors have confirmed that they have observed IFAC Guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

**HH Sheikh Nahayan Mabarak Al Nahayan**

Chairman

21st February, 2019

Abu Dhabi





# Review Report on Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

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To the members of Bank Alfalah Limited

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Bank Alfalah Limited (the Bank) for the year ended 31st December, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review, whether the statement of compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is a limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

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

The Regulations requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Regulations as applicable to the Bank for the year ended 31st December, 2018.

21st February, 2019  
Karachi

EY Ford Rhodes  
Chartered Accountants  
Omer Chughtai



# Statement on Internal Controls

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This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the Bank's policies, aims and objectives, and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended 31st December, 2018.

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

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

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

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

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

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

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

Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring ongoing operating effectiveness of majority of key controls and has significantly addressed the design improvement opportunities identified to complete the project related initiatives. In accordance with SBP directives, the Bank's external auditors are engaged annually, to provide the management with their Long Form Report on the extent of ICFR, which is then submitted to the SBP.

## **Management's Evaluation on Effectiveness of Control Framework**

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

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

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

For and behalf of the Board,

**Nauman Ansari**  
President and Chief Executive Officer  
21st February, 2019  
Abu Dhabi



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

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Bank Alfalah Limited as of 31st December, 2018 has implemented its Employees Stock Option Scheme as approved by the shareholders and the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SMD/CIW/ESOS/02/2013 dated 27th December, 2013.

The Bank has complied in all material respects with the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated 11th May, 2001. The details of the scheme, including pricing formula, options granted, lapsed, etc. have been disclosed in note 40 to the financial statements. A summary of the scheme is described in the annexure attached with this statement.

**Nauman Ansari**  
President and Chief Executive Officer  
21st February, 2019  
Abu Dhabi



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

## Scope of our Work

We were engaged by the Board of Directors of Bank Alfalah Limited ('the Bank'), to provide reasonable assurance on Bank's Compliance with the Employees Stock Option Scheme ('the Scheme') approved by the shareholders in their Annual General Meeting held on 29th March, 2013 and the Public Companies (Employees Stock Option Scheme) Rules, 2001 ('the Rules'), as set out in the Statement of Compliance with Employees Stock Options Scheme ('the Statement') prepared by the Bank as of 31st December, 2018, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Bank's compliance with the Scheme and the Rules.

## Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (the Statement) for the year ended 31st December, 2018 is assessed, comprise the aforementioned Scheme and the Rules. Our engagement was carried out as required under Rule 14 of the Rules.

## Responsibility of Bank's Management

The responsibility for the preparation of the Statement (the subject matter information) and for compliance with the requirements of the Scheme and the Rules is that of the management of the Bank. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

## Our Independence and Quality Control

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


The Firm applies International Standard on Quality Control 1 'Quality Control for Firms that perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Our Responsibility and Summary of Work Performed

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagement 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the Statement reflects the status of Bank's compliance with the Scheme and the Rules (the Criteria) and is free from material misstatement whether due to fraud or error.

The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliances with the requirements of the Scheme and the Rules whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Bank's compliance with the Scheme and the Rules in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Bank was not materially non-compliant with the Scheme and the Rules. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Our procedures applied to the selected data primarily comprised of:

- Verifying that only eligible employees have participated in the Scheme in compliance with the Rules;
- Verifying that the share options granted, vested, lapsed, surrendered or exercised under the Scheme have been recorded in the books of account in accordance with the requirements of the Rules; and



- Ensuring that adequate disclosures have been made in respect of the Scheme in the Annual Report as required under the Rules.

We believe that the evidence we have obtained through performing our aforementioned procedures is sufficient and appropriate to provide a basis for our opinion.

**Conclusion**

Based on our reasonable assurance engagement, in our opinion, the Statement for the year ended 31st December, 2018 has been prepared, in all material respects, in compliance with the Scheme and the Rules.

21st February, 2019  
Karachi

EY Ford Rhodes  
Chartered Accountants  
Omer Chughtai



# Report of Shari'ah Board

**For the year ended December 31, 2018**

By the grace of Almighty Allah, the year under review was the 15th year of Islamic Banking Operations of Bank Alfalah Limited (herein referred as 'the Bank'). The Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank Alfalah Limited Islamic Banking Group are conducted in a manner that complies with Shari'ah principles at all times. The scope of this report is to cover the affairs of the Islamic Banking operations of Pakistan, from Shari'ah perspective as described under Shari'ah Governance Framework of State Bank of Pakistan.

During the year under consideration, the Bank revamped the Product Programme Guidelines, manuals and relevant documents that pertain to existing asset and liability products. Moreover, systems, policies and procedures of Islamic Banking operations of the Bank were designed and upgraded to enhance the Shari'ah compliance capabilities of the system. Shari'ah Board, in this regard, reviewed and approved the same ensuring the products and services offered by the Bank to be valid as per Shari'ah.

The Bank used Murabaha, Ijarah, Diminishing Musharakah, Istisna, Running Musharakah, Salam and Tijarah for SME and Corporate financings. For Consumer financing, the Bank adopted Ijara and Diminishing Musharakah products. As a new proposition, Alfalah Fleet Finance and Milkiat Finance were launched for SME segment of the market enabling businesses to receive maximum possible financings with minimum load on its existing cash flows. During the period, the Bank led a syndication worth Rs. 3 billion in which BAFL-IBG was Shari'ah advisor as well as Shari'ah structuring agent of the transaction. The transaction is based on Diminishing Musharakah and is a long-term facility for construction of Lahore-Sialkot Motorway. On the other hand, Alfalah Orbit Rewards, a programme based on rewards for banking customers was also launched as a new initiative in the Islamic Banking industry of Pakistan. By targeting the new challenges of the digital age, the Bank has extensively worked on digital banking and exploring the ways of digitally launching Islamic Banking products. Shari'ah Board performed the due deliberation and allowed the proposition after comprehensive research.


During the year Shari'ah Compliance Department and Internal Shari'ah Audit Department have conducted review and audit of 132 Islamic branches, 05 departments dedicated to Islamic Banking operations along with 11 Centralised Units, including Consumer Hubs, Islamic Credit Administration Centres, Finance and Treasury in light of Shari'ah guidelines.

Shari'ah Compliance Department also facilitates the business unit in approvals of various transactions and process flows from the Shari'ah Board. The Department reviewed over 330 process flows for Corporate, Commercial and SME clients. Process flows for new customers were only approved after visiting the customers and performing reviews of their business processes. As a part of its responsibilities, SCD verified distribution of profit and loss to the depositors prior to disbursement on monthly basis.

To form our opinion as expressed in this report, the Shari'ah Compliance Department of the Bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of Internal Shari'ah Audit and External Shari'ah Audit. Based on the above, we are of the view that:

- i) Business affairs of Bank Alfalah - Islamic Banking Group, especially with reference to the transactions, relevant documentation and procedures performed and executed by the Bank during the year of 2018 are, by and large, in compliance with fatwas/opinions/advices issued by the Shari'ah Board.
- ii) BAFL-IBG has complied with directives, regulations, instructions, and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Supervisory Committee.
- iii) BAFL-IBG has a mechanism in place to ensure Shari'ah compliance in its operations, through SCD and ISAD bank has an effective mechanism to ensure the compliance.
- iv) The Bank has a well-defined system in place in form of Internal Shari'ah Audit and Shari'ah Compliance Review to ensure that earnings realised from sources or means prohibited by Shari'ah will be credited to the charity account to warrant that the income distributed among stakeholders generally remains Halal and pure. In the year 2018, an income of Rs. 3.584 million has been transferred to the charity account as per the Shari'ah Board's instructions due to the violations of Shari'ah guidelines observed.





During the year, an amount of Rs. 41.067 million was recovered from the customers as charity on account of delay in payments. A substantial amount of Rs. 75.388 million has been granted to various charitable institutions against current collection and previous year's balances.

- v) The allocation of profit and losses to Mudarabah based remunerative depositors, which was reviewed on monthly basis, is generally in conformity with Shari'ah Rules and Principles, and Pool Management Guidelines of State Bank of Pakistan.
- vi) Learning and Development Department has conducted various training programmes pertaining to the staff of IBG branches and different centralised units of the Bank.
- vii) Management is gradually providing resources in Shari'ah Compliance Department as per Shari'ah Board requirements.

Further, the following is our recommendations for additional improvements of the processes:

- Although the Bank is already working on capacity building of the staff, the Bank is advised to strengthen the overall structure and the planning of the Islamic Banking trainings, especially increasing capable and dedicated resources for this purpose.

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

**Dr. Khalil Ahmad Aazami**  
Chairperson Shari'ah Board

**Mufti Mohib ul Haq Siddiqui**  
Member Shari'ah Board

**Mufti Ovais Ahmed Qazi**  
Member Shari'ah Board

12th February, 2019/Jumada II 06, 1440



سال کے دوران 41.067 ملین روپے کسٹمرز سے آدائیگی میں تاخیر کے نتیجہ میں چیریٹی کے طور پر حاصل کئے گئے 75.388 ملین روپے کی خطیر رقم رواں اور گذشتہ سال کے دوران حاصل شدہ رقم کی مد سے مختلف خیراتی اداروں کو دی گئی۔

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

6. بینک کے شعبہ تعلیم و تربیت (Learning & Development Department) نے اسلامک بینکنگ کی شاخوں اور بینک کے مرکزی شعبوں کے عملہ کو اسلامک بینکنگ سے متعلقہ ٹریننگ کرائی۔

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

نیز معاملات کی مزید بہتری کے لیے شریعہ بورڈ کی سفارشات درج ذیل ہیں:

• بینک عملہ کی استعداد کی بہتری کے لیے مسلسل کوشاں ہے، البتہ اسلامک بینکنگ کی تربیت کے حوالہ سے تربیتی نصاب اور پلاننگ میں مزید بہتری کی گنجائش ہے۔ نیز اس اہم کام کو سرانجام دینے والے افراد میں باصلاحیت اور متعین افراد کے اضافہ کی طرف بھی خاص طور پر توجہ کی ضرورت ہے۔

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

وَصَلَّى اللّٰهُ عَلٰى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ

مفتی اویس احمد قاضی  
ریزیڈنٹ شریعہ بورڈ ممبر

مفتی محب الحق صدیقی  
ممبر شریعہ بورڈ

ڈاکٹر مفتی خلیل احمد اعظمی  
چیئر پرسن شریعہ بورڈ

تاریخ: 12 فروری 2019 / 0 جمادی الثانیہ، 1440

# شریعیہ بورڈ رپورٹ برائے سال 2018

الحمد لله رب العلمين و العاقبة للمتقين والصلوة والسلام على سيد الرسل و خاتم النبيين و على اله وصحبه اجمعين و بعد:

اللہ تعالیٰ کے فضل و کرم سے زیر نظر رپورٹ بینک الفلاح - اسلامک بینکنگ گروپ (جو آئندہ "بینک" کے نام سے مذکور ہے) کے آپریشنز کے پندرہویں سال کی سالانہ رپورٹ ہے۔ بینک الفلاح - اسلامک بینکنگ گروپ کے تمام معاملات کی شریعت کے اصولوں کے عین مطابق انجام دہی کی مکمل ذمہ داری بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ (Executive Management) پر ہے۔ اس رپورٹ کا مقصد اسٹیٹ بینک آف پاکستان کے شریعیہ گورننس فریم ورک (SGF) میں بیان کردہ شرعی پہلوؤں کی روشنی میں پاکستان میں بینک الفلاح اسلامک بینکنگ آپریشنز کے حالات بیان کرنا ہے۔

اس سال کے دوران بینک نے اثاثوں (Assets) اور ذمہ داریوں (Liabilities) سے متعلق موجودہ پراڈکٹس کی متعلقہ دستاویزات اور معاہدات کا ازسرنو جائزہ لیا۔ نیز اسلامک بینکنگ آپریشنز کے سسٹم، پالیسی، اور طریقہ کار (Systems, Policies, & Procedures) میں جدت پیدا کی گئی تاکہ سسٹم کی شریعیہ کمپلائنس کی صلاحیت میں مزید بہتری لائی جائے۔ اس سلسلے میں شریعیہ بورڈ نے مذکورہ امور کا جائزہ لینے کے بعد ان کی منظوری دی تاکہ بینک کی طرف سے پیش کردہ تمام پراڈکٹس اور سروسز شرعی اعتبار سے درست ہوں۔

سال کے دوران اسمال میڈیم انٹریپرائزز (SME) اور کارپوریٹ تمویل کے لیے 'مراہمہ'، 'اجارہ'، 'شرکت متناقصہ' (Diminishing Musharaka)، 'استصناع'، 'زنگ مشارکہ'، 'سلم'، اور 'تجارہ' کے طریقے تمویل اختیار کرنے گئے۔ کنزیومر فنانانس کے لیے بینک نے 'اجارہ' اور 'شرکت متناقصہ' (Diminishing Musharaka) پر مبنی پراڈکٹس کو استعمال کیا۔ ایک جدید سہولت کے طور پر SME طبقہ کے لیے 'الفلاح فلیٹ فنانانس' اور 'ملکیت فنانانس' متعارف کرائے گئے تاکہ کاروبار کے لیے اپنے موجودہ ذرائع آمدن پر کم سے کم دباؤ کے ساتھ زیادہ سے زیادہ فنانانسنگ کا حصول ممکن ہو سکے۔ اس عرصہ کے دوران بینک نے 3 بلین روپے کی اجتماعی تمویل (سینڈیکیشن) کے معاملہ میں بطور شرعی مشیر اور اسٹراکچرنگ ایجنٹ حصہ لیا۔ مذکورہ معاملہ شرکت متناقصہ (Diminishing Musharakah) کے عقد پر مبنی ہے اور لاہور-سیالکوٹ موٹروے کی تعمیر کے لیے ایک طویل المیعاد معاملہ ہے۔ دوسری طرف بینکنگ کسٹمرز کے لیے انعامات پر مبنی پروگرام "الفلاح آر بیٹز" (Alfalah Orbits) اسلامک بینکنگ انڈسٹری میں ایک منفرد اقدام کے طور پر شروع کیا گیا۔ ڈیجیٹل دور کے جدید تقاضوں سے نبرد آزما ہونے کے لیے بینک نے ڈیجیٹل بینکنگ اور اسلامک بینکنگ پراڈکٹس کو ڈیجیٹل روپ میں پیش کرنے پر خاطر خواہ کام کیا۔ شریعیہ بورڈ نے مکمل تحقیق اور حسب ضرورت جائزے اور اصلاح کے بعد اس کی اجازت دی۔

دوران سال شریعیہ کمپلائنس ڈیپارٹمنٹ اور داخلی شریعیہ آڈٹ ڈیپارٹمنٹ نے بینک کی 132 اسلامک شاخوں، 5 اسلامک بینکنگ کے آپریشنز کے لیے مخصوص شعبوں، اور 11 سینٹرلائزڈ شعبوں کا شرعی اصولوں کی روشنی میں آڈٹ اور ریویو کیا۔ ان مرکزی شعبوں میں کنزیومر، اسلامک کریڈٹ ایڈمنسٹریشن سنٹر، فنانانس، اور ٹریڈری شامل ہیں۔

شریعیہ کمپلائنس ڈیپارٹمنٹ بزنس یونٹس کا مختلف معاملات اور پراسس فلوز کی شریعیہ بورڈ سے منظوری میں بھی تعاون کرتا ہے۔ شریعیہ کمپلائنس ڈیپارٹمنٹ نے کارپوریٹ، کمرشل، اور SME کلانٹس کے 330 پراسس فلوز کا جائزہ لیا۔ نئے کسٹمرز کے لیے پراسس فلوز کی منظوری، کاروبار کے معائنے اور کاروباری نظام کو سمجھنے کے بعد ہی دی گئی۔ اپنے فرائض کی سرانجامی کے دوران ڈیپارٹمنٹ نے کھاتہ داروں کو نفع کی تقسیم کے عمل کی نگرانی ماہانہ بنیادوں پر کی۔

شریعیہ بورڈ نے اس رپورٹ میں موجود رائے شریعیہ کمپلائنس ڈیپارٹمنٹ کے انجام کردہ مختلف عقود کی چیدہ چیدہ ٹرانزیکشنز، متعلقہ دستاویزات اور پراسس فلوز کے ریویو کی مدد سے قائم کی ہے۔ نیز داخلی اور خارجی شریعیہ آڈٹ کی پیش کی گئی رپورٹس بھی مطالعہ کی ہیں۔ مذکورہ معلومات کی بنا پر شریعیہ بورڈ کی رائے یہ ہے کہ:

1. 2018 کے دوران بینک الفلاح - اسلامک بینکنگ گروپ کے معاملات، بالخصوص عقود، متعلقہ معاہدات، طریقہ کار اور ان پر عمل درآمد مجموعی طور پر شریعیہ بورڈ کے جاری کردہ فتاویٰ / تجاویز / ہدایات کے مطابق رہے۔

2. نیز الفلاح اسلامک بینکنگ گروپ نے اسٹیٹ بینک آف پاکستان کی شریعیہ ایڈوائزری کمیٹی کی جاری کردہ شریعیہ کمپلائنس سے متعلقہ اصولی احکام، تعلیمات، اور قواعد و ضوابط کی تعمیل کی۔

3. الفلاح اسلامک بینکنگ گروپ کے معاملات کی شریعیہ کمپلائنس کو یقینی بنانے کے لیے ایک منظم طریقہ کار موجود ہے، جو شریعیہ کمپلائنس ڈیپارٹمنٹ اور داخلی شریعیہ آڈٹ کے شعبہ کے ذریعہ سے عمل کرتا ہے۔

4. داخلی شریعیہ آڈٹ اور شریعیہ کمپلائنس ڈیپارٹمنٹ کی شکل میں بینک کے پاس ایک واضح نظام موجود ہے جو اس بات کو یقینی بناتا ہے کہ غیر شرعی اور ممنوع ذرائع سے حاصل ہونے والی آمدنی چیریٹی اکاؤنٹ میں ڈال دی جائے تاکہ حصہ داروں میں تقسیم ہونے والی آمدنی مجموعی طور پر حلال اور پاکیزہ ہو۔ سال 2018 کے دوران 3,584 ملین روپے کی آمدنی مشاہدہ میں آنے والی شرعی اصولوں کی خلاف ورزی کے نتیجے میں شریعیہ بورڈ کی ہدایات کے مطابق چیریٹی اکاؤنٹ میں منتقل کروائی گئی۔



# FINANCIAL STATEMENTS







# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed unconsolidated financial statements of Bank Alfalah Limited (the Bank), which comprise the unconsolidated statement of financial position as at 31 December 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with the unaudited certified returns received from the branches except 60 branches which have been audited by us and notes to the financial statements, including assembly of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<b>- Provision against Non Performing Credit Exposure</b>	
<p>The Bank's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operations.</p> <p>As per the Bank's accounting policy (refer note 4.5 to the financial statements), the Bank periodically assess the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> <li>◆ We reviewed the Bank's process for identification and classification of non- performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non- performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be.</li> <li>◆ We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations.</li> <li>◆ In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the bank and status of litigation, if any, with the borrower;</li> <li>◆ Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases;</li> <li>◆ We also assessed adequacy of disclosures as included in note 9.4 and 9.5 to the financial statements regarding the non-performing loans and provisions made for the same in the financial statements in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>- Preparation of Financial Statements under BPRD Circular No.02 OF 2018</b>	
<p>As referred to in note 4.1.1 to the financial statements, State bank of Pakistan (SBP) vide its BPRD circular no. 02 of 2018, (the circular) revised the statutory forms of the annual financial statements of banks effective from the year ended 31 December 2018.</p> <p>The revised statutory financial reporting framework as applicable to the Bank, prescribes the presentation format, nature and content of disclosures in relation to various elements of the financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements.</p>	<ul style="list-style-type: none"> <li>◆ We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the revised forms for the preparation of such financial statements.</li> <li>◆ We also evaluated the sources of information used by the management for the preparation of the financial statements disclosures and the internal consistency of the disclosures with other elements thereof.</li> <li>◆ We considered the adequacy and appropriateness of the additional disclosures and changes in the presentation of the financial statements based on the requirements of the statutory forms.</li> </ul>



### **Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.


The Board of directors is responsible for overseeing the Bank's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

1. Based on our audit, we further report that in our opinion:
  - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
  - b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flows (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns
  - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
  - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.



**Other Matters:**

The financial statements of the Bank for the year ended 31 December 2017 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon dated 25 February 2018.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

**EY Ford Rhodes**

**Chartered Accountants**

**Place:** Karachi

**Date:** 21 February 2019

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	2018	2017 Restated	2016 Restated
----- (Rupees in '000) -----				
<b>ASSETS</b>				
Cash and balances with treasury banks	5	82,407,700	70,381,435	74,071,384
Balances with other banks	6	3,874,955	3,753,954	9,373,123
Lendings to financial institutions	7	62,172,287	48,895,828	30,149,029
Investments	8	277,660,403	400,733,286	389,092,637
Advances	9	501,636,452	400,655,424	378,720,349
Fixed assets	10	18,272,215	16,155,727	16,476,271
Intangible assets	11	1,283,516	1,472,270	1,656,996
Deferred tax assets		-	-	-
Other assets	12	35,320,826	29,958,291	30,105,955
Assets held for sale	21	23,589,489	26,821,724	-
		1,006,217,843	998,827,939	929,645,744
<b>LIABILITIES</b>				
Bills payable	13	35,988,225	20,882,970	19,091,201
Borrowings	14	123,738,241	207,193,686	178,311,035
Deposits and other accounts	15	702,895,280	644,984,967	634,740,043
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt	16	11,989,000	4,991,000	8,317,670
Deferred tax liabilities	17	2,070,702	3,153,750	2,650,428
Other liabilities	18	33,454,124	27,062,729	26,410,605
Liabilities directly associated with the assets held for sale	21	20,435,396	24,759,096	-
		930,570,968	933,028,198	869,520,982
<b>NET ASSETS</b>		<u>75,646,875</u>	<u>65,799,741</u>	<u>60,124,762</u>
<b>REPRESENTED BY</b>				
Share capital	19	17,743,629	16,075,720	15,952,076
Reserves		23,050,754	18,156,669	15,895,652
Surplus / (deficit) on revaluation of assets	20	7,382,950	7,285,248	10,969,713
Unappropriated profit		27,469,542	24,282,104	17,307,321
		<u>75,646,875</u>	<u>65,799,741</u>	<u>60,124,762</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22			

The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR



# UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017 Restated
		----- (Rupees in '000) -----	
Mark-up/Return/Interest Earned	24	59,318,342	56,175,501
Mark-up/Return/Interest Expensed	25	27,727,287	27,199,316
Net Mark-up/ Interest Income		31,591,055	28,976,185
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee and Commission Income	26	6,291,672	6,013,006
Dividend Income		576,034	460,319
Foreign Exchange Income		2,168,533	1,442,886
Loss from derivatives		(20,542)	(58,908)
Gain on securities	27	992,888	1,134,122
Other Income	28	191,773	84,654
Total non-markup/interest Income		10,200,358	9,076,079
Total Income		41,791,413	38,052,264
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Operating expenses	29	23,966,756	24,671,927
Workers Welfare Fund	30	392,089	258,875
Other charges	31	6,430	32,727
Total non-markup/interest expenses		24,365,275	24,963,529
Profit Before Provisions		17,426,138	13,088,735
Provisions and write offs - net	32	588,383	(616,430)
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS</b>		16,837,755	13,705,165
Taxation	33	6,687,487	5,538,933
<b>PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS</b>		10,150,268	8,166,232
<b>DISCONTINUING OPERATIONS</b>			
Profit after tax for the year from discontinuing operations	21	474,952	201,064
<b>PROFIT FOR THE YEAR</b>		10,625,220	8,367,296
Rupees			
<b>Basic Earnings per share - Restated</b>	34	5.99	4.74
<b>Diluted Earnings per share - Restated</b>	35	5.98	4.72
<b>Basic Earnings per share from continuing operations- Restated</b>		5.72	4.62
<b>Diluted Earnings per share from continuing operations- Restated</b>		5.72	4.61

The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR



# UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017 Restated
	----- (Rupees in '000)-----	
Profit after taxation	10,625,220	8,367,296
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Effect of translation of net investment in foreign branches	2,974,642	492,787
Movement in surplus/(deficit) on revaluation of investments - net of tax	(2,591,788)	(3,707,865)
	382,854	(3,215,078)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement gain on defined benefit obligations - net of tax	126,157	247,149
Movement in surplus on revaluation of operating fixed assets - net of tax	2,663,884	17,435
Movement in surplus on revaluation of non-banking assets - net of tax	25,606	5,965
	2,815,647	270,549
<b>Total comprehensive income</b>	<u>13,823,721</u>	<u>5,422,767</u>

The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR



# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Capital Reserves			Statutory reserve	Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Total
		Reserve for issue of bonus shares	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed / Non Banking Assets		
------(Rupees in '000)-----										
<b>Balance as at December 31, 2016 - note 4.1.1</b>	15,952,076	-	4,417,126	1,584,020	9,720,886	173,620	6,343,383	4,596,193	17,337,458	60,124,762
Effect of change in accounting policy - note 4.1.2	-	-	-	-	-	-	-	30,137	(30,137)	-
<b>Balance as at January 1, 2017 (Restated)</b>	15,952,076	-	4,417,126	1,584,020	9,720,886	173,620	6,343,383	4,626,330	17,307,321	60,124,762
Profit after taxation	-	-	-	-	-	-	-	-	8,367,296	8,367,296
Other comprehensive income - net of tax	-	-	-	492,787	-	-	(3,707,865)	57,197	247,149	(2,910,732)
Transfer to statutory reserve	-	-	-	-	1,673,459	-	-	-	(1,673,459)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(33,797)	33,797	-
<b>Transactions with owners, recorded directly in equity</b>										
Shares issued during the year	123,644	-	68,078	-	-	-	-	-	-	191,722
Recognition of fair value charge of share based payments - note 40	-	-	-	-	-	26,693	-	-	-	26,693
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	-	127,787	-	-	(127,787)	-	-	-	-
<b>Opening Balance January 1, 2018</b>	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,635,518	4,649,730	24,282,104	65,799,741
Effect of change in accounting policy - note 4.1.3	-	-	-	-	-	-	-	-	(81,596)	(81,596)
Restated opening balances as at January 01, 2018 under IFRS 9	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,635,518	4,649,730	24,200,508	65,718,145
Profit after taxation	-	-	-	-	-	-	-	-	10,625,220	10,625,220
Other comprehensive income - net of tax	-	-	-	2,974,642	-	-	(2,591,788)	2,723,389	126,157	3,232,400
Transfer to statutory reserve	-	-	-	-	1,878,770	-	-	-	(1,878,770)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(33,899)	33,899	-
<b>Transactions with owners, recorded directly in equity</b>										
Final cash dividend for the year ended December 31, 2017 @ 15%	-	-	-	-	-	-	-	-	(2,411,358)	(2,411,358)
interim cash dividend for the half year ended June 30, 2018 @ 10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	-	-	82,489
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-
Amortisation of deferred employee compensation expense - note 40	-	-	-	-	-	13,036	-	-	-	13,036
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-
<b>Balance as at December 31, 2018</b>	<u>17,743,629</u>	<u>-</u>	<u>4,695,600</u>	<u>5,051,449</u>	<u>13,273,115</u>	<u>30,590</u>	<u>43,730</u>	<u>7,339,220</u>	<u>27,469,542</u>	<u>75,646,875</u>

The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# UNCONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017 Restated
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation from continuing operations	16,837,755	13,705,165
Profit before taxation from discontinuing operations	780,500	339,819
Dividend income	(576,034)	(460,319)
	17,042,221	13,584,665
<b>Adjustments</b>		
Depreciation	1,718,405	1,819,620
Amortisation	488,400	446,135
Provisions and write offs - net	588,383	(616,430)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	42,406	7,351
Gain on sale of operating fixed assets - net	(135,794)	(11,655)
Charge for defined benefit plan	185,753	250,153
	2,887,553	1,895,174
	19,929,774	15,479,839
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(18,366,107)	(3,797,453)
Held for trading securities	(24,767,391)	(7,376,396)
Advances	(100,850,303)	(22,609,576)
Other assets (excluding advance taxation)	(3,510,739)	(14,228,013)
	(147,494,540)	(48,011,438)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	15,105,255	(416,549)
Borrowings	(83,432,878)	26,942,423
Deposits	57,910,313	36,952,995
Other liabilities (excluding current taxation)	999,738	4,647,528
	(9,417,572)	68,126,397
	(136,982,338)	35,594,798
Contribution made to gratuity fund	(185,753)	(250,153)
Income tax paid	(5,301,420)	(5,037,257)
<b>Net cash generated from / (used in) operating activities</b>	(142,469,511)	30,307,388
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	142,542,537	(23,774,461)
Net investments in held-to-maturity securities	1,227,241	1,541,900
Investment in subsidiaries / associated companies	-	(769,230)
Disposal of investment in subsidiaries / associated companies	-	1,280,627
Dividends received	587,158	488,730
Investments in operating fixed assets	(1,307,248)	(1,850,956)
Proceed from sale proceeds of fixed assets	445,792	90,208
<b>Net cash (used in) / generated from investing activities</b>	143,495,480	(22,993,182)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance / (redemption) of sub-ordinated debt	6,998,000	(3,326,670)
Issue of share capital	82,489	191,722
Dividend paid	(4,000,915)	(1,931)
<b>Net cash used in financing activities</b>	3,079,574	(3,136,879)
Effect of translation of net investment in foreign branches	2,974,642	492,787
	7,080,185	4,670,114
<b>Increase / (decrease) in cash and cash equivalents</b>	99,526,939	90,124,073
Cash and cash equivalents at beginning of the year	(6,105,728)	(1,372,976)
Effects of exchange rate changes on cash and cash equivalents	93,421,211	88,751,097
<b>Cash and cash equivalents at end of the year</b>	100,501,396	93,421,211

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The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

PRESIDENT &amp; CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR



# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

## 1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 486 conventional banking branches including 24 sub branches (2017: 475 branches including 22 sub branches), 10 overseas branches (2017: 10 branches), 152 Islamic banking branches including 1 sub branch (2017: 152 branches) and 1 offshore banking unit (2017: 1 unit).

## 2 BASIS OF PRESENTATION

### 2.1.1 STATEMENT OF COMPLIANCE

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

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

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

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

2.1.3 Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these unconsolidated financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2019:

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 3 – Definition of a Business (Amendments)	January 01, 2020
IFRS 9 – Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 – Consolidated Financial Statements and IAS 28 – Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	January 01, 2019
IAS 1/ IAS 8 – Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application, other than IFRS 9 and IFRS 16. With regard to IFRS 9, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan. With regard to IFRS 16, the Bank is currently evaluating the impact of application of IFRS 16 on its financial statements.

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 01, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2019. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

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

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

## 2.4 Critical accounting estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses as well as in the disclosure of contingent liabilities. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on



historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

- i) classification and provisioning against investments (notes 4.4 and 8)
- ii) classification and provisioning against non-performing loans and advances (notes 4.5 and 9)
- iii) income taxes (notes 4.13 and 33)
- iv) accounting for defined benefit plan and compensated absences (notes 4.10 and 38)
- v) depreciation of operating fixed assets (notes 4.6 and 10)
- vi) amortisation of intangibles (notes 4.6.3 and 11)
- vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.6.2, 4.6.5, 10 and 12.1)
- viii) impairment of assets (note 4.4.5)
- ix) employee stock option scheme (note 40)
- x) fair value measurement of financial instruments (note 42)
- xi) other provisions and contingent liabilities (notes 22 and 32)

### **3 BASIS OF MEASUREMENT**

#### **3.1 Accounting convention**

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

#### **3.2 Functional and Presentation Currency**

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

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

### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these unconsolidated financial statements are consistent with those of previous financial year except as disclosed below in note 4.1.

#### **4.1 Changes in accounting policies**

##### **4.1.1 Change in reporting format**

The SBP vide BPRD Circular No.2 dated January 25, 2018 specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the year ended December 31, 2018 which has resulted in certain additional disclosures and reclassifications of the items in these unconsolidated financial statements.

##### **4.1.2 Surplus / Deficit on Revaluation of Fixed Assets**

The Companies Ordinance, 1984 (the repealed Ordinance) was repealed through the enactment of the Companies Act, 2017 on May 30, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular No. 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 01, 2018.



The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IAS 16, which requires that such deficit is to be taken to the profit and loss account as an impairment.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets and accordingly, any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	<b>December 31, 2016</b>
	<b>(Rupees in '000)</b>
Impact over statement of financial position	
Decrease in unappropriated profit	30,137
Increase in surplus on revaluation of assets – net of tax	30,137

Impact over profit and loss account, statement of comprehensive income and statement of cash flows is immaterial.

#### **4.1.3 Adoption of IFRS 9 - 'Financial Instrument'**

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

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of this standard by the overseas branches have resulted in additional net of tax provisioning requirement of Rs. 81.596 million in respect of prior year which has been incorporated in the opening balance of retained earnings, while net of tax provision reversal of Rs. 63.820 million has been booked in profit and loss statement of overseas operations, in respect of current period.

Had IFRS 9 not been adopted by the overseas branches, unappropriated profit, investments, advances, other assets and deferred tax liabilities as at December 31, 2018 would have been higher by Rs. 17.776 million, Rs. 19.264 million, Rs. 0.568 million, Rs. 4.891 million and Rs. 6.947 million, respectively.

#### **Measurement of Redeemable Participating Certificates - IFRS 9**

During the current year, the adoption of IFRS 9 at Bahrain Operations of the Bank has resulted in investments in Redeemable Participating Certificates held abroad, being mandatorily measured at "Fair Value through Profit and Loss Account". However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-16203 dated July 26, 2018, such investments have been reported and measured under "Available for Sale" investments in these unconsolidated financial statements.

#### **4.2 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lendings having maturity of three months or less.



### 4.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

#### Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these unconsolidated financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

#### Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in these unconsolidated financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

### 4.4 Investments

#### 4.4.1 Classification

The Bank classifies its investments as follows:

##### Held for trading

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices, interest rate movements, dealers' margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

##### Held to maturity

These are investments with fixed or determinable payments and fixed maturities and the Bank has the positive intent and ability to hold them till maturity.

##### Available for sale

These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' and 'held to maturity' categories.

##### Associates

Associates are all entities over which the Bank has significant influence but not control. Investment in associates is carried at cost less accumulated impairment losses, if any.

##### Subsidiaries


Subsidiary is an entity over which the Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

#### 4.4.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Bank commits to purchase or sell the investments.

#### 4.4.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading



securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

#### **4.4.4 Subsequent measurement**

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity', investment in associates and subsidiaries are subsequently remeasured to market value. Surplus and deficit arising on revaluation of securities classified as 'available for sale' is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of investments classified as 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost.

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

#### **4.4.5 Impairment**

Impairment loss in respect of equity securities classified as available for sale, subsidiaries and associates and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities is transferred from equity and recognised in the profit and loss account. For investments classified as held to maturity and investment in subsidiaries and associates, the impairment loss is recognised in the profit and loss account.

Gains or losses on disposal of investments during the year are taken to the profit and loss account.

### **4.5 Advances**

#### **Loans and advances**

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas loans and advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

#### **Islamic Financing and Related Assets**

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Musharakah, Running Musharakah, Salam, Istisna, Tijara and Export Refinance under SBP Islamic Export Refinance Scheme. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financings is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

#### **Finance Lease Receivables**

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term



of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. The Bank determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

#### **4.5.1 Ijarah Assets (IFAS 2)**

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/ receivable on Ijarah under IFAS 2 are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

### **4.6 Fixed assets and depreciation**

#### **4.6.1 Capital work in progress**

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. (These are transferred to specific assets as and when assets become available for use).

#### **4.6.2 Property and Equipment (owned and leased)**

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 10.2 to these unconsolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in Other Comprehensive Income and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are taken to the profit and loss account except that the related surplus / deficit on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.



### 4.6.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Intangible assets are assessed for impairment, if any, as described under note 4.14.

### 4.6.4 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested for impairment annually or whenever there is an indication of impairment, as per the requirement of IAS 36, Impairment of Assets. An impairment charge in respect of goodwill is recognized through the profit and loss account.

### 4.6.5 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the surplus on revaluation of non-banking assets in other comprehensive income, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to the Bank is accounted as an expense in the profit and loss account.

### 4.7 Non-current assets held for sale and discontinued operations

The Bank classifies a non-current asset (or disposal group) as held for sale if it represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale; and its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

Resultantly, all assets and liabilities of assets held for sale are presented as separate line items on statement of financial position. The post tax results of such operations are presented separately in the profit and loss account.

### 4.8 Borrowings / Deposits and their cost

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowing costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

#### 4.8.1 Deposits - Islamic Banking

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Modaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors.



Profits realised in investment pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Maal (Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal upto a specified percentage of its profit.

Profits are distributed from the pool so the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period.

Asset pools are created at the Bank's discretion and the Bank can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

#### **4.9 Subordinated loans**

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

#### **4.10 Staff retirement / Employee benefits**

##### **a) Defined benefit plan**

The Bank operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income.

##### **b) Defined contribution plan**

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 8.33% of the basic salary in accordance with the terms of the scheme.

##### **c) Compensated absences**

The Bank recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial recommendations.


##### **d) Employees Stock Option Scheme**

The Bank has granted share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP. Under the scheme, the employees can subscribe to new ordinary shares for which options have been granted to them under the scheme upto the period of 2019. As per the scheme the entitlements and exercise price are subject to adjustments because of issuance of right shares and bonus issues.

The grant date fair value of equity settled share based payments to employees, determined as option discount as allowed by Public Companies (Employee Stock Option Scheme) Rules 2001, is recognized as employee compensation expense on a straight line basis over the vesting period with a consequent credit to equity as employee stock option compensation reserve. The deferred employee stock option cost is shown as a deduction from employee stock option compensation reserve. Option discount means the excess of market price of the share at the date of grant of an option under a Scheme over exercise price of the option.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an





employee compensation expense in the profit and loss account, such employee compensation expense is reversed in the profit and loss account equal to the amortized portion with a corresponding effect to employee stock option compensation reserve equal to the un amortized portion.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to employee stock option compensation reserve.

When the options are exercised, employee stock option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

#### **4.11 Foreign currencies**

##### **4.11.1 Functional and presentation currency**

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates.

##### **4.11.2 Transactions and balances**

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

##### **4.11.3 Foreign operations**

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

##### **4.11.4 Translation gains and losses**

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

##### **4.11.5 Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

#### **4.12 Revenue recognition**

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured.

##### **4.12.1 Advances and investments**

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled /



restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Bank operates.

Murabaha income is recognised on deferred income basis.

#### **4.12.2 Lease financing**

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

Ijarah income is recognised on an accrual basis as and when the rentals becomes due.

#### **4.12.3 Non Markup / interest income**

Fee, commission and brokerage income are accounted for on receipt basis.

Dividend income is recognised at the time when the Bank's right to receive the dividend has been established.

Other income is recognised on accrual basis.

#### **4.13 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in statement of comprehensive income.

##### **4.13.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebate, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments during the year.

##### **4.13.2 Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

#### **4.14 Impairment**

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the unconsolidated financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.



#### **4.15 Provision for claims under guarantees**

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-of expected recoveries.

#### **4.16 Other Provisions**

Other provisions are recognised when the Bank has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

#### **4.17 Contingent Liabilities**

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under contingent liability is considered remote, it is not disclosed.

#### **4.18 Off-setting**

Financial assets and financial liabilities are off-set and the net amount reported in the unconsolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

#### **4.19 Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

#### **4.20 Acceptances**

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on balance sheet transactions.

#### **4.21 Dividend and appropriation to reserves**

Dividend and appropriation to reserves after the reporting date, except appropriations which are required under the law, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

#### **4.22 Earnings per share**

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

#### **4.23 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting structure of the Bank. Segmented performance is reported to the senior management of the Bank on monthly basis for the purpose of strategic decision making and performance management.



#### 4.23.1 Business segments

##### **Retail banking**

This includes loans, deposits, trading activity, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Bank. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

##### **Corporate banking**

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities with Bank's corporate and public sector customers.

##### **Treasury**

This segment includes liquidity management activities carried out through borrowing, lending, money market, capital market and merchant banking operations. The investments of the Bank primarily towards government securities and risk management activities via use of forward contracts and derivatives are reported here.

##### **Digital banking**

This segment includes branchless banking accounts, deposits and lending products, digital channels (including ATMs, internet banking, call centre and alfa app), corporate, G2P and SMME portfolio (including EOBI, BISP, payroll solutions), digital payments and digital products.

##### **Islamic banking**

This segment pertains to full scale Islamic Banking operations of the Bank.

##### **International operations**

This segment includes amounts related to Bank's overseas operations, namely, commercial banking activities in Bangladesh, Afghanistan, United Arab Emirates and wholesale banking activities in the Kingdom of Bahrain.

##### **Others**

This includes the head office related activities, and all other activities not tagged to the segments above.

#### 4.23.2 Geographical segments

The Bank operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East



	Note	2018	2017
------(Rupees in '000)-----			
<b>5 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency	5.1	11,801,703	10,464,270
Foreign currency	5.2	5,711,022	4,031,567
		17,512,725	14,495,837
With State Bank of Pakistan in			
Local currency current account	5.3	31,122,141	28,767,491
Foreign currency current account	5.4	4,413,423	2,927,953
Foreign currency deposit account	5.5	10,931,812	6,998,393
		46,467,376	38,693,837
With other central banks in			
Foreign currency current account	5.6	2,733,265	1,403,720
Foreign currency deposit account	5.6	744,879	555,392
		3,478,144	1,959,112
With National Bank of Pakistan in local currency current account		14,931,225	15,208,850
Prize bonds		18,230	23,799
		82,407,700	70,381,435

- 5.1** This includes cash in transit amounting to Rs. 77.743 million (2017: Rs. 7.001 million).
- 5.2** This includes cash in transit amounting to Rs. 478.410 million (2017: Rs. 4.230 million).
- 5.3** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 5.4** As per BSD Circular No. 9 dated December 03, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 5.5** Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry markup rates ranging from 0.56% to 1.35% per annum (2017: 0.06% to 0.37%).
- 5.6** These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Bank. The deposit accounts carry markup rates ranging from 0.62% to 1.71% (2017: 0.31% to 1.01%).



	Note	2018	2017
------(Rupees in '000)-----			
<b>6 BALANCES WITH OTHER BANKS</b>			
In Pakistan in current account		432,345	519,902
Outside Pakistan			
In current account	6.1	2,184,134	1,301,341
In deposit account	6.2	1,258,476	1,932,711
		3,442,610	3,234,052
		<u>3,874,955</u>	<u>3,753,954</u>

**6.1** This includes amount held in Automated Investment Plans. The Bank is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount.

**6.2** This includes placement of funds generated through foreign currency deposits scheme (FE-25) and non-contractual deposits at interest rates ranging from 1.00% to 3.00% per annum (2017: 1.00% to 8.40% per annum).

	Note	2018	2017
------(Rupees in '000)-----			
<b>7 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	7.1.1	15,166,288	20,255,936
Repurchase agreement lendings(Reverse Repo)	7.1.2 & 7.3	37,214,313	11,848,536
Bai Muajjal receivable with other financial institutions	7.1.3	9,811,504	16,791,356
		62,192,105	48,895,828
Less: expected credit loss - overseas branches		(19,818)	-
Lending to Financial Institutions - net of provision		<u>62,172,287</u>	<u>48,895,828</u>

**7.1.1** These represent lendings to financial institutions at interest rates ranging from 0.50% to 9.90% per annum (2017: 1.50% to 9.75% per annum) having maturities upto June 2019 (2017: March 2018).

**7.1.2** These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 3.00% to 10.45% per annum (2017: 5.80% to 6.20% per annum) with maturities upto January 2019 (2017: June 2018).

**7.1.3** These represent Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) / other commercial banks. The rates of return range from 9.90% to 10.05% per annum (2017: 5.71% to 5.80% per annum), and these are due to mature by March 2019 (2017: March 2018).

	2018	2017
------(Rupees in '000)-----		
<b>7.2 Particulars of lending - gross</b>		
In local currency	55,400,871	43,346,538
In foreign currencies	6,791,234	5,549,290
	<u>62,192,105</u>	<u>48,895,828</u>

**7.3 Securities held as collateral against Lending to financial institutions**

2018			2017		
Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
------(Rupees in '000)-----					
Market Treasury Bills	-	28,757,067	5,593,265	-	5,593,265
Pakistan Investment Bonds	-	8,457,246	1,003,918	5,251,353	6,255,271
Total	-	<u>37,214,313</u>	<u>6,597,183</u>	<u>5,251,353</u>	<u>11,848,536</u>

Market Treasury Bills  
Pakistan Investment Bonds  
Total



## 8 INVESTMENTS

### 8.1 Investments by type:

	Note	2018				2017			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
------(Rupees in '000')-----									
<b>Held-for-trading securities</b>									
Federal Government Securities									
Market Treasury Bills		45,898,957	-	(13,261)	45,885,696	22,759,650	-	(11,486)	22,748,164
Pakistan Investment Bonds		1,209,673	-	(13,174)	1,196,499	-	-	-	-
Shares									
Fully paid up ordinary shares / units - Listed		155,944	-	(22,122)	133,822	28,140	-	(990)	27,150
Foreign Securities									
Overseas Bonds - Sovereign		302,699	-	6,151	308,850	19,443	-	5,125	24,568
		47,567,273	-	(42,406)	47,524,867	22,807,233	-	(7,351)	22,799,882
<b>Available-for-sale securities</b>									
Federal Government Securities									
Market Treasury Bills		114,893,151	-	(40,902)	114,852,249	162,885,001	-	(82,650)	162,802,351
Pakistan Investment Bonds		26,490,800	-	(464,211)	26,026,589	108,088,932	-	3,156,472	111,245,404
Government of Pakistan Sukuks		15,726,083	-	(120,264)	15,605,819	34,284,664	-	315,035	34,599,699
Government of Pakistan Euro Bnds		2,440,076	-	(134,045)	2,306,031	2,281,177	-	105,351	2,386,528
Shares									
Fully paid up ordinary shares - Listed		7,371,290	(22,383)	712,253	8,061,160	5,773,258	(15,000)	366,505	6,124,763
Fully paid up ordinary shares - Unlisted		382,055	(59,661)	-	322,394	350,507	(103,293)	-	247,214
Preference Shares - Listed		108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted		25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities									
Term Finance Certificates		1,504,126	(359,706)	(12,071)	1,132,349	1,297,084	(302,904)	(8,474)	985,706
Sukuks		4,775,082	(96,510)	323,930	5,002,502	3,673,571	(102,142)	43,563	3,614,992
Commercial Papers		-	-	-	-	90,201	-	-	90,201
Foreign Securities									
Overseas Bonds - Sovereign		1,357,353	-	(49,426)	1,307,927	552,041	-	1,959	554,000
Overseas Bonds - Others		9,147,217	-	(223,671)	8,923,546	8,626,230	-	3,621	8,629,851
Redeemable Participating Certificates		2,362,923	-	-	2,362,923	1,133,659	-	-	1,133,659
		186,583,991	(672,095)	(8,407)	185,903,489	329,170,160	(657,174)	3,901,382	332,414,368
<b>Held-to-maturity securities</b>									
Federal Government Securities									
Market Treasury Bills		-	-	-	-	1,470,741	-	-	1,470,741
Pakistan Investment Bonds		26,280,990	-	-	26,280,990	31,637,988	-	-	31,637,988
Government of Pakistan Euro Bonds		243,011	-	-	243,011	193,239	-	-	193,239
Other Federal Government Securities		4,122,215	-	-	4,122,215	-	-	-	-
Non Government Debt Securities									
Term Finance Certificates		524,266	(524,266)	-	-	524,266	(524,266)	-	-
Sukuks		2,689,965	(141,399)	-	2,548,566	4,097,810	(167,890)	-	3,929,920
Foreign Securities									
Overseas Bonds - Sovereign		8,185,947	-	-	8,185,947	5,492,169	-	-	5,492,169
Overseas Bonds - Others		690,721	-	-	690,721	548,143	-	-	548,143
		42,737,115	(665,665)	-	42,071,450	43,964,356	(692,156)	-	43,272,200
<b>Associates</b>	8.1.1	1,816,343	-	-	1,816,343	1,816,343	-	-	1,816,343
<b>Subsidiaries</b>	8.1.1	430,493	(42,981)	-	387,512	430,493	-	-	430,493
General provision and expected credit loss- Overseas operations		-	(43,258)	-	(43,258)	-	-	-	-
<b>Total Investments</b>		279,135,215	(1,423,999)	(50,813)	277,660,403	398,188,585	(1,349,330)	3,894,031	400,733,286



2018                      2017  
------(Rupees in '000)-----

## 8.1.1 Particulars of Assets and Liabilities of Subsidiaries and Associates

### SUBSIDIARIES

#### Alfalah Securities (Private) Limited

Percentage of holding: 97.91% (2017: 97.91%)

Country of incorporation: Pakistan

Date of un-audited financial statements: December 31, 2018 (December 31, 2017)

Assets	567,219	929,124
Liabilities	455,395	697,447
Revenue	130,807	192,868
(Loss) / profit for the year	(99,662)	19,537
Total comprehensive income	(99,662)	19,537

#### Alfalah GHP Investment Management Limited

Percentage of holding: 40.22% (2017: 40.22%)

Country of incorporation: Pakistan

Date of un-audited financial statements: December 31, 2018 (December 31, 2017)

Assets	1,064,233	947,545
Liabilities	206,295	254,687
Revenue	469,443	539,105
Profit for the year	164,899	164,739
Total comprehensive income	165,080	158,466

### ASSOCIATES

#### Alfalah Insurance Company Limited

Percentage of holding: 30% (2017: 30%)

Country of incorporation: Pakistan

Date of un-audited financial statements: December 31, 2018 (December 31, 2017)

Assets	3,187,385	3,150,483
Liabilities	2,115,633	2,096,066
Revenue	112,924	187,990
Profit after taxation for the year	70,653	123,040
Total comprehensive income	17,335	69,232

#### Sapphire Wind Power Company Limited

Percentage of holding: 30% (2017: 30%)

Country of incorporation: Pakistan

Date of un-audited financial statements: December 31, 2018 (December 31, 2017)

Assets	15,866,719	14,998,221
Liabilities	10,038,327	9,607,747
Revenue for the six months period	1,570,653	1,184,593
Profit for the six months period - after tax	837,917	469,955
Total comprehensive income	837,917	469,955

#### TriconBoston Consulting Corporation (Private) Limited

Percentage of holding: 9.25% (2017: 9.25%)

Country of incorporation: Pakistan

Date of un-audited financial statements: December 31, 2018 (December 31, 2017)

Assets	46,805,961	24,253,943
Liabilities	38,350,514	16,107,746
Revenue	2,085,328	161
Profit / (Loss) for the six months period - after tax	365,622	(35,196)
Total comprehensive income / (loss)	365,622	(35,196)

## 8.2 Investments by segments:

### Federal Government Securities:

	2018				2017			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	------(Rupees in '000')-----							
Market Treasury Bills	160,792,108	-	(54,163)	160,737,945	187,115,392	-	(94,136)	187,021,256
Pakistan Investment Bonds	53,981,463	-	(477,385)	53,504,078	139,726,920	-	3,156,472	142,883,392
Pakistan Euro Bonds	2,683,087	-	(134,045)	2,549,042	2,474,416	-	105,351	2,579,767
Other Federal Government Securities	4,122,215	-	-	4,122,215	-	-	-	-
Government of Pakistan Sukuks	15,726,083	-	(120,264)	15,605,819	34,284,664	-	315,035	34,599,699
	237,304,956	-	(785,857)	236,519,099	363,601,392	-	3,482,722	367,084,114

### Shares:

Listed Companies	7,636,069	(131,218)	690,131	8,194,982	5,910,233	(123,835)	365,515	6,151,913
Unlisted Companies	407,055	(84,661)	-	322,394	375,507	(128,293)	-	247,214
	8,043,124	(215,879)	690,131	8,517,376	6,285,740	(252,128)	365,515	6,399,127

### Non Government Debt Securities

Listed	651,765	1,785	12,091	665,641	301,925	2,185	1,553	305,663
Unlisted	8,841,674	(1,123,666)	299,768	8,017,776	9,381,007	(1,099,387)	33,536	8,315,156
	9,493,439	(1,121,881)	311,859	8,683,417	9,682,932	(1,097,202)	35,089	8,620,819

### Foreign Securities

Government securities	9,845,999	-	(43,275)	9,802,724	6,063,653	-	7,084	6,070,737
Non Government Debt securities	12,200,861	-	(223,671)	11,977,190	10,308,032	-	3,621	10,311,653
	22,046,860	-	(266,946)	21,779,914	16,371,685	-	10,705	16,382,390

### Associates

Alfaluh Insurance Limited	68,990	-	-	68,990	68,990	-	-	68,990
Sapphire Wind Power Company Limited	978,123	-	-	978,123	978,123	-	-	978,123
TriconBoston Consulting Corporation (Private) Limited	769,230	-	-	769,230	769,230	-	-	769,230
	1,816,343	-	-	1,816,343	1,816,343	-	-	1,816,343

### Subsidiaries

Alfaluh Securities (Private) Limited	300,000	(42,981)	-	257,019	300,000	-	-	300,000
Alfaluh GHP Investment Management Limited	130,493	-	-	130,493	130,493	-	-	130,493
	430,493	(42,981)	-	387,512	430,493	-	-	430,493

General provision and expected credit loss- Overseas operations

		(43,258)		(43,258)	-	-	-	-
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### Total Investments

	279,135,215	(1,423,999)	(50,813)	277,660,403	398,188,585	(1,349,330)	3,894,031	400,733,286
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## 8.2.1 Investments given as collateral

	2018	2017
	------(Rupees in 000)-----	
Market Treasury Bills	39,445,702	85,274,643
Pakistan Investment Bonds	15,854,600	64,920,622
Pakistan Euro Bonds	-	845,802
Overseas Bonds	4,818,676	3,621,444
Sukuk Bonds	3,885,659	6,939,721
	<u>64,004,637</u>	<u>161,602,232</u>

The market value of securities given as collateral is Rs. 63,858.995 million (2017: Rs. 163,429.313 million).

## 8.3 Provision for diminution in value of investments

8.3.1 Opening balance	1,349,330	2,079,781
Impact of adoption of IFRS 09 - overseas branches	77,698	-
	<u>1,427,028</u>	<u>2,079,781</u>
Exchange adjustments	13,876	-
Charge / reversals		
Charge for the year	128,747	111,134
Reversals for the year	(98,073)	(15,539)
Reversal on disposals	-	-
	<u>30,674</u>	<u>95,595</u>
Transfers - net	(3,947)	(46)
Provision adjusted during the year	(43,632)	(826,000)
Closing Balance	<u>1,423,999</u>	<u>1,349,330</u>



### 8.3.2 Particulars of provision against debt securities Category of classification

	2018		2017	
	NPI	Provision	NPI	Provision
	------(Rupees in 000)-----			
Domestic	-	-	-	-
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,121,881	1,121,881	1,097,202	1,097,202
	<u>1,121,881</u>	<u>1,121,881</u>	<u>1,097,202</u>	<u>1,097,202</u>
Overseas	-	-	-	-
Not past due but impaired	-	-	-	-
Overdue by:	-	-	-	-
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
>365 days	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,121,881</u>	<u>1,121,881</u>	<u>1,097,202</u>	<u>1,097,202</u>

### 8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2018	2017
	Cost	
	------(Rupees in 000)-----	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	114,893,151	162,885,001
Pakistan Investment Bonds	26,490,800	108,088,932
Government of Pakistan Sukuks	15,726,083	34,284,664
Government of Pakistan Euro Bonds	2,440,076	2,281,177
	<u>159,550,110</u>	<u>307,539,774</u>
<b>Shares</b>		
<b>Listed Companies</b>		
<b>Ordinary Shares</b>		
Automobile Parts & Accessories	169,581	123,882
Cement	1,224,060	1,752,247
Chemicals	17,909	17,909
Commercial Banks	1,596,590	812,564
Engineering	333,633	167,071
Fertilizer	308,635	444,315
Insurance	92,708	-
Investment Banks	15,000	15,000
Oil and Gas Exploration Companies	1,754,619	835,627
Oil and Gas Marketing Companies	534,549	290,839
Pharmaceuticals	202,738	-
Power Generation & Distribution	749,175	855,961
Real Estate Investment Trust	372,093	457,843
	<u>7,371,290</u>	<u>5,773,258</u>
<b>Preference Shares</b>		
Fertilizer	108,835	108,835
	<u>7,480,125</u>	<u>5,882,093</u>

Unlisted Companies	Break up value as at	2018		2017	
		Cost	Breakup value	Cost	Breakup value
------(Rupees in '000)-----					
<b>Ordinary Shares</b>					
AGP Pharma Limited **		-	-	256,212	212,544
Al-Hamara Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited	Dec 31, 2017	22,235	53,150	22,235	33,752
Pakistan Mortgage Refinance Company Limited	Dec 31, 2017	300,000	300,686	12,240	12,299
Society for Worldwide Interbank Financial Telecommunication	Dec 31, 2016	4,095	11,754	4,095	11,754
		382,055	413,476	350,507	318,235
<b>Preference Shares</b>					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,700
		407,055	441,260	375,507	345,935

\*\* This security was listed on Pakistan Stock Exchange during the year.

Non Government Debt Securities	2018	2017
	Cost ------(Rupees in 000)-----	
<b>Listed</b>		
Categorised based on long term rating by Credit Rating Agency:		
- AAA	-	99,860
- AA+, AA, AA-	450,000	99,880
- A+, A, A-	199,980	100,000
- BBB+, BBB, BBB-	-	-
- BB+, BB, BB-	-	-
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	1,785	2,185
	651,765	301,925
<b>Unlisted</b>		
Categorised based on long term rating by Credit Rating Agency:		
- AAA	4,444,440	2,600,000
- AA+, AA, AA-	-	-
- A+, A, A-	-	-
- BBB+, BBB, BBB-	-	-
- BB+, BB, BB-	-	-
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	1,183,003	2,158,931
	5,627,443	4,758,931



## Foreign Securities

	2018		2017	
	Cost	Rating	Cost	Rating
------(Rupees in '000)-----				
<b>Government Securities</b>				
Abu Dhabi Government Int Bond 2027	685,183	AA	-	-
Saudi International Bond 2026	672,170	A1	-	-
Kingdom of Bahrain Sukuk	-	-	552,040	B+
	<u>1,357,353</u>		<u>552,040</u>	

## Non Government Debt Securities

### Unlisted

Categorised based on long term rating by Credit Rating Agency:

	2018	2017
------(Rupees in 000)-----		
- AAA	-	-
- AA+, AA, AA-	-	977,192
- A+, A, A-	8,040,314	5,396,168
- BBB+, BBB, BBB-	1,106,903	1,209,742
- BB+, BB, BB-	-	1,043,129
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	2,362,923	1,133,659
	<u>11,510,140</u>	<u>9,759,890</u>

	2018	2017
------(Rupees in 000)-----		
	<b>Cost</b>	

## 8.5 Particulars relating to Held to Maturity securities are as follows:

### Federal Government Securities - Government guaranteed

Market Treasury Bills	-	1,470,741
Pakistan Investment Bonds	26,280,990	31,637,988
Pakistan Euro Bonds	243,011	193,239
Other Federal Government Securities	4,122,215	-
	<u>30,646,216</u>	<u>33,301,968</u>

### Non Government Debt Securities

#### Unlisted

Categorised based on long term rating by Credit Rating Agency

- AAA	1,041,670	1,041,670
- AA+, AA, AA-	566,667	1,133,333
- A+, A, A-	190,230	254,918
- Unrated	1,415,664	2,192,155
	<u>3,214,231</u>	<u>4,622,076</u>



## Foreign Securities

### Government Securities

	2018		2017	
	Cost	Rating	Cost	Rating
------(Rupees in '000)-----				
Bangladesh Government Bonds	7,497,232	Unrated	4,945,043	Unrated
State of Qatar	688,715	AA-	547,126	AA-
	<u>8,185,947</u>		<u>5,492,169</u>	

### Non Government Debt Securities

	2018	2017
	-----Cost-----	
------(Rupees in 000)-----		
- BBB+, BBB, BBB-	690,721	548,143
	<u>690,721</u>	<u>548,143</u>

8.5.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 40,750 million (December 31, 2017 : Rs. 43,844 million).

## 9 ADVANCES

Note	Performing		Non Performing		Total	
	2018	2017	2018	2017	2018	2017
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	402,385,420	333,594,696	17,284,834	15,904,954	419,670,254	349,499,650
Islamic financing and related assets	85,660,964	55,284,996	1,393,959	1,595,173	87,054,923	56,880,169
Bills discounted and purchased	11,524,510	10,723,399	143,478	78,714	11,667,988	10,802,113
Advances - gross	<u>499,570,894</u>	<u>399,603,091</u>	<u>18,822,271</u>	<u>17,578,841</u>	<u>518,393,165</u>	<u>417,181,932</u>
Provision against advances						
- Specific	9.5	-	(15,883,399)	(15,683,771)	(15,883,399)	(15,683,771)
- General	9.5	(873,314)	(842,737)	-	(873,314)	(842,737)
		<u>(873,314)</u>	<u>(842,737)</u>	<u>(15,883,399)</u>	<u>(16,756,713)</u>	<u>(16,526,508)</u>
Advances - net of provision	<u>498,697,580</u>	<u>398,760,354</u>	<u>2,938,872</u>	<u>1,895,070</u>	<u>501,636,452</u>	<u>400,655,424</u>

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
------(Rupees in '000)-----								
Lease rentals receivable	1,403,651	2,030,833	41,335	3,475,819	925,485	2,089,153	70,316	3,084,954
Residual value	594,353	998,435	13,347	1,606,135	370,194	911,824	40,100	1,322,118
Minimum lease payments	1,998,004	3,029,268	54,682	5,081,954	1,295,679	3,000,977	110,416	4,407,072
Financial charges for future periods	(220,675)	(258,985)	-	(479,660)	(94,838)	(220,262)	(1,027)	(316,127)
Present value of minimum lease payments	<u>1,777,329</u>	<u>2,770,283</u>	<u>54,682</u>	<u>4,602,294</u>	<u>1,200,841</u>	<u>2,780,715</u>	<u>109,389</u>	<u>4,090,945</u>



**9.1.2** Advances include an amount of Rs.82.95 million (2017: Rs. 25.11 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry markup at the rates ranging from 9.46% to 20.30% (2017: 9.46% to 16.48%) with maturities up to December 2038 (2017: December 2022).

**9.2** These represents financing and related assets placed under shariah permissible modes and presented in Annexure-II.

<b>9.3 Particulars of advances (Gross)</b>	<b>2018</b>	<b>2017</b>
	------(Rupees in 000)-----	
In local currency	493,634,332	392,298,138
In foreign currencies	24,758,833	24,883,794
	518,393,165	417,181,932

**9.4** Advances include Rs. 18,822 million (2017: Rs. 17,579 million) which have been placed under non-performing status as detailed below:

<b>Category of Classification</b>	<b>2018</b>		<b>2017</b>	
	<b>Non-Performing Loans</b>	<b>Provision</b>	<b>Non-Performing Loans</b>	<b>Provision</b>
	------(Rupees in '000')-----			
<b>Domestic</b>				
Other Assets Especially Mentioned	104,121	3,330	84,960	4,979
Substandard	3,077,658	762,678	1,359,006	338,582
Doubtful	552,920	235,663	1,854,513	1,245,152
Loss	14,590,618	14,517,512	13,977,344	13,836,719
	18,325,317	15,519,183	17,275,823	15,425,432
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days			-	-
91 to 180 days	42,787	3,536	-	-
181 to 365 days	104,384	46,637	-	-
> 365 days	349,783	314,043	303,018	258,339
	496,954	364,216	303,018	258,339
<b>Total</b>	18,822,271	15,883,399	17,578,841	15,683,771

## 9.5 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
	----- <b>(Rupees in '000')</b> -----					
Opening balance	15,683,771	842,737	16,526,508	16,366,993	775,967	17,142,960
Impact of adoption of IFRS 9	-	25,297	25,297	-	-	-
Exchange adjustments	62,512	2,944	65,456	2,221	1,599	3,820
Charge for the year	3,007,907	269,364	3,277,271	2,230,902	156,384	2,387,286
Reversals	(2,631,522)	(267,028)	(2,898,550)	(2,741,259)	(91,213)	(2,832,472)
	376,385	2,336	378,721	(510,357)	65,171	(445,186)
Amounts written off	(179,305)	-	(179,305)	(72,056)	-	(72,056)
Amounts charged off - agriculture financing	(59,964)	-	(59,964)	(103,030)	-	(103,030)
9.6	(239,269)	-	(239,269)	(175,086)	-	(175,086)
Closing balance	15,883,399	873,314	16,756,713	15,683,771	842,737	16,526,508

### 9.5.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	----- <b>(Rupees in '000')</b> -----					
In local currency	14,707,026	698,705	15,405,731	14,800,991	701,035	15,502,026
In foreign currencies	1,176,373	174,609	1,350,982	882,780	141,702	1,024,482
	15,883,399	873,314	16,756,713	15,683,771	842,737	16,526,508

**9.5.2** The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2018 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 30.106 million (2017: Rs. 29.899 million).

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

**9.5.4** Exposure amounting to Rs. Nil (2017 : Rs. 8.421 billion) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.

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



	Note	2018 ------(Rupees in 000)-----	2017
<b>9.6 PARTICULARS OF WRITE OFFS:</b>			
<b>9.6.1</b> Against Provisions Directly charged to Profit & Loss account	9.5	239,269	175,086
		-	-
		<u>239,269</u>	<u>175,086</u>
<b>9.6.2</b> Write Offs of Rs. 500,000 and above			
- Domestic	9.7	130,566	113,741
- Overseas		-	-
Write Offs of Below Rs. 500,000		108,703	61,345
		<u>239,269</u>	<u>175,086</u>

## 9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2018 is given in Annexure-I.

	Note	2018 ------(Rupees in 000)-----	2017
<b>10 FIXED ASSETS</b>			
Capital work-in-progress	10.1	175,339	79,639
Property and equipment	10.2	18,096,876	16,076,088
		<u>18,272,215</u>	<u>16,155,727</u>
<b>10.1 Capital work-in-progress</b>			
Civil works		115,840	14,816
Equipment		55,670	43,868
Advances to suppliers		1,075	12,968
Others		2,754	7,987
		<u>175,339</u>	<u>79,639</u>

## 10.2 Property and Equipment

	2018								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total
	------(Rupees in '000')-----								
<b>At January 01, 2018</b>									
Cost / Revalued amount	4,376,934	2,959,930	1,243,306	2,744,105	5,110,322	1,973,238	11,155,314	429,009	29,992,158
Accumulated depreciation	-	(33,745)	(71,991)	(156,504)	(3,375,387)	(1,541,720)	(8,509,580)	(227,143)	(13,916,070)
Net book value	<u>4,376,934</u>	<u>2,926,185</u>	<u>1,171,315</u>	<u>2,587,601</u>	<u>1,734,935</u>	<u>431,518</u>	<u>2,645,734</u>	<u>201,866</u>	<u>16,076,088</u>
<b>Year ended December 2018</b>									
Opening net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	431,518	2,645,734	201,866	16,076,088
Additions	11,000	-	9,114	75,031	193,907	29,643	645,457	18,479	982,631
Movement in surplus on assets revalued during the year	1,773,512	624,804	321,619	473,718	-	-	-	-	3,193,653
Deficit on revaluation recognised in the profit and loss account - net	(11,000)	(12,273)	(24,027)	(19,569)	-	-	-	-	(66,869)
Disposals	-	(242,490)	-	-	(12,367)	(3,643)	(8,137)	(43,361)	(309,998)
Depreciation charge	-	(17,525)	(37,992)	(78,698)	(326,593)	(116,053)	(1,072,882)	(68,662)	(1,718,405)
Exchange rate adjustments	-	-	-	-	988	1,559	4,779	3,179	10,505
Other adjustments / transfers	-	-	-	-	(14,009)	(319)	(56,389)	(12)	(70,729)
Closing net book value	<u>6,150,446</u>	<u>3,278,701</u>	<u>1,440,029</u>	<u>3,038,083</u>	<u>1,576,861</u>	<u>342,705</u>	<u>2,158,562</u>	<u>111,489</u>	<u>18,096,876</u>
<b>At December 31, 2018</b>									
Cost / Revalued amount	6,150,446	3,278,701	1,440,029	3,038,083	5,272,656	1,996,822	11,520,228	349,844	33,046,809
Accumulated depreciation	-	-	-	-	(3,695,795)	(1,654,117)	(9,361,666)	(238,355)	(14,949,933)
Net book value	<u>6,150,446</u>	<u>3,278,701</u>	<u>1,440,029</u>	<u>3,038,083</u>	<u>1,576,861</u>	<u>342,705</u>	<u>2,158,562</u>	<u>111,489</u>	<u>18,096,876</u>
Rate of depreciation (percentage)	-	1% - 3%	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	



	2017								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total
	------(Rupees in '000')-----								
<b>At January 01, 2017</b>									
Cost / Revalued amount	4,358,934	3,007,930	1,171,324	2,629,975	4,802,297	1,975,248	10,364,540	413,895	28,724,143
Accumulated depreciation	-	(17,025)	(35,060)	(80,504)	(3,200,899)	(1,423,640)	(7,630,817)	(237,486)	(12,625,431)
Net book value	<u>4,358,934</u>	<u>2,990,905</u>	<u>1,136,264</u>	<u>2,549,471</u>	<u>1,601,398</u>	<u>551,608</u>	<u>2,733,723</u>	<u>176,409</u>	<u>16,098,712</u>
<b>Year ended December 2017</b>									
Opening net book value	4,358,934	2,990,905	1,136,264	2,549,471	1,601,398	551,608	2,733,723	176,409	16,098,712
Additions	18,000	-	71,820	116,453	518,612	26,106	1,058,880	123,575	1,933,446
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-
Deficit on revaluation recognised in the profit and loss account - net	-	-	-	-	-	-	-	-	-
Disposals	-	(47,834)	-	(2,100)	(37,919)	(1,258)	(7,142)	(19,897)	(116,150)
Depreciation charge	-	(16,886)	(36,932)	(76,060)	(329,292)	(140,416)	(1,136,082)	(78,197)	(1,813,865)
Exchange rate adjustments	-	-	-	-	(443)	(526)	(4,155)	189	(4,935)
Other adjustments / transfers	-	-	163	(163)	(17,421)	(3,996)	510	(213)	(21,120)
Closing net book value	<u>4,376,934</u>	<u>2,926,185</u>	<u>1,171,315</u>	<u>2,587,601</u>	<u>1,734,935</u>	<u>431,518</u>	<u>2,645,734</u>	<u>201,866</u>	<u>16,076,088</u>
<b>At December 31, 2017</b>									
Cost / Revalued amount	4,376,934	2,959,930	1,243,306	2,744,105	5,110,322	1,973,238	11,155,314	429,009	29,992,158
Accumulated depreciation	-	(33,745)	(71,991)	(156,504)	(3,375,387)	(1,541,720)	(8,509,580)	(227,143)	(13,916,070)
Net book value	<u>4,376,934</u>	<u>2,926,185</u>	<u>1,171,315</u>	<u>2,587,601</u>	<u>1,734,935</u>	<u>431,518</u>	<u>2,645,734</u>	<u>201,866</u>	<u>16,076,088</u>
Rate of depreciation (percentage)	-	1% - 3%	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

10.2.1 The properties of the Bank have been revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Hamid Mukhtar & Co. (Private) Limited on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 3,194 million and a deficit of Rs.66.8 million. Accordingly, the surplus has been transferred to the equity and the deficit has been charged to the profit and loss account.

Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2018 would have been Rs. 5,443.968 million (2017: Rs. 5,742.060 million).

	2018		2017	
	Net book value at Cost	Net book value at Revalued amount	Net book value at Cost	Net book value at Revalued amount
	------(Rupees in '000')-----			
Freehold land	1,536,928	6,150,446	1,536,928	4,376,934
Leasehold land	1,441,656	3,278,701	1,696,418	2,926,185
Buildings on freehold land	1,043,992	1,440,029	1,094,877	1,171,315
Buildings on leasehold land	1,421,392	3,038,083	1,413,837	2,587,601
	<u>5,443,968</u>	<u>13,907,259</u>	<u>5,742,060</u>	<u>11,062,035</u>

10.2.2 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 9,773.91 million (2017: Rs. 8,644.77 million).

	2018	2017
	------(Rupees in 000)-----	
10.2.3 Carrying amount of idle and held for sale properties.	<u>299,150</u>	<u>186,416</u>

10.2.4 Sale of fixed assets to related parties are disclosed in Annexure III to these unconsolidated financial statements.



	Note	2018 ------(Rupees in 000)-----	2017
<b>11 INTANGIBLE ASSETS</b>			
Capital work-in-progress / Advance payment to suppliers		180,901	129,689
Software	11.1	<u>1,102,615</u>	<u>1,342,581</u>
		<u>1,283,516</u>	<u>1,472,270</u>
<b>11.1 At January 01</b>			
Cost		3,448,109	2,918,660
Accumulated amortisation and impairment		<u>(2,105,528)</u>	<u>(1,659,513)</u>
Net book value		<u>1,342,581</u>	<u>1,259,147</u>
<b>Year ended December 31</b>			
Opening net book value		1,342,581	1,259,147
Additions - directly purchased		249,669	529,449
Amortisation charge		(488,400)	(446,135)
Exchange rate adjustments		1,170	-
Other adjustments		(2,405)	120
Closing net book value		<u>1,102,615</u>	<u>1,342,581</u>
<b>At December 31</b>			
Cost		3,761,048	3,448,109
Accumulated amortisation and impairment		<u>(2,658,433)</u>	<u>(2,105,528)</u>
Net book value		<u>1,102,615</u>	<u>1,342,581</u>
Rate of amortisation (percentage)		<u>20%</u>	<u>20%</u>
Useful life		<u>5 years</u>	<u>5 years</u>
<b>11.2</b> Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 1,349.493 million (2017: Rs. 1,010.07 million).			
<b>12 OTHER ASSETS</b>			
Income/ Mark-up accrued in local currency - net of provision		11,861,352	11,306,280
Income/ Mark-up accrued in foreign currency - net of provision		538,855	462,647
Advances, deposits, advance rent and other prepayments		2,397,511	2,104,045
Advance taxation (payments less provisions)		-	1,067,133
Non-banking assets acquired in satisfaction of claims	12.1.1	615,517	647,286
Dividend receivable		2,768	13,892
Mark to market gain on forward foreign exchange contracts		4,519,604	1,978,336
Mark to market gain on derivatives		68,224	14,174
Stationery and stamps on hand		37,631	67,522
Defined benefit plan	38.7	923,633	729,546
Branch adjustment account		311,104	-
Account receivable		527,067	362,932
Receivable against fraud and forgeries	12.2	206,651	145,583
Acceptances		13,319,265	10,701,434
Others		<u>221,880</u>	<u>376,810</u>
		35,551,062	29,977,620
Less: Provision held against other assets	12.3	<u>(389,766)</u>	<u>(147,254)</u>
Other Assets (Net of Provision)		35,161,296	29,830,366
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	12.1.1	<u>159,530</u>	<u>127,925</u>
		<u>35,320,826</u>	<u>29,958,291</u>

	Note	2018 ----- (Rupees in 000) -----	2017
<b>12.1</b>			
Market value of Non-banking assets acquired in satisfaction of claims - properties only		<u>748,865</u>	<u>782,636</u>
<p>The properties of the Bank have been revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s. Akbani &amp; Javed Associates and M/s. Harvester Services (Private) Limited on the basis of professional assesment of present market values which resulted in an increase in surplus by Rs. 33.421 million.</p>			
<b>12.1.1</b>			
<b>Non-banking assets acquired in satisfaction of claims</b>			
Opening Balance		775,211	471,365
Additions		-	234,191
Revaluation		33,421	78,906
Disposals		(24,775)	(3,893)
Depreciation		(8,810)	(5,358)
Impairment		-	-
Closing Balance		<u>775,047</u>	<u>775,211</u>
<b>12.1.2</b>			
<b>Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims</b>			
Disposal Proceeds		24,775	8,241
less			
- Cost		24,775	(3,893)
- Impairment / Depreciation		(24,775)	-
		-	(3,893)
Gain/Loss		<u>24,775</u>	<u>4,348</u>
<b>12.2</b>			
This represents fraud and forgery amount receivable from the insurance company and other sources. Provision has been held against non-recoverable amount.			
<b>12.3</b>			
<b>Provision held against other assets</b>			
Advances, deposits, advance rent & other prepayments		371,811	104,524
Non banking assets acquired in satisfaction of claims		17,955	42,730
		<u>389,766</u>	<u>147,254</u>
<b>12.4</b>			
<b>Movement in provision held against other assets</b>			
Opening balance		147,254	623,878
Impact of adoption of IFRS 9 - overseas branches		5,795	-
Balance as at 01 on adoption of IFRS 9		153,049	623,878
Charge for the year		421,760	-
Reversals		(10,348)	(37,723)
Amount Written off		(144,945)	(1,229)
Exchange and other adjustments		(29,750)	(5,047)
Classified as held for sale		-	(432,625)
Closing balance		<u>389,766</u>	<u>147,254</u>
<b>13</b>			
<b>BILLS PAYABLE</b>			
In Pakistan		35,825,039	20,792,002
Outside Pakistan		163,186	90,968
		<u>35,988,225</u>	<u>20,882,970</u>





	Note	2018	2017
		(Rupees in '000)	
<b>14 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	14.1	26,344,557	20,568,840
Long-Term Finance Facility	14.2	11,199,254	7,173,372
Financing Facility for Storage of Agriculture Produce (FFSAP)	14.3	263,033	56,536
Repurchase agreement borrowings	14.4	35,962,700	107,982,494
		73,769,544	135,781,242
Repurchase agreement borrowings	14.5	11,163,509	17,237,602
Bai Muajjal	14.6	22,268,894	37,650,637
<b>Total secured</b>		<u>107,201,947</u>	<u>190,669,481</u>
<b>Unsecured</b>			
Call borrowings	14.7	14,951,967	10,332,574
Overdrawn nostro accounts	14.8	947,547	970,114
Trading liabilities	14.9	-	5,221,517
Others	14.10	636,780	-
<b>Total unsecured</b>		<u>16,536,294</u>	<u>16,524,205</u>
		<u>123,738,241</u>	<u>207,193,686</u>

- 14.1** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 1.00% to 3.75% per annum (2017: 1.00% to 3.00% per annum) payable on a quarterly basis.
- 14.2** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2017: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.3** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.00% per annum (2017: 2.50% to 10.00% per annum) payable on a quarterly basis.
- 14.4** This represents repurchase agreement borrowing from SBP at the rate ranging from 5.78% to 10.16% per annum (2017: 5.80% to 5.82% per annum) having maturities upto January 2019 (2017: January 2018).
- 14.5** This represents repurchase agreement borrowing from other banks at the rate of 2.78% to 10.25% per annum (2017: 1.55% to 5.82% per annum) having maturities upto January 2019 (2017: February 2018).
- 14.6** This represents borrowings from financial institutions at mark-up rates ranging from 6.10% to 9.70% per annum (2017: 5.73% to 5.83%) having maturities upto March 2019 (2017: October 2018).
- 14.7** This represents borrowings from financial institutions at mark-up rates ranging from 0.50% to 10.25% per annum (2017: 0.60% to 5.75%) having maturities upto June 2019 (2017: March 2018).
- 14.8** This represents book overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exist only due to timing differences. These do not carry any mark-up rates.
- 14.9** This represents liability in respect of short selling of Pakistan Investment Bonds held as collateral against repurchase agreement lendings.
- 14.10** This includes borrowing from Pakistan Mortgage Refinance Company Limited (PMRC) to extend housing finance facilities to the Bank's customers on the agreed terms and conditions. This borrowing carries mark-up rate of 3 years PKRV less 50bps.

This also includes borrowing from Karandaaz Pakistan Limited in lieu of Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a spread of 315 bps over the KIBOR rate.



	2018	2017
	----- (Rupees in '000) -----	
<b>14.11 Particulars of borrowings with respect to Currencies</b>		
In local currency	101,980,729	186,966,566
In foreign currencies	21,757,512	20,227,120
	<u>123,738,241</u>	<u>207,193,686</u>

**15 DEPOSITS AND OTHER ACCOUNTS**

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000') -----					
<b>Customers</b>						
Current deposits	253,826,090	31,077,261	284,903,351	236,043,622	21,553,885	257,597,507
Savings deposits	182,286,764	29,222,301	211,509,065	190,264,019	26,277,335	216,541,354
Term deposits	103,144,924	42,383,783	145,528,707	110,563,893	20,446,144	131,010,037
Others	10,007,520	1,920,061	11,927,581	4,162,476	931,961	5,094,437
	549,265,298	104,603,406	653,868,704	541,034,010	69,209,325	610,243,335
<b>Financial Institutions</b>						
Current deposits	v2,133,977	533,400	2,667,377	1,147,240	165,696	1,312,936
Savings deposits	30,625,516	53,409	30,678,925	20,319,241	34,698	20,353,939
Term deposits	14,220,573	1,401,959	15,622,532	8,043,869	1,150,279	9,194,148
Others	47,926	9,816	57,742	3,880,609	-	3,880,609
	47,027,992	1,998,584	49,026,576	33,390,959	1,350,673	34,741,632
	<u>596,293,290</u>	<u>106,601,990</u>	<u>702,895,280</u>	<u>574,424,969</u>	<u>70,559,998</u>	<u>644,984,967</u>

	2018	2017
	----- (Rupees in '000) -----	
<b>15.1 Composition of deposits</b>		
- Individuals	347,909,428	342,182,573
- Government (Federal and Provincial)	45,416,762	32,446,285
- Public Sector Entities	46,524,311	28,802,279
- Banking Companies	528,326	1,994,835
- Non-Banking Financial Institutions	48,498,250	32,746,797
- Private Sector	214,018,203	206,812,198
	<u>702,895,280</u>	<u>644,984,967</u>

**15.2** Deposits include Eligible Deposits of Rs 400,654.623 million (2017: nil) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.



		2018	2017
		----- (Rupees in 000) -----	
<b>16</b>	<b>SUBORDINATED DEBT</b>		
<b>16.1</b>	<b>Term Finance Certificates V - Quoted, Unsecured</b>	4,989,000	4,991,000
	Issue amount	Rs. 5,000,000,000	
	Issue date	February 2013	
	Maturity date	February 2021	
	Rating	"AA-" (Double A Minus) by Pakistan Credit Rating Company Limited ("PACRA").	
	Security	Unsecured.	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.	
	Mark-up	Base Rate + 1.25 percent. Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.	
	Call option	There is no call option available to the Bank.	
<b>16.2</b>	<b>Term Finance Certificates - Additional Tier-I - Quoted, Unsecured</b>	7,000,000	-
	Issue amount	Rs. 7,000,000,000	
	Issue date	March 2018	
	Maturity date	Perpetual.	
	Rating	"AA-" (Double A Minus) by JCR-VIS Credit Rating Company Limited.	
	Security	Unsecured	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	Perpetual.	
	Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory Minimum Capital Requirement and Capital Adequacy Ratio requirements set by SBP from time to time.	
	Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.	
	Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.	
		11,989,000	4,991,000

## 17 DEFERRED TAX LIABILITIES

	<b>2018</b>			
	<b>At January 01, 2018</b>	<b>Recognised in P&amp;L A/C</b>	<b>Recognised in OCI</b>	<b>At December 31, 2018</b>
------(Rupees in 000)-----				
<b>Deductible Temporary Differences on</b>				
- Provision against investments	(174,218)	32,844	(27,194)	(168,568)
- Provision against advances	(118,504)	(148,434)	-	(266,938)
- Provision against off balance sheet obligations	-	-	-	-
- Provision against other assets	(244,487)	20,621	-	(223,866)
- Provision against lending to financial institutions	-	(5,720)	-	(5,720)
- Ijarah depreciation taxed	-	(16,690)	-	(16,690)
- Unrealised loss on revaluation of HFT investments	(2,573)	(12,269)	-	(14,842)
	(539,782)	(129,648)	(27,194)	(696,624)
<b>Taxable Temporary Differences on</b>				
- Surplus on revaluation of fixed assets	828,306	(2,807)	503,685	1,329,184
- Surplus on revaluation of investments	1,411,085	-	(1,413,967)	(2,882)
- Accelerated tax depreciation	1,454,141	(170,019)	670	1,284,792
- Exchange translation reserve	-	-	156,232	156,232
	3,693,532	(172,826)	(753,380)	2,767,326
	3,153,750	(302,474)	(780,574)	2,070,702
<b>2017</b>				
	<b>At January 01, 2017</b>	<b>Recognised in P&amp;L A/C</b>	<b>Recognised in OCI</b>	<b>At December 31, 2017</b>
------(Rupees in 000)-----				
<b>Deductible Temporary Differences on</b>				
- Provision against investments	(2,264,329)	2,090,111	-	(174,218)
- Provision against advances	(392,066)	273,562	-	(118,504)
- Provision against off balance sheet obligations	(13,078)	13,078	-	-
- Gain on revaluation of HFT investments	38	(2,611)	-	(2,573)
- Provision against other assets	(309,218)	64,731	-	(244,487)
	(2,978,653)	2,438,871	-	(539,782)
<b>Taxable Temporary Differences on</b>				
- Surplus on revaluation of fixed assets	840,539	(18,198)	5,965	828,306
- Surplus on revaluation of investments	3,399,873	-	(1,988,788)	1,411,085
- Accelerated tax depreciation	1,388,669	92,708	(27,236)	1,454,141
	5,629,081	74,510	(2,010,059)	3,693,532
	2,650,428	2,513,381	(2,010,059)	3,153,750



<b>18 OTHER LIABILITIES</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		----- <b>(Rupees in 000)</b> -----	
Mark-up/ Return/ Interest payable in local currency		2,107,388	1,388,950
Mark-up/ Return/ Interest payable in foreign currency		610,511	202,738
Unearned commission and income on bills discounted and guarantees		220,584	230,353
Accrued expenses		3,954,081	3,350,008
Current taxation		926,956	-
Acceptances		13,319,265	10,701,434
Dividends payable		84,229	60,729
Mark to market loss on forward foreign exchange contracts		970,502	968,982
Mark to market loss on derivatives		1,169	-
Branch adjustment account		-	220,523
Provision for Compensated absences		498,010	393,496
Payable against redemption of customer loyalty / reward points		274,076	200,433
Charity fund balance		20	833
Provision against off-balance sheet obligations	18.1	78,450	65,463
Security deposits against leases, lockers and others		6,808,459	6,210,193
Worker's Welfare Fund		970,920	578,831
Payable to vendors and suppliers		601,657	504,868
Indirect Taxes Payable		449,732	326,769
Others		1,578,115	1,658,126
		<u>33,454,124</u>	<u>27,062,729</u>

<b>18.1 Provision against off-balance sheet obligations</b>		<b>2018</b>	<b>2017</b>
		----- <b>(Rupees in 000)</b> -----	
Opening balance		65,463	69,708
Exchange adjustment and other adjustments		13,759	(2,907)
Charge for the year		33,994	37,875
Reversals		(34,766)	(39,213)
		(772)	(1,338)
Closing balance		<u>78,450</u>	<u>65,463</u>

The provision against off balance sheet obligations include general provision of Rs. 66.50 million (2017: Rs. 53.50 million) held in Bangladesh books as required under the local regulation and specific provision of Rs. 11.95 million held against defaulted Letter of Guarantees.

## 19 SHARE CAPITAL

### 19.1 Authorized Capital

2018	2017		2018	2017
----- (Number of shares) -----			----- (Rupees in 000) -----	
<u>2,300,000,000</u>	<u>2,300,000,000</u>	Ordinary shares of Rs. 10 each	<u>23,000,000</u>	<u>23,000,000</u>

### 19.2 Issued, subscribed and paid up Capital

2018	2017		2018	2017
----- (Number of shares) -----			----- (Rupees in 000) -----	
		<b>Ordinary shares</b>		
888,650,908	883,165,724	Fully paid in cash	8,886,509	8,831,657
<u>885,711,966</u>	<u>724,406,250</u>	Issued as bonus shares	<u>8,857,120</u>	<u>7,244,063</u>
<u>1,774,362,874</u>	<u>1,607,571,974</u>		<u>17,743,629</u>	<u>16,075,720</u>

During the year the Bank issued 5,485,184 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS) (note 40). The paid-up capital of the Bank before issuance of shares to employees was Rs. 16,075,719,740 (divided into 1,607,571,974 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 16,130,571,580 (divided into 1,613,057,158 shares of Rs. 10 each). Subsequent to this, the Bank issued 161,305,716 number of shares as a 10% bonus issue. The share capital after such issue increased to Rs. 17,743,628,740 (representing 1,774,362,874 shares of Rs. 10 each).

	Note	2018	Restated 2017
		----- (Rupees in 000) -----	
<b>20 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	(8,407)	3,901,382
- Fixed Assets	20.1	8,508,874	5,365,558
- Non-banking assets acquired in satisfaction of claims	20.2	159,530	127,925
- Surplus on revaluation of Investment held for sale in Afghanistan		303	130,288
		<u>8,660,300</u>	<u>9,525,153</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(2,943)	1,365,484
- Fixed Assets	20.1	1,298,531	819,099
- Non-banking assets acquired in satisfaction of claims	20.2	30,653	24,654
- Surplus on revaluation of Investment held for sale in Afghanistan		61	45,601
		<u>1,326,302</u>	<u>2,254,838</u>
Derivatives		48,952	14,933
		<u>7,382,950</u>	<u>7,285,248</u>



	2018	Restated 2017
	----- (Rupees in 000) -----	
<b>20.1 Surplus on revaluation of fixed assets</b>		
Surplus on revaluation of fixed assets as at January 01	5,365,558	5,385,843
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 4.1.2	-	45,583
Surplus on revaluation of fixed assets as at January 01 - restated	5,365,558	5,431,426
Recognised during the year	3,193,653	-
Realised on disposal during the year - net of deferred tax	-	(15,744)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(32,719)	(32,370)
Related deferred tax liability on incremental depreciation charged during the year	(17,618)	(17,754)
Surplus on revaluation of fixed assets as at December 31	8,508,874	5,365,558
Less: related deferred tax liability on:		
Revaluation as at January 01	819,099	826,917
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 4.1.2	-	15,446
Revaluation as at January 01 - Restated	819,099	842,363
- revaluation recognised during the year	497,050	-
- surplus realised on disposal during the year	-	(5,510)
- incremental depreciation charged during the year	(17,618)	(17,754)
	1,298,531	819,099
	7,210,343	4,546,459
<b>20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>		
Surplus on revaluation as at January 01	127,925	50,890
Recognised during the year	33,421	78,906
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(1,180)	(1,427)
Related deferred tax liability on incremental depreciation charged during the year	(636)	(444)
Surplus on revaluation as at December 31	159,530	127,925
Less: related deferred tax liability on:		
- revaluation as at January 01	24,654	13,623
- revaluation recognised during the year	6,635	11,475
- incremental depreciation charged during the year	(636)	(444)
	30,653	24,654
	128,877	103,271

## 21 ASSETS HELD FOR SALE

**21.1** During 2017, the Board of Directors of the Bank accorded its in-principle approval and authorised the management of the Bank to explore the possibility to sell the Afghanistan Operations of the Bank to a potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations in the matter.

During the current year, the Bank signed a Business Transfer Agreement with a potential buyer for the sale of the Afghanistan operations and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the Central Bank in Afghanistan. The DAB has raised some queries on the application which the Bank and the potential buyers are in the process of responding.

Resultantly, all assets and liabilities and income and expenses for the Bank's Afghanistan Operations are being presented as separate line items on the balance sheet as Assets and Liabilities Held for Sale and Profit after tax from discontinuing operations respectively, rather than as part of actual line items under which they were being reported historically.



21.2 The financial position and results of assets classified as held for sale are as follows:

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		----- <b>(Rupees in 000)</b> -----	
<b>Assets held for sale</b>			
Cash and balances with treasury banks		4,764,918	7,594,852
Balances with other banks		3,431,895	1,025,996
Lendings to financial institutions		10,470,354	5,288,982
Investments - net		4,596,965	11,592,895
Advances - net		224,090	1,108,663
Fixed assets		9,370	11,918
Other assets		91,897	198,418
		<u>23,589,489</u>	<u>26,821,724</u>
<b>Liabilities directly associated with the assets held for sale</b>			
Bills payable		4,549	8,575
Deposits and other accounts		20,287,651	24,491,178
Deferred tax liabilities		223	45,601
Other liabilities		142,973	213,742
		<u>20,435,396</u>	<u>24,759,096</u>
<b>PROFIT AND LOSS ACCOUNT</b>			
Mark-up/Return/Interest Earned		353,937	743,588
Mark-up/Return/Interest Expensed		18,929	154,769
Net Mark-up/ Interest Income		<u>335,008</u>	<u>588,819</u>
Non mark-up/interest income			
Fee and Commission Income		188,049	153,492
Foreign Exchange Income		14,653	18,947
Income / (loss) from derivatives		48,637	-
Gain / (Loss) on securities		(42,586)	132,593
Other Income		-	(14)
Total non-markup/interest Income		<u>208,753</u>	<u>305,018</u>
Total Income		<u>543,761</u>	<u>893,837</u>
Non mark-up/interest expenses			
Operating expenses		323,774	458,803
Other charges		1,263	1,923
Total non-markup/interest expenses		<u>325,037</u>	<u>460,726</u>
Profit Before Provisions		218,724	433,111
Provisions and write offs - net	21.2.1	(561,776)	93,292
Profit before taxation from discontinuing operations		<u>780,500</u>	<u>339,819</u>
Taxation		305,548	138,755
Profit after traxation from discontinuing operations		<u>474,952</u>	<u>201,064</u>



**21.2.1** This includes reversal of provision amounting to Rs. 443.898 million (USD 3.949 million), previously held against amount blocked in the Bank's Nostro account following settlement of dispute, and release of funds in favour of the Bank.

	Note	2018	2017
		------(Rupees in 000)-----	
<b>22 CONTINGENCIES AND COMMITMENTS</b>			
-Guarantees	22.1	57,086,398	64,176,351
-Commitments	22.2	437,946,961	349,133,904
-Other contingent liabilities	22.3.1	13,222,064	9,787,372
		<u>508,255,423</u>	<u>423,097,627</u>
<b>22.1 Guarantees:</b>			
Financial guarantees		731,536	176,943
Performance guarantees		32,153,833	34,549,521
Other guarantees		24,201,029	29,449,887
		<u>57,086,398</u>	<u>64,176,351</u>
<b>22.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- Letters of credit		68,026,025	73,773,817
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	228,265,364	92,108,750
- forward government securities transactions	22.2.2	76,821,957	128,052,456
- derivatives	22.2.3	12,051,091	8,865,756
- forward lending	22.2.4	34,773,260	30,207,372
- operating leases		16,897,381	15,782,823
Commitments for acquisition of:			
- operating fixed assets		604,674	99,373
- intangible assets		507,209	219,605
Other commitments	22.2.5	-	23,952
		<u>437,946,961</u>	<u>349,133,904</u>

	Note	2018 ------(Rupees in 000)-----	2017
<b>22.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		140,128,603	60,285,544
Sale		88,136,761	31,823,206
		228,265,364	92,108,750
<b>22.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		39,518,422	116,034,680
Sale		37,303,535	12,017,776
		76,821,957	128,052,456
<b>22.2.3 Commitments in respect of derivatives</b>			
<b>22.2.3.1 Interest Rate Swaps</b>			
Purchase		10,650,708	8,865,756
Sale		-	-
		10,650,708	8,865,756
<b>22.2.3.2 Futures</b>			
Purchase		-	-
Sale		1,400,383	-
		1,400,383	-
<b>Total Commitments in respect of derivatives</b>		12,051,091	8,865,756
<b>22.2.4 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.4.1	29,428,567	22,628,329
Commitments in respect of investments		5,344,693	7,579,043
		34,773,260	30,207,372
<b>22.2.4.1</b> These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
<b>22.2.5 Other commitments</b>			
Donations		-	23,952
<b>22.3 Other contingent liabilities</b>			
<b>22.3.1</b> Claims against the Bank not acknowledged as debts		13,222,064	9,787,372
These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.			
<b>22.4 Contingency for tax payable</b>			
<b>22.4.1</b> There were no tax related contingencies other than as disclosed in note 33.2.			



## 23 DERIVATIVE INSTRUMENTS

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

### 23.1 Product Analysis

Counterparties	2018					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / loss	No. of contracts	Notional Principal	Mark to market gain / loss
------(Rupees in 000)-----						
<b>With Banks for Hedging</b>	22	10,650,708	88,487	-	-	-
<b>With FIs other than banks Hedging</b>	-	-	-	88	1,400,383	(21,432)
<b>Total Hedging</b>	22	10,650,708	88,487	88	1,400,383	(21,432)

Counterparties	2017					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / loss	No. of contracts	Notional Principal	Mark to market gain / loss
------(Rupees in 000)-----						
<b>With Banks for Hedging</b>	23	8,865,756	14,174	-	-	-
<b>Total Hedging</b>	23	8,865,756	14,174	-	-	-

### 23.2 Maturity Analysis

Remaining Maturity	No. of Contracts	Notional Principal	2018		Net
			------(Rupees in 000)-----		
			Mark to Market Negative	Mark to Market Positive	
Upto 1 month	-	-	-	-	-
1 to 3 months	88	1,400,383	21,432	-	(21,432)
3 to 6 months	6	3,540,979	-	16,651	16,651
6 month to 1 Year	4	1,624,684	-	13,821	13,821
1 to 2 Year	2	1,388,619	-	17,286	17,286
2 to 3 Years	4	1,596,912	-	20,548	20,548
3 to 5 Years	2	1,110,895	-	12,432	12,432
5 to 10 years	4	1,388,619	-	7,749	7,749
Above 10 Years	-	-	-	-	-
<b>Total</b>	110	12,051,091	21,432	88,487	67,055

2017

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

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	11	4,504,277	5,168	17,166	11,998
2 to 3 Years	2	1,104,172	1,033	5,689	4,656
3 to 5 Years	6	2,153,135	-	9,866	9,866
5 to 10 years	4	1,104,172	13,275	929	(12,346)
Above 10 Years	-	-	-	-	-
<b>Total</b>	<b>23</b>	<b>8,865,756</b>	<b>19,476</b>	<b>33,650</b>	<b>14,174</b>

23.3 Risk management related to derivatives is discussed in note 47.7

2018

2017

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

#### 24 MARK-UP/RETURN/INTEREST EARNED

On:

a) Loans and advances	37,196,298	28,273,923
b) Investments	19,005,495	25,297,579
c) Lendings to financial institutions	1,332,729	2,057,213
d) Balances with banks	86,237	52,039
e) On securities purchased under resale agreements	1,697,583	494,747
	<u>59,318,342</u>	<u>56,175,501</u>

#### 25 MARK-UP/RETURN/INTEREST EXPENSED

On:

a) Deposits	19,694,356	15,822,067
b) Borrowings	1,302,924	1,027,470
c) Securities sold under repurchase agreements	4,355,706	8,802,388
d) Subordinated debt and ADT-1 instrument	989,221	626,498
e) Cost of foreign currency swaps against foreign currency deposits / borrowings	1,282,525	852,503
f) Reward points	102,555	68,390
	<u>27,727,287</u>	<u>27,199,316</u>

#### 26 FEE & COMMISSION INCOME

Branch banking customer fees	1,462,816	1,335,569
Consumer finance related fees	224,228	190,589
Card related fees (debit and credit cards)	848,104	907,652
Credit related fees	148,340	96,497
Investment banking fees	195,491	281,326
Commission on trade	1,242,681	1,037,828
Commission on guarantees	370,779	372,561
Commission on cash management	20,948	23,330
Commission on remittances including home remittances	165,419	77,770
Commission on bancassurance	394,931	391,316
Card acquiring business	296,297	217,400
Wealth Management Fee	67,006	159,845
Commission on EOBI	114,130	99,435
Commission on BISP	282,920	384,736
Alternate Delivery Channels (ADC)	330,650	286,517
Others	126,932	150,635
	<u>6,291,672</u>	<u>6,013,006</u>



27	<b>GAIN / (LOSS) ON SECURITIES</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		----- <b>(Rupees in 000)</b> -----		
	Realised	27.1	1,035,294	1,141,473
	Unrealised - held for trading	8.1	(42,406)	(7,351)
			992,888	1,134,122
			992,888	1,134,122
<b>27.1</b>	<b>Realised gain/(loss) on:</b>			
	Federal Government Securities		1,243,684	637,871
	Shares		(242,227)	512,477
	Non Government Debt Securities		2,811	(9,876)
	Foreign Securities		31,026	1,001
			1,035,294	1,141,473
			1,035,294	1,141,473
<b>28</b>	<b>OTHER INCOME</b>			
	Gain on sale of fixed assets-net		135,794	11,668
	Gain on sale of non banking assets - net	12.1.2	24,775	4,348
	Income from short sell of securities		-	29,783
	Profit from sale of leased assets		31,204	38,855
			191,773	84,654
			191,773	84,654
<b>29</b>	<b>OPERATING EXPENSES</b>			
	<b>Total compensation expense</b>	29.1	9,653,606	10,044,344
	<b>Property expense</b>			
	Rent and taxes		2,047,627	2,017,041
	Insurance		-	-
	Utilities cost		876,260	886,779
	Security (including guards)		598,283	635,419
	Repair and maintenance (including janitorial charges)		778,795	535,044
	Depreciation		460,809	459,340
	Others		-	-
			4,761,774	4,533,623
	<b>Information technology expenses</b>			
	Software maintenance		876,760	662,726
	Hardware maintenance		200,168	227,341
	Depreciation		380,242	425,284
	Amortisation		488,400	446,135
	Network charges		329,082	389,332
	Others		-	-
			2,274,652	2,150,818
			2,274,652	2,150,818
	Balance carried forward		16,690,032	16,728,785

	Note	2018 ------(Rupees in 000)-----	2017
Balance brought forward		16,690,032	16,728,785
<b>Other operating expenses</b>			
Directors' fees and allowances		153,981	126,018
Fees and allowances to Shariah Board		6,990	6,720
Legal and professional charges		275,736	1,204,104
Outsourced services costs	29.2	1,278,434	1,302,518
Travelling and conveyance		511,652	437,670
NIFT clearing charges		71,180	80,423
Depreciation		877,354	929,241
Training and development		59,634	158,623
Postage and courier charges		238,107	176,327
Communication		257,198	194,790
Stationery and printing		458,603	441,190
Marketing, advertisement and publicity		610,126	745,113
Donations	29.3	36,594	9,948
Auditors Remuneration	29.4	39,119	30,490
Brokerage and Commission		142,102	166,306
Entertainment		206,725	180,688
Repairs and maintenance		287,582	347,877
Insurance		860,609	615,845
Cash Handling Charges		369,228	413,743
CNIC Verification		92,465	91,077
Others		443,305	284,431
		7,276,724	7,943,142
		<u>23,966,756</u>	<u>24,671,927</u>

## 29.1 Total compensation expense

Fees and Allowances etc		-	-
Managerial Remuneration			
i) Fixed		7,609,980	7,384,019
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.		1,202,259	1,171,339
b) Bonus and Awards in Shares etc.		13,036	26,693
Charge for defined benefit plan	38.8	185,753	250,153
Contribution to defined contribution Plan	39	324,410	320,476
Medical		12,996	9,934
Conveyance		181,747	177,008
Staff compensated absences		104,514	(8,148)
Others		(43,132)	9,758
<b>Sub-total</b>		9,591,563	9,341,232
Sign-on Bonus		37,850	8,638
Severance Allowance	29.1.1	24,193	694,474
<b>Grand Total</b>		<u>9,653,606</u>	<u>10,044,344</u>





**29.1.1** This includes exgratia payment of Rs. 314.666 million made to the outgoing CEO in 2017.

**29.2** Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 636.858 million (2017: Rs 653.673 million) pertaining to the payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above.

<b>29.3 Donations</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		----- <b>(Rupees in 000)</b> -----	
Child Aid Association		1,700	-
Family Educational Services Foundation		3,250	-
IBA Karachi		22,000	-
Manabik Shahajya Sangstha		994	-
Supreme Court Diamer Bhasha And Mohmand Dam Fund		8,650	-
Aman Foundation		-	6,300
Karachi Lions Pediatric Nephrology Project (NICH)		-	1,000
Shabab Murshid Development Foundation - Bangladesh		-	648
The Aga Khan University Hospital Medical College Foundation		-	2,000
		36,594	9,948

**29.3.1** None of the Directors, Sponsor shareholders, Key management personnel or their spouses have any direct interest in the Donees.

<b>29.4 Auditors' remuneration</b>	<b>2018</b>	<b>2017</b>
	----- <b>(Rupees in 000)</b> -----	
Audit fee	14,553	12,690
Fee for other statutory certifications	6,588	6,372
Fee for audit of foreign branches	7,969	7,966
Special certifications and sundry advisory services	8,009	1,652
Out-of-pocket expenses	2,000	1,810
	39,119	30,490

### **30 WORKERS WELFARE FUND**

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

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

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



	Note	2018 ------(Rupees in 000)-----	2017
<b>31 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		6,430	32,727
<b>32 PROVISIONS &amp; WRITE OFFS - NET</b>			
Provisions against lending to financial institutions		16,344	-
Provisions for diminution in value of investments	8.3.1	30,674	95,595
Provisions against loans & advances	9.5	378,721	(445,186)
Provision against other assets	12.4	411,412	(37,723)
Provision against off-balance sheet obligations	18.1	(772)	(1,338)
Recovery of written off / charged off bad debts		(247,996)	(227,778)
		<u>588,383</u>	<u>(616,430)</u>
<b>33 TAXATION</b>			
Current		7,219,414	4,908,758
Prior years		(229,453)	(1,883,206)
Deferred		(302,474)	2,513,381
		<u>6,687,487</u>	<u>5,538,933</u>
<b>33.1 Relationship between tax expense and accounting profit</b>			
Accounting Profit before taxation		16,837,755	13,705,165
Tax at the applicable rate of 35% (2017: 35%)		5,893,214	4,796,808
Effect of:			
- permanent differences		7,010	42,844
- tax charge pertaining to overseas branches		33,512	110,039
- adjustment of prior years		-	517,925
- super tax		737,015	-
- others		16,736	71,317
Tax expense for the year		<u>6,687,487</u>	<u>5,538,933</u>

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

In respect of tax years 2008, 2014, 2017 and 2018, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.789.862 million (December 31, 2017 : Rs.1,033.519 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.116.351 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.



- b) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2017 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.
- c) The Finance Act 2018 had revised the applicability of super tax brought into effect through finance act, 2015 for rehabilitation of temporary displaced person for tax year 2019, 2020 and 2021 at the rate of 4%, 3% and 2% respectively on the taxable income for respective years. However, the finance supplementary (Second Amendment) Bill, 2019 proposed levy of super tax on taxable income for tax year 2018 (Accounting year 2017) retrospectively at the rate of 4% upto tax year 2021. The proposed amendments were not enacted as at 31 December 2018 and therefore, the bank has not made super tax provision for tax year 2018 (Accounting year 2017) in these financial statements.

		2018	Restated 2017
		------(Rupees in 000)-----	
<b>34 BASIC EARNINGS PER SHARE</b>			
Profit for the year		10,625,220	8,367,296
		------(Number of shares in '000)-----	
Weighted average number of ordinary shares		1,773,672	1,766,588
		----- Rupees -----	
Basic earnings per share		5.99	4.74
<b>35 DILUTED EARNINGS PER SHARE</b>			
Profit for the year		10,625,220	8,367,296
		------(Number of shares in '000)-----	
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		1,775,732	1,772,196
		----- Rupees -----	
Diluted earnings per share		5.98	4.72
<b>35.1 Reconciliation of basic and diluted earning per share</b>			
Weighted average number of ordinary shares		1,773,672	1,766,588
Plus: Employee stock option scheme		2,060	5,608
Dilutive potential ordinary shares		1,775,732	1,772,196
<b>36 CASH AND CASH EQUIVALENTS</b>			
		------(Rupees in 000)-----	
Cash and Balance with Treasury Banks	5	82,407,700	70,381,435
Balance with other banks	6	3,874,955	3,753,954
Call money lendings	7	15,166,288	20,255,936
Overdrawn nostro accounts	14	(947,547)	(970,114)
		100,501,396	93,421,211

37 STAFF STRENGTH	2018			2017		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Number of employees) -----					
Permanent	8,221	198	8,419	7,503	195	7,698
On Bank contract	29	82	111	66	85	151
Bank's own staff strength at the end of the year	8,250	280	8,530	7,569	280	7,849

**37.1** In addition to the above, 3,217 (2017: 3,776) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

### 38 DEFINED BENEFIT PLAN

#### 38.1 General description

The Bank operates an approved funded gratuity scheme which cover all regular permanent employees. The liability of the Bank in respect of the plan is determined based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial valuation of the defined benefit plan is carried out every year and the latest valuation was carried out as at December 31, 2018. The significant assumptions are detailed below

#### 38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2018	2017
	----- (Number) -----	
Gratuity fund	8,185	7,506

#### 38.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2018

	2018	2017
	----- (Per annum) -----	
Withdrawal rates	Moderate	High
Mortality rates	SLIC 2001 - 2005	Adjusted SLIC 2001 - 2005
Valuation Discount rate (p.a)	13.25%	9.50%
Salary increase rate (p.a) - Short term (3 years)	8.25%	5.75%
Salary increase rate (p.a) - Long term	11.25%	9.00%
Expected rate of return on plan assets (p.a)	13.25%	9.50%
Normal retirement age	60 Years	60 Years
Duration	09 Years 6 months	10 Years



### 38.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2018	2017
		----- (Rupees in 000) -----	
Present value of obligations	38.5	1,474,598	1,657,387
Fair value of plan assets	38.6	(2,398,231)	(2,386,933)
(Receivable) / payable		-	-
		<u>(923,633)</u>	<u>(729,546)</u>

### 38.5 Movement in defined benefit obligations

Obligations at the beginning of the year		1,657,387	1,920,065
Current service cost		270,272	306,923
Interest cost		149,967	167,766
Benefits paid by the Bank	38.8.2	(304,841)	(304,133)
Re-measurement loss / (gain)		(298,187)	(433,234)
Obligations at the end of the year		<u>1,474,598</u>	<u>1,657,387</u>

### 38.6 Movement in fair value of plan assets

Fair value at the beginning of the year		2,386,933	2,269,382
Interest income on plan assets		234,486	224,536
Contribution by the Bank - net		185,753	250,153
Benefits paid		(304,841)	(304,133)
Re-measurements: Net return on plan assets over interest income gain / (loss)	38.8.2	(104,100)	(53,005)
Fair value at the end of the year		<u>2,398,231</u>	<u>2,386,933</u>

### 38.7 Movement in (receivable) / payable under defined benefit plan

Opening balance		(729,546)	(349,317)
Charge / (reversal) for the year	38.8.1	185,753	250,153
Contribution by the Bank - net		(185,753)	(250,153)
Re-measurement loss / (gain) recognised in OCI during the year	38.8.2	(194,087)	(380,229)
Benefits paid by the Bank		-	-
Closing balance		<u>(923,633)</u>	<u>(729,546)</u>

### 38.8 Charge for defined benefit plans

#### 38.8.1 Cost recognised in profit and loss

Current service cost		270,272	306,923
Net interest on defined benefit asset / liability		(84,519)	(56,770)
		<u>185,753</u>	<u>250,153</u>



2018                      2017  
------(Rupees in 000)-----

**38.8.2 Re-measurements recognised in OCI during the year**

Loss / (gain) on obligation		
- Demographic assumptions	(992)	-
- Financial assumptions	(310,891)	(149,752)
- Experience adjustment	13,696	(283,482)
Return on plan assets over interest income	104,100	53,005
Total re-measurements recognised in OCI	<u>(194,087)</u>	<u>(380,229)</u>

**38.9 Components of plan assets**

Cash and cash equivalents - net	372,963	258,914
Government Securities	-	659,789
Ordinary shares/TFCs	375,000	1,172,369
Units of mutual funds	1,650,268	295,861
	<u>2,398,231</u>	<u>2,386,933</u>

**38.10 Sensitivity analysis**

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised is summarized as below:

Particulars	2018	
	PV of Defined Benefit Obligation	Change
	------(Rupees in 000)-----	
1% increase in discount rate	1,332,323	(142,275)
1% decrease in discount rate	1,612,385	137,787
1 % increase in expected rate of salary increase	1,622,818	148,220
1 % decrease in expected rate of salary increase	1,321,666	(152,932)
10% increase in withdrawal rate	1,468,848	(5,750)
10% decrease in withdrawal rate	1,454,266	(20,332)
1 year Mortality age set back	1,460,734	(13,864)
1 year Mortality age set forward	1,462,760	(11,838)

2018  
(Rupees. in '000)

**38.11** Expected contributions to be paid to the funds in the next financial year 106,243

**38.12** Expected charge / (reversal) for the next financial year 106,243



### 38.13 Maturity profile

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	148,556
Year 2	108,648
Year 3	115,755
Year 4	105,011
Year 5	121,440
Year 6 to Year 10	746,583
Year 11 and above	7,610,572

### 38.14 Funding Policy

The bank's policy for funding the staff retirement benefit schemes, is given in note 4.9 (a).

### 38.15 Risks Associated with Defined Benefit Plans

#### Asset Volatility

The risk arises due to the inclusion of the risky assets in the pension/gratuity fund portfolio, inflation and interest rate volatility.

#### Changes in Bond yields

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

#### Inflation Risks

The risk arises if pension/gratuity benefits are linked to inflation and the inflation is higher or higher than expected, which results in higher liabilities

#### Life expectancy / Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

#### Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

#### Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

## 39 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute @ 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 309.371 million (2017: Rs. 307.135 million) in respect of this fund.



#### 40 EMPLOYEES STOCK OPTION SCHEME

The Bank has granted share options to certain critical employees, (the "employees") under the Employee Stock Options Scheme (ESOS) as approved by the shareholders and Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

Under the Scheme, the Bank has granted options to these employees (as selected by the Board Compensation Committee, specifically formulated as required under the Public Companies (Employees Stock Option Scheme) Rules, 2001) to subscribe for fresh ordinary shares of the Bank (being issuance of further capital without issue of rights) in the years 2014, 2015 and 2016. No fresh grants were made after the year 2016. However, due to a bonus issue of 10% in October 2018, all employees having exercisable options outstanding were entitled to additional Shares worked out in accordance with the provisions of the scheme. The revised option entitlement and the revised option price have been disclosed below.

Under the scheme, the options entitle the selected employees to purchase shares at 40% discount (the Option Discount), of the market price prevailing at the date of the grant. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

Details of share options granted under the scheme together with the status as at December 31, 2018 are as follows:

	Granted in the year 2016	Granted in the year 2015	Granted in the year 2014
	----- (In '000) -----		
Option issued	13,737	12,614	11,331
Option no longer in issue	4,199	3,294	1,732
Options vested in 2018	3,113	2,407	N/A
Options exercised in 2018	3,058	2,428	N/A
Options available for exercise	2,905	-	-
Exercise price per share	Rs. 14.95	15.15	16.32
Adjusted exercise per share for final tranche of year 2016	Rs. 13.59	N/A	N/A
Option discount per share	Rs. 9.96	10.10	10.88

#### 41 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	----- (Rupees in '000) -----					
Fee	-	-	153,981	126,018	-	-
Managerial remuneration	99,467	167,186	-	-	2,463,855	3,889,501
Post employment benefits	5,887	7,676	-	-	175,584	378,720
Rent and house maintenance	-	-	-	-	514,037	990,317
Utilities	3,533	4,607	-	-	119,597	249,635
	108,887	179,469	153,981	126,018	3,273,073	5,508,173
Number of persons	1	2	9	6	541	1,973



- 41.1** The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per Bank's policy.
- 41.2** The Bank granted share options to certain key employees of the Bank in the year 2014, 2015 and 2016, which shall vest till the year 2019 - refer note 40 and Annexure on Employee Stock Option Scheme.
- 41.3** The count for Executives has been reduced from 1,973 in 2017 to 541 in 2018 due to a change in definition of the Executives. Earlier, any employee having an annual basic salary of Rs. 500 thousand or above was defined as an Executive. This threshold has now been increased to Rs. 1,200 thousand.

## **42 FAIR VALUE MEASUREMENTS**

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

### **42.1 Fair value of financial assets**

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

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

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

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

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

	2018			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities		205,872,883		205,872,883
Shares	-		-	-
Non-Government Debt Securities	8,194,982	-	-	8,194,982
Foreign Securities	-	8,497,774	-	8,497,774
Others	-	10,540,323	-	10,540,323
	-	-	-	-
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange				
Forward sale of foreign exchange	-	4,519,604	-	4,519,604
	-	(970,502)	-	(970,502)
Forward purchase government securities transactions				
Forward sale government securities transactions	-	-	-	-
	-	-	-	-
Derivatives purchases				
Derivatives sales	-	68,224	-	68,224
	-	(1,169)	-	(1,169)
	2017			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
- Investments				
Federal Government Securities				
Shares	-	333,782,146	-	333,782,146
Non-Government Debt Securities	6,151,913	-	-	6,151,913
Foreign Securities	-	5,824,558	-	5,824,558
Others	-	9,208,419	-	9,208,419
	-	-	-	-
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange				
Forward sale of foreign exchange	-	1,978,336	-	1,978,336
	-	(968,982)	-	(968,982)
Forward agreements for lending				
Forward agreements for borrowing	-	-	-	-
	-	-	-	-
Derivatives purchases	-	14,174	-	14,174
Derivatives sales	-	-	-	-

**42.2** Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 12. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

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

**42.4 Valuation techniques used in determination of fair values:**

**(a) Financial instruments in level 1**

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



**(b) Financial instruments in level 2**

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

**(c) Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

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

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

## 43 SEGMENT INFORMATION

### 43.1 Segment Details with respect to Business Activities

	2018							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
------(Rupees in '000)-----								
<b>Profit &amp; Loss</b>								
Net mark-up/return/profit	(197,079)	13,611,402	5,633,022	11,781,327	-	1,773,556	(1,011,173)	31,591,055
Inter segment revenue - net	19,386,608	(9,028,965)	(637,417)	(10,397,516)	227,663	(164,375)	614,002	-
Non mark-up / return / interest income	4,024,840	742,075	1,018,851	3,365,155	399,326	252,940	397,171	10,200,358
<b>Total Income</b>	<b>23,214,369</b>	<b>5,324,512</b>	<b>6,014,456</b>	<b>4,748,966</b>	<b>626,989</b>	<b>1,862,121</b>	<b>-</b>	<b>41,791,413</b>
Segment direct expenses	10,468,834	682,250	3,030,761	407,791	777,182	966,713	8,031,744	24,365,275
Inter segment expense allocation	5,666,518	623,276	1,304,054	273,987	45,570	118,339	(8,031,744)	-
<b>Total expenses</b>	<b>16,135,352</b>	<b>1,305,526</b>	<b>4,334,815</b>	<b>681,778</b>	<b>822,752</b>	<b>1,085,052</b>	<b>-</b>	<b>24,365,275</b>
Provisions	(29,608)	212,267	299,255	72,649	54	33,766	-	588,383
Profit before tax - continuing operations	7,108,625	3,806,719	1,380,386	3,994,539	(195,817)	743,303	-	16,837,755
Profit before tax - discontinuing operations								780,500
------(Rupees in '000)-----								
<b>Balance Sheet</b>								
Cash & Bank balances	54,448,024	11,605,738	12,356,256	2,438,440	334,892	5,099,305	-	86,282,655
Investments	860,704	694,426	22,896,107	221,983,048	-	29,434,619	1,791,499	277,660,403
Net inter segment lending	288,412,271	-	-	-	4,241,251	-	43,856,982	336,510,504
Lendings to financial institutions	-	-	17,986,558	33,315,352	-	10,870,377	-	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,549	-	-	19,233,298	4,968,048	498,697,580
Advances - non-performing	366,716	1,453,002	262,226	-	-	132,738	724,190	2,938,872
Others	16,456,975	10,628,391	6,508,382	6,258,899	407,786	11,612,080	26,593,533	78,466,046
<b>Total Assets</b>	<b>514,295,092</b>	<b>259,553,840</b>	<b>145,583,078</b>	<b>263,995,739</b>	<b>4,983,929</b>	<b>76,382,417</b>	<b>77,934,252</b>	<b>1,342,728,347</b>
Borrowings	10,460,314	22,698,781	5,909,819	62,173,164	-	22,092,452	403,711	123,738,241
Subordinated debt	-	-	-	-	-	-	11,989,000	11,989,000
Deposits & other accounts	464,559,440	92,224,318	113,541,482	-	4,899,848	27,670,192	-	702,895,280
Net inter segment borrowing	-	135,169,568	-	201,340,936	-	-	-	336,510,504
Others	38,622,551	9,554,126	10,975,954	1,186,034	84,081	23,234,243	8,291,458	91,948,447
<b>Total liabilities</b>	<b>513,642,305</b>	<b>259,646,793</b>	<b>130,427,255</b>	<b>264,700,134</b>	<b>4,983,929</b>	<b>72,996,887</b>	<b>20,684,169</b>	<b>1,267,081,472</b>
<b>Net Assets</b>	<b>652,787</b>	<b>(92,953)</b>	<b>15,155,823</b>	<b>(704,395)</b>	<b>-</b>	<b>3,385,530</b>	<b>57,250,083</b>	<b>75,646,875</b>
<b>Equity</b>								<b>75,646,875</b>
<b>Contingencies &amp; Commitments</b>	<b>58,274,791</b>	<b>76,420,934</b>	<b>31,777,895</b>	<b>296,162,272</b>	<b>47,934</b>	<b>30,646,372</b>	<b>14,925,225</b>	<b>508,255,423</b>



2017

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
------(Rupees in '000)-----								
<b>Profit &amp; Loss</b>								
Net mark-up/return/profit	(216,573)	10,920,980	4,577,481	12,742,488	(198)	1,558,327	(606,320)	28,976,185
Inter segment revenue - net	14,343,074	(7,113,901)	(344,887)	(7,613,699)	169,124	(21,497)	581,786	-
Non mark-up / return / interest income	3,667,144	753,620	1,028,042	2,600,666	786,746	215,327	24,534	9,076,079
<b>Total Income</b>	<b>17,793,645</b>	<b>4,560,699</b>	<b>5,260,636</b>	<b>7,729,455</b>	<b>955,672</b>	<b>1,752,157</b>	<b>-</b>	<b>38,052,264</b>
Segment direct expenses	10,626,062	738,826	3,032,484	550,115	522,610	894,604	8,598,828	24,963,529
Inter segment expense allocation	5,532,064	731,403	1,482,405	641,985	67,292	143,679	(8,598,828)	-
<b>Total expenses</b>	<b>16,158,126</b>	<b>1,470,229</b>	<b>4,514,889</b>	<b>1,192,100</b>	<b>589,902</b>	<b>1,038,283</b>	<b>-</b>	<b>24,963,529</b>
Provisions	482,056	268,283	(89,234)	-	-	(44,675)	-	616,430
Profit before tax - continuing operations	2,117,575	3,358,753	656,513	6,537,355	365,770	669,199	-	13,705,165
Profit before tax - discontinuing operations								339,819

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
------(Rupees in '000)-----								
<b>Balance Sheet</b>								
Cash & Bank balances	43,181,802	7,712,857	10,392,898	7,251,880	488,248	5,107,704	-	74,135,389
Investments	1,195,021	713,213	37,914,192	333,926,476	-	24,598,438	2,385,946	400,733,286
Net inter segment lending	263,161,028	-	-	-	6,245,726	-	29,366,960	298,773,714
Lendings to financial institutions	-	-	30,891,460	11,848,536	-	6,155,832	-	48,895,828
Advances - performing	130,728,918	193,641,955	55,209,459	-	-	14,601,488	4,578,534	398,760,354
Advances - non-performing	987,923	342,551	395,716	-	-	44,679	124,201	1,895,070
Others	16,823,933	8,482,472	4,403,704	5,720,313	386,162	17,539,195	21,052,233	74,408,012
<b>Total Assets</b>	<b>456,078,625</b>	<b>210,893,048</b>	<b>139,207,429</b>	<b>358,747,205</b>	<b>7,120,136</b>	<b>68,047,336</b>	<b>57,507,874</b>	<b>1,297,601,653</b>
Borrowings	8,178,746	15,870,996	3,648,712	159,167,819	-	19,809,092	518,321	207,193,686
Subordinated debt	-	-	-	-	-	-	4,991,000	4,991,000
Deposits & other accounts	428,713,427	76,990,726	113,414,363	-	7,046,550	18,926,920	(107,019)	644,984,967
Net inter segment borrowing	-	103,588,014	-	195,185,700	-	-	-	298,773,714
Others	12,957,986	8,970,164	8,781,718	3,093,270	73,586	26,197,366	15,784,455	75,858,545
<b>Total liabilities</b>	<b>449,850,159</b>	<b>205,419,900</b>	<b>125,844,793</b>	<b>357,446,789</b>	<b>7,120,136</b>	<b>64,933,378</b>	<b>21,186,757</b>	<b>1,231,801,912</b>
<b>Net Assets</b>	<b>6,228,466</b>	<b>5,473,148</b>	<b>13,362,636</b>	<b>1,300,416</b>	<b>-</b>	<b>3,113,958</b>	<b>36,321,117</b>	<b>65,799,741</b>
Equity								65,799,741
<b>Contingencies &amp; Commitments</b>	<b>59,258,274</b>	<b>85,721,796</b>	<b>27,996,102</b>	<b>220,265,858</b>	<b>40,565</b>	<b>18,913,337</b>	<b>10,901,695</b>	<b>423,097,627</b>

During the year, the Bank has classified Digital Banking as a separate reportable segment in a manner consistent with the internal reporting structure of the Bank. Segmented results are reported to the senior management of the Bank for the purpose of strategic decision making, resources, systems and infrastructure to be allocated to this segment and assess its performance.

## 43.2 Segment details with respect to geographical locations

### GEOGRAPHICAL SEGMENT ANALYSIS

	2018				
	Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
	------(Rupees in '000)-----				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	29,817,498	1,174,718	598,839	-	31,591,055
Inter segment revenue - net	164,375	(133,243)	(31,132)	-	-
Non mark-up / return / interest income	9,947,418	247,111	5,829	-	10,200,358
<b>Total Income</b>	<b>39,929,291</b>	<b>1,288,586</b>	<b>573,536</b>	<b>-</b>	<b>41,791,413</b>
Segment direct expenses	23,398,562	687,839	278,874	-	24,365,275
Inter segment expense allocation	(118,339)	55,508	62,831	-	-
<b>Total expenses</b>	<b>23,280,223</b>	<b>743,347</b>	<b>341,705</b>	<b>-</b>	<b>24,365,275</b>
Provisions	554,618	30,550	3,215	-	588,383
<b>Profit before tax - continuing operations</b>	<b>16,094,450</b>	<b>514,689</b>	<b>228,616</b>	<b>-</b>	<b>16,837,755</b>
<b>Profit before tax - discontinuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>780,500</b>	<b>780,500</b>
	Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
	------(Rupees in '000)-----				
<b>Balance Sheet</b>					
Cash and Bank balances	81,183,350	1,318,443	3,780,862	-	86,282,655
Investments	248,225,784	21,628,793	7,805,826	-	277,660,403
Net inter segment lendings	336,510,504	-	-	-	336,510,504
Lendings to financial institutions	51,301,911	5,477,850	5,392,526	-	62,172,287
Advances - performing	479,464,281	3,001,998	16,231,301	-	498,697,580
Advances - non-performing	2,806,134	-	132,738	-	2,938,872
Others	66,853,967	(4,589,655)	(5,423,764)	21,625,498	78,466,046
<b>Total Assets</b>	<b>1,266,345,931</b>	<b>26,837,429</b>	<b>27,919,489</b>	<b>21,625,498</b>	<b>1,342,728,347</b>
Borrowings	101,645,790	21,496,018	596,433	-	123,738,241
Subordinated debt	11,989,000	-	-	-	11,989,000
Deposits & other accounts	675,225,088	4,633,530	23,036,662	-	702,895,280
Net inter segment borrowing	336,510,504	-	-	-	336,510,504
Others	67,550,863	312,035	2,460,051	21,625,498	91,948,447
<b>Total liabilities</b>	<b>1,192,921,245</b>	<b>26,441,583</b>	<b>26,093,146</b>	<b>21,625,498</b>	<b>1,267,081,472</b>
<b>Net Assets</b>	<b>73,424,686</b>	<b>395,846</b>	<b>1,826,343</b>	<b>-</b>	<b>75,646,875</b>
<b>Equity</b>					<b>75,646,875</b>
<b>Contingencies &amp; Commitments</b>	<b>477,609,051</b>	<b>25,773,028</b>	<b>4,412,416</b>	<b>460,928</b>	<b>508,255,423</b>





2017

	Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
------(Rupees in '000)-----					
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	27,417,859	997,173	561,153	-	28,976,185
Inter segment revenue - net	21,497	(77,719)	56,222	-	-
Non mark-up / return / interest income	8,860,752	189,586	25,741	-	9,076,079
<b>Total Income</b>	<b>36,300,108</b>	<b>1,109,040</b>	<b>643,116</b>	<b>-</b>	<b>38,052,264</b>
Segment direct expenses	24,068,925	705,022	189,582	-	24,963,529
Inter segment expense allocation	(143,678)	116,846	26,832	-	-
<b>Total expenses</b>	<b>23,925,247</b>	<b>821,868</b>	<b>216,414</b>	<b>-</b>	<b>24,963,529</b>
Provisions	(661,076)	44,646	-	-	(616,430)
<b>Profit before tax - continuing operations</b>	<b>13,035,937</b>	<b>242,526</b>	<b>426,702</b>	<b>-</b>	<b>13,705,165</b>
Profit before tax - discontinuing operations	-	-	-	339,819	339,819

	Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
------(Rupees in '000)-----					

**Balance Sheet**

Cash & Bank balances	69,027,685	4,025,789	1,081,915	-	74,135,389
Investments	376,134,848	6,440,353	18,158,085	-	400,733,286
Net inter segment lendings	298,773,714	-	-	-	298,773,714
Lendings to financial institutions	42,739,996	3,953,627	2,202,205	-	48,895,828
Advances - performing	384,158,866	12,810,576	1,790,912	-	398,760,354
Advances - non-performing	1,850,391	-	44,679	-	1,895,070
Others	56,868,817	(4,641,022)	(3,175,873)	25,356,090	74,408,012
<b>Total Assets</b>	<b>1,229,554,317</b>	<b>22,589,323</b>	<b>20,101,923</b>	<b>25,356,090</b>	<b>1,297,601,653</b>
Borrowings	187,384,594	1,720,215	18,088,877	-	207,193,686
Subordinated debt	4,991,000	-	-	-	4,991,000
Deposits & other accounts	626,058,047	17,821,761	1,105,159	-	644,984,967
Net inter segment borrowing	298,773,714	-	-	-	298,773,714
Others	49,659,590	1,478,839	41,774	24,678,342	75,858,545
<b>Total liabilities</b>	<b>1,166,866,945</b>	<b>21,020,815</b>	<b>19,235,810</b>	<b>24,678,342</b>	<b>1,231,801,912</b>
<b>Net Assets</b>	<b>62,687,372</b>	<b>1,568,509</b>	<b>866,113</b>	<b>677,748</b>	<b>65,799,741</b>
<b>Equity</b>					<b>65,799,741</b>
<b>Contingencies &amp; Commitments</b>	<b>404,184,290</b>	<b>13,331,876</b>	<b>4,479,300</b>	<b>1,102,161</b>	<b>423,097,627</b>

**44 TRUST ACTIVITIES**

The Bank is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the Bank is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

## 45 RELATED PARTY TRANSACTIONS

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

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

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

	As at Dec 31, 2018					As at Dec 31, 2017				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
<b>Balances with other banks</b>										
In current accounts	-	-	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
<b>Lendings to financial institutions</b>										
Opening balance	-	-	-	-	1,500,000	-	-	-	-	-
Addition during the year	-	-	-	-	134,478,646	-	-	-	-	89,750,000
Repaid during the year	-	-	-	-	(135,978,646)	-	-	-	-	(88,250,000)
Closing balance	-	-	-	-	-	-	-	-	-	1,500,000
<b>Investments</b>										
Opening balance	-	-	430,493	1,816,343	1,317,808	-	-	1,781,967	1,802,266	2,579,489
Investment made during the year	-	-	-	-	464,122	-	-	-	769,230	1,819,585
Investment redeemed / disposed off during the year	-	-	-	-	(739,269)	-	-	(1,351,474)	(755,153)	(3,081,266)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	430,493	1,816,343	1,042,661	-	-	430,493	1,816,343	1,317,808
Provision for diminution in value of investments	-	-	42,981	-	53,936	-	-	-	-	53,936
<b>Advances</b>										
Opening balance	-	458,240	-	-	7,591,327	79,130	351,335	-	-	8,040,236
Addition during the year	-	206,246	-	-	6,738,397	21,130	301,712	-	-	15,620,727
Repaid during the year	(6,068)	(98,965)	-	-	(8,301,258)	-	(155,260)	-	-	(14,149,786)
Transfer in / (out) - net	111,718	(116,198)	-	-	(2,673,956)	(100,260)	(39,547)	-	-	(1,919,850)
Closing balance	105,650	449,323	-	-	3,354,510	-	458,240	-	-	7,591,327
Provision held against advances	-	-	-	-	-	-	-	-	-	1,540,029
<b>Other Assets</b>										
Interest / mark-up accrued	5,507	42,368	-	-	47,013	-	43,725	-	-	577,813
Receivable from staff retirement fund	-	-	-	-	923,633	-	-	-	-	729,546
Prepayment / rent receivable	-	-	-	832	5,973	-	-	-	2,496	-
Profit Receivable on Sukuk	-	-	-	-	1,858	-	-	-	-	1,819
Advance against shares	-	-	-	-	50,000	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	923
<b>Borrowings</b>										
Opening balance	-	-	-	-	502,800	-	-	-	-	-
Borrowings during the year	-	-	-	-	35,346,898	-	-	-	-	34,192,883
Settled during the year	-	-	-	-	(35,849,698)	-	-	-	-	(33,690,083)
Closing balance	-	-	-	-	-	-	-	-	-	502,800
<b>Subordinated debt</b>										
Opening balance	-	19,964	-	45,044	-	-	132,348	-	79,003	332,467
Redemption / Sold during the year	-	(19,964)	-	(45,044)	-	-	(112,384)	-	(33,959)	(332,467)
Closing balance	-	-	-	-	-	-	19,964	-	45,044	-
<b>Deposits and other accounts</b>										
Opening balance	6,275	160,416	59,984	1,509,943	4,178,787	10,201	164,506	90,030	1,031,859	8,662,986
Received during the year	206,294	1,360,283	5,531,871	33,685,682	82,662,966	302,823	1,680,636	7,676,656	56,650,035	111,897,086
Withdrawn during the year	(205,131)	(1,337,204)	(5,543,700)	(34,138,684)	(87,189,776)	(197,410)	(1,334,596)	(7,706,702)	(56,171,951)	(115,305,412)
Transfer in / (out) - net	-	10,459	-	-	3,565,601	(109,339)	(350,130)	-	-	(1,075,873)
Closing balance	7,438	193,954	48,155	1,056,941	3,217,578	6,275	160,416	59,984	1,509,943	4,178,787
<b>Other Liabilities</b>										
Interest / mark-up payable	11	1,960	494	7,446	11,918	-	1,448	277	7,945	40,025
Unearned rent	-	-	-	-	-	-	-	-	8,936	-
Others	-	2,085	201	-	3,961	-	-	316	-	-
<b>Contingencies and Commitments</b>										
Other contingencies	-	-	-	162,468	-	-	-	-	129,188	2,589,842



	For the year ended Dec 31, 2018					For the year ended Dec 31, 2017				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
<b>Income</b>										
Mark-up / return / interest earned	5,507	16,963	-	-	478,686	2,319	22,197	-	-	452,954
Fee and commission income	-	-	63,167	-	-	-	-	156,149	-	-
Dividend income	-	-	-	219,000	2,109	-	-	-	-	9,481
Net gain on sale of securities	-	-	-	-	5,675	-	-	-	323,375	-
Other income	-	3,180	-	2,496	21,231	-	2,027	-	6,478	18,608
<b>Expense</b>										
Mark-up / return / interest paid	20	4,536	3,942	55,367	192,261	119	19,668	5,748	79,015	274,682
Other operating expenses	262,868	994,463	1,172	-	666,599	680,153	1,356,377	967	-	983,646
Provision / (Reversal) against non-performing advances and investments	-	-	-	-	-	-	-	-	-	(3,025)
Dividend paid	640,921	11,584	-	5,454	1,538,460	-	-	-	-	-
Insurance premium paid	-	-	-	497,497	-	-	-	-	505,826	-
Insurance claims settled	-	-	-	310,344	-	-	-	-	321,392	-

#### 46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2018                      2017  
----- (Rupees in 000) -----

##### Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,743,629	16,075,720
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##### Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	59,809,769	53,661,948
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	-
Total Eligible Tier 1 Capital	66,809,769	53,661,948
Eligible Tier 2 Capital	15,239,737	12,117,256
Total Eligible Capital (Tier 1 + Tier 2)	82,049,506	65,779,204

##### Risk Weighted Assets (RWAs):

Credit Risk	485,931,845	426,690,882
Market Risk	2,633,875	3,607,588
Operational Risk	60,228,638	60,929,350
Total	548,794,358	491,227,820

Common Equity Tier 1 Capital Adequacy ratio	10.90%	10.92%
Tier 1 Capital Adequacy Ratio	12.17%	10.92%
Total Capital Adequacy Ratio	14.95%	13.39%

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

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.90%	11.28%

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

	2018	2017
	------(Rupees in 000)-----	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	66,809,769	53,661,948
Total Exposures	1,185,191,511	1,320,360,473
Leverage Ratio	5.64%	4.06%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	252,703,051	234,488,065
Total Net Cash Outflow	162,363,261	165,803,247
Liquidity Coverage Ratio	156%	141%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	630,592,999	555,280,073
Total Required Stable Funding	472,759,179	405,154,261
Net Stable Funding Ratio	133%	137%

**46.1** The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions has been placed on the website. The link to the full disclosure is <https://www.bankalfalah.com/financial-reports/>.

#### **47 RISK MANAGEMENT**

The variety of business activities undertaken by the Bank require effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To supervise risk management activities within their respective scopes. CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee (PIC).

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank's risk management framework has a well-defined organizational structure for effective management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, IT security Risk, Credit Risk Systems and Environment and Social Risk.

#### **47.1 Credit Risk**

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure to credit risk. The Bank's credit risk management philosophy is based on Bank's overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.



The Bank has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate banking, Islamic banking, commercial & SME banking, agricultural financing, and overseas operations.

The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Credit & Risk Management Group.

For Domestic operations, Bank determines the amount for Specific & General provisions are held as per the Prudential Regulations issued by the State Bank of Pakistan (SBP). Provisions at overseas branches are held to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

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 expected LGD (Loss Given Default). This has been implemented in Corporate Banking, Islamic Banking and Retail & Middle Market segments. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Bank has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, ME, SE & Agri rating models. It covers both discrimination & calibration statistical tests as per best practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to compute the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD. Credit Monitoring, under CAD, keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authority with a view to arrest deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/ settlement of the Bank's non-performing exposure and protect the interests of the bank's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of Bank's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

#### **47.1.1 Credit Risk - General Disclosures Basel Specific**

Bank Alfalah Limited is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

#### **47.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights**

##### **47.1.2.1 External ratings**

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel III framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

### **47.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach**

#### **47.1.3.1 Credit risk mitigation policy**

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

#### **47.1.3.2 Collateral valuation and management**

As stipulated in the SBP Basel II / III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

#### **47.1.3.3 Types of collateral taken by the Bank**

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

#### **47.1.3.4 Types of eligible financial collateral**

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collaterals that are eligible under SBP Basel III accord. This also includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel in general, for capital calculation purposes, in line with the SBP Basel III requirements, the Bank recognises only eligible collaterals as mentioned in the SBP Basel III accord.

#### **47.1.3.5 Credit concentration risk**

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category). Concentration in customers that are rated in high risk category is also monitored against the approved appetite set by the management.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:



#### 47.1.4 Lendings to financial institutions

##### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Public Sector	-	-	-	-	-	-
Private Sector	62,192,105	48,895,828	-	-	-	-
	<u>62,192,105</u>	<u>48,895,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 47.1.5 Investment in debt securities

##### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Agriculture, Forestry, Hunting and Fishing	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Textile	167,888	173,520	167,888	173,520	167,888	173,520
Chemical and Pharmaceuticals	606,732	617,638	606,732	617,638	606,732	617,638
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and Leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	1,785	2,185	1,785	2,185	1,785	2,185
Construction	-	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	7,154,912	7,062,456	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-
Exports/Imports	-	-	-	-	-	-
Transport, Storage and Communication	848,367	1,357,832	281,700	224,498	281,700	224,498
Financial	713,755	469,301	63,776	79,361	63,776	79,361
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>9,493,439</u>	<u>9,682,932</u>	<u>1,121,881</u>	<u>1,097,202</u>	<u>1,121,881</u>	<u>1,097,202</u>

##### Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Public Sector	6,964,681	6,807,539	-	-	-	-
Private Sector	2,528,758	2,875,393	1,121,881	1,097,202	1,121,881	1,097,202
	<u>9,493,439</u>	<u>9,682,932</u>	<u>1,121,881</u>	<u>1,097,202</u>	<u>1,121,881</u>	<u>1,097,202</u>



## 47.1.6 Advances

### Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Agriculture, Forestry, Hunting and Fishing	52,389,474	32,080,952	236,973	235,231	124,732	150,350
Automobile and transportation equipment	10,413,594	7,856,545	1,000,964	996,428	376,148	367,279
Cement	13,051,710	8,187,225	-	-	-	-
Chemical and Pharmaceuticals	21,724,564	17,746,542	822,917	845,938	822,917	830,271
Construction	7,857,587	1,995,896	511,397	118,291	511,397	117,291
Electronics and electrical appliances	10,718,745	9,876,062	130,474	146,684	130,474	146,684
Exports / Imports	8,423,173	6,337,714	715,315	733,558	647,563	682,557
Financial	9,628,594	6,611,404	926,031	951,150	926,031	951,150
Food & Allied Products	47,322,246	31,504,922	2,367,089	687,555	2,145,133	669,842
Footwear and Leather garments	2,050,714	2,271,226	203,343	180,212	183,840	171,187
Individuals	48,257,462	42,018,970	787,135	868,987	539,159	701,760
Insurance	9,505	14,575	-	-	-	-
Metal & Allied industries	16,961,641	10,717,131	635,551	754,329	635,350	744,349
Mining and Quarrying	2,319,851	1,558,348	-	-	-	-
Oil and Allied	15,091,286	6,477,959	-	635,574	-	635,574
Others	35,544,447	26,114,688	1,094,676	1,100,531	864,097	836,627
Power (electricity), Gas, Water, Sanitary	79,868,350	66,719,696	1,157,905	-	289,476	-
Services	6,824,348	14,523,265	94,578	477,503	82,733	477,503
Sugar	11,627,623	9,961,647	841,130	3,608	372,009	3,166
Textile	93,676,552	71,480,957	3,630,707	3,834,443	3,617,203	3,554,234
Transport, Storage and Communication	6,587,342	8,592,228	1,788,981	1,788,981	1,788,981	1,788,981
Wholesale & Retail Trade	18,044,357	34,533,980	1,877,105	3,219,838	1,826,156	2,854,966
	<u>518,393,165</u>	<u>417,181,932</u>	<u>18,822,271</u>	<u>17,578,841</u>	<u>15,883,399</u>	<u>15,683,771</u>

### Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Public Sector	98,240,545	67,044,059	-	-	-	-
Private Sector	420,152,620	350,137,873	18,822,271	17,578,841	15,883,399	15,683,771
	<u>518,393,165</u>	<u>417,181,932</u>	<u>18,822,271</u>	<u>17,578,841</u>	<u>15,883,399</u>	<u>15,683,771</u>



#### 47.1.7 Contingencies and Commitments

##### Credit risk by industry sector

	2018	2017
	------(Rupees in 000)-----	
Agriculture, Forestry, Hunting and Fishing	644,423	271,048
Automobile and transportation equipment	3,199,346	4,625,145
Cement	475,659	2,509,863
Chemical and Pharmaceuticals	3,802,147	3,992,081
Construction	4,333,141	6,243,762
Electronics and electrical appliances	1,816,994	1,867,320
Exports / Imports	5,048,665	4,530,444
Financial	17,923,587	22,038,188
Food & Allied Products	7,599,602	5,280,610
Footwear and Leather garments	176,289	401,764
Individual	219,898	323,676
Insurance	66,831	97,548
Metal & Allied industries	343,183	9,845,722
Mining and Quarrying	3,922,471	74,011
Oil and Allied	586,399	9,836,992
Others	30,749,298	20,739,714
Power (electricity), Gas, Water, Sanitary	7,283,152	5,648,991
Services	882,925	11,079,370
Sugar	431,895	707,252
Textile	22,378,081	16,964,787
Transport, Storage and Communication	3,354,176	3,860,401
Wholesale and Retail Trade	9,874,261	7,011,479
	<u>125,112,423</u>	<u>137,950,168</u>
Credit risk by public / private sector		
Public/ Government	14,722,902	27,669,599
Private	<u>110,389,521</u>	<u>110,280,569</u>
	<u>125,112,423</u>	<u>137,950,168</u>

#### 47.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 136.994 billion (2017: Rs. 100.748 billion) are as following:

	2018	2017
	------(Rupees in 000)-----	
Funded	119,953,989	68,344,569
Non Funded	<u>17,039,556</u>	<u>32,403,343</u>
Total Exposure	<u>136,993,545</u>	<u>100,747,912</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 191.245 billion (2017: Rs. 153.992 billion.)

##### Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
	------(Rupees in '000)-----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	5,358	5,358
Total	<u>Nil</u>	<u>Nil</u>	<u>5,358</u>	<u>5,358</u>

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

#### 47.1.9 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2018						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	------(Rupees in '000)-----						
Punjab	1,011,452,333	998,920,172	5,379,193	65,309	831	7,047,968	38,861
Sindh	728,309,305	3,367,574	724,787,847	70	18,725	135,088	-
KPK including FATA	17,503,980	-	-	17,148,717	-	355,263	-
Balochistan	3,594,319	-	-	-	3,594,319	-	-
Islamabad	75,964,135	9,031,826	-	188,364	115,751	66,628,194	-
AJK including Gilgit-Baltistan	574,345	-	-	-	-	-	574,345
<b>Total</b>	<b>1,837,398,417</b>	<b>1,011,319,572</b>	<b>730,167,040</b>	<b>17,402,460</b>	<b>3,729,626</b>	<b>74,166,513</b>	<b>613,206</b>

Province/Region	2017						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	------(Rupees in '000)-----						
Punjab	785,869,975	785,869,975	-	-	-	-	-
Sindh	695,395,725	-	695,395,725	-	-	-	-
KPK including FATA	15,813,443	-	-	15,813,443	-	-	-
Balochistan	2,371,813	-	-	-	2,371,813	-	-
Islamabad	50,005,989	-	-	-	-	50,005,989	-
AJK including Gilgit-Baltistan	872,361	-	-	-	-	-	872,361
<b>Total</b>	<b>1,550,329,306</b>	<b>785,869,975</b>	<b>695,395,725</b>	<b>15,813,443</b>	<b>2,371,813</b>	<b>50,005,989</b>	<b>872,361</b>

#### 47.2 Market Risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a comprehensive Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines a well-defined risk control structure, responsibilities of relevant stakeholders with respect to market risk management and methods to measure and control market risk 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.

Under the BoD approved policy, 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. Furthermore, the Bank carries out risk assessment via diversified tools including Value at Risk (VaR), PV01 (price value per basis point) and Duration on a regular basis. The Bank also ascertains the impact of market risk on relevant factors through stress testing and Internal Capital Adequacy Assessment processes.

#### 47.3 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. FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps.

The Bank also manages FX risk by setting and monitoring dealer and currency-wise limits. The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is also conducted on a regular basis through VaR analysis .



The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

Currency wise assets and liabilities considered above have been presented on gross basis as per respective currencies.

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----				------(Rupees in '000)-----			
United States Dollar	72,109,056	117,349,741	45,325,354	84,669	61,529,055	80,687,137	20,318,024	1,159,942
Great Britain Pound Sterling	2,339,753	5,093,350	2,760,223	6,626	1,659,845	5,457,565	3,808,651	10,931
Euro	2,332,247	4,132,522	1,813,236	12,961	189,571	198,056	12,024	3,539
Japanese Yen	315	1,400	3,908	2,823	2,409,902	5,286,262	2,881,809	5,449
Other currencies	30,918,270	30,990,150	75,877	3,997	27,848,884	27,844,252	3,531	8,163
	107,699,641	157,567,163	49,978,598	111,076	93,637,257	119,473,272	27,024,039	1,188,024

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	1,111	-	11,880
- Other comprehensive income	-	-	-	-

#### 47.3.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	------(Rupees in '000)-----					
Cash and balances with treasury banks	82,407,700	-	82,407,700	70,381,435	-	70,381,435
Balances with other banks	3,874,955	-	3,874,955	3,753,954	-	3,753,954
Lendings to financial institutions	62,172,287	-	62,172,287	48,895,828	-	48,895,828
Investments	230,135,536	47,524,867	277,660,403	377,933,404	22,799,882	400,733,286
Advances	501,636,452	-	501,636,452	400,655,424	-	400,655,424
Fixed assets	18,272,215	-	18,272,215	16,155,727	-	16,155,727
Intangible assets	1,283,516	-	1,283,516	1,472,270	-	1,472,270
Deferred tax assets	-	-	-	-	-	-
Non current assets held for sale	23,589,489	-	23,589,489	26,821,724	-	26,821,724
Other assets	35,320,826	-	35,320,826	29,958,291	-	29,958,291
	958,692,976	47,524,867	1,006,217,843	976,028,057	22,799,882	998,827,939

#### 47.3.2 Equity position Risk

Equity position risk arises due to adverse movements in the prices of equities and instruments exhibiting behaviour similar to equities 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.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	(6,691)	-	(1,357)
- Other comprehensive income	(520,838)	-	(290,281)	-

#### 47.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

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, liabilities and off-balance sheet interest sensitive instruments within a certain range of maturity or 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 1bp) limits to manage interest rate risk within the Board approved risk appetite. Treasury and Capital Markets 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 Department of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

- The increase (decline) in earnings or economic value ( or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and than translated into Rupees)

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 1% change in interest rates on				
- Profit and loss account	(1,100)	(450)	(578)	(206)
- Other comprehensive income	-	-	-	-



47.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2018											
Exposed to Yield/ Interest risk											
Effective Yield/ Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
	82,407,700	11,676,690	-	-	-	-	-	-	-	-	70,731,010
Cash and balances with treasury banks	3,874,955	1,258,476	-	-	-	-	-	-	-	-	2,616,479
Balances with other banks	62,172,287	52,042,895	10,029,428	99,964	-	-	-	-	-	-	-
Lending to financial institutions	277,660,403	128,906,051	63,267,090	15,772,057	9,143,014	12,339,429	17,690,441	11,207,473	8,600,389	13,227	10,721,232
Investments	501,636,452	207,222,086	125,600,759	103,271,140	39,060,743	1,184,652	1,837,447	4,612,659	12,008,747	3,903,249	2,934,970
Advances	23,589,489	-	-	-	-	-	-	-	-	-	23,589,489
Assets held for sale	30,977,057	-	-	-	-	-	-	-	-	-	30,977,057
Other assets	982,310,343	401,106,198	198,897,277	119,143,161	48,203,757	13,524,081	19,527,888	15,820,132	20,609,136	3,916,476	141,570,237
<b>Liabilities</b>											
Bills payable	35,988,225	-	-	-	-	-	-	-	-	-	35,988,225
Borrowings	123,738,241	67,993,082	33,283,177	10,367,307	252,736	39,040	327,020	2,104,432	9,171,447	200,000	-
Deposits and other accounts	702,895,280	296,878,074	58,002,086	28,514,531	16,937,603	703,523	1,760,408	113,074	4,130	425,800	299,556,051
Liabilities against assets subject to finance lease	11,989,000	-	-	-	-	-	-	-	-	-	-
Subordinated debt	20,435,396	-	-	-	-	-	-	-	-	-	20,435,396
Liabilities directly associated with the assets held for sale	31,417,410	-	-	-	-	-	-	-	-	-	31,417,410
Other liabilities	926,463,552	364,871,156	103,274,263	38,881,838	17,190,339	742,563	2,087,428	2,217,506	9,175,577	625,800	387,397,082
<b>On-balance sheet gap</b>	<b>55,854,791</b>	<b>36,235,042</b>	<b>95,623,014</b>	<b>80,261,323</b>	<b>31,013,418</b>	<b>12,781,518</b>	<b>17,440,460</b>	<b>13,602,626</b>	<b>11,433,559</b>	<b>3,290,676</b>	<b>(245,826,845)</b>
<b>Off-balance sheet financial instruments</b>											
Documentary credits and short-term trade-related transactions											
	125,112,423	14,385,617	36,167,697	34,051,382	21,663,420	6,242,240	1,234,234	9,820,083	478,761	1,068,989	-
Commitments in respect of:											
- Forward exchange contracts - purchase	140,128,603	68,918,857	58,086,790	12,782,828	340,128	-	-	-	-	-	-
- Forward exchange contracts - sale	(88,136,761)	(48,295,780)	(26,788,686)	(12,632,879)	(419,416)	-	-	-	-	-	-
- Interest Rate Swaps - receipts	10,650,708	1,944,067	8,359,486	347,155	-	-	-	-	-	-	-
- Interest Rate Swaps - payments	(10,650,708)	-	(3,540,978)	(1,624,684)	(1,624,684)	(1,388,619)	(1,596,912)	(1,110,895)	(1,388,620)	-	-
- Futures - sale	(1,400,383)	-	(1,400,383)	-	-	-	-	-	-	-	-
Off-balance sheet gap	175,703,882	36,952,761	74,424,904	31,007,508	19,959,448	4,853,621	(362,678)	8,709,188	(909,859)	1,068,989	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>	<b>73,187,803</b>	<b>170,047,918</b>	<b>111,268,831</b>	<b>111,268,831</b>	<b>50,972,866</b>	<b>17,635,139</b>	<b>17,077,782</b>	<b>22,311,814</b>	<b>10,523,700</b>	<b>4,359,665</b>	<b>(245,826,845)</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	<b>73,187,803</b>	<b>243,235,721</b>	<b>354,504,552</b>	<b>405,477,418</b>	<b>462,502,163</b>	<b>473,025,853</b>	<b>477,385,518</b>	<b>477,385,518</b>	<b>477,385,518</b>	<b>477,385,518</b>	<b>231,558,673</b>



Effective yield/ interest rate	Total	Exposed to yield / interest rate risk							Above 10 years	Above 5 to 10 years	Above 3 to 5 years	Over 2 to 3 years	Over 1 to 2 years	Over 6 months to 1 year	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years														
<b>On-balance sheet financial instruments</b>																						
<b>Assets</b>																						
0.02%	70,381,435	7,553,785	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	62,827,650
1.53%	3,753,954	324,390	853,440	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2,576,124
5.78%	48,895,828	30,693,824	16,031,822	2,170,182	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	8,645,964
6.83%	400,733,286	88,286,210	142,701,377	26,814,457	24,753,061	43,687,519	25,299,396	33,959,355	6,300,078	290,869	8,019,137	17,836,363	3,747,465	--	--	--	--	--	--	--	--	437,542
7.26%	400,655,474	174,725,255	85,137,877	80,768,167	26,482,451	1,690,872	1,810,295	--	--	--	--	--	--	--	--	--	--	--	--	--	--	26,821,724
--	26,821,724	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	26,048,430
--	28,048,430	301,583,464	244,724,516	109,752,806	51,235,512	45,373,391	27,109,691	41,978,492	24,136,441	4,038,334	--	--	--	--	--	--	--	--	--	--	--	179,357,434
<b>Liabilities</b>																						
--	20,882,970	133,022,666	40,275,497	8,922,666	17,764,270	47,439	114,330	903,120	6,143,698	--	--	--	--	--	--	--	--	--	--	--	--	20,882,970
4.92%	207,193,686	240,800,347	51,264,080	67,373,239	16,091,928	610,096	306,949	82,329	--	--	--	--	--	--	--	--	--	--	--	--	--	268,455,999
2.60%	644,984,967	4,991,000	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
8.77%	4,991,000	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
--	24,759,096	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	24,759,096
--	26,188,081	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	26,188,081
--	928,999,800	373,823,013	96,530,577	76,295,905	33,856,198	657,535	421,279	985,449	6,143,698	--	--	--	--	--	--	--	--	--	--	--	--	340,286,146
	50,290,281	(72,239,549)	148,193,939	33,456,901	17,379,314	44,715,856	26,688,412	40,993,043	17,992,743	4,038,334	--	--	--	--	--	--	--	--	--	--	--	(210,928,712)
<b>Off-balance sheet financial instruments</b>																						
<b>Documentary credits and short term trade related transactions</b>																						
Commitments in respect of:																						
--	137,950,168	22,967,038	38,820,408	41,769,096	20,807,234	5,465,941	721,083	488,565	6,640,502	270,301	--	--	--	--	--	--	--	--	--	--	--	--
--	60,285,544	27,287,134	22,912,300	8,575,250	1,510,860	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
--	(31,823,206)	(8,200,656)	(12,131,925)	(10,859,209)	(631,416)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
--	8,865,756	1,942,598	6,923,158	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
--	(8,865,756)	--	--	--	--	(4,504,276)	(1,104,172)	(2,153,135)	(1,104,173)	--	--	--	--	--	--	--	--	--	--	--	--	--
--	166,412,506	43,996,114	56,523,941	39,485,137	21,686,678	961,665	(383,089)	(1,664,570)	5,536,329	270,301	--	--	--	--	--	--	--	--	--	--	--	--
	(28,243,435)	204,717,880	72,942,038	39,065,992	45,677,521	26,305,323	39,328,473	23,529,072	4,308,635	(210,928,712)	--	--	--	--	--	--	--	--	--	--	--	--
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>																						
	(28,243,435)	176,474,445	249,416,483	288,482,475	334,159,996	360,465,319	399,793,792	423,322,864	477,631,499	216,702,787	--	--	--	--	--	--	--	--	--	--	--	--

## 47.4.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

	2018	2017
----(Rupees in 000)----		
Total financial assets as per note 47.4.1	982,318,343	979,290,081
Add: Non financial assets	18,272,215	16,155,727
Operating fixed assets	1,283,516	1,472,270
Intangibles	4,343,769	1,909,861
Other assets	1,006,217,843	998,827,939
Total assets as per statement of financial position	926,463,552	928,999,800
Total financial liabilities as per note 47.4.1	2,070,702	3,153,750
Add: Non financial liabilities	2,036,714	874,648
Deferred tax liabilities	930,570,968	933,028,198
Other liabilities	--	--
Total liabilities as per statement of financial position	926,463,552	928,999,800





## 47.5 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.

### 47.5.1 Operational Risk Disclosures - Basel II Specific

Bank Alfalah Limited is among the first few banks to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013.

The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of Capital Floor for calculation of Capital Charge under ASA was extended in line with International developments and consultations of the Basel Committee on Banking Supervision (BCBS), State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies, procedures and systems of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems are in place which have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. State Bank has further extended the timeline for collection of loss data base reports till further notice.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

And also mapped the incidents into following Business Lines:

- Retail Banking
- Commercial Banking
- Corporate Finance
- Trading & Sales
- Payment & Settlement
- Agency Services
- Cost centers/Centralized functions

#### 47.5.2 IT Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank's technology assets by developing IT security baselines for IT solutions that support products and services, Security solutions selection, and acquisition including vendor and/or service provider selection managed by IT Security in close coordination with ITG and procurement/central administration, monitoring of threats and vulnerabilities through Security Operations Centre( 24/7 ), 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 IT Committee(BITC) /ITSC/Board.

#### 47.5.3 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, Green Banking Policy and 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 under 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 E&S Unit is responsible for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

#### 47.5.4 Credit Risk Systems

This unit is primarily responsible for development and management of Credit Risk Systems including Credit Initiation & Internal Rating System (CIIRS) and its related modules like Bank Alfalah CAR Calculator (BACK). It also supports other credit related automation & optimization initiatives like eCIB automation and Credit Decision engine for Consumer Finance Group as desired by Management from time to time.

#### 47.5.5 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Bank's exposure in that country. For the Bank, country risk arises as a result of the Bank's foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of country's willingness to honour its foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and managed at head office level and country risk exposures are reported to the relevant committees at a de-fined frequency.

#### 47.6 Liquidity Risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital & reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.



With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, Bank Alfalah calculates Liquidity Coverage Ratio (LCR) on monthly basis. Based on December 31, 2018 numbers Bank's LCR is 1.42 or 142% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 281,732.849 million and Net Cash Outflows of PKR 198,337.514 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2018 numbers Bank Alfalah's NSFR is 133% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 630,592.999 million and Total Required Stable Funding of PKR 472,759.178 million.

The Bank manages and controls liquidity risk through a detailed risk management framework, which includes BoD approved policy, management level procedural document and Asset & Liability Committee (ALCO) level guidelines. Under this framework, various liquidity metrics are implemented and monitored on a regular basis.

At BAFL, BoD approves the Liquidity Risk Policy. Further, it also approves the Bank's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Bank's ALCO is primarily responsible for the implementation of BoD's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Bank's liquidity on day to day basis and is the Bank's first line of defense against liquidity risk. Under Risk Management Division, Liquidity Risk Management Unit is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and bank's own risk appetite.

The Bank's overall funding strategy is based on the principles of diversification and stability. The Bank has a diverse funding base, which includes stable funding in the form of equity, Sub-ordinated loans, retail and small business deposits. Moreover, for non-stable funding in form of Large Volume Depositors. The Bank has in place internally approved limits to monitor and manage risk emanating from volatile funding concentration. Moreover, the Bank is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

At BAFL, Stress Testing is used in an attempt to highlight the vulnerability of the Bank's Balance Sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. BAFL carries out the stress testing based on SBP Stress Tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At BAFL, Contingency Funding Plan, is implemented to address liquidity issues in times of stress / crises situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the Bank's assets and net cash outflow is mainly determined through volatility of the Bank's liability profile. The table below showcases the composition of HQLA as of December 31, 2018.

HQLA*	Market Value	Weighted Amount
	----- (Rupees in 000) -----	
Level 1 Assets	279,406,840	279,406,840
Level 2A Assets	-	-
Level 2B Assets	4,652,019	2,326,009
	<u>284,058,859</u>	<u>281,732,849</u>

\* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

47.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2018

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
<b>Assets</b>														
Cash and balances with treasury banks	82,407,700	67,094,201	190,428	222,165	507,807	2,166,994	2,166,994	1,200,626	563,513	563,513	1,723,748	427,240	854,480	4,725,991
Balances with other banks	3,874,955	2,164,427	-	830,642	879,886	-	-	-	-	-	-	-	-	-
Lending to financial institutions	62,172,287	926,456	42,799,027	3,504,659	5,328,416	5,917,382	3,596,347	100,000	-	-	-	-	-	-
Investments	277,660,403	4,347,586	26,085,500	30,433,084	69,561,334	26,707,504	26,707,503	4,488,037	4,665,257	4,665,257	13,093,559	18,629,274	11,557,473	36,718,999
Advances	501,636,452	8,644,077	50,692,438	59,693,789	140,916,128	21,431,194	23,470,214	30,990,352	11,769,670	3,732,037	20,361,623	21,672,036	45,062,867	63,200,027
Fixed assets	18,272,215	2,882	17,291	20,173	46,109	86,457	86,457	558,516	259,369	259,369	1,037,475	1,037,475	1,882,142	12,978,500
Intangible assets	1,283,516	714	4,278	4,991	11,409	21,392	21,392	64,176	64,176	64,176	256,703	256,703	513,406	-
Assets held for sale	23,589,489	-	-	-	-	-	-	23,589,489	-	-	-	-	-	-
Other assets	35,320,826	13,918,128	3,593,198	4,192,064	9,581,862	309,548	309,548	600,767	420,954	420,954	1,014,798	239,751	359,627	359,627
	1,006,217,843	97,098,471	123,382,160	98,901,567	226,832,951	56,640,471	56,358,455	61,591,963	17,742,939	9,705,306	37,487,942	42,262,479	60,229,995	117,983,144
<b>Liabilities</b>														
Bills payable	35,988,225	26,153,488	2,053,343	2,436,363	5,345,031	-	-	-	-	-	-	-	-	-
Borrowings	123,738,241	596,433	45,403,464	14,370,099	8,120,622	10,297,866	22,519,512	10,897,542	4,671	11,384	28,077	109,373	1,896,403	9,482,795
Deposits and other accounts	702,895,280	531,967,877	15,037,857	10,650,377	29,669,741	31,404,200	28,000,754	20,286,145	10,556,873	6,913,235	1,036,000	2,010,519	8,649,385	6,712,317
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	11,989,000	-	-	-	-	-	-	1,000	-	1,000	2,000	4,985,000	-	7,000,000
Deferred tax liabilities	2,070,702	-	-	-	-	-	-	-	2,070,702	-	-	-	-	-
Liabilities directly associated with the assets held for sale	20,435,396	-	-	-	-	-	-	20,435,396	-	-	-	-	-	-
Other liabilities	33,454,124	13,657,386	2,028,720	2,366,839	5,409,919	367,792	367,792	1,077,234	2,039,079	2,014,723	1,146,389	1,009,351	1,968,900	-
	930,570,968	572,375,184	64,523,384	29,823,678	48,545,313	42,069,858	50,888,058	52,697,317	14,671,325	8,940,342	2,212,466	8,114,243	12,514,688	23,195,112
<b>Net assets</b>	<b>75,646,875</b>	<b>(475,276,713)</b>	<b>58,858,776</b>	<b>69,077,889</b>	<b>178,287,638</b>	<b>14,570,613</b>	<b>5,470,397</b>	<b>8,894,646</b>	<b>3,071,614</b>	<b>764,964</b>	<b>35,275,476</b>	<b>34,148,236</b>	<b>47,715,307</b>	<b>94,788,032</b>
Share capital	17,743,629													
Reserves	23,050,754													
Unappropriated profit	27,469,542													
Surplus/(Deficit) on revaluation of assets	7,382,950													
	<u>75,646,875</u>													

2017

Assets	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 Years
Cash and balances with treasury banks	70,381,435	15,015,395	2,974,556	6,444,871	5,453,352	1,643,989	1,643,989	2,132,155	1,757,579	1,757,579	5,066,636	1,321,047	9,350,709	15,819,578
Balances with other banks	3,753,954	3,396,837	-	-	-	161,819	195,298	-	-	-	-	-	-	-
Lending to financial institutions	48,895,828	-	11,058,477	5,895,996	13,510,902	12,283,337	3,946,136	2,200,980	-	-	-	-	-	-
Investments	400,733,286	38	36,519,444	-	53,326,714	40,433,881	98,207,048	599,302	9,987,694	20,226,275	40,923,108	26,228,601	36,194,308	18,146,873
Advances	400,655,424	5,331,515	31,989,092	37,320,607	85,304,245	25,345,513	31,359,658	5,668,236	5,668,236	5,668,236	11,217,483	34,402,200	44,510,242	57,192,884
Fixed assets	16,155,727	3,125	18,756	21,883	50,017	93,783	281,348	281,348	281,348	281,348	1,125,392	1,125,392	2,011,314	10,766,238
Intangible assets	1,472,270	819	4,908	5,725	13,087	24,538	73,613	73,613	73,613	73,613	294,454	294,454	588,908	-
Assets held for sale	26,821,724	-	-	-	-	26,821,724	-	-	-	-	-	-	-	-
Other assets	29,958,291	483,953	2,903,724	3,387,678	7,743,264	11,368,263	113,828	341,485	882,162	882,162	986,731	216,260	324,390	324,391
	998,827,939	24,231,682	85,468,957	53,076,760	165,401,581	118,176,847	129,570,133	36,928,541	38,650,632	28,889,213	59,613,804	63,587,954	92,979,871	102,251,964
<b>Liabilities</b>														
Bills payable	20,882,970	8,836,500	2,492,373	2,907,769	6,646,328	-	-	-	-	-	-	-	-	-
Borrowings	207,193,686	1,725,125	116,535,423	3,892,107	9,968,554	30,586,521	10,680,357	8,782,211	15,734,378	2,039,273	47,465	106,831	897,902	6,197,539
Deposits and other accounts	644,984,967	504,867,162	3,849,853	7,457,507	23,105,009	16,679,234	35,021,395	24,292,86	11,207,889	8,668,434	1,572,028	885,774	12,476	7,365,342
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	4,991,000	-	-	-	-	1,000	-	-	1,000	-	2,000	2,000	4,985,000	-
Deferred tax liabilities	3,153,750	-	-	-	-	-	-	-	3,153,750	-	-	-	-	-
Liabilities directly associated with the assets held for sale	24,759,096	-	-	-	-	24,759,096	-	-	-	-	-	-	-	-
Other liabilities	27,062,729	338,786	2,032,722	2,371,510	5,420,593	9,303,613	335,568	1,070,684	1,464,259	1,464,259	815,184	815,184	1,630,367	-
	933,028,198	515,767,573	124,910,371	16,628,893	45,140,484	81,329,464	46,037,320	34,145,759	31,561,276	12,171,966	2,436,677	1,809,789	7,525,745	13,562,881
<b>Net assets</b>	65,799,741	(491,535,891)	(39,441,414)	36,447,867	120,261,097	36,847,383	83,532,813	2,782,782	7,089,356	16,717,247	57,177,127	61,778,165	85,454,126	88,689,083
Share capital	16,075,720													
Reserves	18,156,669													
Unappropriated profit	24,282,104													
Surplus/(Deficit) on revaluation of assets	7,285,248													
	65,799,741													

Current and Saving deposits have been classified under maturity upto one day as these do not have any contractual maturity. Further, the Bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.



47.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2018

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	82,407,700	39,877,459	6,575,778	2,943,841	2,010,558	2,010,558	6,507,610	1,691,025	3,253,846	17,537,025
Balances with other banks	3,874,955	3,874,955	-	-	-	-	-	-	-	-
Lending to financial institutions	62,172,287	52,558,559	9,513,728	100,000	-	-	-	-	-	-
Investments	277,660,403	56,109,673	118,413,884	4,299,773	17,969,856	2,402,243	15,602,491	22,022,560	3,459,577	37,380,346
Advances	501,636,452	259,946,433	44,901,407	30,990,352	11,769,670	3,732,037	20,361,623	21,672,036	45,062,867	63,200,027
Fixed assets	18,272,215	86,455	172,913	558,516	518,738	1,037,475	1,037,475	1,882,142	2,846,929	10,131,572
Intangible assets	1,283,516	21,392	42,784	64,176	128,352	256,703	256,703	513,406	-	-
Non current assets held for sale	23,589,489	-	-	23,589,489	-	-	-	-	-	-
Other assets	35,320,826	24,806,846	4,211,193	865,673	698,349	698,349	1,797,670	560,687	841,030	841,029
	1,006,217,843	437,281,772	183,831,687	63,411,820	33,095,523	10,137,365	45,563,572	48,341,856	55,464,249	129,089,999
<b>Liabilities</b>										
Bills payable	35,988,225	35,988,225	-	-	-	-	-	-	-	-
Borrowings	123,738,241	68,490,619	32,817,377	10,897,542	16,055	28,077	109,373	1,896,403	9,482,795	-
Deposits and other accounts	702,895,280	68,949,720	78,661,399	49,170,814	75,239,446	116,516,119	23,137,711	50,903,769	112,319,000	127,997,302
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	11,989,000	-	1,000	-	1,000	2,000	4,985,000	-	-	7,000,000
Deferred tax liabilities	2,070,702	-	-	-	2,070,702	-	-	-	-	-
Non current liabilities held for sale	20,435,396	-	-	20,435,396	-	-	-	-	-	-
Other liabilities	33,454,124	15,482,770	1,719,964	2,708,331	6,760,866	1,695,548	1,695,548	3,391,097	-	-
	930,570,968	188,911,334	113,199,740	83,212,083	84,088,069	118,241,744	29,927,632	56,191,269	121,801,795	134,997,302
<b>Net assets</b>	<b>75,646,875</b>	<b>248,370,438</b>	<b>70,631,947</b>	<b>(19,800,263)</b>	<b>(50,992,546)</b>	<b>(108,104,379)</b>	<b>15,635,940</b>	<b>(7,849,413)</b>	<b>(66,337,546)</b>	<b>(5,907,303)</b>
Share capital	17,743,629									
Reserves	23,050,754									
Unappropriated profit	27,469,542									
Surplus/(Deficit) on revaluation of assets	7,382,950									
	<u>75,646,875</u>									

2017

	2017									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	70,381,435	32,115,460	3,715,036	2,409,089	5,844,770	5,724,712	1,492,631	3,185,947	7,379,272	8,514,518
Balances with other banks	3,753,954	2,900,514	853,440	-	-	-	-	-	-	-
Lending to financial institutions	48,895,828	30,693,824	16,031,822	2,170,182	-	-	-	-	-	-
Investments	400,733,286	88,313,361	141,257,265	563,870	50,944,397	42,685,741	27,429,507	35,330,676	9,337,145	4,871,324
Advances	400,655,424	160,356,755	50,841,977	30,346,004	11,198,984	11,268,053	34,538,717	44,691,212	42,384,818	15,028,904
Fixed assets	16,155,727	95,943	191,888	287,832	575,665	1,151,330	1,151,330	1,933,501	2,471,713	8,296,525
Intangible assets	1,472,270	22,377	44,753	67,129	134,258	268,516	268,516	666,721	-	-
Assets held for sale	26,821,724	-	26,821,724	-	-	-	-	-	-	-
Other assets	29,958,291	25,824,130	259,023	388,534	1,472,547	1,022,980	247,769	371,653	371,655	-
	998,827,939	340,322,364	240,016,928	36,232,640	70,170,621	62,121,332	65,128,470	86,179,710	61,944,603	36,711,271
<b>Liabilities</b>										
Bills payable	20,882,970	20,882,970	-	-	-	-	-	-	-	-
Borrowings	207,193,686	133,022,666	40,275,497	8,922,666	17,764,270	47,439	114,330	903,120	6,143,698	-
Deposits and other accounts	644,984,967	41,717,866	66,250,697	46,172,955	64,434,526	93,255,558	24,083,612	46,436,649	115,819,121	146,813,983
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	4,991,000	-	1,000	-	1,000	2,000	2,000	4,985,000	-	-
Deferred tax liabilities	3,153,750	-	-	-	3,153,750	-	-	-	-	-
Liabilities directly associated with the assets held for sale	24,759,096	-	24,759,096	-	-	-	-	-	-	-
Other liabilities	27,062,729	8,404,380	668,876	11,821,069	2,918,653	812,438	812,438	1,624,875	-	-
	933,028,198	204,027,882	131,955,166	66,916,690	88,272,199	94,117,435	25,012,380	53,949,644	121,962,819	146,813,983
<b>Net assets</b>	65,799,741	136,294,482	108,061,762	(30,684,050)	(18,101,578)	(31,996,103)	40,116,090	32,230,066	(60,018,216)	(110,102,712)
Share capital	16,075,720	-	-	-	-	-	-	-	-	-
Reserves	18,156,669	-	-	-	-	-	-	-	-	-
Unappropriated profit	24,282,104	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	7,285,248	-	-	-	-	-	-	-	-	-
	65,799,741	-	-	-	-	-	-	-	-	-

Share capital  
Reserves  
Unappropriated profit  
Surplus/(Deficit) on revaluation of assets

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a behavioural study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.







## 47.7 Derivative Risk

The Bank currently deals in derivative instruments namely forward exchange contracts, Interest rate swaps and futures with the principle view to hedge risks associated with interest rates and foreign exchange risk.

"Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio. With respect to forward exchange contracts, the bank offers such products to protect customers from adverse movements in foreign currencies. On a best effort basis, the respective positions are then hedged/matched in the inter-bank market. Open positions, if any, are managed through regulatory and other internal limits that includes Foreign Exchange Exposure Limits and Currency wise NOP Limits.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bond portfolio against interest rate swaps and futures on a periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/ revisited in coordination with Treasury to align the outcomes with established risk parameters.

## 48 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 21, 2019 has announced cash dividend of 15% (2017: 10%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2018 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2019.

## 49 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 21, 2019 by the Board of Directors of the Bank.

## 50 GENERAL

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

President/Chief Executive

Chief Financial Officer

Director

Director

Director



STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2018

S.No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities At Beginning Of Year As At January 01, 2018			Total (5+6+7)		Principal written-off	Mark-up		Other financial relief provided		Total (9+10+11)	Product Name
				Principal	Mark-up	others	Undebited	Debited		Undebited	Debited				
1	Muhammad Anwar, Mouza Behram Sar, P.O. Bahawalnagar, Distt Bahawalnagar.	Muhammad Anwar, CNIC # 31105-53069777-9	Waji Muhammad Bhatti	5	6	7	8	9	10	11	12	13	14	15	
1	Muhammad Puri Sansaran, Tehsil Minchinabad, Distt Bahawalnagar.	Muhammad Anwar, CNIC # 31105-53069777-9	Waji Muhammad Bhatti	2,180	725	-	2,905	2,180	-	872	-	-	3,052	Musalsal Zari Sahulat	
2	Muhammad Yar Khan Kamoka, Chak # 125/6-B, P/O Faqeerwala, The Haroonabad, Distt Bahawalnagar.	Muhammad Yar Khan Kamoka CNIC # 31104-6736705-9	Muhammad Ameer Khan	812	412	-	1,224	812	-	412	-	-	1,224	Musalsal Zari Sahulat	
3	Khizar Hayat, Mouza Loothar, PO Riabzbad, Tehsil Multan Cantt, District Multan.	Khizar Hayat, CNIC # 36303-2897709-7	Khan Muhammad	998	314	-	1,312	998	-	314	-	-	1,312	Musalsal Zari Sahulat	
4	Abdul Qadir, Village Sultan Khan Dahri, Chak # 621, Obhari Sawari, PO Karnal Gnoth, Taluka & Distt Sheheed Benazirabad.	Abdul Qadir, CNIC # 45402-0925904-9	Sulttan Khan	538	208	-	746	538	-	208	-	-	746	Musalsal Zari Sahulat	
5	High Protein Farm Unit 2, Meza Kotah Mejo (Kil) Jameel Singh near Khokhar Kothie, Tehsil Renala Khurd, Dist Okara.	Ashifa Ihsan, CNIC # 35302-6460107-8, Ghulam Qadir Warraich, Rehwal House CB-1275, Mohallah Kashmitaan, Gujranwala.	Khalid Masood Ch & Muhammad Muslim Ch.	1,021	375	-	1,396	1,021	-	375	-	-	1,396	APZS	
6	Alla -ud-din & Ghulam Mohy-ud-din, Street Ch Ghulam Qadir Warraich, Rehwal House CB-1275, Mohallah Kashmitaan, Gujranwala.	Alla -ud-din, CNIC # 34101-9803646-5, Ghulam Mohy-ud-din, CNIC # 34101-4271617-3	Ch Ghulam Qadir Warraich	2,089	2,070	-	4,159	2,139	-	2,070	-	-	4,209	Musalsal Zari Sahulat	
7	Syed Nazar Abbas Sherazi, House No 36-B, Block # 8, Sargodha.	Syed Nazar Abbas Sherazi, CNIC # 38403-6702724-3	Syed Nazar Hussain	1,076	376	-	1,452	741	-	498	-	-	1,239	Musalsal Zari Sahulat	
8	Ghulam Abbas, Basti Khadal Khurd, P.O. Jhrowk Wains, Tehsil Multan Saddar, Distt. Multan.	Ghulam Abbas, CNIC # 36303-0927162-1	Malik Muhammad Hussain	639	211	-	850	639	-	211	-	-	850	Musalsal Zari Sahulat	
9	Asif-Ur-Rehman, Chah Rai Mochi Wala, Mouza Rawani, P.O. Galewal, Tehsil & Distt. Lodhran.	Asif-Ur-Rehman, CNIC # 36203-5765722-9	Abdul Rehman	1,298	367	-	1,665	1,298	-	367	-	-	1,665	Musalsal Zari Sahulat	
10	Pervaiz Shoukat Cheema, Mohallah Katra Mai Near Gali Muzafar Pura, Wazirabad.	Pervaiz Shoukat Cheema, CNIC # 34104-2556183-3	Shaikat Ali Cheema	3,000	1,414	-	4,414	3,000	-	1,414	-	-	4,414	Musalsal Zari Sahulat	
11	Babba Traders, House # 351, Street # 5, Sector 1, Gujranwala Cantt.	Bilal Zia, CNIC # 34101-4056821-7	M. Zia	3,498	2,281	173	5,952	3,498	-	2,188	-	-	2,188	Cash Finance	
12	Muhammad Ashiq Ali, Sohari Road, Mohallah Sabri, Kasur.	Muhammad Ashiq Ali, CNIC # 35102-9056737-5	Raj M	1,039	741	414	2,194	-	-	545	-	-	545	Musalsal Zari Sahulat	
13	Syed Riaz Hussain Shah, Mouza Mian Shadi Sultan P.O Bhuttan Wahan, Tehsil Sadqiqabad, Distt Rahim Yar Khan.	Syed Riaz Hussain Shah, CNIC # 31304-2916026-9	Syed Safdar Hussain Shah	2,124	384	1,390	3,898	-	-	384	-	1,114	1,498	Musalsal Zari Sahulat	
14	First Capital Equities Ltd, 4Th Floor, Lakson Square Building, Building 1, Karachi.	" Mian Ehsan Ul Haq, CNIC # 42301-7045034-9, Ashraf Liaquat Ali Khan, CNIC # 42301-1689550-7, Muhammad Junai, CNIC # 42201-8952064-1 "	" Mian Munawar Ul Haq Late Liaquat Ali Khan Abdul Ghani "	91,342	53,365	-	144,707	-	-	53,365	-	-	53,365	Current Finance	
15	Mehboob Autos, Pakistan Dear Ghazi Khan	Mehboob Ahmed, CNIC # 32102-6985516-7	Ashiq Muhammad	1,725	481	1,438	3,644	-	-	236	858	-	1,094	CF-Hypo	
16	Fine Metal Technology Engineering, Office # 14, 2nd Floor, Rahmat Center, Plot # 71-8/4, Islamabad.	Shagufa Nabeed Asif, CNIC # 37405-4089629-6, Asif Qayyum, CNIC # 37405-5145566-5, Kashif Ijaz, CNIC # 37405-2356878-1	W/O Asif Qayyum, Abdul Qayyum Querashi, Ijaz-Ul-Haq	3,651	3,012	86	6,949	-	-	2,549	-	-	2,549	CF	
17	Rehman International, 147-B1, Wapda Town, Gujranwala.	Mehboob Ur Rehman, CNIC # 34101-1969911-3	Muhammad Rafiq	2,999	668	539	4,206	-	-	643	-	326	969	Current Finance	
18	Shehid Iqbal Iqbalabad, PO Khas, Tehsil & Distt Rahim Yar Khan.	Shahid Iqbal, CNIC # 31303-242023-9	Ch M Iqbal	1,969	939	151	3,059	-	-	939	-	141	1,080	Musalsal Zari Sahulat	

(Rupees in '000)

(Rupees in 1000)

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				Principal	Mark-up	others	Total (5+6+7)		Undebited	Debited	Undebited	Debited		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
19	Arslan Alam, House P-196, Street # 9, Mohallah Fatehabad, Satina Road, Near Iteeraq Garments, Faisalabad.	Arslan Alam CNIC # 33100-1201846-3	M Alam	231	203	-	434	231	-	313	-	-	544	Credit Card
20	Imran Rasool, Chowk Ghaziabad, Chah Koray Store, Multan.	Imran Rasool CNIC # 32304-9271772-9	Niaz Rasool	249	211	-	460	249	-	342	-	-	591	Credit Card
21	Mulazim Hussain, Flat # 4, 24-C, 2nd Floor, 25th Street, Taubted Commercial, DHA, Phase V, Karachi.	Mulazim Hussain CNIC # 36602-1291869-5	Bastir Ahmed	340	122	-	462	449	-	253	-	-	702	Credit Card
22	Riaz Akhtar, House # 99/18, Sh. Mushreet Wali Street, Aqib City Police Station, Hafizabad.	Riaz Akhtar CNIC # 34301-4235661-9	Sheikh Zakaullah	453	180	-	633	458	-	232	-	-	690	Credit Card
23	Mian Moazzam Farooq, House # P-44, Kheyban Colony # 2, Defence Block, Near New Garden Block, Faisalabad.	Mian Moazzam Farooq CNIC # 38401-5349429-3	Mian M Farooq	502	308	-	810	502	-	388	-	-	890	Credit Card
24	Tahir Ahmed, Amir Haseeb Cloth House, Kala Mandi, Near Farooq E Azam Masjid, Multan.	Tahir Ahmed CNIC # 36302-1363295-3	Muhammad Rafiq	424	69	-	493	424	-	88	-	-	512	Personal Loan
25	Ali Rehman Hussain, Ice Animations (Pvt) Ltd, Operations Dept. 1st Floor, Bahria Complex-V, Ch. Khaliq-uz-zaman Road, Girri, near Punjab Chowranji, Karachi.	Ali Rehman Hussain CNIC # 42000-945364-5	Rehan Akhtar Hussain	439	69	-	508	439	-	87	-	-	526	Personal Loan
26	Muhammad Wasif Afzal, Chak # 72 RB, Bahmini wala, post office Khas, Near Janta Masjid Ghousia, Tehsil Jaranwala & Distt. Faisalabad.	Muhammad Wasif Afzal CNIC # 3310484647569	Muhammad Afzal	606	76	-	682	594	-	94	-	-	688	Auto Finance
27	Malik Shah Nawaz, Chak # 151/9-L, Tehsil & District Sahiwal.	Malik Shah Nawaz CNIC # 36502-0759246-9	Malik Abbas Khan	1,999	461	1,140	3,600	-	-	306	-	1,094	1,400	Musalsal Zariie Sahulat
28	Hafiz Muhammad Usman, H # 244, Block H, Sabzar Scheme, Multan Road, Lahore.	Hafiz Muhammad Usman CNIC # 35201-9665263-3	Babu Zulfiqar Ali	616	-	-	616	616	-	-	-	-	616	Car Jirah
29	Hafiz Muhammad Asim Adnan, House # E 19/14, Kalsmir Street, Firdous Park, Ghazi Road Lahore.	Hafiz Muhammad Asim Adnan CNIC # 35201-1615301-5	Muhammad Nazir	699	-	-	699	699	-	-	-	-	699	Car Jirah
30	Malik Muhammad Ali, H # 201, Block-H, Sabzar Scheme Multan Road, Lahore.	Malik Muhammad Ali CNIC # 35202-6321866-1	Malik Muhammad Ilyas	1,011	-	-	1,011	1,011	-	-	-	-	1,011	Car Jirah
31	Faisal Miraj, H # 102, Mehran Block, Alama Iqbal Town, Lahore.	Faisal Miraj CNIC # 35202-2407525-1	Mirajuddin	1,567	-	-	1,567	1,567	-	-	-	-	1,567	Car Jirah
32	Muhammad Naseer, House # 1, St-5, Gumbad Colony, Dars Main Mughalpura, Lahore.	Muhammad Naseer CNIC # 35201-2621466-1	Muhammad Munir	1,657	-	-	1,657	1,657	-	-	-	-	1,657	Car Jirah
33	Muhammad Tanveer Hussain, House # 2630/04, MDA Road, Al Raheem Colony, Multan.	Muhammad Tanveer Hussain CNIC # 36302-4149476-7	Muhammad Rafique	506	-	-	506	506	-	-	-	-	506	Car Jirah
34	Majid Saleem, H # 1, St No.11, Bilal Gunj Near TB Hospital, Lahore.	Majid Saleem CNIC # 35202-5779194-9	Saleem Malik	1,959	-	-	1,959	1,959	-	-	-	-	1,959	Car Jirah
35	Muhammad Alamgir, House # 43/C, Scheme # 2, Block # Z, Gulshan Iqbal, Rehim Yar Khan.	Muhammad Alamgir CNIC # 31903-0429611-3	Muhammad Saadiq	2,363	796	-	3,159	2,363	-	-	-	-	2,363	Musalsal Zariie Sahulat
36	Muhammad Shah Qureshi, Gous Pora Post Office, Taamba, Tehsil Mian Channu.	Muhammad Shah Qureshi CNIC # 36104-2197982-7	Muhammad Murad Shah Qureshi	816	405	-	1,221	816	-	-	-	-	816	Musalsal Zariie Sahulat
37	Zulfiqar Ahmad/Ghulam Muhammad, Kotla Sheikh Naiba, PO Khas, Tehsil & Distt. Kasur.	Zulfiqar Ahmad CNIC # 35102-4712186-9, Ghulam Muhammad CNIC # 35102-9175853	Muhammad Saadique	2,327	866	-	3,193	2,327	866	-	-	-	3,193	Musalsal Zariie Sahulat
38	Muhammad Qaiser, Mouza/Basti Mosa Bahta, P.O Bahawalnagar.	Muhammad Qaiser CNIC # 31101-7900315-7	Muhammad Jahngir	985	264	-	1,249	985	-	-	-	-	985	Musalsal Zariie Sahulat
39	Muhammad Qaiser, Mouza/Basti Mosa Bahta, P.O Bahawalnagar.	Muhammad Qaiser CNIC # 31101-7900315-7	Muhammad Jahngir	732	200	-	932	732	-	-	-	-	732	ATZS
40	Muhammad Javed, Mouza/Basti Mosa Bahta, P.O Bahawalnagar.	Muhammad Javed CNIC # 31101-4255719-3	Muhammad Jahngir	963	258	-	1,221	963	-	-	-	-	963	Musalsal Zariie Sahulat



(Rupees in 000)

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				Principal	Mark-up	others	Total (5+6+7)		Undebited	Debited	Undebited	Debited		
1		3	4	5	6	7	8	9	10	11	12	13	14	15
41	Muhammad Awaiz Maqbool, Wattoo House, Eid Gah Road, House # 155-B, Bahawalnagar.	Muhammad Awaiz Maqbool CNIC # 3101-7554410-1	Maqbool Ahmad	984	124	-	1,108	584	-	-	-	-	584	Musalsal Zari Sahulat
42	Muhammad Ahmad, Basti Padam Paur, Sohail Sino, P.O Chawakla, Tehsil Minchinabad.	Muhammad Ahmad CNIC # 3105-7771329-5	Marzoor Ahmad Khan	1,304	367	-	1,671	904	-	-	-	-	904	Musalsal Zari Sahulat
43	Muhammad Adnan Cheema, Mullahah Guroktha, Tehsil Wazirabad.	Muhammad Adnan Cheema CNIC # 34104-3689527-3	Muhammad Anwer Cheema	3,000	753	-	3,753	3,000	98	-	-	-	3,098	Musalsal Zari Sahulat
44	Muhammad Adnan Cheema, Mullahah Guroktha, Tehsil Wazirabad.	Muhammad Adnan Cheema CNIC # 34104-3689527-3	Muhammad Anwer Cheema	1,499	329	-	1,828	1,499	1	-	-	-	1,500	Musalsal Zari Sahulat
45	Muhammad Naseem Qutab, M & N Poultry Farm, H # 2033, Aslam Khan Street, Mohalla Jandi Haveli, Larkana.	Muhammad Naseem Qutab CNIC # 35301-2001149-3	Haji Allah Yar	2,500	647	-	3,147	2,335	-	-	-	-	2,335	Poultry Zari Sahulat
46	Aseer Abbas Syed Raza Hussain Shah, Chak # 10/B Doioowala, Tehsil Chinnot, Dist Jhang.	Aseer Abbas CNIC # 33201-8540744-3	Syed Riaz Hussain Shah	2,000	1,456	58	3,514	-	-	514	-	-	514	Musalsal Zari Sahulat
47	Amir Merga Halrenalakhurd, Dist Okara, Renaalkhurd.	Dil Muhammad CNIC # 35303-3786218-7	Anamat Ali	297	222	-	519	47	517	-	-	-	564	Credit Card
48	Leisure Textiles.	Azhar Iqbal CNIC # 35200-456813-9, Azeem Zafar CNIC # 91506-0128909-7	Ch. Muhammad Iqbal, Zafar Iqbal Chaudhary	43,758	225	-	43,983	4,181	-	225	-	-	4,406	ERF & TF
49	Rehman Mehboob Co. East Canal Road, Madina Town, Faisalabad.	Fazal Muhammad Khan (late) CNIC # 33100-5815092-9	Ch. Bajay Khan	18,156	481	11,807	30,444	-	-	-	8,444	-	8,444	CF Hypo/ Lease
50	Sheikh Pesticide Corporation, House # 55 Block F, New Milad Chowk Christian Dist, Bahawalnagar.	Shiekh Azrullah CNIC # 31102-6806652-9	Ahmed Din	4,993	554	991	6,538	-	-	554	-	-	1,438	CF-Hypo
51	PF International, 760-F, Shah Rukn-e-Alam Colony, Multan.	Muhammad Asif Arshad CNIC # 36302-523731-1, Hassnain Raza CNIC # 36302-0642270-1	Muhammad Arshad	4,997	548	1,318	6,863	-	-	411	-	779	1,190	CF-Hypo
52	Village Kot Hakim Ali, Chak # 74/21, P.O. Syed Wala The & Dist Nankana Sahib.	Shahbaz Sharief Ch. CNIC # 35402-3865169-9	Muhammad Sharif	1,499	834	245	2,578	-	-	448	-	92	540	CF-(Agrim)
53	Muhammad Abdul Latif, A-38, Block-1, Gulshan-e-Iqbal, Near Caltex Pump, Karachi.	Muhammad Abdul Latif CNIC # 47201-2140727-1	Muhammad Abdul Raouf	439	101	-	540	439	330	-	-	-	769	Credit Card
54	Atiq ur Rehman, Village Nol Pig, Post Office # 12/GD, Tehsil & Dist Okara.	Atiq ur Rehman CNIC # 353021907825	Habib Ur Rehman	907	58	-	965	907	58	-	-	-	965	Auto Finance
55	Aftab Aslam, Malik Aslam & Company, New Sabzi Mandi Khanpur & Dist Rahim Yar Khan.	Aftab Aslam CNIC # 313015602307	Muhammad Aslam	1,048	83	-	1,131	1,048	83	-	-	-	1,131	Auto Finance
56	Sh. Shahid, Shop # 15-B Situated Of Muslim Bazar Gujrat.	Sh. Shahid Asghar CNIC # 34201-1179103-3	Sh. M Asgher	977	982	91	2,050	-	-	554	-	45	599	CF-Hypo
57	Devan Syed Muhammad Zulqarnain Sheh. Mouza Alipur, Tehsil Jalalpur Pirwala, District Multan.	Muhammad Zulqarnain Bukhari CNIC # 35701-1598211-7	Devan Ashiq Hussain Bukhari	986	677	330	1,993	-	-	400	-	193	593	Musalsal Zari Sahulat
58	Suzuki Multan Motors, 348 Khanewal Road, Multan	Muhammad Sohail CNIC # 36302-4910205-5	Haji Muhammad Ashraf	1,685	642	319	2,646	-	-	584	319	-	903	CF Hypo
59	Jamil Janshad & Brothers, Chowk BCG Bahawalpur Road, Multan	Muhammad Jamil CNIC # 36302-5188528-3, Muhammad Janshad Waqas CNIC # 36302-7053729-1, Muhammad Akhtar CNIC # 36302-6451359-7	Bashir Ahmed, Haji Muhammad Baksh, Malik Raab Nawaz	9,855	3,318	20,851	34,024	9,855	-	3,318	-	-	34,024	CF Pledge & CF Hypo
60	Marral Fiber Mills Pvt Ltd, 22-C-ATE Industrial Estate, Multan	Muhammad Tariq Javed CNIC # 36302-8399251-7, Nasir Javed Khan CNIC # 36302-0607098-3	Ghulam Rasool Khan, Ghulam Rasool Khan	8,034	6,561	5,802	20,397	8,034	-	6,561	-	-	20,397	CF Pledge
61	Nasir Brothers Cotton Ginners, Shainal Station, Tehsil & Dist Lodhran	Nasir Javed Khan CNIC # 36302-0607098-3, Muhammad Tariq Javed CNIC # 36302-8399251-7	Ghulam Rasool Khan, Ghulam Rasool Khan	11,205	8,818	7,383	27,406	11,205	-	8,818	-	-	27,406	CF Pledge/Hypo/Tr
62	Sohail Ahmed, House-E13/15 Street # 7, Islam Nagar, Walton Lahore.	Sohail Ahmed CNIC # 35202-6138809-9	Ghulam Sarwar Khokhar	1,054	559	41	1,654	1,054	559	-	41	-	1,654	Car Ijarah

(Rupees in '000)

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				Principal	Mark-up	others	Total (5+6+7)		Undebited	Debited	Undebited	Debited		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
63	Mirza Ashraf Baig, House # 23, Qadir Street, Hussain Park, Harbaspura Lahore.	Mirza Ashraf Baig CNIC # 35202-0378417-3	Shareef Baig	1,113	149	90	1,352	1,113	149	90	-	-	1,501	Car Ijarah
64	Muhammad Najaf, House # 251, C-Block, Marghazar Colony, Multan Road, Lahore	Muhammad Najaf CNIC # 35404-7506287-7	Chaudhary Imdad Hussain	526	1,287	68	1,881	526	1,287	-	68	-	1,881	Car Ijarah
65	Muhammad Mueen Asif, House # 201, Block - H, Sabzar, Lahore.	Muhammad Mueen Asif CNIC # 35202-2954997-1	Muhammad Asif	821	912	124	1,857	821	912	-	124	-	1,857	Car Ijarah
66	Qasim Khan, House # 23, Street # 55, Touheedabad Olla Muhammad, Lahore.	Qasim Khan CNIC # 35202-0522551-7	Rasheed Khan	462	1,504	73	2,039	462	1,504	-	73	-	2,039	Car Ijarah
67	Muhammad Rizwan, P-166, Street # 2, Batala Colony, Saitana Road, Faisalabad.	Muhammad Rizwan CNIC # 36101-0786206-7	Mubarak Ali	842	590	41	1,473	842	590	-	41	-	1,473	Car Ijarah
68	Chowk, Taj Colony, Sarogatha Road, Faisalabad.	Adnan Ali Pervaiz CNIC # 33100-5229206-3	Mian Muhammad Ali Pervaiz	690	279	83	1,052	690	279	-	83	-	1,052	Car Ijarah
69	Shehzad Zia, F-3, Gulshan Park, Lal Puli, Mughalpura, Lahore.	Shehzad Zia CNIC # 35201-6137687-3	Muhammad Yousaf	471	1,234	77	1,782	471	1,234	-	77	-	1,782	Car Ijarah
70	Muhammad Faheem Ilyas, House # 25, Sardar Street, Near College Road, Samanabad, Lahore	Muhammad Faheem Ilyas CNIC # 35201-1842344-5	Muhammad Ilyas	435	575	27	1,037	435	575	-	27	-	1,037	Car Ijarah
71	Jamal Ali, H # 5, St # 1, Farooq-e-Azam Block Al-noor Colony, Raja Town, Khama, Islamabad.	Jamal Ali CNIC # 37405-0807384-1	Munawar Rashid	45	1,236	28	1,309	45	1,236	-	28	-	1,309	Car Ijarah
72	Khalid Yaseen Khan Lodhi, H # 594, St # 44, Ground Floor, G-10/4, Islamabad.	Khalid Yaseen Khan Lodhi CNIC # 35403-9779380-3	Muhammad Yasin Khan	516	130	27	673	516	130	-	27	-	673	Car Ijarah
73	Noman Iqbal, H # 326/D, Mumtiazabad Goal Pote, Multan.	Noman Iqbal CNIC # 36302-7300421-3	Muhammad Iqbal	281	1,357	37	1,675	281	1,357	-	37	-	1,675	Car Ijarah
74	Muhammad Farman, Al Noor Street, Itefaq Colony, Bosan Road, Multan.	Muhammad Farman CNIC # 36302-9646847-7	Rana Muhammad Luqman	169	1,782	49	2,000	169	1,782	-	49	-	2,000	Car Ijarah
75	Muhammad Hussain, House # 266/W/10- Mohalla Sutrawat, Tughlaq Road, Chowk Ghanta Ghar, Multan.	Muhammad Hussain CNIC # 36302-0488279-9	Muhammad Anwar	98	1,658	27	1,783	98	1,658	-	27	-	1,783	Car Ijarah
76	Malik Waqar Khan Ghari, Malik Ahmed, Landi Arbab Tehsil & District Peshawar.	Malik Waqar Khan CNIC # 17301-4128757-3	Malik Hayat Khan	-	397	832	1,229	-	-	-	-	828	Car Ijarah	
77	Sohail Ahmed, Plot # 201-B, Sector AG, Phase II, Defence Housing Authority, Islamabad.	Sohail Ahmed CNIC # 610101-3054807-9	Khalil Ahmed Sharer	1,334	628	415	2,377	-	-	652	-	309	961	Home Musharakah
78	Moinuddin, House # 202, Block E, Phase IV, DHA, Lahore.	Moin Ud Din CNIC # 35202-2755886-7	Amin ud Din	2,232	775	1,203	4,210	-	-	768	-	1,202	1,970	Home Musharakah
79	Syed Jawad Haider / Shumaila Jawad, House # 110, Block DD, Phase IV, DHA, Lahore.	Syed Jawad Haider / Shumaila Jawad CNIC # 35201-1584552-5	Syed Sajjad Haider	1,122	602	1,118	2,842	-	-	583	-	1,116	1,699	Home Musharakah
80	Nisar Ahmed, House # 282, Lane 3, Aslam Shahed Road, Tusi Road, Lalazar, Rawalpindi.	Nisar Ahmed CNIC # 37101-4775472-5	Muhammad Saaliq	473	1,425	939	2,837	-	-	673	-	939	1,612	Home Musharakah
81	Umer Aziz Rana, House # 287-N, Model Town Extension, Lahore.	Umer Aziz Rana CNIC # 35200-0797766-3	Abdul Aziz Rana	452	26	-	478	452	86	-	-	-	538	Personal Loan
82	Muhammad Harris, Flat # A-901, 9th Floor, Bismillah Towers, Gulistan-e-Johar, Block-10, Near Nawaz Sharif Scheme & PIA Housing Society, Karachi.	Muhammad Harris CNIC # 42101-8056349-1	Farhat Ali	456	28	-	484	447	93	-	-	-	540	Personal Loan
83	Hassan Jali, 248-J, Street # 13, Phase-V, DHA, Lahore.	Hassan Jali CNIC # 35202-5060427-7	Qadir Ali Jali	1,000	50	-	1,050	1,000	197	-	-	-	1,197	Personal Loan
84	Qaiser Ali, House # 32, Ghazi Line, Zheer Villaz in Military Accounts Society, College Road, Lahore.	Qaiser Ali CNIC # 35202-6854509-9	Qurban Ali	461	-	-	461	461	91	-	-	-	552	Personal Loan
85	Ch Asif Sardar, 189-A/1 Block, Johar Town, Lahore.	Ch Asif Sardar CNIC # 35401-1659488-1	Ch Sardar Muhammad	365	44	-	409	355	311	-	-	-	666	Credit Card
86	Abdul Malik, House # 192/2, Block-B, Khudabad Colony, Karachi.	Abdul Malik CNIC # 42301-0943202-9	Muhammad Saleem	810	9	-	819	1,038	429	-	-	-	1,467	Credit Card



(Rupees in 000)

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				Principal	Mark-up	others	Total (5+6+7)		Undebited	Debited	Undebited	Debited		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
63	Mirza Ashraf Baig, House # 23, Qadir Street, Hussain Park, Harbanspura Lahore.	Mirza Ashraf Baig CNIC # 35202-0378417-3	Shareef Baig	1,113	149	90	1,352	1,113	149	149	90	-	1,501	Car Ijarah
64	Muhammad Najaf, House # 251, C-Block, Marghazar Colony, Multan Road, Lahore	Muhammad Najaf CNIC # 35404-7506287-7	Chaudhary Imdad Hussain	526	1,287	68	1,881	526	1,287	-	68	-	1,881	Car Ijarah
65	Muhammad Mueen Asif, House # 201, Block - H, Sabzazar Lahore.	Muhammad Mueen Asif CNIC # 35202-2954997-1	Muhammad Asif	821	912	124	1,857	821	912	-	124	-	1,857	Car Ijarah
66	Qasim Khan, House # 23, Street # 55, Toureedabad Qila Muhammadi, Lahore.	Qasim Khan CNIC # 35202-0522551-7	Rasheed Khan	462	1,504	73	2,039	462	1,504	-	73	-	2,039	Car Ijarah
67	Muhammad Rizwan, P-166, Street # 2, Batala Colony, Saitana Road, Faisalabad.	Muhammad Rizwan CNIC # 36101-0786206-7	Mubarak Ali	842	590	41	1,473	842	590	-	41	-	1,473	Car Ijarah
68	Adnan Ali Pervaiz, P-124, St # 5, Bismillah Chowk, Taji Colony, Sarogotha Road, Faisalabad.	Adnan Ali Pervaiz CNIC # 33100-5722906-3	Mian Muhammad Ali Pervaiz	690	279	88	1,052	690	279	-	88	-	1,052	Car Ijarah
69	Shahzad Zia, F-3, Gulshan Park, Lal Puli, Mughalpur, Lahore.	Shahzad Zia CNIC # 35201-6137687-3	Muhammad Yousaf	471	1,234	77	1,782	471	1,234	-	77	-	1,782	Car Ijarah
70	Muhammad Faheem Ilyas, House # 25, Sardar Street, Near College Road, Samanabad, Lahore	Muhammad Faheem Ilyas CNIC # 35201-1842314-5	Muhammad Ilyas	435	575	27	1,037	435	575	-	27	-	1,037	Car Ijarah
71	Jamal Ali, H # 5, St # 1, Farooq-e-Azam Block Al-noor Colony, Raja Town Khenna, Islamabad.	Jamal Ali CNIC # 37405-0807384-1	Munawar Rashid	45	1,236	28	1,309	45	1,236	-	28	-	1,309	Car Ijarah
72	Khalid Yaseen Khan Lodhi, H # 594, St # 44, Ground Floor, G-10/4, Islamabad.	Khalid Yaseen Khan Lodhi CNIC # 35403-9799380-3	Muhammad Yasin Khan	516	130	27	673	516	130	-	27	-	673	Car Ijarah
73	Noman Iqbal, H # 32/6/D, Mumtazabad Goal Ploze, Multan.	Noman Iqbal CNIC # 36302-7300421-3	Muhammad Iqbal	281	1,357	37	1,675	281	1,357	-	37	-	1,675	Car Ijarah
74	Muhammad Farman, Al Noor Street, Itefaq Colony, Bosan Road, Multan.	Muhammad Farman CNIC # 36302-9648147-7	Rana Muhammad Luqman	169	1,782	49	2,000	169	1,782	-	49	-	2,000	Car Ijarah
75	Muhammad Hussain, House # 266/W/10- Mohalla Sutritwatt, Tughlaq Road, Chowk Ghanta Ghar, Multan.	Muhammad Hussain CNIC # 36302-0488279-9	Muhammad Anwar	98	1,658	27	1,783	98	1,658	-	27	-	1,783	Car Ijarah
76	Malik Waqar Khan Ghari Malik Ahmed, Landi Arbab Tehsil & District Peshawar.	Malik Waqar Khan CNIC # 17301-4128757-3	Malik Hayat Khan	-	397	832	1,229	-	-	-	-	828	828	Car Ijarah
77	Sohail Ahmed, Plot # 201-B, Sector AC, Phase II, Defence Housing Authority, Islamabad.	Sohail Ahmed CNIC # 61001-3054807-9	Khalil Ahmed Sharer	1,334	628	415	2,377	-	-	652	-	309	961	Home Musharakah
78	Moinuddin, House # 202, Block E, Phase IV, DHA, Lahore.	Moin Ud Din CNIC # 35202-2755888-7	Amin ud Din	2,232	775	1,203	4,210	-	-	768	-	1,202	1,970	Home Musharakah
79	Syed Jawad Haider / Shumaila Jawad, House # 110, Block DD, Phase IV, DHA, Lahore.	Syed Jawad Haider/Shumaila Jawad CNIC # 35201-1584552-5	Syed Sajjad Haider	1,122	602	1,118	2,842	-	-	583	-	1,116	1,699	Home Musharakah
80	Nisar Ahmed, House # 282, Lane 3, Aslam Shaheed Road, Tuisi Road, Lalazar, Rawalpindi.	Nisar Ahmed CNIC # 37101-175472-5	Muhammad Sadiq	473	1,425	939	2,837	-	-	673	-	939	1,612	Home Musharakah
81	Umer Aziz Rana, House # 287-N, Model Town Extension, Lahore.	Umer Aziz Rana CNIC # 35200-0797766-3	Abdul Aziz Rana	452	26	-	478	452	86	-	-	-	538	Personal Loan
82	Muhammad Harris, Flat # A-901, 9th floor, Bismillah Towers, Gulistan-e-Johar, Block-10, Near Nawaz Sharif Scheme & PIA Housing Society, Karachi.	Muhammad Harris CNIC # 42101-8056349-1	Farhat Ali	456	28	-	484	447	93	-	-	-	540	Personal Loan
83	Hassan Jilil, 248-J, Street # 13, Phase-V, DHA, Lahore.	Hassan Jilil CNIC # 35202-5060427-7	Qadir Ali Jilil	1,000	50	-	1,050	1,000	197	-	-	-	1,197	Personal Loan
84	Qaiser Ali, House # 32, Ghazi Line, Zabeer Villaz in Military Accounts Society, College Road, Lahore.	Qaiser Ali CNIC # 35202-8854509-9	Qurban Ali	461	-	-	461	461	91	-	-	-	552	Personal Loan
85	Ch Asif Sardar, 185-A/1 Block, Johar Town, Lahore.	Ch Asif Sardar CNIC # 35401-1859488-1	Ch Sardar Muhammad	365	44	-	409	355	311	-	-	-	666	Credit Card
86	Abdul Malik, House # 192/2, Block-B, Khudabad Colony, Karachi.	Abdul Malik CNIC # 42301-0943202-9	Muhammad Saleem	810	9	-	819	1,038	429	-	-	-	1,467	Credit Card

(Rupees in 1000)

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				Principal	Mark-up	others	Total (5+6+7)	Undebited		Debited	Undebited	Debited			
				5	6	7	8	9	10	11	12	13	14		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
87	Syed Mubashir Ali Zaidi, B-156, Block#13, Federal B Area near Water Pump, Karachi.	Syed Mubashir Ali Zaidi CNIC # 42101-2355338-3	Syed Mubashir Ali Zaidi	411	-	-	411	433	329	-	-	-	762	Credit Card	
88	Adnan Muhammad Ali, House # P-74/2, Block # 4, Gulshan-e-Iqbal near Patel Hospital, Karachi.	Adnan Muhammad Ali CNIC # 42101-2471460-3	Syed Aisar Ali	349	25	-	374	375	176	-	-	-	551	Credit Card	
89	Pearl Dressini/S Pearl Dress, Street # 10, New Bero Bazar, Faisalabad.	Hamad Raza CNIC # 33100-2337288-5	Shahid Hussain	2,080	37	728	2,845	-	-	36	-	728	764	AMF-3	
90	Shahzad Khan, Plot bearing Kasra # 1810/2, Landi Arbab Ring, Kohat Road Peshawar.	Shahzad Khan CNIC # 17301-7706489-3	Alif Gul	474	209	615	1,298	-	-	-	-	615	615	Current Finance	
91	Asian Traders00, Shalimar Colony, Bosan Road, Multan.	Muhammad Khalid Saeed CNIC # 36302-3606220-3	Muhammad Saeed Shokat	-	875	296	1,171	-	-	437	-	284	721	Current Finance	
92	Muhammad Arshad, House # 8, Gulberg Colony, Block C, Near Bilal Park, Faisalabad.	Muhammad Arshad CNIC # 33100-0277492-9	Nawab Deen	1,083	207	609	1,899	-	-	160	-	489	649	Musalsal Zari Sahulat	
93	Sardar Khan & Muhammad Khan, Chak # 51/A, P.O Chani Ghothi, Tehsil Liaquepur, District Rahim Yar Khan.	Sardar Khan CNIC # 31302-5871876-5, Muhammad Khan # 31302-9509509-3	Karamat Ali	1,280	462	-	1,742	1,280	525	-	-	-	1,805	Musalsal Zari Sahulat	
94	Sabir Hussain, Bosti Peer Abdul Sattar Kot Bahawalnagar.	Sabir Hussain CNIC # 31101-1650132-3	Muhammad Arif	418	282	-	700	418	282	-	-	-	700	Musalsal Zari Sahulat	
95	Zaher Sattar, Chishtian Park Colony, S.H # 4, Tehsil Chishtian, Distt Bahawalnagar.	Zaher Sattar CNIC # 3102-1473469-5	Abdul Sattar	1,321	675	-	1,996	1,261	675	-	-	-	1,936	Musalsal Zari Sahulat	
96	Jabir Hussain, Chak # 511EB, Tehsil Burewala Distt, Vehari.	Jabir Hussain CNIC # 36601-7973173-9	Noor Din	500	135	-	635	500	160	-	-	-	660	Musalsal Zari Sahulat	
97	Khawaja Noor Muhammad, Chak # 98 EB, Tehsil Burewala Distt, Vehari.	Khawaja Noor Muhammad CNIC # 36601-2094958-9	Khawaja Ghulam Siddique	1,032	224	-	1,256	1,032	275	-	-	-	1,307	Musalsal Zari Sahulat	
98	Ejaz Ahmed, Shah/Sanjari Saigan, P.O Shadan Lound, Tehsil Tausa, Distt. D.G. Khan.	Ejaz Ahmed Shah CNIC # 32103-2752131-5	Nazar Hussain Shah	754	421	-	1,175	754	421	-	-	-	1,175	Musalsal Zari Sahulat	
99	Ahmad Hussain/Altaf Hussain/Baqir Hussain, Mouza Sheikh Mahin P.O Khas Khairpur, Tamewali Distt, Bahawalpur.	Ahmad CNIC # 31204-7938132-5, Altaf CNIC # 31204-1425451-7, Baqir CNIC # 31204-8663635-9	Atta Muhammad	3,399	-	-	3,399	3,399	-	-	-	-	3,399	Musalsal Zari Sahulat	
100	Ali Hasnain/Mouza Mareempur, Tehsil Dist Nankana.	Ali Hasnain CNIC # 35402-1999270-3	Rai Muhammad Khan	898	8	-	906	898	8	-	-	-	906	Musalsal Zari Sahulat	
101	Malik Dost Muhammad/Mouza Jhangar Awana, 1805240-1, Tehsil Jaranwala, Faisalabad.	Malik Dost Muhammad CNIC # 33104-1805240-1	Malik Ahmad Khan	651	91	-	742	651	91	-	-	-	742	Musalsal Zari Sahulat	
102	Muhammad Shakeel Shah, Village Ghaus Pur Qureshian, Tehsil Mian Channu, Distt, Khanewal.	Muhammad Shakeel Shah CNIC # 36104-70272903	Muhammad Shah Qureshi	1,997	860	-	2,857	1,997	1,002	-	-	-	2,999	Musalsal Zari Sahulat	
103	Mirza Zulfiqar, House # 161, Employees Housing Society, Sindh Agri University, Jamshoro.	Mirza Zulfiqar CNIC # 41204-3794170-7	Ghulam Hussain Mirza	1,200	164	-	1,364	1,200	164	-	-	-	1,364	Musalsal Zari Sahulat	
104	Syed Hadi Hassan Shah, Mouza Bakhu Shah, Tehsil Depalpur, District Okara.	Syed Hadi Hassan Shah CNIC # 35301-6734891-1	Syed Malik Shah	1,507	986	-	2,493	1,157	1,085	-	-	-	2,242	Musalsal Zari Sahulat	
105	Israr Zafar, Chak Bhabhar, P.O Paka Sadha, Tehsil & Distt, Pakpattan.	Israr Zafar CNIC # 36402-6953762-5	Mian Zafar Rasheed	1,600	238	-	1,838	1,600	238	-	-	-	1,838	Musalsal Zari Sahulat	
106	Shahid Hussain Khadaj, Mauza Khadaj, P.O Jhok Wains, The & Distt Multan.	Shahid Hussain Khadaj CNIC # 36302-0359615-1	Malik Muhammad Hussain Khadaj	1,175	295	-	1,470	675	352	-	-	-	1,027	Musalsal Zari Sahulat	
107	Muhammad Bilal, Bosti Khairu Deh, P.O Same Tehsil Hasilpur Distt, Bahawalpur.	Muhammad Bilal CNIC # 31203-4723329-3	M. Amin	1,500	3	666	2,169	-	-	-	-	569	569	Musalsal Zari Sahulat	
108	S Basharat Nabi & Sons, Gorahi, 5KM, G.T Road, Gujrat.	"Sh Basharat Nabi Chief Executive CNIC # 34201-4867796-3, Sh Faisal Nabi/Director CNIC # 34201-6287858-5"	Wazeer Nabi Sh Basharat Nabi	510	181	-	691	510	181	-	-	-	872	CF	
109	Riaz Ahmed, Shop F-29, First Floor Gulf Center, Rawalpindi.	Riaz Ahmed CNIC # 37405-1808841-9	Guizar Ahmed	2,049	1,535	86	3,670	-	-	1,333	-	-	1,619	Current Finance	





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				Principal	Mark-up	others	" total (5+6+7) "	Undebited	Debited	Undebited	Debited	Undebited	Debited		
1		3	4	5	6	7	8	9	10	11	12	13	14	15	
110	Muhammad Baran Khan, Mouza Basti Loothar, P.O Raizabad, Tehsil & District Multan.	Muhammad Baran Khan CNIC # 36302-1259703-9	Tufail Ahmed Khan	1,400	2,301	95	3,796	-	-	1,127	-	-	1,127	Musalsal Zariie Sahulat	
111	Muhammad Ajmal Khan, Mouza Basti Loothar, P.O Raizabad Tehsil & District Multan.	Muhammad Ajmal Khan CNIC # 36303-4783896-1	Tufail Ahmed Khan	2,311	2,892	143	5,346	-	-	1,346	-	-	1,346	Musalsal Zariie Sahulat	
112	Jamshaid Ali, Karamwali Dak khana Mangaa Warkan, Dist. Sheikhpura.	Jamshaid Ali CNIC # 35404-7427354-9	Muhammad Ashraf	1,289	625	-	1,914	-	504	-	-	-	504	Staff House Loan	
113	Abdul Rashid, Khawat 178, Khatooni Zil, Khaisra 96/4/548 Shalimar Town, Dera Ismail Khan.	Abdul Rashid CNIC # 12101-6923932-5	Siraj Din	4,499	941	325	5,765	-	-	940	-	325	1,265	Current Finance	
114	Syed Abbas Ali, Street # 2, Ghulam Hussain Colony, 24KM Ferozpur Road, Lahore.	Syed Abbas Ali CNIC # 35202-2223765-5	Syed Talib Hussain Shah	2,000	327	1,181	3,508	-	-	247	-	918	1,165	AKF	
115	Ghazanfar Amin, Mouza Bera Saiwar Khan, P.O. Dunag Bunga, Tehsil & Dist. Bahawalnagar.	Ghazanfar Amin CNIC # 31101-5825954-3	Muhammad Amin	1,496	942	626	3,064	-	-	942	-	122	1,064	Musalsal Zariie Sahulat	
116	Safdar Ali & Zainab, Ward # 1, Salarey, Tehsil Chinnot, Dist. Faisalabad.	Safdar Ali CNIC # 33201-8293083-9, Zainab CNIC # 33201-2851659-2	Sultan Marhoon	796	25	609	1,430	-	-	25	-	555	580	Musalsal Zariie Sahulat	
117	Nisar Ahmad, Chak # 19, J.B. Kadookay, Tehsil Chak Lumra, Dist. Faisalabad.	Nisar Ahmad CNIC # 33101-8120694-7	Gul Sier Khan	2,000	412	831	3,243	-	-	200	-	543	743	CF-(Agrim)	
118	Shahid Naveed, Street # 14, Mazhar Fareed Colony, Sadiqabad.	Shahid Naveed CNIC # 31304-0717282-9	Faqeer Muhammad	-	510	-	510	-	-	510	-	-	510	Car Ijarah	
119	Ch. Shakeel Ahmad, 234-C, Gulshan-e-Ravi, Lahore.	Ch. Shakeel Ahmad CNIC # 35202-6912195-5	Ch. Khushi Muhammad	-	847	-	847	-	-	847	-	-	847	Car Ijarah	
120	Malik Haroon Tabrez, H.No. NE252/G, Street # 4, Chaman Zar Colony, Rawalpindi.	Malik Haroon Tabrez CNIC # 37405-0162672-1	Malik Amjad Tabrez	413	756	61	1,230	413	-	756	61	-	1,230	Car Ijarah	
121	Aftab Alam, House # 15/A Block E, New Sabzi Mandi, Peshawar.	Aftab Alam CNIC # 21202-1349852-1	Syed Wali	439	864	66	1,369	439	-	864	66	-	1,369	Car Ijarah	
122	Mohsin Khalid, House # 22, Street # 21, College Street, Marzi pura, Ravi Road, Lahore.	Mohsin Khalid CNIC # 35202-1047894-9	Khalid Hussain	441	975	66	1,482	441	-	975	66	-	1,482	Car Ijarah	
123	Pir Amin Khan, House # 34, Street 10 Sector E2, Phase 1, Hayatabad, Peshawar.	Pir Amin Khan CNIC # 17301-384674-9	Pir Qasir Khan	45	1,048	7	1,100	45	-	1,048	7	-	1,100	Car Ijarah	
124	Muhammad Riaz, Bahawalpur Road, Ram Kali Near Dr. Jabbar Clinic, Multan.	Muhammad Riaz CNIC # 36304-1391722-9	Abdul Razaq	-	1,370	-	1,370	-	-	1,370	-	-	1,370	Car Ijarah	
125	Naseem Javid, House # 248, Sier Muhammad village, Hawksbay Road Near Sultan Alish Masjid, Karachi.	Naseem Javid CNIC # 45402-7262812-5	Gulab Khan	356	1,779	13	2,148	356	-	1,779	13	-	2,148	Car Ijarah	
126	Abdul Razzak, Flat # 27, 5Th Floor, Ababil Mension, Bantwa Street, Near MCB Lee Market, Karachi	Abdul Razzak CNIC # 42301-7387205-9	Saleh Muhammad	-	-	-	-	300	248	-	-	-	548	Credit Card	
127	Muhammad Bilel, House # 3, Street # 1, China Street, Town, Mirdike	Muhammad Bilel CNIC # 35401-9580271-1	Munir Ahmad	337	121	-	458	337	-	260	-	-	597	Credit Card	
128	Ghulam Nabi, House # 7, G-Block, State Life Housing Society, D.H.A, Phase-V, Lahore	Ghulam Nabi CNIC # 35202-2058478-7	Magbool Ahmad	438	41	-	479	390	-	342	-	-	732	Credit Card	
129	Omar Farooq Ch, 139-B, Model Town, Gujranwala	Omar Farooq Ch CNIC # 34101-2505788-7	Farooq Toseef	30	3	-	33	399	-	498	-	-	897	Credit Card	
130	Shahid Ahmed, House # 18/11, J Street, Off Khayaban-E-Muhatif, Phase-VI, D.H.A., Karachi	Shahid Ahmed CNIC # 42301-1495869-5	Mohammed Shafiq	442	-	-	442	491	-	237	-	-	728	Credit Card	
131	Muhammad Rafiq, Main Canal Road Near Gujrat University Campus Qasr e Shahi Shadi Hall Harbanspura, Lahore	Muhammad Rafiq CNIC # 3520196941605	Malik Ahmed Din	709	18	-	727	688	-	62	-	-	750	Auto Finance	
132	Raja Amer Azad, NW-653, Saiduip Scheme-1, Near, Rasheed Nursing Home, Rawalpindi	Raja Amer Azad CNIC # 6110145893699	Raja Muhammad Azad	1,088	17	-	1,105	1,088	-	82	-	-	1,170	Auto Finance	

(Rupees in '000)

S.No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities At Beginning Of Year As At January 01, 2018				Principal written-off	Mark-up		Other financial relief provided		Total (9+10+11)	Product Name
				Principal	Mark-up	others	Total (5+6+7)		Undebited	Debited	Undebited	Debited		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
133	Nadeem Mohsin Address: House No. 1058, Street No. 8, Islamia Park, Chuban, Near Niaz Chowk, Faisalabad	Nadeem Mohsin CNIC # 33100-0645631-9	Bashir Ahmad	733	18	-	751	715	142	-	-	-	857	Personal Loan
134	Huma Faraz, H. # 2017, Khayaban-e-Hilal, Phase-VI, DHA, Near 26th Street KFC, Karachi Town, Lahore	Huma Faraz CNIC # 36502-9555453-6	Faraz Hafeez	491	-	-	491	478	85	-	-	-	563	Personal Loan
135	Bilal Hassan, House # 245, Block R, Johar Town, Lahore	Bilal Hassan CNIC # 36103-3881687-3	Ali Muhammad	568	47	-	615	510	-	-	-	-	510	Personal Loan
136	Fakhar Zaman, Jaman Shah Tehsil Arif Wala, House No 5/40 F, Mandi Sadiq Gunj Tehsil Minchinabad & Distt Bahawalnagar	Fakhar Zaman CNIC # 36401-2169879-3	Bashir Ahmad	1,001	467	-	1,468	1,001	516	-	-	-	1,517	Musalsal Zariie Sahulat
137	Muhammad Mushaq, Ward # 5, Suhiera House, House No 5/40 F, Mandi Sadiq Gunj Tehsil Minchinabad & Distt Bahawalnagar	Muhammad Mushaq CNIC # 31105-2591242-1	Muzaffar Khan	1,336	812	-	2,148	1,336	812	-	-	-	2,148	Musalsal Zariie Sahulat
138	Abdul Sattar, Chak # 96/6R, P/O Chak # 97/6R, Tehsil Haroonabad & Distt Bahawalnagar	Abdul Sattar CNIC # 31104-1702897-1	Manzoor Ahmad	1,677	599	-	2,276	1,677	599	-	-	-	2,276	Musalsal Zariie Sahulat
139	Muzaffar Abbas, Mouza Bukhtarian, Chiniot	Muzaffar Abbas CNIC # 33201-9677650-3	Muhammad Fazal	1,500	393	-	1,893	1,100	393	-	-	-	1,493	AZMS
140	Muhammad Akram, Dawokay Khurd, Post Office Pero Chuk, Tehsil Dasoka, District Sialkot	Muhammad Akram CNIC # 34601-9820533-9	Ali Muhammad	999	201	-	1,200	999	201	-	-	-	1,200	AMZ
141	Rao Muhammad Aslam, Mouza Wah Salamat, Rai T/O Lodhran	Rao Muhammad Aslam CNIC # 36203-1808131-3	Neimat Ali	-	-	-	-	449	129	-	-	-	578	Musalsal Zariie Sahulat
142	Muhammad Nauman Hameed, Dogar House Mohallah Nai Basti, Khan Garh Tehsil & District Muzaffargarh	Muhammad Nauman Hameed CNIC # 32304-4259141-1	Muhammad Guftaar Hameed	2,462	-	-	2,462	2,066	616	-	-	-	2,682	Musalsal Zariie Sahulat
143	Zakir Hussain, Chak # 49/2-R, Tehsil & District Okara	Zakir Hussain CNIC # 35302-1983991-3	Khadim Hussein	1,280	202	-	1,482	980	263	-	-	-	1,243	Musalsal Zariie Sahulat
144	Raees Ahmed, Mouza Loothar Riabzabad, Multan	Raees Ahmed CNIC # 36302-9330671-7	Ch Mushaq	1,634	513	-	2,147	1,604	594	-	-	-	2,198	Musalsal Zariie Sahulat
145	Nazim Uddin- Kot Lal Bux Mahesar, Dhanghno Mahase Tehsil Sajawal Dist Kamber, Shadadkot	Nazim Uddin CNIC # 43204-4661690-1	Imamuddin Mahessar	5,000	580	146	5,726	-	-	580	-	146	726	CF-Hypo
146	Muhammad Salehuddin Abbasi, House # 106, Sector-V, DHA, Lahore	Muhammad Saleh ud Din CNIC # Abbasi 31303-9706945-5	Noor Muhammad Abbasi	462	677	80	1,219	462	-	677	80	-	1,219	Car Ijarah
147	Muhammad Afzal, P-120/2, St # 5, Raj Colony, Faisalabad	Muhammad Afzal CNIC # 33100-0612198-1	Bashir Ahmed	385	684	45	1,114	385	-	684	45	-	1,114	Car Ijarah
148	Manzoor Ahmed P-182 C, Gulberg Main Road, Faisalabad	Manzoor Ahmed CNIC # 33100-0813699-7	Abdul Majeed	680	491	36	1,207	680	-	491	36	-	1,207	Car Ijarah
149	Muhammad Masood, P-128 St # 3, Rabani Colony, Faisalabad	Muhammad Masood CNIC # 33100-2997083-1	Sadiq Ali	17	1,229	-	1,246	17	-	1,229	-	-	1,246	Car Ijarah
150	Muhammad Rashid, P-444, Street # 1, Chak # 279 RB, Khurd, Faisalabad	Muhammad Rashid CNIC # 33100-8674104-5	Muhammad Ashraf	810	671	50	1,531	810	-	671	50	-	1,531	Car Ijarah
151	Mohsin Raza Laila Majnu Gate Mohalla Panole, Jhang	Mohsin Raza CNIC # 33202-3801595-5	Muhammad Younas	70	419	17	506	70	-	419	17	-	506	Car Ijarah
152	Muhammad Abdullah H # 183 St # 3, Block A, PWD Housing Scheme, Islamabad	Muhammad Abdullah CNIC # 34603-7080902-7	Ihsan Ullah Qureshi	1,995	7	458	2,460	1,995	-	7	458	-	2,460	Car Ijarah
153	Haroon Rasheed, H # 20, Al-Ahmed Street, Madina Park, Azam Garden, Multan Road, Lahore	Haroon Rasheed CNIC # 35202-2309558-7	Abdul Rasheed	224	492	36	752	224	-	492	36	-	752	Car Ijarah
154	Muhammad Farooq Ahmed, House # B-3 II, Education Town, Wahdat Road, Lahore	Muhammad Farooq Ahmed CNIC # 35202-493197-9	Noor Muhammad	173	363	34	570	173	-	363	34	-	570	Car Ijarah
155	Muhammad Afzal Umeed, H # 104/D, LDA Housing Society, Zaman Park, Lahore	Muhammad Afzal Umeed CNIC # 35202-6963503-1	Sher Muhammad	412	969	68	1,449	412	-	969	68	-	1,449	Car Ijarah
156	Faisal Iftikhar, H # 7, Bastami Road, Samnabad, Lahore	Faisal Iftikhar CNIC # 35202-9951897-1	Iftikhar Ud Din	657	869	66	1,592	657	-	869	66	-	1,592	Car Ijarah
157	Syed Sibtain Raza, House # 76 St # 40, Gulshanabad Rawalpindi	Syed Sibtain Raza CNIC # 37405-0366313-7	Syed Muhammad Raza	12	1,008	-	1,020	12	-	1,008	-	-	1,020	Car Ijarah



(Rupees in 1000)

S.No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities At Beginning Of Year As At January 01, 2018				Principal written-off	Mark-up		Other financial relief provided		Total (9+10+11)	Product Name
				Principal	Mark-up	others	Total (5+6+7)		Undebited	Debited	Undebited	Debited		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
158	Muhammad Zafar, P-13/14 St # 9, Asghar Block, Ahsa Street, Nisatabad, Faisalabad	Muhammad Zafar CNIC # 33100-0852099-5	Abdul Rashid	-	573	-	573	-	-	573	-	-	573	Car Ijarah
159	Mazhar, P-206, Gulshan-e-Raiq Colony, Faisalabad	Mazhar, CNIC # 33100-5319195-5	Abdul Aziz	-	1,899	-	1,899	-	-	1,899	-	-	1,899	Car Ijarah
160	Muhammad Zubair, Sethi Plaza, Bazar # 2, Mujaid Pura, P.O Walidat Colony, Gujranwala	Muhammad Zubair CNIC # 34101-2678292-1	Muhammad Rasheed Sandhu	-	1,186	4	1,190	-	-	1,186	4	-	1,190	Car Ijarah
161	Chaudhary Shaikat Ali, House # 121, Block C, Street # 5, Phase V, DHA, Lahore	Chaudhary Shaikat Ali CNIC # 34201-2949399-5	Chaudhary Akbar Ali	-	1,490	20	1,510	-	-	1,490	20	-	1,510	Car Ijarah
162	Muhammad Rafique, Sattar Abbud Opp. DHA Phase V, Main Badian Road, Cantt. Lahore	Muhammad Rafique CNIC # 35201-9185220-5	Bhury Khan	-	836	8	844	-	-	836	8	-	844	Car Ijarah
163	Manzoor Ahmed, House # 5, Street # 138-A, Rana Street Aziz Park, Ichra, Lahore	Manzoor Ahmed CNIC # 35202-2876259-7	Abdul Sattar	-	1,039	2	1,041	-	-	1,039	2	-	1,041	Car Ijarah
164	Shahzad Rasheed, Mohalla Madina Chowk, Street # 22, Sher Shah Road, Badami Bagh, Lahore	Shahzad Rasheed CNIC # 35202-5806179-5	Muhammad Rasheed	-	853	4	857	-	-	853	4	-	857	Car Ijarah
165	Muhammad Iqbal Qureshi, House # 13, Lakar Mandi, Khanewal	Muhammad Iqbal Qureshi CNIC # 36103-1628218-3	Ehsan Ullah Qureshi	-	979	-	979	-	-	979	-	-	979	Car Ijarah
166	Haroon Rasheed Anjum, Abad # 1, Mohallah Muhammad, Multan	Haroon Rasheed Anjum CNIC # 36302-4929752-5	Rasheed Ahmad Anjum	-	614	-	614	-	-	614	-	-	614	Car Ijarah
167	Malik Muhammad Zubair, House # 1081, Street # 4, Eid Gan Colony, Khanewal Road, Multan	Malik Muhammad Zubair CNIC # 36302-5477477-3	Malik Muhammad Ameer	-	553	-	553	-	-	553	-	-	553	Car Ijarah
168	Muhammad Kashif Aman Wahab, P.O. Malsi, District. Vehari, Multan	Muhammad Kashif CNIC # 36302-9277227-1	Mian Ashiq Muhammad	-	639	-	639	-	-	639	-	-	639	Car Ijarah
169	Nadeem Ayub House # 1-229-D, Street # 37, Aarya Mohallah, Rawalpindi	Nadeem Ayub CNIC # 37405-5257498-7	Chaudhry Muhammad Ayub	-	708	-	708	-	-	708	-	-	708	Car Ijarah
170	Muhammad Ashraf Ali, H # DRN # 10, Street # 1, Transformer Chowk, Sadiqueabad, Rawalpindi	Muhammad Ashraf Ali CNIC # 37405-6632895-7	Zakir Hussain	-	511	-	511	-	-	511	-	-	511	Car Ijarah
171	Sajjad Ahmed Khan, House # 18-G, G-Market, Block-6, PECHS, Near Farhan Hotel, Karachi	Sajjad Ahmed Khan CNIC # 61101-5920895-5	Najaf Ali	-	869	24	893	-	-	869	24	-	893	Car Ijarah
172	Al Faiz Trader Property # 293 Main Road Chak # 279 Madina Town Faisalabad.	Muhammad Ijaz Virk CNIC 63302-1772585-9	Shair Afzal Khan	-	604	-	604	-	-	604	-	-	604	Car Ijarah
173	Ghali Waqas House # 66, Mohallah Balakhy, Sarwar City, Dera Ghazi Khan	Ghali Waqas CNIC # 32102-6985516-7	Faiz Muhammad	9,266	9,210	1,501	19,977	-	6,476	-	617	-	7,093	CF Hypo
174	Muhammad Fayyaz Mian, Guri Bazar Mughalpur, Lahore	Muhammad Fayyaz CNIC # 35201-3344214-5	Mahboob Ahmed	1,675	481	1,427	3,583	-	-	236	-	847	1,083	SME / R&MM CF-Hypo
175	Mr. Javed Muslim & Muhammad Yasin, Satiara Road Faisalabad	Javed Muslim, CNIC # 33100-0608172-1, Muhammad Yasin CNIC # 33100-0608172-1	M. Ramzan	3,629	425	2,154	6,208	-	-	325	-	1,582	1,907	SME / R&MM CD - Bal Afalah Karobar Finance (AKF)
176	Manzoor Ahmed & Farkanda Jabeen, Sheikhupura	Manzoor Ahmed CNIC # 35404-7876797-7, Farkanda Jabeen CNIC # 35404-6340231-4	Hafeez Ullah	4,629	574	2,898	8,101	-	-	-	-	2,101	2,101	SME / R&MM CD - Bal Afalah Karobar Finance (AKF)
177	Muhammad Tariq Qureshi Shop # 3, Muslim Centre, Chatterji Road, Urdu Bazar, Lahore	Muhammad Tariq Qureshi CNIC # 35202-7288906-1	Abdul Qadeer Chudhary	220	203	451	874	-	-	183	-	397	580	SME / R&MM Current Finance
178	P.O Same Rahimabad Tahsil, Sadiqueabad, Distt Riaz Khan	Sardar M. Khan Laghari, Mohalla Ajmal Bhag 2059685-5	Sardar Noor M Khan Laghari	190	331	459	980	-	-	218	-	338	556	Agri CD - Bal Misalsal Zari Sahulat
179	Riaz Ahmed, Shop F-29, First Floor, Gulf Center, Rawalpindi	Riaz Ahmed CNIC # 37405-1808841-9	Gulzar Ahmed	2,049	968	652	3,669	-	-	388	-	652	1,040	SME / R&MM Current Finance
180	Muhammad Baran Khan, Mouza Basti Loothar, P.O. Raizabad, Tahsil & District Multan	Muhammad Baran Khan CNIC # 36302-1259703-9	Tufail Ahmed Khan	1,400	594	1,802	3,796	-	-	291	-	836	1,127	Agri Bal Misalsal Zari Sahulat
181	Muhammad Ajmal Khan, Mouza Basti Loothar, P.O. Raizabad, Tahsil & District Multan	Muhammad Ajmal Khan CNIC # 36303-4783896-1	Tufail Ahmed Khan	2,311	755	2,280	5,346	-	-	370	-	1,716	2,086	Agri Bal Misalsal Zari Sahulat
182	TOTAL			380,152	183,716	82,159	646,027	130,566	35,465	136,488	46,231	23,090	371,810	

## ANNEXURE - II

### ISLAMIC BANKING BUSINESS

The bank is operating 152 Islamic banking branches (2017: 152 branches) and 121 Islamic banking windows (2017: 121) at the end of the year.

### STATEMENT OF FINANCIAL POSITION

	Note	2018	2017
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		11,718,901	10,165,273
Balances with other banks		777,602	372,714
Due from financial institutions	1	17,986,558	30,891,460
Investments	2	23,200,001	37,914,191
Islamic financing and related assets - net	3	85,835,618	55,605,166
Fixed assets		2,788,299	2,070,542
Intangible assets		3,273	4,537
Due from Head Office		-	-
Other assets		4,783,879	2,197,667
Total Assets		147,094,131	139,221,550
<b>LIABILITIES</b>			
Bills payable		3,854,125	3,944,286
Due to financial institutions		6,019,338	3,793,802
Deposits and other accounts	4	113,525,994	113,414,363
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		112,207	173,209
Other liabilities		11,262,890	7,678,428
		134,774,554	129,004,088
<b>NET ASSETS</b>		<u>12,319,577</u>	<u>10,217,462</u>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		1,932,828	1,077,137
Unappropriated/ Unremitted profit	6	8,586,749	7,340,325
		<u>12,319,577</u>	<u>10,217,462</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2018 is as follows:

## PROFIT AND LOSS ACCOUNT

		2018	2017
		-----Rupees in '000 -----	
Profit / return earned	8	8,632,523	7,815,773
Profit / return expensed	9	2,999,501	3,238,288
Net Profit / return		<u>5,633,022</u>	<u>4,577,485</u>
Other income			
Fee and Commission Income		852,169	539,028
Dividend Income		-	-
Foreign Exchange Income		203,265	243,229
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		(26,145)	207,477
Other Income		46,765	37,974
Total other income		<u>1,076,054</u>	<u>1,027,708</u>
Total Income		<u>6,709,076</u>	<u>5,605,193</u>
Other expenses			
Operating expenses		4,361,325	4,355,270
Workers Welfare Fund		43,659	22,387
Other charges		91	1,109
Total other expenses		<u>4,405,075</u>	<u>4,378,766</u>
Profit / (loss) before provisions		<u>2,304,001</u>	<u>1,226,427</u>
Provisions and write offs - net		292,541	77,673
Profit / (loss) before taxation		<u>2,011,460</u>	<u>1,148,754</u>
Taxation		765,036	435,365
Profit / (loss) after taxation		<u><u>1,246,424</u></u>	<u><u>713,389</u></u>



**1 Due from Financial Institutions**

Unsecured

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Bai Muajjal Receivable from other Financial Institutions	8,175,054	-	8,175,054	14,100,103	-	14,100,103
Bai Muajjal Receivable from State Bank of Pakistan	9,811,504	-	9,811,504	16,791,356	-	16,791,356
	17,986,558	-	17,986,558	30,891,460	-	30,891,460

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

**2 Investments by segments:**

Federal Government Securities:

	2018				2017			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
-Ijarah Sukuks	16,211,323	-	317,897	16,529,220	33,694,052	-	290,219	33,984,271
-Others Federal Government Securities	4,122,215	-	-	4,122,215	-	-	-	-
	20,333,538	-	317,897	20,651,435	33,694,052	-	290,219	33,984,271

Provincial Government Securities

Shares:

-Listed Companies	-	-	-	-	-	-	-	-
-Unlisted Companies	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Non Government Debt Securities

-Listed	-	-	-	-	-	-	-	-
-Unlisted	2,689,965	(141,399)	-	2,548,566	4,097,810	(167,890)	-	3,929,920
	2,689,965	(141,399)	-	2,548,566	4,097,810	(167,890)	-	3,929,920

Foreign Securities

-Government securities	-	-	-	-	-	-	-	-
-Non Government Debt securities	-	-	-	-	-	-	-	-
-Equity securities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Associates

Subsidiaries

**Total Investments**

	23,023,503	(141,399)	317,897	23,200,001	37,791,862	(167,890)	290,219	37,914,191
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	Note	2018	2017
(Rupees in '000)			
<b>3 Islamic financing and related assets</b>			
Ijarah	3.1	11,472,292	9,160,061
Murabaha	3.2	8,467,690	7,789,403
Musharaka		41,654,940	19,896,377
Diminishing Musharaka		1,779,050	1,236,279
Salam		2,694,881	1,945,447
Istisna		-	60,369
Other Islamic Modes		3,691,855	3,190,274
Advances against Islamic assets		11,201,704	9,463,643
Inventory related to Islamic financing		6,092,511	4,138,316
Gross Islamic financing and related assets		87,054,923	56,880,169
Less: provision against Islamic financings			
- Specific		(1,101,967)	(1,199,456)
- General		(117,338)	(75,547)
		(1,219,305)	(1,275,003)
Islamic financing and related assets - net of provision		85,835,618	55,605,166

### 3.1 Ijarah

	2018							
	Cost			Depreciation				Book Value as at 31 Dec 2018
	As at Jan 01, 2018	Additions / (deletions)	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year	Depreciation on disposal	As at Dec 31, 2018	
	----- (Rupees in 000) -----							
Plant & Machinery	668,702	346,217	1,014,919	(208,924)	(199,016)	21,755	(386,185)	628,734
Vehicles	12,544,123	2,768,640	15,312,763	(3,848,045)	(2,094,361)	1,468,845	(4,473,561)	10,839,202
Equipment	7,492	-	7,492	(3,287)	-	152	(3,135)	4,357
Total	13,220,317	3,114,857	16,335,174	(4,060,256)	(2,293,377)	1,490,752	(4,862,881)	11,472,293

	2017							
	Cost			Depreciation				Book Value as at 31 Dec 2017
	As at Jan 01, 2017	Additions / (deletions)	As at Dec 31, 2017	As at Jan 01, 2017	Charge for the year	Depreciation on disposal	As at Dec 31, 2017	
	----- (Rupees in 000) -----							
Plant & Machinery	673,146	(4,444)	668,702	(188,735)	(127,489)	107,300	(208,924)	459,778
Vehicles	10,101,573	2,442,550	12,544,123	(3,172,335)	(1,657,253)	981,543	(3,848,045)	8,696,078
Equipment	4,185	3,307	7,492	(3,287)	-	-	(3,287)	4,205
Total	10,778,904	2,441,413	13,220,317	(3,364,357)	(1,784,742)	1,088,843	(4,060,256)	9,160,061

Future Ijarah payments receivable

	2018				2017			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
		----- (Rupees in 000) -----						
Ijarah rental receivables	2,086,660	9,385,633	-	11,472,293	1,648,811	7,511,250	-	9,160,061



3.2 Murabaha	Note	2018	2017
		----- (Rupees in '000) -----	
Murabaha financing	3.2.1	8,467,690	7,789,402
Inventory for Murabaha	3.2.3	4,191,772	3,032,872
Advances for Murabaha		1,404,686	1,296,582
		<u>14,064,148</u>	<u>12,118,856</u>
<b>3.2.1 Murabaha receivable - gross</b>	3.2.2	8,882,106	7,901,022
Less: Deferred murabaha income	3.2.4	(5,104)	(5,104)
Profit receivable shown in other assets		(409,312)	(106,516)
Murabaha financings		<u>8,467,690</u>	<u>7,789,402</u>
<b>3.2.2 The movement in Murabaha financing during the year is as follows:</b>			
Opening balance		7,901,022	6,743,673
Sales during the year		981,084	1,157,349
Adjusted during the year		-	-
Closing balance		<u>8,882,106</u>	<u>7,901,022</u>
<b>3.2.3 Murabaha sale price</b>		59,451,967	55,026,440
Murabaha purchase price		(55,260,195)	(51,993,568)
		<u>4,191,772</u>	<u>3,032,872</u>
<b>3.2.4 Deferred murabaha income</b>			
Opening balance		5,104	9,397
Arising during the year		-	-
Less: Recognised during the year		-	(4,293)
Closing balance		<u>5,104</u>	<u>5,104</u>

4 Deposits	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in 000) -----					
<b>Customers</b>						
Current deposits	43,975,307	3,272,005	47,247,312	41,724,134	2,525,915	44,250,049
Savings deposits	46,196,859	2,749,769	48,946,628	48,811,119	2,246,568	51,057,687
Term deposits	13,325,851	181,518	13,507,369	16,321,219	131,253	16,452,472
Other deposits	3,305,410	154,481	3,459,891	689,310	151,431	840,741
	<u>106,803,427</u>	<u>6,357,773</u>	<u>113,161,200</u>	<u>107,545,782</u>	<u>5,055,167</u>	<u>112,600,949</u>
<b>Financial Institutions</b>						
Current deposits	4,273	-	4,273	26,068	-	26,068
Savings deposits	360,521	-	360,521	717,346	-	717,346
Term deposits	-	-	-	70,000	-	70,000
	<u>364,794</u>	<u>-</u>	<u>364,794</u>	<u>813,414</u>	<u>-</u>	<u>813,414</u>
	<u>107,168,221</u>	<u>6,357,773</u>	<u>113,525,994</u>	<u>108,359,196</u>	<u>5,055,167</u>	<u>113,414,363</u>



Note	2018	2017
	------(Rupees in '000)-----	
<b>4.1 Composition of deposits</b>		
- Individuals	82,746,432	85,012,900
- Government / Public Sector Entities	3,014,177	3,461,512
- Banking Companies	131	126
- Non-Banking Financial Institutions	364,664	813,287
- Private Sector	27,400,590	24,126,538
	<u>113,525,994</u>	<u>113,414,363</u>

**4.2** Deposits include Eligible Deposits of Rs. 98,206.476 million (2017: nil) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

**5 Charity Fund**

Opening Balance	54,253	148,314
Additions during the period		
Received from customers on account of delayed payment	41,067	19,163
Other Non-Shariah compliant income	3,584	15,551
Profit on charity saving account	630	3,428
	45,281	38,442
Payments / utilization during the period		
Education	(42,188)	(38,032)
Health	(7,800)	(15,816)
Others	(25,400)	(78,355)
	(75,388)	(132,203)
Closing Balance	<u>24,146</u>	<u>54,253</u>

5.1

**2018**

**2017**

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

**5.1 Donations paid during the year are as follows:**

Alif Noon Parents Foundation (ANPF)	12,000	-
Association of the Physically Handicapped Adults (APHA)	1,000	-
Cancer Care Hospital And Research Center	5,000	15,000
Dar Us Shifa Foundation	5,000	5,000
DR. AQ Khan Trust Hospital	2,675	-
Fatima Kidney Care Hospital	3,000	4,800
Gulab Devi Chest Hospital	7,700	-
Ismail Welfare Hospital	2,500	-
KSBL	13,278	-
Pakistan Children's Heart Foundation	4,935	-
Patient Aid Foundation, Jinnah Post Graduate Medical Centre, Karachi	3,300	3,500
Patient Welfare Society, Allied Hospital Faisalabad	2,500	-
Rising Sun Education & Welfare Society	2,500	-
SIUT Trust	10,000	-
Akhuwat	-	17,000
Alamgir Welfare Trust	-	4,500
Anjuman Behboodi-E-Marizan (Lahore General Hospital)	-	2,275
Bin Qutab Foundation (BQF)	-	5,455
Centre For Development Of Social Services (CDSS)	-	1,600
Fountain Hospital	-	3,132
Fountain Hospital	-	616
Hijaz Hospital	-	3,900
Memon Medical Institute Hospital	-	6,000
Pakistan Rangers (Punjab)	-	5,000
Patel Hospital	-	8,000
Roshni Homes Trust	-	7,500
Sanjan Nagar Public Education Trust (SNPET)	-	9,000
Special Children Rehabilitation Welfare Organization	-	8,900
The Indus Hospital	-	20,000
Welfare Society For Patient Care	-	1,025
	<u>75,388</u>	<u>132,203</u>

	2018	2017
	------(Rupees in '000) -----	
<b>6 Islamic Banking Business Unappropriated Profit</b>		
Opening Balance	7,340,325	6,626,936
Add: Islamic Banking profit before taxation for the period	2,011,460	1,148,754
Less: Taxation	(765,036)	(435,365)
Less: Reserves	-	-
Less: Transferred / Remitted to Head Office	-	-
Closing Balance	<u>8,586,749</u>	<u>7,340,325</u>
<b>7 CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	3,603,386	4,189,929
-Commitments	23,113,159	17,991,287
-Other contingent liabilities	-	-
	<u>26,716,545</u>	<u>22,181,216</u>
<b>8 Profit/Return Earned of Financing, Investments and Placement</b>		
Profit earned on:		
Financing	5,589,933	3,743,781
Investments	2,199,658	2,247,596
Placements	842,932	1,824,396
	<u>8,632,523</u>	<u>7,815,773</u>
<b>9 Profit on Deposits and other Dues Expensed</b>		
Deposits and other accounts	2,678,689	2,927,940
Due to Financial Institutions	320,812	310,348
	<u>2,999,501</u>	<u>3,238,288</u>

#### DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

##### A-II.2 1. The pools, their key features and risk and reward characteristics.

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

Currently IBG is managing following pools:

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

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

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

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



2018 2017

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

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

Agriculture, Forestry, Hunting and Fishing	15,000,000	2,000,002
Automobile and transportation equipment	2,097,804	1,198,135
Cement	5,385,332	2,909,603
Chemical and Pharmaceuticals	2,190,108	2,099,851
Construction	729,632	3,070
Electronics and electrical appliances	2,374,655	947,068
Exports / Imports	755,014	396,056
Financial	879,968	1,134,055
Food & Allied Products	4,229,633	2,794,144
Footwear and Leather garments	522,909	544,218
Individuals	12,390,545	10,260,844
Insurance	9,911	14,981
Metal & Allied industries	820,436	835,717
Mining and Quarrying	3,665	-
Oil and Allied	47,846	69,510
Power (electricity), Gas, Water, Sanitary	9,176,794	7,442,148
Services	743,714	715,430
Sugar	827,065	836,019
Textile	16,789,601	11,720,123
Transport, Storage and Communication	1,856,348	1,960,042
Wholesale and Retail Trade	3,467,685	5,239,638
Others	6,756,258	3,759,515
<b>Total Gross Islamic Financing and Related Assets</b>	<b>87,054,923</b>	<b>56,880,169</b>
Total Gross Investments *	23,023,503	37,791,862
Total Islamic Placements	17,986,558	30,891,460
<b>Total Invested Funds</b>	<b>128,064,984</b>	<b>125,563,491</b>

\* Mainly invested in GOP Ijarah Sukuks.

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

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

4. The Bank managed the following general and specific pools during the year:

General Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share (Rupees in '000)	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba (Rupees in '000)
			Mudarib Share/ Fee	Rabbul Maal Share				
PKR Pool	Monthly	6.73%	50.00%	50.00%	2,301,262	2.45%	18.15%	387,364
USD Pool	Monthly	2.43%	83.00%	18.00%	59,505	0.29%	1.88%	420
GBP Pool	Monthly	1.67%	83.00%	18.00%	8,121	0.22%	1.38%	75
EUR Pool	Monthly	2.09%	83.00%	18.00%	10,598	0.41%	0.00%	-

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share (Rupees in '000)	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba (Rupees in '000)
			Bank Share	SBP Share				
Islamic Export Refinance (IERS) Pool	Monthly	4.75%	78.31%	21.69%	309,922	Nil	1.74%	5,386
Special Pool (Saving)	Monthly	6.65%	31.12%	68.88%	4,855	4.57%	0.00%	-
Special Pool (TDR)	Monthly	7.64%	9.80%	90.20%	680,881	10.21%	0.00%	-

## ANNEXURE - III

## SALE OF FIXED ASSETS TO RELATED PARTIES

Particulars of assets		Cost	Net book value	Sale price	Mode of disposal	Particular of purchaser
<b>Office equipment</b>		----- (Rupees in '000) -----				
Computers	Laptop i7 Lenovo	190	83	93	As Per Policy	Imran Zafar
Computers	Laptop Core i5	185	-	18	As Per Policy	Aly Mustansir
Computers	HP Envy 15 Core i7	170	51	60	As Per Policy	Mirza Zafar Baig.
Computers	Laptop	144	40	43	As Per Policy	Mian Ejaz Ahmad
Computers	Laptop i7 HP	123	90	102	As Per Policy	Faaria Rehman Salahuddin
Computers	Laptop Core i5	112	8	12	As Per Policy	Syed Ahmar Nizam
Computers	Apple iPad	103	-	10	As Per Policy	Saad-Ur-Rehman
Computers	Apple iPad	103	-	10	As Per Policy	Sajan Hamid Malik
Computers	Laptop Core i5	100	-	10	As Per Policy	Khurram Hussain
Computers	Laptop Core i7	100	-	10	As Per Policy	Bashir Sheikh
Computers	Apple iPad	99	3	10	As Per Policy	Riaz Hussain Hamdani
Computers	Apple iPad	90	75	80	As Per Policy	Faisal Farooq Khan
Computers	Laptop Core i7	89	-	9	As Per Policy	Riaz Hussain Hamdani
Computers	Laptop	78	-	8	As Per Policy	Muhammad Shahab Khattak
Computers	Apple iPad	77	-	8	As Per Policy	Khurram Hussain
Computers	Laptop Core i5	77	-	8	As Per Policy	Ahmed Nauman Anees
Computers	Laptop	73	-	7	As Per Policy	Muhammad Munir Tariq
Computers	Laptop Core i3	73	-	7	As Per Policy	Mohammad Rizwan UI Haq
Computers	Laptop i5	71	20	23	As Per Policy	Syed Nadeem Ahmed
Computers	Dell Laptop	65	5	7	As Per Policy	Kazi Shahid Tanvir
Electronic equipment	Various items	6,804	2,861	3,419	As Per Policy	Atif Bajwa (ex-CEO)
Mobile Phones	Apple iPhone	75	-	8	As Per Policy	Aly Mustansir
Mobile Phones	Apple iPhone	75	61	65	As Per Policy	Mian Ejaz Ahmad
Mobile Phones	Apple iPhone	75	14	15	As Per Policy	Bashir Sheikh
Mobile Phones	Apple iPhone	75	-	8	As Per Policy	Khurram Hussain
Mobile Phones	Mobile Set	75	-	8	As Per Policy	Bashir Sheikh
Mobile Phones	Mobile Set	75	-	8	As Per Policy	Imran Zafar
Mobile Phones	Samsung Mobile	75	30	38	As Per Policy	Imran Zafar
Mobile Phones	Apple iPhone	74	-	7	As Per Policy	Riaz Hussain Hamdani
Mobile Phones	Black Berry	63	-	6	As Per Policy	Khurram Hussain
Mobile Phones	Black Berry	53	-	5	As Per Policy	Khurram Hussain
Mobile Phones	Black Berry	51	-	5	As Per Policy	Suhail Yaqoob Khan
Mobile Phones	Apple iPhone	50	-	5	As Per Policy	Ahmed Nauman Anees
Mobile Phones	Apple iPhone	50	-	5	As Per Policy	Syed Nadeem Ahmed
Mobile Phones	Apple iPhone	50	42	45	As Per Policy	Kazi Shahid Tanvir
Mobile Phones	Apple iPhone	50	20	23	As Per Policy	Muhammad Shahab Khattak
Mobile Phones	Samsung Mobile	50	-	5	As Per Policy	Muhammad Arif Karim
Mobile Phones	Apple iPhone	50	-	5	As Per Policy	Syed Ahmar Nizam
Mobile Phones	Samsung Mobile	50	7	9	As Per Policy	Syed Furqan Ali
Mobile Phones	Black Berry Classic	45	-	4	As Per Policy	Dr. Mushtaq
Mobile Phones	Samsung Mobile	40	-	4	As Per Policy	Mohammad Rizwan UI Haq
Mobile Phones	Black Berry	31	-	3	As Per Policy	Ahmed Nauman Anees
Mobile Phones	Black Berry	29	-	3	As Per Policy	Imran Zafar
		10,187	3,410	4,238		



Particulars of assets		Cost	Net book value	Sale price	Mode of disposal	Particular of purchaser
----- (Rupees in '000) -----						
Balance brought forward		10,187	3,410	4,238		
<b>Furniture &amp; fixtures</b>	Various furniture items	2,485	1,683	1,625	As Per Policy	Atif Bajwa (ex-CEO)
<b>Vehicles</b>						
Vehicles	Mercedes Benz E-200	13,773	9,311	10,232	As Per Policy	Khawaja M Ahmad
Vehicles	Mercedes Benz E-200	13,760	8,727	9,600	As Per Policy	Aasim Wajid Jawad
Vehicles	Mercedes-Ben E-300	13,097	4,476	4,914	As Per Policy	Mohib Hassan Khan
Vehicles	Mercedes Benz E-200	11,789	1,898	2,078	As Per Policy	Muhammad Yahya Khan
Vehicles	Honda Civic VTI	2,806	2,683	2,806	As Per Policy	Hafsa Abbasy
Vehicles	Toyata Corolla Altis	2,666	1,934	2,128	As Per Policy	Shahzad Ishaq
Vehicles	Toyata Corolla Altis	2,664	1,934	2,126	As Per Policy	Tahir Khurshid
Vehicles	Honda Civic VTI	2,511	1,507	1,657	As Per Policy	Sharif Khawar
Vehicles	Toyota Corolla 1.8 Grande Altis	2,446	1,117	1,226	As Per Policy	Mohammad Maqsood Ali Usmani
Vehicles	Toyota Corolla 1.8 Grande Altis	2,382	1,241	1,336	As Per Policy	Riaz Hussain Hamdani
Vehicles	Honda City Vario	884	-	88	As Per Policy	Amanullah A. Sattar
		<u>68,778</u>	<u>34,828</u>	<u>38,191</u>		
		81,450	39,921	44,054		







# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the annexed consolidated financial statements of Bank Alfalah Limited (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<b>- Provision against Non Performing Credit Exposure</b>	
<p>The Group's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operations.</p> <p>As per the Group's accounting policy (refer note 4.5 to the consolidated financial statements), the Group periodically assess the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> <li>◆ We reviewed the Group's process for identification and classification of non- performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non- performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be.</li> <li>◆ We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations.</li> <li>◆ In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower;</li> <li>◆ Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases;</li> <li>◆ We also assessed adequacy of disclosures as included in note 9.4 and 9.5 to the consolidated financial statements regarding the non-performing loans and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>- Preparation of Consolidated Financial Statements under BPRD Circular No.02 OF 2018</b>	
<p>As referred to in note 4.1.1 to the consolidated financial statements, State bank of Pakistan (SBP) vide its BPRD circular no. 02 of 2018, (the circular) revised the statutory forms of the annual financial statements of Groups effective from the year ended 31 December 2018.</p> <p>The revised statutory financial reporting framework as applicable to the Group, prescribes the presentation format, nature and content of disclosures in relation to various elements of the consolidated financial statements.</p> <p>The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from the transition to the new reporting requirements.</p>	<ul style="list-style-type: none"> <li>◆ We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due to the application of the revised forms for the preparation of such consolidated financial statements.</li> <li>◆ We also evaluated the sources of information used by the management for the preparation of the consolidated financial statements disclosures and the internal consistency of the disclosures with other elements thereof.</li> <li>◆ We considered the adequacy and appropriateness of the additional disclosures and changes in the presentation of the consolidated financial statements based on the requirements of the statutory forms.</li> </ul>



## **Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.


The Board of directors is responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters:**

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon dated 25 February 2018.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

**EY Ford Rhodes**

**Chartered Accountants**

Place: **Karachi**

Date: 21 February 2019



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	2018	2017 Restated	2016 Restated
----- (Rupees in '000) -----				
<b>ASSETS</b>				
Cash and balances with treasury banks	5	82,407,736	70,381,480	74,071,394
Balances with other banks	6	3,911,554	3,993,054	9,498,787
Lendings to financial institutions	7	62,172,287	48,895,828	30,149,029
Investments	8	279,251,731	401,742,398	389,666,922
Advances	9	501,639,727	400,659,922	378,724,300
Fixed assets	10	18,317,042	16,198,902	16,919,627
Intangible assets	11	1,317,271	1,508,765	1,297,310
Deferred tax assets		-	-	-
Other assets	12	35,998,315	30,831,827	31,300,165
Assets held for sale	21	23,589,489	26,821,724	-
		1,008,605,152	1,001,033,900	931,627,534
<b>LIABILITIES</b>				
Bills payable	13	35,988,225	20,882,970	12,886,990
Borrowings	14	124,017,735	207,536,939	178,710,629
Deposits and other accounts	15	702,847,125	644,924,984	640,854,225
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt	16	11,989,000	4,991,000	8,317,670
Deferred tax liabilities	17	2,500,097	3,443,012	2,911,531
Other liabilities	18	33,805,722	27,665,519	27,021,619
Liabilities directly associated with the assets held for sale	21	20,435,396	24,759,096	-
		931,583,300	934,203,520	870,702,664
<b>NET ASSETS</b>		<u>77,021,852</u>	<u>66,830,380</u>	<u>60,924,870</u>
<b>REPRESENTED BY</b>				
Share capital	19	17,743,629	16,075,720	15,952,076
Reserves		23,050,754	18,156,669	15,895,652
Surplus / (deficit) on revaluation of assets	20	7,389,127	7,309,372	11,005,315
Unappropriated profit		28,323,585	24,865,838	17,747,600
Total equity attributable to the equity holders of the Bank		76,507,095	66,407,599	60,600,643
<b>Non-controlling interest</b>		514,757	422,781	324,227
		<u>77,021,852</u>	<u>66,830,380</u>	<u>60,924,870</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22			

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017 Restated
		------(Rupees in '000)-----	
Mark-up/Return/Interest Earned	24	59,323,522	56,183,376
Mark-up/Return/Interest Expensed	25	27,732,785	27,199,914
Net Mark-up/ Interest Income		31,590,737	28,983,462
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee and Commission Income	26	6,795,955	6,543,078
Dividend Income		357,296	461,125
Foreign Exchange Income		2,168,533	1,442,886
Loss from derivatives		(20,542)	(58,908)
Gain on securities	27	992,335	854,425
Share of profit from associates		646,093	434,834
Other Income	28	194,143	84,647
Total non-markup/interest Income		11,133,813	9,762,087
Total Income		42,724,550	38,745,549
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Operating expenses	29	24,372,994	24,994,550
Workers Welfare Fund	30	396,390	263,697
Other charges	31	6,430	32,727
Total non-markup/interest expenses		24,775,814	25,290,974
Profit Before Provisions		17,948,736	13,454,575
Provisions and write offs - net	32	545,334	(616,495)
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS</b>		17,403,402	14,071,070
Taxation	33	6,887,079	5,658,330
<b>PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS</b>		10,516,323	8,412,740
<b>DISCONTINUING OPERATIONS</b>			
Profit after tax for the year from discontinuing operations	21	474,952	201,064
<b>PROFIT FOR THE YEAR</b>		10,991,275	8,613,804
<b>Attributable to:</b>			
<b>Equity holders of the Bank</b>			
Profit for the year from continuing operations		10,423,893	8,313,852
Profit for the year from discontinuing operations		474,952	201,064
		10,898,845	8,514,916
<b>Non-controlling interest</b>			
Profit for the year from continuing operations		92,430	98,888
Profit for the year from discontinuing operations		-	-
		92,430	98,888
		10,991,275	8,613,804
<b>Basic Earnings per share - Restated</b>			
	34	6.20	4.88
<b>Diluted Earnings per share - Restated</b>	35	6.19	4.86
<b>Basic Earnings per share from continuing operations - Restated</b>			
		5.93	4.76
<b>Diluted Earnings per share from continuing operations - Restated</b>		5.92	4.75

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	Restated	
	------(Rupees in '000)-----	
<b>Profit after taxation</b>	10,991,275	8,613,804
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Effect of translation of net investment in foreign branches	2,974,642	492,787
Movement in surplus / (deficit) on revaluation of investments - net of tax	(2,608,585)	(3,719,588)
	366,057	(3,226,801)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement gain on defined benefit obligations - net of tax	122,770	242,895
Movement in surplus on revaluation of operating fixed / intangible assets - net of tax	2,662,351	17,435
Movement in surplus on revaluation of non-banking assets - net of tax	25,606	5,965
	2,810,727	266,295
<b>Total comprehensive income</b>	<u>14,168,059</u>	<u>5,653,298</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	14,071,943	5,554,410
Non-controlling interest	96,116	98,888
	<u>14,168,059</u>	<u>5,653,298</u>

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Capital Reserves				Revenue Reserves	Surplus/(Deficit) on revaluation			Sub-total	Non Controlling Interest	Total
		Reserve for issue of bonus shares	Share premium	Exchange translation reserve	Statutory reserve	Employee share option compensation reserve	Investments	Fixed / Non Banking Assets	Unappropriated profit			
------(Rupees in '000)-----												
<b>Balance as at December 31, 2016- note 4.1.1</b>	15,952,076	-	4,417,126	1,584,020	9,720,886	173,620	6,377,484	4,597,694	17,777,737	60,600,643	324,227	60,924,870
Effect of change in accounting policy - note 4.1	-	-	-	-	-	-	-	30,137	(30,137)	-	-	-
<b>Balance as at January 1, 2017 (Restated)</b>	15,952,076	-	4,417,126	1,584,020	9,720,886	173,620	6,377,484	4,627,831	17,747,600	60,600,643	324,227	60,924,870
Profit after taxation	-	-	-	-	-	-	-	-	8,514,916	8,514,916	98,888	8,613,804
Other comprehensive income - net of tax	-	-	-	492,787	-	-	(3,719,343)	57,197	242,984	(2,926,375)	(334)	(2,926,709)
Transfer to statutory reserve	-	-	-	-	1,673,459	-	-	-	(1,673,459)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(33,797)	33,797	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>												
Shares issued during the year	123,644	-	68,078	-	-	-	-	-	-	191,722	-	191,722
Recognition of fair value charge of share based payments - note 40	-	-	-	-	-	26,693	-	-	-	26,693	-	26,693
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	-	127,787	-	-	(127,787)	-	-	-	-	-	-
<b>Opening Balance January 1, 2018</b>	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,658,141	4,651,231	24,865,838	66,407,599	422,781	66,830,380
Effect of change in accounting policy - note 4.1.3	-	-	-	-	-	-	-	-	(81,596)	(81,596)	-	(81,596)
Restated opening balances as at January 01, 2018 under IFRS 9	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,658,141	4,651,231	24,784,242	66,326,003	422,781	66,748,784
Profit after taxation	-	-	-	-	-	-	-	-	10,898,845	10,898,845	92,430	10,991,275
Other comprehensive income - net of tax	-	-	-	2,974,642	-	-	(2,608,234)	2,721,888	122,841	3,211,137	(454)	3,210,683
Transfer to statutory reserve	-	-	-	-	1,878,770	-	-	-	(1,878,770)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(33,899)	33,899	-	-	-
<b>Transactions with owners, recorded directly in equity</b>												
Final cash dividend for the year ended December 31, 2017 @ 15%	-	-	-	-	-	-	-	-	(2,411,358)	(2,411,358)	-	(2,411,358)
Interim cash dividend for the half year ended June 30, 2018 @ 10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)	-	(1,613,057)
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	-	-	82,489	-	82,489
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-	-	-
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-	-	-
Amortisation of deferred employee compensation expense - note 40	-	-	-	-	-	13,036	-	-	-	13,036	-	13,036
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-	-	-
<b>Balance as at December 31, 2018</b>	<u>17,743,629</u>	<u>-</u>	<u>4,695,600</u>	<u>5,051,449</u>	<u>13,273,115</u>	<u>30,590</u>	<u>49,907</u>	<u>7,339,220</u>	<u>28,323,585</u>	<u>76,507,095</u>	<u>514,757</u>	<u>77,021,852</u>

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

**PRESIDENT & CHIEF EXECUTIVE OFFICER**

**CHIEF FINANCIAL OFFICER**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017 Restated
------(Rupees in '000)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation from continuing operations		17,403,402	14,071,070
Profit before taxation from discontinuing operations		780,500	339,819
Dividend income		(357,296)	(461,125)
Share of profit from associates		(646,093)	(434,834)
		<u>17,180,513</u>	<u>13,514,930</u>
<b>Adjustments</b>			
Depreciation		1,733,162	1,832,246
Amortisation		489,716	447,802
Provisions and write offs - net		545,334	(616,495)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net		43,511	7,351
Gain on sale of operating fixed assets - net		(137,915)	(11,571)
Charge for defined benefit plan		185,753	255,138
		<u>2,859,561</u>	<u>1,914,471</u>
		<u>20,040,074</u>	<u>15,429,401</u>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(18,366,107)	(3,797,453)
Held for trading securities		(24,776,244)	(7,376,396)
Advances		(100,849,080)	(22,610,123)
Other assets (excluding advance taxation)		(3,355,879)	(13,699,516)
		<u>(147,347,310)</u>	<u>(47,483,488)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		15,105,255	(416,549)
Borrowings		(83,496,637)	26,886,082
Deposits		57,922,141	36,983,041
Other liabilities (excluding current taxation)		748,546	4,573,185
		<u>(9,720,695)</u>	<u>68,025,759</u>
		<u>(137,027,931)</u>	<u>35,971,672</u>
Contribution made to gratuity fund		(185,753)	(255,138)
Income tax paid		(5,295,164)	(5,136,262)
<b>Net cash (used in) / generated from operating activities</b>		<u>(142,508,848)</u>	<u>30,580,272</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		142,536,128	(23,759,964)
Net investments in held-to-maturity securities		1,227,241	1,541,900
Investment in subsidiaries / associated companies		-	(769,230)
Disposal of investment in subsidiaries / associated companies		(126,213)	1,251,417
Dividend received from associated companies		201,051	8,743
Dividends received		368,420	489,536
Investments in operating fixed assets		(1,322,251)	(1,879,602)
Proceed from sale proceeds of fixed assets		447,931	90,279
<b>Net cash generated / (used in) from investing activities</b>		<u>143,332,307</u>	<u>(23,026,921)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance / (redemption) of sub-ordinated debt		6,998,000	(3,326,670)
Issue of share capital		82,489	191,722
Dividend paid		(4,000,915)	(1,931)
<b>Net cash used in financing activities</b>		<u>3,079,574</u>	<u>(3,136,879)</u>
Effect of translation of net investment in foreign branches		2,974,642	492,787
		<u>6,877,675</u>	<u>4,909,259</u>
Cash and cash equivalents at beginning of the year		99,766,084	90,124,073
Effects of exchange rate changes on cash and cash equivalents		(6,105,728)	(1,372,976)
		<u>93,660,356</u>	<u>88,751,097</u>
<b>Cash and cash equivalents at end of the year</b>	36	<u>100,528,031</u>	<u>93,660,356</u>

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

## 1 STATUS AND NATURE OF BUSINESS

### 1.1 The "Group" consists of:

#### Holding Company : Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Holding Company / the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Holding Company's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 486 conventional banking branches including 24 sub branches (2017: 475 branches including 22 sub branches), 10 overseas branches (2017: 10 branches), 152 Islamic banking branches including 1 sub branch (2017: 152 branches) and 1 offshore banking unit (2017: 1 unit).

	Percentage of Holding	
	2018	2017
<b>Subsidiaries</b>		
Alfalah Securities (Private) Limited, Pakistan	97.91%	97.91%
Alfalah GHP Investment Management Limited, Pakistan	40.22%	40.22%

### 1.2 In addition the Group maintains investments in the following:

#### Associates

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

#### Investment in mutual funds established under trust structure not consolidated as subsidiaries - Note 1.2.1

Alfalah GHP Islamic Pension Fund	29.76%	34.99%
Alfalah GHP Pension Fund	24.94%	31.77%
Alfalah GHP Money Market Fund	0.80%	7.44%
Alfalah GHP Income Fund	20.51%	0.11%
Alfalah GHP Islamic Stock Fund	0.00%	0.03%
Alfalah GHP Sovereign Fund	3.22%	0.02%
Alfalah GHP Income Multiplier Fund	0.0004%	0.00%
Alfalah GHP Islamic Income Fund	0.05%	0.03%
Alfalah GHP Cash Fund	4.02%	3.62%

**1.2.1** These represent the Group's investment in mutual funds established under Trust structure, which are subsidiaries of the Group under IFRS 10, but have not been considered for the purposes of consolidation in accordance with the directives issued by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O 56(I) /2016 dated January 28, 2016. The said SRO states that the requirements of consolidation under the Companies Act 2017 and IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, for the purposes of Consolidated Financial Statements of the Group, the investments in these funds have been accounted for as associates as explained in note 2.4 to these consolidated financial statements.



## 2 BASIS OF PRESENTATION

2.1 These consolidated financial statements represent financial statements of holding company - Bank Alfalah Limited and its subsidiaries. The assets and liabilities of subsidiaries have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.

### 2.2 STATEMENT OF COMPLIANCE

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

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

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

### 2.3 Basis of consolidation

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

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

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

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

**2.4** Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the consolidated financial statements.

**2.5 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.**

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 01, 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2019:

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 3 – Definition of a Business (Amendments)	January 01, 2020
IFRS 9 – Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation -(Amendments)	January 01, 2019
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	January 01, 2019
IAS 1/ IAS 8 – Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Group's financial statements in the period of initial application, other than IFRS 9 and IFRS 16. With regard to IFRS 9, the Group considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Group expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan. With regard to IFRS 16, the Holding Company is currently evaluating the impact of application of IFRS 16 on its financial statements.

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 01, 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2019. The group expects that such improvements to the standards will not have any impact on the Group's financial statements in the period of initial application.



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

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

## **2.7 Critical accounting estimates and judgments**

The preparation of these consolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses as well as in the disclosure of contingent liabilities. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

- i) classification and provisioning against investments (notes 4.4 and 8)
- ii) classification and provisioning against non-performing loans and advances (notes 4.5 and 9)
- iii) income taxes (notes 4.13 and 33)
- iv) accounting for defined benefit plan and compensated absences (notes 4.10 and 38)
- v) depreciation of operating fixed assets (notes 4.6 and 10)
- vi) amortisation of intangibles (notes 4.6.3 and 11)
- vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.6.2, 4.6.5, 10 and 12.1)
- viii) impairment of assets (note 4.4.5)
- ix) employee stock option scheme (note 40)
- x) fair value measurement of financial instruments (note 42)
- xi) other provisions and contingent liabilities (notes 22 and 32)
- xii) consolidation of subsidiaries

## **3 BASIS OF MEASUREMENT**

### **3.1 Accounting convention**

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

### **3.2 Functional and Presentation Currency**

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

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

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those of previous financial year except as disclosed below in note 4.1.

### 4.1 Changes in accounting policies

#### 4.1.1 Change in reporting format

The SBP vide BPRD Circular No.2 dated January 25, 2018 specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements of the Group for the year ended December 31, 2018 which has resulted in certain additional disclosures and reclassifications of the items in these consolidated financial statements.

#### 4.1.2 Surplus / Deficit on Revaluation of Fixed Assets

The Companies Ordinance, 1984 (the repealed Ordinance) was repealed through the enactment of the Companies Act, 2017 on May 30, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular number 23 dated October 04, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 01, 2018.

The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IAS 16, which requires that such deficit is to be taken to the profit and loss account as an impairment.

Consequently, the Group has changed its policy for accounting for a deficit arising on revaluation of fixed assets and accordingly, any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	December 31, 2016 (Rupees in '000)
Impact over statement of financial position	
Decrease in unappropriated profit	30,137
Increase in surplus on revaluation of assets – net of tax	30,137

Impact over profit and loss account, statement of comprehensive income and statement of cash flows is immaterial.

#### 4.1.3 Adoption of IFRS 9 - 'Financial Instrument'

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

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.





The adoption of this standard by the overseas branches have resulted in additional net of tax provisioning requirement of Rs. 81.596 million in respect of prior year which has been incorporated in the opening balance of retained earnings, while net of tax provision reversal of Rs. 63.820 million has been booked in profit and loss statement of overseas operations, in respect of current period.

Had IFRS 9 not been adopted by the overseas branches, unappropriated profit, investments, advances, other assets, other liabilities and deferred tax liabilities as at December 31, 2018 would have been higher by Rs. 17.776 million, Rs. 19.264 million, Rs. 0.568 million, Rs. 4.891 million and Rs. 6.947 million, respectively.

#### **Measurement of Redeemable Participating Certificates - IFRS 9**

During the current year, the adoption of IFRS 9 at Holding Company's Bahrain Operations has resulted in investments in Redeemable Participating Certificates held abroad, being mandatorily measured at "Fair Value through Profit and Loss Account". However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-16203 dated July 26, 2018, such investments have been reported and measured under "Available for Sale" investments in these consolidated financial statements.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lendings having maturity of three months or less.

### **4.3 Lendings to / borrowings from financial institutions**

The Group enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

#### **Sale under repurchase agreements**

Securities sold subject to a repurchase agreement (repo) are retained in these consolidated financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

#### **Purchase under resale agreements**

Securities purchased under agreement to resell (reverse repo) are not recognised in these consolidated financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

### **4.4 Investments**

#### **4.4.1 Classification**

The Group classifies its investments as follows:

##### **Held for trading**

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices, interest rate movements, dealers' margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.



## Held to maturity

These are investments with fixed or determinable payments and fixed maturities and the Group has the positive intent and ability to hold them till maturity.

## Available for sale

These are investments which do not fall under the 'held for trading' and 'held to maturity' categories.

## Associates

Associates are all entities over which the Group has significant influence but not control. These are accounted for using the equity method of accounting. The investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves.

### 4.4.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Group commits to purchase or sell the investments.

### 4.4.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss.

### 4.4.4 Subsequent measurement

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity', investment in associates and subsidiaries are subsequently remeasured to market value. Surplus and deficit arising on revaluation of securities classified as 'available for sale' is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of investments classified as 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost.

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated, impairment losses, if any.

### 4.4.5 Impairment

Impairment loss in respect of equity securities classified as available for sale, associates and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities is transferred from equity and recognised in the profit and loss account. For investments classified as held to maturity and investment in subsidiaries and associates, the impairment loss is recognised in the profit and loss account.

Gains or losses on disposal of investments during the year are taken to the profit and loss account.



## 4.5 Advances

### Loans and advances

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas loans and advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

### Islamic Financing and Related Assets

The Group provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Musharakah, Running Musharakah, Salam, Istisna, Tijara and Export Refinance under SBP Islamic Export Refinance Scheme. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financings is recognised in accordance with the principles of Islamic Shariah. The Group determines specific and general provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

### Finance Lease Receivables

Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. The Group determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

#### 4.5.1 Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/ receivable on Ijarah under IFAS 2 are recorded as income / revenue. The Group charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

## 4.6 Fixed assets and depreciation

### 4.6.1 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. (These are transferred to specific assets as and when assets become available for use).



#### 4.6.2 Property and Equipment (owned and leased)

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 10.2 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are taken to the profit and loss account except that the related surplus / deficit on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

#### 4.6.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Intangible assets are assessed for impairment, if any, as described under note 4.14.

#### 4.6.4 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested for impairment annually or whenever there is an indication of impairment, as per the requirement of IAS 36, Impairment of Assets. An impairment charge in respect of goodwill is recognized through the profit and loss account.

#### 4.6.5 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated



depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the surplus on revaluation of non-banking assets in other comprehensive income, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account.

#### **4.7 Non-current assets held for sale and discontinued operations**

The Group classifies a non-current asset (or disposal group) as held for sale if it represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale; and its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

Resultantly, all assets and liabilities of assets held for sale are presented as separate line items on statement of financial position. The post tax results of such operations are presented separately in the profit and loss account.

#### **4.8 Borrowings / Deposits and their cost**

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowing costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

##### **4.8.1 Deposits - Islamic Banking**

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Modaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors.


Profits realised in investment pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Maal (Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal upto a specified percentage of its profit.

Profits are distributed from the pool so the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period.

Asset pools are created at the Holding Company's discretion and the holding can add, amend, transfer an asset to any other pool in the interests of the deposit holders.



In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

#### **4.9 Subordinated loans**

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

#### **4.10 Staff retirement / Employee benefits**

##### **a) Defined benefit plan**

The Holding Company operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with holding company is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income.

The Subsidiary - Alfalah Securities (Private) Limited operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The cost of providing benefits under the defined benefit scheme is determined using the "Projected Unit Credit Method". Actuarial (remeasurement) gains and losses are recognised as income or expense in full in the year in which they occur in other comprehensive income.

##### **b) Defined contribution plan**

The Holding Company operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Holding Company and its employees to the fund at the rate of 8.33% of the basic salary in accordance with the terms of the scheme.

The Subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the company and the employees at the rate of ten percent of basic salary.

##### **c) Compensated absences**

The Holding Company recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial recommendations.

##### **d) Employees Stock Option Scheme**

The Holding Company has granted share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP. Under the scheme, the employees can subscribe to new ordinary shares for which options have been granted to them under the scheme upto the period of 2019. As per the scheme the entitlements and exercise price are subject to adjustments because of issuance of right shares and bonus issues.

The grant date fair value of equity settled share based payments to employees, determined as option discount as allowed by Public Companies (Employee Stock Option Scheme) Rules 2001, is recognized as employee compensation expense on a straight line basis over the vesting period with a consequent credit to equity as employee stock option compensation reserve. The deferred employee stock option cost is shown as a deduction from employee stock option compensation reserve. Option discount means the excess of market price of the share at the date of grant of an option under a Scheme over exercise price of the option.



When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the profit and loss account, such employee compensation expense is reversed in the profit and loss account equal to the amortized portion with a corresponding effect to employee stock option compensation reserve equal to the unamortized portion.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to employee stock option compensation reserve.

When the options are exercised, employee stock option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

## **4.11 Foreign currencies**

### **4.11.1 Functional and presentation currency**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates.

### **4.11.2 Transactions and balances**

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

### **4.11.3 Foreign operations**

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

### **4.11.4 Translation gains and losses**

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

### **4.11.5 Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

## **4.12 Revenue recognition**

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured.

### **4.12.1 Advances and investments**

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Holding Company operates.

Murabaha income is recognised on deferred income basis.





#### 4.12.2 Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

Ijarah income is recognised on an accrual basis as and when the rentals becomes due.

#### 4.12.3 Non Markup / interest income

Fee, commission and brokerage income are accounted for on receipt basis.

Dividend income is recognised at the time when the Group's right to receive the dividend has been established.

Other income is recognised on accrual basis.

Remuneration for investment advisory and asset management services are recognised on an accrual basis.

#### 4.13 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in statement of comprehensive income.

##### 4.13.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebate, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments during the year.

##### 4.13.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



#### **4.14 Impairment**

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the unconsolidated financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

#### **4.15 Provision for claims under guarantees**

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the group to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-of expected recoveries.

#### **4.16 Other Provisions**

Other provisions are recognised when the Group has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

#### **4.17 Contingent Liabilities**

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under contingent liability is considered remote, it is not disclosed.

#### **4.18 Off-setting**

Financial assets and financial liabilities are off-set and the net amount reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

#### **4.19 Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

#### **4.20 Acceptances**

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on balance sheet transactions.

#### **4.21 Dividend and appropriation to reserves**

Dividend and appropriation to reserves after the reporting date, except appropriations which are required under the law, are recognised in the Group's consolidated financial statements in the year in which these are approved.



## 4.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

## 4.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure of the Group. Segmented performance is reported to the senior management of the holding company on monthly basis for the purpose of strategic decision making and performance management.

### 4.23.1 Business segments

#### **Retail banking**

This includes loans, deposits, trading activity, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Holding Company. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

#### **Corporate banking**

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities with the holding company's corporate and public sector customers.

#### **Treasury**

This segment includes liquidity management activities carried out through borrowing, lending, money market, capital market and merchant banking operations. The investments of the holding company primarily towards government securities and risk management activities via use of forward contracts & derivatives are reported here.

#### **Digital banking**

This segment includes branchless banking accounts, deposits and lending products, digital channels (including ATMs, internet banking, call centre and alfa app), corporate, G2P & SMME portfolio (including EOBI, BISP, payroll solutions), digital payments and digital products.

#### **Islamic banking**

This segment pertains to full scale Islamic Banking operations of the holding company.

#### **International operations**

This segment includes amounts related to Bank's overseas operations, namely, commercial banking activities in Bangladesh, Afghanistan, United Arab Emirates and wholesale banking activities in the Kingdom of Bahrain.

#### **Retail Brokerage**

It includes asset management activities mainly through the subsidiary Alfalah Securities (Private) Limited.

#### **Asset Management**

It includes asset management activities mainly through the subsidiary Alfalah GHP Investment Management Limited.

#### **Others**

This includes the head office related activities, and all other activities not tagged to the segments above.



#### 4.23.2 Geographical segments

The Group operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

	Note	2018	2017
------(Rupees in '000)-----			
<b>5 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency	5.1	11,801,739	10,464,315
Foreign currency	5.2	5,711,022	4,031,567
		17,512,761	14,495,882
With State Bank of Pakistan in			
Local currency current account	5.3	31,122,141	28,767,491
Foreign currency current account	5.4	4,413,423	2,927,953
Foreign currency deposit account	5.5	10,931,812	6,998,393
		46,467,376	38,693,837
With other central banks in			
Foreign currency current account	5.6	2,733,265	1,403,720
Foreign currency deposit account	5.6	744,879	555,392
		3,478,144	1,959,112
With National Bank of Pakistan in local currency current account		14,931,225	15,208,850
Prize bonds		18,230	23,799
		<u>82,407,736</u>	<u>70,381,480</u>

**5.1** This includes cash in transit amounting to Rs. 77.743 million (2017: Rs. 7.001 million).

**5.2** This includes cash in transit amounting to Rs. 478.410 million (2017: Rs. 4.230 million).

**5.3** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

**5.4** As per BSD Circular No. 9 dated December 03, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

**5.5** Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry markup rates ranging from 0.56% to 1.35% per annum (2017: 0.06% to 0.37%).

**5.6** These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Bank. The deposit accounts carry markup rates ranging from 0.62% to 1.71% (2017: 0.31% to 1.01%).

## 6 BALANCES WITH OTHER BANKS

	Note	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
In Pakistan			
In current account		457,760	530,401
In deposit account	6.1	11,184	228,601
		468,944	759,002
Outside Pakistan			
In current account	6.2	2,184,134	1,301,341
In deposit account	6.3	1,258,476	1,932,711
		3,442,610	3,234,052
		<u>3,911,554</u>	<u>3,993,054</u>

**6.1** This represents funds deposited with various banks at profit rates ranging from 2.98% to 8.05% per annum (2017: 1.73% to 3.75% per annum)

**6.2** This includes amount held in Automated Investment Plans. The Group is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount.

**6.3** This includes placement of funds generated through foreign currency deposits scheme (FE-25) and non-contractual deposits at interest rates ranging from 1.00% to 3.00% per annum (2017: 1.00% to 8.40% per annum).

## 7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
Call / clean money lendings	7.1.1	15,166,288	20,255,936
Repurchase agreement lendings (Reverse Repo)	7.1.2 & 7.3	37,214,313	11,848,536
Bai Muajjal receivable with other financial institutions	7.1.3	9,811,504	16,791,356
		62,192,105	48,895,828
Less: expected credit loss - overseas branches		(19,818)	-
Lending to Financial Institutions - net of provision		<u>62,172,287</u>	<u>48,895,828</u>

**7.1.1** These represent lendings to financial institutions at interest rates ranging from 0.50% to 9.90% per annum (2017: 1.50% to 9.75% per annum) having maturities upto June 2019 (2017: March 2018).

**7.1.2** These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 3.00% to 10.45% per annum (2017: 5.80% to 6.20% per annum) with maturities upto January 2019 (2017: June 2018).

**7.1.3** These represent Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) / other commercial banks. The rates of return range from 9.90% to 10.05% per annum (2017: 5.71% to 5.80% per annum), and these are due to mature by March 2019 (2017: March 2018).

### 7.2 Particulars of lending - gross

	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
In local currency	55,400,871	43,346,538
In foreign currencies	6,791,234	5,549,290
	<u>62,192,105</u>	<u>48,895,828</u>

### 7.3 Securities held as collateral against Lending to financial institutions

	2018			2017		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	------(Rupees in '000)-----					
Market Treasury Bills	28,757,067	-	28,757,067	5,593,265	-	5,593,265
Pakistan Investment Bonds	8,457,246	-	8,457,246	1,003,918	5,251,353	6,255,271
Total	<u>37,214,313</u>	<u>-</u>	<u>37,214,313</u>	<u>6,597,183</u>	<u>5,251,353</u>	<u>11,848,536</u>



8 INVESTMENTS

8.1 Investments by type:

	Note	2018				2017			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
------(Rupees in '000)-----									
<b>Held-for-trading securities</b>									
Federal Government Securities									
Market Treasury Bills		45,898,957	-	(13,261)	45,885,696	22,759,650	-	(11,486)	22,748,164
Pakistan Investment Bonds		1,209,673	-	(13,174)	1,196,499	-	-	-	-
Shares									
Fully paid up ordinary shares / units - Listed		164,797	-	(23,227)	141,570	28,140	-	(990)	27,150
Foreign Securities									
Overseas Bonds - Sovereign		302,699	-	6,151	308,850	19,443	-	5,125	24,568
		47,576,126	-	(43,511)	47,532,615	22,807,233	-	(7,351)	22,799,882
<b>Available-for-sale securities</b>									
Federal Government Securities									
Market Treasury Bills		114,893,151	-	(40,902)	114,852,249	162,885,001	-	(82,650)	162,802,351
Pakistan Investment Bonds		26,490,800	-	(464,211)	26,026,589	108,088,932	-	3,156,472	111,245,404
Government of Pakistan Sukus		15,726,083	-	(120,264)	15,605,819	34,284,664	-	315,035	34,599,699
Government of Pakistan Euro Bonds		2,440,076	-	(134,045)	2,306,031	2,281,177	-	105,351	2,386,528
Shares									
Fully paid up ordinary shares - Listed		7,390,808	(22,383)	718,558	8,086,983	5,786,367	(15,000)	396,022	6,167,389
Fully paid up ordinary shares - Unlisted		382,055	(59,661)	-	322,394	350,507	(103,293)	-	247,214
Preference Shares - Listed		108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted		25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities									
Term Finance Certificates		1,504,126	(359,706)	(12,071)	1,132,349	1,297,084	(302,904)	(8,474)	985,706
Sukus		4,775,082	(96,510)	323,930	5,002,502	3,673,571	(102,142)	43,563	3,614,992
Commercial Papers		-	-	-	-	90,201	-	-	90,201
Foreign Securities									
Overseas Bonds - Sovereign		1,357,353	-	(49,426)	1,307,927	552,041	-	1,959	554,000
Overseas Bonds - Others		9,147,217	-	(223,671)	8,923,546	8,626,230	-	3,621	8,629,851
Redeemable Participating Certificates		2,362,923	-	-	2,362,923	1,133,659	-	-	1,133,659
		186,603,509	(672,095)	(2,102)	185,929,312	329,183,269	(657,174)	3,930,899	332,456,994
<b>Held-to-maturity securities</b>									
Federal Government Securities									
Market Treasury Bills		-	-	-	-	1,470,741	-	-	1,470,741
Pakistan Investment Bonds		26,280,990	-	-	26,280,990	31,637,988	-	-	31,637,988
Government of Pakistan Euro Bonds		243,011	-	-	243,011	193,239	-	-	193,239
Other Federal Government Securities		4,122,215	-	-	4,122,215	-	-	-	-
Non Government Debt Securities									
Term Finance Certificates		524,266	(524,266)	-	-	524,266	(524,266)	-	-
Sukus		2,689,965	(141,399)	-	2,548,566	4,097,810	(167,890)	-	3,929,920
Foreign Securities									
Overseas Bonds - Sovereign		8,185,947	-	-	8,185,947	5,492,169	-	-	5,492,169
Overseas Bonds - Others		690,721	-	-	690,721	548,143	-	-	548,143
		42,737,115	(665,665)	-	42,071,450	43,964,356	(692,156)	-	43,272,200
<b>Associates</b> (valued at equity method)	8.1.1	3,761,612	-	-	3,761,612	3,213,322	-	-	3,213,322
General provision and expected credit loss-									
Overseas operations		-	(43,258)	-	(43,258)	-	-	-	-
<b>Total Investments</b>		<b>280,678,362</b>	<b>(1,381,018)</b>	<b>(45,613)</b>	<b>279,251,731</b>	<b>399,168,180</b>	<b>(1,349,330)</b>	<b>3,923,548</b>	<b>401,742,398</b>

### 8.1.1 Movement in values of investments accounted for under equity method of accounting

The details of investments accounted for under equity method of accounting is as follows.

2018						
Investment as at January 01	Investment made during the year	Redeemed during the year	Dividend received during the year	Share of profit / (Loss)	Balance as at December 31	
..... (Rupees in '000).....						
Alfalah Insurance Company Limited	319,725	-	-	-	21,196	340,921
Sapphire Wind Power Company Limited	1,557,584	-	-	(219,000)	567,299	1,905,883
TriconBoston Consulting Corporation (Private) Limited	764,575	-	-	-	29,318	793,893
Alfalah GHP Money Market Fund	381,416	137,356	(205,000)	(15,442)	583	298,913
Alfalah GHP Income Multiplier Fund	6	-	-	-	-	6
Alfalah GHP Sovereign Fund	491	75,071	-	(20)	58	75,600
Alfalah GHP Income Fund	1,529	153,906	-	(2,290)	4,292	157,437
Alfalah GHP Islamic Income Fund	5,576	394	-	(197)	54	5,827
Alfalah GHP Pension Fund	86,343	-	-	-	538	86,881
Alfalah GHP Islamic Pension Fund	86,277	-	-	-	(326)	85,951
Alfalah GHP Islamic Stock Fund	-	-	-	-	-	-
Alfalah GHP Cash Fund	9,800	-	384	-	116	10,300
	<u>3,213,322</u>	<u>366,727</u>	<u>(204,616)</u>	<u>(236,949)</u>	<u>623,128</u>	<u>3,761,612</u>

2017						
Investment as at January 01	Investment made during the year	Redeemed during the year	Dividend received during the year	Share of profit / (Loss)	Balance as at December 31	
..... (Rupees in '000).....						
Alfalah Insurance Company Limited	282,909	-	-	-	36,816	319,725
Sapphire Wind Power Company Limited	1,221,237	-	-	-	336,347	1,557,584
TriconBoston Consulting Corporation (Private) Limited	-	769,230	-	-	(4,655)	764,575
Alfalah GHP Money Market Fund	57,287	379,069	(58,440)	-	3,500	381,416
Alfalah GHP Income Multiplier Fund	298,473	25,968	(330,948)	(1,291)	7,804	6
Alfalah GHP Sovereign Fund	253,490	1,602	(258,911)	(2,136)	6,446	491
Alfalah GHP Income Fund	169,745	180,491	(350,000)	(7,321)	8,614	1,529
Alfalah GHP Islamic Income Fund	6,683	148,981	(150,000)	(307)	219	5,576
Alfalah GHP Pension Fund	-	90,000	-	-	(3,657)	86,343
Alfalah GHP Islamic Pension Fund	-	90,000	-	-	(3,723)	86,277
Alfalah GHP Islamic Stock Fund	439,502	-	(467,178)	-	27,676	-
Alfalah GHP Cash Fund	534,264	9,763	(553,523)	(150)	19,446	9,800
	<u>3,263,590</u>	<u>1,695,104</u>	<u>(2,169,000)</u>	<u>(11,205)</u>	<u>434,833</u>	<u>3,213,322</u>





**8.1.2 Particulars of assets and liabilities of associates and mutual funds established under trust structure not considered for consolidation.**

	Financial statements Date	2018			
		Assets	Liabilities	Revenue	Profit for the year / period
		..... (Rupees in '000).....			
Alfalsh Insurance Company Limited	December 31, 2018	3,187,385	2,115,633	112,924	70,653
Sapphire Wind Power Company Limited	December 31, 2018	15,866,719	10,038,327	1,570,653	837,917
TriconBoston Consulting Corporation (Private) Limited	December 31, 2018	46,805,961	38,350,514	2,085,328	365,622
Alfalsh GHP Money Market Fund	December 31, 2018	13,804,942	56,736	421,847	378,539
Alfalsh GHP Income Multiplier Fund	December 31, 2018	470,770	23,886	13,455	7,575
Alfalsh GHP Sovereign Fund	December 31, 2018	1,762,416	826,233	37,082	27,665
Alfalsh GHP Income Fund	December 31, 2018	325,279	15,491	14,384	10,341
Alfalsh GHP Islamic Income Fund	December 31, 2018	4,612,301	19,943	175,274	134,527
Alfalsh GHP Pension Fund	December 31, 2018	139,752	594	(1,413)	(2,919)
Alfalsh GHP Islamic Pension Fund	December 31, 2018	114,890	497	(1,424)	2,811
Alfalsh GHP Cash Fund	December 31, 2018	116,582	14,493	5,355	3,704

	Financial statements Date	2017			
		Assets	Liabilities	Revenue	Profit for the year / period
		..... (Rupees in '000).....			
Alfalsh Insurance Company Limited	December 31, 2017	3,169,013	2,118,909	99,598	122,720
Sapphire Wind Power Company Limited	December 31, 2017	13,782,492	8,685,366	1,184,593	468,632
TriconBoston Consulting Corporation (Private) Limited	December 31, 2017	24,253,943	16,107,746	-	(35,196)
Alfalsh GHP Money Market Fund	December 31, 2017	5,176,888	25,707	57,420	47,467
Alfalsh GHP Income Multiplier Fund	December 31, 2017	689,548	33,949	67,014	46,705
Alfalsh GHP Sovereign Fund	December 31, 2017	1,500,627	663,108	38,952	28,087
Alfalsh GHP Income Fund	December 31, 2017	560,723	15,608	29,641	19,995
Alfalsh GHP Islamic Income Fund	December 31, 2017	7,250,318	19,943	177,155	129,968
Alfalsh GHP Pension Fund	December 31, 2017	109,766	985	(3,202)	(4,535)
Alfalsh GHP Islamic Pension Fund	December 31, 2017	99,901	955	(4,071)	(5,357)
Alfalsh GHP Cash Fund	December 31, 2017	119,408	14,336	5,431	3,415

## 8.2 Investments by segments:

### Federal Government Securities:

	2018				2017			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Market Treasury Bills	160,792,108	-	(54,163)	160,737,945	187,115,392	-	(94,136)	187,021,256
Pakistan Investment Bonds	53,981,463	-	(477,385)	53,504,078	139,726,920	-	3,156,472	142,883,392
Pakistan Euro Bonds	2,683,087	-	(134,045)	2,549,042	2,474,416	-	105,351	2,579,767
Other Federal Government Securities	4,122,215	-	-	4,122,215	-	-	-	-
Government of Pakistan Sukuks	15,726,083	-	(120,264)	15,605,819	34,284,664	-	315,035	34,599,699
	237,304,956	-	(785,857)	236,519,099	363,601,392	-	3,482,722	367,084,114

### Shares:

Listed Companies	7,664,440	(131,218)	695,331	8,228,553	5,923,342	(123,835)	395,032	6,194,539
Unlisted Companies	407,055	(84,661)	-	322,394	375,507	(128,293)	-	247,214
	8,071,495	(215,879)	695,331	8,550,947	6,298,849	(252,128)	395,032	6,441,753

### Non Government Debt Securities

Listed	651,765	1,785	12,091	665,641	301,925	2,185	1,553	305,663
Unlisted	8,841,674	(1,123,666)	299,768	8,017,776	9,381,007	(1,099,387)	33,536	8,315,156
	9,493,439	(1,121,881)	311,859	8,683,417	9,682,932	(1,097,202)	35,089	8,620,819

### Foreign Securities

Government securities	9,845,999	-	(43,275)	9,802,724	6,063,653	-	7,084	6,070,737
Non Government Debt securities	12,200,861	-	(223,671)	11,977,190	10,308,032	-	3,621	10,311,653
	22,046,860	-	(266,946)	21,779,914	16,371,685	-	10,705	16,382,390

### Associates (valued at equity method)

Alfalah Insurance Company Limited	340,921	-	-	340,921	319,725	-	-	319,725
Sapphire Wind Power Company Limited	1,905,883	-	-	1,905,883	1,557,584	-	-	1,557,584
TriconBoston Consulting Corporation (Pvt.) Ltd.	793,893	-	-	793,893	764,575	-	-	764,575
Alfalah GHP Money Market Fund	298,913	-	-	298,913	381,416	-	-	381,416
Alfalah GHP Income Multiplier Fund	6	-	-	6	6	-	-	6
Alfalah GHP Sovereign Fund	75,600	-	-	75,600	491	-	-	491
Alfalah GHP Income Fund	157,437	-	-	157,437	1,529	-	-	1,529
Alfalah GHP Islamic Income Fund	5,827	-	-	5,827	5,576	-	-	5,576
Alfalah GHP Pension Fund	86,881	-	-	86,881	86,343	-	-	86,343
Alfalah GHP Islamic Pension Fund	85,951	-	-	85,951	86,277	-	-	86,277
Alfalah GHP Cash Fund	10,300	-	-	10,300	9,800	-	-	9,800
	3,761,612	-	-	3,761,612	3,213,322	-	-	3,213,322

General provision and expected credit loss- Overseas operations

(43,258)

### Total Investments

280,678,362 (1,381,018) (45,613) 279,251,731 399,168,180 (1,349,330) 3,923,548 401,742,398



### 8.2.1 Investments given as collateral

	2018	2017
	----- (Rupees in '000) -----	
Market Treasury Bills	39,445,702	85,274,643
Pakistan Investment Bonds	15,854,600	64,920,622
Pakistan Euro Bonds	-	845,802
Overseas Bonds	4,818,676	3,621,444
Sukuk Bonds	3,885,659	6,939,721
	64,004,637	161,602,232

The market value of securities given as collateral is Rs. 63,858.995 million (2017: Rs. 163,429.313 million).

### 8.3 Provision for diminution in value of investments

	2018	2017
	----- (Rupees in '000) -----	
<b>8.3.1 Opening balance</b>	1,349,330	1,253,781
Impact of adoption of IFRS 09 - overseas branches	77,698	-
	1,427,028	1,253,781
Exchange adjustments	13,876	-
Charge / reversals		
Charge for the year	85,766	111,134
Reversals for the year	(98,073)	(15,539)
Reversal on disposals	-	-
	(12,307)	95,595
Transfers - net	(3,947)	(46)
Provision adjusted during the year	(43,632)	-
Closing Balance	1,381,018	1,349,330

### 8.3.2 Particulars of provision against debt securities Category of classification

	2018		2017	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,121,881	1,121,881	1,097,202	1,097,202
	1,121,881	1,121,881	1,097,202	1,097,202
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
<b>Total</b>	1,121,881	1,121,881	1,097,202	1,097,202

## 8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2018	2017
	Cost	
	------(Rupees in '000)-----	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	114,893,151	162,885,001
Pakistan Investment Bonds	26,490,800	108,088,932
Government of Pakistan Sukuks	15,726,083	34,284,664
Government of Pakistan Euro Bonds	2,440,076	2,281,177
	<u>159,550,110</u>	<u>307,539,774</u>
<b>Shares</b>		
<b>Listed Companies</b>		
<b>Ordinary Shares</b>		
Automobile Parts & Accessories	169,581	123,882
Cement	1,224,060	1,752,247
Chemicals	17,909	17,909
Commercial Banks	1,596,590	812,564
Engineering	333,633	167,071
Fertilizer	308,635	444,315
Insurance	92,708	-
Investment Banks	15,000	15,000
Oil and Gas Exploration Companies	1,754,619	835,627
Oil and Gas Marketing Companies	534,549	290,839
Pharmaceuticals	202,738	-
Power Generation & Distribution	749,175	855,961
Real Estate Investment Trust	372,093	457,843
Miscellaneous	19,518	13,109
	<u>7,390,808</u>	<u>5,786,367</u>
<b>Preference Shares</b>		
Fertilizer	108,835	108,835
	<u>7,499,643</u>	<u>5,895,202</u>

Unlisted Companies	Break up value as at	2018		2017	
		Cost	Breakup value	Cost	Breakup value
		------(Rupees in '000)-----			
<b>Ordinary Shares</b>					
AGP Pharma Limited **		-	-	256,212	212,544
Al-Hamra Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited	Dec 31, 2017	22,235	53,150	22,235	33,752
Pakistan Mortgage Refinance Company Limited	Dec 31, 2017	300,000	300,686	12,240	12,299
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2016	4,095	11,754	4,095	11,754
		<u>382,055</u>	<u>413,476</u>	<u>350,507</u>	<u>318,235</u>
<b>Preference Shares</b>					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,700
		<u>407,055</u>	<u>441,260</u>	<u>375,507</u>	<u>345,935</u>

\*\* The security was listed on Pakistan Stock Exchange during the year.



## Non Government Debt Securities

### Listed

Categorised based on long term rating by Credit Rating Agency:

	2018	2017
	Cost	
	----(Rupees in '000)----	
- AAA	-	99,860
- AA+, AA, AA-	450,000	99,880
- A+, A, A-	199,980	100,000
- BBB+, BBB, BBB-	-	-
- BB+, BB, BB-	-	-
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	1,785	2,185
	<u>651,765</u>	<u>301,925</u>

### Unlisted

Categorised based on long term rating by Credit Rating Agency:

- AAA	4,444,440	2,600,000
- AA+, AA, AA-	-	-
- A+, A, A-	-	-
- BBB+, BBB, BBB-	-	-
- BB+, BB, BB-	-	-
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	1,183,003	2,158,931
	<u>5,627,443</u>	<u>4,758,931</u>

## Foreign Securities

### Government Securities

Abu Dhabi Government Int Bond 2027  
Saudi International Bond 2026  
Kingdom of Bahrain Sukuk

2018		2017	
Cost	Rating	Cost	Rating
(Rupees in '000)		(Rupees in '000)	
685,183	AA	-	-
672,170	A1	-	-
-	-	552,040	B+
<u>1,357,353</u>		<u>552,040</u>	

## Non Government Debt Securities

### Unlisted

Categorised based on long term rating by Credit Rating Agency:

	2018	2017
	----(Rupees in '000)----	
- AAA	-	-
- AA+, AA, AA-	-	977,192
- A+, A, A-	8,040,314	5,396,168
- BBB+, BBB, BBB-	1,106,903	1,209,742
- BB+, BB, BB-	-	1,043,129
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	2,362,923	1,133,659
	<u>11,510,140</u>	<u>9,759,890</u>



**8.5 Particulars relating to Held to Maturity securities are as follows:**

**Federal Government Securities - Government guaranteed**

	2018	2017
	Cost	
	----(Rupees in '000)----	
Market Treasury Bills	-	1,470,741
Pakistan Investment Bonds	26,280,990	31,637,988
Pakistan Euro Bonds	243,011	193,239
Other Federal Government Securities	4,122,215	-
	<u>30,646,216</u>	<u>33,301,968</u>

**Non Government Debt Securities**

**Unlisted**

Categorised based on long term rating by Credit Rating Agency

- AAA	1,041,670	1,041,670
- AA+, AA, AA-	566,667	1,133,333
- A+, A, A-	190,230	254,918
- Unrated	1,415,664	2,192,155
	<u>3,214,231</u>	<u>4,622,076</u>

**Foreign Securities**

**Government Securities**

	2018		2017	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
Bangladesh Government Bonds	7,497,232	Unrated	4,945,043	Unrated
State of Qatar	688,715	AA-	547,126	AA-
	<u>8,185,947</u>		<u>5,492,169</u>	

**Non Government Debt Securities**

**Unlisted**

	2018	2017
	Cost	
	----(Rupees in '000)----	
- BBB+, BBB, BBB-	690,721	548,143
	<u>690,721</u>	<u>548,143</u>

**8.5.1** The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 40,750 million (December 31, 2017: Rs. 43,844 million).



## 9 ADVANCES

	Note	Performing		Non Performing		Total	
		2018	2017	2018	2017	2018	2017
------(Rupees in '000)-----							
Loans, cash credits, running finances, etc.	9.1	402,388,697	333,599,195	17,286,103	15,906,224	419,674,800	349,505,419
Islamic financing and related assets	9.2	85,660,964	55,284,996	1,393,959	1,595,173	87,054,923	56,880,169
Bills discounted and purchased		11,524,510	10,723,399	143,478	78,714	11,667,988	10,802,113
Advances - gross		499,574,171	399,607,590	18,823,540	17,580,111	518,394,711	417,187,701
Provision against advances							
- Specific	9.5	-	-	(15,884,669)	(15,685,041)	(15,884,669)	(15,685,041)
- General	9.5	(873,315)	(842,738)	-	-	(873,315)	(842,738)
		(873,315)	(842,738)	(15,884,669)	(15,685,041)	(16,757,984)	(16,527,779)
Advances - net of provision		498,700,856	398,764,852	2,938,871	1,895,070	501,639,727	400,659,922

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
------(Rupees in '000)-----								
Lease rentals receivable	1,403,651	2,030,833	41,335	3,475,819	925,485	2,089,153	70,316	3,084,954
Residual value	594,353	998,435	13,347	1,606,135	370,194	911,824	40,100	1,322,118
Minimum lease payments	1,998,004	3,029,268	54,682	5,081,954	1,295,679	3,000,977	110,416	4,407,072
Financial charges for future periods	(220,675)	(258,985)	-	(479,660)	(94,838)	(220,262)	(1,027)	(316,127)
Present value of minimum lease payments	1,777,329	2,770,283	54,682	4,602,294	1,200,841	2,780,715	109,389	4,090,945

9.1.2 Advances include an amount of Rs. 82.95 million (2017: Rs. 25.11 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry markup at the rates ranging from 9.46% to 20.30% (2017: 9.46% to 16.48%) with maturities up to December 2038 (2017: December 2022).

9.2 These represents financing and related assets placed under shariah permissible modes and presented in Annexure-II to the unconsolidated financial statements.

	2018	2017
9.3 Particulars of advances (Gross)	---(Rupees in '000)---	
In local currency	493,438,878	392,303,907
In foreign currencies	24,758,833	24,883,794
	518,397,711	417,187,701



9.4 Advances include Rs. 18,824 million (2017: Rs. 17,580 million) which have been placed under non-performing status as detailed below:

**Category of Classification**

	2018		2017	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	------(Rupees in '000)-----			
<b>Domestic</b>				
Other Assets Especially Mentioned	104,121	3,330	84,960	4,979
Substandard	3,077,658	762,678	1,359,006	338,582
Doubtful	552,920	235,663	1,854,513	1,245,152
Loss	14,591,887	14,518,782	13,978,614	13,837,989
	18,326,586	15,520,453	17,277,093	15,426,702
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days			-	-
91 to 180 days	42,787	3,536	-	-
181 to 365 days	104,384	46,637	-	-
> 365 days	349,783	314,043	303,018	258,339
	496,954	364,216	303,018	258,339
<b>Total</b>	18,823,540	15,884,669	17,580,111	15,685,041

9.5 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	15,685,041	842,738	16,527,779	16,368,263	775,968	17,144,231
Impact of adoption of IFRS 9	-	25,297	25,297	-	-	-
Exchange adjustments	62,512	2,944	65,456	2,221	1,599	3,820
Charge for the year	3,007,907	269,364	3,277,271	2,230,902	156,384	2,387,286
Reversals	(2,631,522)	(267,028)	(2,898,550)	(2,741,259)	(91,213)	(2,832,472)
	376,385	2,336	378,721	(510,357)	65,171	(445,186)
Amounts written off	(179,305)	-	(179,305)	(72,056)	-	(72,056)
Amounts charged off - agriculture financing	(59,964)	-	(59,964)	(103,030)	-	(103,030)
9.6	(239,269)	-	(239,269)	(175,086)	-	(175,086)
Closing balance	15,884,669	873,315	16,757,984	15,685,041	842,738	16,527,779

9.5.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	14,708,296	698,706	15,407,002	14,802,261	701,036	15,503,297
In foreign currencies	1,176,373	174,609	1,350,982	882,780	141,702	1,024,482
	15,884,669	873,315	16,757,984	15,685,041	842,738	16,527,779



- 9.5.2** The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2018 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 30.106 million (2017: Rs. 29.899 million).
- 9.5.3** General provision includes provision against consumer loans being maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio. Provision against SE portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.
- 9.5.4** Exposure amounting to Rs. Nil (2017: Rs. 8.421 billion) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.
- 9.5.5** Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

<b>9.6 PARTICULARS OF WRITE OFFS:</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		---(Rupees in '000)---	
<b>9.6.1</b> Against Provisions	9.5	239,269	175,086
Directly charged to Profit & Loss account		-	-
		239,269	175,086
<b>9.6.2</b> Write Offs of Rs. 500,000 and above			
- Domestic	9.7	130,566	113,741
- Overseas		-	-
Write Offs of Below Rs. 500,000		108,703	61,345
		239,269	175,086

#### **9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE**

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2018 is given in Annexure-I to the unconsolidated financial statements.

<b>10 FIXED ASSETS</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		----- (Rupees in '000) -----	
Capital work-in-progress	10.1	175,339	79,639
Property and equipment	10.2	18,141,703	16,119,263
		18,317,042	16,198,902
<b>10.1 Capital work-in-progress</b>			
Civil works		115,840	14,816
Equipment		55,670	43,868
Advances to suppliers		1,075	12,968
Others		2,754	7,987
		175,339	79,639

## 10.2 Property and Equipment

2018								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total

### At January 1, 2018

Cost / Revalued amount	4,376,934	2,959,930	1,243,306	2,744,105	5,110,322	1,998,763	11,221,513	439,860	30,094,733
Accumulated depreciation	-	(33,745)	(71,991)	(156,504)	(3,375,387)	(1,547,643)	(8,555,315)	(234,885)	(13,975,470)
Net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	451,120	2,666,198	204,975	16,119,263

### Year ended December 2018

Opening net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	451,120	2,666,198	204,975	16,119,263
Additions	11,000	-	9,114	75,031	193,907	32,671	657,449	19,885	999,057
Movement in surplus on assets revalued during the year	1,773,512	624,804	321,619	473,718	-	-	-	-	3,193,653
Deficit on revaluation recognised in the profit and loss account - net	(11,000)	(12,273)	(24,027)	(19,569)	-	-	-	-	(66,869)
Disposals	-	(242,490)	-	-	(12,367)	(3,643)	(8,155)	(43,361)	(310,016)
Depreciation charge	-	(17,525)	(37,992)	(78,698)	(326,593)	(118,662)	(1,082,756)	(70,936)	(1,733,162)
Exchange rate adjustments	-	-	-	-	988	1,559	4,779	3,179	10,505
Other adjustments / transfers	-	-	-	-	(14,009)	(319)	(56,389)	(11)	(70,728)
Closing net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	362,726	2,181,126	113,731	18,141,703

### At December 31, 2018

Cost / Revalued amount	6,150,446	3,278,701	1,440,029	3,038,083	5,272,656	2,025,376	11,598,377	358,827	33,162,495
Accumulated depreciation	-	-	-	-	(3,695,795)	(1,662,649)	(9,417,252)	(245,096)	(15,020,792)
Net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	362,727	2,181,125	113,731	18,141,703
Rate of depreciation (percentage)	-	1% - 3%	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

2017								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total

### At January 1, 2017

Cost / Revalued amount	4,358,934	3,007,930	1,171,324	2,629,975	4,802,297	1,996,343	10,431,361	424,701	28,822,865
Accumulated depreciation	-	(17,025)	(35,060)	(80,504)	(3,200,899)	(1,427,287)	(7,675,107)	(242,763)	(12,678,645)
Net book value	4,358,934	2,990,905	1,136,264	2,549,471	1,601,398	569,056	2,756,254	181,938	16,144,220

### Year ended December 2017

Opening net book value	4,358,934	2,990,905	1,136,264	2,549,471	1,601,398	569,056	2,756,254	181,938	16,144,220
Additions	18,000	-	71,820	116,453	518,612	30,537	1,064,856	123,620	1,943,898
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-
Deficit on revaluation recognised in the profit and loss account - net	-	-	-	-	-	-	-	-	-
Disposals	-	(47,834)	-	(2,100)	(37,919)	(1,258)	(7,299)	(19,897)	(116,307)
Depreciation charge	-	(16,886)	(36,932)	(76,060)	(329,292)	(142,693)	(1,143,969)	(80,659)	(1,826,491)
Exchange rate adjustments	-	-	-	-	(443)	(526)	(4,155)	189	(4,935)
Other adjustment / transfer	-	-	163	163	(17,421)	(3,996)	511	(216)	(21,122)
Closing net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	451,120	2,666,198	204,975	16,119,263

### At December 31, 2017

Cost / Revalued amount	4,376,934	2,959,930	1,243,306	2,744,105	5,110,322	1,998,763	11,221,513	439,860	30,094,733
Accumulated depreciation	-	(33,745)	(71,991)	(156,504)	(3,375,387)	(1,547,643)	(8,555,315)	(234,885)	(13,975,470)
Net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	451,120	2,666,198	204,975	16,119,263
Rate of depreciation (percentage)	-	1% - 3%	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	



10.2.1 The properties of the Bank have been revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Hamid Mukhtar & Co. (Private) Limited on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 3,194 million and a deficit of Rs.66.8 million. Accordingly, the surplus has been transferred to the equity and the deficit has been charged to the profit and loss account.

Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2018 would have been Rs. 5,443.968 million (2017: Rs. 5,742.060 million).

	2018		2017	
	Net book value at Cost	Net book value at Revalued amount	Net book value at Cost	Net book value at Revalued amount
	------(Rupees in '000)-----			
Freehold land	1,536,928	6,150,446	1,536,928	4,376,934
Leasehold land	1,441,656	3,278,701	1,696,418	2,926,185
Buildings on freehold land	1,043,992	1,440,029	1,094,877	1,171,315
Buildings on leasehold land	1,421,392	3,038,083	1,413,837	2,587,601
	5,443,968	13,907,259	5,742,060	11,062,035

10.2.2 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 9,773.91 million (2017: Rs. 8,644.77 million).

	Note	2018	2017
		------(Rupees in '000)-----	
10.2.3 Carrying amount of idle and held for sale properties.		299,150	186,416

10.2.4 Sale of fixed assets to related parties are disclosed in Annexure III to the consolidated financial statements.

## 11 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers		180,901	129,689
Software / membership card	11.1	1,136,370	1,379,076
		<u>1,317,271</u>	<u>1,508,765</u>
11.1 At January 01			
Cost		3,562,816	3,035,017
Accumulated amortisation and impairment		(2,183,740)	(1,737,707)
Net book value		<u>1,379,076</u>	<u>1,297,310</u>
Year ended December 31			
Opening net book value		1,379,076	1,297,310
Additions - directly purchased		250,671	529,449
Disposals		-	-
Amortisation charge		(489,716)	(447,802)
Exchange rate adjustments		1,170	-
Other adjustments		(4,831)	119
Closing net book value		<u>1,136,370</u>	<u>1,379,076</u>
At December 31			
Cost		3,822,430	3,562,816
Accumulated amortisation and impairment		(2,686,060)	(2,183,740)
Net book value		<u>1,136,370</u>	<u>1,379,076</u>
Rate of amortisation (percentage)		<u>20% - 33%</u>	<u>20% - 33%</u>
Useful life		<u>3 - 5 years</u>	<u>3 - 5 years</u>

11.2 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 1,349.493 million (2017: Rs. 1,010.07 million).

12 OTHER ASSETS	Note	2018 ------(Rupees in '000)-----	2017
Income/ Mark-up accrued in local currency - net of provision		11,880,512	11,333,672
Income/ Mark-up accrued in foreign currency - net of provision		538,855	462,647
Advances, deposits, advance rent and other prepayments		2,663,485	2,472,218
Advance taxation (payments less provisions)		90,885	1,141,536
Non-banking assets acquired in satisfaction of claims	12.1.1	615,517	647,286
Dividend receivable		2,768	13,892
Mark to market gain on forward foreign exchange contracts		4,519,604	1,978,336
Mark to market gain on derivatives		68,224	14,174
Stationery and stamps on hand		37,631	67,522
Defined benefit plan	38.1.7	923,633	729,546
Branch adjustment account		311,104	-
Account receivable		1,393,630	1,135,017
Receivable against fraud and forgeries	12.2	206,651	145,583
Acceptances		13,319,265	10,701,434
Others		195,906	547,480
		<u>36,767,670</u>	<u>31,390,343</u>
Less: Provision held against other assets	12.3	(928,885)	(686,441)
Other Assets (Net of Provision)		<u>35,838,785</u>	<u>30,703,902</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	12.1.1	159,530	127,925
		<u>35,998,315</u>	<u>30,831,827</u>
<b>12.1 Market value of Non-banking assets acquired in satisfaction of claims - properties only</b>		<u>748,865</u>	<u>782,636</u>

The properties of the Bank have been revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s. Akbani & Javed Associates and M/s. Harvester Services (Private) Limited on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 33.421 million.

12.1.1 Non-banking assets acquired in satisfaction of claims	2018 ------(Rupees in '000)-----	2017
Opening Balance	775,211	471,365
Additions	-	234,191
Revaluation	33,421	78,906
Disposals	(24,775)	(3,893)
Depreciation	(8,810)	(5,358)
Impairment	-	-
Closing Balance	<u>775,047</u>	<u>775,211</u>



	2018	2017
	------(Rupees in '000)-----	
<b>12.1.2 Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims</b>		
Disposal Proceeds	24,775	8,241
less		
- Cost	24,775	(3,893)
- Impairment / Depreciation	(24,775)	-
	-	(3,893)
Gain/Loss	24,775	4,348

**12.2** This represents fraud and forgery amount receivable from the insurance company and other sources. Provision has been held against non-recoverable amount.

	2018	2017
	------(Rupees in '000)-----	
<b>12.3 Provision held against other assets</b>		
	<b>Note</b>	
Advances, deposits, advance rent & other prepayments	910,930	643,711
Non banking assets acquired in satisfaction of claims	17,955	42,730
	928,885	686,441

**12.4 Movement in provision held against other assets**

Opening balance	686,441	1,163,130
Impact of adoption of IFRS 9 - overseas branches	5,795	-
Balance as at January 01 on adoption of IFRS 9	692,236	1,163,130
Charge for the year	421,760	-
Reversals	(10,416)	(37,788)
Amount Written off	(144,945)	(1,229)
Exchange and other adjustments	(29,750)	(5,047)
Classified as held for sale	-	(432,625)
Closing balance	928,885	686,441

**13 BILLS PAYABLE**

In Pakistan	35,825,039	20,792,002
Outside Pakistan	163,186	90,968
	35,988,225	20,882,970

14 BORROWINGS	Note	2018 ----(Rupees in '000)----	2017
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	14.1	26,344,557	20,568,840
Long-term finance facility	14.2	11,199,254	7,173,372
Financing facility for storage of agriculture produce	14.3	263,033	56,536
Repurchase agreement borrowings	14.4	35,962,700	107,982,494
		73,769,544	135,781,242
Repurchase agreement borrowings	14.5	11,163,509	17,237,602
Bai Muajjal	14.6	22,268,894	37,650,637
Other short term borrowings	14.7	279,494	343,253
<b>Total secured</b>		107,481,441	191,012,734
<b>Unsecured</b>			
Call borrowings	14.8	14,951,967	10,332,574
Overdrawn nostro accounts	14.9	947,547	970,114
Trading liabilities	14.10	-	5,221,517
Others	14.11	636,780	-
<b>Total unsecured</b>		16,536,294	16,524,205
		124,017,735	207,536,939

- 14.1** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 1.00% to 3.75% per annum (2017: 1.00% to 3.00% per annum) payable on a quarterly basis.
- 14.2** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2017: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.3** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.00% per annum (2017: 2.50% to 10.00% per annum) payable on a quarterly basis.
- 14.4** This represents repurchase agreement borrowing from SBP at the rate ranging from 5.78% to 10.16% per annum (2017: 5.80% to 5.82% per annum) having maturities upto January 2019 (2017: January 2018).
- 14.5** This represents repurchase agreement borrowing from other banks at the rate of 2.78% to 10.25% per annum (2017: 1.55% to 5.82% per annum) having maturities upto January 2019 (2017: February 2018).
- 14.6** This represents borrowings from financial institutions at mark-up rates ranging from 6.10% to 9.70% per annum (2017: 5.73% to 5.83%) having maturities upto March 2019 (2017: October 2018).
- 14.7** This represents short term running finance to meet the working capital requirements. This facility carries quarterly mark-up at the rate of three month KIBOR plus 3% (2017: KIBOR plus 3%) and valid upto 31 January 2021.
- 14.8** This represents borrowings from financial institutions at mark-up rates ranging from 0.50% to 10.25% per annum (2017: 0.60% to 5.75%) having maturities upto June 2019 (2017: March 2018).
- 14.9** This represents book overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exist only due to timing differences. These do not carry any mark-up rates.





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

**14.11** This includes borrowing from Pakistan Mortgage Refinance Company Limited (PMRC) to extend housing finance facilities to the Bank's customers on the agreed terms and conditions. This borrowing carries mark-up rate of 3 years PKRV less 50bps.

This also includes borrowing from Karandaz Pakistan Limited in lieu of Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a spread of 315 bps over the KIBOR rate.

2018                  2017  
-----**(Rupees in '000)**-----

**14.12 Particulars of borrowings with respect to Currencies**

In local currency	102,260,223	187,309,819
In foreign currencies	21,757,512	20,227,120
	124,017,735	207,536,939

**15 DEPOSITS AND OTHER ACCOUNTS**

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- <b>(Rupees in '000)</b> -----						
<b>Customers</b>						
Current deposits	253,826,090	31,077,261	284,903,351	236,043,620	21,553,885	257,597,505
Savings deposits	182,286,764	29,222,301	211,509,065	188,792,625	26,277,335	215,069,960
Term deposits	103,144,924	42,383,783	145,528,707	110,563,894	20,446,144	131,010,038
Others	10,007,520	1,920,061	11,927,581	5,573,888	931,961	6,505,849
	549,265,298	104,603,406	653,868,704	540,974,027	69,209,325	610,183,352
<b>Financial Institutions</b>						
Current deposits	2,130,211	533,400	2,663,611	1,147,240	165,696	1,312,936
Savings deposits	30,581,127	53,409	30,634,536	20,319,241	34,698	20,353,939
Term deposits	14,220,573	1,401,959	15,622,532	8,043,869	1,150,279	9,194,148
Others	47,926	9,816	57,742	3,880,609	-	3,880,609
	46,979,837	1,998,584	48,978,421	33,390,959	1,350,673	34,741,632
	596,245,135	106,601,990	702,847,125	574,364,986	70,559,998	644,924,984

2018                  2017  
-----**(Rupees in '000)**-----

**15.1 Composition of deposits**

- Individuals	347,909,428	342,182,573
- Government (Federal and Provincial)	45,416,762	32,446,285
- Public Sector Entities	46,524,311	28,802,279
- Banking Companies	528,326	1,994,835
- Non-Banking Financial Institutions	48,450,095	32,746,797
- Private Sector	214,018,203	206,752,215
	702,847,125	644,924,984

**15.2** Deposits include Eligible Deposits of Rs. 400,654.623 million (2017: nil) protected under Deposits Protection Mechanism introduced by State Bank of Pakistan.

## 16 SUBORDINATED DEBT

2018      2017  
-----**(Rupees in `000)**-----  
4,989,000   4,991,000

### 16.1 Term Finance Certificates V - Quoted, Unsecured

Issue amount	Rs. 5,000,000,000		
Issue date	February 2013		
Maturity date	February 2021		
Rating	"AA-" (Double A Minus) by Pakistan Credit Rating Company Limited ("PACRA").		
Security	Unsecured.		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.		
Mark-up	Base Rate + 1.25 percent  Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Call option	There is no call option available to the Bank.		

### 16.2 Term Finance Certificates - Additional Tier-I - Quoted, Unsecured

Issue amount	Rs. 7,000,000,000	7,000,000	-
Issue date	March 2018		
Maturity date	Perpetual		
Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.		
Security	Unsecured.		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	Perpetual.		
Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.		

11,989,000   4,991,000



## 17 DEFERRED TAX LIABILITIES

2018

	At January 01, 2018	Recognised in P&L A/C	Recognised in OCI	At December 31, 2018
------(Rupees in '000)-----				
Deductible Temporary Differences on				
- Provision against investments	(174,218)	32,844	(27,194)	(168,568)
- Provision against advances	(118,504)	(148,434)	-	(266,938)
- Provision against off balance sheet obligations	-	-	-	-
- Provision against other assets	(245,594)	20,621	-	(224,973)
- Provision against lending to financial institutions	-	(5,720)	-	(5,720)
- Ijarah depreciation taxed	-	(16,690)	-	(16,690)
- Unrealised loss on revaluation of HFT investments	(2,263)	(12,269)	-	(14,532)
	(540,579)	(129,648)	(27,194)	(697,421)
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	828,306	(2,807)	503,685	1,329,184
- Surplus on revaluation of investments	1,411,085	-	(1,413,967)	(2,882)
- Share of profit from associates	288,939	139,585	-	428,524
- Accelerated tax depreciation	1,455,261	(169,471)	670	1,286,460
- Exchange translation reserve	-	-	156,232	156,232
	3,983,591	(32,693)	(753,380)	3,197,518
	3,443,012	(162,341)	(780,574)	2,500,097

2017

	At January 01, 2017	Recognised in P&L A/C	Recognised in OCI	At December 31, 2017
------(Rupees in '000)-----				
Deductible Temporary Differences on				
- Provision against investments	(2,264,329)	2,090,111	-	(174,218)
- Provision against advances	(392,066)	273,562	-	(118,504)
- Provision against off balance sheet obligations	(13,078)	13,078	-	-
- Gain on revaluation of HFT investments	38	(2,301)	-	(2,263)
- Provision against other assets	(309,218)	63,624	-	(245,594)
	(2,978,653)	2,438,074	-	(540,579)
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	840,539	(18,198)	5,965	828,306
- Surplus on revaluation of investments	3,399,873	-	(1,988,788)	1,411,085
- Share of profit from associates	252,053	36,886	-	288,939
- Accelerated tax depreciation	1,388,669	85,348	(18,756)	1,455,261
	5,881,134	104,036	(2,001,579)	3,983,591
	2,902,481	2,542,110	(2,001,579)	3,443,012

18 OTHER LIABILITIES	Note	2018 ------(Rupees in '000)-----	2017
Mark-up/ Return/ Interest payable in local currency		2,108,495	1,389,374
Mark-up/ Return/ Interest payable in foreign currency		610,511	202,738
Unearned commission and income on bills discounted and guarantees		220,584	230,353
Accrued expenses		4,206,509	3,493,081
Current taxation		926,956	-
Acceptances		13,319,265	10,701,434
Dividends payable		84,229	60,729
Mark to market loss on forward foreign exchange contracts		970,502	968,982
Mark to market loss on derivatives		1,169	-
Branch adjustment account		-	220,523
Provision for Compensated absences		498,010	393,496
Payable against redemption of customer loyalty / reward points		274,076	200,433
Charity fund balance		20	833
Provision against off-balance sheet obligations	18.1	78,450	65,463
Security deposits against leases, lockers and others		6,808,459	6,210,193
Worker's Welfare Fund		979,662	590,621
Payable to vendors and suppliers		606,480	504,868
Indirect Taxes Payable		563,970	326,769
Others		1,548,375	2,105,629
		<u>33,805,722</u>	<u>27,665,519</u>

#### 18.1 Provision against off-balance sheet obligations

Opening balance	65,463	69,708
Exchange adjustment and other adjustments	13,759	(2,907)
Charge for the year	33,994	37,875
Reversals	(34,766)	(39,213)
	(772)	(1,338)
Closing balance	78,450	65,463

The provision against off balance sheet obligations include general provision of Rs. 66.50 million (2017: Rs. 53.50 million) held in Bangladesh books as required under the local regulation and specific provision of Rs. 11.95 million held against defaulted Letter of Guarantees.

## 19 SHARE CAPITAL

### 19.1 Authorized Capital

2018 ------(Number of shares)-----	2017		2018 ------(Rupees in '000)-----	2017
<u>2,300,000,000</u>	<u>2,300,000,000</u>	Ordinary shares of Rs. 10 each	<u>23,000,000</u>	<u>23,000,000</u>



## 19.2 Issued, subscribed and paid up Capital

2018		2017		2018		2017	
------(Number of shares)-----				------(Rupees in `000)-----			
				<b>Ordinary shares</b>			
888,650,908	883,165,724	Fully paid in cash		8,886,509	8,831,657		
885,711,966	724,406,250	Issued as bonus shares		8,857,120	7,244,063		
<u>1,774,362,874</u>	<u>1,607,571,974</u>			<u>17,743,629</u>	<u>16,075,720</u>		

During the year the Bank issued 5,485,184 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS) (note 40). The paid-up capital of the Bank before issuance of shares to employees was Rs. 16,075,719,740 (divided into 1,607,571,974 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 16,130,571,580 (divided into 1,613,057,158 shares of Rs. 10 each). Subsequent to this, the Bank issued 161,305,716 number of shares as a 10% bonus issue. The share capital after such issue increased to Rs. 17,743,628,740 (representing 1,774,362,874 shares of Rs. 10 each).

## 19.3 Material non-controlling interests

19.3.1 Below are details of subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by the non-controlling interests		Non Controlling Interest for the year		Accumulated non-controlling interests	
	2018	2017	2018	2017	2018	2017
	------(Rupees in `000)-----					
Alfalah GHP Investment Management Limited	59.78%	59.78%	92,430	98,888	510,778	418,348

Summarised financial information of material non-controlling interests before intragroup elimination is as follows:

Alfalah GHP Investment Management Limited	2018	2017
	------(Rupees in `000)-----	
<b>Statement of financial position</b>		
Total assets	1,063,569	947,545
Total liabilities	206,309	254,687
Equity	857,260	692,858
<b>Statement of comprehensive income</b>		
Total income	472,004	539,217
Total expenses	261,240	302,936
Net profit after tax	164,221	164,739
Other comprehensive income	181	(6,274)
<b>Statement of cash flows</b>		
Net cash flows generated from / (used in) operating activities	151,112	166,401
Net cash flows generated from investing activities	(153,539)	(186,878)
Net cash flows during the year	(2,427)	(20,477)

## 20 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

	Note	2018 ------(Rupees in '000)-----	2017
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	(2,102)	3,930,899
- Fixed Assets	20.1	8,508,874	5,365,558
- Pakistan Stock Exchange Membership Card		-	1,533
- Non-banking assets acquired in satisfaction of claims	20.2	159,530	127,925
- Surplus on revaluation of Investment held for sale in Afghanistan		303	130,288
		8,666,605	9,556,203
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(2,943)	1,371,893
- Fixed Assets	20.1	1,298,531	819,099
- Non-banking assets acquired in satisfaction of claims	20.2	30,653	24,654
- Surplus on revaluation of Investment held for sale in Afghanistan		61	45,601
		1,326,302	2,261,247
Derivatives		48,952	14,933
Surplus on revaluation of available for sale securities attributable to non-controlling interest		(128)	(517)
		<u>7,389,127</u>	<u>7,309,372</u>

### 20.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 01		5,365,558	5,385,843
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 4.1.2		-	45,583
Surplus on revaluation of fixed assets as at January 01 - restated		5,365,558	5,431,426
Recognised during the year		3,193,653	-
Realised on disposal during the year - net of deferred tax		-	(15,744)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(32,719)	(32,370)
Related deferred tax liability on incremental depreciation charged during the year		(17,618)	(17,754)
Surplus on revaluation of fixed assets as at December 31		8,508,874	5,365,558
Less: related deferred tax liability on:			
Revaluation as at January 01		819,099	826,917
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 4.1.2		-	15,446
Revaluation as at January 01 - Restated		819,099	842,363
- revaluation recognised during the year		497,050	-
- surplus realised on disposal during the year		-	(5,510)
- incremental depreciation charged during the year		(17,618)	(17,754)
		1,298,531	819,099
		<u>7,210,343</u>	<u>4,546,459</u>

### 20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at January 01		127,925	50,890
Recognised during the year		33,421	78,906
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,180)	(1,427)
Related deferred tax liability on incremental depreciation charged during the year		(636)	(444)
Surplus on revaluation as at December 31		159,530	127,925
Less: related deferred tax liability on:			
- revaluation as at January 01		24,654	13,623
- revaluation recognised during the year		6,635	11,475
- incremental depreciation charged during the year		(636)	(444)
		30,653	24,654
		<u>128,877</u>	<u>103,271</u>



## 21 ASSETS HELD FOR SALE

21.1 During 2017, the Board of Directors of the Holding Company accorded its in-principle approval and authorised the management of the Bank to explore the possibility to sell the Afghanistan Operations of the Group to a potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations in the matter.

During the current year, the Holding Company signed a Business Transfer Agreement with a potential buyer for the sale of the Afghanistan operations and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the Central Bank in Afghanistan. The DAB has raised some queries on the application which the Holding Company and the potential buyers are in the process of responding.

Resultantly, all assets and liabilities and income and expenses for the Group's Afghanistan Operations are being presented as separate line items on the balance sheet as Assets and Liabilities Held for Sale and Profit after tax from discontinuing operations respectively, rather than as part of actual line items under which they were being reported historically.

21.2 The financial position and results of assets classified as held for sale are as follows:

### STATEMENT OF FINANCIAL POSITION

#### Assets held for sale

	2018	2017
	----- (Rupees in '000) -----	
Cash and balances with treasury banks	4,764,918	7,594,852
Balances with other banks	3,431,895	1,025,996
Lendings to financial institutions	10,470,354	5,288,982
Investments - net	4,596,965	11,592,895
Advances - net	224,090	1,108,663
Fixed assets	9,370	11,918
Other assets	91,897	198,418
	<u>23,589,489</u>	<u>26,821,724</u>

#### Liabilities directly associated with the assets held for sale

Bills payable	4,549	8,575
Deposits and other accounts	20,287,651	24,491,178
Deferred tax liabilities	223	45,601
Other liabilities	142,973	213,742
	<u>20,435,396</u>	<u>24,759,096</u>

### PROFIT AND LOSS ACCOUNT

Mark-up/Return/Interest Earned	353,937	743,588
Mark-up/Return/Interest Expensed	18,929	154,769
Net Mark-up/ Interest Income	<u>335,008</u>	<u>588,819</u>

#### Non mark-up/interest income

Fee and Commission Income	188,049	153,492
Foreign Exchange Income	14,653	18,947
Income / (loss) from derivatives	48,637	-
Gain / (Loss) on securities	(42,586)	132,593
Other Income	-	(14)
Total non-markup/interest Income	<u>208,753</u>	<u>305,018</u>

Total Income	<u>543,761</u>	<u>893,837</u>
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	Note	2018 ------(Rupees in '000)-----	2017
Total Income brought forward		543,761	893,837
<b>Non mark-up/interest expenses</b>			
Operating expenses		323,774	458,803
Other charges		1,263	1,923
Total non-markup/interest expenses		325,037	460,726
Profit Before Provisions		218,724	433,111
Provisions and write offs - net	21.2.1	(561,776)	93,292
Profit before taxation from discontinuing operations		780,500	339,819
Taxation		305,548	138,755
Profit after taxation from discontinuing operations		474,952	201,064

21.2.1 This includes reversal of provision amounting to Rs. 443.898 million (USD 3.949 million), previously held against amount blocked in the Holding Company's Nostro account following settlement of dispute, and release of funds in favour of the Bank.

22 CONTINGENCIES AND COMMITMENTS	Note	2018 ------(Rupees in '000)-----	2017
-Guarantees	22.1	57,086,398	64,176,351
-Commitments	22.2	437,956,428	349,143,016
-Other contingent liabilities	22.3.1	13,222,064	9,787,372
		508,264,890	423,106,739
<b>22.1 Guarantees:</b>			
Financial guarantees		731,536	176,943
Performance guarantees		32,153,833	34,549,521
Other guarantees		24,201,029	29,449,887
		57,086,398	64,176,351
<b>22.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- Letters of credit		68,026,025	73,773,817
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	228,265,364	92,108,750
- forward government securities transactions	22.2.2	76,821,957	128,052,456
- derivatives	22.2.3	12,051,091	8,865,756
- forward lending	22.2.4	34,773,260	30,207,372
- operating leases		16,906,848	15,791,935
Commitments for acquisition of:			
- operating fixed assets		604,674	99,373
- intangible assets		507,209	219,605
Other commitments	22.2.5	-	23,952
		437,956,428	349,143,016





	Note	2018	2017
		----- (Rupees in '000) -----	
<b>22.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		140,128,603	60,285,544
Sale		88,136,761	31,823,206
		228,265,364	92,108,750
<b>22.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		39,518,422	116,034,680
Sale		37,303,535	12,017,776
		76,821,957	128,052,456
<b>22.2.3 Commitments in respect of derivatives</b>			
<b>22.2.3.1 Interest Rate Swaps</b>			
Purchase		10,650,708	8,865,756
Sale		-	-
		10,650,708	8,865,756
<b>22.2.3.2 Futures</b>			
Purchase		-	-
Sale		1,400,383	-
		1,400,383	-
Total Commitments in respect of derivatives		12,051,091	8,865,756
<b>22.2.4 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.4.1	29,428,567	22,628,329
Commitments in respect of investments		5,344,693	7,579,043
		34,773,260	30,207,372
<b>22.2.4.1</b> These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
		2018	2017
<b>22.2.5 Other commitments</b>		----- (Rupees in '000) -----	
Donations		-	23,952
<b>22.3 Other contingent liabilities</b>			
<b>22.3.1 Claims against the Bank not acknowledged as debts</b>		13,222,064	9,787,372
These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex-employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.			
<b>22.4 Contingency for tax payable</b>			
<b>22.4.1</b> There were no tax related contingencies other than as disclosed in note 33.2.			

## 23 DERIVATIVE INSTRUMENTS

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

### 23.1 Product Analysis

Counterparties	2018					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / loss	No. of contracts	Notional Principal	Mark to market gain / loss
	------(Rupees in '000)-----					
<b>With Banks for Hedging</b>	22	10,650,708	88,487	-	-	-
<b>With FIs other than banks Hedging</b>	-	-	-	88	1,400,383	(21,432)
<b>Total Hedging</b>	22	10,650,708	88,487	88	1,400,383	(21,432)

Counterparties	2017					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / loss	No. of contracts	Notional Principal	Mark to market gain / loss
	------(Rupees in '000)-----					
<b>With Banks for Hedging</b>	23	8,865,756	14,174	-	-	-
<b>Total Hedging</b>	23	8,865,756	14,174	-	-	-

### 23.2 Maturity Analysis

Remaining Maturity	2018				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
	------(Rupees in '000)-----				
Upto 1 month	-	-	-	-	-
1 to 3 months	88	1,400,383	21,432	-	(21,432)
3 to 6 months	6	3,540,979	-	16,651	16,651
6 month to 1 Year	4	1,624,684	-	13,821	13,821
1 to 2 Year	2	1,388,619	-	17,286	17,286
2 to 3 Years	4	1,596,912	-	20,548	20,548
3 to 5 Years	2	1,110,895	-	12,432	12,432
5 to 10 years	4	1,388,619	-	7,749	7,749
Above 10 Years	-	-	-	-	-
<b>Total</b>	110	12,051,091	21,432	88,487	67,055



2017

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

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	11	4,504,277	5,168	17,166	11,998
2 to 3 Years	2	1,104,172	1,033	5,689	4,656
3 to 5 Years	6	2,153,135	-	9,866	9,866
5 to 10 years	4	1,104,172	13,275	929	(12,346)
Above 10 Years	-	-	-	-	-
<b>Total</b>	<b>23</b>	<b>8,865,756</b>	<b>19,476</b>	<b>33,650</b>	<b>14,174</b>

23.3 Risk management related to derivatives is discussed in note 47.7

2018                      2017

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

**24 MARK-UP/RETURN/INTEREST EARNED**

On:

a) Loans and advances	37,196,513	28,274,015
b) Investments	19,005,495	25,297,579
c) Lendings to financial institutions	1,332,729	2,064,996
d) Balances with banks / financial institutions	91,202	52,039
e) On securities purchased under resale agreements	1,697,583	494,747
	<u>59,323,522</u>	<u>56,183,376</u>

**25 MARK-UP/RETURN/INTEREST EXPENSED**

On:

a) Deposits	19,694,356	15,815,168
b) Borrowings	1,308,422	1,034,967
c) Securities sold under repurchase agreements	4,355,706	8,802,388
d) Subordinated debt and ADT-1 instrument	989,221	626,498
e) Cost of foreign currency swaps against foreign currency deposits / borrowings	1,282,525	852,503
f) Reward points	102,555	68,390
	<u>27,732,785</u>	<u>27,199,914</u>

	Note	2018 ----- (Rupees in '000) -----	2017
<b>26 FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		1,462,606	1,335,569
Consumer finance related fees		224,228	190,589
Card related fees (debit and credit cards)		848,104	907,652
Credit related fees		148,340	96,497
Investment banking fees		210,029	313,592
Commission on trade		1,242,681	1,037,828
Commission on guarantees		370,779	372,561
Commission on cash management		20,948	23,330
Commission on remittances including home remittances		165,419	77,770
Commission on bancassurance		394,931	391,316
Card acquiring business		296,297	217,400
Wealth Management Fee		7,633	83,561
Commission on EOBI		114,130	99,435
Commission on BISP		282,920	384,736
Alternate delivery channels (ADC)		330,650	286,517
Brokerage/Commission income		122,918	126,286
Management fee		424,992	500,394
Others		128,350	98,045
		<u>6,795,955</u>	<u>6,543,078</u>
<b>27 GAIN / (LOSS) ON SECURITIES</b>			
Realised	27.1	1,035,846	861,776
Unrealised - held for trading	8.1	(43,511)	(7,351)
		<u>992,335</u>	<u>854,425</u>
<b>27.1 Realised gain/(loss) on:</b>			
Federal Government Securities		1,243,684	637,871
Shares		(241,675)	232,780
Non Government Debt Securities		2,811	(9,876)
Foreign Securities		31,026	1,001
		<u>1,035,846</u>	<u>861,776</u>
<b>28 OTHER INCOME</b>			
Gain on sale of fixed assets-net		137,915	11,584
Gain on sale of non banking assets - net	12.1.2	24,775	4,348
Income from short sell of securities		-	29,783
Profit from sale of leased assets		31,204	38,932
Others		249	-
		<u>194,143</u>	<u>84,647</u>



	Note	2018	2017
		------(Rupees in '000)-----	
<b>29 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	29.1	9,873,205	10,246,130
<b>Property expense</b>			
Rent and taxes		2,078,144	2,044,081
Insurance		-	-
Utilities cost		889,173	899,329
Security (including guards)		599,961	636,976
Repair and maintenance (including janitorial charges)		778,795	538,435
Depreciation		460,809	459,340
Others		-	-
		4,806,882	4,578,161
<b>Information technology expenses</b>			
Software maintenance		876,760	662,726
Hardware maintenance		200,168	227,341
Depreciation		388,436	431,541
Amortisation		489,716	447,802
Network charges		329,082	389,332
Others		-	-
		2,284,162	2,158,742
<b>Other operating expenses</b>			
Directors' fees and allowances		153,981	126,018
Fees and allowances to Shariah Board		6,990	6,720
Legal and professional charges		308,075	1,213,176
Outsourced services costs	29.2	1,278,434	1,302,518
Travelling and conveyance		533,403	453,633
NIFT clearing charges		71,180	80,423
Depreciation		883,917	935,610
Training and development		61,194	159,473
Postage and courier charges		238,107	176,327
Communication		290,174	219,918
Stationery and printing		460,907	443,214
Marketing, advertisement and publicity		614,565	724,087
Donations	29.3	36,594	9,948
Auditors Remuneration	29.4	40,601	32,122
Brokerage and Commission		141,008	166,306
Entertainment		207,542	181,569
Repairs and maintenance		296,417	355,103
Insurance		866,630	620,269
Cash Handling Charges		369,228	413,743
CNIC Verification		92,465	91,077
Others		457,333	300,263
		7,408,745	8,011,517
		24,372,994	24,994,550

	Note	2018 ------(Rupees in '000)-----	2017
<b>29.1 Total compensation expense</b>			
Fees and Allowances etc		-	-
Managerial Remuneration			
i) Fixed		7,829,579	7,585,805
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.		1,202,259	1,171,339
b) Bonus and Awards in Shares etc.		13,036	26,693
Charge for defined benefit plan	38.1.8	185,753	250,153
Contribution to defined contribution plan	39	324,410	320,476
Medical		12,996	9,934
Conveyance		181,747	177,008
Staff compensated absences		104,514	(8,148)
Others		(43,132)	9,758
<b>Sub-total</b>		<b>9,811,162</b>	<b>9,543,018</b>
Sign-on Bonus		37,850	8,638
Severance Allowance	29.1.1	24,193	694,474
<b>Grand Total</b>		<b>9,873,205</b>	<b>10,246,130</b>

**29.1.1** This includes exgratia payment of Rs. 314.666 million made to the outgoing CEO of the Holding Company in 2017.

**29.2** Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 636.858 million (2017: Rs. 653.673 million) pertaining to the payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above.

<b>29.3 Donations</b>	2018 ------(Rupees in '000)-----	2017
Child Aid Association	1,700	-
Family Educational Services Foundation	3,250	-
IBA Karachi	22,000	-
Manabik Shahajya Sangstha	994	-
Supreme Court Diemer Bhasha And Mohmand Dam Fund	8,650	-
Aman Foundation	-	6,300
Karachi Lions Pediatric Nephrology Project (NICH)	-	1,000
Shabab Murshid Development Foundation - Bangladesh	-	648
The Aga Khan University Hospital Medical College Foundation	-	2,000
	<b>36,594</b>	<b>9,948</b>



29.3.1 None of the Directors, Sponsor shareholders, Key management personnel or their spouses have any direct interest in the Donees.

2018                      2017  
------(Rupees in '000)-----

**29.4 Auditors' remuneration**

Audit fee	15,335	13,472
Fee for other statutory certifications	6,588	6,372
Fee for audit of foreign branches	7,969	7,966
Special certifications and sundry advisory services	8,536	2,297
Out-of-pocket expenses	2,173	2,015
	40,601	32,122

**30 WORKERS WELFARE FUND**

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

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

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

**Note**                      **2018**                      **2017**  
------(Rupees in '000)-----

**31 OTHER CHARGES**

Penalties imposed by State Bank of Pakistan	6,430	32,727
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**32 PROVISIONS & WRITE OFFS - NET**

Provisions against lending to financial institutions	16,344	-
Provisions for diminution in value of investments	8.3.1 (12,307)	95,595
Provisions against loans & advances	9.5 378,721	(445,186)
Provision against other assets	12.4 411,344	(37,788)
Provision against off-balance sheet obligations	18.1 (772)	(1,338)
Recovery of written off / charged off bad debts	(247,996)	(227,778)
	545,334	(616,495)

**33 TAXATION**

Current	7,287,561	4,999,426
Prior years	(238,141)	(1,883,206)
Deferred	(162,341)	2,542,110
	6,887,079	5,658,330

	2018	2017
	------(Rupees in '000)-----	
<b>33.1 Relationship between tax expense and accounting profit</b>		
Accounting Profit before taxation	17,403,402	14,071,070
Tax at the applicable rate of 35% (2017: 35%)	6,091,191	4,924,875
Effect of:		
- income tax chargeable to tax at different rates	14,206	(10,515)
- permanent differences	7,010	42,844
- tax charge pertaining to overseas branches	33,512	110,039
- adjustment of prior years	1,666	517,925
- super tax	737,015	-
- others	2,479	73,162
Tax expense for the year	6,887,079	5,658,330

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

In respect of tax years 2008, 2014, 2017 and 2018, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.789.862 million (December 31, 2017 : Rs.1,033.519 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.116.351 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b)** The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2017: Rs. 77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.
- c)** The Finance Act 2018 had revised the applicability of super tax brought into effect through finance act, 2015 for rehabilitation of temporary displaced person for tax year 2019, 2020 and 2021 at the rate of 4%, 3% and 2% respectively on the taxable income for respective years. However, the finance supplementary (Second Amendment) Bill, 2019 proposed levy of super tax on taxable income for tax year 2018 (Accounting year 2017) retrospectively at the of 4% upto tax year 2021. The proposed amendments were not enacted as at 31 December 2018 and therefore, the bank has not made super tax provision for tax year 2018 (Accounting year 2017) in these financial statements.

	2018	Restated 2017
	------(Rupees in '000)-----	
<b>34 BASIC EARNINGS PER SHARE</b>		
Profit for the year	10,991,275	8,613,804
	(Number of shares in '000)	
Weighted average number of ordinary shares	1,773,672	1,766,588
	------(Rupees)-----	
Basic earnings per share	6.20	4.88





35 DILUTED EARNINGS PER SHARE	2018	Restated 2017
	----- (Rupees in '000) -----	
Profit for the year	10,991,275	8,613,804
	<b>(Number of shares in '000)</b>	
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	1,775,732	1,772,196
	----- (Rupees) -----	
Diluted earnings per share	6.19	4.86

### 35.1 Reconciliation of basic and diluted earning per share

	<b>(Number of shares in '000)</b>	
Weighted average number of ordinary shares	1,773,672	1,766,588
Plus: Employee stock option scheme	2,060	5,608
Dilutive potential ordinary shares	1,775,732	1,772,196

36 CASH AND CASH EQUIVALENTS	Note	2018	2017
		----- (Rupees in '000) -----	
Cash and Balance with Treasury Banks	5	82,407,736	70,381,480
Balance with other banks	6	3,911,554	3,993,054
Call money lendings	7	15,166,288	20,255,936
Overdrawn nostro accounts	14	(947,547)	(970,114)
		100,538,031	93,660,356

37 STAFF STRENGTH	2018			2017		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Number of employees) -----					
Permanent	8,390	198	8,588	7,674	195	7,869
On Bank contract	29	82	111	66	85	151
Bank's own staff strength at the end of the year	8,419	280	8,699	7,740	280	8,020

37.1 In addition to the above, 3,217 (2017: 3,776) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

### 38 DEFINED BENEFIT PLAN

#### 38.1 Holding Company - Bank Alfalah Limited

##### 38.1.1 General description

The Bank operates an approved funded gratuity scheme which cover all regular permanent employees. The liability of the Bank in respect of the plan is determined based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial valuation of the defined benefit plan is carried out every year and the latest valuation was carried out as at December 31, 2018. The significant assumptions are detailed below



	2018	2017
	------(Number)-----	
<b>38.1.2 Number of Employees under the scheme</b>		
The number of employees covered under the following defined benefit plan are:		
- Gratuity fund	<u>8,185</u>	<u>7,506</u>

**38.1.3 Principal actuarial assumptions**

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2018

	2018	2017
	------(Per annum)-----	
Withdrawal rates	Moderate	High
Mortality rates	SLIC 2001 - 2005	Adjusted SLIC 2001 - 2005
Valuation Discount rate (p.a)	13.25%	9.50%
Salary increase rate (p.a) - Short term (3 years)	8.25%	5.75%
Salary increase rate (p.a) - Long term	11.25%	9.00%
Expected rate of return on plan assets (p.a)	13.25%	9.50%
Normal retirement age	60 Years	60 Years
Duration	09 Years 6 months	10 Years

	Note	2018	2017
		------(Rupees in '000)-----	
<b>38.1.4 Reconciliation of (receivable from) / payable to defined benefit plans</b>			
Present value of obligations	38.1.5	1,474,598	1,657,387
Fair value of plan assets	38.1.6	(2,398,231)	(2,386,933)
(Receivable) / payable		-	-
		<u>(923,633)</u>	<u>(729,546)</u>

**38.1.5 Movement in defined benefit obligations**

Obligations at the beginning of the year		1,657,387	1,920,065
Current service cost		270,272	306,923
Interest cost		149,967	167,766
Benefits paid by the Bank		(304,841)	(304,133)
Re-measurement loss / (gain)	38.1.8.2	<u>(298,187)</u>	<u>(433,234)</u>
Obligations at the end of the year		<u>1,474,598</u>	<u>1,657,387</u>

**38.1.6 Movement in fair value of plan assets**

Fair value at the beginning of the year		2,386,933	2,269,382
Interest income on plan assets		234,486	224,536
Contribution by the Bank - net		185,753	250,153
Benefits paid		(304,841)	(304,133)
Re-measurements: Net return on plan assets over interest income gain / (loss)	38.1.8.2	<u>(104,100)</u>	<u>(53,005)</u>
Fair value at the end of the year		<u>2,398,231</u>	<u>2,386,933</u>



	Note	2018	2017
		------(Per annum)-----	
<b>38.1.7 Movement in (receivable) / payable under defined benefit plan</b>			
Opening balance		(729,546)	(349,317)
Charge / (reversal) for the year	38.1.8.1	185,753	250,153
Contribution by the Bank - net		(185,753)	(250,153)
Re-measurement loss / (gain) recognised in OCI during the year	38.1.8.2	(194,087)	(380,229)
Benefits paid by the Bank			
Closing balance		<u>(923,633)</u>	<u>(729,546)</u>
<b>38.1.8 Charge for defined benefit plans</b>			
<b>38.1.8.1 Cost recognised in profit and loss</b>			
Current service cost		270,272	306,923
Net interest on defined benefit asset / liability		<u>(84,519)</u>	<u>(56,770)</u>
		185,753	250,153
<b>38.1.8.2 Re-measurements recognised in OCI during the year</b>			
Loss / (gain) on obligation			
- Demographic assumptions		(992)	-
- Financial assumptions		(310,891)	(149,752)
- Experience adjustment		13,696	(283,482)
Return on plan assets over interest income		<u>104,100</u>	<u>53,005</u>
Total re-measurements recognised in OCI		<u>(194,087)</u>	<u>(380,229)</u>
<b>38.1.9 Components of plan assets</b>			
Cash and cash equivalents - net		372,963	258,914
Government Securities		-	659,789
Ordinary shares/TFCS		375,000	1,172,369
Units of mutual funds		<u>1,650,268</u>	<u>295,861</u>
		<u>2,398,231</u>	<u>2,386,933</u>
<b>38.1.10 Sensitivity analysis</b>			

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as summarized as below:

Particulars	2018	
	PV of Defined Benefit Obligation	Change
	------(Rupees in '000)-----	
1% increase in discount rate	1,332,323	(142,275)
1% decrease in discount rate	1,612,385	137,787
1 % increase in expected rate of salary increase	1,622,818	148,220
1 % decrease in expected rate of salary increase	1,321,666	(152,932)
10% increase in withdrawal rate	1,468,848	(5,750)
10% decrease in withdrawal rate	1,454,266	(20,332)
1 year Mortality age set back	1,460,734	(13,864)
1 year Mortality age set forward	1,462,760	(11,838)

	2018 (Rupees in '000)
38.1.11 Expected contributions to be paid to the funds in the next financial year	106,243
38.1.12 Expected charge / (reversal) for the next financial year	106,243
38.1.13 Maturity profile	

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	148,556
Year 2	108,648
Year 3	115,755
Year 4	105,011
Year 5	121,440
Year 6 to Year 10	746,583
Year 11 and above	7,610,572

#### 38.1.14 Funding Policy

The bank's policy for funding the staff retirement benefit schemes, is given in note 4.10 (a).

#### 38.1.15 Risks Associated with Defined Benefit Plans

##### Asset Volatility

The risk arises due to the inclusion of the risky assets in the pension/gratuity fund portfolio, inflation and interest rate volatility.

##### Changes in Bond yields

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

##### Inflation Risks

The risk arises if pension/gratuity benefits are linked to inflation and the inflation is higher or higher than expected, which results in higher liabilities

##### Life expectancy / Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

##### Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

##### Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

#### 38.2 Subsidiary - Alfalah Securities (Pvt) Ltd

The Company operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The Company has carried out an actuarial valuation on December 31, 2018 using Projected Unit Credit Method and results of the valuation are as given below:



### 38.2.1 Actuarial assumptions

	2018	2017
The principal actuarial assumptions used are as follows:	----- (Per annum) -----	
Financial assumptions		
Valuation discount rate	13.75%	9.50%
Salary increase rate	13.75%	9.50%
Demographic assumptions		
Mortality rates (for death in service)	SLIC 2001-05	
Rates of employee turnover	Moderate	High

### 38.2.2 Amount recognised in the balance sheet

	Note	2018	2017
		----- (Rupees in '000) -----	
Defined benefit obligation	38.2.3	22,636	12,487
Fair value of plan assets		-	-
Net liability		<u>22,636</u>	<u>12,487</u>

### 38.2.3 Reconciliation of payable to defined benefit plan

Opening net liability		12,487	3,998
Charge for the year	38.2.4	6,762	4,985
Other comprehensive income	38.2.5	3,387	4,254
Benefits paid during the period / year		-	(750)
Closing net liability		<u>22,636</u>	<u>12,487</u>

### 38.2.4 Charge for the defined benefit plan

Current service cost		5,576	4,641
Net interest		1,186	344
		<u>6,762</u>	<u>4,985</u>

### 38.2.5 Actuarial gain / (loss) on obligation

Unrecognized actuarial (loss) / gain as at 1 January		(4,473)	(219)
Actuarial loss on obligations - recognized in OCI		(3,387)	(4,254)
Unrecognized actuarial loss at 31 December		<u>(7,860)</u>	<u>(4,473)</u>

### 38.2.6 Sensitivity analysis on significant actuarial assumptions: actuarial liability

Discount rate +1%	20,224	1,150
Discount rate -1%	25,512	1,350
Salary increases +1%	25,597	1,400
Salary increases -1%	20,116	1,212



	2018	2017
	------(Years)-----	
<b>38.2.7</b> Weighted average duration of the present value of defined benefit obligation	<b>11.68</b>	10.01

**38.2.8 Maturity profile of the defined benefit obligation**

Distribution of timing of benefit payments (time in years)

	2018	2017
	------(Rupees in '000)-----	
Year 1	1,369	1,251
Year 2	1,444	281
Year 3	1,096	1,302
Year 4	1,212	876
Year 5	1,204	821
Year 6 to Year 10	15,038	3,803
Year 11 and above	218,556	36,095

**38.2.9** The expected gratuity expense for the next one year works out to be Rs. 10.680 million.

**38.2.10 Risks associated with defined benefit plans**

**(a) Investment risks**

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

**(b) Longevity risks**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at 'the plan level over the plan level over the entire retiree population.

**(c) Salary increase risk**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

**(d) Withdrawal risk**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

**39 DEFINED CONTRIBUTION PLAN**

**39.1 Holding Company - Bank Alfalah Limited**

The Holding Company operates an approved provident fund scheme for all its permanent employees to which both the Holding Company and employees contribute @ 8.33% of basic salary in equal monthly contributions.

During the year, the Holding Company contributed Rs. 309.371 million (2017: Rs. 307.135 million) in respect of this fund.



### 39.2 Subsidiary - Alfalah GHP Investment Management Limited

The subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary.

During the year, the subsidiary company contributed Rs. 5.534 million (2017: Rs. 4.603 million) in respect of this fund.

### 40 EMPLOYEES STOCK OPTION SCHEME

The Holding Company has granted share options to certain critical employees, (the "employees") under the Employee Stock Options Scheme (ESOS) as approved by the shareholders and Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

Under the Scheme, the Holding Company has granted options to these employees (as selected by the Board Compensation Committee, specifically formulated as required under the Public Companies (Employees Stock Option Scheme) Rules, 2001) to subscribe for fresh ordinary shares of the Bank (being issuance of further capital without issue of rights) in the years 2014, 2015 and 2016. No fresh grants were made after the year 2016. However, due to a bonus issue of 10% in October 2018, all employees having exercisable options outstanding were entitled to additional Shares worked out in accordance with the provisions of the scheme. The revised option entitlement and the revised option price have been disclosed below.

Under the scheme, the options entitle the selected employees to purchase shares at 40% discount (the Option Discount), of the market price prevailing at the date of the grant. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

Details of share options granted under the scheme together with the status as at December 31, 2018 are as follows:

	Granted in the year 2016	Granted in the year 2015	Granted in the year 2014
	----- (In '000) -----		
Option issued	13,737	12,614	11,331
Option no longer in issue	4,199	3,294	1,732
Options vested in 2018	3,113	2,407	N/A
Options exercised in 2018	3,058	2,428	N/A
Options available for exercise	2,905	-	-
Exercise price per share	Rs. 14.95	15.15	16.32
Adjusted exercise per share for final tranche of year 2016	Rs. 13.59	N/A	N/A
Option discount per share	Rs. 9.96	10.10	10.88

#### 41 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Fee	-	-	153,981	126,018	-	-
Managerial remuneration	99,467	167,186	-	-	2,588,372	3,985,055
Post employment benefits	5,887	7,676	-	-	97,002	382,642
Rent and house maintenance	-	-	-	-	530,401	1,007,964
Utilities	3,533	4,607	-	-	127,083	255,935
	108,887	179,469	153,981	126,018	3,425,676	5,631,596
Number of persons	1	2	9	6	579	2,003

- 41.1** The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per Holding Company's policy.
- 41.2** The Holding Company also granted share options to certain key employees of the Holding Company in the year 2014, 2015 and 2016, which shall vest till the year 2019 - refer note 40 and Annexure on Employee Stock Option Scheme.
- 41.3** The count for Executives has been reduced from 2,003 in 2017 to 579 in 2018 due to a change in definition of the Executives. Earlier, any employee having an annual basic salary of Rs. 500 thousand or above was defined as an Executive. This threshold has now been increased to Rs. 1,200 thousand.

#### 42 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

##### 42.1 Fair value of financial assets

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

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

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

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





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

	2018			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	205,872,883	-	205,872,883
Shares	8,228,553	-	-	8,228,553
Non-Government Debt Securities	-	8,497,774	-	8,497,774
Foreign Securities	-	10,540,323	-	10,540,323
Others	-	-	-	-
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	4,519,604	-	4,519,604
Forward sale of foreign exchange	-	(970,502)	-	(970,502)
Forward purchase government securities transactions	-	-	-	-
Forward sale government securities transactions	-	-	-	-
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)
	2017			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	333,782,146	-	333,782,146
Shares	6,194,539	-	-	6,194,539
Non-Government Debt Securities	-	5,824,558	-	5,824,558
Foreign Securities	-	9,208,419	-	9,208,419
Others	-	-	-	-
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	1,978,336	-	1,978,336
Forward sale of foreign exchange	-	(968,982)	-	(968,982)
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-
Derivatives purchases	-	14,174	-	14,174
Derivatives sales	-	-	-	-

**42.2** Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 12. The valuations are conducted by the valuation experts appointed by the Holding Company which are also on the panel of State Bank of Pakistan.

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

**42.4 Valuation techniques used in determination of fair values:**

**(a) Financial instruments in level 1**

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

**(b) Financial instruments in level 2**

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

**(c) Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

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

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

43 SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

2018

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
----- (Rupees in '000) -----										
<b>Profit &amp; Loss</b>										
Net mark-up/return/profit	(197,079)	13,611,402	5,633,022	11,781,327	-	1,773,556	(2,584)	2,266	(1,011,173)	31,590,737
Inter segment revenue - net	19,386,608	(9,028,965)	(637,417)	(10,397,516)	227,663	(164,375)	-	-	614,002	-
Non mark-up / return / interest income	4,024,840	742,075	1,018,851	3,365,155	399,326	252,940	125,438	469,881	735,307	11,133,813
Total Income	23,214,369	5,324,512	6,014,456	4,748,966	626,989	1,862,121	122,854	472,147	338,136	42,724,550
Segment direct expenses	10,468,834	682,250	3,030,761	407,791	777,182	966,713	210,044	261,171	7,971,068	24,775,814
Inter segment expense allocation	5,666,518	623,276	1,304,054	273,987	45,570	118,339	-	-	(8,031,744)	-
Total expenses	16,135,352	1,305,526	4,334,815	681,778	822,752	1,085,052	210,044	261,171	(60,676)	24,775,814
Reversal / (Provisions)	(29,608)	212,267	299,255	72,649	54	33,766	(69)	-	(42,980)	545,334
Profit before tax - continued operations	7,108,625	3,806,719	1,380,386	3,994,539	(195,817)	743,303	(87,121)	210,976	441,792	17,403,402
Profit before tax - discontinued operations										780,500
----- (Rupees in '000) -----										
<b>Balance Sheet</b>										
Cash & Bank balances	54,448,024	11,605,738	12,356,256	2,438,440	334,892	5,099,305	82,792	4,693	(50,850)	86,319,290
Investments	860,704	694,426	22,896,107	221,983,048	-	29,434,619	33,571	720,915	2,628,341	279,251,731
Net inter segment lending	288,412,271	-	-	-	4,241,251	-	-	-	43,856,982	336,510,504
Lendings to financial institutions	-	-	17,986,558	33,315,352	-	10,870,377	-	-	-	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,549	-	-	19,233,298	2,167	1,111	4,968,046	498,700,856
Advances - non-performing	336,716	1,453,002	262,226	-	-	132,738	-	-	724,189	2,938,871
Others	16,456,975	10,628,391	6,508,382	6,258,899	407,786	11,612,080	446,267	336,849	26,566,488	79,222,117
<b>Total Assets</b>	514,295,092	259,553,840	145,583,078	263,995,739	4,983,929	76,382,417	564,797	1,063,568	78,693,196	1,345,115,656
Borrowings	10,460,314	22,698,781	5,909,819	62,173,164	-	22,092,452	279,494	-	403,711	124,017,735
Subordinated debt	-	-	-	-	-	-	-	-	11,989,000	11,989,000
Deposits & other accounts	464,559,440	92,224,318	113,541,482	-	4,899,848	27,670,192	-	-	(48,155)	702,847,125
Net inter segment borrowing	-	135,169,568	-	201,340,936	-	-	-	-	-	336,510,504
Others	38,622,551	9,554,126	10,975,954	1,186,034	84,081	23,234,243	175,901	206,308	8,690,242	92,729,440
<b>Total liabilities</b>	513,642,305	259,646,793	130,427,255	264,700,134	4,983,929	72,996,887	455,395	206,308	21,034,798	1,268,093,804
<b>Net Assets</b>	652,787	(92,953)	15,155,823	(704,395)	-	3,385,530	109,402	857,260	57,658,398	77,021,852
<b>Equity</b>										77,021,852
-----										
<b>Contingencies &amp; Commitments</b>	58,274,791	76,420,934	31,777,895	296,162,272	47,934	30,646,372	9,467	-	14,925,225	508,264,890



2017

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
------(Rupees in '000)-----										
<b>Profit &amp; Loss</b>										
Net mark-up/return/profit	(216,573)	10,970,980	4,577,481	12,742,488	(198)	1,558,327	3,007	3,079	(605,129)	28,983,462
Inter segment revenue - net	14,343,074	(7,113,901)	(344,887)	(7,613,699)	169,124	(21,497)	-	-	581,786	-
Non mark-up / return / interest income	3,667,144	753,620	1,028,042	2,600,666	786,746	215,327	182,299	536,095	(7,852)	9,762,087
Total Income	17,793,645	4,560,699	5,260,636	7,729,455	955,672	1,752,157	185,306	539,174	(31,195)	38,745,549
Segment direct expenses	10,626,062	738,826	3,032,484	550,115	522,610	894,604	154,326	302,895	8,469,052	25,290,974
Inter segment expense allocation	5,532,064	731,403	1,482,405	641,985	67,292	143,679	-	-	(8,598,828)	-
Total expenses	16,158,126	1,470,229	4,514,889	1,192,100	589,902	1,038,283	154,326	302,895	(129,776)	25,290,974
Provisions	482,056	268,283	(89,234)	-	-	(44,675)	65	-	-	616,495
Profit before tax - continuing operations	2,117,575	3,358,753	656,513	6,537,355	365,770	669,199	31,045	236,279	98,581	14,071,070
Profit before tax - discontinuing operations										339,819

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
------(Rupees in '000)-----										
<b>Balance Sheet</b>										
Cash & Bank balances	43,181,802	7,712,857	10,392,898	7,251,880	488,248	5,107,704	244,665	7,119	(12,639)	74,374,534
Investments	1,195,021	713,213	37,914,192	333,926,476	-	24,598,438	42,626	571,438	2,780,994	401,742,398
Net inter segment lending	263,161,028	-	-	-	6,245,726	-	-	-	29,366,960	298,773,714
Lendings to financial institutions	-	-	30,891,460	11,848,536	-	6,155,832	-	-	-	48,895,828
Advances - performing	130,728,918	193,641,955	55,209,459	-	-	14,601,488	1,631	2,867	4,578,534	398,764,852
Advances - non-performing	987,923	342,551	395,716	-	-	44,679	-	-	124,201	1,895,070
Others	16,823,933	8,482,472	4,403,704	5,720,313	386,162	17,539,195	627,715	366,121	21,011,603	75,361,218
Total Assets	456,078,625	210,893,048	139,207,429	358,747,205	7,120,136	68,047,336	916,637	947,545	57,849,653	1,299,807,614
Borrowings	8,178,746	15,870,996	3,648,712	159,167,819	-	19,809,092	343,253	-	518,321	207,536,939
Subordinated debt	-	-	-	-	-	-	-	-	4,991,000	4,991,000
Deposits & other accounts	428,713,427	76,990,726	113,414,363	-	7,046,550	18,926,920	-	-	(167,002)	644,924,984
Net inter segment borrowing	-	-	-	195,185,700	-	-	-	-	-	298,773,714
Others	12,957,986	8,970,164	8,781,718	3,093,270	73,586	26,197,366	341,707	254,689	16,080,111	76,750,597
Total liabilities	449,850,159	205,419,900	125,844,793	357,446,789	7,120,136	64,933,378	684,960	254,689	21,422,430	1,232,977,234
Net Assets	6,228,466	5,473,148	13,362,636	1,300,416	-	3,113,958	231,677	692,856	36,427,223	66,830,380
Equity										66,830,380
<b>Contingencies &amp; Commitments</b>										
	59,258,274	85,721,796	27,996,102	220,265,858	40,565	18,913,337	9,112	-	10,901,695	423,106,739

During the year, the Bank has classified Digital Banking as a separate reportable segment in a manner consistent with the internal reporting structure of the Bank. Segmented results are reported to the senior management of the Bank for the purpose of strategic decision making, resources, systems and infrastructure to be allocated to this segment and assess its performance.



### 43.2 Segment details with respect to geographical locations

#### GEOGRAPHICAL SEGMENT ANALYSIS

	2018				
	Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
	(Rupees in '000)				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	29,817,180	1,174,718	598,839	-	31,590,737
Inter segment revenue - net	164,375	(133,243)	(31,132)	-	-
Non mark-up / return / interest income	10,880,873	247,111	5,829	-	11,133,813
Total Income	40,862,428	1,288,586	573,536	-	42,724,550
<b>Segment direct expenses</b>					
Inter segment expense allocation	(118,339)	55,508	62,831	-	-
Total expenses	23,690,762	743,347	341,705	-	24,775,814
Provisions	511,569	30,550	3,215	-	545,334
Profit before tax - continuing operations	16,660,097	514,689	228,616	-	17,403,402
Profit before tax - discontinuing operations	-	-	-	780,500	780,500
<b>Balance Sheet</b>					
Cash and Bank balances	81,219,985	1,318,443	3,780,862	-	86,319,290
Investments	249,817,112	21,628,793	7,805,826	-	279,251,731
Net inter segment lendings	336,510,504	-	-	-	336,510,504
Lendings to financial institutions	51,301,911	5,477,850	5,392,526	-	62,172,287
Advances - performing	479,467,556	3,001,998	16,231,301	-	498,700,855
Advances - non-performing	2,806,134	-	132,738	-	2,938,872
Others	67,610,038	(4,589,655)	(5,423,764)	21,625,498	79,222,117
Total Assets	1,268,733,240	26,837,429	27,919,489	21,625,498	1,345,115,656
Borrowings	101,925,284	21,496,018	596,433	-	124,017,735
Subordinated debt	11,989,000	-	-	-	11,989,000
Deposits & other accounts	675,176,933	4,633,530	23,036,662	-	702,847,125
Net inter segment borrowing	336,510,604	-	-	-	336,510,504
Others	68,331,856	312,035	2,460,051	21,625,498	92,729,440
Total liabilities	1,193,933,577	26,441,583	26,093,146	21,625,498	1,268,093,804
Net Assets	74,799,663	395,846	1,826,343	-	77,021,852
Equity	77,021,852				
Contingencies & Commitments	477,618,518	25,773,028	4,412,416	460,928	508,264,890

	2017				
	Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
	(Rupees in '000)				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	27,425,136	997,173	561,153	-	28,983,462
Inter segment revenue - net	21,497	(77,719)	56,222	-	-
Non mark-up / return / interest income	9,546,760	189,586	25,741	-	9,762,087
Total Income	36,993,393	1,109,040	643,116	-	38,745,549
<b>Segment direct expenses</b>					
Inter segment expense allocation	(143,678)	116,846	26,832	-	-
Total expenses	24,252,692	821,868	216,414	-	25,290,974
(Reversals) / Provisions	(661,141)	44,646	-	-	(616,495)
Profit before tax - continuing operations	13,401,842	242,526	426,702	-	14,071,070
Profit before tax - discontinuing operations				339,819	339,819



2017

	Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
	----- (Rupees in '000) -----				
<b>Balance Sheet</b>					
Cash & Bank balances	69,266,830	4,025,789	1,081,915	-	74,374,534
Investments	377,143,960	6,440,353	18,158,085	-	401,742,398
Net inter segment lendings	298,773,714	-	-	-	298,773,714
Lendings to financial institutions	42,739,996	3,953,627	2,202,205	-	48,895,828
Advances - performing	384,163,364	12,810,576	1,790,912	-	398,764,852
Advances - non-performing	1,850,391	-	44,679	-	1,895,070
Others	57,822,023	(4,641,022)	(3,175,873)	25,356,090	75,361,218
<b>Total Assets</b>	<b>1,231,760,278</b>	<b>22,589,323</b>	<b>20,101,923</b>	<b>25,356,090</b>	<b>1,299,807,614</b>
Borrowings	187,727,847	1,720,215	18,088,877	-	207,536,939
Subordinated debt	4,991,000	-	-	-	4,991,000
Deposits & other accounts	625,998,064	17,821,761	1,105,159	-	644,924,984
Net inter segment borrowing	298,773,714	-	-	-	298,773,714
Others	50,551,642	1,478,839	41,774	24,678,342	76,750,597
<b>Total liabilities</b>	<b>1,168,042,267</b>	<b>21,020,815</b>	<b>19,235,810</b>	<b>24,678,342</b>	<b>1,232,977,234</b>
<b>Net Assets</b>	<b>63,718,011</b>	<b>1,568,508</b>	<b>866,113</b>	<b>677,748</b>	<b>66,830,380</b>
<b>Equity</b>					<b>66,830,380</b>
<b>Contingencies &amp; Commitments</b>	<b>404,193,402</b>	<b>13,331,876</b>	<b>4,479,300</b>	<b>1,102,161</b>	<b>423,106,739</b>

#### 44 TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the Bank is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

#### 45 RELATED PARTY TRANSACTIONS

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

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

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



	As at December 31, 2018				As at December 31, 2017			
	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Balances with other banks</b>								
In current accounts	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-
<b>Lendings to financial institutions</b>								
Opening balance	-	-	-	1,500,000	-	-	-	-
Addition during the year	-	-	-	134,478,646	-	-	-	89,750,000
Repaid during the year	-	-	-	(135,978,646)	-	-	-	(88,250,000)
Closing balance	-	-	-	-	-	-	-	1,500,000
<b>Investments</b>								
Opening balance	-	-	3,213,322	1,317,808	-	-	3,263,590	2,579,489
Investment made during the year	-	-	330,829	464,122	-	-	2,134,593	1,819,585
Investment redeemed / disposed off during the year	-	-	(205,000)	(739,269)	-	-	(2,184,861)	(3,081,266)
Transfer in / (out) - net	-	-	422,461	-	-	-	-	-
Closing balance	-	-	3,761,612	1,042,661	-	-	3,213,322	1,317,808
Provision for diminution in value of investments	-	-	-	53,936	-	-	-	53,936
<b>Advances</b>								
Opening balance	-	460,291	-	7,591,327	79,130	351,335	-	8,040,236
Addition during the year	-	206,246	-	6,738,397	21,130	304,461	-	15,620,727
Repaid during the year	(6,068)	(98,964)	-	(8,301,259)	-	(155,958)	-	(14,149,786)
Transfer in / (out) - net	111,718	(116,198)	-	(2,673,956)	(100,260)	(39,547)	-	(1,919,850)
Closing balance	105,650	451,375	-	3,354,509	-	460,291	-	7,591,327
Provision held against advances	-	-	-	-	-	-	-	1,540,029
<b>Other Assets</b>								
Interest / mark-up accrued	5,507	42,368	-	47,013	-	43,725	-	577,813
Receivable from staff retirement fund	-	-	-	923,633	-	-	-	729,546
Prepayment / rent receivable	-	-	832	5,973	-	-	2,496	-
Profit Receivable on Sukuk	-	-	-	1,858	-	-	-	1,819
Advance against shares	-	-	-	50,000	-	-	-	-
Others	-	1,216	194,013	-	-	132	224,748	923
<b>Borrowings</b>								
Opening balance	-	-	-	502,800	-	-	-	-
Borrowings during the year	-	-	-	35,346,898	-	-	-	34,192,883
Settled during the year	-	-	-	(35,849,698)	-	-	-	(33,690,083)
Closing balance	-	-	-	-	-	-	-	502,800
<b>Subordinated debt</b>								
Opening balance	-	19,964	45,044	-	-	132,348	79,003	332,467
Redemption / Sold during the year	-	(19,964)	(45,044)	-	-	(112,384)	(33,959)	(332,467)
Closing balance	-	-	-	-	-	19,964	45,044	-
<b>Deposits and other accounts</b>								
Opening balance	6,275	161,264	1,509,741	4,178,991	10,201	164,506	1,031,657	8,663,189
Received during the year	206,294	1,444,556	33,685,682	82,662,966	302,823	1,695,068	56,650,035	111,897,086
Withdrawn during the year	(205,130)	(1,422,088)	(34,138,684)	(87,189,777)	(197,410)	(1,348,180)	(56,171,951)	(115,305,412)
Transfer in / (out) - net	-	10,459	-	3,565,601	(109,339)	(350,130)	-	(1,075,872)
Closing balance	7,439	194,191	1,056,739	3,217,781	6,275	161,264	1,509,741	4,178,991
<b>Other Liabilities</b>								
Interest / mark-up payable	11	1,960	7,446	11,918	-	1,448	7,945	40,025
Unearned rent	-	-	-	-	-	-	8,936	-
Others	-	2,085	9,656	3,961	-	8,070	844	-
<b>Contingencies and Commitments</b>								
Other contingencies	-	-	162,468	-	-	-	129,188	2,589,842
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
	For the year ended Dec 31, 2018				For the year ended Dec 31, 2017			
<b>Income</b>								
Mark-up / return / interest earned	5,507	16,963	-	478,686	2,319	22,197	-	452,954
Fee and commission income	-	-	-	-	-	-	-	-
Dividend income	-	-	219,000	2,109	-	-	-	9,481
Net gain on sale of securities	-	-	-	5,675	-	-	323,375	-
Other income	-	3,180	429,357	21,231	-	2,027	508,882	18,608
<b>Expense</b>								
Mark-up / return / interest paid	20	4,536	55,367	192,261	119	19,668	79,015	274,682
Other operating expenses	262,868	994,463	-	666,599	680,153	1,356,377	-	983,646
Provision / (Reversal) against non-performing advances and investments	-	-	-	-	-	-	-	(3,025)
Others	-	-	89,216	-	-	-	86,776	-
Dividend paid	640,921	11,584	5,454	1,538,460	-	-	-	-
Insurance premium paid	-	-	497,497	-	-	-	505,826	-
Insurance claims settled	-	-	310,344	-	-	-	321,392	-

46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2018  
----- (Rupees in '000) -----  
2017

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses)	17,743,629	16,075,720
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**Capital Adequacy Ratio (CAR):**

Eligible Common Equity Tier 1 (CET 1) Capital	60,698,276	54,227,146
Eligible Additional Tier 1 (ADT 1) Capital	6,833,728	-
Total Eligible Tier 1 Capital	67,532,004	54,227,146
Eligible Tier 2 Capital	15,263,399	12,140,824
Total Eligible Capital (Tier 1 + Tier 2)	82,795,402	66,367,970

**Risk Weighted Assets (RWAs):**

Credit Risk	493,307,386	431,830,731
Market Risk	2,783,950	3,703,163
Operational Risk	61,403,300	62,020,163
Total	557,494,636	497,554,057

Common Equity Tier 1 Capital Adequacy ratio	10.89%	10.90%
Tier 1 Capital Adequacy Ratio	12.11%	10.90%
Total Capital Adequacy Ratio	14.85%	13.34%

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

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.90%	11.28%

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

	2018	2017
	----- (Rupees in '000) -----	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	67,532,004	54,227,146
Total Exposures	1,187,539,074	1,322,273,942
Leverage Ratio	5.69%	4.10%

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets	252,703,051	234,488,065
Total Net Cash Outflow	162,363,261	165,803,247
Liquidity Coverage Ratio	156%	141%

**Net Stable Funding Ratio (NSFR):**

Total Available Stable Funding	630,592,999	555,280,073
Total Required Stable Funding	472,759,179	405,154,261
Net Stable Funding Ratio	133%	137%

46.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions has been placed on the website. The link to the full disclosure is <https://www.bankalfalah.com/financial-reports/>.





## 47 RISK MANAGEMENT

The variety of business activities undertaken by the Bank require effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To supervise risk management activities within their respective scopes. CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee (PIC).

The risk management framework endeavors to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank's risk management framework has a well-defined organizational structure for effective management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, IT security Risk, Credit Risk Systems and Environment and Social Risk.


### 47.1 Credit Risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure to credit risk. The Bank's credit risk management philosophy is based on Bank's overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Bank has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate banking, Islamic banking, commercial and SME banking, agricultural financing, and overseas operations.

The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Credit and Risk Management Group.

For Domestic operations, Bank determines the amount for Specific and General provisions are held as per the Prudential Regulations issued by the State Bank of Pakistan (SBP). Provisions at overseas branches are held to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.



A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party and 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 and security and generates internal ratings at Obligor and Facility levels. The facility rating system, developed in line with SBP's guidelines, also provides expected LGD (Loss Given Default). This has been implemented in Corporate Banking, Islamic Banking and Retail and Middle Market segments. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Bank has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, ME, SE and Agri rating models. It covers both discrimination and calibration statistical tests as per best practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to compute the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular and 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 so as to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

#### **47.1.1 Credit Risk - General Disclosures Basel Specific**

Bank Alfalah Limited is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

#### **47.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights**

##### **47.1.2.1 External ratings**

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely PACRA, JCR-VIS, Moody's, Fitch and Standard & Poor's.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel III framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.



### 47.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

#### 47.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

#### 47.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II / III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach the Bank reduces its credit exposure to a counterparty when calculating requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with the Basel II / III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts' to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

#### 47.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

#### 47.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collaterals that are eligible under SBP Basel III accord. This also includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel in general, for capital calculation purposes, in line with the SBP Basel III requirements, the Bank recognises only eligible collaterals as mentioned in the SBP Basel III accord.

#### 47.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category). Concentration in customers that are rated in high risk category is also monitored against the approved appetite set by the management.

Particulars of Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

#### 47.1.4 Lendings to financial institutions

##### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
----- (Rupees in '000) -----						
Public Sector	-	-	-	-	-	-
Private Sector	62,192,105	48,895,828	-	-	-	-
	62,192,105	48,895,828	-	-	-	-

#### 47.1.5 Investment in debt securities

##### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
----- (Rupees in '000) -----						
Agriculture, Forestry, Hunting and Fishing	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Textile	167,888	173,520	167,888	173,520	167,888	173,520
Chemical and Pharmaceuticals	606,732	617,638	606,732	617,638	606,732	617,638
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and Leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	1,785	2,185	1,785	2,185	1,785	2,185
Construction	-	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	7,154,912	7,062,456	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-
Export/Import	-	-	-	-	-	-
Transport, Storage and Communication	848,367	1,357,832	281,700	224,498	281,700	224,498
Financial	713,755	469,301	63,776	79,361	63,776	79,361
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	-	-	-	-	-	-
Others	-	-	-	-	-	-
	9,493,439	9,682,932	1,121,881	1,097,202	1,121,881	1,097,202

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
----- (Rupees in '000) -----						
Public Sector	6,964,681	6,807,539	-	-	-	-
Private Sector	2,528,758	2,875,393	1,121,881	1,097,202	1,121,881	1,097,202
	9,493,439	9,682,932	1,121,881	1,097,202	1,121,881	1,097,202



## 47.1.6 Advances

### Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Agriculture, Forestry, Hunting and Fishing	52,389,474	32,080,952	236,973	235,231	124,732	150,350
Automobile and transportation equipment	10,413,594	7,856,545	1,000,964	996,428	376,148	367,279
Cement	13,051,710	8,187,225	-	-	-	-
Chemical and Pharmaceuticals	21,724,564	17,746,542	822,917	845,938	822,917	830,271
Construction	7,857,587	1,995,896	511,397	118,291	511,397	117,291
Electronics and electrical appliances	10,718,745	9,876,062	130,474	146,684	130,474	146,684
Exports / Imports	8,423,173	6,337,714	715,315	733,558	647,563	682,557
Financial	9,628,594	6,611,404	926,031	951,150	926,031	951,150
Food & Allied Products	47,322,246	31,504,922	2,367,089	687,555	2,145,133	669,842
Footwear and Leather garments	2,050,714	2,271,226	203,343	180,212	183,840	171,187
Individuals	48,262,008	42,018,970	788,404	870,257	540,429	703,030
Insurance	9,505	14,575	-	-	-	-
Metal & Allied industries	16,961,641	10,717,131	635,551	754,329	635,350	744,349
Mining and Quarrying	2,319,851	1,558,348	-	-	-	-
Oil and Allied	15,091,286	6,477,959	-	635,574	-	635,574
Others	35,544,447	26,114,688	1,094,676	1,100,531	864,097	836,627
Power (electricity), Gas, Water, Sanitary	79,868,350	66,719,696	1,157,905	-	289,476	-
Services	6,824,348	14,523,265	94,578	477,503	82,733	477,503
Sugar	11,627,623	9,961,647	841,130	3,608	372,009	3,166
Textile	93,676,552	71,480,957	3,630,707	3,834,443	3,617,203	3,554,234
Transport, Storage and Communication	6,587,342	8,592,228	1,788,981	1,788,981	1,788,981	1,788,981
Wholesale & Retail Trade	18,044,357	34,533,980	1,877,105	3,219,838	1,826,156	2,854,966
	518,397,711	417,181,932	18,823,540	17,580,111	15,884,669	15,685,041

### Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Public Sector	98,240,545	67,044,059	-	-	-	-
Private Sector	420,157,166	350,137,873	18,823,540	17,580,111	15,884,669	15,685,041
	518,397,711	417,181,932	18,823,540	17,580,111	15,884,669	15,685,041

#### 47.1.7 Contingencies and Commitments

##### Credit risk by industry sector

	2018	2017
	----- (Rupees in '000) -----	
Agriculture, Forestry, Hunting and Fishing	644,423	271,048
Automobile and transportation equipment	3,199,346	4,625,145
Cement	475,659	2,509,863
Chemical and Pharmaceuticals	3,802,147	3,992,081
Construction	4,333,141	6,243,762
Electronics and electrical appliances	1,816,994	1,867,320
Exports / Imports	5,048,665	4,530,444
Financial	17,923,587	22,038,188
Food & Allied Products	7,599,602	5,280,610
Footwear and Leather garments	176,289	401,764
Individual	219,898	323,676
Insurance	66,831	97,548
Metal & Allied industries	343,183	9,845,722
Mining and Quarrying	3,922,471	74,011
Oil and Allied	586,399	9,836,992
Others	30,749,298	20,739,714
Power (electricity), Gas, Water, Sanitary	7,283,152	5,648,991
Services	882,925	11,079,370
Sugar	431,895	707,252
Textile	22,378,081	16,964,787
Transport, Storage and Communication	3,354,176	3,860,401
Wholesale and Retail Trade	9,874,261	7,011,479
	<u>125,112,423</u>	<u>137,950,168</u>

##### Credit risk by public / private sector

Public/ Government	14,722,902	27,669,599
Private	110,389,521	110,280,569
	<u>125,112,423</u>	<u>137,950,168</u>

#### 47.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 136.994 billion (2017: Rs. 100.748 billion) are as following:

Funded	119,953,989	68,344,569
Non Funded	17,039,556	32,403,343
Total Exposure	<u>136,993,545</u>	<u>100,747,912</u>



The sanctioned limits against these top 10 exposures aggregated to Rs 191.245 billion (2017: Rs. 153.992 billion).

**Total funded classified therein**

	2018		2017	
	Amount	Provision held	Amount	Provision held
------(Rupees in '000)-----				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	5,358	5,358
Total	Nil	Nil	5,358	5,358

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

**47.1.9 Advances - Province/Region-wise Disbursement & Utilization**

Province/Region	2018						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
------(Rupees in '000)-----							
Punjab	1,011,452,334	998,920,172	5,379,193	65,309	831	7,047,968	38,861
Sindh	728,309,234	3,367,574	724,787,847	70	18,725	135,088	-
KPK including FATA	17,503,980	-	-	17,148,717	-	355,263	-
Balochistan	3,594,319	-	-	-	3,594,319	-	-
Islamabad	75,964,135	9,031,826	-	188,364	115,751	66,628,194	-
AJK including Gilgit-Baltistan	574,345	-	-	-	-	-	574,345
Total	1,837,398,417	1,011,319,572	730,167,040	17,402,460	3,729,626	74,166,513	613,206

Province/Region	2017						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
------(Rupees in '000)-----							
Punjab	785,869,975	785,869,975	-	-	-	-	-
Sindh	695,395,725	-	695,395,725	-	-	-	-
KPK including FATA	15,813,443	-	-	15,813,443	-	-	-
Balochistan	2,371,813	-	-	-	2,371,813	-	-
Islamabad	50,005,989	-	-	-	-	50,005,989	-
AJK including Gilgit-Baltistan	872,361	-	-	-	-	-	872,361
Total	1,550,329,306	785,869,975	695,395,725	15,813,443	2,371,813	50,005,989	872,361

**47.2 Market Risk**

Market risk exposes the Group to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a comprehensive Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines a well-defined risk control structure, responsibilities of relevant stakeholders with respect to market risk management and methods to measure and control market risk 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.

Under the BoD approved policy, the Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for its 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. Furthermore, the Bank carries out risk assessment via diversified tools including Value at Risk (VaR), PV01 (price value per basis point) and Duration on a regular basis. The Bank also ascertains the impact of market risk on relevant factors through stress testing and Internal Capital Adequacy Assessment processes.

### 47.3 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. FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps.

The Bank also manages FX risk by setting and monitoring dealer and currency-wise limits. The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is also conducted on a regular basis through VaR analysis .

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

Currency wise assets and liabilities considered above have been presented on gross basis as per respective currencies.

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----				------(Rupees in '000)-----			
United States Dollar	72,109,056	117,349,741	45,325,354	84,669	61,529,055	80,687,137	20,318,024	1,159,942
Great Britain Pound Sterling	2,339,753	5,093,350	2,760,223	6,626	1,659,845	5,457,565	3,808,651	10,931
Euro	2,332,247	4,132,522	1,813,236	12,961	189,571	198,056	12,024	3,539
Japanese Yen	315	1,400	3,908	2,823	2,409,902	5,286,262	2,881,809	5,449
Other currencies	30,918,270	30,990,150	75,877	3,997	27,848,884	27,844,252	3,531	8,163
	<u>107,699,641</u>	<u>157,567,163</u>	<u>49,978,598</u>	<u>111,076</u>	<u>93,637,257</u>	<u>119,473,272</u>	<u>27,024,039</u>	<u>1,188,024</u>

Impact of 1% change in foreign exchange rates on

- Profit and loss account
- Other comprehensive income

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
	-	1,111	-	11,880
	-	-	-	-

#### 47.3.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	------(Rupees in '000)-----					
Cash and balances with treasury banks	82,407,736	-	82,407,736	70,381,480	-	70,381,480
Balances with other banks	3,911,554	-	3,911,554	3,993,054	-	3,993,054
Lendings to financial institutions	62,172,287	-	62,172,287	48,895,828	-	48,895,828
Investments	231,719,116	47,532,615	279,251,731	378,942,516	22,799,882	401,742,398
Advances	501,639,727	-	501,639,727	400,659,922	-	400,659,922
Fixed assets	18,317,042	-	18,317,042	16,198,902	-	16,198,902
Intangible assets	1,317,271	-	1,317,271	1,508,765	-	1,508,765
Deferred tax assets	-	-	-	-	-	-
Non current assets held for sale	23,589,489	-	23,589,489	26,821,724	-	26,821,724
Other assets	35,998,315	-	35,998,315	30,831,827	-	30,831,827
	<u>961,072,537</u>	<u>47,532,615</u>	<u>1,008,605,152</u>	<u>978,234,018</u>	<u>22,799,882</u>	<u>1,001,033,900</u>





#### 47.3.2 Equity position Risk

Equity position risk arises due to adverse movements in the prices of equities and instruments exhibiting behavior similar to equities 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.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	(6,691)	-	(1,357)
- Other comprehensive income	(520,838)	-	(290,281)	-

#### 47.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

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, liabilities and off-balance sheet interest sensitive instruments within a certain range of maturity or re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management (IRR) framework which establishes aggregate and tenor-wise balance sheet level PV01 (Price Value of 1bp) limits to manage interest rate risk within the Board approved risk appetite. Treasury and Capital Markets 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 Department of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

- The increase (decline) in earnings or economic value ( or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and than translated into Rupees)

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 1% change in interest rates on				
- Profit and loss account	(1,100)	(450)	(578)	(206)
- Other comprehensive income	-	-	-	-

47.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2018

Effective Yield/Interest rate	Total	Exposed to Yield/Interest risk (Rupees in '000)							Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years
On-balance sheet financial instruments										
<b>Assets</b>										
	82,407,736	11,676,690	-	-	-	-	-	-	-	70,731,046
Cash and balances with treasury banks	3,911,554	1,258,476	-	-	-	-	-	-	-	2,653,078
Balances with other banks	62,172,287	52,042,895	10,029,428	-	-	-	-	-	-	-
Lending to financial institutions	279,251,731	128,906,051	63,267,090	9,143,014	11,207,473	17,690,441	8,600,389	13,227	12,312,560	-
Investments	501,639,727	207,222,086	125,600,759	39,060,743	4,615,934	1,837,447	12,008,747	3,903,249	2,934,970	-
Advances	-	-	-	-	-	-	-	-	-	23,589,489
Assets held for sale	31,623,181	-	-	-	-	-	-	-	-	-
Other assets	984,595,705	401,106,198	198,897,277	119,143,161	48,203,757	13,524,081	19,527,888	15,823,407	20,609,136	143,844,324
<b>Liabilities</b>										
Bills payable	35,988,225	-	-	-	-	-	-	-	-	35,988,225
Borrowings	124,017,735	67,993,082	33,283,177	252,736	39,040	327,020	9,171,447	2,104,432	200,000	-
Deposits and other accounts	702,847,125	296,878,074	58,002,086	16,937,603	703,523	1,760,408	4,130	113,074	425,800	299,507,896
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	11,989,000	-	11,989,000	-	-	-	-	-	-	-
Liabilities directly associated with the assets held for sale	20,435,396	-	-	-	-	-	-	-	-	20,435,396
Other liabilities	31,417,410	-	-	-	-	-	-	-	-	31,417,410
	926,694,891	364,871,156	103,274,263	39,161,332	17,190,339	742,563	2,087,428	2,217,506	9,175,577	387,348,927
<b>On-balance sheet gap</b>										
	57,900,814	36,235,042	95,623,014	79,981,829	31,013,418	12,781,518	17,440,460	13,605,901	11,433,559	3,290,676 (243,504,603)
<b>Off-balance sheet financial instruments</b>										
Documentary credits and short-term-trade-related transactions	125,112,423	14,385,617	36,167,697	34,051,382	21,663,420	6,242,240	1,234,234	9,820,083	478,761	1,068,989
Commitments in respect of:										
- Forward exchange contracts - purchase	140,128,603	68,918,857	58,086,790	12,782,828	340,128	-	-	-	-	-
- Forward exchange contracts - sale	(88,136,761)	(48,295,780)	(26,788,686)	(12,632,879)	(419,416)	-	-	-	-	-
- Interest Rate Swaps - receipts	10,650,708	1,944,067	8,359,486	347,155	-	-	-	-	-	-
- Interest Rate Swaps - payments	(10,650,708)	-	-	(3,540,978)	(1,624,684)	(1,388,619)	(1,596,912)	(1,110,895)	(1,388,620)	-
- Futures - sale	(1,400,383)	-	(1,400,383)	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	175,703,882	36,952,761	74,424,904	31,007,508	19,959,448	4,853,621	(362,678)	8,709,188	(909,859)	1,068,989
<b>Total Yield/Interest Risk Sensitivity Gap</b>										
	73,187,803	170,047,918	110,989,337	50,972,866	17,635,139	17,077,782	22,315,089	10,523,700	4,359,665	(243,504,603)
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>										
	73,187,803	243,235,721	354,225,058	405,197,924	422,833,063	439,910,845	462,225,934	472,749,634	477,109,299	233,604,696



Effective Yield/Interest rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	70,381,480	7,553,785	-	-	-	-	-	-	-	-	-	62,827,695
Balances with other banks	3,993,054	324,390	853,440	-	-	-	-	-	-	-	-	2,815,224
Lending to financial institutions	48,895,828	30,693,824	16,031,822	2,170,182	-	-	-	-	-	-	-	-
Investments	401,742,398	88,286,210	142,701,377	26,814,457	24,753,061	43,682,519	25,299,396	33,959,355	6,300,078	290,869	9,655,076	
Advances	400,659,922	174,725,255	85,137,877	80,768,167	26,482,451	1,690,872	1,810,295	8,019,137	17,836,363	3,747,465	442,040	
Assets held for sale	26,821,724	-	-	-	-	-	-	-	-	-	-	26,821,724
Other assets	28,921,966	-	-	-	-	-	-	-	-	-	-	28,921,966
	981,416,372	301,583,464	244,724,516	109,752,806	51,235,512	45,373,391	27,109,691	41,978,492	24,136,441	4,038,334	131,483,725	
<b>Liabilities</b>												
Bills payable	20,882,970	-	-	-	-	-	-	-	-	-	-	20,882,970
Borrowings	207,536,939	133,022,666	40,275,497	9,265,919	17,764,270	47,439	114,330	903,120	6,143,698	-	-	
Deposits and other accounts	644,924,984	240,800,347	51,264,080	67,373,239	16,091,928	610,096	306,949	82,329	-	-	268,396,016	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	4,991,000	-	4,991,000	-	-	-	-	-	-	-	-	-
Liabilities directly associated with the assets held for sale	24,759,096	-	-	-	-	-	-	-	-	-	-	24,759,096
Other liabilities	26,790,871	-	-	-	-	-	-	-	-	-	-	26,790,871
	929,885,860	373,823,013	96,530,577	76,639,158	33,856,198	657,535	421,279	985,449	6,143,698	-	-	340,828,953
<b>On-balance sheet gap</b>	<b>51,530,512</b>	<b>(72,239,549)</b>	<b>148,193,939</b>	<b>33,113,648</b>	<b>17,379,314</b>	<b>44,715,856</b>	<b>26,688,412</b>	<b>40,993,043</b>	<b>17,992,743</b>	<b>4,038,334</b>	<b>(209,345,228)</b>	
<b>Off-balance sheet financial instruments</b>												
Documentary credits and short-term-trade-related transactions	137,950,168	22,967,038	38,820,408	41,769,096	20,807,234	5,465,941	721,083	488,565	6,640,502	270,301	-	
- Forward exchange contracts - purchase	60,285,544	27,287,134	22,912,300	8,575,250	1,510,860	-	-	-	-	-	-	
- Forward exchange contracts - sale	(31,823,206)	(8,200,656)	(12,131,925)	(10,859,209)	(631,416)	-	-	-	-	-	-	
- Interest Rate Swaps - receipts	8,865,756	1,942,598	6,923,158	-	-	-	-	-	-	-	-	
- Interest Rate Swaps - payments	(8,865,756)	-	-	-	-	(4,504,276)	(1,104,172)	(2,153,135)	(1,104,173)	-	-	
<b>Off-balance sheet gap</b>	<b>166,412,506</b>	<b>43,996,114</b>	<b>56,523,941</b>	<b>39,485,137</b>	<b>21,686,678</b>	<b>961,665</b>	<b>(983,089)</b>	<b>(1,664,570)</b>	<b>5,536,329</b>	<b>270,301</b>	<b>-</b>	
<b>Total Yield/Interest Risk Sensitivity Gap</b>	<b>(28,243,435)</b>	<b>204,717,880</b>	<b>72,598,785</b>	<b>39,065,992</b>	<b>45,677,521</b>	<b>26,305,323</b>	<b>39,328,473</b>	<b>23,529,072</b>	<b>4,308,635</b>	<b>(209,345,228)</b>		
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	<b>(28,243,435)</b>	<b>176,474,445</b>	<b>249,073,230</b>	<b>288,139,222</b>	<b>333,816,743</b>	<b>360,122,066</b>	<b>399,450,539</b>	<b>422,979,611</b>	<b>427,288,246</b>	<b>217,943,018</b>		



#### 47.4.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

	2018	2017
	------(Rupees in '000)-----	
Total financial assets as per note 47.4.1	984,595,705	981,416,372
Add: Non financial assets		
Operating fixed assets	18,317,042	16,198,902
Intangibles	1,317,271	1,508,765
Other assets	4,375,134	1,909,861
Total assets as per statement of financial position	<u>1,008,605,152</u>	<u>1,001,033,900</u>
Total financial liabilities as per note 47.4.1	926,694,891	929,885,860
Add: Non financial liabilities		
Deferred tax liabilities	2,500,097	3,443,012
Other liabilities	2,388,312	874,648
Total liabilities as per statement of financial position	<u>931,583,300</u>	<u>934,203,520</u>

#### 47.5 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.

##### 47.5.1 Operational Risk Disclosures - Basel II Specific

Bank Alfalah Limited is among the first few banks to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013.

The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of Capital Floor for calculation of Capital Charge under ASA was extended in line with International developments and consultations of the Basel Committee on Banking Supervision (BCBS), State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies, procedures and systems of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems are in place which have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. State Bank has further extended the timeline for collection of loss data base reports till further notice.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management



And also mapped the incidents into following Business Lines:

- Retail Banking
- Commercial Banking
- Corporate Finance
- Trading & Sales
- Payment & Settlement
- Agency Services
- Cost centers/Centralized functions

#### 47.5.2 IT Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank's technology assets by developing IT security baselines for IT solutions that support products and services, Security solutions selection, and acquisition including vendor and/or service provider selection managed by IT Security in close coordination with ITG and procurement/central administration, monitoring of threats and vulnerabilities through Security Operations Centre (24/7), 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 IT Committee (BITC) /ITSC/Board.

#### 47.5.3 Environmental & Social Risk Management Unit

Initiative to integrate sustainable finance approach in credit evaluation and approval process. Being a responsible corporate citizen wherever the Holding Company operates, it has an integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and 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 under 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 E&S Unit is responsible for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

#### 47.5.4 Credit Risk Systems

This unit is primarily responsible for development and management of Credit Risk Systems including Credit Initiation and Internal Rating System (CIIRS) and its related modules like Bank Alfalah CAR Calculator (BACK). It also supports other credit related automation and optimization initiatives like eCIB automation and Credit Decision engine for Consumer Finance Group as desired by Management from time to time.

#### 47.5.5 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Bank's exposure in that country. For the Bank, country risk arises as a result of the Bank's foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of country's willingness to honour its foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and managed at head office level and country risk exposures are reported to the relevant committees at a defined frequency.

## 47.6 Liquidity Risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital & reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, Bank Alfalah calculates Liquidity Coverage Ratio (LCR) on monthly basis. Based on December 31, 2018 numbers Bank's LCR is 1.42 or 142% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 281,732.849 million and Net Cash Outflows of PKR 198,337.514 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2018 numbers Bank Alfalah's NSFR is 133% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 630,592.999 million and Total Required Stable Funding of PKR 472,759.178 million.

The Bank manages and controls liquidity risk through a detailed risk management framework, which includes BoD approved policy, management level procedural document and Asset & Liability Committee (ALCO) level guidelines. Under this framework, various liquidity metrics are implemented and monitored on a regular basis.

At BAFL, BoD approves the Liquidity Risk Policy. Further, it also approves the Bank's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Bank's ALCO is primarily responsible for the implementation of BoD's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Bank's liquidity on day to day basis and is the Bank's first line of defense against liquidity risk. Under Risk Management Division, Liquidity Risk Management Unit is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and bank's own risk appetite.

The Bank's overall funding strategy is based on the principles of diversification and stability. The Bank has a diverse funding base, which includes stable funding in the form of equity, Sub-ordinated loans, retail and small business deposits. Moreover, for non-stable funding in form of Large Volume Depositors. The Bank has in place internally approved limits to monitor and manage risk emanating from volatile funding concentration. Moreover, the Bank is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

At BAFL, Stress Testing is used in an attempt to highlight the vulnerability of the Bank's Balance Sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. BAFL carries out the stress testing based on SBP Stress Tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At BAFL, Contingency Funding Plan, is implemented to address liquidity issues in times of stress / crises situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the Bank's assets and net cash outflow is mainly determined through volatility of the Bank's liability profile. The table below showcases the composition of HQLA as of December 31, 2018.

HQLA*	Market Value	Weighted Amount
	------(Rupees in '000)-----	
Level 1 Assets	279,406,840	279,406,840
Level 2A Assets	-	-
Level 2B Assets	4,652,019	2,326,009
	<u>284,058,859</u>	<u>281,732,849</u>

\* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

47.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2018

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
<b>Assets</b>													
Cash and balances with treasury banks	82,407,736	67,094,237	190,428	222,165	507,807	2,166,994	1,200,626	563,513	563,513	1,723,748	427,240	854,480	4,725,991
Balances with other banks	3,911,554	2,201,026	-	830,642	879,886	-	-	-	-	-	-	-	-
Lending to financial institutions	62,172,287	926,456	42,799,027	3,504,659	5,328,416	3,596,347	100,000	-	-	-	-	-	-
Investments	279,251,731	4,347,586	26,085,500	30,433,084	69,561,334	26,715,251	4,488,037	4,665,257	4,665,257	13,093,595	18,629,274	11,557,473	38,302,579
Advances	501,639,727	8,644,077	50,692,438	59,693,789	140,916,128	23,470,214	30,990,352	11,769,670	3,732,037	20,361,623	21,672,036	45,062,867	63,203,302
Fixed assets	18,317,042	2,882	17,291	20,173	46,109	86,457	58,516	259,369	259,369	1,037,475	1,037,475	1,926,969	12,978,500
Intangible assets	1,317,271	714	4,278	4,991	11,409	21,392	64,176	64,176	64,176	256,703	256,703	547,161	-
Assets held for sale	23,589,489	-	-	-	-	-	23,589,489	-	-	-	-	-	-
Other assets	35,998,315	13,918,129	3,720,170	4,193,452	9,581,862	309,548	600,767	420,954	970,083	1,014,798	239,751	359,627	359,626
	1,008,605,152	97,135,107	123,509,132	98,902,955	226,832,951	56,640,471	61,591,963	17,742,939	10,254,435	37,487,942	42,262,479	60,308,577	119,569,998
<b>Liabilities</b>													
Bills payable	35,988,225	26,153,488	2,053,343	2,436,363	5,345,031	-	-	-	-	-	-	-	-
Borrowings	124,017,735	596,433	45,403,464	14,370,099	8,120,622	22,519,512	11,177,036	4,671	11,384	28,077	109,373	1,896,403	9,482,795
Deposits and other accounts	702,847,125	531,919,722	15,037,857	10,650,377	29,669,741	31,404,200	20,286,145	10,556,873	6,913,235	1,036,000	2,010,519	8,649,385	6,712,317
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	11,989,000	-	-	-	-	-	1,000	-	1,000	2,000	4,985,000	-	7,000,000
Deferred tax liabilities	2,500,097	-	-	-	-	-	-	2,500,097	-	-	-	-	-
Liabilities directly associated with the assets held for sale	20,435,396	-	-	-	-	-	20,435,396	-	-	-	-	-	-
Other liabilities	33,805,722	13,657,386	2,028,720	2,366,839	5,409,919	367,792	1,077,234	2,014,723	2,390,677	1,146,389	1,009,351	1,968,900	-
	931,583,300	572,327,029	64,523,384	29,823,678	48,545,313	42,069,858	50,888,058	52,976,811	9,316,296	2,212,466	8,114,243	12,514,688	23,195,112
<b>Net assets</b>	<b>77,021,852</b>	<b>(475,191,922)</b>	<b>58,985,748</b>	<b>79,729,654</b>	<b>178,287,638</b>	<b>14,570,613</b>	<b>8,615,152</b>	<b>2,666,575</b>	<b>938,139</b>	<b>35,275,476</b>	<b>34,148,236</b>	<b>47,793,889</b>	<b>96,374,866</b>
Share capital	17,743,629												
Reserves	23,050,754												
Unappropriated profit	28,323,585												
Surplus/(Deficit) on revaluation of assets	7,389,127												
Non-controlling interest	514,757												
	<u>77,021,852</u>												

Share capital	17,743,629
Reserves	23,050,754
Unappropriated profit	28,323,585
Surplus/(Deficit) on revaluation of assets	7,389,127
Non-controlling interest	514,757
	<u>77,021,852</u>

Current and Saving deposits have been classified under maturity upto one day as these do not have any contractual maturity. Further, the Holding Company estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.





Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 to 1 month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
70,381,480	15,015,440	2,974,556	6,444,871	5,453,352	1,643,989	1,643,989	2,132,155	1,757,579	1,757,579	5,066,636	1,321,047	9,350,709	15,819,578
3,993,054	3,635,937	-	-	-	161,819	195,298	-	-	-	-	-	-	-
48,895,828	-	11,058,477	5,895,996	13,510,902	12,283,337	3,946,136	2,200,980	-	-	-	-	-	-
401,742,398	38	36,519,444	-	53,326,714	40,433,881	98,207,048	539,302	30,393,233	20,226,275	40,923,108	26,401,220	36,194,308	18,577,827
400,659,922	5,331,515	31,989,092	37,320,607	85,304,245	25,345,513	25,345,513	31,359,658	5,668,236	5,668,236	11,217,483	34,402,200	44,510,242	57,197,382
16,198,902	3,125	18,756	21,883	50,017	93,783	93,783	281,348	281,348	281,348	1,125,392	1,125,392	2,054,489	10,768,238
1,508,765	819	4,908	5,725	13,087	24,538	24,538	73,613	73,613	73,613	294,454	294,454	625,403	-
26,821,724	-	-	-	-	26,821,724	-	-	-	-	-	-	-	-
30,881,827	709,028	2,903,724	3,390,772	7,743,264	11,368,263	113,828	341,485	882,162	1,527,440	986,731	216,260	324,390	324,480
1,001,033,900	24,695,902	85,468,957	53,079,854	165,401,581	118,176,847	129,570,133	36,928,541	39,056,171	29,534,491	59,613,804	63,760,573	93,059,541	102,687,505

#### Assets

Cash and balances with treasury banks  
Balances with other banks  
Lending to financial institutions  
Investments  
Advances  
Fixed assets  
Intangible assets  
Assets held for sale  
Other assets

#### Liabilities

Bills payable  
Borrowings  
Deposits and other accounts  
Liabilities against assets subject to finance lease  
Subordinated debt  
Deferred tax liabilities  
Liabilities directly associated with the assets held for sale  
Other liabilities

20,882,970	8,836,500	2,492,373	2,907,769	6,646,328	-	-	-	-	-	-	-	-	-
207,536,939	1,725,125	116,535,423	3,892,107	9,968,554	30,586,521	10,680,357	9,125,464	15,734,378	2,039,273	47,465	106,831	897,902	6,197,539
644,924,984	504,807,179	3,849,853	7,457,507	23,105,009	16,679,234	35,021,395	24,292,864	11,207,889	8,668,434	1,572,028	885,774	12,476	7,365,342
-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,991,000	-	-	-	-	1,000	-	-	1,000	-	2,000	2,000	4,985,000	-
3,443,012	-	-	-	-	-	-	-	3,443,012	-	-	-	-	-
24,759,096	-	-	-	-	24,759,096	335,568	1,070,684	1,464,259	2,067,049	815,184	815,184	1,630,367	-
27,665,519	338,786	2,032,722	2,371,510	5,420,593	9,303,613	335,568	1,070,684	1,464,259	2,067,049	815,184	815,184	1,630,367	-
934,203,520	515,707,590	124,910,371	16,628,893	45,140,484	81,329,464	46,037,320	34,489,012	31,850,538	12,774,756	2,436,677	1,809,789	7,525,745	13,562,881

#### Net assets

Share capital  
Reserves  
Unappropriated profit  
Surplus/(Deficit) on revaluation of assets  
Non-controlling interest

66,830,380	(491,011,688)	(39,441,414)	36,450,961	120,261,097	36,847,383	83,532,813	2,439,529	7,205,633	16,759,735	57,177,127	61,950,784	85,533,796	89,124,624
16,075,720	18,156,669	24,865,838	7,309,372	422,781	66,830,380	-	-	-	-	-	-	-	-

Current and Saving deposits have been classified under maturity upto one day as these do not have any contractual maturity. Further, the Holding Company estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.



47.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

2018

	Total	(Rupees in '000)									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
<b>Assets</b>											
Cash and balances with treasury banks	82,407,736	39,877,495	6,575,778	2,943,841	2,010,558	2,010,558	6,507,610	1,691,025	3,253,846	17,537,025	
Balances with other banks	3,911,554	3,911,554	-	-	-	-	-	-	-	-	
Lending to financial institutions	62,172,287	52,558,559	9,513,728	100,000	-	-	-	-	-	-	
Investments	279,251,731	56,109,673	118,413,848	4,299,773	17,969,856	2,402,243	15,610,239	22,022,560	3,459,577	38,963,926	
Advances	501,639,727	259,946,433	44,901,407	30,990,352	11,769,670	3,732,037	20,361,623	21,672,036	45,066,142	63,200,027	
Fixed assets	18,317,042	86,455	172,913	558,516	518,738	1,037,475	1,037,475	1,926,969	2,846,929	10,131,572	
Intangible assets	1,317,271	21,392	42,784	64,176	128,352	256,703	256,703	547,161	-	-	
Non current assets held for sale	23,589,489	-	-	23,589,489	-	-	-	-	-	-	
Other assets	35,998,315	24,935,207	4,211,193	865,673	1,247,478	698,349	1,797,670	560,687	841,030	841,028	
	1,008,605,152	437,446,768	183,831,687	63,411,820	33,644,652	10,137,365	45,571,320	48,420,438	55,467,524	130,673,578	
<b>Liabilities</b>											
Bills payable	35,988,225	35,988,225	-	-	-	-	-	-	-	-	
Borrowings	124,017,735	68,490,619	32,817,377	11,177,036	16,055	28,077	109,373	1,896,403	9,482,795	-	
Deposits and other accounts	702,847,125	43,617,102	79,698,684	50,726,741	78,351,300	122,734,667	24,092,426	52,813,199	117,089,994	133,723,012	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	11,989,000	-	1,000	-	1,000	2,000	4,985,000	-	-	7,000,000	
Deferred tax liabilities	2,500,097	-	-	-	2,500,097	-	-	-	-	-	
Non current liabilities held for sale	20,435,396	-	-	20,435,396	-	-	-	-	-	-	
Other liabilities	33,805,722	15,482,770	1,719,964	2,708,331	7,112,464	1,695,548	1,695,548	3,391,097	-	-	
	931,583,300	163,578,716	114,237,025	85,047,504	87,980,916	124,460,292	30,882,347	58,100,699	126,572,789	140,723,012	
<b>Net assets</b>	<b>77,021,852</b>	<b>273,868,052</b>	<b>69,594,662</b>	<b>(21,635,684)</b>	<b>(54,336,264)</b>	<b>(114,322,927)</b>	<b>14,688,973</b>	<b>(9,680,261)</b>	<b>(71,105,265)</b>	<b>(10,049,434)</b>	
Share capital	17,743,629										
Reserves	23,050,754										
Unappropriated profit	28,323,585										
Surplus/(Deficit) on revaluation of assets	7,389,127										
Non-controlling interest	514,757										
	<u>77,021,852</u>										



2017

Total	(Rupees in '000)									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
<b>Assets</b>										
Cash and balances with treasury banks	70,381,480	32,115,505	3,715,036	2,409,089	5,844,770	5,724,712	1,492,631	3,185,947	7,379,272	8,514,518
Balances with other banks	3,993,054	3,139,614	853,440	-	-	-	-	-	-	-
Lending to financial institutions	48,895,828	30,693,824	16,031,822	2,170,182	-	-	-	-	-	-
Investments	401,742,398	88,313,361	141,257,265	563,870	51,349,936	42,685,741	27,602,126	35,330,676	9,768,099	4,871,324
Advances	400,659,922	160,356,755	50,841,977	30,346,004	11,198,984	11,268,053	34,538,717	44,691,212	42,389,316	15,028,904
Fixed assets	16,198,902	95,943	191,888	287,832	575,665	1,151,330	1,151,330	1,976,676	2,471,713	8,296,525
Intangible assets	1,508,765	22,377	44,753	67,129	134,258	268,516	268,516	703,216	-	-
Assets held for sale	26,821,724	-	26,821,724	-	-	-	-	-	-	-
Other assets	30,831,827	26,052,299	259,023	388,534	2,117,825	1,022,980	247,769	371,653	371,744	-
	1,001,033,900	340,789,678	240,016,928	36,232,640	71,221,438	62,121,332	65,301,089	86,259,380	62,380,144	36,711,271
<b>Liabilities</b>										
Bills payable	20,882,970	20,882,970	-	-	-	-	-	-	-	-
Borrowings	207,536,939	133,022,666	40,275,497	9,265,919	17,764,270	47,439	114,330	903,120	6,143,698	-
Deposits and other accounts	644,924,984	33,406,043	66,589,225	46,680,748	65,450,111	95,285,044	24,395,193	47,059,811	117,376,183	148,682,626
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	4,991,000	-	1,000	-	1,000	2,000	2,000	4,985,000	-	-
Deferred tax liabilities	3,443,012	-	-	-	3,443,012	-	-	-	-	-
Liabilities directly associated with the assets held for sale	24,759,096	-	24,759,096	-	-	-	-	-	-	-
Other liabilities	27,665,519	8,404,380	668,876	11,821,069	3,521,443	812,438	812,438	1,624,875	-	-
	934,203,520	195,716,059	132,293,694	67,767,736	90,179,836	96,146,921	25,323,961	54,572,806	123,519,881	148,682,626
<b>Net assets</b>										
	66,830,380	145,073,619	107,723,234	(31,535,096)	(18,958,398)	(34,025,589)	39,977,128	31,686,574	(61,139,737)	(111,971,355)
Share capital	16,075,720									
Reserves	18,156,669									
Unappropriated profit	24,865,838									
Surplus/(Deficit) on revaluation of assets	7,309,372									
Non-controlling interest	422,781									
	66,830,380									

Share capital	16,075,720
Reserves	18,156,669
Unappropriated profit	24,865,838
Surplus/(Deficit) on revaluation of assets	7,309,372
Non-controlling interest	422,781
	66,830,380

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a behavioral study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.



#### **47.7 Derivative Risk**

The Bank currently deals in derivative instruments namely forward exchange contracts, Interest rate swaps and futures with the principle view to hedge risks associated with interest rates and foreign exchange risk.

Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio. With respect to forward exchange contracts, the bank offers such products to protect customers from adverse movements in foreign currencies. On a best effort basis, the respective positions are then hedged/ matched in the inter-bank market. Open positions, if any, are managed through regulatory and other internal limits that includes Foreign Exchange Exposure Limits and Currency wise NOP Limits.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bond portfolio against interest rate swaps and futures on a periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/revisited in coordination with Treasury to align the outcomes with established risk parameters.

#### **48 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE**

The Board of Directors in its meeting held on February 21, 2019 has announced cash dividend of 15% (2017: 10%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2018 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2019.

#### **49 DATE OF AUTHORISATION**

These consolidated financial statements were authorised for issue on February 21, 2019 by the Board of Directors of the Holding Company.

#### **50 GENERAL**

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

**PRESIDENT & CHIEF EXECUTIVE OFFICER**

**CHIEF FINANCIAL OFFICER**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

## PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2018

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1959	1	-	100	43,872
1734	101	-	500	462,056
1672	501	-	1,000	1,176,192
4081	1,001	-	5,000	12,056,758
1007	5,001	-	10,000	7,158,352
257	10,001	-	15,000	3,103,924
130	15,001	-	20,000	2,265,356
123	20,001	-	25,000	2,790,629
70	25,001	-	30,000	1,946,747
51	30,001	-	35,000	1,671,146
38	35,001	-	40,000	1,441,568
23	40,001	-	45,000	975,791
36	45,001	-	50,000	1,727,467
30	50,001	-	55,000	1,626,371
18	55,001	-	60,000	1,035,523
19	60,001	-	65,000	1,177,067
14	65,001	-	70,000	935,161
11	70,001	-	75,000	801,906
11	75,001	-	80,000	850,267
14	80,001	-	85,000	1,158,043
10	85,001	-	90,000	869,609
4	90,001	-	95,000	365,124
9	95,001	-	100,000	884,193
10	100,001	-	105,000	1,036,793
28	105,001	-	110,000	3,061,199
6	110,001	-	115,000	672,608
4	115,001	-	120,000	467,339
11	120,001	-	125,000	1,339,299
4	125,001	-	130,000	508,676
3	130,001	-	135,000	398,615
8	135,001	-	140,000	1,097,525
3	140,001	-	145,000	431,485
4	145,001	-	150,000	591,705
2	150,001	-	155,000	304,212
1	155,001	-	160,000	157,500
3	160,001	-	165,000	490,875
2	165,001	-	170,000	336,980
4	170,001	-	175,000	693,215
3	175,001	-	180,000	535,541
3	180,001	-	185,000	547,036
2	185,001	-	190,000	373,461
3	190,001	-	195,000	578,150
4	195,001	-	200,000	794,950



<b>Number of Shareholders</b>	<b>From</b>	<b>Shareholding</b>	<b>To</b>	<b>Number of Shares Held</b>
2	200,001	-	205,000	405,845
1	205,001	-	210,000	205,670
4	210,001	-	215,000	844,675
14	215,001	-	220,000	3,066,220
1	220,001	-	225,000	220,061
2	225,001	-	230,000	453,818
4	230,001	-	235,000	922,990
5	235,001	-	240,000	1,185,251
2	245,001	-	250,000	493,350
3	250,001	-	255,000	759,687
4	255,001	-	260,000	1,025,244
2	260,001	-	265,000	523,904
3	265,001	-	270,000	803,830
7	270,001	-	275,000	1,913,278
4	275,001	-	280,000	1,105,477
2	280,001	-	285,000	562,584
3	285,001	-	290,000	865,526
1	290,001	-	295,000	293,700
3	295,001	-	300,000	890,077
2	300,001	-	305,000	602,660
3	305,001	-	310,000	926,818
3	310,001	-	315,000	941,862
2	320,001	-	325,000	644,522
5	325,001	-	330,000	1,650,000
1	330,001	-	335,000	330,741
1	335,001	-	340,000	338,800
2	340,001	-	345,000	682,859
2	350,001	-	355,000	705,100
2	360,001	-	365,000	725,600
2	375,001	-	380,000	753,900
3	380,001	-	385,000	1,147,226
1	390,001	-	395,000	395,000
1	395,001	-	400,000	400,000
1	410,001	-	415,000	412,164
2	425,001	-	430,000	852,800
5	435,001	-	440,000	2,193,950
2	445,001	-	450,000	900,000
1	460,001	-	465,000	461,850
1	465,001	-	470,000	467,500
1	480,001	-	485,000	484,000
2	490,001	-	495,000	987,987
1	505,001	-	510,000	506,250
4	510,001	-	515,000	2,052,599

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	515,001	-	520,000	518,100
1	520,001	-	525,000	522,843
5	545,001	-	550,000	2,747,250
2	550,001	-	555,000	1,103,851
2	555,001	-	560,000	1,112,450
1	580,001	-	585,000	581,900
1	585,001	-	590,000	585,050
1	600,001	-	605,000	602,228
1	610,001	-	615,000	612,500
1	615,001	-	620,000	616,000
1	620,001	-	625,000	621,500
1	630,001	-	635,000	632,498
1	635,001	-	640,000	640,000
1	670,001	-	675,000	672,000
1	685,001	-	690,000	686,187
1	690,001	-	695,000	692,875
1	700,001	-	705,000	700,191
1	710,001	-	715,000	714,340
1	725,001	-	730,000	726,600
1	730,001	-	735,000	733,333
1	750,001	-	755,000	751,300
2	760,001	-	765,000	1,525,333
1	765,001	-	770,000	769,450
1	785,001	-	790,000	789,469
2	795,001	-	800,000	1,596,950
1	805,001	-	810,000	807,950
1	845,001	-	850,000	848,613
1	860,001	-	865,000	863,500
1	865,001	-	870,000	865,691
1	905,001	-	910,000	909,700
1	930,001	-	935,000	931,050
1	950,001	-	955,000	953,800
1	955,001	-	960,000	958,833
1	985,001	-	990,000	987,800
2	995,001	-	1,000,000	2,000,000
1	1,020,001	-	1,025,000	1,023,550
1	1,035,001	-	1,040,000	1,038,950
1	1,040,001	-	1,045,000	1,043,949
2	1,045,001	-	1,050,000	2,094,850
3	1,095,001	-	1,100,000	3,300,000
1	1,120,001	-	1,125,000	1,121,001
1	1,130,001	-	1,135,000	1,131,900
1	1,135,001	-	1,140,000	1,137,400



<b>Number of Shareholders</b>	<b>From</b>	<b>Shareholding</b>	<b>To</b>	<b>Number of Shares Held</b>
1	1,195,001	-	1,200,000	1,198,600
1	1,205,001	-	1,210,000	1,207,250
1	1,210,001	-	1,215,000	1,211,500
1	1,250,001	-	1,255,000	1,253,000
1	1,275,001	-	1,280,000	1,275,450
1	1,295,001	-	1,300,000	1,300,000
1	1,305,001	-	1,310,000	1,307,500
1	1,330,001	-	1,335,000	1,330,421
2	1,335,001	-	1,340,000	2,674,700
2	1,370,001	-	1,375,000	2,750,000
2	1,380,001	-	1,385,000	2,762,534
1	1,385,001	-	1,390,000	1,389,900
1	1,400,001	-	1,405,000	1,401,618
1	1,420,001	-	1,425,000	1,421,250
1	1,455,001	-	1,460,000	1,455,950
1	1,465,001	-	1,470,000	1,465,550
1	1,505,001	-	1,510,000	1,507,000
1	1,530,001	-	1,535,000	1,532,300
1	1,540,001	-	1,545,000	1,543,434
1	1,545,001	-	1,550,000	1,549,000
1	1,560,001	-	1,565,000	1,561,200
1	1,685,001	-	1,690,000	1,687,950
1	1,710,001	-	1,715,000	1,711,550
1	1,750,001	-	1,755,000	1,753,950
1	1,770,001	-	1,775,000	1,770,333
1	1,855,001	-	1,860,000	1,857,004
1	1,875,001	-	1,880,000	1,875,500
1	1,935,001	-	1,940,000	1,937,250
1	2,000,001	-	2,005,000	2,000,450
1	2,025,001	-	2,030,000	2,026,750
1	2,035,001	-	2,040,000	2,036,700
1	2,115,001	-	2,120,000	2,118,200
1	2,135,001	-	2,140,000	2,135,500
1	2,170,001	-	2,175,000	2,173,350
2	2,195,001	-	2,200,000	4,400,000
1	2,235,001	-	2,240,000	2,239,150
1	2,305,001	-	2,310,000	2,310,000
1	2,350,001	-	2,355,000	2,350,157
1	2,365,001	-	2,370,000	2,369,400
1	2,585,001	-	2,590,000	2,588,605
1	2,745,001	-	2,750,000	2,745,500
1	2,805,001	-	2,810,000	2,806,660
1	2,830,001	-	2,835,000	2,831,400

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	2,950,001	-	2,955,000	2,950,950
1	2,975,001	-	2,980,000	2,975,107
1	3,005,001	-	3,010,000	3,006,100
1	3,095,001	-	3,100,000	3,098,150
1	3,140,001	-	3,145,000	3,144,900
1	3,315,001	-	3,320,000	3,319,650
1	3,515,001	-	3,520,000	3,515,750
1	3,530,001	-	3,535,000	3,532,650
1	3,585,001	-	3,590,000	3,589,600
1	3,785,001	-	3,790,000	3,789,050
1	3,865,001	-	3,870,000	3,867,872
1	3,880,001	-	3,885,000	3,884,505
1	3,885,001	-	3,890,000	3,886,700
1	3,995,001	-	4,000,000	4,000,000
1	4,120,001	-	4,125,000	4,125,000
1	4,500,001	-	4,505,000	4,500,500
1	4,590,001	-	4,595,000	4,593,550
1	4,680,001	-	4,685,000	4,681,850
1	4,765,001	-	4,770,000	4,768,924
1	4,780,001	-	4,785,000	4,783,900
1	4,790,001	-	4,795,000	4,791,994
1	4,995,001	-	5,000,000	5,000,000
1	5,390,001	-	5,395,000	5,394,950
1	6,820,001	-	6,825,000	6,824,400
1	6,920,001	-	6,925,000	6,923,000
1	7,040,001	-	7,045,000	7,042,000
1	7,580,001	-	7,585,000	7,583,114
1	7,915,001	-	7,920,000	7,915,589
1	8,675,001	-	8,680,000	8,677,900
1	9,150,001	-	9,155,000	9,150,900
1	9,385,001	-	9,390,000	9,385,200
1	10,475,001	-	10,480,000	10,478,050
1	13,005,001	-	13,010,000	13,008,399
1	14,845,001	-	14,850,000	14,850,000
1	15,785,001	-	15,790,000	15,786,100
1	17,070,001	-	17,075,000	17,072,750
1	19,250,001	-	19,255,000	19,251,763
1	21,005,001	-	21,010,000	21,006,562
1	21,040,001	-	21,045,000	21,041,084
1	22,670,001	-	22,675,000	22,672,708
1	33,640,001	-	33,645,000	33,643,661
1	35,360,001	-	35,365,000	35,364,941
1	40,360,001	-	40,365,000	40,363,866





<b>Number of Shareholders</b>	<b>From</b>	<b>Shareholding</b>	<b>To</b>	<b>Number of Shares Held</b>
1	42,420,001	-	42,425,000	42,422,788
1	48,580,001	-	48,585,000	48,584,400
1	58,395,001	-	58,400,000	58,399,658
1	59,360,001	-	59,365,000	59,362,875
1	60,545,001	-	60,550,000	60,548,683
1	75,685,001	-	75,690,000	75,685,854
1	83,255,001	-	83,260,000	83,255,882
1	83,570,001	-	83,575,000	83,574,750
2	113,525,001	-	113,530,000	227,057,562
1	131,185,001	-	131,190,000	131,189,776
1	261,895,001	-	261,900,000	261,895,095
11,703				1,774,362,874

# CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2018

S.No.	Categories of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer their Spouse(s) and Minor Children.	281,594,598	15.87
2	Associated Companies, Undertakings and Related Parties.	103,777,898	5.85
3	NIT and ICP	5,841,873	0.33
4	Banks Development Financial Institutions, Non Banking Financial Institutions.	12,629,967	0.71
5	Insurance Companies	100,768,510	5.68
6	Modarabas and Mutual Funds	93,488,658	5.27
7	General Public		
	a) Local	149,053,740	8.40
	b) Foreign	457,844,632	25.80
	Others		
	a) Foreign Companies	437,909,034	24.68
	b) Joint Stock Companies	123,317,924	6.95
	c) Provident Funds, Pension Funds, Gratuity Funds and other entities	8,136,040	0.46
		<b>1,774,362,874</b>	<b>100.00</b>

## Shareholders holding 10% Shares or more Voting Rights

**Total Paid Up Capital**

1,774,362,874 shares

**10% of the Paid Up Capital**

177,436,288 shares

	Holding	%
M/S. International Finance Corporation	261,895,095	14.76
H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman	189,589,434	10.68



## PATTERN OF SHAREHOLDING UNDER CODE OF CORPORATE GOVERNANCE AS AT DECEMBER 31, 2018

S.No.	Shareholder's Category	No. of Shares Held	Category wise No. of Shares	Percentage
<b>Directors, Chief Executive Officer their spouse and Minor Children</b>				
1	H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman	189,589,434		
2	Mr. Abdulla Nasser Hawaileel Al Mansoori, Director	87,123,754		
3	Mr. Abdulla Khalil Al Mutawa, Director	12,464		
4	Mr. Khalid Mana Saeed Al Otaiba, Director	74,202		
5	Mr. Nauman Ansari (Director - CEO)	550		
6	Efstratios Georgios Arapoglou, Director	550		
7	Shehzad Naqvi, Director	550		
8	Ayesha Khan, Director	550		
9	Gyorgy Tamas Ladics, Director	550		
10	H.H. Sheikh Fakhira Saeed S Alnehayan (Spouse)	4,791,994	281,594,598	15.87
<b>Associated Companies, Undertakings &amp; Related Parties.</b>				
1	DHABI ONE INVESTMENTS SERVICES LLC	42,422,788		
2	TRUSTEE OF BANK ALFALAH LTD. EMPLOYEES GRATUITY FUND TRUST	33,643,661		
3	TRUSTEE OF BANK ALFALAH LTD. EMPLOYEES PROVIDENT FUND TRUST	21,037,499		
4	ALFALAH INSURANCE COMPANY LIMITED	277,000		
5	CDC - TRUSTEE ALFALAH GHP VALUE FUND	1,253,000		
6	CDC - TRUSTEE ALFALAH GHP STOCK FUND	3,006,100		
7	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1,937,250		
8	CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT	22,500		
9	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	178,100	103,777,898	5.85
<b>NIT and ICP</b>				
1	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	4,768,924		
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,043,949		
3	CDC-TRUSTEE NITPF EQUITY SUB-FUND	18,500		
4	CDC - TRUSTEE NIT INCOME FUND - MT	10,500	5,841,873	0.33
<b>Banks DFI and NBF</b>				
			12,629,967	0.71
<b>Insurance Companies</b>				
			100,768,510	5.68
<b>Modarabas &amp; Mutual Funds</b>				
1	CDC - TRUSTEE NAFA STOCK FUND	17,072,750		
2	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	15,786,100		
3	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	7,915,589		
4	CDC - TRUSTEE ATLAS STOCK MARKET FUND	7,042,000		
5	CDC - TRUSTEE ABL STOCK FUND	6,824,400		

S.No.	Shareholder's Category	No. of Shares Held	Category wise No. of Shares	Percentage
6	CDC - TRUSTEE PICIC GROWTH FUND	4,593,550		
7	CDC - TRUSTEE HBL - STOCK FUND	3,589,600		
8	CDC - TRUSTEE LAKSON EQUITY FUND	3,515,750		
9	MC FSL - TRUSTEE JS GROWTH FUND	3,319,650		
10	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	2,950,950		
11	CDC - TRUSTEE PICIC INVESTMENT FUND	2,239,150		
12	CDC - TRUSTEE NAFA FINANCIAL SECTOR FUND	2,173,350		
13	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1,711,550		
14	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1,532,300		
15	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1,455,950		
16	CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1,389,900		
17	CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1,207,250		
18	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	1,198,600		
19	CDC - TRUSTEE JS LARGE CAP. FUND	953,800		
20	CDC - TRUSTEE NAFA MULTI ASSET FUND	931,050		
21	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	807,950		
22	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	764,500		
23	CDC - TRUSTEE LAKSON TACTICAL FUND	700,191		
24	MCBFSL - TRUSTEE JS VALUE FUND	510,950		
25	CDC - TRUSTEE APF-EQUITY SUB FUND	426,000		
26	CDC - TRUSTEE ALLIED FINERGY FUND	310,000		
27	CDC - TRUSTEE PIML ASSET ALLOCATION FUND	297,500		
28	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	255,200		
29	CDC - TRUSTEE HBL EQUITY FUND	235,550		
30	CDC - TRUSTEE HBL PF EQUITY SUB FUND	231,185		
31	CDC - TRUSTEE FAYSAL STOCK FUND	200,000		
32	CDC - TRUSTEE PIML VALUE EQUITY FUND	197,500		
33	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	187,961		
34	CDC - TRUSTEE FIRST HABIB STOCK FUND	180,800		
35	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	152,000		
36	CDC - TRUSTEE AKD INDEX TRACKER FUND	143,835		
37	CDC - TRUSTEE HBL MULTI - ASSET FUND	106,100		
38	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	86,900		
39	MCBFSL - TRUSTEE ALLIED CAPITAL PROTECTED FUND	63,250		
40	CDC - TRUSTEE ASKARI EQUITY FUND	55,000		
41	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	46,000		
42	CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	29,650		
43	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	22,350		
44	MC FSL TRUSTEE JS - INCOME FUND - MT	18,000		
45	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	17,000		
46	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	16,500		
47	CDC - TRUSTEE FAYSAL MTS FUND - MT	11,000		
48	CDC - TRUSTEE NAFA INCOME FUND - MT	9,500		



S.No.	Shareholder's Category	No. of Shares Held	Category wise No. of Shares	Percentage
49	CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	3,000		
50	CDC - TRUSTEE ATLAS INCOME FUND - MT	47	93,488,658	5.27
<b>General Public</b>				
a)	Foreign		457,844,632	25.80
b)	Local		149,053,740	8.40
<b>Others</b>				
a)	Foreign Company		437,909,034	24.68
b)	Joint Stock Companies		123,317,924	6.95
c)	Provident Funds, Pension Funds, Gratuity Funds and other entities		8,136,040	0.46
<b>Paid Up Capital</b>			<u>1,774,362,874</u>	<u>100.00</u>

## SALE / PURCHASE OF SHARES OF THE BANK

BY DIRECTORS/EXECUTIVES AND THEIR SPOUSES AND MINOR CHILDREN DURING THE YEAR 2018

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
1	Mr. Aasim Wajid Jawad	01-Jan-18	-	20,000	Rs. 43.00
		02-Jan-18	-	10,000	Rs. 45.00
		02-Jan-18	-	10,000	Rs. 44.00
		02-Jan-18	-	10,000	Rs. 44.50
		19-Jan-18	-	5,000	Rs. 47.75
		19-Jan-18	-	5,000	Rs. 48.00
		04-Jun-18	-	5,000	Rs. 53.00
		05-Jun-18	-	7,000	Rs. 53.25
		05-Jun-18	-	4,000	Rs. 54.40
		05-Jun-18	-	3,500	Rs. 53.65
		05-Jun-18	-	3,000	Rs. 53.50
		05-Jun-18	-	1,000	Rs. 53.75
		05-Jun-18	-	500	Rs. 53.95
		06-Jun-18	-	10,000	Rs. 55.50
		06-Jun-18	-	5,000	Rs. 55.20
		06-Jun-18	-	5,000	Rs. 55.25
		07-Jun-18	-	5,000	Rs. 56.00
		07-Jun-18	-	5,000	Rs. 55.75
		11-Jun-18	-	10,000	Rs. 56.50
		11-Jun-18	-	10,000	Rs. 57.00
		26-Jul-18	-	3,500	Rs. 58.50
		30-Jul-18	-	9,500	Rs. 58.50
		18-Sep-18	-	10,000	Rs. 50.00
		25-Sep-18	-	10,000	Rs. 50.50
		02-Oct-18	-	5,000	Rs. 50.50
		11-Oct-18	-	2,500	Rs. 49.50
		31-Oct-18	-	2,500	Rs. 51.50
		31-Oct-18	-	2,500	Rs. 52.50
		31-Oct-18	-	2,500	Rs. 52.00
		01-Nov-18	-	5,000	Rs. 52.00
		02-Nov-18	-	2,500	Rs. 52.99
		02-Nov-18	-	2,500	Rs. 52.50
		02-Nov-18	-	2,500	Rs. 53.50
		02-Nov-18	-	2,500	Rs. 53.56
		02-Nov-18	-	5,000	Rs. 53.00
2	Mr. Muhammad Ayyaz Ashraf	02-Jan-18	-	5,000	Rs. 44.60
		22-Jan-18	-	5,000	Rs. 47.04
		06-Mar-18	-	5,000	Rs. 48.00
		15-Mar-18	-	5,000	Rs. 50.00



Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		15-Mar-18	-	4,500	Rs. 50.02
		15-Mar-18	-	3,000	Rs. 50.19
		15-Mar-18	-	1,500	Rs. 50.34
		15-Mar-18	-	1,000	Rs. 50.25
		04-Apr-18	-	5,000	Rs. 53.75
		04-Apr-18	-	5,000	Rs. 53.85
		24-May-18	-	10,000	Rs. 49.71
		05-Jun-18	-	5,000	Rs. 53.85
		11-Jun-18	-	5,000	Rs. 56.99
		19-Jul-18	-	10,000	Rs. 57.30
3	Mr. Amaar Naveed Ikhlas	01-Jan-18	-	5,000	Rs. 43.00
		04-Jun-18	-	5,000	Rs. 53.50
		06-Jun-18	-	10,000	Rs. 55.25
		04-Jul-18	-	20,000	Rs. 51.50
4	Ms. Mehvish Waliyany	01-Jan-18	-	73,000	Rs. 43.00
		01-Jan-18	-	333	Rs. 42.55
5	Mr. Muhammad Umer Farooq Mallick	02-Jan-18	-	115,000	Rs. 43.50
		30-Jul-18	-	20,000	Rs. 58.50
		10-Aug-18	-	5,000	Rs. 56.10
		10-Aug-18	-	500	Rs. 56.40
		10-Aug-18	-	7,000	Rs. 56.00
		21-Dec-18	-	4,000	Rs. 45.50
		21-Dec-18	-	2,000	Rs. 46.00
		21-Dec-18	-	5,500	Rs. 45.70
		26-Dec-18	-	13,250	Rs. 45.65
6	Mr. Tahir Khurshid	02-Jan-18	-	6,500	Rs. 44.50
		02-Jan-18	-	6,500	Rs. 44.65
7	Syed Mohsin Ali Shah	02-Jan-18	-	158,898	Rs. 44.45
8	Mr. Mustafa Rabbani	03-Jan-18	-	20,000	Rs. 45.30
		03-Jan-18	-	10,000	Rs. 45.40
		04-Jan-18	-	10,000	Rs. 45.50
		04-Jan-18	-	10,000	Rs. 45.48
		10-Jan-18	-	10,000	Rs. 46.00
		10-Jan-18	-	10,000	Rs. 46.25
		11-Jan-18	-	10,000	Rs. 46.49
9	Mr. Muhammed Farrukh Aslam Chughtai	04-Jan-18	-	4,500	Rs. 44.76
		04-Jan-18	-	2,000	Rs. 44.77
		04-Jan-18	-	12,000	Rs. 44.80
		04-Jan-18	-	500	Rs. 44.97
		04-Jan-18	-	20,000	Rs. 45.25
		04-Jan-18	-	25,000	Rs. 45.49
		04-Jan-18	-	27,000	Rs. 45.75
		04-Jan-18	-	144	Rs. 45.50

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
10	Mr. Kamran Mahmood	08-Jan-18	-	9,000	Rs. 45.60
		08-Jan-18	-	1,000	Rs. 45.65
		17-May-18	-	5,000	Rs. 48.01
		17-May-18	-	5,000	Rs. 48.02
		17-May-18	-	40,000	Rs. 48.00
		28-May-18	-	22,500	Rs. 51.30
		28-May-18	-	7,500	Rs. 51.31
		12-Nov-18	-	9,000	Rs. 51.00
		12-Nov-18	-	1,000	Rs. 51.01
11	Mr. Masood Ahmed Awan	10-Jan-18	-	20,000	Rs. 46.00
		05-Apr-18	-	28,000	Rs. 54.00
		05-Nov-18	-	5,000	Rs. 50.75
12	Mr. Riaz Hussain Hamdani	17-Jan-18	-	6,500	Rs. 46.95
		19-Jan-18	-	5,000	Rs. 47.00
		30-Jan-18	-	5,000	Rs. 48.95
13	Mr. Fakhar Ahmad	19-Jan-18	-	100,000	Rs. 47.65
		14-Feb-18	-	25,000	Rs. 49.00
		15-Mar-18	-	36,000	Rs. 50.25
		09-Oct-18	2,000	-	Rs. 47.00
14	Mr. Suhail Yaqoob Khan	05-Apr-18	-	100,000	Rs. 54.00
15	Mr. Muhammad Omer	26-Apr-18	-	1	Rs. 54.00
		02-Oct-18	-	15,000	Rs. 49.50
16	Mr. Haroon Khalid	18-May-18	-	10,000	Rs. 47.99
17	Mr. Muhammad Rizwan Ul Haq	18-May-18	-	20,000	Rs. 48.00
		21-May-18	-	5,000	Rs. 48.00
		22-May-18	-	5,000	Rs. 48.00
		24-May-18	-	55,669	Rs. 50.00
18	Mr. Muhammad Qasim Rashid	21-May-18	-	15,000	Rs. 47.74
		21-May-18	-	13,000	Rs. 47.75
		21-May-18	-	8,000	Rs. 47.85
		22-May-18	-	103	Rs. 47.50
		22-May-18	-	5,000	Rs. 47.85
		22-May-18	-	25,000	Rs. 47.99
		22-May-18	-	32,500	Rs. 48.00
19	Mr. Sharif Khawar	22-May-18	-	53,000	Rs. 48.20
		22-May-18	-	15,000	Rs. 48.21
		22-May-18	-	2,000	Rs. 48.51
		23-May-18	-	10,000	Rs. 48.60
		04-Jun-18	-	15,000	Rs. 52.60
		06-Jun-18	-	20,000	Rs. 55.00
		11-Jun-18	-	25,000	Rs. 56.50
20	Mr. Shahzad Ishaq	22-May-18	-	24,000	Rs. 48.19





Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		22-May-18	-	1,000	Rs. 48.20
		22-May-18	-	20,000	Rs. 48.45
		22-May-18	-	19,000	Rs. 48.50
		22-May-18	-	16,000	Rs. 48.51
		23-May-18	-	44,000	Rs. 48.50
		23-May-18	-	6,000	Rs. 48.65
21	Mr. Khurram Jamshed	23-May-18	-	7,500	Rs. 48.75
		28-May-18	-	70,500	Rs. 51.00
22	Mr. Mohammad Hussain	25-May-18	-	45,000	Rs. 50.00
		01-Aug-18	-	25,000	Rs. 56.50
		13-Aug-18	-	8,000	Rs. 56.00
23	Mr. Khawaja Zia Abbas	28-May-18	-	35,000	Rs. 51.30
		30-May-18	-	6,500	Rs. 52.00
		04-Jun-18	-	50,000	Rs. 52.50
		05-Jun-18	-	14	Rs. 52.00
24	Mr. Amin Sukhiani	30-May-18	-	30,000	Rs. 52.00
		26-Sep-18	-	23,162	Rs. 49.00
		26-Sep-18	-	500	Rs. 49.01
		26-Sep-18	-	500	Rs. 49.11
		26-Sep-18	-	1,500	Rs. 49.20
		26-Sep-18	-	5	Rs. 49.45
25	Mr. Muhammad Ashraf	30-May-18	-	20,000	Rs. 52.00
		11-Jun-18	-	20,000	Rs. 57.00
		30-Aug-18	-	10,000	Rs. 58.00
		14-Dec-18	-	4,000	Rs. 48.00
26	Mr. Farooq Qamar Khan	30-May-18	-	18,500	Rs. 51.35
		30-May-18	-	1,500	Rs. 51.38
		30-May-18	-	20,000	Rs. 51.50
		30-May-18	-	25,000	Rs. 51.65
		05-Jul-18	-	5,000	Rs. 51.50
27	Mr. Mian Ejaz Ahmad	20-Jun-18	-	18,000	Rs. 55.50
28	Mr. Hasan Ahmed Khan	06-Jun-18	-	25,000	Rs. 54.90
		26-Jul-18	-	16,000	Rs. 57.98
		26-Jul-18	-	15,000	Rs. 57.99
		27-Jul-18	-	500	Rs. 57.45
		27-Jul-18	-	49	Rs. 57.00
		27-Jul-18	-	9	Rs. 58.00
29	Mr. Javed Iqbal	04-Jun-18	-	15,000	Rs. 52.75
		05-Jun-18	15,000	-	Rs. 53.65
		14-Jun-18	10,000	-	Rs. 55.50
		29-Jun-18	-	25,000	Rs. 52.48
		11-Jul-18	-	5,000	Rs. 52.74
		02-Aug-18	-	5,000	Rs. 56.254

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		16-Aug-18	-	500	Rs. 57.70
		17-Oct-18	-	5,000	Rs. 47.10
		17-Oct-18	-	5,000	Rs. 47.70
		30-Oct-18	-	5,000	Rs. 50.70
		17-Dec-18	-	1,000	Rs. 47.30
		17-Dec-18	-	1,000	Rs. 47.40
		17-Dec-18	-	500	Rs. 47.41
		17-Dec-18	-	1,000	Rs. 47.50
		17-Dec-18	-	500	Rs. 47.51
		17-Dec-18	-	1,000	Rs. 47.90
30	Mr. Najam-uz-Zaman Siddiqui	11-Jun-18	-	25,000	Rs. 56.70
		21-Jun-18	25,000	-	Rs. 53.50
		13-Jul-18	-	75,000	Rs. 55.30
		27-Jul-18	-	25,000	Rs. 58.00
31	Mr. Muhammad Abdul Moeed	27-Jun-18	-	40,000	Rs. 53.00
		24-Jul-18	-	9,000	Rs. 56.21
		24-Jul-18	-	1,000	Rs. 56.25
32	Mr. Shehzad Lalani	13-Jul-18	-	20,000	Rs. 55.50
		18-Jul-18	-	10,000	Rs. 56.40
		26-Jul-18	-	10,000	Rs. 57.90
		30-Jul-18	-	10,000	Rs. 58.40
		30-Jul-18	-	7,500	Rs. 58.45
		30-Jul-18	-	417	Rs. 57.00



# ANNEXURE

## Employees Stock Option Scheme

The Bank has granted share options to certain critical employees, (the "employees") under the Employee Stock Options Scheme (ESOS) as approved by the shareholders and Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

Under the Scheme, the Bank has granted options to these employees (as selected by the Board Compensation Committee, specifically formulated as required under the Public Companies (Employees Stock Option Scheme) Rules, 2001) to subscribe for fresh ordinary shares of the Bank (being issuance of further capital without issue of rights) in the years 2014, 2015 and 2016. No fresh grants were made after the year 2016. However, due do a bonus issue of 10% in October 2018, all employees having exercisable options outstanding were entitled to additional Shares worked out in accordance with the provisions of the scheme. The revised option entitlement and the revised option price have been disclosed below.

Under the scheme, the options entitle the selected employees to purchase shares at 40% discount (the Option Discount), of the market price prevailing at the date of the grant. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

Details of share options granted under the scheme together with the status as at December 31, 2018 are as follows:

Particulars	Granted in 2016	Granted in 2015	Granted in 2014
Total Number of options issued	13.737 million	12.614 million	11.331 million
Date of Grant	April 01, 2016	April 01, 2015	April 01, 2014
Options no longer in issue	4.199 million	3.294 million	1.732 million
<b>Options vested during the years:</b>			
- 2014	N/A	N/A	Nil
- 2015		Nil	3.553 million
- 2016	Nil	4.063 million	3.283 million
- 2017	4.415 million	3.748 million	3.083 million
- 2018	3.113 million	2.407 million	N/A
<b>Options exercised during the years:</b>			
- 2014	N/A	N/A	N/A
- 2015			2.563 million
- 2016			2.620 million
- 2017	3.838 million	4.110 million	4.416 million
- 2018	3.058 million	2.428 million	N/A
Vested Options cumulatively carried forward	0.1283 million (including bonus shares)	Lapsed	Lapsed
Options not yet vested upto December 31, 2018	2.777 million (including bonus shares)	NIL	NIL
Number of Senior Managerial Personnel, to whom options were granted and remained outstanding at the year end 2018	29	NIL	NIL
Options granted to Senior Managerial Personnel which remained outstanding at the year end 2018	0.09167 million (including bonus shares)	NIL	NIL

Particulars	Granted in 2016	Granted in 2015	Granted in 2014
Option Exercise Price	Rs. 14.95 per share	Rs. 15.15 per share	Rs. 16.32 per share
Revised Option Exercise Price*	Rs. 13.59 per share	N/A	N/A
Option discount	Rs. 9.96 per share	Rs. 10.10 per share	Rs. 10.88 per share
<b>Total Shares issued on account of Options exercised:</b>			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			2.563 million
- During the year 2016			2.620 million
- During the year 2017	3.838 million	4.110 million	4.416 million
- During the year 2018	3.058 million	2.428 million	N/A
<b>Amount received against exercise of options:</b>			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			Rs. 41.836 million
- During the year 2016			Rs. 42.749 million
- During the year 2017	Rs. 57.383 million	Rs. 62.267 million	Rs. 72.063 million
- During the year 2018	Rs. 45.712 million	Rs. 36.777 million	N/A
<b>Shares issued to Senior Managerial Personnel on Account of options availed</b>			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			1.685 million
- During the year 2016			1.937 million
- During the year 2017	2.551 million	3.169 million	3.605 million
- During the year 2018	1.855 million	1.578 million	N/A
Vesting period	3 years (with one third of the options vesting on completion of each year of service from April 1, 2016)	3 years (with one third of the options vesting on completion of each year of service from April 1, 2015)	3 years (with one third of the options vesting on completion of each year of service from April 1, 2014)

\*This is applicable for options still in issue, i.e. those that have not yet vested as at December 31, 2018.

The options granted to the ex-CEO were more than 5% of the total options granted during the years 2014, 2015 and 2016. The options that remained un-availed by the ex-CEO at the time of resignation stand lapsed.

No employee was granted with options more than 1% of the issued / paid up capital of the Bank.

Tax under Salary has been deducted in respect of shares issued on account of Options exercised by the employees during the relevant years, in accordance with applicable laws.

The above information has been presented as per the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) issued by the SECP vide SRO 300(I) 2001 dated May 11, 2001, and in accordance with the relaxation granted to the Bank by the SECP vide their letter No. SMD/CIW/ESOP/02/2013 dated February 24, 2015 in clubbed form instead of employee wise.



# BANK ALFALAH LIMITED

## Notice of the 27th Annual General Meeting

**NOTICE** is hereby given that the 27th Annual General Meeting ("AGM") of Bank Alfalah Limited ("the Bank") will be held on Thursday, 28th March 2019 at 10:15 AM at Ballroom, Pearl Continental Hotel, Karachi to transact the following business:

### Ordinary Business:

1. To confirm Minutes of the Extraordinary General Meeting held on 27th May 2018.
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended December 31, 2018 together with Directors' Report and Auditors' Report thereon including post-facto approval of remuneration paid to the non-executive directors for attending Board and Board Committees meetings as reported under Notes No. 29 and 41 of the Annual Accounts, in compliance with SBP Prudential Regulations.
3. To approve as recommended by the Board of Directors, payment of final cash dividend at the rate of Rs. 1.5 per share i.e. 15% for the year ended 31st December 2018.

This is in addition to the Interim Cash Dividend already paid by the Bank at the rate of Re. 1/- per share i.e. 10% and the Interim Bonus Shares already issued at 10%.

4. To appoint Auditors of the Bank for the year 2019 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

### Special Business:

6. To consider, and if thought fit, pass the following Special Resolution for alteration of Articles of Association of the Bank, in order to comply with the legal and regulatory requirements:

**"RESOLVED THAT** subject to obtaining regulatory approvals, the Articles of Association ("the Articles") of Bank Alfalah Limited ("the Bank"), be and are hereby altered/amended as follows:

- (a) Following new Clause (under the new heading of "Issuance of Shares to Employees under any scheme including Employees Stock Option Scheme") be added in the Articles:


**"Issuance of Shares to Employees under any scheme including Employees Stock Option Scheme**

6 (A). Subject to compliance with prevailing laws and regulations, the Board of Directors of the Bank may consider and resolve to allocate/grant/issue shares of the Bank to its employees under any scheme including employees stock option scheme, after obtaining necessary corporate and/or regulatory approvals."

- (b) The text/contents of existing Article 10 be and is hereby replaced with the following text/contents:

**"Certificates**

10. The certificates of title to shares shall be issued under the seal of the bank and signed by any two Directors of the Bank."

- 
- (c) The text/contents of existing Article 65 be and is hereby replaced with the following text/ contents:

**“Qualification of a Director**

65. The qualification of a Director shall be holding at least 500 shares in the Bank in his own name.”

- (d) The text/contents of existing Article 83 be and is hereby replaced with the following text/ contents:

**“Meeting of Directors**

83. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit, in any place agreed upon in person or by video conferencing or by other audio/visual means where it is not possible by them to be physically present at the venue of the meeting. The quorum for a meeting of Directors shall not be less than one-third of their number or four, whichever is greater.”

**RESOLVED FURTHER** that the Chief Financial Officer and the Company Secretary of the Bank, be and is hereby singly authorized to apply/obtain regulatory approvals and do all necessary arrangements for the incorporation of above alteration/ amendments /additions to the Articles of Association of the Bank, and to do all other acts, deeds, and things, including signing of documents, as may be necessary and ancillary for the purpose of the same.”

A statement of material facts under Section 134(3) of the Companies Act, 2017 in respect of the aforesaid special business to be considered at the Annual General Meeting is being sent to the members along with the Notice.

**Karachi**

By Order of the Board

Dated: 07th March 2019

**MUHAMMAD AKRAM SAWLEH**  
**Company Secretary**

**NOTES:**

1. The Share Transfer Books of the Bank will be closed from 21st March 2019 to 28th March 2019 (both days inclusive). Transfers received at the office of the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, Room No. 1705, 17th Floor, Saima Trade Tower “A”, I.I. Chundrigar Road, Karachi before the close of business on 20th March 2019 will be treated in time for the purpose of above entitlement to the transferee and for attending the annual general meeting.
2. Members may exercise their right to vote as per provisions of prevailing laws and regulations. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.



3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, F.D. Registrar Services (SMC-Pvt) Limited, not less than 48 hours before the time of the Meeting.
4. Those shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy with our Share Registrar. In case of Proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).

5. **Change of postal address and/or email address**

Shareholders having physical scrip of shares are requested to promptly notify change in their postal address and/or email address, if any, to our Share Registrar, in writing, whereas CDC account holders are requested to contact their CDC Participant/CDC Investor Account Services.

6. **Mandatory submission of CNIC**

The shareholders are informed that SECP vide its letter No. EMD/233/655/2004/2106 dated 20th April 2016, has allowed the Bank to withhold all future cash dividends of those shareholders, who have not provided a copy of their valid CNIC to the Bank. In view of this, those shareholders are once again requested to submit a valid copy of Computerized National Identity Card (CNIC) to our Share Registrar at their address M/s. F.D. Registrar Services (SMC-Pvt.) Ltd, Office # 1705, 17th Floor, Saima Trade Tower – A, I.I. Chundrigar Road, Karachi-74000 Phone: (92-21) 32271905-6 and (92-21) 32213243 Fax: (92-21) 32621233.

A list of shareholders, who have not yet provided copies of their valid CNICs is placed on the Banks website, [www.bankalfalah.com](http://www.bankalfalah.com).

7. **Payment of Cash Dividend Electronically (e-Dividend)/Dividend Mandate**

In accordance with the Companies (Distribution of Dividends) Regulations, 2017, those shareholders who have not yet provided their dividend mandate/bank account details are requested to provide the same including IBAN to their respective Participants (if shares are held electronically) or to the Share Registrar (if shares are held in physical form) for direct credit of cash dividends into their designated bank accounts through electronic modes.

The required dividend mandate information must include the following; 1) IBAN number 2) Title of Bank Account; 3) Bank Account number; 4) Bank Code and Branch Code; 5) Bank Name, Branch Name and Address; 6) Cell Number; 7) CNIC number; and 8) Email Address. Further note that, as per provisions of the Companies (Distribution of Dividends) Regulations, 2017, the Bank is required to withhold cash dividend payment of those shareholders whose dividend mandate information is not available at the time of payment of cash dividend.

8. **Financial Statements and Notice of Annual General Meeting through email**

SECP vide SRO No. 787(I)2014 dated 8th September 2014 has allowed companies to circulate the audited financial statements and notice of Annual General Meeting to shareholders through their email address subject to their written consent. Desiring shareholders are requested to provide their complete email address through a duly signed letter along with copy of valid CNIC. Such shareholders are also required to notify immediately any change in email address in writing to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited.

9. **Video Conference Facility for Attending General Meetings**

According to the provisions of the Companies Act, 2017, members holding in aggregate 10% or more shareholding in the paid up capital of the Bank, residing in a city, may avail video conference facility to attend the meeting.

**Consent Form for Video Conference Facility**

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Bank Alfalah Limited, holder of \_\_\_\_\_ Ordinary shares as per Register Folio/CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_ (geographical location).

Signature of member

If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city.

The Bank will intimate members regarding venue of video conference facility at least 5 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

10. **Un-claimed Dividends / Shares**

The shareholders are hereby informed that in accordance with Section 244 of the Companies Act, 2017 and the Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are undelivered/unclaimed for a period of three (3) years or more from the date it is due and payable. The notices to this fact have already been dispatched to the relevant shareholders.

Shareholders who have not yet collected/received their dividends/shares are advised to contact our Share Registrar for details.

11. **Withholding Tax on dividends**

Shareholders are informed that pursuant to the provisions of the Finance Act 2017, the rates of





deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as (a) 15% for filers of income tax returns and (b) 20% for non-filers of income tax returns.

Those shareholders, whose name will not be appeared (at the time of issuance/process of dividend) in the Active Tax Payers List of filers, as updated by the Federal Board of Revenue at its website, will be subject to 20% withholding tax deduction on the dividend income.

The corporate shareholders having CDC accounts are requested to provide their National Tax Numbers (NTNs) to their respective CDC Participants/CDC Account Services, whereas corporate shareholders having shares in physical form should send a copy of their NTN certificate to the Bank's Share Registrar.

**12. Tax in case of Joint Shareholders**

The Federal Board of Revenue has clarified that where the shares are held in joint accounts/names, each account/joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding proportion. If the share proportion (of joint holders) is not determined then each account/joint holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. not determined then each account/joint holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

Folio / CDC A/c No.	Name of Shareholders (Joint Holders)	# of shares (proportion)	CNIC No. (valid copy attached)	Signature
	1)			
	2)			
	3)			
	4)			
Total Shares				

**STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 PERTAINING TO THE SPECIAL BUSINESS BEING TRANSACTED:**

**Agenda Item No. 5:**

**Alteration in the Articles of Association of the Bank, in order to comply with the legal and regulatory requirements**

The approval of the Members is being sought for making appropriate alteration/amendments in the Articles of Association of the Bank to incorporate necessary provisions of the prevailing laws/regulations (the details have already been mentioned in the Special Resolution).

None of the directors of the Bank have any direct or indirect interest in the above said Special Business.



## MATTERS RAISED AT THE LAST ANNUAL GENERAL MEETING (AGM) AND EXTRA ORDINARY GENERAL MEETING (EOGM)

No significant issue was raised in the last AGM. However, shareholders sought general clarifications during the 26<sup>th</sup> Annual General Meeting of the Bank held on 28<sup>th</sup> March, 2018 and Extra Ordinary General Meeting of the Bank held on 27<sup>th</sup> May, 2018:

- **A shareholder inquired about the overall strategy of the Bank as well as with respect to Islamic banking and capital adequacy. He also asked about the applicability of any deduction on cross holding of ADT1 instruments. He inquired from the CFO about the profit and loss impact of sale of Afghanistan Operations.**
- The CFO responded that the Bank's focus would remain on maintaining the deposit mix rather than on volumetric growth. The emphasis will be on mobilising current accounts as it contributes towards the profitability of the Bank. She further stated that as a managed strategy, the Bank is in the process of branch expansion (both Conventional and Islamic) as well as enhancing its digital outreach.
- With regard to crossholding, the CFO clarified that the cross holding of the instruments will be deducted from the capital for the Capital Adequacy Ratio (CAR) computation purpose.
- The CFO clarified that gain arising on disposal of Afghanistan operations would be recognised at the time of transfer of ownership to the buyer.
- **One of the shareholders queried about non-disclosure of SBP penalties in the financial statements.**
- The CFO responded that there is no requirement in the law to disclose the penalty details in the financial statements. She clarified that the SBP Inspection report is a confidential document, which cannot be shared without prior approval of SBP. The CEO added that the penalties were imposed due to error and omission on part of the bank.
- **A shareholder queried about some of his comments that he felt were not part of the minutes of the last meeting and requested for the minutes of the last meeting at least two days before the next meeting of shareholders. He also enquired about the sale of Bank's Afghanistan Operations at the EOGM.**
- The Company Secretary responded that all the comments made by the shareholders in the last meeting were properly recorded and are adequately reflected in the minutes. He also assured the shareholders of provision of draft minutes two days before the meeting.
- On Afghanistan operations, the CEO responded that the Bank has signed an agreement to sell the operations to Azizi Bank. He informed the shareholders that the impact of the transaction will be reflected in the Profit & Loss Statement on transfer of ownership to the buyer.
- **One shareholder highlighted his concerns about the recent changes in dividend dissemination via IBAN and physical dividend warrant.**
- The Company Secretary requested him to provide his suggestions in writing after the meeting so that the Bank may evaluate the option to write to SECP. He further added that the shareholder may also opt to write to the SECP directly.



# BRANCH NETWORK

## BANK ALFALAH PRESENCE IN PAKISTAN

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
1	Karachi	75	34	109
2	Lahore	62	30	92
3	Islamabad	26	11	37
4	Rawalpindi	24	8	32
5	Faisalabad	19	10	29
6	Quetta	16	4	20
7	Multan	12	6	18
8	Peshawar	10	4	14
9	Gujranwala	11	2	13
10	Sialkot	9	3	12
11	Hyderabad	7	2	9
12	Gujrat	5	2	7
13	Sargodha	5	2	7
14	Rahim Yar Khan	4	1	5
15	Okara	3	1	4
16	Sahiwal	3	1	4
17	Sheikhupura	3	-	3
18	Taxila	3	-	3
19	Abbottabad	2	1	3
20	Bahawalpur	2	1	3
21	Dera Ghazi Khan	2	1	3
22	Jhang	2	1	3
23	Jhelum	2	1	3
24	Mingora	2	1	3
25	Attock	2	-	2
26	Burewala	2	-	2
27	Chakwal	2	-	2
28	Charsadda	2	-	2
29	Chichawatni	2	-	2
30	Ghotki	2	-	2
31	Gilgit	2	-	2
32	Gojra	2	-	2
33	Haripur	2	-	2
34	Jaranwala	2	-	2
35	Kohat	2	-	2
36	Muzaffargarh	2	-	2
37	Sadiqabad	2	-	2
38	Bahawalnagar	1	1	2
39	Dera Ismail Khan	1	1	2
40	Mansehra	1	1	2
41	Mianwali	1	1	2
42	Mirpurkhas	1	1	2
43	Muzaffarabad	1	1	2
44	Nankana Sahib	1	1	2
45	Sukkur	1	1	2
46	Ahmedpur East	1	-	1
47	Ali Pur	1	-	1
48	Allahabad	1	-	1
49	Arifwala	1	-	1
50	Badin	1	-	1
51	Bakhshi Pul	1	-	1
52	Bannu	1	-	1
53	Batkhela	1	-	1
54	Battagram	1	-	1
55	Besham	1	-	1

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
56	Bhakkar	1	-	1
57	Bhalwal	1	-	1
58	Bhimber	1	-	1
59	Buner	1	-	1
60	Chak Khasa	1	-	1
61	Chaman	1	-	1
62	Chillas	1	-	1
63	Chiniot	1	-	1
64	Chishtian	1	-	1
65	Chitral	1	-	1
66	Choa Saidan Shah	1	-	1
67	Chowk Azam	1	-	1
68	Dadu	1	-	1
69	Daharki	1	-	1
70	Daska	1	-	1
71	Daultala	1	-	1
72	Deharki	1	-	1
73	Depalpur	1	-	1
74	Dukki	1	-	1
75	Farooqabad	1	-	1
76	Fateh Jang	1	-	1
77	Fatta	1	-	1
78	Fort Abbas	1	-	1
79	Gawadar	1	-	1
80	Ghazi	1	-	1
81	Ghourgushti	1	-	1
82	Gujar Khan	1	-	1
83	Hafizabad	1	-	1
84	Hangu	1	-	1
85	Haroonabad	1	-	1
86	Hasilpur	1	-	1
87	Haveli Lakha	1	-	1
88	Havelian	1	-	1
89	Hazro	1	-	1
90	Hub	1	-	1
91	Hunza Nagar	1	-	1
92	Islamgarh	1	-	1
93	Jacobabad	1	-	1
94	Jahania	1	-	1
95	Jalalpur Bhattian	1	-	1
96	Jampur	1	-	1
97	Jauharabad	1	-	1
98	Jehlum	1	-	1
99	Kahirpur	1	-	1
100	Kahuta	1	-	1
101	Kallar Syedan	1	-	1
102	Kamoke	1	-	1
103	Kamra	1	-	1
104	Kandhkot	1	-	1
105	Kashmore	1	-	1
106	Kasur	1	-	1
107	Khan Bela	1	-	1
108	Khanewal	1	-	1
109	Khanna	1	-	1
110	Khanpur	1	-	1



Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
111	Kharian	1	-	1
112	Khoiratta	1	-	1
113	Kkurrianwala	1	-	1
114	Kotli	1	-	1
115	Kotmomin	1	-	1
116	Kotri District Jamshoro	1	-	1
117	Lala Musa	1	-	1
118	Larkana	1	-	1
119	Layyah	1	-	1
120	Liaquat Pur	1	-	1
121	Lodharan	1	-	1
122	Lodhran	1	-	1
123	Loralai	1	-	1
124	Malakwal	1	-	1
125	Mamukanjan	1	-	1
126	Mandi Bahauddin	1	-	1
127	Mandi Faizabad	1	-	1
128	Mandi Quaidabad	1	-	1
129	Mardan	1	-	1
130	Mehar	1	-	1
131	Mehrabpur.	1	-	1
132	Mian Channu	1	-	1
133	Mirpur Mathelo	1	-	1
134	Mirpur, AJK	1	-	1
135	Moro	1	-	1
136	Muridke	1	-	1
137	Murree	1	-	1
138	Muslim Bagh	1	-	1
139	Narowal	1	-	1
140	Nawabshah	1	-	1
141	Nowshera	1	-	1
142	Nowshera Virkan	1	-	1
143	Oghi	1	-	1
144	Pakpattan	1	-	1
145	Pano Aqil	1	-	1
146	Pasrur	1	-	1
147	Pattoki	1	-	1
148	Phalia	1	-	1
149	Phool Nagar	1	-	1
150	Pir Mahal	1	-	1
151	Pishin	1	-	1
152	Qaboola	1	-	1
153	Qutba	1	-	1
154	Rabwah	1	-	1
155	Rajanpur	1	-	1
156	Rawat	1	-	1
157	Renala Khurd	1	-	1
158	Sambrial	1	-	1
159	Samundri	1	-	1
160	Sanghar	1	-	1
161	Shahdad Pur	1	-	1
162	Shahdadkot	1	-	1
163	Shakargarh	1	-	1
164	Shikarpur	1	-	1
165	Shinkhari	1	-	1

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
166	Shorkot	1	-	1
167	Shujaabad	1	-	1
168	Sibi	1	-	1
169	Sillanwali	1	-	1
170	Skardu	1	-	1
171	Swabi	1	-	1
172	Talagang	1	-	1
173	Tando Adam	1	-	1
174	Tando Allahyar	1	-	1
175	Tank Adda	1	-	1
176	Tarnol	1	-	1
177	Temargarha	1	-	1
178	Tench Bhatta	1	-	1
179	Toba Tek Singh	1	-	1
180	Turbat	1	-	1
181	Uch Sharif	1	-	1
182	Umerkot	1	-	1
183	Usta Muhammad	1	-	1
184	Wah Cantt	1	-	1
185	Waisa	1	-	1
186	Yazman	1	-	1
187	Zafarwal	1	-	1
188	Zhob	1	-	1
189	Bewal	-	1	1
190	Dhudial	-	1	1
191	Hasan Abdal	-	1	1
192	Jalalpur Jattan	-	1	1
193	Kabirwala	-	1	1
194	Kamalia	-	1	1
195	Khushab	-	1	1
196	Khuzdar	-	1	1
197	Kot Abdul Malik	-	1	1
198	Kot Addu	-	1	1
199	Mailsi	-	1	1
200	Pindi Ghaib	-	1	1
201	Saidqabad	-	1	1
202	Serai Alamgir	-	1	1
203	Shahkot	-	1	1
204	Sharakpur	-	1	1
205	Vehari	-	1	1
	<b>Total</b>	<b>486</b>	<b>152</b>	<b>638</b>



## BANK ALFALAH PRESENCE IN FOREIGN COUNTRIES

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



## Glossary and Definition of Terms

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### Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash, or its equivalent.

### Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words 'accepted' above his signature and a designated payment date.

### Activity/Turnover Ratios

Evaluate the operational efficiency of the company to convert inventory and receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales

### Basis Point

One hundredth of a percent i.e. 0.01 per cent. 100 basis points is 1 percent. Used when quoting movements in interest rates or yields on securities.

### Breakup Value per Share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets, excluding the impact of revaluation on fixed assets, divided by the total number of shares outstanding at year end.

### Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is the process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

### Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

### Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

### Call Money Rate

Interbank clean (without collateral) lending/borrowing rates are called Call Money Rates

### Capital Structure Ratios

Provide an indication of the long-term solvency of the Company and its cost of debt, in relation to equity and profits.

### Coupon Rate

Interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

### Call Deposits

These include short notice and special notice deposits.

### Current Deposits

Non-remunerative chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

### Computer Software (intangible fixed assets)

An asset consisting of computer programmes, programme descriptions and supporting materials for both systems and applications software; included are purchased software and software developed on own account, if the expenditure is large.

### Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

### CAGR

An abbreviation for Compound Annual Growth Rate.

### Corporate Governance

It is 'the system by which companies are directed and controlled' by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

### Currency (cash in hand)

Notes and coins that are of fixed nominal values and accepted as legal tender in an economy that are issued by the central bank and/or government. This category should also include currency that is no longer legal tender, but that can be exchanged immediately for current legal tender.

### Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

### Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets
- Requires no or very little initial net investment
- It is settled at a future date

### Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age





and other factors. The risks of paying for the plan rest entirely with the plan.

#### **Deferred Taxation**

Sum set aside for tax in financial statements that will become payable/receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

#### **Discount Rate**

The rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

#### **Dividends**

Distribution of earnings to shareholders prorated by the class of security and paid in the form of money, stock, scrip, and rarely company products or property.

#### **Dividend Payout Ratio**

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

#### **Dividend Yield Ratio**

Dividend per share (DPS) divided by the market value of share.

#### **Earnings per Share (EPS)**

Profit after taxation divided by the weighted average number of ordinary shares in issue.

#### **Effective Tax Rate**

Provision for taxation excluding deferred tax divided by the profit before taxation.

#### **Electrical, Office and Computer Equipment**

All office equipment, other than those acquired through financial leases, that are used for the business, including counting and computing equipment, printers, scanners, photocopiers, fax machines, etc.

#### **Finance Lease**

The one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

#### **Fixed Deposits**

Deposits having fixed maturity dates and a rate of return.

#### **Forced Sale Value (FSV)**

The value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged/pledged assets in a forced/distressed sale conditions.

#### **Forward Exchange Contract**

Agreements between two parties to exchange two designated currencies at a specific time in the future.

#### **Furniture and Fixture**

All type of furniture and fixtures other than those acquired under financial leases for business are included.

#### **Guarantees**

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

#### **Head Office/Branch Adjustment Account**

All adjustments made with head offices or branches and are payable.

#### **Historical Cost Convention**

Recording transactions at the actual value received or paid.

#### **Impairment**

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

#### **Interest Rate Swap (IRS)**

An Interest Rate Swap (the swap) is usually 'fixed to floating' or 'floating to floating' exchanges of interest rate between two parties. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating/floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter-party.

#### **Interest Spread**

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

#### **Interest in Suspense**

Interest suspended on non-performing loans and advances.

#### **Investment/Market Ratios**

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the Company's ability to generate profits.

#### **KIBOR (Karachi Interbank Offered Rate)**

The Interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

#### **LIBOR (London Interbank Offered Rate)**

The interest rate at which banks can borrow funds, in marketable size, from other banks in the London chief executives with the provision that all other liability

interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.



### Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

### Liquidity Ratios

The Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

### Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

### Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

### Non-Performing Loan

A loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

### Non-Performing Loan-Substandard Category

Where mark-up/interest or principal is overdue by 90 days or more from the due date.

### Non-Performing Loan-Doubtful Category

Where mark-up/interest or principal is overdue by 180 days or more from the due date.

### Non-Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

### Nostro Account

An account held with a bank outside Pakistan.

### Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

### Off Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the statement of financial position, but which give rise to contingencies and commitments.

### Other Deposits

All claims of customers on banks/DFIs other than transferable or restricted deposits in national currency or in foreign currency that are represented by evidence of deposits. Banks/DFIs commonly raise funds through issuing certificate of deposits. This category also includes call deposits and special notice deposits.

### Pakistan Investment Bonds (PIBs)

They are the long-term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 year.

### Profitability Ratios

Used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

### Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

### Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

### Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

### Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

### Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer, and resale back to the seller at a future date and specified price.

### Return on Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

### Return on Average Assets

Profit after tax divided by the average assets.

### Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### Retained Earnings

The category of retained earnings shows all earnings (after tax profit) from the overall operations of the banks/DFIs less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks of the banks/DFIs.

### Revenue Reserves

Reserves set aside for future distribution and investment.

### Subordinated Loans

Funds raised by the banks/DFIs from subsidiary companies, managed modarabas, associated undertakings, director or holders have priority in the event of failure of the institution. Such debts are created by a subordination agreement under



which a creditor acknowledges that his claim is secondary to the claim of other creditors, such as depositors.

### **Subsidiary Company**

A company is a subsidiary of another company, if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

### **Shareholders' Funds**

Total of Issued and fully paid share capital and revenue reserves.

### **Statutory Reserve Funds**

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

### **Treasury bills**

These are short-term debt instrument issued by the government treasury to raise funds for the government or to regulate money supply through open market operations of the central bank. The market transactions are managed by the State Bank of Pakistan on behalf of the treasury.

### **Unrealised Gain on Forward Foreign Exchange Contracts**

In a forward contract, the counter parties agree to exchange, on a specified date, a specified quantity of an underlying item (real or financial) at an agreed-upon contract price. Either party to a forward contract is a potential debtor. The unrealised gain to be received due to difference between the rates agreed upon and the rate prevailing in the market should be reported under this item. You lock in today's exchange rate instead of a volatile currency exchange rate in the future that could significantly devalue your purchasing power.

### **Unrealised Gain on Interest Rate Swaps**

It is the exchange of one set of cash flows for another. A pre-set index, notional amount and set of dates of exchange determine each set of cash flows. The most common type of interest rate swap is the exchange of fixed rate flows for floating rate flows.

### **Vehicles**

Vehicles (as assets) other than those acquired through financial leases consist of equipment for moving people and objects, other than any such equipment acquired by households for final consumption. Transport equipment such as motor vehicles, trailers, ships, aircrafts, motorcycles, bicycles, etc.

### **Weighted Average Cost of Deposits**

Percentage of the total interest expense on average deposits of the bank for the period.

## **Glossary – Acronyms**

AGM	Annual General Meeting
BAC	Board Audit Committee
BAFL	Bank Alfalah Limited
BCC	Board Compensation Committee
BHRNC	Board Human Resource and Nomination Committee
BRMC	Board Risk Management Committee
BSFC	Board Strategy and Finance Committee
BCP	Business Continuity Planning
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
HRLG	Human Resource and Learning Group

# BANK ALFALAH LIMITED

## FORM OF PROXY

Folio/CDC Account No.

I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Bank Alfalah Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Register Folio No./CDC Account No. \_\_\_\_\_ hereby appoint Mr. \_\_\_\_\_ Register Folio No. / CDC Account No. (if member) \_\_\_\_\_ of \_\_\_\_\_ or failing him Mr. \_\_\_\_\_ Register Folio No./CDC Account No. \_\_\_\_\_ (if member) of \_\_\_\_\_, as my/our proxy in my/our absence to attend and vote for me/us, on my/our behalf at the 27<sup>th</sup> Annual General Meeting of the Bank to be held on Thursday, March 28, 2019, at 10:15 AM and at any adjournment thereof.

Signed under my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

\_\_\_\_\_  
(Member's signature on Rs.5/- Revenue Stamp)

**Signed in the presence of:**

\_\_\_\_\_  
Signature of Witness

Name: \_\_\_\_\_

CNIC/Passport No: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
Signature of Witness

Name: \_\_\_\_\_

CNIC/Passport No. \_\_\_\_\_

Address: \_\_\_\_\_

1. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
2. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, Office No: 1705, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi-74000, not less than 48 hours before the time of the Meeting.
3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's Computerized National Identity Card, Account and Participant's ID numbers must be deposited along with the form of proxy with the Share Registrar. The proxy must produce his/her original identity card at the time of the Meeting. In case of proxy for corporate members, he/she should bring the usual documents required for such purpose.



# بینک الفلاح لمیٹڈ

نمائندگی کا فارم (پراکسی فارم)

فولیو ای سی ڈی سی اکاؤنٹ نمبر

میں مسماة \_\_\_\_\_ فولیو ای سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ ساکن \_\_\_\_\_  
ضلع \_\_\_\_\_ بحیثیت ممبر بینک الفلاح لمیٹڈ مسماة \_\_\_\_\_ فولیو ای سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_  
ساکن \_\_\_\_\_ یا انکی غیر حاضری کی صورت میں  
مسماة \_\_\_\_\_ فولیو ای سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ ساکن \_\_\_\_\_  
کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 27 ویں سالانہ اجلاس عام جو بتاریخ 28 مارچ 2019 بروز جمعرات، دن کے 10:15 بجے منعقد ہو رہا ہے میں اور اس کے کسی ملحق شدہ اجلاس میں ووٹ ڈالے۔

گواہ (ٹینس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

گواہ (ٹینس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

(ممبر ارکن کے دستخط)  
Rs.5/= کی رسیدی ٹکٹ پر

## اہم نکات

- 1- ایسا ممبر جو میٹنگ میں شمولیت اور ووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر اپنے اپنی پراکسی کے طور پر میٹنگ میں شمولیت اور ووٹ دینے کیلئے نامزد کر سکتا ہے علاوہ ازیں کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔
- 2- ہر لحاظ سے مکمل پراکسی فارم اور پاور آف اٹارنی یا کوئی اور متعلقہ اتھارٹی جسکے تحت اس فارم کو مکمل کیا گیا ہو لازمی طور پر بینک کے شیئر رجسٹرار (ایف ڈی شیئر رجسٹرار) کے پتہ، آفس نمبر 1705، سترہویں منزل، صائمہ ٹریڈ ٹاور۔ اے، آئی آئی چندریگر روڈ کراچی، پر میٹنگ سے 48 گھنٹے قبل جمع کر دیا جائے۔
- 3- سی ڈی سی اکاؤنٹ ہولڈر فرد کے لئے ضروری ہے کہ وہ ممبر کی تصدیق شدہ شناختی کارڈ کی کاپی مع سی ڈی سی اکاؤنٹ کی تفصیل شیئر رجسٹرار کو جمع کرائے۔ جبکہ پراکسی کا میٹنگ کے وقت اور جنبل شناختی کارڈ مہیا کرنا ضروری ہے۔



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