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# Company Information

## Board of Directors

H.H. Sheikh Hamdan Bin Mubarak Al Nahayan  
Chairman

Mr. Abdulla Nasser Hawaileel Al-Mansoori  
Director

Mr. Abdulla Khalil Al Mutawa  
Director

Mr. Khalid Mana Saeed Al Otaiba  
Director

Mr. Efstratios Georgios Arapoglou  
Director

Mr. Khalid Qurashi  
Director

Mr. Kamran Y. Mirza  
Director

Mr. Atif Bajwa  
Chief Executive Officer

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## Board Audit Committee

Mr. Kamran Y. Mirza  
Director

Mr. Abdulla Khalil Al Mutawa  
Director

Mr. Khalid Mana Saeed Al Otaiba  
Director

Mr. Efstratios Georgios Arapoglou  
Director

Mr. Yasar Rashid  
Secretary

## Board Strategy and Finance Committee

Mr. Abdulla Khalil Al Mutawa  
Director

Mr. Khalid Mana Saeed Al Otaiba  
Director

Mr. Efstratios Georgios Arapoglou  
Director

Mr. Khalid Qurashi  
Director

Mr. Atif Bajwa  
Chief Executive Officer

Mr. M. Iftikhar Shabbir  
Secretary

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## Board Risk Management Committee

Mr. Khalid Mana Saeed Al Otaiba  
Director

Mr. Abdulla Khalil Al Mutawa  
Director

Mr. Khalid Qurashi  
Director

Mr. Atif Bajwa  
Chief Executive Officer

Mr. Haroon Khalid  
Secretary

### **Board Compensation Committee**

Mr. Abdulla Khalil Al Mutawa  
Director

Mr. Khalid Mana Saeed Al Otaiba  
Director

Mr. Kamran Y. Mirza  
Director

Mr. Mian Ejaz Ahmad  
Secretary

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### **Central Management Committee**

Mr. Atif Bajwa  
Chairman

Mr. Suhail Yaqoob Khan  
Member

Mr. Mirza Zafar Baig  
Member

Mr. Faisal Farooq Khan  
Member

Mr. Khurram Hussain  
Member

Ms. Mehreen Ahmad  
Member

Mr. Rizwan Ata  
Member

Mr. Saad ur Rahman Khan  
Member

Mr. Aly Mustansir  
Member

Mr. Syed Ali Sultan  
Member

Mr. Aasim Wajid Jawwad  
Member

Mr. Imran Zafar  
Member

### **Board Human Resources & Nomination Committee**

Mr. Abdulla Khalil Al Mutawa  
Director

Mr. Khalid Mana Saeed Al Otaiba  
Director

Mr. Kamran Y. Mirza  
Director

Mr. Atif Bajwa  
Chief Executive Officer

Mr. Mian Ejaz Ahmad  
Secretary

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### **Company Secretary**

Mr. Mian Ejaz Ahmad

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### **Chief Financial Officer**

Mr. Mirza Zafar Baig

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### **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants

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### **Registered/Head Office**

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

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### **Share Registrar**

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

# Directors' Review

On behalf of the Board of Directors, I am pleased to present the unconsolidated condensed interim financial statements of the Bank for the quarter and nine months period ended 30 September 2015.

	Nine months period ended	
	30 September 2015	30 September 2014
	(Rupees in '000)	
Profit before provisions and taxation	11,635,746	6,860,302
Provisions against loans and advances – net	1,260,759	711,610
Provision for diminution in the value of investments	92,342	19,646
	<u>1,353,101</u>	<u>731,256</u>
Profit before Taxation	<u>10,282,645</u>	<u>6,129,046</u>
Taxation	<u>4,238,142</u>	<u>2,113,832</u>
<b>Profit after taxation</b>	<u><u>6,044,503</u></u>	<u><u>4,015,214</u></u>
		Restated
Earnings per share- basic	Rs. 3.80	Rs. 2.92

## Performance Review:

The Bank's profit before provisions and taxation for the nine months period ended 30 September 2015 stands at Rs. 11.636 Billion, representing an increase of 70 percent against the corresponding period last year.

This increase has been registered primarily through improvement in Net Interest Income, which grew by 37 percent to Rs. 21.255 Billion as against Rs. 15.472 Billion for the corresponding period last year, while Non fund based income has also improved by 9 percent year on year, to Rs. 6.773 Billion.

Net investments at the period end stand at Rs. 365.439 Billion, improving by 13 percent as compared to December 2014 levels, whereas Net advances stand at Rs. 302.112 Billion, increasing by 4 percent against December 2014.

Period end deposits stand at Rs. 585.997 Billion, down from the year end levels by 3 percent, while Borrowings have increased by 105 percent to Rs. 113.001 Billion.

The Bank's net revenue amounted to Rs. 28.029 Billion, registering an increase of Rs. 6.322 Billion, a 29 percent increase over the corresponding period last year.

With Administrative expenses registering an increase of 9 percent, the Bank's cost to income ratio now stands improved to 56 percent as against 67 percent in the corresponding period last year.

During the nine months period, the Bank's net provisioning charge was Rs. 1.261 Billion, which takes into account FSV retirements against NPLs as well as general provisioning as per the regulatory requirements. As at the period end, the Non-performing loans (NPLs) stand at Rs. 18.472 Billion, and the Bank's NPL coverage stands improved at 80 percent.

The additional tax charge for prior years as a result of enactment of super tax and uniform tax on all income amounted to Rs. 568 million. The current period tax charge has also increased as a result of applicability of uniform tax rate.

The Bank has reported Basic Earnings per share for the nine months period end at Rs. 3.80 per share as against Rs. 2.92 per share for the previous corresponding period, reflecting an improvement of 30 percent.

## Economic Review:

The macroeconomic conditions have continued to show signs of improvement in 2015. Year-on-year headline CPI inflation decelerated to 1.7 percent in August 2015 from 7.0 percent in August 2014, while the 12-month moving average CPI inflation also came down to 3.6 percent in August 2015 from 8.4 percent in August 2014. Real lending rates continue to remain around 4 percent since December FY15 due to rapidly falling inflation.

A substantial impact of declining oil prices was passed on to the consumers by the government. This, along with falling commodity prices resulted in declining inflation trends. This decline in inflation along with improvement in external position led SBP to gradually cut the discount rate to 6.0 percent currently, from 9.5 percent in the start of 2015.

Despite the current trends, private sector credit growth has remained subdued in 2015, which continues to put Banking Sector margins under pressure. There is no change in SBP's forecast of average CPI inflation for FY16 with its range of 4.5 - 5.5 percent remaining below the annual plan target of 6 percent.

Exports up to July 2015 indicated a declining trend, and the external current account deficit recorded moderate improvement due to declining oil import payments and increasing workers' remittances. The country's foreign exchange reserves touched a record level of US\$ 20 following the Eurobond issuance and IMF tranche.

The credit rating of Pakistan was also upgraded to B3 from Caal by Moody's in view of Pakistan's strengthening reserves and reduction in deficit.

More recently, net domestic assets of the banking system indicated a reducing trend. Increase in government borrowing from scheduled banks was offset by repayment to SBP and Pakistan Investment Bonds (PIBs) maturities, while there was retirement of working capital credit by private sector businesses.

The Government through the Finance Bill 2015 increased some of the withholding tax rates while new taxes were imposed on non-filers. Rates were imposed for withholding tax on banking transactions by non-filers, a move which received resistance from the business community at large. Resultantly, the banking business in general stood affected during the current quarter, with closure of accounts and drop in deposits evident, as businesses resorted to cash holdings as a means of avoiding the additional transaction tax.

There is a need to introduce confidence building measures on the part of the Government, so that reforms in the tax collection system are accepted as conducive to taxpayers, while promoting greater awareness regarding taxes and their benefit to potential tax filers.

#### **Looking Ahead:**

The macroeconomic outlook continues to remain positive. However, improvements in exports and foreign direct investments are imperative for sustainability of external sector.

Survey-based indices report an increase in consumer confidence and in the current economic conditions. Large-scale Manufacturing is expected to gain further traction at the back of improvement in energy supplies.

Implementation of infrastructure development and energy projects under the China Pakistan Economic Corridor (CPEC), low inflation outlook, sustained progress in structural reforms under IMF program, sovereign rating upgrade, Iran gas pipeline and improving foreign exchange reserves are expected to accelerate growth in long run. It is expected that for FY16, higher economic activity shall boost credit uptake.

#### **Credit Rating**

PACRA, a premier rating agency of the country, has rated the Bank 'AA' (double A) Entity Rating for the Long Term and A1+ (A one plus) for the Short Term, and the Outlook for the Bank as per the latest rating report has been improved to Positive from Stable previously. 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. The unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of AA- (double A minus).

#### **Acknowledgments:**

On behalf of the Board, I would like to thank the State Bank of Pakistan, the Ministry of Finance and other regulatory authorities for their continued support and guidance. I would also like to express my gratitude to our shareholders for their counsel. Most importantly, I am grateful to our valued customers for their continued patronage. I will also take this opportunity to acknowledge the dedication and hard work of our employees who continue to contribute to the organisation and remain our most valuable asset.

#### **ATIF BAJWA**

Director & Chief Executive Officer

Date: 21 October 2015

Place: Abu Dhabi

# Unconsolidated Condensed Interim Statement of Financial Position

As at 30 September 2015

	Note	30 September 2015 (Un-audited)	31 December 2014 (Audited)
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		43,020,485	50,515,643
Balances with other banks		9,677,624	12,331,713
Lendings to financial institutions	7	32,854,451	18,313,485
Investments - net	8	365,439,079	324,319,454
Advances - net	9	302,112,680	290,597,237
Operating fixed assets	10	15,680,194	15,740,100
Deferred tax assets		-	-
Other assets		20,628,227	31,310,661
		789,412,740	743,128,293
<b>LIABILITIES</b>			
Bills payable		12,371,490	11,758,155
Borrowings	11	113,001,110	55,232,916
Deposits and other accounts	12	585,997,386	605,963,224
Sub-ordinated loans		9,984,000	9,987,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		2,088,922	853,331
Other liabilities		15,163,831	14,514,599
		738,606,739	698,309,225
<b>NET ASSETS</b>		<u>50,806,001</u>	<u>44,819,068</u>
<b>REPRESENTED BY</b>			
Share capital		15,898,062	15,872,427
Reserves		13,684,373	12,338,026
Unappropriated profit		11,300,579	9,613,374
		40,883,014	37,823,827
Surplus on revaluation of assets - net of tax		9,922,987	6,995,241
		<u>50,806,001</u>	<u>44,819,068</u>

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 20 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

CEO

Director

Director

Chairman

# Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)

for the Quarter and Nine Months Period Ended 30 September 2015

Note	Quarter ended 30 September 2015	Nine months period ended 30 September 2015	Quarter ended 30 September 2014	Nine months period ended 30 September 2014	
	------(Rupees in '000)-----				
Mark-up / return / interest earned	14,981,439	46,231,328	14,795,781	39,833,977	
Mark-up / return / interest expensed	7,639,912	24,975,902	8,892,057	24,361,726	
Net mark-up / interest income	<u>7,341,527</u>	<u>21,255,426</u>	<u>5,903,724</u>	<u>15,472,251</u>	
Provision against non-performing loans and advances - net	124,356	1,260,745	508,751	711,605	
Provision / (reversal) for diminution in value of investments - net	18,621	92,342	(4,724)	19,646	
Bad debts written-off directly	14	14	-	5	
	<u>142,991</u>	<u>1,353,101</u>	<u>504,027</u>	<u>731,256</u>	
<b>Net mark-up / interest income after provisions</b>	<b>7,198,536</b>	<b>19,902,325</b>	<b>5,399,697</b>	<b>14,740,995</b>	
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income	1,051,737	3,199,108	929,851	3,072,971	
Dividend income	78,483	418,283	84,192	388,206	
Income from dealing in foreign currencies	436,704	1,165,061	533,919	1,518,264	
Gain on sale of securities - net	222,083	1,293,179	105,837	563,182	
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	133,150	231,651	76,081	161,903	
Other income	122,932	466,035	268,203	529,480	
Total non mark-up / interest income	<u>2,045,089</u>	<u>6,773,317</u>	<u>1,998,083</u>	<u>6,234,006</u>	
	<u>9,243,625</u>	<u>26,675,642</u>	<u>7,397,780</u>	<u>20,975,001</u>	
<b>Non mark-up / interest expenses</b>					
Administrative expenses (Reversal) / provision against off-balance sheet obligations	5,443,930	15,814,730	5,194,898	14,486,756	
Provision against other assets	(3,689)	(5,629)	(29,578)	24,770	
Other charges	35,800	307,774	32,756	202,852	
	62,002	276,122	48,374	131,577	
Total non mark-up / interest expenses	<u>5,538,043</u>	<u>16,392,997</u>	<u>5,246,450</u>	<u>14,845,955</u>	
	<u>3,705,582</u>	<u>10,282,645</u>	<u>2,151,330</u>	<u>6,129,046</u>	
Extra ordinary / unusual items	-	-	-	-	
<b>Profit before taxation</b>	<b>3,705,582</b>	<b>10,282,645</b>	<b>2,151,330</b>	<b>6,129,046</b>	
<b>Taxation</b>	17				
- Current	1,329,476	4,029,819	794,112	2,191,037	
- Deferred	36,222	(359,490)	(85,951)	(115,624)	
- Prior years	-	567,813	38,419	38,419	
	<u>1,365,698</u>	<u>4,238,142</u>	<u>746,580</u>	<u>2,113,832</u>	
<b>Profit after taxation</b>	<b>2,339,884</b>	<b>6,044,503</b>	<b>1,404,750</b>	<b>4,015,214</b>	
		(Rupees)	(Rupees)	(Restated)	
<b>Basic earnings per share</b>	15	<u>1.47</u>	<u>3.80</u>	<u>1.02</u>	<u>2.92</u>
<b>Diluted earnings per share</b>	15	<u>1.47</u>	<u>3.79</u>	<u>1.02</u>	<u>2.92</u>

The annexed notes 1 to 20 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

CEO

Director

Director

Chairman

# Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited) for the Quarter and Nine Months Period Ended 30 September 2015

	Quarter ended 30 September 2015	Nine months period ended 30 September 2015	Quarter ended 30 September 2014	Nine months period ended 30 September 2014
	------(Rupees in '000)-----			
Profit after taxation	2,339,884	6,044,503	1,404,750	4,015,214
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit and loss account</b>				
Exchange differences on translation of net investment in foreign branches	8,774	48,869	346,517	(126,481)
Comprehensive income - transferred to unconsolidated condensed interim statement of changes in equity	2,348,658	6,093,372	1,751,267	3,888,733
<b>Components of comprehensive income not reflected in equity</b>				
Surplus / (deficit) on revaluation of available for-sale securities - net of tax	475,398	2,962,293	(182,588)	171,071
<b>Total comprehensive income</b>	<u>2,824,056</u>	<u>9,055,665</u>	<u>1,568,679</u>	<u>4,059,804</u>

The annexed notes 1 to 20 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

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 CEO

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 Director

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 Director

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 Chairman

# Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)

for the Nine Months Period Ended 30 September 2015

Note	Nine months period ended	
	30 September 2015	30 September 2014
(Rupees in '000)		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	10,282,645	6,129,046
Profit before taxation	(418,283)	(388,206)
Dividend income	<u>9,864,362</u>	<u>5,740,840</u>
<b>Adjustments for:</b>		
Depreciation	1,338,029	1,012,415
Amortisation	197,549	142,555
Provision against non-performing loans and advances - net	1,260,745	711,605
Provision for diminution in the value of investments - net	92,342	19,646
(Reversal) / provision against off-balance sheet obligations	(5,629)	24,770
Provision against other assets	307,774	202,852
Unrealised gain on revaluation of investments classified as held for trading - net	(231,651)	(161,903)
Bad debts written-off directly	14	5
Gain on sale of operating fixed assets - net	(6,324)	(114,788)
Charge for defined benefit plan	223,326	213,080
	<u>3,176,175</u>	<u>2,050,237</u>
	<u>13,040,537</u>	<u>7,791,077</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(11,714,876)	(38,879,795)
Held-for-trading securities	(383,927)	(2,212,128)
Advances	(12,776,202)	(12,505,401)
Other assets (excluding tax recoverable and dividend receivable)	<u>8,213,312</u>	<u>(2,814,145)</u>
	<u>(16,661,693)</u>	<u>(56,411,469)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	613,335	3,485,956
Borrowings	57,789,426	10,104,786
Deposits and other accounts	(19,965,838)	38,073,264
Other liabilities (excluding current taxation)	(805,486)	3,370,909
	<u>37,631,437</u>	<u>55,034,915</u>
	<u>34,010,281</u>	<u>6,414,523</u>
Income tax paid	(1,075,851)	(2,719,709)
<b>Net cash generated from operating activities</b>	<u>32,934,430</u>	<u>3,694,814</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(35,847,964)	18,572,843
Net investments in held-to-maturity securities	(186,224)	(55,905,363)
Investment in subsidiaries and associates	(4,827)	(491,652)
Dividend income received	360,480	350,606
Investments in operating fixed assets	(1,491,355)	(2,012,532)
Proceeds from sale of operating fixed assets	22,007	238,413
<b>Net cash used in investing activities</b>	<u>(37,147,883)</u>	<u>(39,247,685)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redemption of sub-ordinated loans	(3,000)	(3,000)
Proceeds from issue of shares	41,836	-
Dividend paid	(3,176,177)	(2,698,313)
<b>Net cash used in / generated from financing activities</b>	<u>(3,137,341)</u>	<u>(2,701,313)</u>
Exchange difference on translation of the net investments in foreign branches	48,869	(126,481)
<b>Increase / (decrease) in cash and cash equivalents</b>	<u>(7,301,925)</u>	<u>(38,380,665)</u>
Cash and cash equivalents at the beginning of the period	65,880,564	98,831,214
<b>Cash and cash equivalents at the end of the period</b>	<u>58,578,639</u>	<u>60,450,549</u>

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The annexed notes 1 to 20 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

CEO

Director

Director

Chairman

# Unconsolidated Condensed Interim Statement of Changes In Equity (Un-Audited) for the Nine Months Period Ended 30 September 2015

	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropri- ated profit	Total
	----- (Rupees in '000) -----						
Balance as at 1 January 2014	13,491,563	-	5,508,172	1,766,050	-	7,499,831	28,265,616
<b>Changes in equity for the nine months period ended 30 September 2014</b>							
<b>Total comprehensive income for the period</b>							
Profit after taxation for the nine months period ended 30 September 2014	-	-	-	-	-	4,015,214	4,015,214
Other comprehensive income for the nine months period ended 30 September 2014	-	-	-	(126,481)	-	-	(126,481)
Exchange differences on translation of net investment in foreign branches	-	-	-	(126,481)	-	4,015,214	3,888,733
Transfer to statutory reserve	-	-	803,043	-	-	(803,043)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	23,362	23,362
<b>Transactions with owners, recorded directly in equity</b>							
Final cash dividend for the year ended 31 December 2013 @ 20%	-	-	-	-	-	(2,698,313)	(2,698,313)
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	121,336	-	121,336
Unamortised portion of deferred employee compensation expense	-	-	-	-	(84,261)	-	(84,261)
<b>Balance as at 30 September 2014</b>	<b>13,491,563</b>	<b>-</b>	<b>6,311,215</b>	<b>1,639,569</b>	<b>37,075</b>	<b>8,037,051</b>	<b>29,516,473</b>
<b>Changes in equity for the quarter ended 31 December 2014</b>							
<b>Total comprehensive income for the period</b>							
Profit after taxation for the quarter ended 31 December 2014	-	-	-	-	-	1,625,637	1,625,637
Other comprehensive income for the quarter ended 31 December 2014	-	-	-	(277,104)	-	-	(277,104)
Exchange differences on translation of net investment in foreign branches	-	-	-	(277,104)	-	357,045	357,045
Remeasurement of defined benefit plans	-	-	-	-	-	(124,966)	(124,966)
Related tax charge	-	-	-	-	-	1,857,716	1,580,612
Transfer to statutory reserve	-	-	325,127	-	-	(325,127)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	43,734	43,734
<b>Transactions with owners, recorded directly in equity</b>							
Shares issued during the year	2,380,864	4,285,556	-	-	-	-	6,666,420
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	(4,253)	-	(4,253)
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	20,841	-	20,841
<b>Balance as at 31 December 2014</b>	<b>15,872,427</b>	<b>4,285,556</b>	<b>6,636,342</b>	<b>1,362,465</b>	<b>53,663</b>	<b>9,613,374</b>	<b>37,823,827</b>
<b>Changes in equity for the nine months period ended 30 September 2015</b>							
<b>Total comprehensive income for the period</b>							
Profit after taxation for the nine months period ended 30 September 2015	-	-	-	-	-	6,044,503	6,044,503
Other comprehensive income for the nine months period ended 30 September 2015	-	-	-	48,869	-	-	48,869
Exchange differences on translation of net investment in foreign branches	-	-	-	48,869	-	6,044,503	6,093,372
Transfer to statutory reserve	-	-	1,208,901	-	-	(1,208,901)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	26,088	26,088
<b>Transactions with owners, recorded directly in equity</b>							
Final cash dividend for the year ended 31 December 2014 @ 20%	-	-	-	-	-	(3,174,485)	(3,174,485)
Shares issued during the period	25,635	16,201	-	-	-	-	41,836
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	125,625	-	125,625
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	(53,249)	-	(53,249)
<b>Balance as at 30 September 2015</b>	<b>15,898,062</b>	<b>4,301,757</b>	<b>7,845,243</b>	<b>1,411,334</b>	<b>126,039</b>	<b>11,300,579</b>	<b>40,883,014</b>

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

The annexed notes 1 to 20 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

CEO

Director

Director

Chairman

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Information (Un-Audited) for the Nine Months Period Ended 30 September 2015

## 1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on 21 June 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on 01 November 1992. The Bank's registered office is at B. A. Building, I. I. Chundrigar Road, Karachi and the Bank's shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 480 conventional banking branches including 12 sub branches (2014: 480 branches including 12 sub branches), 10 overseas branches (2014: 10 branches), 158 Islamic banking branches (2014: 157 branches) and 1 offshore banking unit (2014: 1 unit).

PACRA has assigned a long term credit rating of AA [Double A] and a short term credit rating of A1+ (A one plus) to the Bank as at June 2015 (2014: AA [Double A] for long term and A1+ [A one plus] for short term).

## 2 BASIS OF PRESENTATION

- 2.1 These unconsolidated financial statements represent separate financial statements of Bank Alfalah Limited in which investments in subsidiaries and associates are accounted on the basis of direct equity interest rather than on the basis of reported results.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in the unconsolidated condensed interim financial information as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.3 Key financial figures of the Islamic Banking branches are disclosed in Annexure I to the unconsolidated condensed interim financial information.
- 2.4 The disclosures made in the unconsolidated condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated 12 May 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and the unconsolidated condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2014.

## 3 STATEMENT OF COMPLIANCE

- 3.1 The unconsolidated condensed interim financial information of the Bank for the period ended 30 September 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of the unconsolidated condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

- 3.3** The Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after 01 January 2006. The standard has not been adopted by Islamic branches of conventional banks pending resolution of certain issues. IFAS 1 requires assets underlying Murabaha financing to be recorded as inventory separately from the assets in Bank's own use. These assets are carried at cost less impairment, if any. The Bank has adopted the standard starting March 2015.

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

The accounting policies adopted for presentation of the unconsolidated condensed interim financial information are the same as those followed in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2014.

##### **New Standards, Interpretations and Amendments**

The bank has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current period:

##### **Standard or Interpretation**

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 13 - Fair Value Measurement

IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 27 - Separate Financial Statements

The above standards and amendments did not have any impact on the bank's separate financial statements for the current period.

In addition to the above, certain improvements to various accounting standards have also been issued by the IASB. Such improvements are effective for the current accounting period but did not have any material impact on the bank's financial statements.

In accordance with the application of provisions of IFRS 10, the Bank reassessed the control conclusion for its investees at 1 January 2015. As a consequence, the Bank has changed its control conclusion in respect of its investment in the following subsidiaries which were previously accounted for as associates. In accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the above change has been accounted for as change in accounting policy and comparatives have also been reclassified accordingly. As the subsidiaries and associates both are stated at cost less impairment, there is no impact on these financial statements.

Alfalah GHP Investment Management Limited

Alfalah GHP Value Fund

Alfalah GHP Islamic Stock Fund

Alfalah GHP Cash Fund

#### **5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The basis and methods used for critical accounting estimates and judgments adopted in the unconsolidated condensed interim financial information are same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2014.

#### **6 FINANCIAL RISK MANAGEMENT**

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual unconsolidated financial statements for the year ended 31 December 2014.

7 LENDINGS TO FINANCIAL INSTITUTIONS	Note	30 September 2015 (Un-audited)	31 December 2014 (Audited)
(Rupees in '000)			
Call money lendings	7.1	5,950,753	3,521,485
Placements	7.2	372,269	7,472
Bai Muajjal	7.3	25,323,919	14,784,528
Repurchase agreement lendings (Reverse Repo)	7.4	1,207,510	-
		32,854,451	18,313,485

- 7.1** These represent lending to financial institutions at interest rates ranging from 0.41% to 9.25% per annum (31 December 2014: 2.83% to 12.50% per annum) with maturities up to December 2015 (31 December 2014: March 2015).
- 7.2** These represent placements with financial institutions at interest rates ranging from 0.47% to 12.00% per annum (31 December 2014: 12.00% per annum) with maturities up to November 2016 (31 December 2014: November 2016).
- 7.3** These represent lending to financial institutions by Islamic banking business under Bai Muajjal agreements at returns ranging from 6.55% to 9.52% per annum (2014: 9.05% to 9.52%) with maturities upto March 2016 (2014: December 2015).
- 7.4** These represent short-term lending to financial institutions against investment securities. These carry markup rates upto 6.50% per annum (31 Decemeber 2014: Nil) with maturity upto October 2015 (31 Decemeber 2014: Nil).

## 8 INVESTMENTS - NET

### 8.1 Investments by types

	30 September 2015 (Un-audited)			31 December 2014 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	------(Rupees in '000)-----					
<b>Held-for-trading securities</b>						
Market Treasury Bills	18,039,806	-	18,039,806	15,194,352	-	15,194,352
Pakistan Investment Bonds	1,360,804	-	1,360,804	2,905,528	-	2,905,528
Overseas Bonds	1,983,151	-	1,983,151	2,193,796	-	2,193,796
Fully paid up ordinary shares / units - Listed	456,218	-	456,218	-	-	-
Sukuk Bonds	-	-	-	1,002,278	-	1,002,278
	21,839,979	-	21,839,979	21,295,954	-	21,295,954
<b>Available-for-sale securities</b>						
Market Treasury Bills	44,599,394	5,351,379	49,950,773	44,998,239	102,962	45,101,201
Pakistan Investment Bonds	73,647,905	75,047,769	148,695,674	85,004,793	30,150,519	115,155,312
Fully paid up ordinary shares / units - Listed	4,286,509	-	4,286,509	4,729,456	-	4,729,456
Fully paid up ordinary shares - Unlisted	5,217,016	-	5,217,016	4,426,617	-	4,426,617
Term Finance Certificates	727,596	-	727,596	1,234,849	-	1,234,849
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	340,000	-	340,000	340,000	-	340,000
Overseas Bonds	7,222,569	-	7,222,569	3,566,942	-	3,566,942
Sukuk Bonds	35,471,370	-	35,471,370	41,516,803	-	41,516,803
	171,621,194	80,399,148	252,020,342	185,926,534	30,253,481	216,180,015
<b>Held-to-maturity securities</b>						
Market Treasury Bills	335,719	-	335,719	1,193,121	-	1,193,121
Pakistan Investment Bonds	66,072,805	-	66,072,805	65,769,574	-	65,769,574
Term Finance Certificates	600,608	-	600,608	524,266	-	524,266
Pakistan Euro Bonds	3,330,981	-	3,330,981	3,176,300	-	3,176,300
Overseas Bonds	8,756,680	-	8,756,680	8,315,367	-	8,315,367
Sukuk Bonds	4,278,201	-	4,278,201	4,210,142	-	4,210,142
	83,374,994	-	83,374,994	83,188,770	-	83,188,770
<b>Subsidiaries</b>						
Alfalah Securities (Private) Limited	1,126,000	-	1,126,000	826,000	-	826,000
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
Alfalah GHP Value Fund	100,000	-	100,000	100,000	-	100,000
Alfalah GHP Islamic Stock Fund (Formerly: Alfalah GHP Islamic Fund)	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Cash Fund	525,474	-	525,474	1,000,390	-	1,000,390
	2,131,967	-	2,131,967	2,306,883	-	2,306,883
<b>Associates</b>						
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited	978,123	-	978,123	345,052	-	345,052
Alfalah GHP Money Market Fund (Formerly: IGI Money Market Fund)	46,672	-	46,672	500,000	-	500,000
Alfalah GHP Income Multiplier Fund	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Sovereign Fund	200,000	-	200,000	200,000	-	200,000
	1,543,785	-	1,543,785	1,364,042	-	1,364,042
<b>Investments at cost</b>	280,511,919	80,399,148	360,911,067	294,082,183	30,253,481	324,335,664
<b>Provision for diminution in value of investments</b>	8.2 (6,301,462)	-	(6,301,462)	(6,216,757)	-	(6,216,757)
<b>Investments (net of provisions)</b>	274,210,457	80,399,148	354,609,605	287,865,426	30,253,481	318,118,907
Surplus on revaluation of held for trading securities - net	231,651	-	231,651	160,098	-	160,098
Surplus on revaluation of available for sale securities-net	10,502,671	95,152	10,597,823	5,994,801	45,648	6,040,449
<b>Total investments</b>	284,944,779	80,494,300	365,439,079	294,020,325	30,299,129	324,319,454

### 8.2 Particulars of provision for diminution in value of investments

	30 September 2015 (Un-audited)	31 December 2014 (Audited)
	(Rupees in '000)	
Opening balance	6,216,757	6,130,860
Charge for the period / year	92,342	130,043
Reversals	-	(44,146)
Provision written off during the period / year	(7,637)	-
Closing balance	6,301,462	6,216,757

8.3 Particulars of provision for diminution in value of investments by type and segment	30 September 2015 (Un-audited)	31 December 2014 (Audited)
	(Rupees in '000)	
<b>Available for sale securities</b>		
<b>Listed companies / mutual funds</b>		
- Fully paid up ordinary shares / units		
- Agritech Limited	-	7,637
- Preference shares		
- Agritech Limited	108,835	108,835
<b>Unlisted companies</b>		
- Fully paid up ordinary shares of Rs. 10 each		
- Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
- Al-Hamra Avenue (Private) Limited	50,000	50,000
- Warid Telecom (Private) Limited (Related party)	4,366,796	4,366,796
<b>Unlisted securities</b>		
- Term finance certificates / sukuk bonds		
- Azgard Nine Limited	76,220	76,220
- Security Leasing Corporation Limited I	6,418	6,418
- Security Leasing Corporation Limited II	23,105	23,105
- New Allied Electronics	2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited	76,341	51,034
- Quetta Textile Mills Limited	18,621	-
- Preference shares		
- First Dawood Investment Bank Limited	15,000	15,000
- Trust Investment Bank Limited	25,000	25,000
<b>Held to maturity securities</b>		
<b>Unlisted securities</b>		
- Term finance certificates / sukuk bonds		
- Agritech Limited	499,586	465,000
- BRR Guardian Modaraba	34,062	20,234
- Security Leasing Corporation Limited	29,245	29,245
- Sitara Peroxide (Private) Limited	113,643	113,643
- Zulekha Textile Mills (formerly Khunja Textile Mills Limited)	24,680	24,680
<b>Investment in subsidiaries</b>		
<b>Unlisted company</b>		
- Fully paid up ordinary shares of Rs. 10 each		
- Alfalah Securities (Private) Limited	826,000	826,000
	<u>6,301,462</u>	<u>6,216,757</u>

9 ADVANCES - NET	Note	30 September 2015 (Un-audited) (Rupees in '000)	31 December 2014 (Audited)
Loans, cash credits, running finances, etc.			
- In Pakistan		286,047,856	272,433,191
- Outside Pakistan		10,521,946	12,957,433
		296,569,802	285,390,624
Net investment in finance lease			
- In Pakistan		3,452,451	3,720,506
- Outside Pakistan		-	-
		3,452,451	3,720,506
Financing and investing assets under IFAS 2 Ijarah		7,292,386	5,474,603
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		3,365,875	5,799,128
- Payable outside Pakistan		6,903,078	4,463,186
		10,268,953	10,262,314
		317,583,592	304,848,047
Provision against advances	9.2		
- Specific provision against non-performing advances		(14,771,183)	(13,601,307)
- General provision against advances		(699,729)	(649,503)
		(15,470,912)	(14,250,810)
		302,112,680	290,597,237

9.1 Advances include Rs. 18,472 million (2014: Rs. 19,412 million) which have been placed under non-performing status as detailed below:

	30 September 2015 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
<b>Category of classification</b>									
Other Assets Especially Mentioned									
(Agri Financing)	123,866	-	123,866	3,059	-	3,059	3,059	-	3,059
Substandard	1,748,535	13,155	1,761,690	438,117	636	438,753	438,117	636	438,753
Doubtful	3,028,063	-	3,028,063	1,593,036	-	1,593,036	1,593,036	-	1,593,036
Loss	12,934,874	623,107	13,557,981	12,267,047	469,288	12,736,335	12,267,047	469,288	12,736,335
	17,835,338	636,262	18,471,600	14,301,259	469,924	14,771,183	14,301,259	469,924	14,771,183
	------(Rupees in '000)-----								
	31 December 2014 (Audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
<b>Category of classification</b>									
Other Assets Especially Mentioned									
(Agri Financing)	169,364	-	169,364	6,756	-	6,756	6,756	-	6,756
Substandard	4,043,560	-	4,043,560	987,640	-	987,640	987,640	-	987,640
Doubtful	1,877,474	1,325	1,878,799	885,009	662	885,671	885,009	662	885,671
Loss	12,607,501	713,039	13,320,540	11,155,119	566,121	11,721,240	11,155,119	566,121	11,721,240
	18,697,899	714,364	19,412,263	13,034,524	566,783	13,601,307	13,034,524	566,783	13,601,307
	------(Rupees in '000)-----								

**9.1.1** The above amounts do not include the Bank's outstanding exposure aggregating to Rs. 3.708 Billion, on M/s Northern Power Generation Company Limited (NPGCL). The State Bank of Pakistan vide their letter No. BPRD/BRD-Policy/2015-22984 dated 19 October 2015 has allowed a relaxation from regulation R-8 of Prudential Regulations for Corporate / Commercial Banking to the participating banks in three Syndicated Term Finance Facilities, namely STFF-1, STFF-2 and STFF-3, extended to M/s. NPGCL – (Nandipur Power Project) for one year upto 30 June 2016.

## 9.2 Particulars of provisions against non-performing loans and advances

	Nine months period ended 30 September 2015 (Un-audited)			Year ended 31 December 2014 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	13,601,307	649,503	14,250,810	12,441,472	605,975	13,047,447
Exchange adjustment and other movements	38,716	4,294	43,010	(25,754)	(5,212)	(30,966)
Charge for the period / year	2,719,797	84,297	2,804,094	3,281,110	48,740	3,329,850
Reversals / recoveries	(1,504,984)	(38,365)	(1,543,349)	(1,881,919)	-	(1,881,919)
	1,214,813	45,932	1,260,745	1,399,191	48,740	1,447,931
Amounts written off	(83,653)	-	(83,653)	(213,602)	-	(213,602)
Closing balance	14,771,183	699,729	15,470,912	13,601,307	649,503	14,250,810

**9.2.1** The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at 30 September 2015 which is not available for distribution as either cash or stock dividend to shareholders / bonus to employees amounted to Rs. 374.615 million (2014: Rs. 747.957 million).

**9.2.2** General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations for consumer financing issued by the State Bank of Pakistan. General provision for overseas branches is maintained in accordance with the guidelines of the authorities in the respective countries.

**9.2.3** General provision also includes reserve required to be maintained against financing to Small Enterprises (SE) as required under the revised Prudential Regulations for Small and Medium Enterprise Financing issued by the State Bank of Pakistan during the year 2013. Under the revised regulations, effective 30 September 2013, banks have been required to maintain general reserve at least equivalent to 1% of the secured and performing SE portfolio and 2% of the unsecured and performing SE portfolio.

30 September 2015 (Un-audited)	31 December 2014 (Audited)
(Rupees in '000)	

## 10 OPERATING FIXED ASSETS

Capital work-in-progress	1,017,379	1,134,085
Property and equipment	13,802,851	13,828,003
Intangible assets	859,964	778,012
	<u>15,680,194</u>	<u>15,740,100</u>

Note	Nine months period ended	
	30 September 2015	30 September 2014

### 10.1 Additions to operating fixed assets

	(Un-audited) (Rupees in '000)	
Office premises	1,060	182,998
Leasehold improvements	479,280	463,772
Office equipment	747,125	1,056,359
Furniture and fixtures	58,701	149,298
Vehicles	15,236	7,604

### 10.2 Additions to Intangibles

Computer software	279,085	530,271
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### 10.3 Disposals of operating fixed assets

Office premises	-	115,819
Leasehold improvements	-	40,960
Office equipment	40,597	33,867
Furniture and fixtures	28,566	5,765
Vehicles	34,709	3,006

30 September 2015 (Un-audited)	31 December 2014 (Audited)
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## 11 BORROWINGS

### Secured

Borrowings from State Bank of Pakistan	11.1	11,326,235	14,676,945
Repurchase agreement borrowings		80,399,148	30,253,481
		<u>91,725,383</u>	<u>44,930,426</u>

### Unsecured

Call borrowings	11.2	13,109,975	6,648,098
Bai Muajjal	11.3	8,095,529	3,562,937
Overdrawn nostro accounts		70,223	91,455
		<u>21,275,727</u>	<u>10,302,490</u>
		<u><u>113,001,110</u></u>	<u><u>55,232,916</u></u>

**11.1** This represent repurchase agreement borrowing from SBP and other banks at the rate of 6.50% per annum (2014: 9.50% and 9.60% per annum) maturing by October 2015 (2014: January 2015 and February 2015).

**11.2** This represent borrowings from financial institutions at mark-up rates ranging from 0.50% to 7.75% per annum (2014: 1.00% to 9.50%) having maturities upto March 2016 (2014: September 2015).

**11.3** This represent borrowings from financial institutions at mark-up rates ranging from 6.25% to 7.45% per annum (2014: 9.20% to 9.50%) having maturities upto April 2016 (2014: April 2015).

## 12 DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	135,615,228	153,480,193
Savings deposits	203,283,272	196,118,387
Current accounts - non-remunerative	213,296,283	215,500,460
Others	7,064,132	6,728,458
	<u>559,258,915</u>	<u>571,827,498</u>

### Financial institutions

Remunerative deposits	25,614,736	33,534,156
Non-remunerative deposits	1,123,735	601,570
	<u>26,738,471</u>	<u>34,135,726</u>
	<u><u>585,997,386</u></u>	<u><u>605,963,224</u></u>

	30 September 2015 (Un-audited)	31 December 2014 (Audited)
	(Rupees in '000)	
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
i) Government	450,297	937,508
ii) Banking companies and other financial institutions	14,408	2,606
iii) Others	2,169,160	1,756,948
	<u>2,633,865</u>	<u>2,697,062</u>
<b>13.2 Transaction - related contingent liabilities</b>		
i) Government	26,849,378	26,536,835
ii) Banking companies and other financial institutions	155,824	506,432
iii) Others	10,144,501	8,671,481
	<u>37,149,703</u>	<u>35,714,748</u>
<b>13.3 Trade - related contingent liabilities</b>		
Letters of credit	<u>55,761,059</u>	<u>48,045,564</u>
Acceptances	<u>10,460,172</u>	<u>12,774,108</u>
<b>13.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>10,132,188</u>	<u>9,521,537</u>

These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex-employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in the unconsolidated condensed interim financial information.

In addition to the above, an amount of USD 3.949 million ("the Amount") in Bank's nostro account in New York, United States of America has been put on hold by a commercial bank pursuant to receipt of notice of seizure based on the order passed by the District Court, District of Columbia, USA. The order was issued at the request of United States Department of Justice (DOJ) which claims its rights through filing a complaint for forfeiture in rem of assets of a third party in Afghanistan – a customer of the Bank ("Third Party-Customer") – and obtained a court order to hold/seize certain amount in the Nostro accounts of different banks (including Bank Alfalah) wherein the Third Party - Customer was maintaining bank accounts. As a result the Amount has been put on hold for the time being in Nostro Account of the Bank in New York. The dispute is held between the United States Government and the Third Party - Customer, who provided logistic services to the United States Military in Afghanistan. The amount put on hold is equivalent to the customers' balances held/blocked by the Bank during the period. In January 2014 the Bank had to release the accounts of the Third Party – Customer on specific instructions of Central Bank of Afghanistan. The Bank has filed a representation with the DOJ's to challenge its right to hold the Amount and with a request to release the same as the Bank did not have any involvement in the dispute between DOJ and the Third Party - Customers.

Based on internal assessments and careful analysis of the precedents in relation to other banks involved, the management is confident that the Bank has a relatively strong case and the matter will be decided in the Bank's favour. However, the bank has as a matter of prudence carries full provision against the same as at 30 September 2015.

The Bank had filed a case against the above mentioned Third Party Customer in primary commercial court in Afghanistan. In June 2015, the court did not accede claim of the Bank and advised it to pay USD 0.52 million as compensation to the customer along with government/ court fee of AFN 5.268 million. The Bank filed an appeal in the appellate court against the said judgment, in which the earlier decisions were upheld. The said amounts have been charged off in the nine months period ended 30 September 2015.

	30 September 2015 (Un-audited) (Rupees in '000)	31 December 2014 (Audited)
<b>13.5 Commitments in respect of forward lendings</b>		
Commitments to extend credit	8,535,995	8,609,125
Commitments in respect of investments	21,877	1,615,818
<b>13.6 Commitments in respect of forward exchange contracts</b>		
Purchase	80,697,751	69,435,889
Sale	93,466,506	54,156,057
<b>13.7 Commitments for the acquisition of operating fixed assets</b>	548,533	291,239
<b>13.8 Commitments in respect of repo transactions</b>		
Repurchase	80,413,458	30,274,144
Resale	1,208,442	-
<b>13.9 Other commitments</b>		
Interest rate swaps	6,956,894	6,314,951
Donations	27,000	41,500
<b>13.10 Contingencies for tax payable (note 17)</b>		

#### 14 EMPLOYEE STOCK OPTION SCHEME

The Bank grants share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP vide its letter No. SMD/CIW/ESOS/02/2013 dated 27 December 2013.

Under the Scheme, the Bank may grant options to certain critical employees selected by the Board Compensation Committee to subscribe upto 40,474,689 new ordinary shares over a period from 2014 to 2016. As per the Scheme, the entitlement and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

The grant dates and the vesting period for the options are laid down under the scheme. The options vest over a three year period with one third of the options vesting on completion of each year of service from the date of grant. The options not exercised on completion of first and second year of vesting may be carried forward to be exercised on completion of three year period. After the expiry of the third exercise period, the option holder will lose all the rights of exercise for any remaining options not exercised.

The details of the options under the scheme as at 30 September 2015 were as follows:

	Granted in the year 2015 (in '000)	Granted in the year 2014
Options issued	12,614	11,331
Options no longer in issue	174	954
Options vested	N/A	3,689
Options exercised	N/A	2,563
Options carried forward	N/A	902
Shares issued under ESOS in the year 2015	N/A	2,563
Exercise price per share	Rs. 15.15	Rs. 16.32
Option discount per share	Rs. 10.1	Rs. 10.88

	<b>Nine months period ended</b>	
	<b>30 September 2015</b>	<b>30 September 2014</b>
	<b>(Un-audited)</b>	
	<b>(Rupees in '000)</b>	
<b>15 EARNINGS PER SHARE</b>		
<b>15.1 BASIC EARNINGS PER SHARE</b>		
Profit after taxation for the period	<u>6,044,503</u>	<u>4,015,214</u>
	<b>(Number of shares in thousand)</b>	
	<b>Restated</b>	
Weighted average number of ordinary shares	<u>1,589,104</u>	<u>1,372,781</u>
	<b>(Rupees)</b>	
	<b>Restated</b>	
Basic earnings per share	<u>3.80</u>	<u>2.92</u>
<b>15.2 DILUTED EARNINGS PER SHARE</b>		
	<b>(Rupees in '000)</b>	
Profit after taxation for the period	<u>6,044,503</u>	<u>4,015,214</u>
	<b>(Number of shares in thousand)</b>	
	<b>Restated</b>	
Weighted average number of ordinary shares	<u>1,596,654</u>	<u>1,372,837</u>
	<b>(Rupees)</b>	
	<b>Restated</b>	
Diluted earnings per share	<u>3.79</u>	<u>2.92</u>
<b>16 CASH AND CASH EQUIVALENTS</b>		
	<b>30 September 2015</b>	<b>31 December 2014</b>
	<b>(Un-audited)</b>	
	<b>(Rupees in '000)</b>	
Cash and balances with treasury banks	43,020,485	50,515,643
Balances with other banks	9,677,624	11,934,891
Call money lendings	5,950,753	3,521,485
Overdrawn nostro accounts	(70,223)	(91,455)
	<u>58,578,639</u>	<u>65,880,564</u>

## 17 TAXATION

The income tax assessments of the Bank have been finalized upto and including tax year 2014. 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.

For all assessments finalized upto tax year 2014, adequate provision has been made by the Bank in these financial statements. In respect of tax years 2008 to 2011, the tax authorities have raised certain issues including disallowance of expenditure on account of non-deduction of withholding tax, default in payment of WWF and dividend income from mutual funds not being taken under income from business, resulting in additional demand of Rs. 952.212 million. The management's appeals in respect of these add-backs are currently pending before various appellate forums. The management is confident that this matter will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

During the period, the Bank has received an amended assessment order for Tax Year 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 418.257 million. The Bank has filed appeal against this order 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 or through rectification orders.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs. 181.597 million against tax demand (after reduction on rectifications) for tax years 2011 to 2015. The Bank has either filed appeals before various tax appellate forums or intends to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

During the period, 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. 97.560 million (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Appellate Tribunal. 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.

- 17.1** The Finance Act, 2015 has introduced certain amendments relating to taxation of banking companies. As per these amendments Bank's income from dividend and capital gain is now taxed at the normal tax rates instead of previously applicable reduced rates. In addition, one time super tax at the rate of 4% of the taxable income has also been levied. These amendments apply retrospectively for the tax year 2015. i.e. year ended 31 December 2014. The effect of above amendments have been incorporated in this unconsolidated condensed interim financial information and an amount of Rs. 567.813 million has been recognized as prior year tax charge. The banking industry is of the view that this may be discriminatory against banks and is seeking legal advice on the matter.

## 18 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes major shareholders, subsidiaries, associates with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties, except for transactions with executives governed under their terms of employment are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration and markup on facilities to executives is determined in accordance with the terms of their appointment.

18.1 Details of transactions with the related parties and balances with them as at period end / year end are as follows:

30 September 2015 (Un-audited)						
Directors	Key Management Personnel	Group / Associated Companies / Others	Subsidiaries / Associates	Strategic Investments	Total	
------(Rupees in '000)-----						
<b>Deposits</b>						
Balance at beginning of the period	38,398	71,170	5,054,205	486,239	18	5,650,030
Placements during the period	79,119	659,386	50,069,536	23,517,120	-	74,325,161
Withdrawals / adjustments* during the period	(113,532)	(629,496)	(49,731,542)	(23,143,864)	-	(73,618,434)
Balance at end of the period	3,985	101,060	5,392,199	859,495	18	6,356,757
<b>Advances</b>						
Balance at beginning of the period	-	280,630	3,828,522	30,000	-	4,139,152
Disbursements / adjustments* during the period	-	624,578	15,562,547	22,000	-	16,209,125
Repayments / adjustments* during the period	-	(703,669)	(16,578,823)	(52,000)	-	(17,334,492)
Balance at end of the period	-	201,539	2,812,246	-	-	3,013,785
<b>Investments</b>						
Balance at beginning of the period	-	-	4,366,796	3,670,925	50,000	8,087,721
Investments during the period	-	-	790,400	933,071	-	1,723,471
Redemption / adjustments* during the period	-	-	300,000	(928,243)	-	(628,243)
Balance at end of the period	-	-	5,457,196	3,675,753	50,000	9,182,949
<b>Provision held against investments</b>	-	-	4,366,796	826,000	50,000	5,242,796
<b>Call borrowings / Repo</b>						
Balance at beginning of the period	-	-	-	-	-	-
Borrowings during the period	-	-	800,000	-	-	800,000
Repayments during the period	-	-	(800,000)	-	-	(800,000)
Balance at end of the period	-	-	-	-	-	-
<b>Call lendings / Reverse repo</b>						
Balance at beginning of the period	-	-	-	-	-	-
Placements during the period	-	-	14,825,000	-	-	14,825,000
Withdrawals during the period	-	-	(14,825,000)	-	-	(14,825,000)
Balance at end of the period	-	-	-	-	-	-

31 December 2014 (Audited)						
Directors	Key Management Personnel	Group / Associated Companies / Others	Subsidiaries / Associates	Strategic Investments	Total	
------(Rupees in '000)-----						
<b>Deposits</b>						
Balance at beginning of the year	34,796	80,786	4,416,681	505,482	18	5,037,763
Placements during the year	236,286	894,069	57,901,746	19,130,947	-	78,163,048
Withdrawals / adjustments during the year	(232,684)	(903,685)	(57,264,222)	(19,150,190)	-	(77,550,781)
Balance at end of the year	38,398	71,170	5,054,205	486,239	18	5,650,030
<b>Advances</b>						
Balance at beginning of the year	-	278,201	3,622,533	30,000	-	3,930,734
Disbursements during the year	-	82,967	10,697,701	-	-	10,780,668
Repayments / adjustments during the year	-	(80,538)	(10,491,712)	-	-	(10,572,250)
Balance at end of the year	-	280,630	3,828,522	30,000	-	4,139,152
<b>Investments</b>						
Balance at beginning of the year	-	-	4,553,930	3,125,873	50,000	7,729,803
Investments during the year	-	-	-	545,052	-	545,052
Redemptions / adjustments during the year	-	-	(187,134)	-	-	(187,134)
Balance at end of the year	-	-	4,366,796	3,670,925	50,000	8,087,721
<b>Provision held against investments</b>	-	-	4,366,796	826,000	50,000	5,242,796
<b>Call borrowings / Repo</b>						
Balance at beginning of the year	-	-	4,000,000	-	-	4,000,000
Borrowings during the year	-	-	-	-	-	-
Repayments during the year	-	-	(4,000,000)	-	-	(4,000,000)
Balance at end of the year	-	-	-	-	-	-

\* Adjustments include changes on account of retirement / appointment of Directors, changes in Key Management Personnel and Sponsor shareholders.

30 September 2015 (Un-audited)	31 December 2014 (Audited)
(Rupees in '000)	

## 18.2 Advances

Running finance	668,700	2,698,691
Long term loans	2,345,085	1,440,461

## 18.3 Contingencies and commitments

Letter of credit, acceptance & Guarantees outstanding	1,278,601	1,809,608
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## 18.4 Customer Accounts

PLS accounts	3,346,696	3,612,686
Current accounts	749,014	1,455,725
Fixed deposit accounts	2,261,047	581,619

<b>Nine months period ended</b>	
<b>30 September</b>	<b>30 September</b>
<b>2015</b>	<b>2014</b>
<b>(Un-audited)</b>	<b>(Un-audited)</b>
<b>(Rupees in '000)</b>	

### 18.5 Transactions with Subsidiaries / Associates and Others

#### Subsidiaries / Associates

Mark-up income on advances	35,969	2,458
Mark-up expense on deposits/TFCs	46,185	24,017
Brokerage Expense pertaining to Alfalah Securities (Private) Limited	575	315
Rent Income from Alfalah Securities (Private) Limited	1,022	974
Rent income from Alfalah GHP Investment Management Limited	-	324
Rent Income from Alfalah Insurance Limited	1,497	1,497
Dividend income from Alfalah GHP Value Fund	22,434	28,738
Dividend income from Alfalah GHP Cash Fund	47,082	36,749
Dividend income from Alfalah GHP Islamic Stock Fund	40,867	83,800
Dividend income from Alfalah GHP Income Multiplier Fund	23,284	27,650
Dividend income from Alfalah GHP Sovereign Fund	26,944	-
Capital Gain on sale of units of Alfalah GHP Money Market Fund	46,672	-
Capital Gain on sale of units of Alfalah GHP Cash Fund	25,085	-
Reversal of provision against rent receivable from Alfalah Securities (Private) Ltd	9,147	-
Provision against rent receivable from Alfalah Securities (Private) Ltd	-	974

In addition to these, the remuneration to the outgoing CEO and certain expenses of Alfalah Securities (Private) Limited are paid by the Bank.

#### Others

Mark-up income on advances/investments	293,979	307,025
Mark-up expense on deposits	217,692	144,868
Rent income from Wateen Telecom Limited	1,766	9,798
Rent income from Warid Telecom (Private) Limited	12,915	13,064
Rent expense pertaining to Wateen Telecom Limited	8,550	8,550
Revenue from Alfalah GHP against sale of units	21,119	-
Interest received on placements with Silk Bank	4,307	-
Mark-up paid to Taavun (Private) Limited on TFCs issued	37,425	37,440
Mark-up paid to IGI Income Fund on TFCs issued	4,549	7,372
Mark-up paid to Alfalah GHP Income Fund on TFCs issued	4,351	-
Mark-up paid to Key Management Personnel on TFCs Issued	12,110	12,112
Interest paid on Borrowings from Silk Bank	128	-
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	303	470
Charge for security services to Wackenhut Pakistan (Private) Limited	136,393	227,209
Provision made during the period in respect of strategic investments	-	17,500
Contribution to employees provident fund	223,749	192,253
Contribution to gratuity fund	223,326	213,080
Commission received from Warid Telecom (Private) Limited	6,643	6,962

<b>30 September</b>	<b>31 December</b>
<b>2015</b>	<b>2014</b>
<b>(Un-audited)</b>	<b>(Audited)</b>
<b>(Rupees in '000)</b>	

### 18.6 Balances with Subsidiaries / Associates and Others

#### Subsidiaries / Associates

Mark-up receivable on advances to Alfalah Securities (Private) Limited	-	33,423
Mark-up held in suspense on advances to Alfalah Securities (Private) Limited	-	33,423
Provision held against investment in Alfalah Securities (Private) Limited	826,000	826,000
Rent receivable from Alfalah Securities (Private) Limited	231	9,147
Provision held against rent receivable from Alfalah Securities (Private) Limited	-	9,147
Brokerage payable to Alfalah Securities (Private) Limited	87	12
Insurance premium paid to Alfalah Insurance Company Limited	529,001	460,811
Dividend paid to Alfalah Insurance Company Limited	1,000	1,000
TFCs held by Alfalah GHP Income Multiplier Fund	6,119	6,121

	<b>30 September 2015 (Un-audited) (Rupees in '000)</b>	<b>31 December 2014 (Audited) (Rupees in '000)</b>
<b>Others</b>		
Mark-up suspended on advances to Warid Telecom (Private) Limited	32,742	22,300
Mark-up suspended on advances to Wateen Telecom (Private) Limited	530,747	441,119
Payment to Wateen Telecom Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	100,611	110,969
Payment to Monet (Private) Limited for Branchless banking services	142,309	110,809
Payment to Al-Qudees & Co	25,006	-
Payment to Intelligens Financials	2,237	-
Payment to Sundar Interiors & Architects	49,884	-
Payment to Timber Links	8,768	-
Payment to Expressive Safety & Security Solutions	4,293	-
Payment to Olive International (Private) Limited	5,571	-
Payment to Computer Marketing Co. (Private) Limited.	6,922	-
Payment to K-Tabs	16,205	-
Payment to MEC Engineer	2,661	-
Payment to Printeria	31,444	-
Advance Rent from Wateen Telecom Limited	-	589
Advance Rent from Warid Telecom Limited	10,940	9,005
Advance Rent from Alfalah Insurance Company Limited	333	-
Rent payable to Wateen Telecom Limited	3,800	950
Provision held against investments in Warid Telecom (Private) Limited	4,366,796	4,366,796
TFCs held by Taavun (Private) Limited	498,900	499,000
TFCs held by IGI Income Fund	78,937	87,935
TFCs held by Alfalah GHP Income Fund	87,901	-
TFCs held by Key Management Personnel	161,434	161,466
	<b><u>Nine months period ended</u></b>	<b><u>30 September 2015</u></b>
	<b>(Un-audited)</b>	<b><u>30 September 2014</u></b>
	<b>(Rupees in '000)</b>	

#### 18.7 The key management personnel / directors compensation are as follows:

Salaries and Allowances	932,925	932,711
Fair value charge against employee stock option scheme	72,376	37,075

In addition the Chief Executive Officer and other executive officers are provided with the Bank maintained car as per Bank's policy.

#### 19 DATE OF AUTHORISATION

The unconsolidated condensed interim financial information was authorised for issue on 21 October 2015 by the Board of Directors of the Bank.

#### 20 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in this unconsolidated condensed interim financial information, to facilitate comparison and to conform with changes in presentation in the current period

During the current period, insurance expense on Islamic Ijara assets has been reclassified from Administrative Expenses to Other Income, and comparatives have been reclassified accordingly for better presentation.

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 CEO

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 Director

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 Director

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 Chairman

# Annexure-I

## Islamic Banking Business

The bank is operating 158 Islamic banking branches as at 30 September 2015 (31 December 2014: 157 branches).

	30 September 2015	31 December 2014
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	8,638,581	9,424,644
Balances with and due from financial institutions	793,911	2,655,800
Lendings to financial institutions	29,623,919	17,286,944
Investments - net	35,532,006	42,725,945
Islamic financing and related assets	34,653,724	36,314,148
Operating fixed assets	2,125,480	2,130,999
Other assets	4,975,318	4,571,148
	116,342,939	115,109,628
<b>LIABILITIES</b>		
Bills payable	2,079,072	1,348,263
Due to financial institutions	2,287,203	9,756,894
Deposits and other accounts		
- Current accounts	33,072,478	34,284,151
- Saving accounts	49,391,656	44,024,101
- Term deposits	13,993,062	11,428,821
- Others	1,271,124	807,927
Deposits from financial institutions - remunerative deposits	138,750	214,559
Deposits from financial institutions - non-remunerative deposits	6,434	1,319
Other liabilities	4,190,773	4,799,138
	106,430,552	106,665,173
	9,912,387	8,444,455
<b>NET ASSETS</b>		
<b>REPRESENTED BY</b>		
Islamic banking fund	1,800,000	1,800,000
Exchange translation reserve	8,079	10,786
Unappropriated / unremitted profit	7,248,418	5,665,417
	9,056,497	7,476,203
Surplus on revaluation of assets - net of tax	855,890	968,252
	9,912,387	8,444,455
<b>Remuneration to Shariah Advisor / Board</b>	2,925	2,800
<b>CHARITY FUND</b>		
Opening Balance	131,543	145,707
<b>Additions during the period</b>		
Received from customers on delayed payments & Others	78,747	53,410
Dividend Purification	-	-
Non-shariah compliant income	-	3,805
Profit on charity saving account	6,003	8,861
	84,750	66,076

# Annexure-I

## Islamic Banking Business

**30 September    31 December**  
**2015                    2014**  
**(Rupees in '000)**

**Distribution of Charity**

Welfare Works

Health

Education

(6,397)	(20,511)
(22,708)	(43,425)
(5,160)	(16,304)
(34,265)	(80,240)

**Closing Balance**

182,028	131,543
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**A-I.1 Islamic Financing and Related Assets**

Financing

Advances

Assets / inventories

Others

30,688,249	29,655,655
3,965,475	6,658,493
-	-
-	-
34,653,724	36,314,148

**A-I.2 Islamic Financing and Related Assets**

Murabaha

Ijarah

Diminishing Musharakah

Musharakah

Salam

Istisna

SBP Islamic Export Refinance Scheme

Others

8,959,195	17,194,729
6,870,607	5,862,184
455,065	723,800
9,548,894	3,998,454
5,396,175	3,703,959
1,216,396	1,986,254
1,430,348	2,099,949
777,044	744,819
34,653,724	36,314,148

# Annexure-I

## Islamic Banking Business

	Quarter ended 30 September 2015	Nine months period ended 30 September 2015	Quarter ended 30 September 2014	Nine months period ended 30 September 2014
	----- (Rupees in '000) -----			
Income / return earned	2,257,735	7,082,501	2,207,596	6,403,151
Income / return expensed	854,121	2,833,200	913,459	3,195,572
Net income / return before depreciation on asset given on lease	1,403,614	4,249,301	1,294,137	3,207,579
Depreciation on assets given on lease	323,501	874,063	270,792	792,896
Net income / return earned after depreciation	1,080,113	3,375,238	1,023,345	2,414,683
Provisions against loans and advances - net	59,505	168,996	51,581	104,590
Provision for diminution in value of investments - net	-	13,828	-	43,914
Bad debts written off directly	14	14	-	-
	59,519	182,838	51,581	148,504
<b>Net income / return earned after provisions</b>	<b>1,020,594</b>	<b>3,192,400</b>	<b>971,764</b>	<b>2,266,179</b>
<b>Other income</b>				
Fee, commission and brokerage income	60,751	193,885	46,682	161,032
Dividend income	-	40,867	-	90,460
Income from dealing in foreign currencies	38,238	93,918	35,191	186,137
Gain on sale of securities - net	-	84,386	(5,554)	17,578
Unrealised loss on revaluation of investment classified as held for trading	269	(364)	681	(211)
Other income	11,499	51,266	18,116	48,724
<b>Total other income</b>	<b>110,757</b>	<b>463,958</b>	<b>95,116</b>	<b>503,720</b>
	1,131,351	3,656,358	1,066,880	2,769,899
<b>Other expenses</b>				
Administrative expenses	698,280	2,072,926	702,559	1,898,146
Provision against off-balance sheet obligations	-	-	1,678	4,065
Other charges	402	778	567	692
<b>Total other expenses</b>	<b>698,682</b>	<b>2,073,704</b>	<b>704,804</b>	<b>1,902,903</b>
	432,669	1,582,654	362,076	866,996
<b>Profit before taxation</b>				
Unappropriated profit brought forward	6,815,634	5,665,417	6,028,110	5,522,958
Transferred from surplus on revaluation of fixed assets - net of tax	115	347	115	347
<b>Profit available for appropriation / unremitted profit</b>	<b>7,248,418</b>	<b>7,248,418</b>	<b>6,390,301</b>	<b>6,390,301</b>

# Consolidated Condensed Interim Statement of Financial Position (Un-Audited)

As at 30 September 2015

	Note	30 September 2015	31 December 2014
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		43,020,485	50,515,643
Balances with other banks		10,247,110	12,403,978
Lendings to financial institutions	7	32,854,451	18,313,485
Investments - net	8	366,356,289	326,533,134
Advances - net	9	302,112,680	290,567,237
Operating fixed assets	10	15,738,413	15,795,057
Deferred tax assets		-	-
Other assets		20,815,789	31,427,755
		791,145,217	745,556,289
<b>LIABILITIES</b>			
Bills payable		12,371,490	11,758,155
Borrowings	11	113,001,110	55,232,916
Deposits and other accounts	12	585,575,682	605,839,535
Sub-ordinated loans		9,984,000	9,987,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		2,063,331	804,146
Other liabilities		16,662,517	16,382,877
		739,658,130	700,004,629
<b>NET ASSETS</b>		<u>51,487,087</u>	<u>45,551,660</u>
<b>REPRESENTED BY</b>			
Share capital		15,898,062	15,872,427
Reserves		13,684,373	12,338,026
Unappropriated profit		11,701,123	10,082,459
Total equity attributable to the equity holders of the Bank		41,283,558	38,292,912
Non-controlling interest		268,911	251,040
		41,552,469	38,543,952
Surplus on revaluation of assets - net of tax		9,934,618	7,007,708
		<u>51,487,087</u>	<u>45,551,660</u>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 19 and Annexure I form an integral part of the consolidated condensed interim financial information.

CEO

Director

Director

Chairman

# Consolidated Condensed Interim Profit and Loss Account (Un-Audited)

## for the Quarter and Nine Months Period Ended 30 September 2015

Note	Quarter ended 30 September 2015	Nine months period ended 30 September 2015	Quarter ended 30 September 2014	Nine months period ended 30 September 2014	
	(Rupees in '000)				
Mark-up / return / interest earned	14,930,218	46,298,105	14,863,889	40,069,057	
Mark-up / return / interest expensed	7,601,661	24,936,851	8,891,771	24,360,538	
Net mark-up / interest income	7,328,557	21,361,254	5,972,118	15,708,519	
Provision against non-performing loans and advances - net	124,356	1,260,745	508,751	711,605	
Provision / (reversal) for diminution in value of investments - net	18,621	92,342	(4,724)	19,646	
Bad debts written-off directly	14	14	-	5	
	142,991	1,353,101	504,027	731,256	
Net mark-up / interest income after provisions	7,185,566	20,008,153	5,468,091	14,977,263	
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income	1,042,255	3,190,424	973,863	3,181,507	
Dividend income	91,843	276,099	91,237	222,291	
Income from dealing in foreign currencies	436,704	1,165,061	533,919	1,518,264	
Loss on deemed disposal of associate	-	-	-	(29,754)	
Gain on sale of securities - net	311,255	1,398,499	100,681	630,178	
Unrealised gain on revaluation of investments classified as held for trading - net	60,586	260,557	87,162	185,272	
Other income	184,912	542,833	250,203	514,524	
Total non mark-up / interest income	2,127,555	6,833,473	2,037,065	6,222,282	
	9,313,121	26,841,626	7,505,156	21,199,545	
<b>Non mark-up / interest expenses</b>					
Administrative expenses	5,504,609	15,979,921	5,235,788	14,607,399	
(Reversal) / provision against off-balance sheet obligations	(1,210)	(3,150)	(29,578)	24,770	
Provision against other assets	45,623	316,921	32,096	201,878	
Other charges	63,102	277,222	49,446	132,649	
Total non mark-up / interest expenses	5,612,124	16,570,914	5,287,752	14,966,696	
	3,700,997	10,270,712	2,217,404	6,232,849	
Share of profit from associates	21,098	75,130	32,827	84,830	
Extra ordinary / unusual items	-	-	-	-	
<b>Profit before taxation</b>	3,722,095	10,345,842	2,250,231	6,317,679	
<b>Taxation</b>	17				
- Current	1,337,967	4,053,868	803,764	2,201,535	
- Deferred	36,222	(359,490)	(85,951)	(115,624)	
- Prior years	-	567,813	38,419	38,419	
- Share of tax of associates	3,477	7,322	1,961	5,699	
	1,377,666	4,296,513	758,193	2,130,029	
<b>Profit after taxation</b>	2,344,429	6,076,329	1,492,038	4,187,650	
<b>Profit attributable to:</b>					
Equity holders of the Bank	2,305,812	5,975,962	1,461,865	4,014,116	
Non-controlling interest	4,567	17,871	2,478	24,883	
Minority investors of funds consolidated by the Group	34,050	82,496	27,695	148,651	
	2,344,429	6,076,329	1,492,038	4,187,650	
		(Rupees)		(Rupees) (Restated)	
Basic earnings per share	15	1.45	3.76	1.06	2.92
Diluted earnings per share	15	1.44	3.74	1.06	2.92

The annexed notes 1 to 19 and Annexure I form an integral part of the consolidated condensed interim financial information.

CEO

Director

Director

Chairman

# Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited) for the Quarter and Nine Months Period Ended 30 September 2015

	Quarter ended 30 September 2015	Half year ended 30 September 2015	Quarter ended 30 September 2014	Half year ended 30 September 2014
	------(Rupees in '000)-----			
Profit after taxation	2,344,429	6,076,329	1,492,038	4,187,650
<b>Other comprehensive income</b>				
Minority share of funds consolidated by the Group transferred to other liabilities	(34,050)	(82,496)	(27,695)	(148,651)
<b>Items that are or may be reclassified subsequently to profit and loss account</b>				
Exchange differences on translation of net investment in foreign branches	8,774	48,869	346,517	(126,481)
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	2,319,153	6,042,702	1,810,860	3,912,518
<b>Components of comprehensive income not reflected in equity</b>				
Surplus / (deficit) on revaluation of available-for-sale securities - net of tax	483,502	2,970,397	(182,588)	171,071
<b>Total comprehensive income</b>	<u>2,802,655</u>	<u>9,013,099</u>	<u>1,628,272</u>	<u>4,083,589</u>

The annexed notes 1 to 19 and Annexure I form an integral part of the consolidated condensed interim financial information.

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 CEO

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 Director

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 Director

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 Chairman

# Consolidated Condensed Interim Cash Flow Statement (Un-Audited)

for the Nine Months Period Ended 30 September 2015

Note	Nine months period ended	
	30 September 2015	30 September 2014
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,345,842	6,317,679
Dividend income	(276,099)	(222,291)
Share of profit from associates	(75,130)	(84,830)
	(351,229)	(307,120)
	<u>9,994,613</u>	<u>6,010,559</u>
<b>Adjustments for:</b>		
Depreciation	1,342,722	1,017,136
Amortisation	199,921	144,490
Provision against non-performing loans and advances - net	1,260,745	711,605
Provision for diminution in the value of investments - net	92,342	19,646
(Reversal) / provision against off-balance sheet obligations	(3,150)	24,770
Provision against other assets	316,921	201,878
Unrealised gain on revaluation of investments classified as held for trading - net	(260,557)	(185,272)
Bad debts written-off directly	14	5
Gain on sale of operating fixed assets - net	(6,774)	(119,716)
Charge for defined benefit plan	223,326	213,080
	<u>3,165,510</u>	<u>2,027,622</u>
	<u>13,160,123</u>	<u>8,038,181</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(11,714,876)	(38,879,795)
Held-for-trading securities	517,136	(2,212,128)
Advances	(12,806,202)	(12,505,401)
Other assets (excluding tax recoverable and dividend receivable)	8,091,276	(1,596,407)
	<u>(15,912,666)</u>	<u>(55,193,731)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	613,335	3,485,956
Borrowings	57,789,426	10,104,786
Deposits and other accounts	(20,263,853)	38,162,554
Other liabilities (excluding current taxation)	(1,232,908)	2,656,268
	<u>36,906,000</u>	<u>54,409,564</u>
	<u>34,153,457</u>	<u>7,254,014</u>
	<u>(1,049,391)</u>	<u>(2,697,697)</u>
Income tax paid		
<b>Net cash generated from operating activities</b>	<u>33,104,066</u>	<u>4,556,316</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(35,829,790)	18,572,843
Net investments in held-to-maturity securities	399,996	(55,905,363)
Investment in associated companies	(179,743)	(491,652)
Dividend income received from associates	50,228	29,953
Dividend income received	218,296	184,691
Investments in operating fixed assets	(1,499,220)	(2,075,946)
Proceeds from sale of operating fixed assets	19,995	243,341
<b>Net cash used in investing activities</b>	<u>(36,820,238)</u>	<u>(39,442,133)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redemption of sub-ordinated loans	(3,000)	(3,000)
Proceeds from issue of shares	41,836	-
Dividend paid	(3,176,177)	(2,687,946)
<b>Net cash used in / generated from financing activities</b>	<u>(3,137,341)</u>	<u>(2,690,946)</u>
Exchange difference on translation of the net investments in foreign branches	48,869	(126,481)
<b>Decrease in cash and cash equivalents</b>	<u>(6,804,644)</u>	<u>(37,703,244)</u>
Cash and cash equivalents at the beginning of the period	65,952,769	98,444,645
<b>Cash and cash equivalents at the end of the period</b>	<u>59,148,125</u>	<u>60,741,401</u>

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The annexed notes 1 to 19 and Annexure I form an integral part of the consolidated condensed interim financial information.

CEO

Director

Director

Chairman

# Consolidated Condensed Interim Statement of Changes in Equity (Un-Audited) for the Nine Months Period Ended 30 September 2015

	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit	Non Controlling Interest	Total
	(Rupees in '000)							
Balance as at 1 January 2014	13,491,563	-	5,508,172	1,766,050	-	7,865,286	222,288	28,853,359
Changes in equity for the nine months period ended 30 September 2014								
Total comprehensive income for the period	-	-	-	-	-	4,162,767	24,883	4,187,650
Profit after taxation for the nine months period ended 30 September 2014	-	-	-	-	-	(148,651)	-	(148,651)
Minority share of funds consolidated by the Group transferred to other liabilities	-	-	-	-	-	-	-	-
Other comprehensive income for the nine months period ended 30 September 2014	-	-	-	(126,481)	-	-	-	(126,481)
Exchange differences on translation of net investment in foreign branches	-	-	-	(126,481)	-	4,014,116	24,883	3,912,518
Transfer to statutory reserve	-	-	803,043	-	-	(803,043)	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	23,362	-	23,362
Transactions with owners, recorded directly in equity								
Cash dividend for the year ended 31 December 2013 @ 20%	-	-	-	-	-	(2,698,313)	-	(2,698,313)
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	121,336	-	-	121,336
Unamortised portion of deferred employee compensation expense	-	-	-	-	(84,261)	-	-	(84,261)
<b>Balance as at 30 September 2014</b>	<b>13,491,563</b>	<b>-</b>	<b>6,311,215</b>	<b>1,639,569</b>	<b>37,075</b>	<b>8,401,408</b>	<b>247,171</b>	<b>30,128,001</b>
Changes in equity for the quarter ended 31 December 2014								
Total comprehensive income for the period	-	-	-	-	-	1,790,097	3,869	1,793,966
Profit after taxation for the quarter ended 31 December 2014	-	-	-	-	-	(59,877)	-	(59,877)
Minority share of funds consolidated by the Group transferred to other liabilities	-	-	-	-	-	-	-	-
Other comprehensive income for the quarter ended 31 December 2014	-	-	-	(277,104)	-	-	-	(277,104)
Exchange differences on translation of net investment in foreign branches	-	-	-	(277,104)	-	-	-	(277,104)
Remeasurement of defined benefit plans	-	-	-	-	-	357,190	-	357,190
Related tax charge	-	-	-	-	-	(124,966)	-	(124,966)
Transfer to statutory reserve	-	-	325,127	-	-	(325,127)	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	43,734	-	43,734
Transactions with owners, recorded directly in equity								
Shares issued during the year	2,380,864	4,285,556	-	-	-	-	-	6,666,420
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	(4,253)	-	-	(4,253)
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	20,841	-	-	20,841
<b>Balance as at 31 December 2014</b>	<b>15,872,427</b>	<b>4,285,556</b>	<b>6,636,342</b>	<b>1,362,465</b>	<b>53,663</b>	<b>10,082,459</b>	<b>251,040</b>	<b>38,543,952</b>
Changes in equity for the nine months period ended 30 September 2015								
Total comprehensive income for the period	-	-	-	-	-	6,058,458	17,871	6,076,329
Profit after taxation for the nine months period ended 30 September 2015	-	-	-	-	-	(82,496)	-	(82,496)
Minority share of funds consolidated by the Group transferred to other liabilities	-	-	-	-	-	-	-	-
Other comprehensive income the nine months period ended 30 September 2015	-	-	-	48,869	-	-	-	48,869
Exchange differences on translation of net investment in foreign branches	-	-	-	48,869	-	-	-	48,869
Transfer to statutory reserve	-	-	1,208,901	-	-	(1,208,901)	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	26,088	-	26,088
Transactions with owners, recorded directly in equity								
Cash dividend for the year ended 31 December 2014 @ 20%	-	-	-	-	-	(3,174,485)	-	(3,174,485)
Shares issued during the period	25,635	16,201	-	-	-	-	-	41,836
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	125,625	-	-	125,625
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	(53,249)	-	-	(53,249)
<b>Balance as at 30 September 2015</b>	<b>15,898,062</b>	<b>4,301,757</b>	<b>7,845,243</b>	<b>1,411,334</b>	<b>126,039</b>	<b>11,701,123</b>	<b>268,911</b>	<b>41,552,469</b>

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

The annexed notes 1 to 19 and Annexure I form an integral part of the consolidated condensed interim financial information.

CEO

Director

Director

Chairman

# Notes to and Forming Part of the Consolidated Condensed Interim Financial Information (Un-Audited) for the Nine Months Period Ended 30 September 2015

## 1 STATUS AND NATURE OF BUSINESS

### 1.1 The "Group" consists of:

#### Holding Company

#### Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on 21 June 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on 01 November 1992. The Bank's registered office is at B. A. Building, I. I. Chundrigar Road, Karachi and the Bank's shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 480 conventional banking branches including 12 sub branches (2014: 480 branches including 12 sub branches), 10 overseas branches (2014: 10 branches), 158 Islamic banking branches (2014: 157 branches) and 1 offshore banking unit (2014: 1 unit).

#### Percentage of Holding 30 September 2015

#### Subsidiaries

Alfalah Securities (Private) Limited, Pakistan	97.91%
Alfalah GHP Investment Management Limited, Pakistan	40.22%
Alfalah GHP Cash Fund, Pakistan	50.20%
Alfalah GHP Islamic Stock Fund, Pakistan	53.09%
Alfalah GHP Value Fund, Pakistan	26.35%

- 1.2 PACRA has assigned a long term credit rating of AA [Double A] and a short term credit rating of A1+ (A one plus) to the Bank as at June 2015 (2014: AA [Double A] for long term and A1+ [A one plus] for short term).

## 2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in the consolidated condensed interim financial information as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 Key financial figures of the Islamic Banking branches are disclosed in Annexure I to the consolidated condensed interim financial information.
- 2.3 The disclosures made in the consolidated condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated 12 May 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements.

### 2.4 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain economic benefits from its activities.

The consolidated condensed interim financial information incorporates the financial information of the Bank and the financial information of subsidiaries from the date that control commences until the date that control ceases. The financial information of subsidiaries is incorporated on a line-by-line basis and the investment held by the Bank is eliminated against the corresponding share capital of subsidiaries in the consolidated condensed interim financial information.

Material intra-group balances and transactions are eliminated.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method.

### 3 STATEMENT OF COMPLIANCE

- 3.1** The consolidated condensed interim financial information of the Bank for the period ended 30 September 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of the consolidated condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3** The Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after 01 January 2006. The standard had not been adopted by Islamic branches of conventional banks pending resolution of certain issues. IFAS 1 requires assets underlying Murabaha financing to be recorded as inventory separately from the assets in Bank's own use. These assets are carried at cost less impairment, if any. The Bank has adopted the standard starting March 2015.

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for presentation of the condensed interim consolidated financial information are the same as those followed in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2014.

#### **New Standards, Interpretations and Amendments**

The Group has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current period:

#### **Standard or Interpretation**

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 13 - Fair Value Measurement

IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 27 - Separate Financial Statements

The above standards and amendments did not have any impact on the Group's financial statements for the current period.

The Group has adopted International Financial Reporting Standard 10 (IFRS 10): "Consolidated Financial Statements" pursuant to its notification by the Securities and Exchange Commission of Pakistan effective for annual periods beginning on or after 1 January 2015. The Group has adopted this standard starting June 2015.

The Securities and Exchange Commission of Pakistan (SECP) vide letters # EMD/233/407/2002-734 dated 18 December 2013, EMD/233/655/2004-68 dated 18 August 2014 and EMD/233/655/2004-1185 dated 30 March 2015, had granted an exemption to the Bank from the preparation of consolidated financial information of the Bank and its subsidiary for the years 2013, 2014 and upto 31 March 2015 respectively.

In addition to the above, certain improvements to various accounting standards have also been issued by the IASB. Such improvements are effective for the current accounting period but did not have any material impact on the Group's financial statements.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and methods used for critical accounting estimates and judgments adopted in the consolidated condensed interim financial information are same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2014.

## 6 FINANCIAL RISK MANAGEMENT

The Group's Financial Risk Management objectives and policies are consistent with those disclosed in the annual unconsolidated financial statements of the Bank for the year ended 31 December 2014.

## 7 LENDINGS TO FINANCIAL INSTITUTIONS

**Note** **30 September** **31 December**  
**2015** **2014**  
**(Un-audited)**  
**(Rupees in '000)**

Call money lendings	<b>7.1</b>	5,950,753	3,521,485
Placements	<b>7.2</b>	372,269	7,472
Bai Muajjal	<b>7.3</b>	25,323,919	14,784,528
Repurchase agreement lendings (Reverse Repo)	<b>7.4</b>	1,207,510	-
		<u>32,854,451</u>	<u>18,313,485</u>

- 7.1** These represent lending to financial institutions at interest rates ranging from 0.41% to 9.25% per annum (31 December 2014: 2.83% to 12.50% per annum) with maturities up to December 2015 (31 December 2014: March 2015).
- 7.2** These represent placements with financial institutions at interest rates ranging from 0.47% to 12.00% per annum (31 December 2014: 12.00% per annum) with maturities up to November 2016 (31 December 2014: November 2016).
- 7.3** These represent lending to financial institutions by Islamic banking business under Bai Muajjal agreements at returns ranging from 6.55% to 9.52% per annum (2014: 9.05% to 9.52%) with maturities upto March 2016 (2014: December 2015).
- 7.4** These represent short-term lending to financial institutions against investement securities. These carry markup rates upto 6.50% per annum (31 Decemeber 2014: Nil) with maturity upto October 2015 (31 Decemeber 2014: Nil).

## 8 INVESTMENTS - NET

## 8.1 Investments by types

	Note			30 September 2015 (Un-audited)			31 December 2014 (Un-audited)		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total			
------(Rupees in '000)-----									
<b>Held-for-trading securities (HFT)</b>									
Market Treasury Bills	18,641,913	-	18,641,913	16,993,362	-	16,993,362			
Pakistan Investment Bonds	1,414,375	-	1,414,375	2,955,033	-	2,955,033			
Overseas Bonds	1,983,151	-	1,983,151	2,193,796	-	2,193,796			
Fully paid up ordinary shares / units - Listed	1,733,961	-	1,733,961	824,566	-	824,566			
Sukuk Bonds	-	-	-	1,066,198	-	1,066,198			
	23,773,400	-	23,773,400	24,032,955	-	24,032,955			
<b>Available-for-sale securities (AFS)</b>									
Market Treasury Bills	44,599,394	5,351,379	49,950,773	44,998,240	102,962	45,101,202			
Pakistan Investment Bonds	73,647,905	75,047,769	148,695,674	85,004,793	30,150,519	115,155,312			
Fully paid up ordinary shares / units - Listed	4,314,115	-	4,314,115	4,769,530	-	4,769,530			
Fully paid up ordinary shares - Unlisted	5,217,016	-	5,217,016	4,426,616	-	4,426,616			
Term Finance Certificates	727,596	-	727,596	1,240,555	-	1,240,555			
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835			
Preference Shares - Unlisted	340,000	-	340,000	340,000	-	340,000			
Overseas Bonds	6,061,299	-	6,061,299	2,722,522	-	2,722,522			
Overseas Government Bonds	1,161,270	-	1,161,270	844,420	-	844,420			
Overseas Sukuk Bonds	4,259,194	-	4,259,194	4,296,833	-	4,296,833			
Sukuk Bonds	31,212,176	-	31,212,176	37,219,970	-	37,219,970			
	171,648,800	80,399,148	252,047,948	185,972,314	30,253,481	216,225,795			
<b>Held-to-maturity securities (HTM)</b>									
Market Treasury Bills	335,719	-	335,719	1,193,121	-	1,193,121			
Pakistan Investment Bonds	66,072,805	-	66,072,805	65,769,574	-	65,769,574			
Term Finance Certificates	600,608	-	600,608	524,266	-	524,266			
Certificate of Investment	-	-	-	253,550	-	253,550			
Letter of placement	-	-	-	30,286	-	30,286			
Trust Deposit Receipts	-	-	-	302,384	-	302,384			
Pakistan Euro Bonds	3,330,981	-	3,330,981	3,176,300	-	3,176,300			
Overseas Bonds	972,453	-	972,453	-	-	-			
Overseas Government Bonds	7,784,227	-	7,784,227	8,315,367	-	8,315,367			
Sukuk Bonds	4,278,201	-	4,278,201	4,210,142	-	4,210,142			
	83,374,994	-	83,374,994	83,774,990	-	83,774,990			
<b>Associates</b>									
Alfalah Insurance Limited	237,762	-	237,762	213,069	-	213,069			
Sapphire Wind Power Company Limited	971,641	-	971,641	342,216	-	342,216			
Alfalah GHP Money Market Fund (Formerly: IGI Money Market Fund)	69,533	-	69,533	543,985	-	543,985			
Alfalah GHP Income Multiplier Fund	283,699	-	283,699	282,843	-	282,843			
Alfalah GHP Sovereign Fund	207,633	-	207,633	215,715	-	215,715			
	1,770,268	-	1,770,268	1,597,828	-	1,597,828			
<b>Investments at cost</b>	<b>280,567,462</b>	<b>80,399,148</b>	<b>360,966,610</b>	<b>295,378,087</b>	<b>30,253,481</b>	<b>325,631,568</b>			
<b>Provision for diminution in value of investments including associates</b>	<b>(5,481,169)</b>	<b>-</b>	<b>(5,481,169)</b>	<b>(5,396,464)</b>	<b>-</b>	<b>(5,396,464)</b>			
<b>Investments (net of provisions)</b>	<b>275,086,293</b>	<b>80,399,148</b>	<b>355,485,441</b>	<b>289,981,623</b>	<b>30,253,481</b>	<b>320,235,104</b>			
Surplus on revaluation of held for trading securities - net	260,557	-	260,557	257,581	-	257,581			
Surplus on revaluation of available for sale securities-net	10,515,139	95,152	10,610,291	5,994,801	45,648	6,040,449			
<b>Total investments at market value</b>	<b>285,861,989</b>	<b>80,494,300</b>	<b>366,356,289</b>	<b>296,234,005</b>	<b>30,299,129</b>	<b>326,533,134</b>			

	30 September 2015	31 December 2014
	(Un-audited)	
	(Rupees in '000)	
<b>8.2 Movement in provision held against diminution in the value of investments including associates</b>		
The analysis of total provision held is as follows:		
Opening balance	5,396,464	5,310,567
Charge for the period / year	92,342	130,043
Reversals for the period / year	-	(44,146)
Provision written off during the period / year	(7,637)	-
Closing balance	<u>5,481,169</u>	<u>5,396,464</u>
<b>8.3 Particulars of provision for diminution in value of investments by type and segment</b>		
<b>Available for sale securities</b>		
<b>Listed companies / mutual funds</b>		
- Fully paid up ordinary shares / units		
- Agritech Limited	-	7,637
- Preference shares		
- Agritech Limited	108,835	108,835
<b>Unlisted companies</b>		
- Fully paid up ordinary shares of Rs. 10 each		
- Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
- Al-Hamra Avenue (Private) Limited	50,000	50,000
- Warid Telecom (Private) Limited (Related party)	4,366,796	4,366,796
<b>Unlisted securities</b>		
- Term finance certificates		
- Azgard Nine Limited	81,927	81,927
- Security Leasing Corporation Limited I	6,418	6,418
- Security Leasing Corporation Limited II	23,105	23,105
- New Allied Electronics	2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited	76,341	51,034
- Quetta Textile Mills Limited	18,621	-
- Preference shares		
- First Dawood Investment Bank Limited	15,000	15,000
- Trust Investment Bank Limited	25,000	25,000
<b>Held to maturity securities</b>		
<b>Unlisted securities</b>		
- Term finance certificates / sukuk bonds		
- Agritech Limited	499,586	465,000
- BRR Guardian Modaraba	34,062	20,234
- Security Leasing Corporation Limited	29,245	29,245
- Sitara Peroxide (Private) Limited	113,643	113,643
- Zulekha Textile Mills (formerly Khunja Textile Mills Limited)	24,680	24,680
	<u>5,481,169</u>	<u>5,396,464</u>

	Note	30 September 2015	31 December 2014
		(Un-audited)	
		(Rupees in '000)	
<b>9 ADVANCES - NET</b>			
Loans, cash credits, running finances, etc.			
- In Pakistan		286,047,856	272,403,191
- Outside Pakistan		10,521,946	12,957,433
		<u>296,569,802</u>	<u>285,360,624</u>
Net investment in finance lease			
- In Pakistan		3,452,451	3,720,506
- Outside Pakistan		-	-
		<u>3,452,451</u>	<u>3,720,506</u>
Financing and investing assets under IFAS 2 Ijarah		7,292,386	5,474,603
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		3,365,875	5,799,128
- Payable outside Pakistan		6,903,078	4,463,186
		<u>10,268,953</u>	<u>10,262,314</u>
		<u>317,583,592</u>	<u>304,818,047</u>
Provision against advances	9.2		
- Specific provision against non-performing advances		(14,771,183)	(13,601,307)
- General provision against advances		(699,729)	(649,503)
		<u>(15,470,912)</u>	<u>(14,250,810)</u>
		<u><u>302,112,680</u></u>	<u><u>290,567,237</u></u>

9.1 Advances include Rs. 18,472 million (2014: Rs. 19,412 million) which have been placed under non-performing status as detailed below:

	30 September 2015 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
<b>Category of classification</b>									
Other Assets Especially									
Mentioned (Agri Financing)	123,866	-	123,866	3,059	-	3,059	3,059	-	3,059
Substandard	1,748,535	13,155	1,761,690	438,117	636	438,753	438,117	636	438,753
Doubtful	3,028,063	-	3,028,063	1,593,036	-	1,593,036	1,593,036	-	1,593,036
Loss	12,934,874	623,107	13,557,981	12,267,047	469,288	12,736,335	12,267,047	469,288	12,736,335
	<u>17,835,338</u>	<u>636,262</u>	<u>18,471,600</u>	<u>14,301,259</u>	<u>469,924</u>	<u>14,771,183</u>	<u>14,301,259</u>	<u>469,924</u>	<u>14,771,183</u>

	31 December 2014 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
<b>Category of classification</b>									
Other Assets Especially									
Mentioned (Agri Financing)	169,364	-	169,364	6,756	-	6,756	6,756	-	6,756
Substandard	4,043,560	-	4,043,560	987,640	-	987,640	987,640	-	987,640
Doubtful	1,877,474	1,325	1,878,799	885,009	662	885,671	885,009	662	885,671
Loss	12,607,501	713,039	13,320,540	11,155,119	566,121	11,721,240	11,155,119	566,121	11,721,240
	<u>18,697,899</u>	<u>714,364</u>	<u>19,412,263</u>	<u>13,034,524</u>	<u>566,783</u>	<u>13,601,307</u>	<u>13,034,524</u>	<u>566,783</u>	<u>13,601,307</u>

9.1.1 The above amounts do not include the Bank's outstanding exposure aggregating to Rs. 3.708 Billion, on M/s Northern Power Generation Company Limited (NPGCL). The State Bank of Pakistan vide their letter No. BPRD/BRD-Policy/2015-22984 dated 19 October 2015 has allowed a relaxation from regulation R-8 of Prudential Regulations for Corporate / Commercial Banking to the participating banks in three Syndicated Term Finance Facilities, namely STFF-1, STFF-2 and STFF-3, extended to M/s. NPGCL – (Nandipur Power Project) for one year upto 30 June 2016.

## 9.2 Particulars of provisions against non-performing loans and advances

	Nine months period ended 30 September 2015 (Un-audited)			Year ended 31 December 2014 (Un-audited)		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
Opening balance	13,601,307	649,503	14,250,810	12,441,472	605,975	13,047,447
Exchange adjustment and other movements	38,716	4,294	43,010	(25,754)	(5,212)	(30,966)
Charge for the period / year	2,719,797	84,297	2,804,094	3,281,110	48,740	3,329,850
Reversals / recoveries	(1,504,984)	(38,365)	(1,543,349)	(1,881,919)	-	(1,881,919)
	1,214,813	45,932	1,260,745	1,399,191	48,740	1,447,931
Amounts written off	(83,653)	-	(83,653)	(213,602)	-	(213,602)
Closing balance	14,771,183	699,729	15,470,912	13,601,307	649,503	14,250,810

9.2.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at 30 September 2015 which is not available for distribution as either cash or stock dividend to shareholders / bonus to employees amounted to Rs. 374.615 million (2014: Rs. 747.957 million).

9.2.2 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations for consumer financing issued by the State Bank of Pakistan. General provision for overseas branches is maintained in accordance with the guidelines of the authorities in the respective countries.

9.2.3 General provision also includes reserve required to be maintained against financing to Small Enterprises (SE) as required under the revised Prudential Regulations for Small and Medium Enterprise Financing issued by the State Bank of Pakistan during the year 2013. Under the revised regulations, effective 30 September 2013, banks have been required to maintain general reserve at least equivalent to 1% of the secured and performing SE portfolio and 2% of the unsecured and performing SE portfolio.

## 10 OPERATING FIXED ASSETS

	30 September 2015	31 December 2014
(Un-audited) (Rupees in '000)		
Capital work-in-progress	1,025,281	1,134,085
Tangible fixed assets	13,815,768	13,843,967
Intangible assets	897,364	817,005
	15,738,413	15,795,057

### 10.1 Additions to operating fixed assets

	Nine months period ended	
	30 September 2015	30 September 2014
(Un-audited) (Rupees in '000)		
Office premises	1,060	182,998
Leasehold improvements	479,280	463,772
Office equipments	750,187	1,067,194
Furniture and fixtures	58,701	149,298
Vehicles	15,236	7,604

### 10.2 Additions to Intangibles

Computer software	279,085	530,271
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### 10.3 Disposals of operating fixed assets

Office premises	-	115,819
Leasehold improvements	-	40,960
Office equipments	49,851	42,243
Furniture and fixtures	28,566	5,765
Vehicles	37,352	3,042

	Note	30 September 2015	31 December 2014
		(Un-audited)	
		(Rupees in '000)	
<b>11 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan	11.1	11,326,235	14,676,945
Repurchase agreement borrowings		80,399,148	30,253,481
		<u>91,725,383</u>	<u>44,930,426</u>
<b>Unsecured</b>			
Call borrowings	11.2	13,109,975	6,648,098
Bai Muajjal	11.3	8,095,529	3,562,937
Overdrawn nostro accounts		70,223	91,455
		<u>21,275,727</u>	<u>10,302,490</u>
		<u>113,001,110</u>	<u>55,232,916</u>
<b>11.1</b>	This represent repurchase agreement borrowing from SBP and other banks at the rate of 6.50% per annum (2014: 9.50% and 9.60% per annum) maturing by October 2015 (2014: January 2015 and February 2015).		
<b>11.2</b>	This represent borrowings from financial institutions at mark-up rates ranging from 0.50% to 7.75% per annum (2014: 1.00% to 9.50%) having maturities upto March 2016 (2014: September 2015).		
<b>11.3</b>	This represent borrowings from financial institutions at mark-up rates ranging from 6.25% to 7.45% per annum (2014: 9.20% to 9.50%) having maturities upto April 2016 (2014: April 2015).		
<b>12 DEPOSITS AND OTHER ACCOUNTS</b>		<b>30 September 2015</b>	<b>31 December 2014</b>
		<b>(Un-audited)</b>	
		<b>(Rupees in '000)</b>	
<b>Customers</b>			
Fixed deposits		135,615,228	153,480,193
Savings deposits		203,283,272	196,118,387
Current accounts - non-remunerative		213,296,283	215,500,460
Others		7,064,123	6,728,458
		<u>559,258,915</u>	<u>571,827,498</u>
<b>Financial institutions</b>			
Remunerative deposits		25,456,694	33,413,472
Non-remunerative deposits		860,073	598,565
		<u>26,316,767</u>	<u>34,012,037</u>
		<u>585,575,682</u>	<u>605,839,535</u>
<b>13 CONTINGENCIES AND COMMITMENTS</b>			
<b>13.1 Direct credit substitutes</b>			
i) Government		450,297	937,508
ii) Banking companies and other financial institutions		14,408	2,606
iii) Others		2,169,160	1,756,948
		<u>2,633,865</u>	<u>2,697,062</u>
<b>13.2 Transaction - related contingent liabilities</b>			
i) Government		26,849,378	26,536,835
ii) Banking companies and other financial institutions		155,824	506,432
iii) Others		10,144,501	8,671,481
		<u>37,149,703</u>	<u>35,714,748</u>
<b>13.3 Trade - related contingent liabilities</b>			
Letters of credit		55,761,059	48,045,564
Acceptances		10,460,172	12,774,108
		<u>66,221,231</u>	<u>60,819,672</u>
<b>13.4 Other contingencies</b>			
Claims against the Bank not acknowledged as debts		10,132,188	9,521,537
		<u>10,132,188</u>	<u>9,521,537</u>

These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex-employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in the consolidated condensed interim financial information.

In addition to the above, an amount of USD 3.949 million ("the Amount") in Bank's nostro account in New York, United States of America has been put on hold by a commercial bank pursuant to receipt of notice of seizure based on the order passed by the District Court, District of Columbia, USA. The order was issued at the request of United States Department of Justice (DOJ) which claims its rights through filing a complaint for forfeiture in rem of assets of a third party in Afghanistan – a customer of the Bank ("Third Party-Customer") – and obtained a court order to hold/seize certain amount in the Nostro accounts of different banks (including Bank Alfalah) wherein the Third Party - Customer was maintaining bank accounts. As a result the Amount has been put on hold for the time being in Nostro Account of the Bank in New York. The dispute is held between the United States Government and the Third Party - Customer, who provided logistic services to the United States Military in Afghanistan. The amount put on hold is equivalent to the customers' balances held/blocked by the Bank during the period. In January 2014 the Bank had to release the accounts of the Third Party - Customer on specific instructions of Central Bank of Afghanistan. The Bank has filed a representation with the DOJ's to challenge its right to hold the Amount and with a request to release the same as the Bank did not have any involvement in the dispute between DOJ and the Third Party - Customers.

Based on internal assessments and careful analysis of the precedents in relation to other banks involved, the management is confident that the Bank has a relatively strong case and the matter will be decided in the Bank's favour. However, the bank has as a matter of prudence carries full provision against the same as at 30 September 2015.

The Bank had filed a case against the above mentioned Third Party Customer in primary commercial court in Afghanistan. In June 2015, the court did not accede claim of the Bank and advised it to pay USD 0.52 million as compensation to the customer along with government/ court fee of AFN 5.268 million. The Bank filed an appeal in the appellate court against the said judgment, in which the earlier decisions were upheld. The said amounts have been charged off in the nine months period ended 30 September 2015.

	<b>30 September 2015</b>	<b>31 December 2014</b>
	<b>(Un-audited)</b>	
	<b>(Rupees in '000)</b>	
<b>13.5 Commitments in respect of forward lendings</b>		
Commitments to extend credit	<u>8,535,995</u>	<u>8,609,125</u>
Commitments in respect of investments	<u>21,877</u>	<u>1,615,818</u>
<b>13.6 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>80,697,751</u>	<u>69,435,889</u>
Sale	<u>93,466,506</u>	<u>54,156,057</u>
<b>13.7 Commitments for the acquisition of operating fixed assets</b>	<u>548,533</u>	<u>291,239</u>
<b>13.8 Commitments in respect of repo transactions</b>		
Repurchase	<u>80,413,458</u>	<u>30,274,144</u>
Resale	<u>1,208,442</u>	<u>-</u>
<b>13.9 Other commitments</b>		
Interest rate swaps	<u>6,956,894</u>	<u>6,314,951</u>
Donations	<u>27,000</u>	<u>41,500</u>
<b>13.10 Contingencies for tax payable (note 17)</b>		

## 14 EMPLOYEE STOCK OPTION SCHEME

The Bank grants share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP vide its letter No. SMD/CIW/ESOS/02/2013 dated 27 December 2013.

Under the Scheme, the Bank may grant options to certain critical employees selected by the Board Compensation Committee to subscribe upto 40,474,689 new ordinary shares over a period from 2014 to 2016. 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.

The grant dates and the vesting period for the options are laid down under the scheme. The options vest over a three year period with one third of the options vesting on completion of each year of service from the date of grant. The options not exercised on completion of first and second year of vesting may be carried forward to be exercised on completion of three year period. After the expiry of the third exercise period, the option holder will lose all the rights of exercise for any remaining options not exercised.

The details of the options under the scheme as at 30 September 2015 were as follows:

	Granted in the year 2015 (in '000)	Granted in the year 2014
Options issued	12,614	11,331
Options no longer in issue	174	954
Options vested	N/A	3,689
Options exercised	N/A	2,563
Options carried forward	N/A	902
Shares issued under ESOS in the year 2015	N/A	2,563
Exercise price per share	Rs. 15.15	Rs. 16.32
Option discount per share	Rs. 10.1	Rs. 10.88

### Nine months period ended

30 September 2015	30 September 2014
(Un-audited)	
(Rupees in '000)	

## 15 EARNINGS PER SHARE

### 15.1 BASIC EARNINGS PER SHARE

Profit for the period attributable to equity holders of the Bank

5,975,962

4,014,116

(Number of shares in thousand)

Weighted average number of ordinary shares

1,589,104

1,372,781

(Rupees)

Basic earnings per share

3.76

2.92

### 15.2 DILUTED EARNINGS PER SHARE

Profit for the period attributable to equity holders of the Bank

5,975,962

4,014,116

(Number of shares in thousand)

Weighted average number of ordinary shares

1,596,654

1,372,837

(Rupees)

Diluted earnings per share

3.74

2.92

	30 September 2015	31 December 2014
	(Un-audited)	
	(Rupees in '000)	
<b>16 CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	43,020,485	50,515,643
Balances with other banks	10,247,110	12,007,096
Call money lendings	5,950,753	3,521,485
Overdrawn nostro accounts	(70,223)	(91,455)
	<u>59,148,125</u>	<u>65,952,769</u>

## 17 TAXATION

- 17.1 The income tax assessments of the Bank have been finalized upto and including tax year 2014. 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.

For all assessments finalized upto tax year 2014, adequate provision has been made by the Bank in these financial statements. In respect of tax years 2008 to 2011, the tax authorities have raised certain issues including disallowance of expenditure on account of non-deduction of withholding tax, default in payment of WWF and dividend income from mutual funds not being taken under income from business, resulting in additional demand of Rs. 952.212 million. The management's appeals in respect of these add-backs are currently pending before various appellate forums. The management is confident that this matter will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

During the period, the Bank has received an amended assessment order for Tax Year 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 418.257 million. The Bank has filed appeal against this order 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 or through rectification orders.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs. 181.597 million against tax demand (after reduction on rectifications) for tax years 2011 to 2015. The Bank has either filed appeals before various tax appellate forums or intends to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

During the period, 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. 97.560 million (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Appellate Tribunal. 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.

- 17.2 The Finance Act, 2015 has introduced certain amendments relating to taxation of banking companies. As per these amendments Bank's income from dividend and capital gain is now taxed at the normal tax rates instead of previously applicable reduced rates. In addition, one time super tax at the rate of 4% of the taxable income has also been levied. These amendments apply retrospectively for the tax year 2015, i.e. year ended 31 December 2014. The effect of above amendments have been incorporated in the consolidated condensed interim financial information and an amount of Rs. 567.813 million has been recognized as prior year tax charge. The banking industry is of the view that this may be discriminatory against banks and is seeking legal advice on the matter.

## 18 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes major shareholders, subsidiaries, associates with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties, except for transactions with executives governed under their terms of employment are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration and markup on facilities to executives is determined in accordance with the terms of their appointment.

## 19.1 Details of transactions with the related parties and balances with them as at period end / year end are as follows:

	30 September 2015 (Un-audited)					
	Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Strategic Investments	Total
	------(Rupees in '000)-----					
<b>Deposits</b>						
Balance at beginning of the period	38,398	71,170	5,054,205	361,775	18	5,525,566
Placements during the period	79,119	659,386	50,069,536	20,429,262	-	71,237,303
Withdrawals / adjustments* during the period	(113,532)	(629,496)	(49,731,542)	(20,353,246)	-	(70,827,816)
Balance at end of the period	3,985	101,060	5,392,199	437,791	18	5,935,053
<b>Advances</b>						
Balance at beginning of the period	-	280,630	3,828,522	-	-	4,109,152
Disbursements/adjustments* during the period	-	624,578	15,562,547	-	-	16,187,125
Repayments / adjustments* during the period	-	(703,669)	(16,578,823)	-	-	(17,282,492)
Balance at end of the period	-	201,539	2,812,246	-	-	3,013,785
<b>Investments</b>						
Balance at beginning of the period	-	-	4,366,796	1,364,042	50,000	5,780,838
Investments during the period	-	-	790,400	633,071	-	1,423,471
Redemption / adjustments* during the period	-	-	300,000	(453,328)	-	(153,328)
Balance at end of the period	-	-	5,457,196	1,543,785	50,000	7,050,981
<b>Provision held against investments</b>						
	-	-	4,366,796	826,000	50,000	5,242,796
<b>Call borrowings / Repo</b>						
Balance at beginning of the period	-	-	-	-	-	-
Borrowings during the period	-	-	800,000	-	-	800,000
Repayments during the period	-	-	(800,000)	-	-	(800,000)
Balance at end of the period	-	-	-	-	-	-
<b>Call lendings / Reverse repo</b>						
Balance at beginning of the period	-	-	-	-	-	-
Placements during the period	-	-	14,825,000	-	-	14,825,000
Withdrawals during the period	-	-	(14,825,000)	-	-	(14,825,000)
Balance at end of the period	-	-	-	-	-	-

	31 December 2014 (Un-audited)					Total
	Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Strategic Investments	
----- (Rupees in '000) -----						
<b>Deposits</b>						
Balance at beginning of the year	34,796	80,786	4,416,681	230,343	18	4,762,624
Placements during the year	236,286	894,069	57,901,746	7,525,747	-	66,557,848
Withdrawals / adjustments during the year	(232,684)	(903,685)	(57,264,222)	(7,394,315)	-	(65,794,906)
Balance at end of the year	38,398	71,170	5,054,205	361,775	18	5,525,566
<b>Advances</b>						
Balance at beginning of the year	-	278,201	3,622,533	-	-	3,900,734
Disbursements during the year	-	82,967	10,697,701	-	-	10,780,668
Repayments / adjustments during the year	-	(80,538)	(10,491,712)	-	-	(10,572,250)
Balance at end of the year	-	280,630	3,828,522	-	-	4,109,152
<b>Investments</b>						
Balance at beginning of the year	-	-	4,553,930	568,990	50,000	5,172,920
Investments during the year	-	-	-	795,052	-	795,052
Redemptions / adjustments during the year	-	-	(187,134)	-	-	(187,134)
Balance at end of the year	-	-	4,366,796	1,364,042	50,000	5,780,838
<b>Provision held against investments</b>	-	-	4,366,796	-	50,000	4,416,796
<b>Call borrowings / Repo</b>						
Balance at beginning of the year	-	-	4,000,000	-	-	4,000,000
Borrowings during the year	-	-	-	-	-	-
Repayments during the year	-	-	(4,000,000)	-	-	(4,000,000)
Balance at end of the year	-	-	-	-	-	-

\* Adjustments include retirement / appointment of Directors, changes in Key Management Personnel and Sponsor shareholders.

**30 September 2015**    **31 December 2014**  
(Un-audited)  
(Rupees in '000)

## 18.2 Advances

Running finance	668,700	2,698,690
Long term loans	2,345,085	1,410,462

## 18.3 Contingencies and commitments

Letter of credit, acceptance & Guarantees outstanding	1,278,601	1,809,608
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## 18.4 Customer Accounts

PLS accounts	3,193,863	3,502,612
Current accounts	485,350	1,446,542
Fixed deposit accounts	2,255,840	576,412

<b>Nine months period ended</b>	
<b>30 September</b>	<b>30 September</b>
<b>2015</b>	<b>2014</b>
<b>(Un-audited)</b>	
<b>(Rupees in '000)</b>	

### 18.5 Transactions with Associates and Others

#### Associates

Mark-up expense on deposits / TFCs	31,880	31,801
Rent Income from Alfalah Insurance Limited	1,497	1,497
Dividend income from Alfalah GHP Income Multiplier Fund	23,284	27,650
Dividend income from Alfalah GHP Sovereign Fund	26,944	2,303
Management Fee earned from funds	132,122	66,215
Sales load earned from funds	7,347	3,872
Investment made in fund units	243,229	148,740
Redemption in investment in funds units	9,501	68,649
Realized gain on redemption in investment in fund Units	499	499
Payment made on behalf of fund	132	644
Capital Gain on sale of units of Alfalah GHP Money Market Fund	46,672	-
Capital Gain on sale of units of Alfalah GHP Cash Fund	25,085	-

#### Others

Mark-up income on advances / Investments	262,565	307,025
Mark-up expense on deposits	40,322	144,868
Rent income from Wateen Telecom Limited	1,766	9,798
Rent income from Warid Telecom (Private) Limited	12,915	13,064
Rent expense pertaining to Wateen Telecom Limited	8,550	8,550
Interest received on placements with Silk Bank	4,307	-
Mark-up paid to Taavun (Private) Limited on TFCs issued	37,425	-
Mark-up paid to IGI Income Fund on TFCs issued	4,549	7,372
Mark-up paid to Key Management Personnel on TFCs Issued	12,110	12,112
Interest paid on Borrowings from Silk Bank	128	-
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	303	470
Charge for security services to Wackenhut Pakistan (Private) Limited	136,393	227,209
Contribution to employees provident fund	223,749	198,253
Contribution to gratuity fund	223,326	213,080
Commission received from Warid Telecom (Private) Limited	6,643	6,962

<b>30 September</b>	<b>31 December</b>
<b>2015</b>	<b>2014</b>
<b>(Un-audited)</b>	
<b>(Rupees in '000)</b>	

### 18.6 Balances with Associates and Others

#### Associates

Insurance premium paid to Alfalah Insurance Company Limited	529,001	460,811
Dividend paid to Alfalah Insurance Company Limited	1,000	1,000
TFCs held by Alfalah GHP Income Multiplier Fund	6,119	6,120
Management Fee Receivable from Funds	51,519	23,789
Sales load receivable from funds	16,714	477
Investment in fund units	318,655	266,665
Other receivable from funds	-	71
Receivable against formation of funds	5,101	3,054

#### Others

Mark-up suspended on advances to Warid Telecom (Private) Limited	32,742	22,300
Mark-up suspended on advances to Wateen Telecom (Private) Limited	530,747	441,119
Payment to Wateen Telecom Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	100,611	110,969
Payment to Monet (Private) Limited for Branchless banking services	142,309	110,809

	30 September 2015	31 December 2014
	(Un-audited)	
	(Rupees in '000)	
Payment to Al-Qudees & Company	25,006	-
Payment to Intelligens Financials	2,237	-
Payment to Sundar Interiors & Architects	49,884	-
Payment to Timber Links	8,768	-
Payment to Expressive Safety & Security Solutions	4,293	-
Payment to Olive International (Private) Limited	5,571	-
Payment to Computer Marketing Company (Private) Limited.	6,922	-
Payment to K-Tabs	16,205	-
Payment to MEC Engineer	2,661	-
Payment to Printeria	31,444	-
Advance Rent from Wateen Telecom Limited	-	589
Advance Rent from Warid Telecom Limited	10,940	9,005
Advance Rent from Alfalah Insurance Company Limited	333	-
Rent payable to Wateen Telecom Limited	3,800	950
Provision held against investments in Warid Telecom (Private) Limited	4,366,796	4,366,796
TFCs held by Taavun (Private) Limited	498,900	499,000
TFCs held by IGI Income Fund	78,937	87,935
TFCs held by Alfalah GHP Income Fund	87,901	-
TFCs held by Key Management Personnel	161,434	161,466
	<b>Nine months period ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2015</b>	<b>2014</b>
	(Un-audited)	
	(Rupees in '000)	

#### 18.7 The key management personnel / directors compensation are as follows:

Salaries and Allowances	932,925	932,711
Fair value charge against employee stock option scheme	72,376	37,075

In addition the Chief Executive Officer and other executive officers are provided with the Bank maintained car as per Bank's policy.

Also, the remuneration to the outgoing CEO of Alfalah Securities (Private) Limited and certain expenses of the subsidiary were paid by the holding company.

#### 19 DATE OF AUTHORISATION

The consolidated condensed interim financial information was authorised for issue on 21 October 2015 by the Board of Directors of the Bank.

During the current period, insurance expense on Islamic Ijara assets has been reclassified from Administrative Expenses to Other Income, and comparatives have been reclassified accordingly for better presentation.

CEO

Director

Director

Chairman

# Annexure-I

## Islamic Banking Business

The bank is operating 158 Islamic banking branches as at 30 September 2015 (31 December 2014: 157 branches).

	30 September 2015	31 December 2014
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	8,638,581	9,424,644
Balances with and due from financial institutions	793,911	2,655,800
Lendings to financial institutions	29,623,919	17,286,944
Investments - net	35,532,006	42,725,945
Islamic financing and related assets	34,653,724	36,314,148
Operating fixed assets	2,125,480	2,130,999
Other assets	4,975,318	4,571,148
	<b>116,342,939</b>	<b>115,109,628</b>
<b>LIABILITIES</b>		
Bills payable	2,079,072	1,348,263
Due to financial institutions	2,287,203	9,756,894
Deposits and other accounts		
- Current accounts	33,072,478	34,284,151
- Saving accounts	49,391,656	44,024,101
- Term deposits	13,993,062	11,428,821
- Others	1,271,124	807,927
Deposits from financial institutions - remunerative deposits	138,750	214,559
Deposits from financial institutions - non-remunerative deposits	6,434	1,319
Other liabilities	4,190,773	4,799,138
	<b>106,430,552</b>	<b>106,665,173</b>
	<b>9,912,387</b>	<b>8,444,455</b>
<b>NET ASSETS</b>		
<b>REPRESENTED BY</b>		
Islamic banking fund	1,800,000	1,800,000
Exchange translation reserve	8,079	10,786
Unappropriated / unremitted profit	7,248,418	5,665,417
	9,056,497	7,476,203
Surplus on revaluation of assets - net of tax	855,890	968,252
	<b>9,912,387</b>	<b>8,444,455</b>
<b>Remuneration to Shariah Advisor / Board</b>	<b>2,925</b>	<b>2,800</b>
<b>CHARITY FUND</b>		
Opening Balance	131,543	145,707
<b>Additions during the period</b>		
Received from customers on delayed payments & others	78,747	53,410
Dividend Purification	-	-
Non-shariah compliant income	-	3,805
Profit on charity saving account	6,003	8,861
	84,750	66,076
<b>Distribution of Charity</b>		
Welfare Works	(6,397)	(20,511)
Health	(22,708)	(43,425)
Education	(5,160)	(16,304)
	(34,265)	(80,240)
<b>Closing Balance</b>	<b>182,028</b>	<b>131,543</b>
<b>A-1.1 Islamic Financing and Related Assets</b>		
Financing	30,688,249	29,655,655
Advances	3,965,475	6,658,493
Assets / inventories	-	-
Others	-	-
	<b>34,653,724</b>	<b>36,314,148</b>
<b>A-1.2 Islamic Financing and Related Assets</b>		
Murabaha	8,959,195	17,194,729
Ijarah	6,870,607	5,862,184
Diminishing Musharakah	455,065	723,800
Musharakah	9,548,894	3,998,454
Salam	5,396,175	3,703,959
Istisna	1,216,396	1,986,254
SBP Islamic Export Refinance Scheme	1,430,348	2,099,949
Others	777,044	744,819
	<b>34,653,724</b>	<b>36,314,148</b>

# Annexure-I

## Islamic Banking Business

	Quarter ended 30 September 2015	Nine months period ended 30 September 2015	Quarter ended 30 September 2014	Nine months period ended 30 September 2014
	------(Rupees in '000)-----			
Income / return earned	2,257,735	7,082,501	2,207,596	6,403,151
Income / return expensed	854,121	2,833,200	913,459	3,195,572
Net income / return before depreciation on asset given on lease	1,403,614	4,249,301	1,294,137	3,207,579
Depreciation on assets given on lease	323,501	874,063	270,792	792,896
Net income / return earned after depreciation	1,080,113	3,375,238	1,023,345	2,414,683
Provisions against loans and advances - net	59,505	168,996	51,581	104,590
Provision for diminution in value of investments - net	-	13,828	-	43,914
Bad debts written off directly	14	14	-	-
	59,519	182,838	51,581	148,504
<b>Net income / return earned after provisions</b>	<b>1,020,594</b>	<b>3,192,400</b>	<b>971,764</b>	<b>2,266,179</b>
Other income				
Fee, commission and brokerage income	60,751	193,885	46,682	161,032
Dividend income	-	40,867	-	90,460
Income from dealing in foreign currencies	38,238	93,918	35,191	186,137
Gain on sale of securities - net	-	84,386	(5,554)	17,578
Unrealised loss on revaluation of investment classified as held for trading	269	(364)	681	(211)
Other income	11,499	51,266	18,116	48,724
<b>Total other income</b>	<b>110,757</b>	<b>463,958</b>	<b>95,116</b>	<b>503,720</b>
	1,131,351	3,656,358	1,066,880	2,769,899
Other expenses				
Administrative expenses	698,280	2,072,926	702,559	1,898,146
Provision against off-balance sheet obligations	-	-	1,678	4,065
Other charges	402	778	567	692
<b>Total other expenses</b>	<b>698,682</b>	<b>2,073,704</b>	<b>704,804</b>	<b>1,902,903</b>
<b>Profit before taxation</b>	<b>432,669</b>	<b>1,582,654</b>	<b>362,076</b>	<b>866,996</b>
Unappropriated profit brought forward	6,815,634	5,665,417	6,028,110	5,522,958
Transferred from surplus on revaluation of fixed assets - net of tax	115	347	115	347
<b>Profit available for appropriation / unremitted profit</b>	<b>7,248,418</b>	<b>7,248,418</b>	<b>6,390,301</b>	<b>6,390,301</b>

# Branch Network

## Bank Alfalah's Presence in Pakistan

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
1	Karachi	81	36	117
2	Lahore	62	31	93
3	Islamabad	23	10	33
4	Rawalpindi	26	8	34
5	Faisalabad	17	11	28
6	Quetta	14	4	18
7	Peshawar	11	4	15
8	Multan	9	6	15
9	Hyderabad	6	2	8
10	Gujranwala	7	2	9
11	Gujrat	3	2	5
12	Sialkot	4	3	7
13	Sargodha	3	2	5
14	Abbottabad	2	1	3
15	Dera Ismail Khan	2	1	3
16	Jhelum	2	1	3
17	Mansehra	2	1	3
18	Taxila	3	0	3
19	Bahawalpur	2	1	3
20	Dera Ghazi Khan	1	1	2
21	Ghotki	2	0	2
22	Gilgit	2	0	2
23	Haripur	2	0	2
24	Hub	1	1	2
25	Jaranwala	2	0	2
26	Jhang	2	1	3
27	Kamra	2	0	2
28	Kohat	2	0	2
29	Mardan	2	0	2
30	Mingora	1	1	2
31	Mirpur	2	0	2
32	Mirpurkhas	1	1	2
33	Okara	2	1	3
34	Rahim Yar Khan	2	1	3
35	Sadiqabad	1	1	2
36	Sahiwal	3	1	4
37	Sheikhupura	2	0	2
38	Sukkur	1	1	2
39	Ahmedpur East	1	0	1
40	Ali pur	1	0	1
41	Allah Abad	1	0	1
42	Arifwala	1	0	1
43	Attock	1	0	1
44	Badin	1	0	1
45	Bahawalnagar	1	1	2
46	Bannu	2	0	2
47	Batkhela	1	0	1
48	Battagram	1	0	1
49	Besham	1	0	1
50	Bewal	0	1	1
51	Bhakkar	1	0	1
52	Bhalwal	1	0	1
53	Bhera	1	0	1
54	Buner	1	0	1
55	Burewala	1	0	1
56	Chak Khasa	1	0	1
57	Chak No. 111 SB	1	0	1
58	Chakwal	2	0	2

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
59	Chaman	1	0	1
60	Charsadda	1	0	1
61	Chichawatni	1	0	1
62	Chillas	1	0	1
63	Chiniot	1	0	1
64	Chishtian	1	0	1
65	Chitral	1	0	1
66	Choa Saidan Shah	1	0	1
67	Dadu	1	0	1
68	Daharki	1	0	1
69	Daska	1	0	1
70	Daultala	1	0	1
71	Depalpur	1	0	1
72	Dera Murad Jamali	1	0	1
73	Dhudial	0	1	1
74	Digri	0	1	1
75	Dina	1	0	1
76	Dinga	1	0	1
77	Dukki	1	0	1
78	Farooqabad	1	0	1
79	Fateh Jang	1	0	1
80	Ferozwala	1	0	1
81	Fort Abbas	1	0	1
82	Gaggo Mandi	1	0	1
83	Gahkuch	1	0	1
84	Gawadar	1	0	1
85	Ghazi	1	0	1
86	Ghourghushti	1	0	1
87	Gojra	1	0	1
88	Gojra Malakwal Tehsil	1	0	1
89	Gujar Khan	1	0	1
90	Haaveli Lakha	1	0	1
91	Hafizabad	1	0	1
92	Hangu	1	0	1
93	Haroonabad	1	0	1
94	Hasan Abdal	0	1	1
95	Hasilpur	1	0	1
96	Havelian	1	0	1
97	Hazro	1	0	1
98	Hunza Nagar	1	0	1
99	Jacobabad	1	0	1
100	Jahania	1	0	1
101	Jalalpur Bhattian	1	0	1
102	Jalalpur Jattan	0	1	1
103	Jampur	1	0	1
104	Jauharabad	1	0	1
105	Kabirwala	0	1	1
106	Kahuta	1	0	1
107	Kallar Syedan	1	0	1
108	Kamalia	0	1	1
109	Kamoke	1	0	1
110	Kandhkot	1	0	1
111	Kasur	1	0	1
112	Khairpur	1	0	1
113	Khanewal	1	0	1
114	Khanpur	1	0	1
115	Kharian	1	0	1
116	Khurrianwala	1	0	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
117	Khushab	0	1	1
118	Kot Abdul Malik	0	1	1
119	Kot Addu	0	1	1
120	Kot momin	1	0	1
121	Kotla	1	0	1
122	Kotli	1	0	1
123	Lala Musa	1	0	1
124	Larkana	1	0	1
125	Layyah	1	0	1
126	Liaqatpur	1	0	1
127	Lodhran	1	0	1
128	Loralai	1	0	1
129	Mailsi	0	1	1
130	Malakwal	1	0	1
131	Mamu Kanjan	1	0	1
132	Mandi Bahauddin	1	1	2
133	Mandi Faizabad	1	0	1
134	Mandi Quaidabad	1	0	1
135	Mandi Sadiq Gunj	1	0	1
136	Matli	1	0	1
137	Mian Channu	1	0	1
138	Mianwali	1	1	2
139	Mirpur Mathelo	1	0	1
140	Moro	1	0	1
141	Muridke	1	0	1
142	Murree	1	0	1
143	Muslim Bagh	1	0	1
144	Mustafabad	1	0	1
145	Muzaffarabad	1	1	2
146	Muzaffargarh	1	0	1
147	Nankana Sahib	1	0	1
148	Narowal	1	0	1
149	Nawabshah	1	0	1
150	Nowshera	1	0	1
151	Nowshera Virkan	1	0	1
152	Oghi	1	0	1
153	Pakpattan	1	0	1
154	Pattoki	1	0	1
155	Phalia	1	0	1
156	Pindi Gheb	0	1	1
157	Pir Mahal	1	0	1
158	Pishin	1	0	1
159	Qaboola	1	0	1
160	Rabwah	1	0	1
161	Rajanpur	1	0	1
162	Rawat	1	0	1
163	Renala Khurd	1	0	1
164	Sambrial	1	0	1
165	Samundri	1	0	1
166	Sanghar	1	0	1
167	Sangla Hill	0	1	1
168	Sarai Alamgir	0	1	1
169	Saraqpur	1	0	1
170	Serai Naurang	1	0	1
171	Shahdadpur	1	0	1
172	Shahkot	0	1	1
173	Shahpur	0	1	1
174	Shakargarh	1	0	1
<b>Total</b>		<b>480</b>	<b>158</b>	<b>638</b>

## Bank Alfalah's Presence in Foreign Countries

Sr #	Location	No. of branches
<b>Bangladesh</b>		
1	Dhaka	4
2	Chittagong	1
3	Sylhet	1
4	Dhanmondi	1
<b>Afghanistan</b>		
1	Kabul	2
2	Herat	1
<b>Bahrain (WBU)</b>		
1	Manama	1
<b>Total</b>		<u><u>11</u></u>