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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<br>2015<br>(Un-audited) | 31 December<br>2014<br>(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>                                   |      | <b>50,806,001</b>                    | <b>44,819,068</b>                |
| <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                        |
|   |      | 50,806,001                           | 44,819,068                       |

## 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>                                       | <u>7,198,536</u>                | <u>19,902,325</u>                          | <u>5,399,697</u>                | <u>14,740,995</u>                          |             |
| <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>   | <u>3,705,582</u>                | <u>10,282,645</u>                          | <u>2,151,330</u>                | <u>6,129,046</u>                           |             |
| <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>  | <u>2,339,884</u>                | <u>6,044,503</u>                           | <u>1,404,750</u>                | <u>4,015,214</u>                           |             |
|   |                                 | (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<br>ended<br>30 September<br>2015 | Nine months<br>period ended<br>30 September<br>2015 | Quarter<br>ended<br>30 September<br>2014 | Nine months<br>period ended<br>30 September<br>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<br/>subsequently to profit and loss account</b>                    |  |   |  |   |
| Exchange differences on translation of net<br>investment in foreign branches                                | 8,774                                    | 48,869  | 346,517                                  | (126,481)   |
| Comprehensive income - transferred to<br>unconsolidated condensed interim statement<br>of changes in equity | 2,348,658                                | 6,093,372   | 1,751,267                                | 3,888,733   |
| <b>Components of comprehensive income not<br/>reflected in equity</b>                                       |  |   |  |   |
| Surplus / (deficit) on revaluation of available<br>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  | <u>(1,075,851)</u>       | <u>(2,719,709)</u>  |
| <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                           | <u>65,880,564</u>        | <u>98,831,214</u>   |
| <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<br>Capital             | Share<br>Premium | Statutory<br>Reserve* | Exchange<br>Translation<br>Reserve | Employee<br>Share Option<br>Compensation<br>Reserve | Unappropri-<br>ated<br>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<br>2015<br>(Un-audited) | 31 December<br>2014<br>(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<br>2015<br>(Un-audited) | 31 December<br>2014<br>(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<br>2015<br>(Un-audited)<br>(Rupees in '000) | 31 December<br>2014<br>(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 ljarah               |      | 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<br>30 September 2015 (Un-audited) |          |             | Year ended<br>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<br>2015<br>(Un-audited) | 31 December<br>2014<br>(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<br>2015     | 30 September<br>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 |
|-------------------|---------|---------|

### 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<br>2015<br>(Un-audited) | 31 December<br>2014<br>(Audited) |
|--------------------------------------|----------------------------------|
|--------------------------------------|----------------------------------|

## 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**    **31 December**  
**2015**                    **2014**  
**(Un-audited)**        **(Audited)**  
**(Rupees in '000)**

### 13 CONTINGENCIES AND COMMITMENTS

#### 13.1 Direct credit substitutes

|  |           |           |
|--|-----------|-----------|
| 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 |
|  | 2,633,865 | 2,697,062 |

#### 13.2 Transaction - related contingent liabilities

|  |            |            |
|--|------------|------------|
| 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  |
|  | 37,149,703 | 35,714,748 |

#### 13.3 Trade - related contingent liabilities

|                   |            |            |
|-------------------|------------|------------|
| Letters of credit | 55,761,059 | 48,045,564 |
| Acceptances       | 10,460,172 | 12,774,108 |
|                   | 66,221,231 | 60,819,672 |

#### 13.4 Other contingencies

|   |            |           |
|---|------------|-----------|
| Claims against the Bank not acknowledged as debts | 10,132,188 | 9,521,537 |
|   | 10,132,188 | 9,521,537 |

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<br>2015<br>(Un-audited)<br>(Rupees in '000) | 31 December<br>2014<br>(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<br>year 2015<br>(in '000) | Granted in the<br>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<br/>2015</b>          | <b>30 September<br/>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<br/>2015</b>          | <b>31 December<br/>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<br>2015<br>(Un-audited) | 31 December<br>2014<br>(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 |
|---|-----------|-----------|

## 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<br/>2015<br/>(Un-audited)<br/>(Rupees in '000)</b> | <b>31 December<br/>2014<br/>(Audited)<br/>(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<br>2015 | 31 December<br>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 |
|---------|---------|

**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<br>2015     | 31 December<br>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               |
|   |      | <u>791,145,217</u>       | <u>745,556,289</u>       |
| <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               |
|   |      | <u>739,658,130</u>       | <u>700,004,629</u>       |
| <b>NET ASSETS</b>   |      | <u><u>51,487,087</u></u> | <u><u>45,551,660</u></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 |      | <u>41,283,558</u>        | <u>38,292,912</u>        |
| Non-controlling interest                                    |      | 268,911                  | 251,040                  |
|   |      | <u>41,552,469</u>        | <u>38,543,952</u>        |
| Surplus on revaluation of assets - net of tax               |      | 9,934,618                | 7,007,708                |
|   |      | <u><u>51,487,087</u></u> | <u><u>45,551,660</u></u> |

**CONTINGENCIES AND COMMITMENTS**

13

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   | -                               | -  | -                               | -  |      |
| Profit before taxation   | 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                                  |      |
| Profit after taxation  | 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<br>ended<br>30 September<br>2015 | Half year<br>ended<br>30 September<br>2015 | Quarter<br>ended<br>30 September<br>2014 | Half year<br>ended<br>30 September<br>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<br>transferred to other liabilities                  | (34,050)                                 | (82,496)                                   | (27,695)                                 | (148,651)                                  |
| <b>Items that are or may be reclassified subsequently<br/>to profit and loss account</b>               |  |  |  |  |
| Exchange differences on translation of net<br>investment in foreign branches                           | 8,774                                    | 48,869                                     | 346,517                                  | (126,481)                                  |
| Comprehensive income - transferred to consolidated<br>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<br/>reflected in equity</b>                                  |  |  |  |  |
| Surplus / (deficit) on revaluation of available-for-sale<br>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<br>2015     | 30 September<br>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              | 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<br>(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<br/>of investments including associates</b> | <b>8.2 (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<br>held for trading securities - net                   | 260,557                | -                   | 260,557            | 257,581                        | -                   | 257,581            |                               |                     |       |
| Surplus on revaluation of<br>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)

**8.2 Movement in provision held against diminution in the value of investments including associates**

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> |

**8.3 Particulars of provision for diminution in value of investments by type and segment**

**Available for sale securities**

**Listed companies / mutual funds**

**- Fully paid up ordinary shares / units**

- Agritech Limited - 7,637

**- Preference shares**

- Agritech Limited 108,835 108,835

**Unlisted companies**

**- 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

**Unlisted securities**

**- 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

**Held to maturity securities**

**Unlisted securities**

**- 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

5,481,169 5,396,464

|  | Note | 30 September<br>2015      | 31 December<br>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<br>30 September 2015 (Un-audited) |          |             | Year ended<br>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<br>2015<br>(Un-audited) | 31 December<br>2014<br>(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                             |
|                          | <u>15,738,413</u>                    | <u>15,795,057</u>                   |

### 10.1 Additions to operating fixed assets

|                        | Nine months period ended             |                                      |
|------------------------|--------------------------------------|--------------------------------------|
|                        | 30 September<br>2015<br>(Un-audited) | 30 September<br>2014<br>(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 |
|-------------------|---------|---------|

### 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<br>2015 | 31 December<br>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>   |
| 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).                |                      |                     |
| <b>12 DEPOSITS AND OTHER ACCOUNTS</b>                    |  |                      |                     |
|  |  | 30 September<br>2015 | 31 December<br>2014 |
|  |  | (Un-audited)         |                     |
|  |  | (Rupees in '000)     |                     |
| <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          |
| <b>13.4 Other contingencies</b>                          |  |                      |                     |
| Claims against the Bank not acknowledged as debts        |  | 10,132,188           | 9,521,537           |

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<br/>2015</b> | <b>31 December<br/>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<br>year 2015<br>(in '000) | Granted in the<br>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                   |

## 15 EARNINGS PER SHARE

### 15.1 BASIC EARNINGS PER SHARE

Profit for the period attributable to equity holders of the Bank

| 30 September<br>2015 | 30 September<br>2014 |
|----------------------|----------------------|
| 5,975,962            | 4,014,116            |

(Number of shares in thousand)  
Restated

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

| 30 September<br>2015 | 30 September<br>2014 |
|----------------------|----------------------|
| 5,975,962            | 4,014,116            |

(Number of shares in thousand)  
Restated

Weighted average number of ordinary shares

|           |           |
|-----------|-----------|
| 1,596,654 | 1,372,837 |
|-----------|-----------|

(Rupees)

Diluted earnings per share

|      |      |
|------|------|
| 3.74 | 2.92 |
|------|------|

|                                       | 30 September<br>2015 | 31 December<br>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)            |
|                                       | 59,148,125           | 65,952,769          |

## 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)  |                  |
| <b>18.2 Advances</b>                                  |                   |                  |
| Running finance                                       | 668,700           | 2,698,690        |
| Long term loans                                       | 2,345,085         | 1,410,462        |
| <b>18.3 Contingencies and commitments</b>             |                   |                  |
| Letter of credit, acceptance & Guarantees outstanding | 1,278,601         | 1,809,608        |
| <b>18.4 Customer Accounts</b>                         |                   |                  |
| 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<br>2015            | 31 December<br>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<br>2015 | 31 December<br>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           |
|  | <b>9,056,497</b>     | <b>7,476,203</b>    |
| 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               |
|  | <b>84,750</b>        | <b>66,076</b>       |
| <b>Distribution of Charity</b>                                   |                      |                     |
| Welfare Works  | (6,397)              | (20,511)            |
| Health   | (22,708)             | (43,425)            |
| Education  | (5,160)              | (16,304)            |
|  | <b>(34,265)</b>      | <b>(80,240)</b>     |
| <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<br>ended<br>30 September<br>2015 | Nine months<br>period ended<br>30 September<br>2015 | Quarter<br>ended<br>30 September<br>2014 | Nine months<br>period ended<br>30 September<br>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<br>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   | Batkheila        | 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> |