

Financial Statements for the Quarter and Half Year
Ended 30 June 2015 (Un-audited)



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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

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

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

Central Management Committee

Mr. Atif Bajwa
Chairman

Mr. Bahauddin Khan
Member

Mr. Faisal Farooq Khan
Member

Mr. Khurram Hussain
Member

Ms. Mehreen Ahmad
Member

Mr. Mirza Zafar Baig
Member

Mr. Rizwan Ata
Member

Mr. Saad ur Rahman Khan
Member

Mr. Aly Mustansir
Member

Mr. Suhail Yaqoob Khan
Member

Mr. Syed Ali Sultan
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

Chief Operating Officer

Mr. Bahauddin Khan

Company Secretary

Mr. Mian Ejaz Ahmad

Chief Financial Officer

Mr. Mirza Zafar Baig

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Registered/Head Office

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

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 half year period ended June 30, 2015.

	Half year ended 30 June 2015	Half year ended 30 June 2014
	(Rupees in '000)	
Profit before provisions and taxation	7,787,173	4,204,945
Provisions against loans and advances – net	1,136,389	202,859
Provision for diminution in the value of investments	73,721	24,370
	1,210,110	227,229
Profit before Taxation	6,577,063	3,977,716
Taxation	2,872,444	1,367,252
Profit after taxation	3,704,619	2,610,464
Earnings per share- basic	Rs. 2.33	Restated Rs. 1.90

Performance Review:

The Bank's results continue to remain positive, with profit before provisions and taxation for the half year ended 30 June 2015 reported at Rs. 7.787 Billion, representing an increase of 85 percent against the corresponding period last year.

Net Interest Income of the bank augmented by 45 percent YoY to Rs. 13.914 Billion in June 2015, primarily attributable to a 25 percent YoY growth in mark-up earned compared to 12 percent YoY growth in mark-up expense.

The overall net revenue earned by the Bank amounted to Rs. 18.642 Billion registering an increase of Rs. 4.699 Billion, a 34 percent increase over the corresponding period last year. Administrative expenses have increased by 10 percent, ending at Rs. 10.371 Billion.

The Bank's cost to income ratio now stands significantly improved to 56 percent as against 68 percent in the corresponding period last year.

During the half year ended June 30, 2015, the Bank has considered a net charge of Rs. 1.098 Billion, after considering FSV retirements against NPLs, while general provisioning continued to be maintained as per the regulatory requirements. The Bank's NPL coverage now stands significantly improved from 70 percent in December 2014 to 77.6 percent in June 2015. As at June 30, 2015, the Non-performing loans (NPL) have come down to Rs.18.909 Billion as compared to Rs.19.412 Billion at December 2014, and with gross advances increasing by 4.7 percent, our NPL ratio stands at improved at 5.9 percent as against 6.36 percent at December 2014.

With recent changes enacted to tax laws, the Bank has had to consider an additional tax charge for prior years, amounting to Rs. 568 million. This mainly represents enactment of super tax and uniform tax on all income, with the later affecting the current period tax charge as well.

Basic Earnings per share for the half year has been reported at Rs. 2.33 as against Rs. 1.90 for the previous corresponding period, reflecting an improvement of 23 percent.

The Bank's asset base stands at Rs.785.799 Billion as at June 30, 2015. The net investment portfolio of the Bank depicts an increase of 5 percent from December 2014, and stands at Rs.340.691 Billion at June 30, 2015. At the same time, unrealized Surplus on the investment portfolio stands increased to Rs. 9.866 Billion as against Rs. 6.040 Billion at December 2014.

Period end deposits remained at the same level as that of the last year end, and stand at Rs.604.751 Billion. Borrowings have increased by 72 percent to Rs.94.900 Billion at June 30, 2015, mainly on account of increased Repo borrowing. The Bank's Gross Advances stand at Rs.319.177 Billion with the Bank's ADR at 52.8 percent.

Economic Review:

The macroeconomic condition of Pakistan showed signs of improvement in the first half of 2015 on easing of political uncertainty, declining international oil prices and improving foreign exchange reserves as GDP in FY15 grew by 4.2% against FY14 GDP of 4.0%.

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 as CPI inflation was recorded at 3.2% (YoY) in June 2015 as compared to 8.2% (YoY) in June 2014. Core inflation also declined significantly. This decline in inflation along with improvement in external position led SBP to cut the discount to 7.0% from 9.5% in the start of 2015. In May 2015, SBP introduced target rate as the new policy rate at 50 bps minus the discount rate.

Despite this significant decline in discount rate, however, private sector credit growth remained subdued in FY15 as it increased by PKR 209 billion in FY15 as compared to PKR 371 billion in FY14.

Budget deficit as a percentage of GDP remained at 5.3% in FY15 as compared to a budget target of 4.9% on the back of lower tax revenue, higher interest payments, power subsidies, expenditures on Zarb-e-Azab (operation against terrorists) and re-habilitation of Independently Displaced Persons (IDPs). This deficit was primarily funded from domestic borrowing. However, SBP continued providing liquidity in the market with Open Market Operations (OMO) level crossing PKR 1,000 billion during the CY1H2015.

Trade deficit in FY 15 remained almost at the same level of FY14 and was reported at USD 17 billion despite a decline in petroleum imports by USD 2.6 billion. The decline in petroleum import was mainly off-set by increase in metal, food and machinery related imports. Remittances reached to record level of USD 18.4 billion as compared to FY14 number of USD 15.8 billion.

Foreign Exchange reserves increased from USD 14.1 billion in June 2014 to USD 18.7 billion ending June 2015 mainly because of privatization proceeds from sale of government's HBL stake, Coalition Support Funds (CSF), IMF program, and proceeds from issuance of international sukuk.

The credit rating of Pakistan was also upgraded to B3 from Caa1 by Moody's in view of Pakistan's strengthening reserves and reduction in deficit. This improvement may benefit Pakistan in raising funds from international markets on better terms.

Looking Ahead:

The macroeconomic outlook continues to remain positive. Survey-based indices of March 2015 report an increase in consumer confidence and in the current economic conditions.

Going forward, significant investment committed for 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.

Challenges in the form of floods, revenue collection, declining exports, international oil prices and energy crisis however still remain.

With the reduction in policy rate, sector margins have also come under pressure. Nonetheless, the bank continues to pursue a sound lending and investment strategy with an objective of maximizing shareholder returns.

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 enable us to perform well in a challenging business environment.

ATIF BAJWA

Director & Chief Executive Officer

Date: 18 August 2015

Place: Abu Dhabi

Independent auditors' review report to the members of Bank Alfalah Limited

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Bank Alfalah Limited ("the Bank") as at 30 June 2015, and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other Matter

The figures for the quarter ended 30 June 2015 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Unconsolidated Condensed Interim Statement of Financial Position

As at 30 June 2015

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

ASSETS

Cash and balances with treasury banks		52,407,685	50,515,643
Balances with other banks		12,348,944	12,331,713
Lendings to financial institutions	7	32,052,001	18,313,485
Investments - net	8	340,691,456	324,319,454
Advances - net	9	303,822,499	290,597,237
Operating fixed assets	10	15,659,285	15,740,100
Deferred tax assets		-	-
Other assets		28,817,809	31,310,661
		785,799,679	743,128,293

LIABILITIES

Bills payable		12,576,325	11,758,155
Borrowings	11	94,900,439	55,232,916
Deposits and other accounts	12	604,751,219	605,963,224
Sub-ordinated loans		9,985,000	9,987,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		1,796,716	853,331
Other liabilities		13,835,332	14,514,599
		737,845,031	698,309,225

NET ASSETS

47,954,648 **44,819,068**

REPRESENTED BY

Share capital		15,898,062	15,872,427
Reserves		13,180,324	12,338,026
Unappropriated profit		9,419,978	9,613,374
		38,498,364	37,823,827
Surplus on revaluation of assets - net of tax		9,456,284	6,995,241
		47,954,648	44,819,068

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 21 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 Half Year Ended 30 June 2015

Note	Quarter ended 30 June 2015	Half year ended 30 June 2015	Quarter ended 30 June 2014	Half year ended 30 June 2014	
	------(Rupees in '000)-----				
Mark-up / return / interest earned	15,349,752	31,249,889	13,119,556	25,038,196	
Mark-up / return / interest expensed	<u>8,238,318</u>	<u>17,335,990</u>	<u>7,839,355</u>	<u>15,469,669</u>	
Net mark-up / interest income	7,111,434	13,913,899	5,280,201	9,568,527	
Provision against non-performing loans and advances - net	452,733	1,136,389	140,723	202,854	
Provision / (reversal) for diminution in value of investments - net	59,893	73,721	(42,478)	24,370	
Bad debts written-off directly	-	-	5	5	
	<u>512,626</u>	<u>1,210,110</u>	<u>98,250</u>	<u>227,229</u>	
Net mark-up / interest income after provisions	6,598,808	12,703,789	5,181,951	9,341,298	
Non mark-up / interest income					
Fee, commission and brokerage income	1,311,124	2,147,371	1,125,878	2,143,120	
Dividend income	233,060	339,800	201,639	304,014	
Income from dealing in foreign currencies	324,541	728,357	605,095	984,345	
Gain on sale of securities - net	464,020	1,071,096	186,189	457,345	
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	50,494	98,501	(3,794)	85,822	
Other income	189,201	343,103	204,302	399,970	
Total non mark-up / interest income	<u>2,572,440</u>	<u>4,728,228</u>	<u>2,319,309</u>	<u>4,374,616</u>	
	9,171,248	17,432,017	7,501,260	13,715,914	
Non mark-up / interest expenses					
Administrative expenses	5,295,498	10,370,800	5,104,155	9,430,551	
(Reversal) / provision against off-balance sheet obligations	(10,729)	(1,940)	53,298	54,348	
Provision against other assets	220,858	271,974	22,158	170,096	
Other charges	127,869	214,120	47,492	83,203	
Total non mark-up / interest expenses	<u>5,633,496</u>	<u>10,854,954</u>	<u>5,227,103</u>	<u>9,738,198</u>	
	3,537,752	6,577,063	2,274,157	3,977,716	
Extra ordinary / unusual items	-	-	-	-	
Profit before taxation	3,537,752	6,577,063	2,274,157	3,977,716	
Taxation	17				
- Current	1,256,588	2,700,343	792,859	1,396,925	
- Deferred	(9,254)	(395,712)	(682)	(29,673)	
- Prior years	567,813	567,813	-	-	
	<u>1,815,147</u>	<u>2,872,444</u>	<u>792,177</u>	<u>1,367,252</u>	
Profit after taxation	1,722,605	3,704,619	1,481,980	2,610,464	
	(Rupees)		(Rupees)	(Restated)	
Basic earnings per share	15	<u>1.08</u>	<u>2.33</u>	<u>1.08</u>	<u>1.90</u>
Diluted earnings per share	15	<u>1.08</u>	<u>2.32</u>	<u>1.08</u>	<u>1.90</u>

The annexed notes 1 to 21 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 Half Year Ended 30 June 2015

	Quarter ended 30 June 2015	Half year ended 30 June 2015	Quarter ended 30 June 2014	Half year ended 30 June 2014
	------(Rupees in '000)-----			
Profit after taxation	1,722,605	3,704,619	1,481,980	2,610,464
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange differences on translation of net investment in foreign branches	<u>(145,470)</u>	<u>40,095</u>	<u>2,475</u>	<u>(472,998)</u>
Comprehensive income - transferred to unconsolidated condensed interim statement of changes in equity	1,577,135	3,744,714	1,484,455	2,137,466
Components of comprehensive income not reflected in equity				
Surplus / (deficit) on revaluation of available for-sale securities - net of tax	191,955	2,486,895	(236,299)	353,659
Total comprehensive income	<u><u>1,769,090</u></u>	<u><u>6,231,609</u></u>	<u><u>1,248,156</u></u>	<u><u>2,491,125</u></u>

The annexed notes 1 to 21 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

 CEO

 Director

 Director

 Chairman

Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)

for the Half Year Ended 30 June 2015

Note	30 June 2015	30 June 2014
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,577,063	3,977,716
Dividend income	(339,800)	(304,014)
	6,237,263	3,673,702
Adjustments for:		
Depreciation	887,678	812,627
Amortisation	133,112	110,769
Provision against non-performing loans and advances - net	1,136,389	202,854
Provision for diminution in the value of investments - net	73,721	24,370
(Reversal) / provision against off-balance sheet obligations	(1,940)	54,348
Provision against other assets	271,974	170,096
Unrealised gain on revaluation of investments classified as held for trading - net	(98,501)	(85,822)
Bad debts written-off directly	-	5
Gain on sale of operating fixed assets - net	(4,875)	(10,033)
Charge for defined benefit plan	148,890	142,759
	2,546,448	1,421,973
	8,783,711	5,095,675
(Increase) / decrease in operating assets		
Lendings to financial institutions	(14,429,347)	(12,553,195)
Held-for-trading securities	16,798,057	(1,408,954)
Advances	(14,361,651)	(15,453,704)
Other assets (excluding tax recoverable and dividend receivable)	161,197	(8,315,058)
	(11,831,744)	(37,730,911)
Increase / (decrease) in operating liabilities		
Bills payable	818,170	5,423,025
Borrowings	39,702,061	25,617,955
Deposits and other accounts	(1,212,005)	30,141,353
Other liabilities (excluding current taxation)	(1,091,844)	793,873
	38,216,382	61,976,206
	35,168,349	29,340,970
Income tax paid	(763,086)	(2,253,410)
Net cash generated from operating activities	34,405,263	27,087,560
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(30,959,573)	11,764,014
Net investments in held-to-maturity securities	1,216,942	(53,893,231)
Disposal / (investment) in subsidiaries and associates	423,344	(200,000)
Dividend income received	179,208	163,994
Investments in operating fixed assets	(953,188)	(1,634,620)
Proceeds from sale of operating fixed assets	18,088	17,955
Net cash used in investing activities	(30,075,179)	(43,781,888)
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated loans	(2,000)	(2,000)
Proceeds from issue of shares	41,836	-
Dividend paid	(3,157,035)	(2,679,531)
Net cash used in / generated from financing activities	(3,117,199)	(2,681,531)
Exchange difference on translation of the net investments in foreign branches	40,095	(472,998)
Increase / (decrease) in cash and cash equivalents	1,252,980	(19,848,857)
Cash and cash equivalents at the beginning of the period	65,880,564	98,831,214
Cash and cash equivalents at the end of the period	67,133,544	78,982,357

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The annexed notes 1 to 21 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 Half Year Ended 30 June 2015

	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated 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
Changes in equity for the half year ended 30 June 2014							
Total comprehensive income for the period							
Profit after taxation for the half year ended 30 June 2014	-	-	-	-	-	2,610,464	2,610,464
Other comprehensive income for the half year ended 30 June 2014							
Exchange differences on translation of net investment in foreign branches	-	-	-	(472,998)	-	-	(472,998)
	-	-	-	(472,998)	-	2,610,464	2,137,466
Transfer to statutory reserve	-	-	522,093	-	-	(522,093)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	17,416	17,416
Transactions with owners, recorded directly in equity							
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	-	-	-	-	(102,798)	-	(102,798)
Balance as at 30 June 2014	13,491,563	-	6,030,265	1,293,052	18,538	6,907,305	27,740,723
Changes in equity for the half year ended 31 December 2014							
Total comprehensive income for the period							
Profit after taxation for the half year ended 31 December 2014	-	-	-	-	-	3,030,387	3,030,387
Other comprehensive income for the half year ended 31 December 2014							
Exchange differences on translation of net investment in foreign branches	-	-	-	69,413	-	-	69,413
Remeasurement of defined benefit plans	-	-	-	-	-	357,045	357,045
Related tax charge	-	-	-	-	-	(124,966)	(124,966)
	-	-	-	69,413	-	3,262,466	3,331,879
Transfer to statutory reserve	-	-	606,077	-	-	(606,077)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	49,680	49,680
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	-	-	-	-	39,378	-	39,378
Balance as at 31 December 2014	15,872,427	4,285,556	6,636,342	1,362,465	53,663	9,613,374	37,823,827
Changes in equity for the half year ended 30 June 2015							
Total comprehensive income for the period							
Profit after taxation for the half year ended 30 June 2015	-	-	-	-	-	3,704,619	3,704,619
Other comprehensive income for the half year ended 30 June 2015							
Exchange differences on translation of net investment in foreign branches	-	-	-	40,095	-	-	40,095
	-	-	-	40,095	-	3,704,619	3,744,714
Transfer to statutory reserve	-	-	740,924	-	-	(740,924)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	17,394	17,394
Transactions with owners, recorded directly in equity							
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	-	-	-	-	(80,547)	-	(80,547)
Balance as at 30 June 2015	15,898,062	4,301,757	7,377,266	1,402,560	98,741	9,419,978	38,498,364

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

The annexed notes 1 to 21 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 Half Year Ended 30 June 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), 157 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 unconsolidated 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 June 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.

Alfalaha GHP Investment Management Limited

Alfalaha GHP Value Fund

Alfalaha GHP Islamic Stock Fund

Alfalaha 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 June 2015 (Un-audited)	31 December 2014 (Audited)
		(Rupees in '000)	
Call money lendings	7.1	2,433,832	3,521,485
Placements	7.2	311,610	7,472
Bai Muajjal	7.3	27,360,367	14,784,528
Repurchase agreement lendings (Reverse Repo)	7.4	1,946,192	-
		<u>32,052,001</u>	<u>18,313,485</u>

- 7.1 These represent lending to financial institutions at interest rates ranging from 0.26% to 12.50% per annum (31 December 2014: 2.83% to 12.50% per annum) with maturities up to September 2015 (31 December 2014: March 2015).
- 7.2 These represent placements with financial institutions at interest rates ranging from 0.41% 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 6.35% to 9.52% per annum (31 December 2014: 9.05% to 9.52%) with maturities upto March 2016 (31 December 2014: December 2015).
- 7.4 These represent short-term lending to financial institutions against investment securities. These carry markup rates of 6.50% per annum (31 December 2014: Nil) with maturities upto July 2015 (31 December 2014: Nil)

8 INVESTMENTS - NET

8.1 Investments by types	Note	30 June 2015 (Un-audited)			31 December 2014 (Audited)		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
							------(Rupees in '000)-----
Held-for-trading securities							
Market Treasury Bills		223,177	-	223,177	15,194,352	-	15,194,352
Pakistan Investment Bonds		2,355,453	-	2,355,453	2,905,528	-	2,905,528
Overseas Bonds		1,644,730	-	1,644,730	2,193,796	-	2,193,796
Fully paid up ordinary shares / units - Listed		434,635	-	434,635	-	-	-
Sukuk Bonds		-	-	-	1,002,278	-	1,002,278
		4,657,995	-	4,657,995	21,295,954	-	21,295,954
Available-for-sale securities							
Market Treasury Bills		42,071,042	476,630	42,547,672	44,998,239	102,962	45,101,201
Pakistan Investment Bonds		92,062,811	61,295,439	153,358,250	85,004,793	30,150,519	115,155,312
Fully paid up ordinary shares / units - Listed		5,273,594	-	5,273,594	4,729,456	-	4,729,456
Fully paid up ordinary shares - Unlisted		4,426,616	-	4,426,616	4,426,616	-	4,426,616
Term Finance Certificates		803,997	-	803,997	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		4,692,514	-	4,692,514	3,566,942	-	3,566,942
Sukuk Bonds		35,580,473	-	35,580,473	41,516,803	-	41,516,803
		185,359,882	61,772,069	247,131,951	185,926,534	30,253,481	216,180,015
Held-to-maturity securities							
Market Treasury Bills		820,449	-	820,449	1,193,121	-	1,193,121
Pakistan Investment Bonds		65,967,700	-	65,967,700	65,769,574	-	65,769,574
Term Finance Certificates		524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds		3,234,896	-	3,234,896	3,176,300	-	3,176,300
Overseas Bonds		7,811,583	-	7,811,583	8,315,367	-	8,315,367
Sukuk Bonds		3,612,934	-	3,612,934	4,210,142	-	4,210,142
		81,971,828	-	81,971,828	83,188,770	-	83,188,770
Subsidiaries							
Alfalah Securities (Private) Limited		826,000	-	826,000	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
		1,831,967	-	1,831,967	2,306,883	-	2,306,883
Associates							
Alfalah Insurance Limited		68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited		849,952	-	849,952	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
		1,415,614	-	1,415,614	1,364,042	-	1,364,042
Investments at cost		275,237,286	61,772,069	337,009,355	294,082,183	30,253,481	324,335,664
Provision for diminution in value of investments							
Investments (net of provisions)	8.2	(6,282,841)	-	(6,282,841)	(6,216,757)	-	(6,216,757)
		268,954,445	61,772,069	330,726,514	287,865,426	30,253,481	318,118,907
Surplus on revaluation of held for trading securities - net							
		98,501	-	98,501	160,098	-	160,098
Surplus on revaluation of available for sale securities-net							
		8,798,171	1,068,270	9,866,441	5,994,801	45,648	6,040,449
Total investments		<u>277,851,117</u>	<u>62,840,339</u>	<u>340,691,456</u>	<u>294,020,325</u>	<u>30,299,129</u>	<u>324,319,454</u>

	30 June 2015 (Un-audited)	31 December 2014 (Audited)
	(Rupees in '000)	
8.2 Particulars of provision for diminution in value of investments		
Opening balance	6,216,757	6,130,860
Charge for the period / year	73,721	130,043
Reversals	-	(44,146)
Provision written off during the period / year	(7,637)	-
Closing balance	<u>6,282,841</u>	<u>6,216,757</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	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
- 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
Investment in subsidiaries		
Unlisted company		
- Fully paid up ordinary shares of Rs. 10 each		
- Alfalah Securities (Private) Limited	826,000	826,000
	<u>6,282,841</u>	<u>6,216,757</u>

	Note	30 June 2015 (Un-audited)	31 December 2014 (Audited)
(Rupees in '000)			
9 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
- In Pakistan		285,369,076	272,433,191
- Outside Pakistan		10,571,756	12,957,433
		<u>295,940,832</u>	<u>285,390,624</u>
Net investment in finance lease			
- In Pakistan		3,742,327	3,720,506
- Outside Pakistan		-	-
		<u>3,742,327</u>	<u>3,720,506</u>
Financing and investing assets under IFAS 2 Ijarah		6,836,734	5,474,603
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		5,702,168	5,799,128
- Payable outside Pakistan		6,955,359	4,463,186
		<u>12,657,527</u>	<u>10,262,314</u>
		<u>319,177,420</u>	<u>304,848,047</u>
Provision against advances			
- Specific provision against non-performing advances	9.2	(14,666,193)	(13,601,307)
- General provision against advances	9.2	(688,728)	(649,503)
		<u>(15,354,921)</u>	<u>(14,250,810)</u>
		<u><u>303,822,499</u></u>	<u><u>290,597,237</u></u>

9.1 Advances include Rs. 18,909 million (2014: Rs. 19,412 million) which have been placed under non-performing status as detailed below:

	30 June 2015 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Category of classification									
Other Assets Especially Mentioned (Agri Financing)	99,460	-	99,460	3,227	-	3,227	3,227	-	3,227
Substandard	2,054,362	94,758	2,149,120	499,028	14,219	513,247	499,028	14,219	513,247
Doubtful	3,184,161	13,458	3,197,619	1,627,153	1,226	1,628,379	1,627,153	1,226	1,628,379
Loss	12,772,478	690,217	13,462,695	11,966,698	554,642	12,521,340	11,966,698	554,642	12,521,340
	<u>18,110,461</u>	<u>798,433</u>	<u>18,908,894</u>	<u>14,096,106</u>	<u>570,087</u>	<u>14,666,193</u>	<u>14,096,106</u>	<u>570,087</u>	<u>14,666,193</u>
	----- (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) -----									
Category of classification									
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>

9.2 Particulars of provisions against non-performing loans and advances

	Half year ended 30 June 2015 (Un-audited)			Year ended 31 December 2014 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	13,601,307	649,503	14,250,810	12,441,472	605,975	13,047,447
Exchange adjustment and other movements	20,504	1,326	21,830	(25,754)	(5,212)	(30,966)
Charge for the period / year	2,133,633	65,654	2,199,287	3,281,110	48,740	3,329,850
Reversals / recoveries	(1,035,143)	(27,755)	(1,062,898)	(1,881,919)	-	(1,881,919)
	1,098,490	37,899	1,136,389	1,399,191	48,740	1,447,931
Amounts written off	(54,108)	-	(54,108)	(213,602)	-	(213,602)
Closing balance	<u>14,666,193</u>	<u>688,728</u>	<u>15,354,921</u>	<u>13,601,307</u>	<u>649,503</u>	<u>14,250,810</u>

9.2.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at 30 June 2015 which is not available for distribution as either cash or stock dividend to shareholders / bonus to employees amounted to Rs. 433.374 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 June 2015 (Un-audited)	31 December 2014 (Audited)
	(Rupees in '000)	
Capital work-in-progress	746,432	1,134,085
Property and equipment	13,988,687	13,828,003
Intangible assets	924,166	778,012
	<u>15,659,285</u>	<u>15,740,100</u>

10.1 Additions to operating fixed assets

	Half year ended	
	30 June 2015 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	
Office premises	-	176,141
Leasehold improvements	427,617	391,484
Office equipment	582,707	758,606
Furniture and fixtures	41,717	98,760
Vehicles	15,236	446

Note	Half year ended	
	30 June 2015	30 June 2014

10.2 Additions to Intangibles

Computer software	279,085	379,282
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10.3 Disposals of operating fixed assets

Leasehold improvements	-	26,740
Office equipment	21,852	28,969
Furniture and fixtures	28,551	5,710
Vehicles	23,326	1,567

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

Secured

Borrowings from State Bank of Pakistan	12,348,133	14,676,945
Repurchase agreement borrowings	61,772,069	30,253,481
	<u>74,120,202</u>	<u>44,930,426</u>

Unsecured

Call borrowings	13,369,615	6,648,098
Bai Muajjal	7,353,705	3,562,937
Overdrawn nostro accounts	56,917	91,455
	<u>20,780,237</u>	<u>10,302,490</u>
	<u><u>94,900,439</u></u>	<u><u>55,232,916</u></u>

- 11.1** This represent repurchase agreement borrowing from SBP at the rate of 6.55% and with other banks upto the rate of 7.23% per annum (2014: 9.50% and 9.60% per annum) maturing by July 2015 (2014: January 2015 and February 2015).
- 11.2** This represent borrowings from financial institutions at mark-up rates ranging from 1.20% to 7.75% per annum (2014: 1.00% to 9.50%) having maturities upto December 2015 (2014: September 2015).
- 11.3** This represent borrowings from financial institutions at mark-up rates ranging from 7.25% 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	125,701,096	153,480,193
Savings deposits	204,381,834	196,118,387
Current accounts - non-remunerative	229,498,186	215,500,460
Others	11,349,251	6,728,458
	<u>570,930,367</u>	<u>571,827,498</u>

Financial institutions

Remunerative deposits	32,095,320	33,534,156
Non-remunerative deposits	1,725,532	601,570
	<u>33,820,852</u>	<u>34,135,726</u>
	<u><u>604,751,219</u></u>	<u><u>605,963,224</u></u>

	30 June 2015 (Un-audited)	31 December 2014 (Audited)
	(Rupees in '000)	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
i) Government	841,214	937,508
ii) Banking companies and other financial institutions	14,918	2,606
iii) Others	2,137,756	1,756,948
	<u>2,993,888</u>	<u>2,697,062</u>
13.2 Transaction - related contingent liabilities		
i) Government	26,561,100	26,536,835
ii) Banking companies and other financial institutions	455,903	506,432
iii) Others	9,612,203	8,671,481
	<u>36,629,206</u>	<u>35,714,748</u>
13.3 Trade - related contingent liabilities		
Letters of credit	<u>59,318,230</u>	<u>48,045,564</u>
Acceptances	<u>14,138,428</u>	<u>12,774,108</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>9,168,713</u>	<u>9,521,537</u>

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

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

Based on internal assessments and careful analysis of the precedents in relation to other banks involved, the management is confident that the Bank has a relatively strong case and the matter will be decided in the Bank's favour. However, the bank has as a matter of prudence considered a 100% provision against the same as at 30 June 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. Accordingly, as at 30 June 2015, the management has considered a provision for the said amounts in the unconsolidated condensed interim financial information.

	30 June 2015 (Un-audited) (Rupees in '000)	31 December 2014 (Audited)
13.5 Commitments in respect of forward lendings		
Commitments to extend credit	<u>16,416,786</u>	<u>8,609,125</u>
Commitments in respect of investments	<u>1,110,918</u>	<u>1,615,818</u>
13.6 Commitments in respect of forward exchange contracts		
Purchase	<u>70,515,354</u>	<u>69,435,889</u>
Sale	<u>57,558,405</u>	<u>54,156,057</u>
13.7 Commitments for the acquisition of operating fixed assets	<u>452,826</u>	<u>291,239</u>
13.8 Commitments in respect of repo transactions		
Repurchase	<u>61,835,079</u>	<u>30,274,144</u>
Resale	<u>1,948,618</u>	<u>-</u>
13.9 Other commitments		
Interest rate swaps	<u>6,976,055</u>	<u>6,314,951</u>
Donations	<u>43,000</u>	<u>41,500</u>
13.10 Contingencies for tax payable (note 17)		

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 June 2015 were as follows:

	Granted in the year 2015 (In '000)	Granted in the year 2014
Options issued	12,614	11,331
Options no longer in issue	Nil	764
Options vested	N/A	3,689
Options exercised	N/A	2,563
Options carried forward	N/A	1,092
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

	Half year ended	
	30 June 2015 (Un-audited) (Rupees in '000)	30 June 2014 (Audited)
15 EARNINGS PER SHARE		
15.1 BASIC EARNINGS PER SHARE		
Profit after taxation for the period	3,704,619	2,610,464
	(Number of shares in thousand) Restated	
Weighted average number of ordinary shares	1,588,741	1,372,837
	(Rupees) Restated	
Basic earnings per share	2.33	1.90
15.2 DILUTED EARNINGS PER SHARE		
	(Rupees in '000)	
Profit after taxation for the period	3,704,619	2,610,464
	(Number of shares in thousand) Restated	
Weighted average number of ordinary shares	1,596,298	1,372,837
	(Rupees) Restated	
Diluted earnings per share	2.32	1.90
16 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	52,407,685	50,515,643
Balances with other banks	12,348,944	11,934,891
Call money lendings	2,433,832	3,521,485
Overdrawn nostro accounts	(56,917)	(91,455)
	67,133,544	65,880,564
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 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follows:-

For the half year ended 30 June 2015 (Un-audited)					
Trading & Sales	Retail Banking	Corporate / Commercial Banking	Inter-Segment Elimination	Total	
(Rupees in '000)					
Total income	31,284,890	20,345,098	19,929,175	(52,917,036)	18,642,127
Total expenses	(26,519,863)	(19,189,504)	(19,272,733)	52,917,036	(12,065,064)
Net income	4,765,027	1,155,594	656,442	-	6,577,063
Segment return on assets (ROA)	2.12%	0.35%	0.24%		
Segment cost of funds	10.52%	4.03%	6.65%		
For the half year ended 30 June 2014 (Un-audited)					
Trading & Sales	Retail Banking	Corporate / Commercial Banking	Inter-Segment Elimination	Total	
(Rupees in '000)					
Total income	14,003,708	35,069,016	18,428,399	(53,557,980)	13,943,143
Total expenses	(13,212,394)	(33,059,964)	(17,251,049)	53,557,980	(9,965,427)
Net income	791,314	2,009,052	1,177,350	-	3,977,716
Segment return on assets (ROA)	0.60%	0.70%	0.59%		
Segment cost of funds	8.88%	9.09%	8.12%		
As at 30 June 2015 (Un-audited)					
Trading & Sales	Retail Banking	Corporate / Commercial Banking	Inter-Segment Elimination	Total	
(Rupees in '000)					
Segment assets	463,890,909	648,459,109	480,887,105	(807,437,444)	785,799,679
Segment non performing loans	-	574,864	18,334,030	-	18,908,894
Segment provision required against loans and advances	-	946,962	14,407,959	-	15,354,921
Segment liabilities	456,724,171	647,314,336	441,243,968	(807,437,444)	737,845,031
As at 30 June 2014 (Un-audited)					
Trading & Sales	Retail Banking	Corporate / Commercial Banking	Inter-Segment Elimination	Total	
(Rupees in '000)					
Segment assets	342,148,570	596,866,981	424,268,416	(690,751,639)	672,532,328
Segment non performing loans	-	685,357	17,105,550	-	17,790,907
Segment provision required against loans and advances	-	873,942	12,237,643	-	13,111,585
Segment liabilities	332,348,404	591,687,851	407,542,537	(690,751,639)	640,827,153

19 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, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties, 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 June 2015 (Un-audited)					Total
	Directors	Key Management Personnel	Group / Associated Companies / Others	Subsidiaries / Associates	Strategic Investments	
------(Rupees in '000)-----						
Deposits						
Balance at beginning of the period	38,398	71,170	5,054,205	486,239	18	5,650,030
Placements during the period	48,479	506,583	41,772,487	16,790,267	-	59,117,816
Withdrawals / adjustments* during the period	(65,640)	(451,814)	(41,669,487)	(16,633,469)	-	(58,820,410)
Balance at end of the period	21,237	125,939	5,157,205	643,037	18	5,947,436
Advances						
Balance at beginning of the period	-	280,630	3,828,522	30,000	-	4,139,152
Disbursements / adjustments* during the period	-	480,605	5,024,122	22,000	-	5,526,727
Repayments / adjustments* during the period	-	(536,847)	(4,115,070)	-	-	(4,651,917)
Balance at end of the period	-	224,388	4,737,574	52,000	-	5,013,962
Investments						
Balance at beginning of the period	-	-	4,366,796	3,670,925	50,000	8,087,721
Investments during the period	-	-	-	504,900	-	504,900
Redemption / adjustments* during the period	-	-	-	(928,243)	-	(928,243)
Balance at end of the period	-	-	4,366,796	3,247,582	50,000	7,664,378
Provision held against investments						
	-	-	4,366,796	826,000	50,000	5,242,796
Call borrowings / Repo						
Balance at beginning of the period	-	-	-	-	-	-
Borrowings during the period	-	-	300,000	-	-	300,000
Repayments during the period	-	-	(300,000)	-	-	(300,000)
Balance at end of the period	-	-	-	-	-	-
Call lendings / Reverse repo						
Balance at beginning of the period	-	-	-	-	-	-
Placements during the period	-	-	5,850,000	-	-	5,850,000
Withdrawals during the period	-	-	(5,850,000)	-	-	(5,850,000)
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)-----						
Deposits						
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
Advances						
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
Investments						
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
Provision held against investments						
	-	-	4,366,796	826,000	50,000	5,242,796
Call borrowings / Repo						
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 June 2015 (Un-audited)	31 December 2014 (Audited)
	(Rupees in '000)	
19.2 Advances		
Running finance	2,403,927	2,698,691
Long term loans	2,610,035	1,440,461
19.3 Contingencies and commitments		
Letter of credit, acceptance & Guarantees outstanding	1,307,087	1,809,608
19.4 Customer Accounts		
PLS accounts	3,022,648	3,612,686
Current accounts	831,560	1,455,725
Fixed deposit accounts	2,093,228	581,619

	Half year ended	
	30 June	30 June
	2015	2014
	(Un-audited)	(Un-audited)
	(Rupees in '000)	

19.5 Transactions with Subsidiaries / Associates and Others

Subsidiaries / Associates

Mark-up income on advances	-	1,617
Mark-up expense on deposits	37,385	17,810
Brokerage Expense pertaining to Alfalah Securities (Private) Limited	359	270
Rent Income from Alfalah Securities (Private) Limited	676	644
Rent income from Alfalah GHP Investment Management Limited	-	324
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
Capital Gain on sale of units of Alfalah GHP Cash Fund	25,085	-
Rent Income from Alfalah Insurance Limited	998	998
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	-
Mark-up paid to Alfalah GHP Income Multiplier Fund	353	-

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

Others

Mark-up income on advances	220,814	205,953
Mark-up expense on deposits	121,375	114,652
Rent income from Wateen Telecom Limited	1,766	6,532
Rent income from Warid Telecom (Private) Limited	8,915	8,607
Rent expense pertaining to Wateen Telecom Limited	5,700	5,700
Revenue from Alfalah GHP against sale of units	21,119	-
Interest received on placements with Silk Bank	2,367	-
Mark-up paid to Taavun (Private) Limited	37,425	-
Mark-up paid to IGI Income Fund	4,549	-
Mark-up paid to IGI Aggressive Income Fund	546	-
Mark-up paid to Key Management Personnel on TFCs Issued	12,110	12,112
Interest paid on Borrowings from Silk Bank	43	-
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	303	470
Charge for security services to Security and Management Services (Private) Limited and Wackenhut Pakistan (Private) Limited	136,393	135,825
Provision made during the period in respect of strategic investments	-	17,500
Contribution to employees provident fund	152,508	130,164
Contribution to gratuity fund	148,890	142,759
Commission received from Warid Telecom (Private) Limited	6,643	6,962

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

19.6 Balances with Subsidiaries / Associates and Others

Subsidiaries / Associates

Mark-up receivable on advances to Alfalah Securities (Private) Limited	35,969	33,423
Mark-up held in suspense on advances to Alfalah Securities (Private) Limited	35,969	33,423
Provision held against investment in Alfalah Securities (Private) Limited	826,000	826,000
Rent receivable from Alfalah Securities (Private) Limited	9,824	9,147
Provision held against rent receivable from Alfalah Securities (Private) Limited	9,824	9,147
Brokerage payable to Alfalah Securities (Private) Limited	33	12
Insurance premium paid to Alfalah Insurance Company Limited	524,701	460,811
Dividend paid to Alfalah Insurance Company Limited	1,000	1,000
TFCs held by Alfalah GHP Income Multiplier Fund	6,121	6,121

	30 June 2015 (Un-audited)	31 December 2014 (Audited)
	(Rupees in '000)	
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	71,848	110,969
Payment to Monet (Private) Limited for Branchless banking services	97,131	110,809
Payment to Al-Qudees & Co	21,095	-
Payment to Intelligens Financials	1,427	-
Payment to Sundar Interiors & Architects	32,050	-
Payment to Timber Links	6,107	-
Payment to Expressive Safety & Security Solutions	2,495	-
Payment to Olive International (Private) Limited	4,789	-
Payment to Computer Marketing Co. (Private) Limited.	5,068	-
Payment to K-Tabs	9,920	-
Payment to MEC Engineer	2,296	-
Payment to Printeria	22,787	-
Advance Rent from Wateen Telecom Limited	-	589
Advance Rent from Warid Telecom Limited	90	9,005
Advance Rent from Alfalah Insurance Company Limited	832	-
Rent receivable from Wateen Telecom Limited	1,177	-
Rent payable to Wateen Telecom Limited	950	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	8,980	-
TFCs held by Key Management Personnel	161,434	161,466

Half year ended
30 June 2015 (Un-audited) 30 June 2014 (Un-audited)
(Rupees in '000)

19.7 The key management personnel / directors compensation are as follows:

Salaries and Allowances	741,550	630,885
Fair value charge against employee stock option scheme	45,078	18,538

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

20 DATE OF AUTHORISATION

The unconsolidated condensed interim financial information was authorised for issue on 18 August 2015 by the Board of Directors of the Bank.

21 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

CEO

Director

Director

Chairman

Annexure-I

Islamic Banking Business

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

	30 June 2015	31 December 2014
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	9,247,826	9,424,644
Balances with and due from financial institutions	2,816,981	2,655,800
Lendings to financial institutions	28,360,367	17,286,944
Investments - net	34,929,941	42,725,945
Islamic financing and related assets	38,497,294	36,314,148
Operating fixed assets	2,134,652	2,130,999
Other assets	4,612,677	4,571,148
	<u>120,599,738</u>	<u>115,109,628</u>
LIABILITIES		
Bills payable	2,201,033	1,348,263
Due to financial institutions	1,757,516	9,756,894
Deposits and other accounts		
- Current accounts	36,594,554	34,284,151
- Saving accounts	47,444,644	44,024,101
- Term deposits	16,879,325	11,428,821
- Others	1,886,944	807,927
Deposits from financial institutions - remunerative deposits	136,535	214,559
Deposits from financial institutions - non-remunerative deposits	562	1,319
Other liabilities	4,170,933	4,799,138
	<u>111,072,046</u>	<u>106,665,173</u>
	<u>9,527,692</u>	<u>8,444,455</u>
NET ASSETS		
REPRESENTED BY		
Islamic banking fund	1,800,000	1,800,000
Exchange translation reserve	9,485	10,786
Unappropriated / unremitted profit	6,815,634	5,665,417
	<u>8,625,119</u>	<u>7,476,203</u>
Surplus on revaluation of assets - net of tax	902,573	968,252
	<u>9,527,692</u>	<u>8,444,455</u>
Remuneration to Shariah Advisor / Board	<u>1,950</u>	<u>2,800</u>
CHARITY FUND		
Opening Balance	131,543	145,707
Additions during the period		
Received from customers on delayed payments & Others	63,818	53,410
Dividend Purification	-	-
Non-shariah compliant income	-	3,805
Profit on charity saving account	4,170	8,861
	<u>67,988</u>	<u>66,076</u>
Distribution of Charity		
Welfare Works	-	(20,511)
Health	(8,675)	(43,425)
Education	(1,880)	(16,304)
Relief and disaster recovery	-	-
	<u>(10,555)</u>	<u>(80,240)</u>
Closing Balance	<u>168,976</u>	<u>131,543</u>
A-I.1 Islamic Financing and Related Assets		
Financing	32,080,280	29,655,655
Advances	6,417,014	6,658,493
Assets / inventories	-	-
Others	-	-
	<u>38,497,294</u>	<u>36,314,148</u>
A-I.2 Islamic Financing and Related Assets		
Murabaha	11,943,576	17,194,729
Ijarah	7,471,319	5,862,184
Diminishing Musharakah	571,629	723,800
Musharakah	7,875,927	3,998,454
Salam	6,348,609	3,703,959
Istisna	1,723,111	1,986,254
SBP Islamic Export Refinance Scheme	1,761,184	2,099,949
Others	801,939	744,819
	<u>38,497,294</u>	<u>36,314,148</u>

Annexure-I

Islamic Banking Business

	Quarter ended 30 June 2015	Half year ended 30 June 2015	Quarter ended 30 June 2014	Half year ended 30 June 2014
	------(Rupees in '000)-----			
Income / return earned	2,320,302	4,824,766	2,011,411	4,195,555
Income / return expensed	962,063	1,979,079	923,572	2,282,113
Net income / return before depreciation on asset given on lease	1,358,239	2,845,687	1,087,839	1,913,442
Depreciation on assets given on lease	281,397	550,562	276,538	522,104
Net income / return earned after depreciation	1,076,842	2,295,125	811,301	1,391,338
Provisions against loans and advances - net	76,710	109,491	27,799	53,009
Provision for diminution in value of investments - net	-	13,828	(8,957)	43,914
Bad debts written off directly	-	-	-	-
	76,710	123,319	18,842	96,923
Net income / return earned after provisions	1,000,132	2,171,806	792,459	1,294,415
Other income				
Fee, commission and brokerage income	69,877	133,134	66,670	114,350
Dividend income	40,867	40,867	90,460	90,460
Income from dealing in foreign currencies	36,121	55,680	65,182	150,946
Gain on sale of securities - net	31,953	84,386	-	-
Unrealised loss on revaluation of investment classified as held for trading	(1,098)	(633)	(892)	(892)
Other income	18,437	39,767	109,814	192,430
Total other income	196,157	353,201	331,234	547,294
	1,196,289	2,525,007	1,123,693	1,841,709
Other expenses				
Administrative expenses	706,385	1,374,646	698,614	1,334,277
Provision against off-balance sheet obligations	-	-	2,387	2,387
Other charges	1,241	376	69	125
Total other expenses	707,626	1,375,022	701,070	1,336,789
Profit before taxation	488,663	1,149,985	422,623	504,920
Unappropriated profit brought forward	6,326,855	5,665,417	5,605,371	5,522,958
Transferred from surplus on revaluation of fixed assets - net of tax	116	232	116	232
Profit available for appropriation / unremitted profit	<u>6,815,634</u>	<u>6,815,634</u>	<u>6,028,110</u>	<u>6,028,110</u>

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

As at 30 June 2015

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

ASSETS

Cash and balances with treasury banks		52,407,685	50,515,643
Balances with other banks		12,342,553	12,403,978
Lendings to financial institutions	7	32,052,001	18,313,485
Investments - net	8	342,443,016	326,533,134
Advances - net	9	303,770,499	290,567,237
Operating fixed assets	10	15,711,065	15,795,057
Deferred tax assets		-	-
Other assets		29,160,440	31,427,755
		787,887,259	745,556,289

LIABILITIES

Bills payable		12,576,325	11,758,155
Borrowings	11	94,900,439	55,232,916
Deposits and other accounts	12	604,544,390	605,839,535
Sub-ordinated loans		9,985,000	9,987,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		1,796,716	804,146
Other liabilities		15,419,150	16,382,877
		739,222,020	700,004,629

NET ASSETS

	48,665,239	45,551,660
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REPRESENTED BY

Share capital	15,898,062	15,872,427
Reserves	13,180,324	12,338,026
Unappropriated profit	9,854,594	10,082,459
Total equity attributable to the equity holders of the Bank	38,932,980	38,292,912
Non-controlling interest	264,344	251,040
	39,197,324	38,543,952
Surplus on revaluation of assets - net of tax	9,467,915	7,007,708
	48,665,239	45,551,660

CONTINGENCIES AND COMMITMENTS

13

The annexed notes 1 to 20 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 Half Year Ended 30 June 2015

Note	Quarter ended 30 June 2015	Half year ended 30 June 2015	Quarter ended 30 June 2014	Half year ended 30 June 2014	
	(Rupees in '000)				
Mark-up / return / interest earned	15,413,110	31,367,887	13,188,251	25,205,168	
Mark-up / return / interest expensed	8,238,020	17,335,190	7,838,870	15,468,767	
Net mark-up / interest income	7,175,090	14,032,697	5,349,381	9,736,401	
Provision against non-performing loans and advances - net	452,733	1,136,389	140,723	202,854	
Provision / (reversal) for diminution in value of investments - net	59,893	73,721	(42,478)	24,370	
Bad debts written-off directly	-	-	5	5	
	512,626	1,210,110	98,250	227,229	
Net mark-up / interest income after provisions	6,662,464	12,822,587	5,251,131	9,509,172	
Non mark-up / interest income					
Fee, commission and brokerage income	1,260,607	2,148,169	1,190,220	2,207,644	
Dividend income	66,497	184,256	46,708	131,054	
Income from dealing in foreign currencies	324,541	728,357	605,095	984,345	
Loss on deemed disposal of associate	-	-	(29,754)	(29,754)	
Gain on sale of securities - net	429,884	1,015,639	210,198	529,497	
Unrealised gain on revaluation of investments classified as held for trading - net	251,311	271,576	26,373	98,110	
Other income	213,883	357,921	181,163	403,014	
Total non mark-up / interest income	2,546,723	4,705,918	2,230,003	4,323,910	
	9,209,187	17,528,505	7,481,134	13,833,082	
Non mark-up / interest expenses					
Administrative expenses	5,351,696	10,475,312	5,145,347	9,510,304	
(Reversal) / provision against off-balance sheet obligations	(10,729)	(1,940)	53,298	54,348	
Provision against other assets	220,512	271,298	22,158	169,782	
Other charges	127,869	214,120	47,492	83,203	
Total non mark-up / interest expenses	5,689,348	10,958,790	5,268,295	9,817,637	
	3,519,839	6,569,715	2,212,839	4,015,445	
Share of profit of associates	4,623	54,032	29,139	52,003	
Extra ordinary / unusual items	-	-	-	-	
Profit before taxation	3,524,462	6,623,747	2,241,978	4,067,448	
Taxation					
- Current	1,267,894	2,715,901	793,271	1,397,771	
- Deferred	(9,254)	(395,712)	(682)	(29,673)	
- Prior years	567,813	567,813	-	-	
- Share of tax of associates	-	3,845	1,426	3,738	
	1,826,453	2,891,847	794,015	1,371,836	
Profit after taxation	1,698,009	3,731,900	1,447,963	2,695,612	
Profit attributable to:					
Equity holders of the Bank	1,657,975	3,670,150	1,376,882	2,552,251	
Non-controlling interest	1,996	13,304	10,281	22,405	
Minority investors of funds consolidated by the Group	38,038	48,446	60,800	120,956	
	1,698,009	3,731,900	1,447,963	2,695,612	
		(Rupees)		(Rupees) (Restated)	
Basic earnings per share	15	1.04	2.31	1.00	1.86
Diluted earnings per share	15	1.04	2.30	1.00	1.86

The annexed notes 1 to 20 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 Half Year Ended 30 June 2015

	Quarter ended 30 June 2015	Half year ended 30 June 2015	Quarter ended 30 June 2014	Half year ended 30 June 2014
------(Rupees in '000)-----				
Profit after taxation	1,698,009	3,731,900	1,447,963	2,695,612
Other comprehensive income				
Minority share of funds consolidated by the Group transferred to other liabilities	(38,038)	(48,446)	(60,800)	(120,956)
Items that are or may be reclassified subsequently to profit and loss account				
Exchange differences on translation of net investment in foreign branches	(145,470)	40,095	2,475	(472,998)
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	1,514,501	3,723,549	1,389,638	2,101,658
Components of comprehensive income not reflected in equity				
Surplus / (deficit) on revaluation of available-for-sale securities - net of tax	183,852	2,486,895	(236,299)	353,659
Total comprehensive income	<u>1,698,353</u>	<u>6,210,444</u>	<u>1,153,339</u>	<u>2,455,317</u>

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

 CEO

 Director

 Director

 Chairman

Consolidated Condensed Interim Cash Flow Statement (Un-Audited)

for the Half Year Ended 30 June 2015

Note	30 June 2015	30 June 2014
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,623,747	4,067,447
Dividend income	(184,256)	(131,054)
Share of profit associates and joint venture	(54,032)	-
	(238,288)	(131,054)
	6,385,459	3,936,393
Adjustments for:		
Depreciation	890,844	815,781
Amortisation	134,641	112,052
Provision against non-performing loans and advances - net	1,136,389	202,854
Provision for diminution in the value of investments - net	73,721	24,370
(Reversal) / provision against off-balance sheet obligations	(1,940)	54,348
Provision against other assets	271,298	169,782
Unrealised gain on revaluation of investments classified as held for trading - net	(271,576)	(98,110)
Bad debts written-off directly	-	5
Gain on sale of operating fixed assets - net	(5,325)	(14,945)
Charge for defined benefit plan	148,890	142,759
	2,376,942	1,408,896
	8,762,401	5,345,289
(Increase) / decrease in operating assets		
Lendings to financial institutions	(14,429,347)	(12,553,195)
Held-for-trading securities	17,541,192	(1,408,954)
Advances	(14,339,651)	(15,314,843)
Other assets (excluding tax recoverable and dividend receivable)	(276,831)	(6,981,931)
	(11,504,637)	(36,258,923)
Increase / (decrease) in operating liabilities		
Bills payable	818,170	5,423,025
Borrowings	39,702,061	25,556,500
Deposits and other accounts	(1,295,145)	30,184,350
Other liabilities (excluding current taxation)	(1,228,071)	(19,037)
	37,997,015	61,144,838
	35,254,779	30,231,204
Income tax paid	(784,850)	(2,764,938)
Net cash generated from operating activities	34,469,929	27,466,266
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(30,959,573)	11,764,014
Net investments in held-to-maturity securities	1,543,162	(53,893,231)
Disposal / (investment) in associates	(51,572)	(200,000)
Dividend income received	185,710	152,389
Investments in operating fixed assets	(954,706)	(1,692,507)
Proceeds from sale of operating fixed assets	18,538	22,875
Net cash used in investing activities	(30,218,441)	(43,846,460)
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated loans	(2,000)	(2,000)
Proceeds from issue of shares	41,836	-
Dividend paid	(3,157,035)	(2,687,986)
Net cash used in / generated from financing activities	(3,117,199)	(2,689,986)
Exchange difference on translation of the net investments in foreign branches	40,095	(472,998)
	1,174,384	(19,543,178)
Decrease in cash and cash equivalents	65,952,769	98,444,645
Cash and cash equivalents at the beginning of the period	67,127,153	78,901,467
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The annexed notes 1 to 20 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 Half Year Ended 30 June 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 half year ended 30 June 2014								
Total comprehensive income for the period						2,673,206	22,405	2,695,611
Profit after taxation for the half year ended 30 June 2014	-	-	-	-	-	(120,956)	-	(120,956)
Minority share of funds consolidated by the Group transferred to other liabilities								
Other comprehensive income for the half year ended 30 June 2014								
Exchange differences on translation of net investment in foreign branches	-	-	-	(472,998)	-	-	-	(472,998)
	-	-	-	(472,998)	-	2,552,250	22,405	2,101,657
Transfer to statutory reserve	-	-	522,093	-	-	(522,093)	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	17,416	-	17,416
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	-	-	-	-	(102,798)	-	-	(102,798)
Balance as at 30 June 2014	13,491,563	-	6,030,265	1,293,052	18,538	7,214,546	244,693	28,292,657
Changes in equity for the half year ended 31 December 2014								
Total comprehensive income for the period						3,279,658	6,347	3,286,005
Profit after taxation for the half year ended 31 December 2014	-	-	-	-	-	(87,572)	-	(87,572)
Minority share of funds consolidated by the Group transferred to other liabilities								
Other comprehensive income for the half year ended 31 December 2014								
Exchange differences on translation of net investment in foreign branches	-	-	-	69,413	-	-	-	69,413
Remeasurement of defined benefit plans	-	-	-	-	-	357,190	-	357,190
Related tax charge	-	-	-	-	-	(124,966)	-	(124,966)
	-	-	-	69,413	-	3,424,310	6,347	3,500,070
Transfer to statutory reserve	-	-	606,077	-	-	(606,077)	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	49,680	-	49,680
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	-	-	-	-	39,378	-	-	39,378
Balance as at 31 December 2014	15,872,427	4,285,556	6,636,342	1,362,465	53,663	10,082,459	251,040	38,543,952
Changes in equity for the half year ended 30 June 2015								
Total comprehensive income for the period						3,718,596	13,304	3,731,900
Profit after taxation for the half year ended 30 June 2015	-	-	-	-	-	(48,446)	-	(48,446)
Minority share of funds consolidated by the Group transferred to other liabilities								
Other comprehensive income the half year ended 30 June 2015								
Exchange differences on translation of net investment in foreign branches	-	-	-	40,095	-	-	-	40,095
	-	-	-	40,095	-	3,670,150	13,304	3,723,549
Transfer to statutory reserve	-	-	740,924	-	-	(740,924)	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	17,394	-	17,394
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	-	-	-	-	(80,547)	-	-	(80,547)
Balance as at 30 June 2015	15,898,062	4,301,757	7,377,266	1,402,560	98,741	9,854,594	264,344	39,197,324

* 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 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 Half Year Ended 30 June 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), 157 Islamic banking branches (2014: 157 branches) and 1 offshore banking unit (2014: 1 unit).

Percentage of Holding 30 June 2015

Subsidiaries

Alfalah Securities (Private) Limited, Pakistan	97.18%
Alfalah GHP Investment Management Limited, Pakistan	40.22%
Alfalah GHP Cash Fund, Pakistan	50.31%
Alfalah GHP Islamic Stock Fund, Pakistan	57.80%
Alfalah GHP Value Fund, Pakistan	30.94%

- 1.2 Pakistan Credit Rating Agency Limited (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.

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 June 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 December 18, 2013, EMD/233/655/2004-68 dated August 18, 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 June 2015	31 December 2014
		(Un-audited) (Rupees in '000)	
Call money lendings	7.1	2,433,832	3,521,485
Placements	7.2	311,610	7,472
Bai Muajjal	7.3	27,360,367	14,784,528
Repurchase agreement lendings (Reverse Repo)	7.4	1,946,192	-
		<u>32,052,001</u>	<u>18,313,485</u>

- 7.1** These represent lending to financial institutions at interest rates ranging from 0.26% to 12.50% per annum (31 December 2014: 2.83% to 12.50% per annum) with maturities up to September 2015 (31 December 2014: March 2015).
- 7.2** These represent placements with financial institutions at interest rates ranging from 0.41% 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 6.35% to 9.52% per annum (31 December 2014: 9.05% to 9.52%) with maturities upto March 2016 (31 December 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 December 2014: Nil) with maturity upto July 2015 (31 December 2014: Nil)

8 INVESTMENTS - NET

8.1 Investments by types

	Note			31 December 2014 (Un-audited)		
	30 June 2015 (Un-audited)					
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
------(Rupees in '000)-----						
Held-for-trading securities (HFT)						
Market Treasury Bills	1,146,876	-	1,146,876	16,993,362	-	16,993,362
Pakistan Investment Bonds	2,409,162	-	2,409,162	2,955,033	-	2,955,033
Overseas Bonds	1,644,730	-	1,644,730	2,193,796	-	2,193,796
Fully paid up ordinary shares / units - Listed	1,548,576	-	1,548,576	824,566	-	824,566
Sukuk Bonds	-	-	-	1,066,198	-	1,066,198
	6,749,344	-	6,749,344	24,032,955	-	24,032,955
Available-for-sale securities (AFS)						
Market Treasury Bills	42,071,042	476,630	42,547,672	44,998,240	102,962	45,101,202
Pakistan Investment Bonds	92,062,811	61,295,439	153,358,250	85,004,793	30,150,519	115,155,312
Fully paid up ordinary shares / units - Listed	5,313,667	-	5,313,667	4,769,530	-	4,769,530
Fully paid up ordinary shares - Unlisted	4,426,616	-	4,426,616	4,426,616	-	4,426,616
Term Finance Certificates	809,704	-	809,704	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	3,785,268	-	3,785,268	2,722,522	-	2,722,522
Overseas Government Bonds	907,246	-	907,246	844,420	-	844,420
Overseas Sukuk Bonds	4,351,663	-	4,351,663	4,296,833	-	4,296,833
Sukuk Bonds	31,228,810	-	31,228,810	37,219,970	-	37,219,970
	185,405,662	61,772,069	247,177,731	185,972,314	30,253,481	216,225,795
Held-to-maturity securities (HTM)						
Market Treasury Bills	820,449	-	820,449	1,193,121	-	1,193,121
Pakistan Investment Bonds	65,967,700	-	65,967,700	65,769,574	-	65,769,574
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Certificate of Investment	260,000	-	260,000	253,550	-	253,550
Letter of placement	-	-	-	30,286	-	30,286
Trust Deposit Receipts	-	-	-	302,384	-	302,384
Pakistan Euro Bonds	3,234,896	-	3,234,896	3,176,300	-	3,176,300
Overseas Bonds	483,975	-	483,975	-	-	-
Overseas Government Bonds	7,327,608	-	7,327,608	8,315,367	-	8,315,367
Sukuk Bonds	3,612,934	-	3,612,934	4,210,142	-	4,210,142
	82,231,828	-	82,231,828	83,774,990	-	83,774,990
Associates						
Alfalah Insurance Limited	231,287	-	231,287	213,069	-	213,069
Sapphire Wind Power Company Limited	843,558	-	843,558	342,216	-	342,216
Alfalah GHP Money Market Fund (Formerly: IGI Money Market Fund)	52,907	-	52,907	543,985	-	543,985
Alfalah GHP Income Multiplier Fund	277,510	-	277,510	282,843	-	282,843
Alfalah GHP Sovereign Fund	203,382	-	203,382	215,715	-	215,715
	1,608,644	-	1,608,644	1,597,828	-	1,597,828
Investments at cost	275,995,478	61,772,069	337,767,547	295,378,087	30,253,481	325,631,568
Less: Provision for diminution in value of investments including associates	8.2 (5,462,548)	-	(5,462,548)	(5,396,464)	-	(5,396,464)
Investments (net of provisions)	270,532,930	61,772,069	332,304,999	289,981,623	30,253,481	320,235,104
Surplus on revaluation of held for trading securities - net	271,576	-	271,576	257,581	-	257,581
Surplus on revaluation of available for sale securities-net	8,798,171	1,068,270	9,866,441	5,994,801	45,648	6,040,449
Surplus on revaluation of investment of associates	-	-	-	-	-	-
Total investments	<u>279,602,677</u>	<u>62,840,339</u>	<u>342,443,016</u>	<u>296,234,005</u>	<u>30,299,129</u>	<u>326,533,134</u>

	30 June 2015	31 December 2014 (Un-audited) (Rupees in '000)
8.2 Movement in provision held against diminution in the value of investments including associates		
Opening balance	5,396,464	5,310,567
Charge for the period / year	73,721	130,043
Reversals for the period / year	-	(44,146)
Total Charge / (reversal) - net	73,721	85,897
Provision written off during the period / year	(7,637)	-
Closing balance	<u>5,462,548</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
- 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
	<u>5,462,548</u>	<u>5,396,464</u>

	Note	30 June 2015	31 December 2014
		(Un-audited)	
		(Rupees in '000)	
9 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
- In Pakistan		285,317,076	272,403,191
- Outside Pakistan		10,571,756	12,957,433
		<u>295,888,832</u>	<u>285,360,624</u>
Net investment in finance lease			
- In Pakistan		3,742,327	3,720,506
- Outside Pakistan		-	-
		<u>3,742,327</u>	<u>3,720,506</u>
Financing and investing assets under IFAS 2 Ijarah		6,836,734	5,474,603
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		5,702,168	5,799,128
- Payable outside Pakistan		6,955,359	4,463,186
		<u>12,657,527</u>	<u>10,262,314</u>
		<u>319,125,420</u>	<u>304,818,047</u>
Provision against advances			
- Specific provision against non-performing advances	9.2	(14,666,193)	(13,601,307)
- General provision against advances	9.2	(688,728)	(649,503)
		<u>(15,354,921)</u>	<u>(14,250,810)</u>
		<u><u>303,770,499</u></u>	<u><u>290,567,237</u></u>

9.1 Advances include Rs. 18,909 million (2014: Rs. 19,412 million) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2015 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Other Assets Especially									
Mentioned (Agri Financing)	99,460	-	99,460	3,227	-	3,227	3,227	-	3,227
Substandard	2,054,362	94,758	2,149,120	499,028	14,219	513,247	499,028	14,219	513,247
Doubtful	3,184,161	13,458	3,197,619	1,627,153	1,226	1,628,379	1,627,153	1,226	1,628,379
Loss	12,772,478	690,217	13,462,695	11,966,698	554,642	12,521,340	11,966,698	554,642	12,521,340
	<u>18,110,461</u>	<u>798,433</u>	<u>18,908,894</u>	<u>14,096,106</u>	<u>570,087</u>	<u>14,666,193</u>	<u>14,096,106</u>	<u>570,087</u>	<u>14,666,193</u>
	------(Rupees in '000)-----								
Category of classification	31 December 2014 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total

	------(Rupees in '000)-----								
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>

9.2 Particulars of provisions against non-performing loans and advances

	Half year ended 30 June 2015 (Un-audited)			Year ended 31 December 2014 (Un-audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000)----- -----					
Opening balance	13,601,307	649,503	14,250,810	12,441,472	605,975	13,047,447
Exchange adjustment and other movements	20,504	1,326	21,830	(25,754)	(5,212)	(30,966)
Charge for the period / year	2,133,633	65,654	2,199,287	3,281,110	48,740	3,329,850
Reversals / recoveries	(1,035,143)	(27,755)	(1,062,898)	(1,881,919)	-	(1,881,919)
	1,098,490	37,899	1,136,389	1,399,191	48,740	1,447,931
Amounts written off	(54,108)	-	(54,108)	(213,602)	-	(213,602)
Closing balance	<u>14,666,193</u>	<u>688,728</u>	<u>15,354,921</u>	<u>13,601,307</u>	<u>649,503</u>	<u>14,250,810</u>

9.2.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at 30 June 2015 which is not available for distribution as either cash or stock dividend to shareholders / bonus to employees amounted to Rs. 433.374 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 June 2015	31 December 2014
	(Un-audited) (Rupees in '000)	
Capital work-in-progress	759,969	1,134,085
Tangible fixed assets	14,026,930	13,843,967
Intangible assets	924,166	817,005
	<u>15,711,065</u>	<u>15,795,057</u>
	Half year ended	
	30 June 2015	30 June 2014
	(Un-audited) (Rupees in '000)	
10.1 Additions to operating fixed assets		
Office premises	-	176,141
Leasehold improvements	427,617	391,484
Office equipments	583,447	763,902
Furniture and fixtures	41,717	98,760
Vehicles	15,236	446
10.2 Additions to Intangibles		
Computer software	279,085	379,282
10.3 Disposals of operating fixed assets		
Leasehold improvements	-	26,740
Office equipments	22,629	36,236
Furniture and fixtures	28,551	5,710
Vehicles	23,326	1,603

	30 June 2015	31 December 2014
	(Un-audited)	
	(Rupees in '000)	
11 BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan	12,348,133	14,676,945
Repurchase agreement borrowings	61,772,069	30,253,481
	<u>74,120,202</u>	<u>44,930,426</u>
Unsecured		
Call borrowings	13,369,615	6,648,098
Bai Muajjal	7,353,705	3,562,937
Overdrawn nostro accounts	56,917	91,455
	<u>20,780,237</u>	<u>10,302,490</u>
	<u><u>94,900,439</u></u>	<u><u>55,232,916</u></u>
11.1	This represent repurchase agreement borrowing from SBP at the rate of 6.55% and with other banks upto the rate of 7.23% per annum (2014: 9.50% and 9.60% per annum) maturing by July 2015 (2014: January 2015 and February 2015).	
11.2	This represent borrowings from financial institutions at mark-up rates ranging from 1.20% to 7.75% per annum (2014: 1.00% to 9.50%) having maturities upto December 2015 (2014: September 2015).	
11.3	This represent borrowings from financial institutions at mark-up rates ranging from 7.25% to 7.45% per annum (2014: 9.20% to 9.50%) having maturities upto April 2016 (2014: April 2015).	
12 DEPOSITS AND OTHER ACCOUNTS	30 June 2015	31 December 2014
	(Un-audited)	
	(Rupees in '000)	
Customers		
Fixed deposits	125,701,096	153,480,193
Savings deposits	204,381,834	196,118,387
Current accounts - non-remunerative	229,498,186	215,500,460
Others	11,349,251	6,728,458
	<u>570,930,367</u>	<u>571,827,498</u>
Financial institutions		
Remunerative deposits	31,915,732	33,413,472
Non-remunerative deposits	1,698,291	598,565
	<u>33,614,023</u>	<u>34,012,037</u>
	<u><u>604,544,390</u></u>	<u><u>605,839,535</u></u>
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
i) Government	841,214	937,508
ii) Banking companies and other financial institutions	14,918	2,606
iii) Others	2,137,756	1,756,948
	<u>2,993,888</u>	<u>2,697,062</u>
13.2 Transaction - related contingent liabilities		
i) Government	26,561,100	26,536,835
ii) Banking companies and other financial institutions	455,903	506,432
iii) Others	9,612,203	8,671,481
	<u>36,629,206</u>	<u>35,714,748</u>
13.3 Trade - related contingent liabilities		
Letters of credit	59,318,230	48,045,564
Acceptances	14,138,428	12,774,108
	<u><u>73,456,658</u></u>	<u><u>60,819,672</u></u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	9,168,713	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 Group has a relatively strong case and the matter will be decided in the Group's favour. However, the Group has as a matter of prudence considered a 100% provision against the same as at 30 June 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. Accordingly, as at 30 June 2015, the management has considered a provision for the said amounts in the consolidated condensed interim financial information.

	30 June 2015	31 December 2014
	(Un-audited)	
	(Rupees in '000)	
13.5 Commitments in respect of forward lendings		
Commitments to extend credit	<u>16,416,786</u>	<u>8,609,125</u>
Commitments in respect of investments	<u>1,110,918</u>	<u>1,615,818</u>
13.6 Commitments in respect of forward exchange contracts		
Purchase	<u>70,515,354</u>	<u>69,435,889</u>
Sale	<u>57,558,405</u>	<u>54,156,057</u>
13.7 Commitments for the acquisition of operating fixed assets	<u>452,826</u>	<u>291,239</u>
13.8 Commitments in respect of repo transactions		
Repurchase	<u>61,835,079</u>	<u>30,274,144</u>
Resale	<u>1,948,618</u>	<u>-</u>
13.9 Other commitments		
Interest rate swaps	<u>6,976,055</u>	<u>6,314,951</u>
Donations	<u>43,000</u>	<u>41,500</u>
13.10 Contingencies for tax payable (note 17)		

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 June 2015 were as follows:

	Granted in the year 2015	Granted in the year 2014
	(In '000)	
Options issued	12,614	11,331
Options no longer in issue	Nil	764
Options vested	N/A	3,689
Options exercised	N/A	2,563
Options carried forward	N/A	1,092
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

Half year ended

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

15 EARNINGS PER SHARE

15.1 BASIC EARNINGS PER SHARE

Profit for the period attributable to equity holders of the Bank

<u>3,670,150</u>	<u>2,552,251</u>
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(Number of shares in thousand)

Restated

Weighted average number of ordinary shares

<u>1,588,741</u>	<u>1,372,837</u>
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(Rupees)

Restated

Basic earnings per share

<u>2.31</u>	<u>1.86</u>
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15.2 DILUTED EARNINGS PER SHARE

Profit for the period attributable to equity holders of the Bank

(Rupees in '000)	
3,670,150	2,552,251
<u>3,670,150</u>	<u>2,552,251</u>

(Number of shares in thousand)

Restated

Weighted average number of ordinary shares

<u>1,596,298</u>	<u>1,372,837</u>
------------------	------------------

(Rupees)

Restated

Diluted earnings per share

<u>2.30</u>	<u>1.86</u>
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	30 June 2015	31 December 2014
	(Un-audited)	
	(Rupees in '000)	
16 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	52,407,685	50,515,643
Balances with other banks	12,342,553	12,007,096
Call money lendings	2,433,832	3,521,485
Overdrawn nostro accounts	(56,917)	(91,455)
	<u>67,127,153</u>	<u>65,952,769</u>

17 TAXATION

- 17.1** The income tax assessments of the Bank have been finalized upto and including tax year 2014. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

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

During the period, the Bank has received an amended assessment order for Tax Year 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 418.257 million. The Bank has filed appeal against this order before Commissioner (Appeals). The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process or through rectification orders.

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

During the period, the Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs. 97.560 million (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Appellate Tribunal. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

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

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follows:-

For the half year ended 30 June 2015 (Un-audited)							
Trading & Sales	Retail Banking	Corporate / Commercial Banking	Retail Brokerage	Asset Management	Elimination	Total	
------(Rupees in '000)-----							
Total income	31,170,072	20,345,098	19,802,032	2,306	336,143	(52,917,036)	18,738,615
Total expenses	(26,519,863)	(19,189,504)	(19,227,680)	(7,103)	(141,786)	52,917,036	(12,168,900)
Net income	4,650,209	1,155,594	574,352	(4,797)	194,357	-	6,569,715
Segment return on assets (ROA)	2.12%	0.35%	0.24%				
Segment cost of funds	10.52%	4.03%	6.65%				
For the half year ended 30 June 2014 (Un-audited)							
Trading & Sales	Retail Banking	Corporate / Commercial Banking	Retail Brokerage	Asset Management	Elimination	Total	
------(Rupees in '000)-----							
Total income	13,854,421	35,069,016	18,373,222	(566)	322,198	(53,557,980)	14,060,311
Total expenses	(13,212,394)	(33,059,964)	(17,233,308)	(5,641)	(91,539)	53,557,980	(10,044,866)
Net income	642,027	2,009,052	1,139,914	(6,207)	230,659	-	4,015,445
Segment return on assets (ROA)	0.60%	0.70%	0.59%				
Segment cost of funds	8.88%	9.09%	8.12%				
As at 30 June 2015 (Un-audited)							
Trading & Sales	Retail Banking	Corporate / Commercial Banking	Retail Brokerage	Asset Management	Elimination	Total	
------(Rupees in '000)-----							
Segment assets	462,884,942	648,459,109	480,798,331	88,902	3,093,419	(807,437,444)	787,887,259
Segment non performing loans	-	574,864	18,334,030	-	-	-	18,908,894
Segment provision required against loans and advances	-	946,962	14,407,959	-	-	-	15,354,921
Segment liabilities	456,724,171	647,314,336	440,906,252	122,941	1,591,764	(807,437,444)	739,222,020
As at 30 June 2014 (Un-audited)							
Trading & Sales	Retail Banking	Corporate / Commercial Banking	Retail Brokerage	Asset Management	Elimination	Total	
------(Rupees in '000)-----							
Segment assets	340,667,687	596,866,981	424,180,288	69,720	3,624,229	(690,751,639)	674,657,266
Segment non performing loans	-	685,357	17,105,550	-	-	-	17,790,907
Segment provision required against loans and advances	-	873,942	12,237,643	-	-	-	13,111,585
Segment liabilities	332,348,404	591,687,851	407,289,875	87,068	1,726,131	(690,751,639)	642,387,690

19 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, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties, 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 June 2015 (Un-audited)					Total
	Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Strategic Investments	
------(Rupees in '000)-----						
Deposits						
Balance at beginning of the period	38,398	71,170	5,054,205	311,720	18	5,475,511
Placements during the period	48,479	506,583	41,772,487	15,208,008	-	57,535,557
Withdrawals / adjustments* during the period	(65,640)	(451,814)	(41,669,487)	(14,991,561)	-	(57,178,502)
Balance at end of the period	21,237	125,939	5,157,205	528,167	18	5,832,566
Advances						
Balance at beginning of the period	-	280,630	3,828,522	-	-	4,109,152
Disbursements/adjustments* during the period	-	480,605	5,024,122	-	-	5,504,727
Repayments / adjustments* during the period	-	(536,847)	(4,115,070)	-	-	(4,651,917)
Balance at end of the period	-	224,388	4,737,574	-	-	4,961,962
Investments						
Balance at beginning of the period	-	-	4,366,796	1,114,042	50,000	5,530,838
Investments during the period	-	-	-	504,900	-	504,900
Redemption / adjustments* during the period	-	-	-	(453,328)	-	(453,328)
Balance at end of the period	-	-	4,366,796	1,165,614	50,000	5,582,410
Provision held against investments	-	-	4,366,796	-	50,000	4,416,796
Call borrowings / Repo						
Balance at beginning of the period	-	-	-	-	-	-
Borrowings during the period	-	-	300,000	-	-	300,000
Repayments during the period	-	-	(300,000)	-	-	(300,000)
Balance at end of the period	-	-	-	-	-	-
Call lendings / Reverse repo						
Balance at beginning of the period	-	-	-	-	-	-
Placements during the period	-	-	5,850,000	-	-	5,850,000
Withdrawals during the period	-	-	(5,850,000)	-	-	(5,850,000)
Balance at end of the period	-	-	-	-	-	-

31 December 2014 (Un-audited)						
Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Strategic Investments	Total	
----- (Rupees in '000) -----						
Deposits						
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	7,475,692	-	66,507,793
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	311,720	18	5,475,511
Advances						
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
Investments						
Balance at beginning of the year	-	-	4,553,930	568,990	50,000	5,172,920
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	1,114,042	50,000	5,530,838
Provision held against investments	-	-	4,366,796	-	50,000	4,416,796
Call borrowings / Repo						
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 June 2015	31 December 2014 (Un-audited) (Rupees in '000)
19.2 Advances		
Running finance	2,403,927	2,698,690
Long term loans	2,558,035	1,410,461
19.3 Contingencies and commitments		
Letter of credit, acceptance & Guarantees outstanding	1,322,489	1,809,608
19.4 Customer Accounts		
PLS accounts	2,977,147	3,452,557
Current accounts	767,398	1,446,542
Fixed deposit accounts	2,088,021	576,412

	Half year ended	
	30 June 2015	30 June 2014
	(Un-audited) (Rupees in '000)	
19.5 Transactions with Associates and Others		
Associates		
Mark-up expense on deposits	33,497	11,946
Rent Income from Alfalah Insurance Limited	998	998
Dividend income from Alfalah GHP Income Multiplier Fund	23,284	-
Dividend income from Alfalah GHP Sovereign Fund	26,944	-
Capital Gain on sale of units of Alfalah GHP Money Market Fund	46,672	-
Mark-up paid to Alfalah GHP Income Multiplier Fund	353	-
Management Fee earned from funds	84,733	42,074
Sales load earned from funds	5,980	861
Investment made in fund units	379,029	147,888
Redemption in investment in fund units	364,805	127,797
Realized gain on redemption in investment in fund Units	15,789	1,351
Payment made on behalf of fund	2,966	212
Others		
Mark-up income on advances	220,814	205,953
Mark-up expense on deposits	121,375	114,652
Rent income from Wateen Telecom Limited	1,766	6,532
Rent income from Warid Telecom (Private) Limited	8,915	8,607
Rent expense pertaining to Wateen Telecom Limited	5,700	5,700
Interest received on placements with Silk Bank	2,367	-
Mark-up paid to Taavun (Private) Limited	37,425	-
Mark-up paid to IGI Income Fund	4,549	-
Mark-up paid to IGI Aggressive Income Fund	546	-
Mark-up paid to Key Management Personnel on TFCs Issued	12,110	12,112
Interest paid on borrowings to Silk Bank	43	-
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	303	470
Charge for security services to Security and Management Services (Private) Limited and Wackenhut Pakistan (Private) Limited	136,393	135,825
Provision made during the period in respect of strategic investments	-	17,500
Contribution to employees provident fund	152,508	130,164
Contribution to gratuity fund	148,890	142,759
Commission received from Warid Telecom (Private) Limited	6,643	6,962
	30 June 2015	31 December 2014
	(Un-audited) (Rupees in '000)	
19.6 Balances with Associates and Others		
Associates		
Insurance premium paid to Alfalah Insurance Company Limited	524,701	460,811
Dividend paid to Alfalah Insurance Company Limited	1,000	1,000
TFCs held by Alfalah GHP Income Multiplier Fund	6,121	-
Management Fee Receivable from Funds	58,189	23,789
Sales load receivable from funds	8,893	477
Investment in fund units	409,378	266,665
Other receivable from funds	-	71
Receivable against formation of funds	3,098	3,054
Insurance payable for general and health	55	-
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	71,848	110,969
Payment to Monet (Private) Limited for Branchless banking services	97,131	110,809
Payment to Al-Qudees & Co	21,095	-

	30 June 2015	31 December 2014
	(Un-audited)	
	(Rupees in '000)	
Payment to Intelligens Financials	1,427	-
Payment to Sundar Interiors & Architects	32,050	-
Payment to Timber Links	6,107	-
Payment to Expressive Safety & Security Solutions	2,495	-
Payment to Olive International (Private) Limited	4,789	-
Payment to Computer Marketing Co. (Private) Limited.	5,068	-
Payment to K-Tabs	9,920	-
Payment to MEC Engineer	2,296	-
Payment to Printeria	22,787	-
Advance Rent from Wateen Telecom Limited	-	589
Advance Rent from Warid Telecom Limited	90	9,005
Advance Rent from Alfalah Insurance Company Limited	832	-
Rent receivable from Wateen Telecom Limited	1,177	-
Rent payable to Wateen Telecom Limited	950	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	8,980	-
TFCs held by Key Management Personnel	161,434	161,466
	Half year ended	
	30 June	30 June
	2015	2014
	(Un-audited)	
	(Rupees in '000)	

19.7 The key management personnel / directors compensation are as follows:

Salaries and Allowances	741,550	630,885
Fair value charge against employee stock option scheme	45,078	18,538

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

20 DATE OF AUTHORISATION

The consolidated condensed interim financial information was authorised for issue on 18 August 2015 by the Board of Directors of the Bank.

CEO

Director

Director

Chairman

Annexure-I

Islamic Banking Business

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

	30 June 2015	31 December 2014
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	9,247,826	9,424,644
Balances with and due from financial institutions	2,816,981	2,655,800
Lendings to financial institutions	28,360,367	17,286,944
Investments - net	34,929,941	42,725,945
Islamic financing and related assets	38,497,294	36,314,148
Operating fixed assets	2,134,652	2,130,999
Other assets	4,612,677	4,571,148
	<u>120,599,738</u>	<u>115,109,628</u>
LIABILITIES		
Bills payable	2,201,033	1,348,263
Due to financial institutions	1,757,516	9,756,894
Deposits and other accounts		
- Current accounts	36,594,554	34,284,151
- Saving accounts	47,444,644	44,024,101
- Term deposits	16,879,325	11,428,821
- Others	1,886,944	807,927
Deposits from financial institutions - remunerative deposits	136,535	214,559
Deposits from financial institutions - non-remunerative deposits	562	1,319
Other liabilities	4,170,933	4,799,138
	<u>111,072,046</u>	<u>106,665,173</u>
	<u>9,527,692</u>	<u>8,444,455</u>
NET ASSETS		
REPRESENTED BY		
Islamic banking fund	1,800,000	1,800,000
Exchange translation reserve	9,485	10,786
Unappropriated / unremitted profit	6,815,634	5,665,417
	<u>8,625,119</u>	<u>7,476,203</u>
Surplus on revaluation of assets - net of tax	902,573	968,252
	<u>9,527,692</u>	<u>8,444,455</u>
Remuneration to Shariah Advisor / Board	<u>1,950</u>	<u>2,800</u>
CHARITY FUND		
Opening Balance	131,543	145,707
Additions during the period		
Received from customers on delayed payments & Others	63,818	53,410
Dividend Purification	-	-
Non-shariah compliant income	-	3,805
Profit on charity saving account	4,170	8,861
	<u>67,988</u>	<u>66,076</u>
Less : Distribution of Charity		
Welfare Works	-	(20,511)
Health	(8,675)	(43,425)
Education	(1,880)	(16,304)
Relief and disaster recovery	-	-
	<u>(10,555)</u>	<u>(80,240)</u>
Closing Balance	<u>168,976</u>	<u>131,543</u>
A-1.1 Islamic Financing and Related Assets		
Financing	32,080,280	29,655,655
Advances	6,417,014	6,658,493
Assets / inventories	-	-
Others	-	-
	<u>38,497,294</u>	<u>36,314,148</u>
A-1.2 Islamic Financing and Related Assets		
Murabaha	11,943,576	17,194,729
Ijarah	7,471,319	5,862,184
Diminishing Musharakah	571,629	723,800
Musharakah	7,875,927	3,998,454
Salam	6,348,609	3,703,959
Istisna	1,723,111	1,986,254
SBP Islamic Export Refinance Scheme	1,761,184	2,099,949
Others	801,939	744,819
	<u>38,497,294</u>	<u>36,314,148</u>

Annexure-I

Islamic Banking Business

	Quarter ended 30 June 2015	Half year ended 30 June 2015	Quarter ended 30 June 2014	Half year ended 30 June 2014
	------(Rupees in '000)-----			
Income / return earned	2,320,302	4,824,766	2,011,411	4,195,555
Income / return expensed	962,063	1,979,079	923,572	2,282,113
Net income / return before depreciation on asset given on lease	1,358,239	2,845,687	1,087,839	1,913,442
Depreciation on assets given on lease	281,397	550,562	276,538	522,104
Net income / return earned after depreciation	1,076,842	2,295,125	811,301	1,391,338
Provisions against loans and advances - net	76,710	109,491	27,799	53,009
Provision for diminution in value of investments - net	-	13,828	(8,957)	43,914
Bad debts written off directly	-	-	-	-
	76,710	123,319	18,842	96,923
Net income / return earned after provisions	1,000,132	2,171,806	792,459	1,294,415
Other income				
Fee, commission and brokerage income	69,877	133,134	66,670	114,350
Dividend income	40,867	40,867	90,460	90,460
Income from dealing in foreign currencies	36,121	55,680	65,182	150,946
Gain on sale of securities - net	31,953	84,386	-	-
Unrealised loss on revaluation of investment classified as held for trading	(1,098)	(633)	(892)	(892)
Other income	18,437	39,767	109,814	192,430
Total other income	196,157	353,201	331,234	547,294
	1,196,289	2,525,007	1,123,693	1,841,709
Other expenses				
Administrative expenses	706,385	1,374,646	698,614	1,334,277
Provision against off-balance sheet obligations	-	-	2,387	2,387
Other charges	1,241	376	69	125
Total other expenses	707,626	1,375,022	701,070	1,336,789
Profit before taxation	488,663	1,149,985	422,623	504,920
Unappropriated profit brought forward	6,326,855	5,665,417	5,605,371	5,522,958
Transferred from surplus on revaluation of fixed assets - net of tax	116	232	116	232
Profit available for appropriation / unremitted profit	6,815,634	6,815,634	6,028,110	6,028,110

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

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

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
117	Khushab	0	1	1
118	Kot Abdul Malik	0	1	1
119	Kot Addu	0	1	1
120	Kot momin	1	0	1
121	Kotla	1	0	1
122	Kotli	1	0	1
123	Lala Musa	1	0	1
124	Larkana	1	0	1
125	Layyah	1	0	1
126	Liaquatpur	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

Bank Alfalah's Presence in Foreign Countries

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



Bank Alfalah

Bank Alfalah Limited

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