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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. Ikram Ul-Majeed Sehgal**  
Director

**Mr. Nadeem Iqbal Sheikh**  
Director

**Mr. Atif Bajwa**  
Chief Executive Officer

### Board Audit Committee

**Mr. Abdulla Khalil Al Mutawa**  
Director

**Mr. Khalid Mana Saeed Al Otaiba**  
Director

**Mr. Nadeem Iqbal Sheikh**  
Director

**Mr. Yasar Rashid**  
Secretary

### Board Strategy and Finance Committee

**Mr. Abdulla Khalil Al Mutawa**  
Director

**Mr. Khalid Mana Saeed Al Otaiba**  
Director

**Mr. Ikram Ul-Majeed Sehgal**  
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. Ikram Ul-Majeed Sehgal**  
Director

**Mr. Atif Bajwa**  
Chief Executive Officer

**Mr. Haroon Khalid**  
Secretary

### Board Human Resource Committee

**Mr. Abdulla Khalil Al Mutawa**  
Director

**Mr. Khalid Mana Saeed Al Otaiba**  
Director

**Mr. Nadeem Iqbal Sheikh**  
Director

**Mr. Atif Bajwa**  
Chief Executive Officer

**Mr. Mian Ejaz Ahmad**  
Secretary

## COMPANY INFORMATION

### Central Management Committee

**Mr. Atif Bajwa**  
Chairman

**Mr. Bahauddin Khan**  
Member

**Mr. Suhail Khan**  
Member

**Mr. A. Wahid Dada**  
Member

**Mr. Faisal Farooq Khan**  
Member

**Mr. Khurram Hussain**  
Member

**Ms. Mehreen Ahmed**  
Member

**Mr. Mirza Zafar Baig**  
Member

**Mr. Saad Ur Rehman Khan**  
Member

**Mr. Syed Ali Sultan**  
Member

**Mr. Rizwan Ata**  
Member

**Mr. Aly Mustansir**  
Member

**Mr. Abdul Rauf Danka**  
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.  
[www.bankalfalah.com](http://www.bankalfalah.com)

## 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 nine months period ended September 30, 2014.

	Nine months period ended Sept 30, 2014	Nine months period ended Sept 30, 2013
	(Rupees in '000)	
Profit before taxation	6,129,046	4,784,953
Taxation	(2,113,832)	(1,467,142)
<b>Profit after taxation</b>	<u>4,015,214</u>	<u>3,317,811</u>
Earnings per share - basic	Rs. 2.98	Rs.2.46

### Performance Review:

The Bank has continued to post commendable results in September 2014 with profit before taxation of Rs. 6,129 million, an increase of 28% over the same period last year. Earnings per share for the period were Rs 2.98 as against Rs. 2.46 recorded in September last year.

Net markup income has increased to Rs 15,472 million in the nine months period ended September 2014 as compared to Rs. 12,519 million recorded in the comparative period last year. Provision against advances and investments have been curtailed to Rs. 731 million in September 2014, a 32% decline from the provision recorded in the last comparative period.

With a continuing focus on low cost deposits, bank has registered growth of 7% in its deposits base which was recorded at Rs. 563,599 million at end of September 2014 as compared to Rs. 525,525 million at December 2013.

The Bank's total assets have increased to Rs 667,168 million at September 2014 from Rs 610,614 million at December 2013. Investment portfolio increased by 18% to Rs. 260,132 million at September 2014 with further investments in long-term government bonds. Advances also witnessed an increase to Rs. 272,574 million at September 2014 as compared to Rs. 260,780 million recorded at year end.

Non performing loans (NPL) were recorded at Rs 18,636 million at September 2014, slightly above the December 2013 level of Rs 17,947 million. Bank's NPL to Loans ratio of 6.5% remains better than the industry averages.

### Economic Outlook:

The positive sentiments witnessed earlier on the economic front have been affected by the ongoing political deadlock and by the recent rounds of heavy rains and floods. The IMF fourth review has also been delayed. Trade deficit continues to be the major contributor to the external current account deficit. Declining trends in private capital inflows and foreign direct investments remains a concern.

Average CPI inflation levels were recorded at 7.4 percent during the first two months of the current financial year, down from 8.6 percent witnessed in last financial year.

Although real economic activity has shown signs of revival in 2014, it is still dependent largely on the agricultural productions. Growth in Large Scale Manufacturing is expected to remain suppressed due to continuing political stand-off, security situation and the energy crisis.

SBP has maintained the policy rate at 10% expecting inflation (average CPI inflation) to remain around 8% in FY2015.

### **Looking Ahead:**

Bank Alfalah has over the years maintained its position as one of the fastest growing banks in the industry with a sound risk management set up. To further strengthen bank's balance sheet, shareholders have recently approved an equity investment by International Finance Corporation (IFC) of about Rs. 6.7 billion, representing approximately 15% shareholding in the bank. This denotes the confidence of leading financial institutions in the strength and potential of the bank. Bank Alfalah through its expanding network and delivery channels remains committed to providing unrivaled banking services to its customers while maximising the returns for its stakeholders.

### **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. These ratings denote a very low expectation of credit risk, a strong capacity for timely payment of financial commitments in the long term and the highest capacity for timely repayment in the short term, respectively. The 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 guidance. I would also like to express my gratitude to our shareholders for their support and oversight. 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 organization's growth.

### **ATIF BAJWA**

Director & Chief Executive Officer

Date: October 28, 2014

Place: Karachi

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2014**

	Note	September 30, 2014 (Un-audited)	December 31, 2013 (Audited)
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		44,844,110	61,204,697
Balances with other banks		13,796,231	35,179,983
Lendings to financial institutions	7	40,690,003	2,522,022
Investments - net	8	260,132,112	219,690,369
Advances - net	9	272,573,641	260,779,850
Operating fixed assets	10	15,525,187	14,835,200
Deferred tax assets		1,227,510	1,204,000
Other assets		18,379,024	15,198,170
		667,167,818	610,614,291
<b>LIABILITIES</b>			
Bills payable		13,029,436	9,543,480
Borrowings		33,144,400	23,115,102
Deposits and other accounts	11	563,599,034	525,525,770
Sub-ordinated loans		9,988,000	9,991,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		14,153,342	10,537,195
		633,914,212	578,712,547
<b>NET ASSETS</b>		<u>33,253,606</u>	<u>31,901,744</u>
<b>REPRESENTED BY</b>			
Share capital		13,491,563	13,491,563
Reserves		7,987,859	7,274,222
Unappropriated profit		8,037,051	7,499,831
		29,516,473	28,265,616
Surplus on revaluation of assets - net of tax		3,737,133	3,636,128
		<u>33,253,606</u>	<u>31,901,744</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 18 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Chairman

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014**

	<b>Note</b>	<b>Quarter ended Sept 30, 2014</b>	<b>Nine months period ended Sept 30, 2014</b>	<b>Quarter ended Sept 30, 2013</b>	<b>Nine months period ended Sept 30, 2013</b>
<b>(Rupees in '000)</b>					
Mark-up / return / interest earned		14,795,781	39,833,977	10,850,604	32,290,834
Mark-up / return / interest expensed		8,892,057	24,361,726	6,194,595	19,772,149
Net mark-up / interest income		5,903,724	15,472,251	4,656,009	12,518,685
Provision against loans and advances - net		508,751	711,605	203,220	686,325
Provision for diminution in value of investments - net		(4,724)	19,646	(132)	389,797
Bad debts written-off directly		-	5	1,116	1,150
		504,027	731,256	204,204	1,077,272
<b>Net mark-up / interest income after provisions</b>		5,399,697	14,740,995	4,451,805	11,441,413
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		645,689	2,227,271	680,178	2,081,933
Dividend income		84,192	388,206	119,185	375,538
Income from dealing in foreign currencies		533,919	1,518,264	494,492	1,125,459
Gain on sale of securities - net		105,837	563,182	360,675	1,028,035
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net		76,081	161,903	(5,303)	4,517
Other income		623,181	1,584,689	417,103	1,342,118
Total non-mark-up / interest income		2,068,899	6,443,515	2,066,330	5,957,600
		7,468,596	21,184,510	6,518,135	17,399,013
<b>Non mark-up / interest expenses</b>					
Administrative expenses		5,265,714	14,696,265	4,437,710	12,525,795
(Reversal) / Provision against off-balance sheet obligations		(29,578)	24,770	(10,903)	(2,441)
Provision against other assets		32,756	202,852	10,271	(25,864)
Other charges		48,374	131,577	42,065	116,570
Total non-mark-up / interest expenses		5,317,266	15,055,464	4,479,143	12,614,060
		2,151,330	6,129,046	2,038,992	4,784,953
Extraordinary / unusual items		-	-	-	-
<b>Profit before taxation</b>		2,151,330	6,129,046	2,038,992	4,784,953
<b>Taxation</b>	15				
- Current		794,112	2,191,037	705,687	1,957,057
- Deferred		(85,951)	(115,624)	(41,095)	(379,915)
- Prior years		38,419	38,419	-	(110,000)
		746,580	2,113,832	664,592	1,467,142
<b>Profit after taxation</b>		1,404,750	4,015,214	1,374,400	3,317,811
		(Rupees)	(Rupees)	(Rupees)	(Rupees)
<b>Basic earnings per share</b>	13	1.04	2.98	1.02	2.46
<b>Diluted earnings per share</b>	13	1.04	2.97	1.02	2.46

The annexed notes 1 to 18 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

**Chief Executive Officer**

**Director**

**Director**

**Chairman**

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014**

	Quarter ended Sept 30, 2014	Nine months period ended Sept 30, 2014	Quarter ended Sept 30, 2013	Nine months period ended Sept 30, 2013
	(Rupees in '000)			
Profit after taxation	1,404,750	4,015,214	1,374,400	3,317,811
<b>Other comprehensive income:</b>				
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translation of net investment in foreign branches	346,517	(126,481)	529,633	727,858
<b>Comprehensive income - transferred to unconsolidated condensed interim statement of changes in equity</b>	<u>1,751,267</u>	<u>3,888,733</u>	<u>1,904,033</u>	<u>4,045,669</u>
<b>Components of comprehensive income not reflected in equity</b>				
(Deficit) / surplus on revaluation of available-for-sale securities - net of tax	(182,588)	171,071	(821,961)	(877,035)
<b>Total comprehensive income</b>	<u><u>1,568,679</u></u>	<u><u>4,059,804</u></u>	<u><u>1,082,072</u></u>	<u><u>3,168,634</u></u>

The annexed notes 1 to 18 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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Chairman



## UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

Note	Nine months period ended Sept 30, 2014	Nine months period ended Sept 30, 2013
<b>(Rupees in '000)</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,129,046	4,784,953
Less: Dividend income	(388,206)	(375,538)
	5,740,840	4,409,415
<b>Adjustments for :</b>		
Depreciation	1,012,415	1,012,415
Amortisation	142,555	142,555
Provision against loans and advances - net	711,605	686,325
Provision for diminution in value of investments - net	19,646	389,797
Reversal of Provision against off-balance sheet obligations	24,770	(2,441)
(Reversal) / Provision against other assets	202,852	(25,864)
Unrealized gain on revaluation of investments classified as held for trading - net	(161,903)	(4,517)
Bad debts written-off directly	5	1,150
Gain on sale of operating fixed assets - net	(114,788)	(9,778)
Charge for defined benefit plan	213,080	219,362
	2,050,237	2,409,004
	7,791,077	6,818,419
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(38,879,795)	-
Held-for-trading securities	(2,212,128)	63,714
Advances	(12,505,401)	(3,051,121)
Other assets (excluding tax recoverable and dividend receivable)	(2,814,145)	(1,166,684)
	(56,411,469)	(4,154,091)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	3,485,956	3,058,022
Borrowings	10,104,786	(3,966,049)
Deposits and other accounts	38,073,264	35,887,428
Other liabilities	3,370,909	(713,568)
	55,034,915	34,265,833
Income tax paid	6,414,523	36,930,161
	(2,719,709)	(2,464,002)
<b>Net cash flows generated from operating activities</b>	3,694,814	34,466,159
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	18,572,843	(31,902,328)
Net investments in held-to-maturity securities	(55,905,363)	4,471,289
(Investment) / redemption in associated companies	(491,652)	-
Investment in subsidiary company	-	-
Dividend income received	350,606	351,054
Investment in operating fixed assets	(2,012,532)	(2,179,413)
Proceeds from sale of operating fixed assets	238,413	13,848
<b>Net cash flows used in investing activities</b>	(39,247,685)	(29,245,550)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds / (Redemption) of sub-ordinated loans	(3,000)	4,557,433
Dividend paid	(2,698,313)	(2,698,313)
<b>Net cash flows used in financing activities</b>	(2,701,313)	1,859,120
Exchange difference on translation of the net investments in foreign branches	(126,481)	727,858
<b>(Decrease) / increase in cash and cash equivalents</b>	(38,380,665)	7,807,587
Cash and cash equivalents at beginning of the period	98,831,214	85,555,740
<b>Cash and cash equivalents at end of the period</b>	60,450,549	93,363,327

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The annexed notes 1 to 18 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Chairman

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014**

	Share Capital	Statutory Reserve *	Employee Share Option Compensation Reserve	Exchange Translation Reserve	Unappropriated Profit	Total
	----- (Rupees in ' 000) -----					
<b>Balance as at January 1, 2013</b>	13,491,563	4,572,982	-	1,063,567	6,373,545	25,501,657
<b>Changes in equity for the nine months period ended September 30, 2013</b>						
<b>Total Comprehensive income for the period</b>						
Profit after taxation for the nine months period ended September 30, 2013	-	-	-	-	3,317,811	3,317,811
<b>Other comprehensive income for the nine months period ended September 30, 2013</b>						
Exchange differences on translation of net investment in foreign branches	-	-	-	727,858	-	727,858
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	271,335	271,335
	-	-	-	727,858	3,344,946	4,072,804
<b>Transactions with owners, recorded directly in equity</b>						
Final cash dividend for the year ended December 31, 2012 @ 20%	-	-	-	-	(2,698,313)	(2,698,313)
Transfer to statutory reserve	-	663,562	-	-	(663,562)	-
<b>Balance as at September 30, 2013</b>	13,491,563	5,236,544	-	1,791,425	6,356,616	26,876,148
<b>Changes in equity for the quarter ended December 31, 2013</b>						
<b>Total Comprehensive income for the period</b>						
Profit after taxation for the quarter ended December 31, 2013	-	-	-	-	1,358,139	1,358,139
<b>Other comprehensive income for the quarter ended December 31, 2013</b>						
Exchange differences on translation of net investment in foreign branches	-	-	-	(25,375)	-	(25,375)
Remeasurement of defined benefit plans	-	-	-	-	74,576	74,576
Related tax charge	-	-	-	-	(26,102)	(26,102)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	8,230	8,230
	-	-	-	(25,375)	1,414,843	1,389,468
<b>Transactions with owners of the bank</b>						
Transfer to statutory reserve	-	271,628	-	-	(271,628)	-
<b>Balance as at December 31, 2013</b>	13,491,563	5,508,172	-	1,766,050	7,499,831	28,265,616
<b>Changes in equity for the nine months period ended September 30, 2014</b>						
<b>Total Comprehensive income for the period</b>						
Profit after taxation for the nine months period ended September 30, 2014	-	-	-	-	4,015,214	4,015,214
<b>Other comprehensive income for the nine months period ended September 30, 2014</b>						
Exchange differences on translation of net investment in foreign branches	-	-	-	(126,481)	-	(126,481)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	23,362	23,362
	-	-	-	(126,481)	4,038,576	3,912,095
<b>Transactions with owners, recorded directly in equity</b>						
Final cash dividend for the year ended December 31, 2013 @ 20%	-	-	-	-	(2,698,313)	(2,698,313)
Transfer to statutory reserve	-	803,043	-	-	(803,043)	-
Recognition of fair value of share based payments on grant date during the period	-	-	121,336	-	-	121,336
Unamortised portion of deferred employee compensation expense	-	-	(84,261)	-	-	(84,261)
<b>Balance as at September 30, 2014</b>	13,491,563	6,311,215	37,075	1,639,569	8,037,051	29,516,473

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

The annexed notes 1 to 18 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

## **NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014**

### **1 STATUS AND NATURE OF BUSINESS**

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 1, 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 446 conventional banking branches including 12 sub branches (2013: 423 branches including 10 sub branches), 10 overseas branches (2013: 10 branches), 148 Islamic banking branches (2013: 140 branches) and 1 offshore banking unit (2013: 1 unit).

The Securities and Exchange Commission of Pakistan (SECP) vide letter EMD/233/655/2004-68 has granted an exemption to the Bank from the preparation of consolidated financial information of the Bank and its subsidiary company namely Alfalah Securities (Private) Limited upto December 31, 2014.

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 (SBP) has issued various circulars from time to time. Permissible forms 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 this 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 business are disclosed in Annexure I to the unconsolidated condensed interim financial information.
- 2.3 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 May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and the unconsolidated condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2013.

### **3 STATEMENT OF COMPLIANCE**

- 3.1 The unconsolidated condensed interim financial information of the Bank for nine months period ended September 30, 2013 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 No. 10 dated August 26, 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 (IFRS 7) on banking companies vide SRO 411(I) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this 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 In addition, 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 January 1, 2006. The standard has not been adopted by Islamic branches of the Bank pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks Association and Modaraba Association of Pakistan have taken up the issue with SBP and SECP.

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

The principal accounting policies and the methods of computation adopted in the preparation of the unconsolidated condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013 except as explained below:

##### **4.1 Adoption of accounting policy - Employees Stock Option Scheme (ESOS)**

During the period, the Bank granted share options to its employees under the Employee Stock Options Scheme (ESOS) as approved by the shareholders and SECP vide its letter No. SMD/CIW/ESOS/02/2013 dated December 27, 2013. The accounting policy adopted for the scheme and related disclosures are as follows:

The grant date fair value of equity settled share based payments to employees, determined as option discount as allowed by Public Companies (Employees Stock Option Scheme) Rules 2001, is recognized as employee compensation expense on a straight line basis over the vesting period with a consequent credit to equity as employee stock option compensation reserve. The deferred employee stock option cost is shown as a deduction from employee stock option compensation reserve. Option discount means the excess of market price of the share at the date of grant of an option under a scheme over the exercise price of the option.

Under the Scheme, the Bank may grant options to certain critical employees selected by the Board Compensation Committee upto 40,474,689 new ordinary shares over a period from 2014 to 2016. The details of share options granted during the period which remained outstanding as at September 30, 2014 are as follows:

- Number of options in issue 11.2 million (initially granted: 11.3 million)
- Exercise Price Rs. 16.32 per option
- Option discount Rs. 10.88 per option

These options vest over a three year period with one third of the options vesting on completion of each year of service from 1 April 2014. 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.

#### **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 financial statements of the Bank for the year ended December 31, 2013.

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

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2013.

**Note      September      December**  
**30, 2014      31, 2013**  
**(Un-audited)      (Audited)**  
**(Rupees in '000)**

**7 LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	7.1	1,810,208	2,522,022
Bai Muajjal	7.2	19,733,004	-
Repurchase agreement lendings (Reverse Repo)	7.3	19,146,791	-
		<u>40,690,003</u>	<u>2,522,022</u>

7.1 These represent lending to financial institutions at interest rates ranging from 0.1% to 12.75% per annum (December 31, 2013: 0.32% to 13.25% per annum) with maturities up to December 2014 (December 31, 2013: November 2014).

7.2 These represent Bai Muajjal to financial institutions at returns ranging from 9.05% to 9.50% per annum (December 31, 2013: Nil) with maturities up to December 2014 (December 31, 2013: Nil).

7.3 These represent lending to financial institutions at returns ranging from 9.95% to 10% per annum (December 31, 2013: Nil) with maturities up to October 2014 (December 31, 2013: Nil).

**8 INVESTMENTS - NET**

**8.1 Investments by types**

Note	September 30, 2014 (Un-audited)			December 31, 2013 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	-----Rupees in '000-----					
<b>Held-for-trading securities</b>						
Market Treasury Bills	5,613,131	-	5,613,131	6,243,509	-	6,243,509
Pakistan Investment Bonds	132,568	-	132,568	-	-	-
Overseas Bonds	2,616,253	-	2,616,253	907,716	-	907,716
Sukuk Bonds	1,009,866	-	1,009,866	-	-	-
	9,371,818	-	9,371,818	7,151,225	-	7,151,225
<b>Available-for-sale securities</b>						
Market Treasury Bills	38,480,464	6,992,618	45,473,082	104,046,128	4,608,632	108,654,760
Pakistan Investment Bonds	77,123,905	-	77,123,905	17,680,342	-	17,680,342
Fully paid up ordinary shares / units - Listed	4,653,186	-	4,653,186	3,235,923	-	3,235,923
Fully paid up ordinary shares - Unlisted	4,426,616	-	4,426,616	4,426,617	-	4,426,617
Term Finance Certificates	1,203,710	-	1,203,710	1,033,994	-	1,033,994
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	340,000	-	340,000	340,000	-	340,000
Overseas Bonds	3,359,380	-	3,359,380	1,583,831	-	1,583,831
Sukuk Bonds	34,997,742	-	34,997,742	53,194,997	-	53,194,997
	164,693,838	6,992,618	171,686,456	185,650,667	4,608,632	190,259,299
<b>Held-to-maturity securities</b>						
Market Treasury Bills	876,272	-	876,272	1,631,150	-	1,631,150
Pakistan Investment Bonds	65,673,104	-	65,673,104	14,277,652	-	14,277,652
Term Finance Certificates	524,266	-	524,266	526,888	-	526,888
Pakistan Euro Bonds	3,235,491	-	3,235,491	2,582,702	-	2,582,702
Overseas Bonds	8,084,799	-	8,084,799	3,148,451	-	3,148,451
Sukuk Bonds	2,009,855	-	2,009,855	2,331,581	-	2,331,581
	80,403,787	-	80,403,787	24,498,424	-	24,498,424
<b>Associates</b>						
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Alfalah GHP Value Fund	100,000	-	100,000	100,000	-	100,000
Alfalah GHP Income Multiplier Fund	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Islamic Fund	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Cash Fund	1,000,390	-	1,000,390	1,000,390	-	1,000,390
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
IGI Money Market Fund	500,000	-	500,000	500,000	-	500,000
Alfalah GHP Sovereign Fund	200,000	-	200,000	-	-	-
Sapphire Wind Power Company Limited	291,652	-	291,652	-	-	-
	2,791,525	-	2,791,525	2,299,873	-	2,299,873
<b>Subsidiary</b>						
Alfalah Securities (Private) Limited	826,000	-	826,000	826,000	-	826,000
<b>Investments at cost</b>	258,086,968	6,992,618	265,079,586	220,426,189	4,608,632	225,034,821
<b>Less: Provision for diminution in value of investments</b>						
Investments (net of provisions)	(6,150,506)	-	(6,150,506)	(6,130,860)	-	(6,130,860)
	251,936,462	6,992,618	258,929,080	214,295,329	4,608,632	218,903,961
(Deficit) / Surplus on revaluation of held for trading securities - net	161,903	-	161,903	8,465	-	8,465
Surplus / (Deficit) on revaluation of available for sale securities-net	1,039,197	1,932	1,041,129	766,647	11,296	777,943
<b>Total investments</b>	<u>253,137,562</u>	<u>6,994,550</u>	<u>260,132,112</u>	<u>215,070,441</u>	<u>4,619,928</u>	<u>219,690,369</u>

**September  
30, 2014  
(Un-audited)**      **December  
31, 2013  
(Audited)**

(Rupees in '000)

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

Opening balance	6,130,860	6,123,518
Charge for the period / year	71,372	392,366
Reversals	(51,726)	(297,569)
Provision written off during the period / year	-	(87,455)
Closing balance	6,150,506	6,130,860

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

**Available for sale securities**

**Listed companies / mutual funds**

**- Preference shares**

- Agritech Limited	108,835	108,835
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**Listed securities**

**- Term finance certificates**

- Gharibwal Cement	-	8,120
- New Allied Electronics	2,185	2,185

**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	32,500
- Warid Telecom (Private) Limited (Related party)	4,366,796	4,366,796

**Unlisted securities**

**- Term finance certificates**

- Azgard Nine Limited	76,220	76,220
- Flying Board & Paper Products	17,100	21,500
- Security Leasing Corporation Limited I	6,418	6,841
- Security Leasing Corporation Limited II	23,105	24,629

**- 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	465,000	465,000
- BRR Guardian Modaraba	20,234	20,234
- Security Leasing Corporation Limited	29,245	31,276
- Sitara Peroxide (Private) Limited	113,643	59,771
- Sitara Energy Limited	-	7,926
- Zulekha Textile Mills (formerly Khunja Textile Mills Limited)	-	27,302

**Investment in subsidiary company**

**Unlisted company**

**- Fully paid up ordinary shares of Rs. 10 each**

- Alfalah Securities (Private) Limited	826,000	826,000
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6,150,506	6,130,860	
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	Note	September 30, 2014 (Un-audited)	December 31, 2013 (Audited)
<b>(Rupees in '000)</b>			
<b>9 ADVANCES - NET</b>			
Loans, cash credits, running finances, etc.			
- In Pakistan		257,181,623	237,699,611
- Outside Pakistan		10,945,200	13,900,374
		<u>268,126,823</u>	<u>251,599,985</u>
Net investment in finance lease			
- In Pakistan		3,931,986	4,363,579
- Outside Pakistan		-	-
		<u>3,931,986</u>	<u>4,363,579</u>
Financing and investing assets under IFAS 2 Ijarah		5,116,423	4,760,623
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		3,795,207	10,508,954
- Payable outside Pakistan		5,238,631	2,594,156
		<u>9,033,838</u>	<u>13,103,110</u>
		<u>286,209,070</u>	<u>273,827,297</u>
Provision against advances			
- Specific provision against non-performing advances	9.2	(13,026,236)	(12,441,472)
- General provision against advances	9.2	(609,193)	(605,975)
		<u>(13,635,429)</u>	<u>(13,047,447)</u>
		<u>272,573,641</u>	<u>260,779,850</u>

9.1 Advances include Rs. 18,636 million (2013: Rs. 17,947 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 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)	185,749	-	185,749	8,241	-	8,241	8,241	-	8,241
Substandard	3,241,531	1,369	3,242,900	862,844	274	863,118	862,844	274	863,118
Doubtful	2,171,584	13,541	2,185,125	955,068	1,140	956,208	955,068	1,140	956,208
Loss	12,279,745	742,121	13,021,866	10,617,521	581,148	11,198,669	10,617,521	581,148	11,198,669
	<u>17,878,609</u>	<u>757,031</u>	<u>18,635,640</u>	<u>12,443,674</u>	<u>582,562</u>	<u>13,026,236</u>	<u>12,443,674</u>	<u>582,562</u>	<u>13,026,236</u>

  

Category of Classification	December 31, 2013 (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)	136,342	-	136,342	909	-	909	909	-	909
Substandard	1,656,926	18,798	1,675,724	295,280	1,494	296,774	295,280	1,494	296,774
Doubtful	2,087,472	70,234	2,157,706	846,468	35,117	881,585	846,468	35,117	881,585
Loss	13,324,010	652,847	13,976,857	10,767,677	494,527	11,262,204	10,767,677	494,527	11,262,204
	<u>17,204,750</u>	<u>741,879</u>	<u>17,946,629</u>	<u>11,910,334</u>	<u>531,138</u>	<u>12,441,472</u>	<u>11,910,334</u>	<u>531,138</u>	<u>12,441,472</u>

## 9.2 Particulars of provisions against advances

	September 30, 2014 (Unaudited)			December 31, 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
Opening balance	12,441,472	605,975	13,047,447	13,871,515	541,119	14,412,634
Exchange adjustment and other movements	(7,437)	(2,303)	(9,740)	23,464	6,560	30,024
Charge for the period / year	2,106,298	5,521	2,111,819	3,329,405	58,296	3,387,701
Reversals / recoveries	(1,400,214)	-	(1,400,214)	(2,433,138)	-	(2,433,138)
	706,084	5,521	711,605	896,267	58,296	954,563
Amounts written off	(113,883)	-	(113,883)	(2,349,774)	-	(2,349,774)
Closing balance	<u>13,026,236</u>	<u>609,193</u>	<u>13,635,429</u>	<u>12,441,472</u>	<u>605,975</u>	<u>13,047,447</u>

9.2.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at September 30, 2014 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 979,668 million (2013: Rs. 1,355.810 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 September 30, 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

Capital work-in-progress  
Property and equipment  
Intangible assets

**September 30, 2014 (Un-audited)**      **December 31, 2013 (Audited)**  
(Rupees in '000)

873,331	1,017,886
13,828,690	13,341,596
823,166	475,718
<u>15,525,187</u>	<u>14,835,200</u>

**Nine months period ended**  
**September 30, 2014**      **September 30, 2013**  
(Un-audited)  
(Rupees in '000)

### 10.1 Additions to operating fixed assets

Office premises  
Leasehold improvements  
Office equipments  
Furniture and fixtures  
Vehicles

182,998	122,305
463,772	297,356
1,056,359	848,328
149,298	110,129
7,604	94,690



		<b>Nine months period ended</b>	
		<b>September 30, 2014</b>	<b>September 30, 2013</b>
		<b>(Un-audited)</b>	
		<b>(Rupees in '000)</b>	
<b>10.2 Intangibles - additions</b>			
	Software	530,271	279,126
<b>10.3 Disposals of operating fixed assets</b>			
	Office premises	115,819	44,944
	Leasehold improvements	40,960	20,562
	Office equipments	33,867	33,472
	Furniture and fixtures	5,765	5,694
	Vehicles	3,006	15,767
		<b>September 30, 2014</b>	<b>December 31, 2013</b>
		<b>(Un-audited)</b>	<b>(Audited)</b>
		<b>(Rupees in '000)</b>	
<b>11 DEPOSITS AND OTHER ACCOUNTS</b>			
	<b>Customers</b>		
	Fixed deposits	147,324,700	123,640,025
	Savings deposits	190,716,192	172,885,325
	Current accounts - non-remunerative	193,854,761	187,026,521
	Others	5,671,115	5,418,931
		<u>537,566,768</u>	<u>488,970,802</u>
	<b>Financial institutions</b>		
	Remunerative deposits	25,413,994	35,656,441
	Non-remunerative deposits	618,272	898,527
		<u>26,032,266</u>	<u>36,554,968</u>
		<u>563,599,034</u>	<u>525,525,770</u>
<b>12 CONTINGENCIES AND COMMITMENTS</b>			
<b>12.1 Direct credit substitutes</b>			
	i) Government	899,288	1,782,434
	ii) Banking companies and other financial institutions	2,838	29,749
	iii) Others	1,656,390	594,730
		<u>2,558,516</u>	<u>2,406,913</u>
<b>12.2 Transaction - related contingent liabilities</b>			
	i) Government	27,447,169	36,122,291
	ii) Banking companies and other financial institutions	134,601	136,336
	iii) Others	11,974,139	8,362,382
		<u>39,555,909</u>	<u>44,621,009</u>
<b>12.3 Trade - related contingent liabilities</b>			
	Letters of credit	60,837,797	68,682,365
	Acceptances	11,641,374	12,848,836
<b>12.4 Other contingencies</b>			
	Claims against the Bank not acknowledged as debts	8,999,301	7,996,863

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.

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. Accordingly no provision has been made in this unconsolidated condensed interim financial information.

The Bank filed case against the above mentioned Third Party Customers in primary commercial court in Afghanistan. In June 2014, 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 AFS 5.268 million. The Bank has filed an appeal in the appellate court against the said judgment, which has been admitted for regular hearing. Based on advice of legal counsel of the Bank, the management is confident that the matter will be decided in Bank's favor in the appellate court and thus no provision for the said amounts is required in this unconsolidated condensed interim financial information

	<b>September 30, 2014 (Un-audited)</b>	<b>December 31, 2013 (Audited)</b>
	<b>(Rupees in '000)</b>	
<b>12.5 Commitments in respect of forward lendings</b>		
Commitments to extend credit	9,104,397	4,529,818
Commitments in respect of investments	708,348	1,000,000
<b>12.6 Commitments in respect of forward exchange contracts</b>		
Purchase	53,858,106	54,097,511
Sale	39,473,141	42,386,376
<b>12.7 Commitments in respect of forward foreign currency options</b>		
Purchase	52,010	52,010
Sale	52,010	52,010
<b>12.8 Commitments for the acquisition of operating fixed asset</b>	382,484	401,072
<b>12.9 Commitments in respect of repo transactions</b>		
Repurchase	7,000,185	4,625,270
Resale	19,153,390	-
<b>12.10 Other commitments</b>		
Interest rate swaps	5,218,897	-
Donations	45,504	61,000
<b>12.11 Contingencies for tax payable (note 15)</b>		

**13 BASIC AND DILUTED EARNINGS PER SHARE**

	September 30, 2014 (Un-audited)	September 30, 2013 (Un-audited)
	(Rupees in '000)	
Profit after taxation for the period	4,015,214	3,317,811
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,349,156	1,349,156
add: Weighted average adjustment for assumed conversion of employee share option	828	-
Weighted average number of ordinary shares for determination of diluted earnings per share	1,349,984	1,349,156
	(Rupees)	
Basic earnings per share	2.98	2.46
Diluted earnings per share	2.97	2.46

**14 CASH AND CASH EQUIVALENTS**

	September 30, 2014 (Un-audited)	December 31, 2013 (Audited)
	(Rupees in '000)	
Cash and balances with treasury banks	44,844,110	61,204,697
Balances with other banks	13,796,231	35,179,983
Call money lendings	1,810,208	2,522,022
Overdrawn nostro accounts	-	(75,488)
	60,450,549	98,831,214

**15 TAXATION**

- 15.1 The income tax assessments of the Bank have been finalized upto and including tax year 2013. 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 2013, 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.

In respect of monitoring of withholding taxes on profit on debt, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs.61.741 million against tax demand (after reduction on rectifications) for tax years 2011 to 2014. The Bank has either filed appeals before various tax appellate forums or intend to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

## 16 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 include 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 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 to executives is determined in accordance with the terms of their appointment.

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

	September 30, 2014 (Un-audited)						
	Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Subsidiary	Strategic Investments	Total
	----- (Rupees in '000) -----						
<b>Deposits</b>							
Balance at the beginning of the period	34,796	80,786	4,416,681	488,272	17,210	18	5,037,763
Placements during the period	207,511	1,100,087	39,398,545	13,885,147	216,063	-	54,807,353
Withdrawals / adjustments during the period	(200,934)	(1,112,152)	(39,254,237)	(14,044,170)	(230,242)	-	(54,841,735)
Balance at the end of the period	41,373	68,721	4,560,989	329,249	3,031	18	5,003,381
<b>Advances</b>							
Balance at the beginning of the period	-	278,201	3,622,533	-	30,000	-	3,930,734
Disbursements during the period	-	58,392	7,633,232	-	-	-	7,691,624
Repayments / adjustments during the period	-	(76,013)	(7,276,679)	-	-	-	(7,352,692)
Balance at the end of the period	-	260,580	3,979,086	-	30,000	-	4,269,666
<b>Investments</b>							
Balance at the beginning of the period	-	-	4,553,930	2,299,873	826,000	50,000	7,729,803
Investments during the period	-	-	-	491,652	-	-	491,652
Redemption / adjustments during the period	-	-	(187,134)	-	-	-	(187,134)
Balance at the end of the period	-	-	4,366,796	2,791,525	826,000	50,000	8,034,321
<b>Provision held against investments</b>	-	-	4,366,796	-	826,000	50,000	5,242,796
<b>Call borrowings / Repo</b>							
Balance at the beginning of the period	-	-	4,000,000	-	-	-	4,000,000
Borrowings during the period	-	-	-	-	-	-	-
Repayments / adjustments during the period	-	-	(4,000,000)	-	-	-	(4,000,000)
Balance at the end of the period	-	-	-	-	-	-	-
<b>Call lendings / Reverse repo</b>							
Balance at the beginning of the period	-	-	-	-	-	-	-
Placements during the period	-	-	-	-	-	-	-
Withdrawals during the period	-	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-	-

December 31, 2013 (Audited)

	Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Subsidiary	Strategic Investments	Total
------(Rupees in '000)-----							
<b>Deposits</b>							
Balance at the beginning of the year	31,400	53,987	1,785,252	488,844	1,583	18	2,361,084
Placements during the year	573,574	807,756	76,050,117	12,761,156	662,769	-	90,855,372
Withdrawals / adjustments during the year	(570,178)	(780,957)	(73,418,688)	(12,761,728)	(647,142)	-	(88,178,693)
Balance at end of the year	34,796	80,786	4,416,681	488,272	17,210	18	5,037,763
<b>Advances</b>							
Balance at the beginning of the year	-	132,220	2,607,770	-	24,933	-	2,764,923
Disbursements during the year	-	235,945	11,640,538	-	179,249	-	12,055,732
Repayments / adjustments during the year	-	(89,964)	(10,625,775)	-	(174,182)	-	(10,889,921)
Balance at end of the year	-	278,201	3,622,533	-	30,000	-	3,930,734
<b>Investments</b>							
Balance at the beginning of the year	-	-	5,003,117	2,299,483	826,000	120,000	8,248,600
Investments during the year	-	-	185,732	500,000	-	-	685,732
Redemptions / adjustments during the year	-	-	(634,919)	(499,610)	-	(70,000)	(1,204,529)
Balance at end of the year	-	-	4,553,930	2,299,873	826,000	50,000	7,729,803
<b>Provision held against investments</b>	-	-	4,366,796	-	826,000	32,500	5,225,296
<b>Call borrowings / Repo</b>							
Balance at the beginning of the year	-	-	-	-	-	-	-
Borrowings during the year	-	-	8,500,000	-	-	-	8,500,000
Repayments during the year	-	-	(4,500,000)	-	-	-	(4,500,000)
Balance at end of the year	-	-	4,000,000	-	-	-	4,000,000
<b>Call lendings / Reverse Repo</b>							
Balance at the beginning of the year	-	-	-	-	-	-	-
Placements during the year	-	-	59,000,000	-	-	-	59,000,000
Withdrawals during the year	-	-	(59,000,000)	-	-	-	(59,000,000)
Balance at end of the year	-	-	-	-	-	-	-

**September 30, 2014 (Un-audited)**      **December 31, 2013 (Audited)**  
(Rupees in '000)

**16.2 Advances**

Running finance		
- Other related parties	2,843,103	2,553,226
Long term loans		
- Subsidiary company	30,000	30,000
- Other related parties	1,396,563	1,347,508

**16.3 Contingencies and commitments**

Letter of credit and acceptance outstanding	150,885	90,504
Guarantees outstanding	1,895,912	2,195,703

	September 30, 2014 (Un-audited)	December 31, 2013 (Audited)
	(Rupees in '000)	
<b>16.4 Customer Accounts</b>		
PLS accounts		
- Other related parties	3,178,883	3,977,123
Current accounts		
- Subsidiary company	3,031	17,210
- Other related parties	1,798,175	839,260
Fixed deposit accounts		
- Other related parties	23,292	204,170
<b>16.5 Balances with subsidiary company</b>		
Mark-up receivable on advances	32,578	29,824
Mark-up held in suspense	32,578	27,684
Provision held against investment	826,000	826,000
Rent receivable	8,818	7,844
Provision held against rent receivable	8,818	7,844
Deposits	3,031	17,210
Brokerage payable	14	175
Payment in respect of operating fixed assets acquired	-	4,500
<b>16.6 Balance with associates</b>		
Advance rent received from Alfalah Insurance Company Limited	499	166
<b>16.7 Balances with other related parties</b>		
Rent receivable from Warid Telecom (Private) Limited	-	37,990
Advance rent from Warid Telecom (Private) Limited	12,224	-
Rent receivable from Wateen Telecom Limited	2,089	1,413
Advance rent from Wateen Telecom Limited	-	1,000
Rent receivable from Alfalah GHP Investment Management Limited	-	2,353
Rent payable to Wateen Telecom Limited	1,900	5,090
Mark-up suspended on advances to Wateen Telecom Limited	377,819	-
Mark-up suspended on advances to Warid Telecom (Private) Limited	24,756	-
Provision held against investments in Warid Telecom (Private) Limited	4,366,796	4,366,796
Provision held against rent receivable from Warid Telecom (Private) Limited	-	37,990
TFCs held by Taavun (Private) Limited	499,100	499,200
TFCs held by IGI Income Fund	114,139	111,660
TFCs held by IGI Aggressive Income Fund	70,972	74,080
TFCs held by Alfalah GHP Income Multiplier Fund	6,121	6,124

	<b>Nine months period ended</b>	
	<b>September 30, 2014 (Un-audited)</b>	<b>September 30, 2013 (Un-audited)</b>
	<b>(Rupees in '000)</b>	
<b>16.8 Transactions with subsidiary company</b>		
Mark-up income	2,458	2,141
Brokerage expense	315	1,116
Rent income	974	942
Bank charges recovered	1,930	100
Payment in respect of operating fixed assets acquired	-	4,500
<b>16.9 Transactions with associated companies</b>		
Insurance premium paid to Alfalah Insurance Company Limited	459,632	433,111
Rent income from Alfalah Insurance Limited	1,497	1,397
Dividend income from Alfalah GHP Cash Fund	36,749	85,678
Dividend paid to Alfalah Insurance Company Limited	1,000	19
Dividend income from Alfalah GHP Islamic Fund	83,800	44,553
Dividend income from Alfalah GHP Sovereign Fund	2,303	19
Dividend income from Alfalah GHP Income Multiplier Fund	27,650	21,158
Dividend income from Alfalah GHP Value Fund	28,738	15,951
<b>16.10 Transactions with other related parties</b>		
Mark-up income on advances	307,025	208,782
Mark-up suspended on advances to Wateen Telecom Limited	131,563	-
Mark-up suspended on advances to Warid Telecom (Private) Limited	5,398	-
Rent income from Warid Telecom (Private) Limited	13,064	19,555
Rent income from Wateen Telecom Limited	9,798	4,238
Rent income from Alfalah GHP Investment Management Limited	324	2,752
Rent expense pertaining to Wateen Telecom Limited	8,550	9,720
Charge for security services to Security and Management Services (Private) Limited and Wakenhut Pakistan (Private) Limited	227,209	171,673
Payment to Wateen Telecom Limited for purchase of equipment and maintenance charges	88,653	176,354
Payment to Monet (Private) Limited for branchless banking services	21,762	21,054
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	470	866
Provision made during the period in respect of investment in Warid Telecom (Private) Limited	-	363,080
Commission received from Warid Telecom (Private) Limited	6,962	37,611
Provision made during the period in respect of strategic investments	17,500	14,500
Mark up paid to Taavun Pvt Ltd	37,440	-
Mark up paid to IGI Income Fund	7,372	-
Mark up paid to IGI Aggressive Income Fund	3,707	-
Mark up paid to Alfalah GHP Income Multiplier Fund	412	-
Contribution to employees provident fund	198,253	177,510
Contribution to Gratuity fund	213,080	219,362
<b>16.11 The key management personnel / directors compensation are as follows:</b>		
Salaries and Allowances	932,711	847,083

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

**17 DATE OF AUTHORISATION**

This unconsolidated condensed interim financial information was authorised for issue on October 28, 2014 by the Board of Directors.

**18 GENERAL**

The figures have been rounded off to the nearest thousand rupees except as stated otherwise.

Chief Executive Officer

Director

Director

Chairman



## Annexure - I Islamic Banking Business

The bank is operating 148 Islamic banking branches as at September 30, 2014 (December 31, 2013: 140 branches).

	Note	September 30, 2014 (Un-audited)	December 31, 2013 (Audited)
<b>(Rupees in '000)</b>			
<b>ASSETS</b>			
Cash and balances with treasury banks		8,168,875	9,043,361
Balances with and due from financial institutions		2,930,404	15,170,183
Lendings to financial institutions		20,246,174	526,623
Investments - net		34,362,897	56,005,446
Islamic financing and related assets	A-1.1	27,282,265	28,088,654
Operating fixed assets		2,057,476	1,830,632
Other assets		5,560,512	4,532,464
		100,608,603	115,197,363
<b>LIABILITIES</b>			
Bills payable		1,711,292	1,541,559
Borrowings		4,584,615	2,140,329
Deposits and other accounts		-	-
- Current accounts		29,001,400	27,047,242
- Saving accounts		42,703,384	45,050,093
- Term deposits		8,508,202	17,656,272
- Others		586,462	702,463
Deposits from financial institutions - remunerative deposits		129,886	8,226,392
Deposits from financial institutions - non-remunerative deposits		1,462	-
Subordinated loans		-	-
Liability against asset subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		3,841,448	4,361,119
		91,078,151	106,725,469
<b>NET ASSETS</b>		<b>9,530,452</b>	<b>8,471,894</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,800,000	1,800,000
Exchange translation reserve		12,877	12,908
Unappropriated / unremitted profit		6,390,301	5,522,958
		8,203,178	7,335,866
Surplus on revaluation of assets - net of tax		1,327,274	1,134,892
		9,530,452	8,470,758
Remuneration to Shariah Advisor / Board		1,825	2,250

## Annexure - I Islamic Banking Business

Note	September 30, 2014 (Un-audited)	December 31, 2013 (Audited)
(Rupees in '000)		
<b>CHARITY FUND</b>		
Opening balance	145,707	78,415
Additions during the period / year	51,398	83,430
Payments / Utilisation during the period / year	(57,539)	(16,138)
Closing balance	<u>139,566</u>	<u>145,707</u>
<b>A-1.1 Islamic financing and related assets</b>		
Financing	25,865,889	21,603,948
Advances	1,416,376	2,328,219
Assets / inventories	-	4,760,623
Others	-	(604,136)
	<u>27,282,265</u>	<u>28,088,654</u>
<b>A-1.2 Islamic financing and related assets</b>		
Murabaha	11,348,633	13,564,052
Ijarah	5,514,473	5,025,385
Diminishing Musharakah	712,625	761,481
Musharakah	3,496,265	3,268,766
Salam	2,038,226	1,582,416
Istisna	2,444,696	816,002
SBP Islamic Export Refinance Scheme	1,059,147	2,439,185
Others	668,200	631,367
	<u>27,282,265</u>	<u>28,088,654</u>

## BANK ALFALAH PRESENCE IN PAKISTAN

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
1	Karachi	78	36	114
2	Lahore	59	30	89
3	Islamabad	21	9	30
4	Rawalpindi	24	7	31
5	Faisalabad	15	9	24
6	Quetta	13	4	17
7	Peshawar	11	4	15
8	Multan	9	5	14
9	Hyderabad	5	2	7
10	Gujranwala	4	2	6
11	Gujrat	3	2	5
13	Sialkot	4	3	7
12	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	1	1	2
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	1	1	2
35	Sadiqabad	1	1	2
36	Sahiwal	2	0	2
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	0	1
46	Bannu	2	0	2
47	Batkhela	1	0	1
48	Battagram	1	0	1
49	Besham	1	0	1
50	Bewal	1	0	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
51	Bhakkar	1	0	1
52	Bhalwal	0	1	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	1	0	1
59	Chakwal	1	0	1
60	Chaman	1	0	1
61	Charsadda	1	0	1
62	Chichawatni	1	0	1
63	Chillas	1	0	1
64	Chiniot	1	0	1
65	Chishtian	1	0	1
66	Chitral	1	0	1
67	Choa Saidan Shah	1	0	1
68	Dadu	1	0	1
69	Daharki	1	0	1
70	Daska	1	0	1
71	Daultala	1	0	1
72	Depalpur	1	0	1
73	Dera Murad Jamali	1	0	1
74	Dhudial	0	1	1
75	Digri	0	1	1
76	Dina	1	0	1
77	Dinga	1	0	1
78	Dukki	1	0	1
79	Farooqabad	1	0	1
80	Fateh Jang	1	0	1
81	Ferozwala	1	0	1
82	Fort Abbas	1	0	1
83	Gaggo Mandi	1	0	1
84	Gahkuch	1	0	1
85	Gawadar	1	0	1
86	Ghazi	1	0	1
87	Ghourghushti	1	0	1
88	Gojra	1	0	1
89	Gojra Malakwal Tehsil	1	0	1
90	Gujar Khan	1	0	1
91	Haaveli Lakha	1	0	1
92	Hafizabad	1	0	1
93	Hangu	1	0	1
94	Haroonabad	1	0	1
95	Hasan Abdal	0	1	1
96	Hasilpur	1	0	1
97	Havelian	1	0	1
98	Hazro	1	0	1
99	Hunza Nagar	1	0	1
100	Jacobabad	1	0	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
101	Jahania	1	0	1
102	Jalalpur Bhattian	1	0	1
103	Jalalpur Jattan	0	1	1
104	Jampur	1	0	1
105	Jauharabad	1	0	1
106	Kabirwala	0	1	1
107	Kahuta	1	0	1
108	Kallar Syedan	1	0	1
109	Kamalia	0	1	1
110	Kamoke	1	0	1
111	Kandhkot	1	0	1
112	Kasur	1	0	1
113	Khairpur	1	0	1
114	Khanewal	1	0	1
115	Khanpur	1	0	1
116	Kharian	1	0	1
117	Khurrianwala	1	0	1
118	Khushab	0	1	1
119	Kot Abdul Malik	0	1	1
120	Kot Addu	0	1	1
121	Kot momin	1	0	1
122	Kotla	1	0	1
123	Kotli	1	0	1
124	Lala Musa	1	0	1
125	Larkana	1	0	1
126	Layyah	1	0	1
127	Liaqatpur	1	0	1
128	Lodhran	1	0	1
129	Loralai	1	0	1
130	Mailsi	0	1	1
131	Malakwal	1	0	1
132	Mamu Kanjan	1	0	1
133	Mandi Bahauddin	1	1	2
134	Mandi Faizabad	1	0	1
135	Mandi Quaidabad	1	0	1
136	Mandi Sadiq Gunj	1	0	1
137	Matli	1	0	1
138	Mian Channu	1	0	1
139	Mianwali	1	1	2
140	Mirpur Mathelo	1	0	1
141	Moro	1	0	1
142	Muridke	1	0	1
143	Murree	1	0	1
144	Muslim Bagh	1	0	1
145	Mustafabad	1	0	1
146	Muzaffarabad	1	0	1
147	Muzaffargarh	1	0	1
148	Nankana Sahib	1	0	1
149	Narowal	1	0	1
150	Nawabshah	1	0	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
151	Nowshera	1	0	1
152	Nowshera Virkan	1	0	1
153	Oghi	1	0	1
154	Pakpattan	1	0	1
155	Pattoki	1	0	1
156	Phalia	1	0	1
157	Pindi Gheb	0	1	1
158	Pir Mahal	1	0	1
159	Pishin	1	0	1
160	Qaboola	1	0	1
161	Rabwah	1	0	1
162	Rajanpur	1	0	1
163	Rawat	1	0	1
164	Renala Khurd	1	0	1
165	Sambrial	1	0	1
166	Samundri	1	0	1
167	Sanghar	1	0	1
168	Sangla Hill	0	1	1
169	Sarai Alamgir	0	1	1
170	Saraqpur	0	1	1
171	Serai Naurang	1	0	1
172	Shahdadpur	1	0	1
173	Shahkot	0	1	1
174	Shahpur	1	0	1
175	Shakargarh	1	0	1
176	Shinkhari	1	0	1
177	Shorkot	1	0	1
178	Shujabad	1	0	1
179	Sibi	1	0	1
180	Sillanwali	1	0	1
181	Skardu	1	0	1
182	Swabi	1	0	1
183	Swat	1	0	1
184	Talagang	1	0	1
185	Tando Adam	1	0	1
186	Tando Allahyar	1	0	1
187	Temargarha	1	0	1
188	Toba Tek Singh	1	0	1
189	Turbat	1	0	1
190	Uch Sharif	1	0	1
191	Umerkot	1	0	1
192	Vehari	0	1	1
193	Wah Cantt	1	0	1
194	Waisa	1	0	1
195	Wazirabad	1	0	1
196	Yazman	1	0	1
197	Zafarwal	1	0	1
198	Zhob	1	0	1
199	Sihala	1	0	1
200	Bhowana	1	0	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
201	Dadyal, AJK	1	0	1
202	Bhimber, AJK	1	0	1
203	Chowk Azam	1	0	1
204	Khoiratta, AJK	1	0	1
205	Gondal	1	0	1
206	Pano Aqil	1	0	1
207	Ghakkar	1	0	1
208	Chak Jhumra	1	0	1
	<b>Total</b>	<b>446</b>	<b>148</b>	<b>594</b>

## BANK ALFALAH PRESENCE IN FOREIGN COUNTRIES

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