Annual Report 2015

Bank Alfalah
The Way Forward

At Bank Alfalah, we've never chosen the well-trodden path just because it's the easiest option. We've always been different and defined our own rule of success. We are younger and more dynamic than the rest, and we're drawn to people who share the same attitude.

OUR WAY

CUSTOMER CONNECT

We want to inspire and help you find your own way in going after what you want, just as we have. We do all we can to understand and anticipate what will help you achieve your ambitions.

LET'S INNOVATE

We constantly question the status quo to find new and better ways to do things. With fresh eyes, we seek out new ways to meet your needs and help you shape your own path, through innovative products, insightful advice and a 'can-do' attitude.

INSPIRING LEADERSHIP

We foster leadership, inspiring employees and customers to do things differently and to succeed while delivering sustainable results. We inspire and recognise young, emerging talent in the country and provide them with opportunities to showcase their work.

THE WAY FORWARD

CONTENTS

OUR COMPANY

Bank Alfalah is the sixth largest Bank in Pakistan with a network of over 650 branches in more than 200 cities across Pakistan with an international presence in Afghanistan, Bangladesh, Bahrain and a representative office in the UAE. The Bank is owned and operated by the Abu Dhabi Group.

Incorporated as a public limited company on 21 June 1992 under the Companies Ordinance, 1984, Bank Alfalah commenced banking operations from 01 November 1997.

The Bank provides financial solutions to consumers, corporations, institutions and governments through a broad spectrum of products and services, including corporate and investment banking, consumer banking and credit, securities brokerage, commercial, SME, agri-finance, Islamic and asset financing.

PACRA, a premier rating agency of the country, has assigned Bank Alfalah 'AA' (double A) Entity Rating for long term and A1+ (A one plus) for short term. According to the latest rating report, the outlook for the Bank is positive. The Bank is listed on the Pakistan Stock Exchange.

In 2014, the Bank partnered with International Finance Corporation (IFC) of the World Bank as a long term strategic collaboration which strengthens the Bank's ability to provide a wider range of services and better access to finance while creating opportunities of economic growth in the country. Under this partnership, IFC has invested USD 67 million to acquire 15 percent equity stake in Bank Alfalah.

VISION

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

MISSION

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

VALUES

YOU

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

YOUR NEEDS

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

YOUR WAY

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

THE RIGHT WAY

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

COMPANY INFORMATION

Board of Directors

HH Sheikh Hamdan Bin Mubarak Al Nahayan
Chairman

Abdulla Nasser Hawaileel Al-Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Kamran Y. Mirza
Director

Atif Bajwa
President/CEO and Director

Board Compensation Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Kamran Y. Mirza
Director

Mian Ejaz Ahmad
Secretary

Board Strategy and Finance Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Atif Bajwa
President/CEO and Director

M. Iftikhar Shabbir
Secretary

Board Risk Management Committee

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Director

Khalid Qurashi
Director

Atif Bajwa
President/CEO and Director

Haroon Khalid
Secretary

Board Human Resources and Nomination Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Kamran Y. Mirza
Director

Atif Bajwa
President/CEO and Director

Mian Ejaz Ahmad
Secretary

Central Management Committee

Atif Bajwa
Chairman

Suhail Yaqoob Khan
Member

Mirza Zafar Baig
Member

Faisal Farooq Khan
Member

Khurram Hussain
Member

Mehreen Ahmad
Member

Rizwan Ata
Member

Saad Ur Rahman Khan
Member

Aly Mustansir
Member

Syed Ali Sultan
Member

Aasim Wajid Jawad
Member

Imran Zafar
Member

Board Audit Committee

Kamran Y. Mirza
Chairman

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Yasar Rashid
Secretary

Chief Financial Officer

Mirza Zafar Baig

Company Secretary

Mian Ejaz Ahmad

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) Limited
1705, 17th Floor, Saima Trade Tower-A
I. I. Chundrigar Road
Karachi, Pakistan

DIRECTORS' PROFILE

HH Sheikh Hamdan Bin Mubarak Al Nahayan

Chairman

His Highness Sheikh Hamdan Bin Mubarak Al Nahayan is a prominent member of the ruling family of Abu Dhabi in the UAE. He is the Chairman of Bank Alfalah Limited and the Chairman of Alfalah Insurance Company Limited. His responsibilities as part of the UAE Government include being the Minister of the UAE Federal Cabinet, Ministry of Higher Education and Scientific Research. He also serves as Chairman of Royal Jet, the premier aircraft charter company in the Middle East, operating the world's largest fleet of Boeing Business Jets (BBJs). Prior to being appointed as the Minister of Higher Education and Scientific Research, he served as Minister of Public Works, Chairman of the Sheikh Zayed Housing Program, Chairman of the National Transport Authority, President of the Higher Committee for UAE Civil Seaport & Airport Security and the National Media Council. Sheikh Hamdan has been Chairman of the Civil Aviation Department of Abu Dhabi, Gulf Aircraft Maintenance Company (GAMCO), Abu Dhabi Aviation and the Rotating Chairman of Gulf Air.

His Highness graduated from the UAE University in Al-Ain with double majors in Economics and Administration.

Abdulla Nasser Huwaileel Al-Mansoori

Director

Mr. Abdulla Nasser Hawaileel Al-Mansoori is a prominent businessman of Abu Dhabi, UAE. He is Chairman of Al Nasser Holdings and Group Companies. He was also Director of the National Investor, Abu Dhabi, UAE. In the past, Mr. Huwaileel Al-Mansoori was Director of United Arab Bank, Water & Electricity Department of Abu Dhabi, Director of Projects, ADNOC, General Industries Corporation, Abu Dhabi and Director General & Vice Chairman of General Industrial Corporation, Abu Dhabi. In addition, he held other Board positions and Chairmanships of Abu Dhabi Ship Building Co, PJSC.

Mr. Abdulla Nasser Hawaileel holds a B.Sc. (Hons) Degree in Electrical Engineering from Swansea University, UK.

Khalid Mana Saeed Al Otaiba

Director

Mr. Khalid Mana Saeed Al Otaiba is the Office Manager of His Excellency Dr. Mana Saeed Al Otaiba (Personal Advisor to His Highness, the President of UAE).

He is also Deputy Chairman of Al Otaiba Group of Companies. Mr. Mana is a Director of Alfalah Insurance Company Limited, Pakistan. He is also Chairman of Liwa International Investment Tourism and Royal Mirage Hotel & Resort Ltd, Morocco. He is also a Director of Ghantout International.

Mr. Khalid Mana Saeed Al Otaiba holds a Bachelor of Arts & Science Degree in International Economics from Suffolk University of Massachusetts, Boston, USA.

Abdulla Khalil Al Mutawa

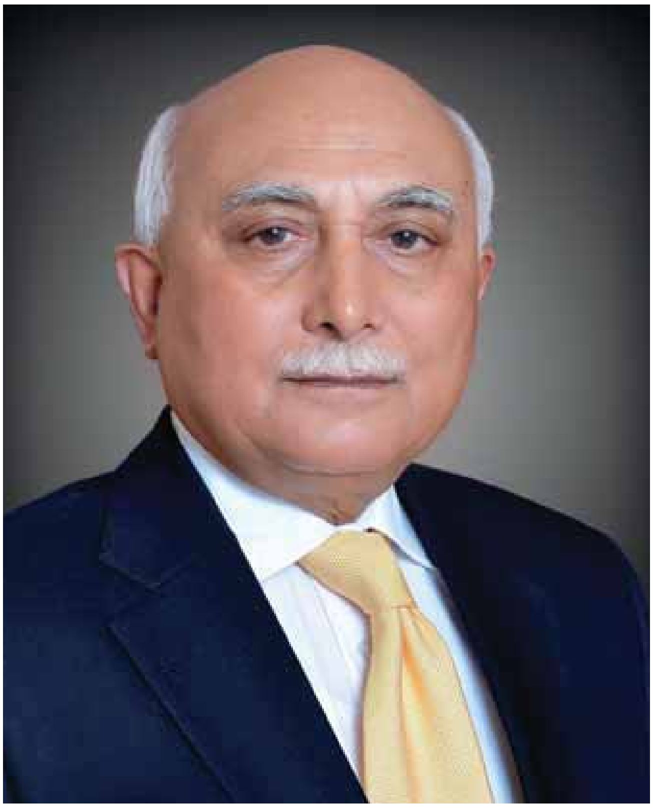
Director

Mr. Abdulla Khalil Al Mutawa is the General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahyan.

He is a Board Member of the UAE Banks Federation. He is also a Director of the Abu Dhabi Commercial Bank Ltd, Chairman of Makhazen Investment Company in Abu Dhabi, and Director Alfalah Exchange Company, Abu Dhabi.

Mr. Abdulla Khalil Al Mutawa is a former Director of Wateen Telecom Limited, Pakistan and Warid Telecom (Pvt) Limited, Pakistan.

Mr. Abdulla Khalil Al Mutawa holds a B.Sc. in Business Administration from the University of North Carolina, USA.



Kamran Y. Mirza

Director

Mr. Kamran Y. Mirza is the Chairman of Philip Morris (Pakistan) Ltd., Unilever Pakistan Foods Ltd. (UPFL) and Education Fund for Sindh (EFSJ). He is also serving as Director on the Boards of Abbott Pakistan, International Steel (ISL), Karwan-e-Hayat and Safari & Outdoor Club of Pakistan. Mr. Mirza has been the Chairman of the Export Processing Zone Authority from 2007 to 2009.

He has also served as Chairman of Pakistan Mercantile Exchange Ltd. and Karachi Stock Exchange (KSE), President of Overseas Investors Chamber of Commerce & Industry (OICCI), American Business Council (ABC) and Pharma Bureau (Association of Pharmaceutical Multinationals in Pakistan). He also served the Pakistan Business Council, which is a think tank and a Business Policy Advocacy Forum, as CEO and retired from this position in December 2015.

Mr. Mirza is a Fellow Member of the Institute of Chartered Accountants of Pakistan and the Institute of Chartered Accountants, England and Wales.

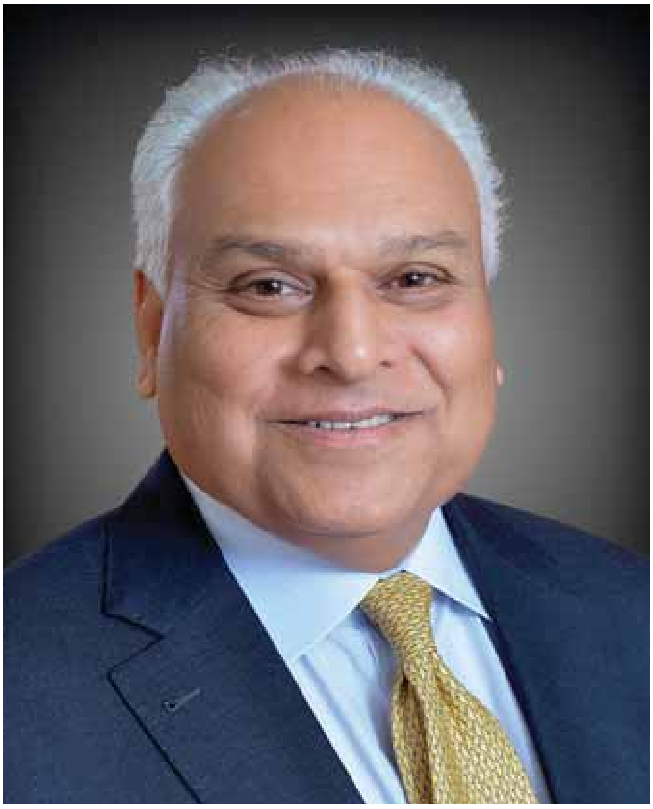
Efstratios Georgios Arapoglou

Director

Mr. Efstratios Georgios Arapoglou has extensive experience in managing, growing, restructuring, acquiring and integrating banks and financial institutions, in both developed and emerging markets. He has been part of the Boards of Directors and Board Committees of high profile listed companies in SE Europe and the Middle East.

Mr. Arapoglou also has experience in interacting with regulators, in raising capital in international equity and debt capital markets and in developing and maintaining relationships with international institutional investors.

Mr. Arapoglou completed BA in Mathematics from the University of Athens, Greece, B.Sc in Naval Architecture & Ocean Engineering from University of Glasgow, Scotland and MTech in Management from Brunel University, Uxbridge, London.



Khalid Qurashi

Director

Mr. Khalid Qurashi is a recently retired banker with considerable international banking experience. He has worked for 38 years with a major US international bank, where his area of expertise was in corporate risk management and profit centre/franchise management. He was responsible for risk management for the Middle East, Africa and Turkey operations. He contributed materially to overall institutional policy debate and strategy formulation.

Before he took over responsibilities as a risk senior, he managed a couple of large country franchises in the Middle East and Africa, where the portfolio encompassed a wide spectrum ranging from large corporates, to governments, to financial institutions as well as SMEs and PE companies.

Mr. Qurashi has been Vice Chairman of an affiliated large bank subsidiary and a board member as well as Chairman of the credit committee of a local African subsidiary. Mr. Qurashi has a Master's Degree in Administration from Karachi University.

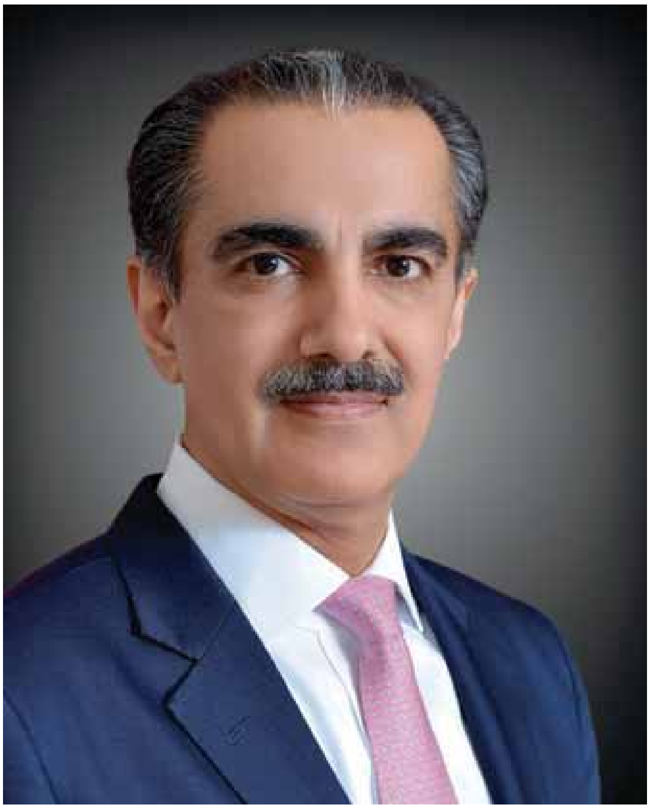
Atif Bajwa

President/CEO & Director

Mr. Atif Bajwa has been the President and CEO of Bank Alfalah since November 2011. Mr. Bajwa has diversified and rich experience in Banking and has held various senior positions. He has been the President of the Abu Dhabi Group (Pakistan), President of MCB Bank and Soneri Bank in Pakistan, Regional Head for Citigroup for the Central and Eastern Europe region, Head of Consumer Banking for ABN AMRO's Asia Pacific region as well as Country Manager for ABN AMRO.

Mr. Atif Bajwa is the President of the Pakistan Business Council (PBC). He is also the former President of the Overseas Investors Chamber of Commerce and Industry (OICCI) and is a Director on the Board of various companies. including Pakistan International Airlines Corporation, Alfalah Insurance Company Limited and the Board of Investment.

Mr. Bajwa received his education at Columbia University, New York.



MANAGEMENT COMMITTEE

From Right to Left:

Atif Bajwa – President/CEO | Saad Ur Rahman Khan – Group Head, Corporate, Investment Banking & International Business

Rizwan Ata – Group Head, Islamic Banking | Khawaja Muhammad Ahmad – General Manager/Head of Operations

Mian Ejaz Ahmed – General Manager, Legal Affairs & Company Secretary

Khurram Hussain – Group Head, Retail Central & North and Consumer Banking | Aly Mustansir – Chief Marketing Officer

Aasim Wajid Jawad – Head of Strategy | Faisal Farooq Khan – Group Head, HR & Learning

From Left to Right:

Bashir Ahmed Sheikh – Group Head, Special Assets Management | Suhail Yaqoob Khan – Chief Risk Officer

Imran Zafar – Head of Merchant Banking | Dr. Mushtaq A. Khan – Chief Economist

Riaz Hussain Hamdani – Chief Compliance Officer | Mehreen Ahmed – Group Head, Retail South & New Initiatives

Syed Ali Sultan – Group Head, Treasury & Financial Institutions | Mirza Zafar Baig – Chief Financial Officer

Mohib Hasan Khan – Chief Information Officer

CHAIRMAN'S MESSAGE

Dear Shareholder,

Our performance in 2015 reflected another year of solid results. Our proven strategy, well executed by a strong management team and more than 7,000 highly engaged employees, contributed to consistent earnings growth for all shareholders. The Board of Directors is pleased with the Bank's progress and we are confident of our sustainable growth in years to come. On behalf of the Board, I would also like to express our resolve to extend full support to the management as they seek to further strengthen the Bank's capital base, and continue to invest in our people and franchise.

A look at Pakistan's macroeconomic indicators reflects a visible improvement during the year due to a combination of external factors and decisions taken by the Government. A sharp reduction in the cost of doing business, consequent to the reduction in fuel prices, which also contributed to lowering of inflation and bank borrowing rates; expectations of large investments related to the China Pakistan Economic Corridor project; new energy projects in the pipeline; and improvement in the overall law and order conditions in the country were some of the positive developments in the external environment.

According to the Asian Development Bank, Pakistan's Gross Domestic Products growth is expected to edge up to 4.5 percent in financial year 2016, assuming continued low prices for oil and other commodities, the expected pickup in growth in the advanced economies, and some alleviation of power shortages. The China Pakistan Economic Corridor projects will bring a major expansion of Chinese investment in Pakistan. New trading routes via the Arabian Sea will be opened up and this will also help Pakistan expand its manufacturing base.

The Pakistan Government is optimistic about the future and feels that the country is well poised to rank among the top 25 economies by the year 2025. Credit agencies are boosting Pakistan's bond ratings and large investment firms are advising clients to take a second look at opportunities in Pakistan.

For Bank Alfalah, the year 2015 was an exciting one as we set a new direction for the Bank and renewed our vision. We have progressed the Bank's reshaping to become a more customer-centric organisation with a clear direction to inspire and empower people to do things differently and create further value in the lives of people that we touch. Today, we are a unique organisation that encourages entrepreneurial verve and unconventional thinking while striving for operational excellence with a strong commitment to succeed.

During the year, we increased our focus on customers, leadership and talent, and being at the forefront of innovation in the banking industry. We have made good progress on extending our reach and improving our customer service. We feel that these areas will drive strong growth and will positively impact shareholder value. We also took measures to enhance efficiency and controls in order to mitigate risk and improve transparency. The Board devotes considerable time in understanding the nature of risks faced by the Bank and its businesses, and making sure that appropriate mechanisms are in place to effectively manage them.

This performance has been driven by the Bank's team of strong professionals who have continuously demonstrated tremendous performance and resolute determination to deliver good results for you. Our unwavering focus on attracting and developing our human capital has helped us in creating a pool of best talent in the industry. Creating leaders at all levels with the organisation, the Bank is well poised to reach greater heights.

On behalf of the Board of Directors, I would like to take this opportunity to extend our appreciation to the State Bank of Pakistan for their continued support. I also wish to thank the leadership team at Bank Alfalah for their continued efforts in enhancing the Bank's performance and its image. We are confident that the Bank will continue to sustain its positive thrust and achieve its growth trajectory.

At Bank Alfalah, there is only one way and that is "The Way Forward."

HH SHEIKH HAMDAN BIN MUBARAK AL NAHAYAN

DIRECTORS' REPORT

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present the Directors' Report of the Bank along with the Audited Financial Statements and Auditors' Report for the year ended 31 December 2015.

Economic Review

The macroeconomic conditions continued to show signs of improvement in 2015. The momentum in growth was aided by reform initiatives, commitment to calibrated fiscal and monetary management, which was strengthened by a steep decline in oil prices, rise in foreign exchange reserves, growth in remittances and foreign borrowings.

The initial months of the current fiscal year braved some headwinds due to political uncertainty. However, the economy showed resilience and economic indicators continued to improve.

Year-on-year headline CPI inflation decelerated to 3.2 percent in December 2015 from 4.3 percent in December 2014, while the 12-month moving average CPI inflation also came down to 2.6 percent in December 2015 from 7.2 percent in December 2014. Real lending rates have remained around 3 to 4 percent since December FY15 due to rapidly falling inflation.

The substantial impact of declining oil prices was passed on to consumers by the government. This, along with falling commodity prices, resulted in declining inflationary expectations. This decline in inflation along with improvement in Pakistan's Balance of Payments, led SBP to gradually cut the discount rate to 6.0 percent currently, from 9.5 percent at the start of 2015.

The accommodative monetary policy during the year continued to signal improved macroeconomic indicators such as a contained fiscal deficit, a small current account deficit, low inflationary pressure, and the improvement in FX market sentiments, as the issuance of Sukuk and Eurobonds contributed to improvement in the overall Balance of Payment (BOP) position. Furthermore, receipts of Coalition Support Fund (CSF) during the current fiscal year, along with the successful completion of reviews with the IMF, also helped improve market sentiments.

On the back of these developments, international agencies have upgraded the outlook for Pakistan's economy from stable to positive, which should further improve investor confidence.

Pakistan's credit rating was also upgraded to B3 from Caa1 by Moody's in view of Pakistan's strengthening FX reserves and its falling external deficit.

Despite the positives, the falling trend in the discount rate put interest rate margins under pressure. With softer than expected inflation, SBP's forecast of average CPI inflation for FY16 has fallen to the range of 3 to 4 percent, which is well below the government's annual plan target of 6 percent.

Exports were declining up to July 2015, and the current account deficit posted a moderate improvement due to declining oil import payments and increasing worker remittances. The country's foreign exchange reserves touched a record level of US$20 billion following the issuance of Eurobonds/Sukuks and IMF tranches.

Net domestic assets of the banking system declined slightly in 2015, compared to the corresponding period of 2014. An increase in government borrowing from scheduled banks was offset by repayment to SBP and Pakistan Investment Bonds (PIBs) maturities.

The Finance Bill 2015 increased some withholding tax rates, while new taxes were imposed on non-filers. A withholding tax was imposed on banking transactions by non-filers, which was resisted by the business community

at large. As a result, banking services were adversely impacted during the second half of 2015, with closure of accounts and a drop in overall deposits, as businesses resorted to cash transactions to avoid the additional tax.

The government needs to introduce confidence building measures, so that reforms in the tax collection system are viewed as being in the taxpayers best interests. There is also a need to create greater awareness regarding the civic duty to pay direct taxes and show how this behaviour will benefit new tax filers.

The macroeconomic outlook remains positive. However, reversing the falling trend in exports and attracting more foreign direct investments, are required for a more sustainable external sector.

Successful engagements with IMF, World Bank and the Asian Development Bank, have allowed Pakistan to secure programme loans from these IFIs. Appreciating the headway achieved with economic reforms, the World Bank has restarted its programme lending to Pakistan, which had stopped in 2009. IBRD lending to Pakistan, which was put on hold for several years (because of an adverse BoP position and FX reserve coverage of less than 2.5 months of imports), has resumed and Pakistan is now an IBRD eligible country.

The SBP-IBA Consumer Confidence Survey has shown an increase in consumer confidence and an improvement in the outlook for the country's economic conditions. Large Scale Manufacturing is expected to show greater strength with the improvement in energy supplies.

Implementation of infrastructure development and energy projects under the China Pakistan Economic Corridor (CPEC); the low inflation outlook; progress in with IMF stabilisation programme; the sovereign rating upgrade; forward movement on the Iran-Pakistan gas pipeline; and improving foreign exchange reserves, are expected to increase growth in the medium-to-long term. The resulting improvement in economic sentiments should boost credit uptake in the second half of 2016.

Banking Sector Review

Capital adequacy and liquidity indicators of the banking system have continued to show signs of improvement. The alignment of regulatory capital requirements in Pakistan with best international practices, coupled with strong profitability, has further strengthened the solvency of Pakistan's banking system.

The Risk Weighted Capital Adequacy Ratio of the industry as a whole improved to 18.2 percent in September 2015 from 17.1 percent in 2014.

Credit to private sector increased by Rs. 353 billion during Jul-Dec FY16 compared to Rs. 222 billion during the same period of FY15.

Against this backdrop of the improving macroeconomic conditions in the country, the Central Bank initially kept the policy rate unchanged at 9.5 percent at the start of the year, and thereafter reduced the discount rate gradually to 6.0 percent in the latter half of the year. Despite the declining inflationary trend, we do not expect much easing in 2016 given uncertain global currency conditions.

On the asset quality front, non-performing loans for the sector increased to PKR 630 billion (PKR 605 billion in CY14). NPLs declined as a percentage of advances, which remained flat at 12.5% as against 12.3% in CY14.

The Banking sector took full advantage of the major re-composition of Pakistan's domestic government debt in 2015, by increasing investments in Pakistan Investment Bonds (PIBs). Overall sector deposits grew by 11.2 percent, whereas borrowings increased significantly by 140.4 percent, as deployment of funds tilted towards government securities.

The Bank's Performance

Bank Alfalah's performance in 2015 reflects another year of sound financial results amidst signs of a positive outlook for economic growth in Pakistan. Our goal is to continue to deliver long-term value to our shareholders, as we execute our strategy to serve our customers and enable them to succeed in life and business.

We posted impressive financial results for the year ended 31 December 2015, with the Bank registering profit before taxation of Rs. 12.604 billion – a solid growth of 48 percent, as against last year. The Bank's Profit after tax was recorded at Rs. 7.523 billion in December 2015 as compared to Rs. 5.641 billion in December 2014.

We have closed the year with solid results demonstrated by the Bank's balance sheet growth of 21 percent. Our revenues have improved by 22 percent year on year, while growth of administrative expenses remained below 10 percent against last year. The Bank has reported an Earning per share of Rs. 4.73, growing by 16 percent over last year.

The year 2015 marked a new beginning for Bank Alfalah. Last year, we embarked on a journey to renew our vision and set a new direction for the Bank. Our customers are at the front and centre of our universe. Today, we are transforming to become an organisation known for being inspiring and innovative; for improving people's lives and for fostering leadership.

Focus on Customers

We find new and better ways to help our customers succeed. We have increased our focus on deepening our customer relationships and providing them with a complete range of solutions that meet their needs while ensuring that our staff has the capacity to understand what is important to our customers.

We understand the need for a strong presence with increasingly responsive services for our banking customers and have strengthened our network. With a footprint of 653 branches in 218 cities and more than 650 ATMs covering 150 cities across the country, we are the fifth largest private bank in the country.

Our consumer business is the leader in the industry. And we continue to build our consumer assets by developing a deeper understanding of our customers' evolving needs and offering innovative products, insightful advice with a "can do" attitude.

Alfalah Cards, our flagship business, continued to be the market leader in 2015. The Bank introduced new payment options for its customers, establishing exciting and beneficial partner alliances, optimised its existing customer portfolio and opened new customer segments for sourcing.

Bank Alfalah's industry leading Cards Merchant Acquiring business also continued its market dominance. The Acquiring business added new payment capabilities like internet merchant acquiring, American Express merchant acquiring, and mobile point-of-sale terminals to its arsenal.

2015 was another successful year for Alfalah Auto Finance, as we maintained our market leadership by achieving year on year growth of 28 percent in terms of volume and recorded high profitability due to our customer centric processes and prudent lending practices.

Alfalah Home Finance continued its controlled growth and selective sales strategy in 2015. With our optimised business model, we were able to improve sales productivity, service standards, risk management capabilities and operational efficiencies.

We are now well-positioned to also become a leading player in the wealth management segment and this is a strategic priority for the Bank. Our team is well-equipped to deliver a full range of financial services and products to our affluent customers.

Our unwavering determination to enhance financial inclusion for the under banked segments of the market continued during the year. With the help of the International Finance Corporation, we designed new offerings for the SME sector in Pakistan and our SME toolkit is a unique product that helps build capacity of entrepreneurs.

Understanding that people are different and so are their needs, our Islamic banking operations cater to the unique needs of our customers, by offering a complete range of innovative, Shariah compliant products. With a network of 158 dedicated branches across the country and 112 Islamic Banking Windows, the Bank's Islamic Banking business continues to serve as one of the leading Islamic Banking offerings in Pakistan.

Over the course of the year, our sales and relationship management channels have been strengthened through dedicated programmes and the inculcation of a need based and customer oriented sales culture.

Our new Contact Centre has the only solution implemented in the financial industry that handles both payment and transfer facility and reflects our focus to use technological advancements to improve customer services. A blend of innovation and simplicity, this service helps create transactional convenience for the customer.

We maintained continuous visibility of service performance across various product streams, branch network and other service touch points to ensure that we meet our service commitments. We continued to listen to our customers leading to improvement opportunities in the form of process optimisation, automation and staff training. Significant time and efforts were invested in equipping the front line staff with required skills to effectively facilitate our customers.

Innovation

We are keen to lead the change to innovate. We want to really understand our customers, anticipate their needs and empower them to succeed in their everyday lives. Bank Alfalah rose to the challenge of digitally connecting with its customers and renewing their banking experience by making significant strides in introducing digital technologies and solutions.

We understand the need for a strong acceptance network and have strengthened our alternative distribution channels and branchless banking networks. With a footprint of more than 650 ATMs covering 150 cities across the country, our network is the fifth largest in the country.

Since its inception two years ago, our branchless banking platform, Mobile Paisa has shown exceptional performance with the growth of its agent network at more than 23,000 retail touch points, catering to a volume of over seven million OTC (Over the Counter) transactions. We are now the fourth leading branchless banking player in the market and are exploring new opportunities in creating payment platforms particularly to enhance financial inclusion of the unbanked segments of the industry.

The Bank has successfully launched Mobile Banking for customers which enables them to transfer funds and make payments on the go. Our Internet Banking service continues to grow while we look at launching our Mobile App, an innovative offering that will change the customer and bank interaction landscape in the coming years.

The Bank is in the process of upgrading to the latest version of its core banking system, the first in the market to do so, and this project is expected to be completed by the end of the first quarter 2016. With Oracle ERP implementation successfully carried out in 2015, we intend to implement the Human Capital Management solution in the year 2016.

Fostering Leadership

Over the last few years, we have made concerted efforts in nurturing institutionalised leadership, inspiring employees to do things differently, and customers to succeed while delivering sustainable results.

Making a mark for being an advocate of emerging talent in Pakistan, Bank Alfalah's Rising Talent Programme continues to inspire and recognise young and upcoming talent in the country and provide them with opportunities to showcase their work. The Programme also aims to enhance the image of Pakistan by showcasing stories of optimism and ingenuity. During the year, we supported entrepreneurs and individuals in fashion, sports and film-making with the potential to contribute to the country's economic growth.

Working with the world renowned RBL (Results-based Leadership) consulting group, we conducted an Organisational Capabilities Audit to assess the Bank's current capabilities and future needed capabilities to identify the gaps to be filled. A Leadership Brand Audit was also conducted to assess how well we are doing in terms of developing our leaders for tomorrow. Customised programmes were developed for the senior leadership team and their direct reports to build leadership behaviours and traits on each element of the Bank's Leadership Competency Model.

We also successfully launched the largest Management Trainee Programme in the industry, thereby securing the Bank's talent pipeline of future leadership. Through a robust assessment process, 50 bright Management Trainees from leading business universities from across Pakistan and abroad were inducted.

Strategic linkages with renowned local and global institutions including the Institute of Bankers, Pakistan (IBP), Australian Institute of Management (AIM), Finance Accreditation Agency (FAA), Malaysia and Center for Islamic Economics (CIE) were developed during the year. Reflecting our commitment to providing a conducive environment for professional learning and development, we established two state of the art learning centres in Karachi and Lahore. Effective training programmes were conducted for employees across all levels and functions with almost 99 percent of the staff benefiting from various banking, functional or soft skills related training.

Operating Results

The Bank's Balance Sheet indicated a growth of 21 percent, with total assets reported at Rs. 902,608 million at year end 2015. The Bank's profit before taxation for the year increased by 48 percent to Rs. 12,604 million as compared to Rs. 8,514 million last year. The Bank has solidified its position by actively building a portfolio of high yielding assets, as is evident from the growth in the balance sheet, while maintaining core deposits and careful monitoring of its borrowing position. Basic earnings per share were reported at Rs. 4.73. The Bank managed to increase its deposit base by 6 percent to

Operating Results

	2015	2014
		Rupees in Millions
Balance Sheet		
Shareholders' Equity	42,425	37,824
Total Deposits	640,189	605,963
Total Assets	902,608	743,128
Advances – net	327,298	290,597
Investments – net	397,097	324,319
Profit and Loss Account		
Profit before taxation	12,604	8,514
Taxation	(5,081)	(2,873)
Profit after taxation	7,523	5,641
Basic earnings per share	Rs. 4.73	Rs. 4.09
Diluted earnings per share	Rs. 4.71	Rs. 4.09

Rs. 640,189 million. Net Advances have grown by 13 percent to Rs. 327,298 million at 31 December 2015 as compared to Rs. 290,597 million recorded at last year end. At the year end, our Gross advances to deposits ratio stands at 54 percent. Net Investments level has increased by 22 percent to Rs. 397,097 million.

The Bank registered net markup income of Rs. 28,648 million for the year as compared to Rs. 21,873 million recorded last year, registering a growth of 31 percent. This growth was mainly driven through a portfolio of high yielding investments as income from investments improved by Rs. 7,729 million as compared to the prior year.

The Bank's net provision charge against non-performing loans and advances has increased to Rs. 2,150 million as compared to Rs. 1,448 million last year, as the Bank considered the impact of early FSV retirements, thereby improving its coverage ratio. Provision against investment for the year was Rs. 137 million as compared to Rs. 86 million last year.

Non mark-up income remained at the same levels as that of last year, with a decline in foreign exchange revenues compensated by increased capital gains on sale of securities.

Administrative expenses have increased to Rs. 21,956 million in the current year as compared to Rs. 20,101 million last year, depicting an increase of 9 percent. During the current year, the Bank incurred expenses on marketing campaigns to launch the new brand identity, whereas extensive training programmes were also conducted by the Learning and Development team.

The Bank has continued with its focus on improving its operational efficiency and introduced new initiatives on cost controls during the year, which kept overall costs in check.

The Bank's NPLs were reported at Rs. 18,455 million at year end as compared to Rs. 19,412 million last year. Our NPL to gross loans ratio of 5.4 percent continues to be lower than that of the overall industry. More importantly, the Bank's coverage ratio, now stands at 84 percent which is considered positive in terms of the industry averages.

The Bank remains adequately capitalised with a reported CAR of 13.40 percent at December 2015. During the year, significant improvements have been made to the CAR reporting systems and automated solutions are on track, to facilitate the Basel-III reporting framework requirements.

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, respectively. The unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of AA- (double A minus).

Corporate Governance

1. The revised Code of Corporate Governance 2012 for public listed companies by the SECP was promulgated as part of the listing regulations of the Stock Exchanges in the year 2012. The Bank has implemented significant requirements of the revised Code, relevant for the year ended 31 December 2015. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed as part of the Annual Report.

2. Statement under clause XVI of the Code:

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

b) Proper books of accounts of the Bank have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts about the Bank's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations duly adopted by the State Bank of Pakistan vide BSD Circular No. 5 dated 13 June 2002.

h) Summarised key operating and financial data of last six years has been presented as part of the Annual Report.

i) Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund based on the respective audited accounts is:

Staff Provident Fund Rs. 3,470.447 million (Dec 2015)
Staff Gratuity Fund Rs. 1,699.603 million (Dec 2014)

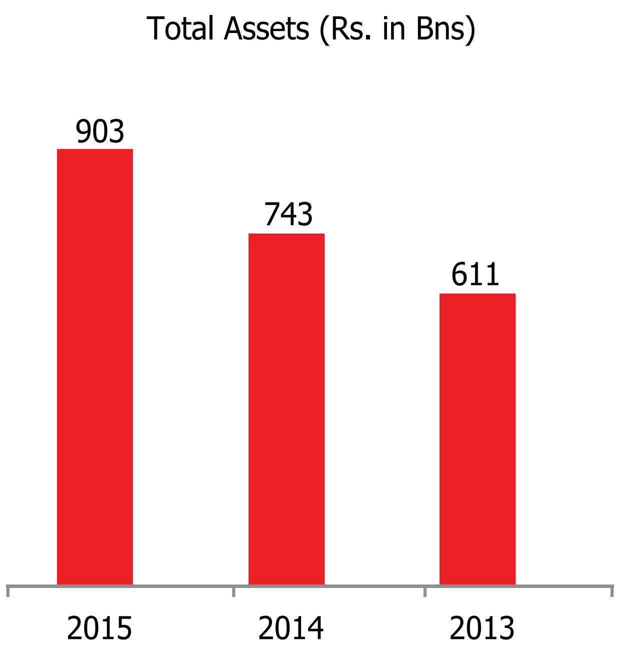
j) The number of Board and Board Committee meetings held during the year 2015 and the attendance by each Director was as follows:

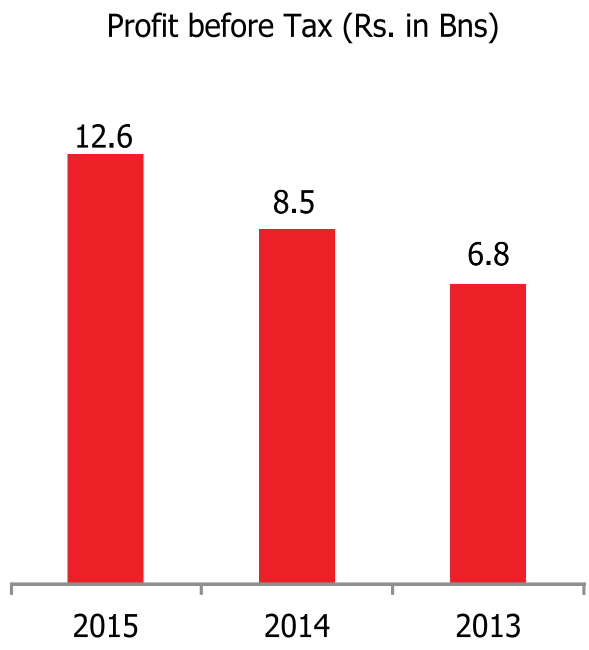
k) As of date, Mr. Khalid Qurashi and Mr. Atif Bajwa have completed the Corporate Governance Leadership Skills Programme offered by the Pakistan Institute of Corporate Governance under the Directors' Training

Name of Director	Board of Directors Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource Committee Meetings	Board Risk Management Committee Meetings	Board Compensation Committee Meetings
No. of Meetings held	5	7	6	3	5	1
HH Sheikh Hamdan Bin Mubarak Al Nahayan	3	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	2	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	5	7	6	3	5	1
Mr. Khalid Mana Saeed Al Otaiba	5	7	6	3	5	1
Mr. Efstratios Georgios Arapoglou*	3	5	4	N/A	N/A	N/A
Mr. Khalid Qurashi*	3	N/A	4	N/A	3	N/A
Mr. Kamran Y. Mirza*	3	5	N/A	1	N/A	N/A
Mr. Ikram-ul-Majeed Sehgal**	2	N/A	2	N/A	1	N/A
Mr. Nadeem Iqbal Sheikh**	2	2	N/A	2	N/A	1
Mr. Atif Bajwa	5	N/A	6	3	5	N/A

*Directors elected and appointed during the year.

**Directors on the Board upto the election date.





Programme. Former directors, Mr. Ikram-ul-Majeed Sehgal and Mr. Nadeem Iqbal Sheikh had completed the said programmes previously. As at 31 December 2015, the Bank is compliant in respect of the Directors' training requirement provided in the Code of Corporate Governance.

l) The pattern of shareholding is attached with this report.

m) There are no loans, TFCs, sukuks or any other debt instruments in which the Bank is in default or likely to default.

n) Trading pattern in the shares of the Bank, by directors, executives, their spouses and minor children have been disclosed as part of the Annual Report.

Risk Management

The year 2015 while presenting some key challenges to the economy also offered promise and opportunities for the future. GDP growth maintained its modest upward trajectory in FY 15, indicating existence of genuine credit demand in the country. Exports remained under pressure due to depressed global demand but pressure on Balance of Payments was considerably eased due to lower Oil bill and receipt of Coalition Support Fund (CSF). Successful reviews by IMF in respect of Extended Fund Facility (EFF) and change in country's economic outlook from stable to positive by International rating agencies were encouraging developments which boosted investor confidence. The benign interest rate environment further deepened in 2015 on the back of headline inflation caused by steep decline in oil prices worldwide, enabling SBP to lower the policy rate to 6 percent in the latter half of the year. This augured well for local borrowers who started benefitting from the conducive low-interest rate scenario. While the main focus for lending remained on large corporates and energy related projects, clear growth patterns emerged in SME and consumer lending.

The progress on the China-Pak Economic Corridor (CPEC) was an important development during the year. Several opportunities afforded by the Corridor include project financing for infrastructure as well as for power plants. The fruition of this corridor strengthens Pakistan's long-term economic prospects and with it the public sector lending is expected to rise.

Like the past few years, shortfall in power generation remained one of the main impediments to sustained economic growth. There was hectic activity in both public and private sectors to fill the growing demand-supply gap, resulting in numerous project financing opportunities in coal, RLNG, wind, hydro and solar power sectors. Some sectors such as Textile especially spinning and weaving, along with commodities such as rice, faced slump in demand resulting in profit pressures due to declining margins.

Bank Alfalah registered an impressive and uniformed credit growth in 2015 in all business segments, while at the same time continuing to improve its NPL ratio. On the investment side, while the accruals from the high yielding PIB portfolio contributed significantly to the topline, the Bank also availed the opportunity of investing in Pak Eurobond issue in September 2015 offered at the attractive yield of 8.25 percent, helping it in deployment of the foreign currency resources in a remunerative manner.

Cognisant of the risks in the economy, we continued to bolster our risk management framework with a focus on risk-reward optimisation. Advances' growth was backed by further strengthening of credit analysis and improved turnaround time to facilitate clients. Computation of risk weighted assets was partially automated on the same platform for the quarterly credit-risk related Basel III submissions. Overhauling of key credit products for

Consumer, SME and Islamic Banking was also undertaken. A statistically developed Linkage ratio framework relating borrower's equity with aggregate financing facilities was introduced for major economic sectors where our credit exposure exists.

The market and liquidity risk function continued its active vigilance of the investment portfolio, both domestic and international. The Bank adopted a methodical approach in order to meet the requirements of the Interest Risk Rate Guidelines (IRRM) of State Bank of Pakistan (SBP) issued in April 2015. A Project Steering Committee (PSC) under the Chief Risk Officer has been established to ensure implementation of subject Guidelines. Under the supervision of PSC, Project Working Group comprising representatives from Market Risk, Assets Liability Management Desk, IT Operations and Finance Division worked strenuously to develop required policies and procedures as well as to explore the IT systems in the Bank for automation of many aspects of IRRM. PV01 limits were put in place for monitoring interest rate risk. A roadmap has been finalised for full implementation of the policy in 2016.

The Operational risk unit remained committed to proactively highlight risks arising out of operations and strived to fine-tune its oversight framework further. As a major step forward towards processes/control revamp, Process Improvement Committee (PIC) was formed to evaluate and consider the recommendations of all the reviewers such as Risk, Operations and Compliance. A thorough review of the Bank's processes was undertaken by the Committee.

Internal Controls

The Management is responsible for maintaining a sound system of internal controls to ensure efficiency and effectiveness of operations, compliance with legal requirements and reliability of financial reporting. Adequate systems, processes and controls have been put in place to identify and mitigate the risk of failure to achieve the overall objectives of the Bank. These controls encompass the policies and procedures that are approved by the Board of Directors – and their compliance and effectiveness – which is verified by an independent Internal Audit Department reporting directly to the Board Audit Committee.

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

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

Corporate Social Responsibility

At Bank Alfalah, we aim to conduct business by creating shared value for our customers, shareholders and communities responsibly. With resolute focus on

customer service and experience, sustainable and innovative solutions and a diverse, engaged workforce, we reinforce our commitment to the communities where we live and operate.

Our extensive support towards Community Investment Programmes in education continued during the year. These include K-Electric's Initiative on "Development of quality business education and leadership in Pakistan," and developing leaders in finance through the Institute of Business Administration (IBA).

Climate change is one of the fundamental threats of our times, and Pakistan has been rated as one of the world's most vulnerable countries to climate change. We believe that Banks collectively have the reach, influence and access to capital required to lead the changes needed to expeditiously address global warming. Bank Alfalah is also committed to play an important role in environmental sustainability and catalyse action towards a low carbon economy. We recently launched a Green Mortgage product which aims to help our customers navigate the transition to a lower-carbon economy. In early 2015, the Bank also introduced the Environmental and Management System (ESMS) in close coordination with International Finance Corporation (IFC) to help the Bank focus more sharply on the social and environmental aspects in its lending in line with its vision of being a responsible corporate citizen.

We take pride in the fact that our corporate social responsibility endeavours are embedded into our overall business strategy.

Subsidiary Companies

The Bank has 97.91 percent shareholding in Alfalah Securities (Private) Limited, which is engaged in the business of stock brokerage, investment counseling and fund placements. The Bank also has 40.22 percent shareholding in Alfalah GHP Investment Management Limited, which is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules.`

The Bank's investment in the following funds managed by Alfalah GHP Investment Management are also considered as subsidiaries in accordance with the directives of applicable accounting standards:

- Alfalah GHP Value Fund - Percentage of holding: 27 percent
- Alfalah GHP Islamic Stock Fund - Percentage of holding: 52.92 percent
- Alfalah GHP Cash Fund - Percentage of holding: 70.09 percent

External Audit

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

The external auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered

Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

The external auditor's re-appointment shall be subject to approval in the forthcoming Annual General Meeting.

Looking Ahead

With this progress, we are well positioned to continue building our growth platform into 2016 and beyond. We have constantly transformed and grown to stay ahead of the evolving needs of our customers.

We begin this year with the same determination and passion to achieve new heights. By understanding the complete financial services needs of our customers and clients, we will ensure that our growth is customer-driven. We will also continue to operate within the appropriate risk parameters. Our growth will be driven from sustainable activities to ensure operational excellence and continued innovation in how we deliver services to our customers. I am confident that our businesses will continue to innovate and perform well, driven by new product innovations and exemplary customer service.

Our focus on investing in human talent, providing an engaging work environment and fostering leadership will continue in the future. It has been a year since we reinvigorated our brand and we are now well-positioned to leap forward. We will continue to differentiate ourselves, really connect with our customers and create a world-class brand.

The Board of Directors are committed to achieving the Bank's strategic goals and continue to extend their full support. They are confident of the Bank capturing growth opportunities in the market place and are committed to further strengthening the Bank through continued investment in our people and franchise.
The Board of Directors has decided to retain a higher share of earnings to support growth and to enable the Bank to build its competitive position in the market. We are convinced that this decision will allow Bank Alfalah to deliver greater returns to our shareholders over medium to long-term.

Dividend

The Board of Directors has recommended a Cash dividend @ 10 percent subject to approval of the shareholders.

Acknowledgement

On behalf of the Bank, I would like to thank the State Bank of Pakistan, the Ministry of Finance and other regulatory authorities for their continuous guidance and support. I would also like to take this opportunity to thank our valued shareholders for their guidance. Most importantly, I am grateful to our valued customers for their continued patronage.

Last but not least, I would like to appreciate and acknowledge the commitment, dedication and hard work of our employees, which has helped the Bank meet its strategic objectives. Your passion to do things differently, and your promise and determination to act with integrity and transparency in everything you do, has made it possible for us to live our values, and deliver on the promise made to our stakeholders and build an organisation that we are all proud to be a part of. With Bank Alfalah, there is only one way and that is the way forward.

Atif Bajwa
Director & Chief Executive Officer
Bank Alfalah Limited
29 February 2016
Abu Dhabi

CUSTOMER CONNECT

We want to inspire and help you find your own way in going after what you want, just as we have. We do all we can to understand and anticipate what will help you achieve your ambitions.

Within reach, with a presence of over 650 branches in more than 200 cities.

We offer unique offerings for the SME sector to help enhance financial inclusion for the under-banked.

The only bank to offer free-for-life credit cards, we are the market leaders in Consumer Finance.

Catering to customers with different needs, we have one of the leading Islamic banking operations in Pakistan.

THE WAY FORWARD

CUSTOMER CONNECT

At Bank Alfalah, customers are at the front and centre of our universe. Understanding our customers' needs, developing innovative financial solutions and building long-term relationships are the foundations of our commitment to our customers. We provide them with a complete range of solutions that meet their needs while ensuring that our staff has the capacity to understand what is important to our customers.

Strong Retail Presence

Having a strong geographical presence with increasingly responsive services has been our priority. Over the years, we have strengthened our network to become the fifth largest private bank in Pakistan. With a footprint of over 650 branches in over 200 cities and more than 650 ATMs covering 150 cities across the country, we are well within reach for our customers. A successful transaction now takes place every second while a cash withdrawal transaction happens every 1.5 seconds through our network of ATMs.

Fifth largest private bank in Pakistan with more than 650 branches in over 200 cities.

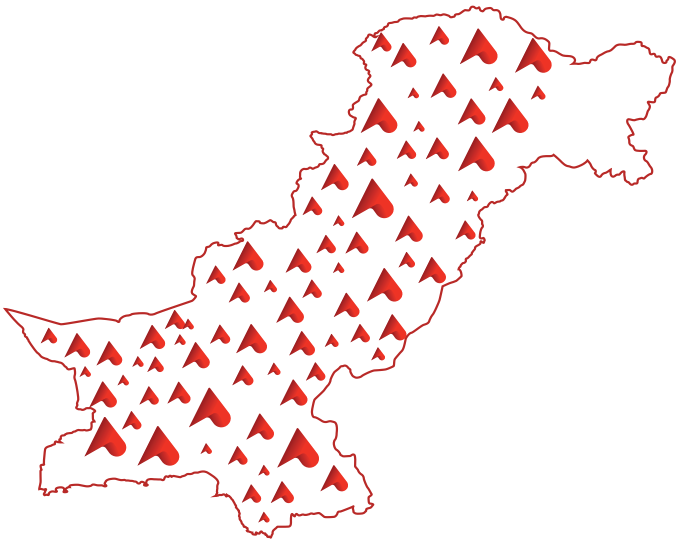
Our Retail Banking provides a full suite of tailor made financial products and services for our customers. Capitalising on its growing footprint, we have been able to develop stable relationships with our customers.

For our retail business, balance sheet momentum displayed an upward trajectory through consistent and sustainable growth, while maintaining pricing discipline. Profitability growth from the retail business has been strong with contribution from both revenue and cost parameters. The retail business focus has been on CASA deposits and an 13.7 percent increase in CASA was achieved during the year. Net Advances grew by 12.63 percent.

Our retail products include **Alfalah at Work**, a comprehensive payroll account offering for the salaried segment.

In only 3 years since its inception, the Alfalah at Work portfolio has seen a noticeable growth in terms of new companies inducted.

Till date, the portfolio comprises of over 360 institutional clients with more than 28,000 customers contributing an accumulative PKR 2.3 Bn in deposits. In 2016, we aim to set up on-site banking service at client premises to meet the banking requirements for institutions and their employees.



Alfalah Asaan Account launched during the year caters to the low income segment who face difficulties in account opening by offering minimum documentation and low initial deposit. This launch is a step towards expanding the outreach of banking services to all segments of the society.

Alfalah Kamyab Karobar, our flagship current account designed for the business segment was revamped in 2015. Alfalah Kamyab Karobar offers a flat waiver fee structure on maintaining a certain balance threshold in their account. Customers can now enjoy unmatched accessibility to funds anywhere in Pakistan with a host of free services to grow their business.

Market Leadership in Consumer Finance

Our consumer business is the leader in the banking industry. Our strength lies in our unwavering focus to build our consumer assets by developing a deeper understanding of our customers' evolving needs and offering them innovative products and insightful advice with a "can do"attitude. Our commitment to often surprise our customers by exceeding their expectations and providing value at most affordable rates coupled with exceptional customer service sets us apart.

With a strong, process-driven, "built to last" consumer business established over the years, focus was on introducing new products and services during the year. The Bank launched Personal Loans, Corporate Cards – a solution to meet the travel and entertainment needs of corporate customers, Internet Merchant Acquiring - powering commercial websites to accept cards, and Auto Loan Residual Value Product - an Auto Loan variant enabling customers to buy expensive vehicles on affordable monthly installments. During the year, the Consumer Business improved its financial performance by showing 16.8 percent growth in advances and 3.4 percent growth in revenue.

Alfalah Cards, our flagship business, continued to be the market leader in 2015. Bank Alfalah is the largest issuer and acquirer of credit cards in Pakistan. The Bank introduced new payment options for its customers, establishing exciting and beneficial partner alliances, optimised its existing customer portfolio and opened new customer segments for sourcing. Cards acquisition showed a remarkable increase of 31 percent in credit cards. Bank Alfalah exclusively partnered with American Express and will soon be launching the American Express Centurion Line credit cards in Pakistan. This reflects our commitment to continue enhancing the card value proposition to cater to the evolving transactional needs of our customers.

Bank Alfalah is the largest issuer and acquirer of credit cards in Pakistan.

Despite fierce competition, our industry leading **Cards Merchant Acquiring business** continued its market dominance during the year by upgrading merchant point-of-sale inventory, providing an outstanding service experience, and selectively reviewing merchant pricing. The Acquiring business added new payment capabilities such as Internet merchant acquiring, American Express merchant acquiring, and mobile point-of-sale terminals to its arsenal. We will continue investing in our core strengths to provide 'world class' services to our merchant partners.

2015 was another successful year for **Alfalah Auto Finance,** as we maintained our market leadership by achieving year on year growth of 25.7 percent in terms of volume and recorded high profitability due to our customer centric processes and prudent lending practices. Our comprehensive product suite with industry leading offerings designed to cater to unique customer needs while being affordable and convenient reached out to thousands of customers during the year. We launched new product variants such as Residual Value Product and Deferred Insurance & Registration keeping in mind the evolving needs of our customers.

Alfalah Home Finance continued its controlled growth and selective sales strategy in 2015. With our optimised business model, we were able to improve sales productivity, service standards, risk management capabilities and operational efficiencies. We also launched Alfalah Green Mortgage, a solar panel financing product in alliance with leading solution providers.

Alfalah Personal Loans launched during the year, provides greater flexibility, competitive pricing, quick turnaround time and ease of access to customers.

Personalised Service for Affluent Customers

We are now well positioned to also become a leading player in the wealth management segment and this is a strategic priority for the Bank. Our team is well-equipped to deliver a full range of financial services and products to our affluent customers.

This includes the ability for customers to now invest in mutual funds and other investment products, including Government securities and commercial paper. The different categories of Mutual Funds on offer include fixed Income, money market, equities and Shariah compliant Islamic funds.

Our Premier Banking service will soon be launched and will provide our affluent clientele with a very high level of personalised service, access to exclusive premier lounges, dedicated Relationship Managers, a wide array of products along with unique lifestyle experiences that are tailored to meet their specific requirements.

Leading Islamic Banking Network

Understanding that people are different and so are their needs, our Islamic banking operations cater to the unique needs of our customers, by offering a complete range of innovative, Shariah compliant products. With a network of 158 dedicated branches across the country and more than 120 Islamic Banking Windows, the Bank's Islamic Banking business continues to serve as one of the leading Islamic Banking offerings in Pakistan.

With a network of 158 dedicated branches and more than 120 Islamic Banking Windows, we have one of the leading Islamic Banking offerings in Pakistan.

Bank Alfalah's Islamic Banking Business was awarded the "Best Islamic Banking window of a Commercial Bank in Pakistan" in 2014 and in 2015 by the Global Islamic Finance Award, which is considered one of the most prestigious awards in the field of Islamic Banking. The Bank was also awarded the "Best Islamic Banking Division" and "Best Research and Development" in Pakistan by Islamic Finance Awards – 2015 (IFA). The Bank recently received the "Strongest Islamic Retail Bank in Pakistan 2015" award by Cambridge IF Analytica Limited at the Islamic Retail Banking Awards.

With a full range of Shariah Compliant Islamic Banking solutions for corporate and consumer banking customers, the Bank is geared towards exploring new markets with a view to diversify its client base and provide innovative financial solutions. During the year, various liability products were restructured across segments to enhance the scope of our existing product portfolio, while new and innovative Islamic Banking products were launched. New products launched included Alfalah Islamic Asaan Account to cater to the unbanked segment; Alfalah Islamic Business Way for the business segment; and Alfalah Running Musharakah, a partnership based financing facility.

Reaching out to the un-reached

Our determination to enhance financial inclusion for the under banked segments of the market continued during the year. Small and medium enterprise growth has been a focal point of our strategy and prudent, responsible lending has been extended to support this critical area of our economy. Active support has been provided in the sugar, agri inputs, automobiles, education, pharmaceutical, wheat and petroleum industries, while also focusing on improving delivery channels.

Our **Small and Medium Enterprise (SME) business** saw significant transformation from simple lending solutions to understanding the holistic needs of our customers and providing complete SME Banking solutions to them. We have successfully transformed our business strategy to serve this sector with continued zeal and passion. We provide end to end solutions, which focus on meeting the financial, non-financial, transactional, investment and advisory needs of our SME customers.

With the help of the International Finance Corporation, we have designed new offerings for the SME sector in Pakistan and our SME Toolkit is a unique product that helps build capacity of entrepreneurs. Bank Alfalah is the first bank in Pakistan to have launched an SME Toolkit. Through this unique and one-of-its-kind offering, we are providing business development tools and knowledge to SME customers across Pakistan to improve their business efficiency and performance. The foremost objective of this initiative is to create awareness about financial solutions and improve financial inclusion for the unbanked masses. Our dedicated, specialised Business Advisory team also provides non-financial advisory services to our SME clientele enabling them to make better business decisions.

SME Toolkit is a unique and one-of-its-kind offering, which provides business development tools and knowledge to SME customers across Pakistan to improve their business efficiency and performance.

We are also the first bank to launch an unsecured product for SMEs, which opened new avenues and opportunities of enhancing financial inclusion and making unbanked SMEs bankable. Bank Alfalah is one of the very few banks that offer long-term loans to our SME customers, enabling them to expand their business.

Digital financial solutions for SME Banking was also part of the SME agenda and we provided digital platform for payments and collections for SMEs. This initiative will revolutionise the transactional space and open up new avenues and opportunities for understanding the financial and non-financial needs of these SME customers.

Increasing our Remittance Outreach

Focusing on our customers' needs, we partnered with renowned brands to enhance our home remittance correspondent network to strengthen our remittance outreach and enhance our service options. Under the State

Bank of Pakistan sponsored Pakistan Remittance Initiative (PRI), we collaborated with nine leading companies. These partnerships allow Pakistanis living abroad to send money to their families and loved ones through thousands of locations worldwide, providing an alternative and affordable service which seeks to benefit Pakistani expatriates and their beneficiaries. This surge in remittance partners has also given a major boost in volumes to our Home Remittances business.

Protecting our Customers

Continuing to act as a one-stop shop for our customers' financial and protection needs, Bank Alfalah provides Bancassurance solutions customised to meet the medium to long-term financial needs of its customers at every stage in life. Since its inception, our Bancassurance business has been growing with a CAGR of 43 percent.

During the year, the Bank moved to the Referral Model of Bancassurance Sales, doubling our fleet of specialised Bancassurance Sales Consultants to over 300 so as to better address and serve our customers by advising them on their financial planning needs. Despite major changes in the regulatory environment, our Bancassurance business contributed new business premiums worth PKR 807 million, resulting in 4 percent growth over last year.

Strong Relationship Management Channel

Over the course of the year, our sales and relationship management channels have been strengthened through dedicated programmes and the inculcation of a need based and customer oriented sales culture.

Our **Sales Transformation Programme (STP)** enables us to build a customer centric, needs-based, relationship driven banking model and help enhance sales productivity through developing robust, innovative product and distribution platforms as well as implementing a structured, sustainable sales approach across the Bank.

Our technology platform, the Sales MeXimiZer (SMeX), allows sales to be conducted in a more structured and organised manner thereby increasing productivity and allowing the leadership to effectively track and monitor sales activities of their respective front line teams. This initiative helps enhance the customer and product footprint, reach out to the un-banked segments and become more employee focused by attracting, developing, and retaining top talent.

Multiple STP training workshops were conducted nationwide and a total of over 1,500 leaders and sales staff were trained during the year.

To bring focused attention to low cost deposits (CASA growth) and reach out to the untapped potential areas of the market, a dedicated sales force of **Business Development**

Officers (BDOs) has been placed at various branches. Through intensive training and continuous performance monitoring, the BDOs have been able to achieve positive results. There has been an increase in CASA accounts and total deposits stand at PKR 55.5 billion, an increase of 19 percent over last year.

Improved Customer Experience

We maintained continuous visibility of service performance across various product streams, branch network and other service touch points to ensure that we meet our service commitments. We continued to listen to our customers leading to improvement opportunities in the form of process optimisation, automation and staff training. Significant time and efforts were invested in equipping the front line staff with required skills to effectively facilitate our customers.

The Bank enhanced its monitoring frameworks to include other critical areas and further improve our service delivery. Our ATM uptime improved significantly, enhancing the accessibility and usage of our ATM channel; wait time at cash counters reduced significantly, leading to quicker service at branches; and turnaround time in issuance of consumer products and handling customer complaints also reduced considerably, during the year.

Our ATM uptime improved, wait time at cash counters reduced, and turnaround time in issuance of consumer products and handling customer complaints also reduced, during the year.

With the objective to enhance customer experience, customer facing staff members were trained as knowledge champions and a customer satisfaction survey of over 7,500 customers was conducted to gain customer insight.

Serving our Corporate Clients

At Bank Alfalah, we deliver customised solutions for our clients to help them capture every opportunity and operate successfully. Our **Corporate and Investment Banking** business provides premier quality financial services to top-tier clients across the country. We aim to contribute towards the sustainable growth of our clients by providing them innovative, diverse and flexible banking solutions, tailor-made to their specific financing needs.

We offer a holistic range of solutions designed to allow our clients the freedom to choose from a wide array of financing options. Our services include long-term and short-term lending with flexibility for structured products; a complete array of trade finance facilities; flexible options for cash management through transaction banking; options for raising funds through our Capital Market services, and possibilities for syndications through our Investment Banking and Advisory services.

Our Corporate, Investment Banking and Institutional Business continued its growth trajectory by focusing on its existing business and increasing its product offering. Cash Management business grew by more than 200 percent both in terms of number of customers and volumes handled, leading to significant improvement in direct and indirect bank earnings.

The Bank was one of the few institutions entrusted with the Government of Pakistan's 'Kissan Package' introduced in 2015. Our Corporate Banking business was a direct beneficiary of the spur in the country's economic activity

and further leveraged the Bank's strong platform by booking new names as well as increasing the Bank's share of mind in the existing ones.

Strong focus in NPL management has resulted in considerable improvement in portfolio infection and provisioning coverage.

Our Investment Banking business continued to focus on active deal origination and has secured lead roles for a number of big ticket transactions, cementing the Bank's role as a key market player in this segment. Business opportunities were primarily concentrated in the power/infrastructure projects and some of the landmark transactions closed during the year included lead roles in a Syndicated Facility for a major gas utility company and Project Finance arrangements for wind and coal fired IPPs.

Active Player in the Financial Markets

The Bank's Treasury continued to be an active player in the financial markets. The year 2015 saw significant increase in overall profits for the business.

Our focus remained on strengthening customer relationships and enhancing our market presence through regular product awareness sessions and roadshows across Pakistan. Market experts and economists from both the public and private sectors provided insight into the economy and the opportunities present in the market at these events organised for our customers.

Corporate Sales

Our corporate sales team is equipped with the knowledge and the expertise to cater to the transaction needs of our corporate customers. We aim to contribute towards the sustainable growth of our clients by offering them innovative, diverse and flexible solutions to meet their specific needs. In-house research and regular client calls continued to provide customers update of the market development to help them make informed decisions. Wa'ad based Shariah compliant FX forwards were successfully rolled out in 2015, which were very well received by the customers.

Our fixed income sales continue to grow its outreach within AMCs, insurance and DFIs. Bank Alfalah was ranked second out of the 12 primary dealers licensed by State Bank of Pakistan to deal in government securities.

Fixed Income Portfolio

Given the declining interest rate environment, the Bank capitalised on the opportunity by replacing long tenure Pakistan Investment Bonds (PIBs) with shorter ones. Treasury actively built and managed a diversified international bond portfolio to deploy excess liquidity in overseas branches by optimising risk adjusted return.

Foreign Exchange Markets

The Bank continued to maintain a strong presence in the

domestic spot and forward foreign exchange markets. We actively traded in all major currencies, which allowed us to quote narrow bid offer spreads to our customers and to keep them updated about market developments.

Islamic Liquidity Management

During 2015, Islamic Treasury focused on asset creation to support Balance Sheet growth. We remained one of the most active players in SBP/GoP's auctions. In the 1H15, the surplus liquidity was efficiently deployed in SBP's Open Market Operations (OMO). Despite sizable maturity of GoP Ijarah Sukuk in 2015, the Bank successfully complied with SBP's statutory liquidity requirement by actively participating in Bai Muajjal transaction with Ministry of Finance and subsequently fresh issuance of Ijarah Sukuk.

Solid Trade Relationships

The Bank established new relationships and deepened its existing relationships to enhance its trade coverage. The Bank is part of the Global Trade Finance Program (GTFP) of IFC and Trade Finance program of ADB. We have also been active in the secondary markets, and continue to participate in trade risk transactions.

We have expanded our payment capabilities with correspondent banks and have robust systems in place to comply with international obligations with respect to FATCA Regulations and OFAC transaction screening.

We thrive on connecting with our customers at all levels. Our relationship approach ensures that our customers have access to the right solutions for all their financial needs: from savings management, to financing solutions, to wealth management and retirement solutions, and advisory services and execution capabilities that power their business.

International Presence

Afghanistan

The Bank commenced operations in Afghanistan in 2005 and at present operates two full service branches in Kabul and Herat and one limited service branch in Kabul. Completing ten years of operations in Afghanistan, the Bank offers full banking solutions including conventional and Islamic banking products and services. Bank Alfalah maintained the position of the largest foreign bank operating in Afghanistan with a balance sheet size of AFS 14.35 billion (USD 210 million), as of 31 December 2015, despite an uncertain economic and security situation in the country.

Services offered in Afghanistan include payments for the Department of Defense, USA and payroll and cash management solutions for UN organisations under an agreement with Citibank; financing of large and medium sized public development projects, Corporate Financing, Structured Financing and working capital loans.

We provide a complete range of banking solutions to our customers and enjoy the market leadership position in consumer banking products including VISA International Credit Cards and Debit Cards etc. Our sound correspondent network across the globe comprising Citibank (USA), Commerzbank (Germany), HAB Bank (USA) and United National Bank (UK) enables us to provide a host of services to our widespread customer base in Afghanistan. The operations of the Bank improved during the year, leading to a better credit rating of "CAMEL RATING 1," as approved by the Central Bank of Afghanistan.

During the year, the focus remained on identifying new avenues for investments, strengthening internal controls and ensuring compliance to enhance operational efficiencies. We further aim to introduce Alternate Delivery Channels, increase our Treasury Counters and invest on Human Capital, to continue moving on our growth trajectory in the future.

Bahrain

Bank Alfalah commenced its Bahrain operations in the year 2007 as a conventional Wholesale Banking Unit (WBU). Our WBU focuses on providing a unique set of products and services to a diverse client base (mainly Financial Institutions) from GCC Region, South Asia and South East Asia.

During the year, our Unit started to benefit from its strategic positioning by finding solutions for other Bank Alfalah units for deployment of liquidity in high yielding assets. We repositioned the Unit and became active in the area of fixed income securities which enabled us to significantly increase our investments portfolio. The establishment of an origination unit for Trade Finance transactions in Bangladesh has enabled WBU to increase primary trade volumes, while additional sourcing of unfunded trade transactions have also contributed to the growth in profit.

WBU registered a growth of 24.82 percent in profits during the year, mainly due to the shift towards the more lucrative fixed income investments business.

Bangladesh

Our operations in Bangladesh started in 2005 and with a presence in almost every major city, we operate through a network of seven branches across the country.

During the year, the cost to income ratio for Bangladesh operations improved significantly from 74.7 percent in 2012 to 45.97 percent in 2015. For the first time since its inception, the Bangladesh operations registered a profit.

Strengthening our services, we launched SMS alerts, E-statements and online view services for our customers. Our CASA deposit mix improved from 21.7 percent in 2012 to 34.85 percent in 2015. The operations of the Bank improved during the year, leading to a better credit rating of "CAMEL RATING," as approved by the Central Bank of Bangladesh. Per Branch profitability also increased during the year.

About 3,500 new CASA accounts were opened during 2015. Attractive discounts and promotions on our Visa Debit Cards were offered through more than 50 new channel partners in Bangladesh.

In the year 2016, we will continue our focus on enhancing operational efficiency and improving cost control measures. We shall significantly focus on cost to income ratio optimisation, while investing and strengthening our technology.

Connecting with Communities

At Bank Alfalah, we believe that our success and the success of our customers go hand in hand. We aim to conduct business by creating shared value for our customers, shareholders and communities responsibly. With unwavering focus on customer service and experience, sustainable and innovative solutions and a diverse, engaged workforce, we reinforce our commitment to the communities where we live and operate.

To motivate, inspire and recognise young and upcoming talent in the country, we introduced the Rising Talent Programme a couple of years ago. Through this programme, we provide meaningful opportunities to deserving, talented youth and enhance the image of Pakistan by showcasing their stories of optimism and ingenuity.

The Bank continues to play an important role in nurturing talent in the country, and in line with that, emerging talent in Fashion, Film making, Polo and Cricket was supported during 2015.

Our extensive support towards Community Investment Programmes in education continued during the year. These include K-Electric's Initiative on "Development of quality business education and leadership in Pakistan," and developing leaders in finance through the Institute of Business Administration (IBA).

At Bank Alfalah, we are also committed to play an important role in environmental sustainability and catalyse action towards a low carbon economy. We recently launched a Green Mortgage product which aims to help our customers navigate the transition to a lower-carbon economy. The Bank reduces its Carbon footprint in addition to reducing our electricity consumption. To combat that, successful implementation of Solar systems installation was achieved coupled with conversion of the Head Office lighting to LED, resulting in savings of 731,500 KWh. Fifty ATMs were also converted to Solar energy – taking the overall number of solar powered ATMs to 153.

As part of Employee Giving, a blood donation drive in collaboration with Fatmid and Hussaini Blood Bank was launched, which saw many enthusiastic employees donate blood.

In Bangladesh, blankets, warm accessories, school bags and hygiene items were distributed among the disadvantaged communities. Tube wells were set up to provide safe water to affected communities in Dhaka.

We take pride in the fact that our corporate social responsibility endeavours are embedded into our overall business strategy. Our citizenship efforts are underpinned by the commitment of our employees. Their innovative ideas, solutions and relationships drive the success of our businesses, communities and clients.

LET'S INNOVATE

We want to be First or Better at everything that we do. We surprise our customers with new and easy solutions each time. We generate new ideas based on insights gained from internal and external sources to innovate in products, services, processes, service delivery and mindset.

We offer Branchless, Internet and Mobile Banking and continue to grow these platforms with points of differentiation.

Our new Contact Centre reflects our focus to use technological advancements to improve customer services.

With significant growth by Mobile Paisa, we are now the fourth leading branchless banking player in the market.

THE WAY FORWARD

LET'S INNOVATE

We are transforming to become an organisation that is more open to new ideas and change. We constantly gain customer insights from different sources and find new and better ways to do things while identifying opportunities in the market. We collaborate across organisational boundaries and leverage diversity in people to quickly come up with the right solutions that enables our customers to succeed.

Bank Alfalah rose to the challenge of digitally connecting with its customers and renewing their banking experience by making significant strides in introducing digital technologies and solutions, during the year.

Banking on the Go

The Bank has successfully launched **Mobile Banking** for customers, which enables them to transfer funds and make payments on the go. **Alfalah Internet Banking** is a convenient way to access your account 24/7. It is a secure and convenient service that allows the customer to transfer funds, pay utility/mobile bills, download account statement and much more. More than 25 new billers/merchants have been added to the payment options.

Our Internet Banking service continues to grow while we look at launching our **Mobile App,** an innovative offering that will change the customer and bank interaction landscape in the coming years.

Call to Connect

The **Alfalah Contact Centre** is the only IVR (Interactive Voice Response) solution implemented in the financial industry that handles both payment and transfer facility and reflects our focus to use technological advancements to improve customer services.

Our Contact Centre enables the customer to manage Credit/Debit Cards, confirm account balances, get information on last transactions, pay utility bills, and register complaints. Responsive to customers 24/7, the Alfalah Contact Centre is a blend of innovation and simplicity, which helps create transactional convenience for the customer.

Alfalah Contact Centre is a blend of innovation and simplicity, which helps create transactional convenience for the customer.

Growing Branchless Banking Network

We understand the need for a strong acceptance network and have strengthened our alternative distribution channels and branchless banking networks. With a footprint of more than 650 ATMs covering 150 cities across the country, our network is the fifth largest in the country.

Mobile Paisa

Since its inception two years ago, our branchless banking platform, **Mobile Paisa** has shown exceptional performance with the growth of its agent network at more than 23,000 retail touch points, delivering a volume of over seven million and value of over PKR 9 billion OTC (Over the Counter) transactions. Nearly 0.4 million cash management transactions have been achieved from launch till date, with a value of over PKR 16 billion. We are now the fourth leading branchless banking player in the country.

Goverment to Person Payment Initiative

The Bank has a strong presence in **government to person (G2P) payment initiatives** where it supports Government programmes to help the less privileged segments of society.

Bank Alfalah was one of the banks that were selected for disbursement of Benazir Income Support Program (BISP) cards and funds to beneficiaries of the scheme, which was launched in 2011 and aims to provide basic financial assistance to about 7.7 million poor households across Pakistan.

The Bank operates through 37 camp sites spread all across Pakistan, including far-flung districts of Gilgit, Hunza, Skardu, Dir, FATA, Barkhan, Ghotki, Turbat and Azad Kashmir and has distributed 967,190 BISP debit cards, disbursing over PKR 44.4 billion of funds, to BISP beneficiaries.

We continue to explore new opportunities in creating payment platforms to enhance financial inclusion of the unbanked segments of the country.

We are the fourth leading Branchless Banking player in the country.

Disbursing Funds to Pensioners

Bank Alfalah signed a 5 year contract with Employees' Old-Age Benefits Institution (EOBI) to digitise and automate the disbursement of funds to pensioners all across Pakistan. Through this agreement, Bank Alfalah will offer a safe and secure mechanism to transfer funds while companies will also be facilitated in depositing employee pension contributions at Bank Alfalah branches.

Bank Alfalah will open **branchless banking wallets for EOBI pensioners** who will also be issued ATM cards against their wallets. The Bank will disburse PKR 1.5 billion per month to more than 350,000 registered EOBI pensioners with the average pension amount being PKR 5,250 per month.

Utilising its branchless banking network spread across Pakistan, the Bank will also facilitate pension contribution collection from 80,000 companies registered with EOBI. Contribution collections will be on monthly basis in the form of cash, cheque or pay order.

The access of the EOBI accounts is a significant achievement for Bank Alfalah as it provides us with an opportunity to reach out to a larger customer base by offering various products in accordance with their needs.

Payroll Carded Wallets

A labour force survey conducted by the Pakistan Bureau of Statistics revealed that 88.19 percent of Pakistan's workforce is employed in non-managerial jobs, and receive average monthly payments of less than PKR 25,000. It is a norm in the country for non-managerial staff to receive their monthly earnings in the form of cash from their employers. As these individuals rely on their employers to disburse monthly payments in the form of cash, most of them remain unbanked.

Bank Alfalah has taken the initiative to launch the Payroll Card product, which has been specifically designed to target this segment of the country. Mobile Wallets, that feature daily transactional limits of Rs. 25,000, are an ideal salary disbursement creation. The Wallets feature China Union Pay branded payroll cards, which facilitate cash withdrawals through ATMS and purchases at POS machines across Pakistan.

Five payroll projects have been successfully executed last year and have led to the issuance of more than 1,000 payroll cards within a month of the product's launch. There are more than 25 companies that have shown an interest in Bank Alfalah's Payroll Card product. It is expected that the Payroll Cards will be issued to more than 20,000 employees in these organisations by the end of Q1 2016.

Continuous Investment in Technology

We continue to invest in strengthening our technology front, so that we are equipped with a more robust, competitive and value-added interface that meets the needs of our customers. We intend to achieve faster turn around time, smoother online transactions and more efficient operations, all leading to a better transactional environment for customers and employees.

The Bank is in the process of upgrading to the latest version of its core banking system, the first in the market to do so, and this project is expected to be completed by the end of the first quarter 2016.

With Oracle ERP implementation successfully carried out in 2015, we intend to implement the Human Capital Management solution in the year 2016.

We are committed to investing in latest technologies to make customer and user experiences meaningful and convenient.

INSPIRING LEADERSHIP

We inspire our people behind a common vision, mission and values to foster exceptional commitment and energy to achieve organisational goals. We engage and develop our people while creating a work environment in which employees feel cared for. We develop leaders at different levels within the organisation and support emerging talent for a better tomorrow.

The Bank has a new direction and has renewed its vision to be an innovative and inspiring organisation that improves lives.

Customised Leadership programmes were developed for the senior and second tier leaders to champion change.

Strategic linkages were developed with world renowned institutions to design learning programmes for employees.

Initiatives were taken to recognise and reward talent within the Bank. Our Rising Talent Programme continued to support emerging talent in Pakistan.

THE WAY FORWARD

INSPIRING LEADERSHIP

We are becoming an organisation that is ready for faster paced and more intense change, building up organisational agility and change leadership at all levels of the business. We are nurturing exemplary change leaders who can raise the ambitions and horizons of their people, and enable an environment that can bring out innovative and creative thinking from their people.

Our aim to foster leadership goes beyond the organisation as we continue to motivate and recognise emerging talent in Pakistan.

A Renewed Vision

The year 2015 marked a fresh new beginning for us. In February 2015, Bank Alfalah launched its new brand direction. We want to inspire and help our customers find their own way in going after what they want, just as we have. Our ambition is of becoming a financial institution known for being innovative and inspiring. A brand recognised for bringing value to people and improving lives.

To communicate our new vision, mission and values (VMV) to employees, **VMV Roadshows** were conducted in Karachi, Lahore and Islamabad. Almost 2,000 employees from across Pakistan attended these events.

To accelerate change and enable people to understand the new direction of the Bank, an innovative programme was launched to develop **Brand Catalysts** within the Bank. Brand Catalysts were trained to communicate the VMV to employees across all levels. VMV roadshows are now being conducted by the Brand Catalysts.

Developing Leaders

With a renewed vision and direction in place, we started our journey of creating a culture that would be aligned with our new values and would inspire us to achieve our vision and mission. A step wise strategic approach was carried out to assess internal capabilities and key elements in the Bank's culture and environment, define our key differentiators and the competency framework for employees. Based on these, targeted interventions were carried out at all levels of management.

Working with the world renowned RBL (Results-based Leadership) consulting group, two internal surveys/audits were conducted during the year. The purpose of the **Organisational Capabilities Audit** was to assess the Bank's current capabilities, future needed capabilities and identify the gaps to be filled. The **Leadership Brand Audit** assessed how well we are doing in terms of developing our leaders for tomorrow.

A **Senior Leadership Programme on Shaping and Aligning Organisational Culture** at INSEAD was organised to unite and align the leadership team behind the culture change initiative. The programme was held at the world renowned INSEAD business school in Fontainebleau, France. Prior to the programme, the senior leadership team went through a comprehensive 360 feedback process where their nominated direct reports, colleagues and supervisor gave them feedback on key leadership behaviours and traits. The programme involved analysing the Bank's culture, studying teamwork and leadership in high pressure contexts, innovation and culture, leading change and coaching of senior leaders based on their 360 feedback.

In May 2015, the **Alfalah Leadership Academy** was launched. The participants of the leadership academy are key leaders who report to the senior management team. Prior to the start of the programme, each participant went through the 360 degree feedback process, assessing their leadership behaviours and traits on each element of the Bank's Leadership Competency Model. The programme was spread over 6 months and 4 modules of two days each, covering all elements of the Bank's Leadership Competency Model. These leaders are now working on projects in five key areas of culture.

Building Capacity

To develop our human capital, over 675 **Learning Programmes** were conducted during the year. These were attended by more than 11,500 employees and covered 99 percent of the Bank's staff.

The **Learning and Development Centres** (L&D) for Central and South Regions were renovated to cater to the learning needs of employees. The centres now house large sized theatre styled classrooms, mock branches, T-24 dummy branch environment, executive rooms and discussion rooms. Such solid improvement in the learning and development infrastructure is a portrayal of the management's commitment towards development of human capital within the Bank.

Recognising Excellence

Beginning a new tradition of recognising and honouring our star achievers, the year 2015 saw the launch of the **Chevron Awards.** The Chevron Awards recognise excellence, exemplary practice of shared values and excellence in customer interactions. Nominations were based on an employee's contribution in achieving set business targets and on scores in service standards and customer satisfaction. Clearly defined selection criteria in consultation with the Business Groups were developed and rigorously followed to identify the high achievers who were honoured at the Chevron Awards.

Another exciting initiative was the launch of the elite **CEO's Club.** Members of the Club have consistently outperformed the rest of the organisation and achieved outstanding performance for the last three consecutive years.
The launch of the Club shows that Bank Alfalah is going beyond the practice of merely appraising its employees and is providing them with a platform for greater reward and recognition, showcasing them as role models for the rest of the Bank. This Club is not restricted to large urban cities, nor is it exclusive for higher range employees or a handful of departments. It admits outstanding employees from different functions and levels across Pakistan.

Over the next few years, the Bank will build an effective process of identifying people with essential knowledge and skills and create learning and development opportunities that will help build a professional and engaged team. A robust evaluation system that establishes objective, performance based measures, and rewards performance at all levels is already in place.

At the heart of this tradition of recognising and honouring high performers is our obsession with the Bank's strongest and most important asset – People! We have a clear and undisputed resolve to invest in our people and focus on attracting, developing and retaining the best talent in the country.

Nurturing a Talent Pipeline

A group of 50 young and talented individuals chosen from the seven leading business schools in the country were welcomed at the Bank at the launch of the **Alfalah Management Trainee Programme.** Creating leaders for tomorrow, we conducted a rigorous recruitment drive which saw over 650 students become part of the process. The Management Trainee (MT) Programme is a year-long comprehensive experience which comprises classroom learning and on-project rotations giving MTs the opportunity of gaining practical work experience.

During the course of the programme, MTs are working on the most interesting projects that will help them grow as professionals and also provide them with an opportunity to learn about the banking industry in Pakistan. Upon the conclusion of the one year MT Programme, all Management Trainees will be placed within Groups.

Forging Strategic Linkages

Strategic linkages with renowned local and global institutions such as the Institute of Bankers, Pakistan (IBP), Australian Institute of Management (AIM), Finance Accreditation Agency (FAA), Malaysia, and Center for Islamic Economics (CIE) were established throughout the year. These alliances will help develop effective learning and development programmes for employees across all levels and enhance the capacity of employees.

Encouraging Emerging Talent

Bank Alfalah has always supported entrepreneurs and individuals with potential to contribute to the country's economic growth. Through the **Alfalah Rising Talent Programme,** we motivate, inspire and recognise young and upcoming talent in the country and provide them with meaningful opportunities to showcase their talent. The Programme also aims to enhance the image of Pakistan by showcasing stories of optimism and ingenuity.

Now a name synonymous for supporting young talent in **Fashion**, our Rising Talent Programme provides young fashion students and designers an opportunity to showcase their talent alongside well renowned fashion designers. Twelve promising upcoming designers were given an opportunity to show their designs at the Fashion Pakistan Week (FPC), PFDC Fashion Week and PFDC Bridal Fashion Week during the year.

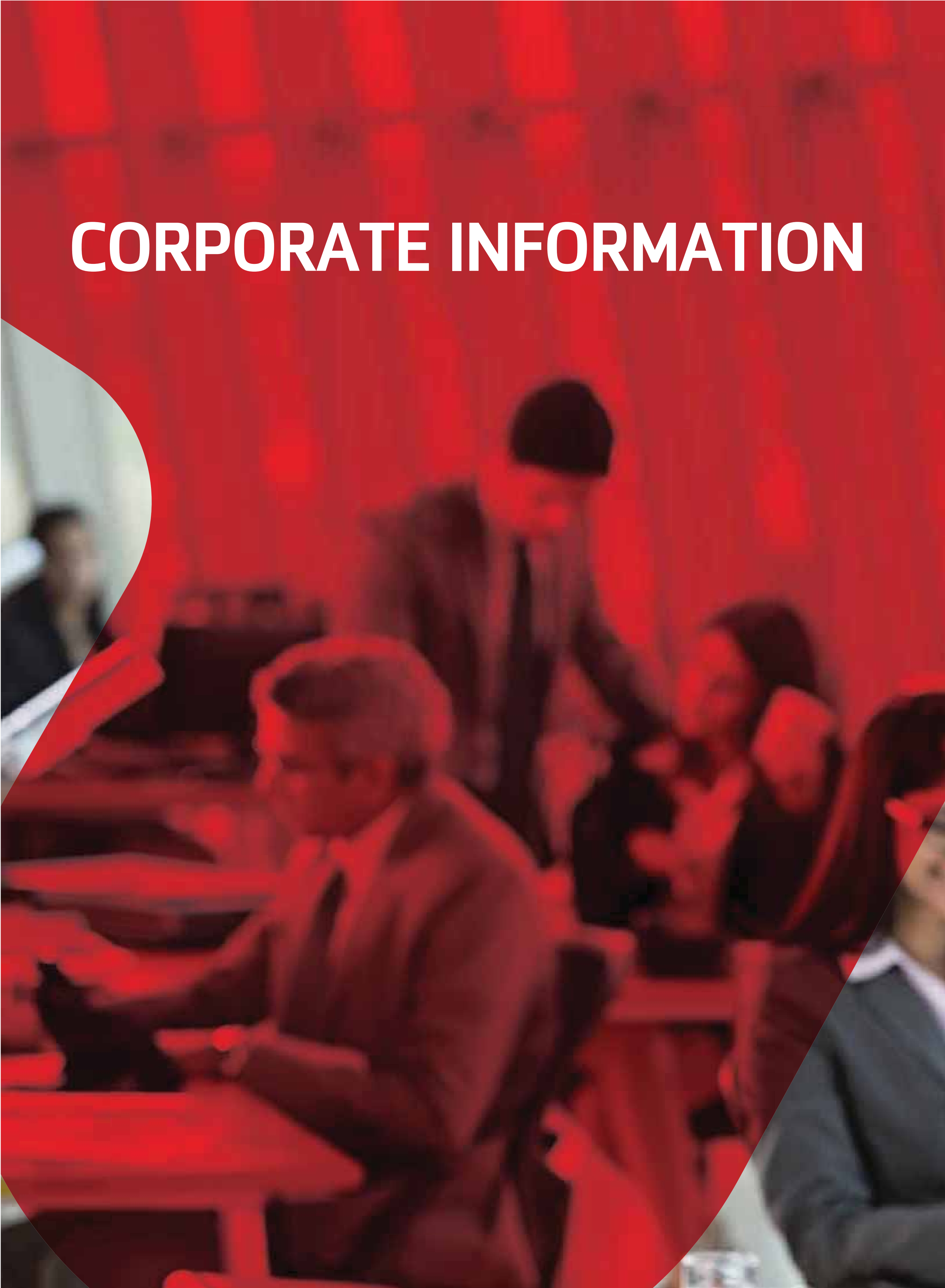
The Fashion Industry in Pakistan has grown significantly over the last decade, playing a pivotal role in not only boosting the image of Pakistan globally but also generating significant revenue. Bank Alfalah has been supporting fashion bodies operating in the country, including the Fashion Pakistan Council as well as the PFDC by supporting young talent to drive Pakistan's economy.

At Bank Alfalah, we foster emerging talent and we want to play our role in ensuring that our future generations take pride in our national heroes and are inspired to follow their footsteps. We are committed to make Pakistan a place where new talent is nurtured and given opportunities to live to their fullest potential. During the year, we supported Adnan Sarwar – a young man who believed in himself and was determined to make a movie on his childhood hero, Hussain Shah. An emerging talent in **Film Making**, Bank Alfalah's Rising Talent Adnan Sarwar is the writer, debutante director and lead actor of the movie, SHAH.

Supporting emerging talent in **Sports** for the last eight years in Pakistan, the Rising talent award was also announced at the National Open Polo Championship Cup 2015 and the Pakistan-Sri Lanka International Cricket Series 2015.

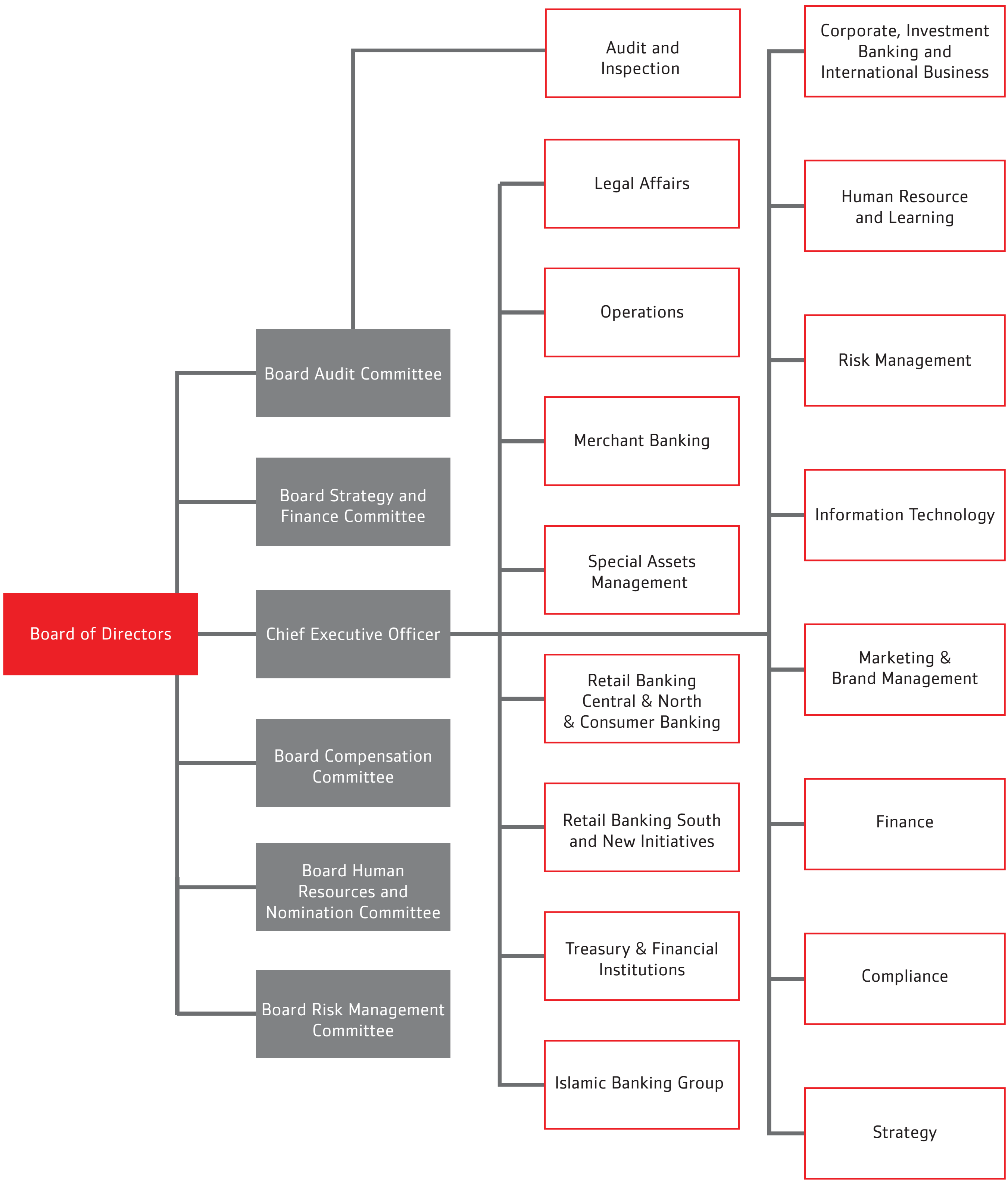
For us, Anwar Ali, an emerging talent in cricket, showed the will to fight against all odds. He showed his passion and determination to pursue his dreams and we decided to recognise and celebrate his talent. With sheer hard work and determination, Anwar has been able to make a place for himself in Cricket and we shared the experience of his struggle and journey to success with the entire country through our Rising Talent platform.

CORPORATE INFORMATION



THE WAY FORWARD

ORGANISATIONAL STRUCTURE



Shari’ah Board

Dr. Mufti Khalil Ahmad Aazami
Chairperson

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

He joined Bank Alfalah Islamic Banking in 2003 as a Shari’ah Advisor and is now serving as Chairperson Shari’ah Board. Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T’akhassus fi al-Iftaa’ (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate Degree in ‘Islamic Jurisprudence’ from Karachi University.

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

Dr. Aazami has 18 years of research experience related to Islamic Finance and other Shari’ah related subjects. He is an author of numerous publications.

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

Mufti Mohib ul Haq Siddiqui
Member

Mufti Mohib ul Haq Siddiqui graduated from Jamia Darul Uloom, Karachi.

He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T’akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) qualifications from Darul Uloom.

He has substantial and diversified experience in the field of Islamic Finance and has served several financial institutions as a member of Shari’ah Boards.

He currently works as Chairperson Shari’ah Board at Faysal Bank Ltd and is also a member of the State Bank of Pakistan’s Committee for Shari’ah review, standardisation of Islamic products and processes and formalisation of AAOIFI Shari’ah standards for the Pakistan banking industry.

Mr. Siddiqui has served as Shari'ah Scholar/Facilitator at the following institutions:

- Shari'ah Advisor - Faysal Bank Ltd since 2011
- Member Shari'ah Board - Takaful Pakistan Ltd since 2006
- Member Shari'ah Board - JS Islamic Fund since 2003
- Faculty member - Jamia Darul Uloom, Karachi since 2003
- Faculty member - Centre for Islamic Economics, Karachi since 2004
- Visiting Faculty member-NIBAF and PAF-KIET (Karachi Institute of Economics & Technology)

Mufti Ovais Ahmed Qazi
Resident Member

Mufti Ovais Ahmed Qazi graduated from Jamia Darul Uloom, Karachi.

He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa, (Specialisation in Islamic Jurisprudence and Fatwa) qualifications from Darul Uloom, Karachi and holds a Master’s Degree in Business Administration from the Institute of Business Management, Karachi.

Mr. Qazi has also served Bank Alfalah Islamic Banking as Assistant Shari’ah Advisor since April 2013. Prior to his time at Bank Alfalah, he worked as a Shari’ah consultant at Burque Corporation (Pvt) Ltd.

Role and Responsibilities of the Chairman

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

Other responsibilities include:

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

Role and Responsibilities of the President/CEO

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

Key responsibilities include:

- Managing and administering the affairs of the Bank in accordance with laws, rules, regulations and the Memorandum and Articles of Association of the Bank
- Complying with and arranging for implementation and compliance within the Bank, of all policies, procedures and manuals approved by Board of Directors and any directives given by the Board of Directors or Board Committees
- Preparation of plans for growth and expansion of Bank's operations in Pakistan and abroad and submitting the same for consideration and approval of the Board of Directors
- To appoint, promote, transfer, suspend or dismiss employees of the Bank and fix their remuneration and other entitlements in accordance with the policies and procedures approved by the Board of Directors. The CEO may sub-delegate such of his authorities pertaining to staff members to the Head of Human Resources or any other officer, as he may consider appropriate
- To deal with, represent and act on behalf of the Bank before the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Federal and Provincial Ministries, Government departments, local bodies, corporations, courts, Stock Exchanges, and any other competent authority

Terms of Reference of Board Committees

Board Audit Committee

- Oversee the integrity of the accounting and financial reporting processes and the Bank's compliance with legal and regulatory requirements
- Review and recommend approval of periodic financial statements of the Bank to the Board
- Ensure an independent and objective Internal Audit Function covering all activities and functions of the Bank with particular emphasis on risk management and internal control
- Oversee the Shariah Audit Function and Credit Risk Reviews (CRR) of the Corporate portfolio as per the Board's approved CRR policy
- Ensure that Internal Audit activities conform to International Standards
- Review and monitor implementation of the Annual Audit Plan on periodical basis
- Ensure that compliance of audit observations is given due importance by the management and any significant delay in their compliance is timely reported to the appropriate management level
- Review the scope and terms of reference of the External Auditors, to ensure that it is in accordance with regulatory requirements; and recommend their appointment, retention or removal to the Board along with engagement fees etc. to the Board
- Review and evaluate the effectiveness of the Bank's overall control environment and systems, including information technology security and controls and the contingency planning process

Board Compensation Committee (BCC)

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

Board Human Resources & Nomination Committee

- Ensure that HR policies and practices are in line with market dynamics and business objectives of the Bank
- Design competitive compensation programmes that attract, retain and motivate staff to achieve business objectives of the organisation while enhancing and sustaining shareholder value
- Review and recommend the HR policies of the Bank to the Board. Ensure development of new policies to help attract, retain, develop and motivate talent
- Review the Management Structure/Organogram of the Bank
- Review and recommend the selection/appointment/re-appointment, evaluation, compensation, increments, performance bonuses, fringe benefits, including retirement benefits and terms and conditions of service agreement of the CEO to the Board
- Review and recommend to the Board the selection, evaluation and compensation of key executives of the Bank as defined in the State Bank of Pakistan's Fit and Proper Test Criteria ("SBP's FPT")
- Review and confirm the Job Descriptions of key executives; review and recommend the appointment and promotions of all key executives and General Managers to the Board
- Design succession planning policies for the CEO, key executives and General Managers
- Periodically examine the Bank's compensation strategy
- Investigate and recommend resolutions to the Board of major violations of the code of business conduct and ethics that may relate to personnel or internal controls relating to human resource policies or benefits
- Consider/Review and recommend to the Board, the remuneration to be paid to the non-executive Directors of the Bank for attended Board and Board Committee meetings
- Look after any other matters relating to Human Resource Management

Board Strategy and Finance Committee

- Assist the Board in performing its functions and responsibilities with focus on policy making and general direction, supervision, within the framework of applicable Regulations and without involvement into the day to day operations of the Bank
- Review all matters relating to Strategy and Finance, as well as all other matters not specifically covered in the Terms of Reference of other Board specialised committees
- Review the strategic plan of the Bank, annual business and capital expenditure budgets and periodic reviews of the Bank's performance, vis-a-vis approved budget, major capital expenditure, acquisitions, investments (including strategic investments and equity investments) etc.
- Oversee aspects of capital management including issuance of shares to raise further capital, issuance of Term Finance Certificates, Issuance of cash/stock dividend and Capital injection decisions for overseas operations
- Review and approve capital expenditure as per thresholds defined
- Review and recommend annual branch network expansion plans including plans for existing overseas operations, setting up companies/operations/offices in new overseas locations, for approval to the Board
- Review and recommend nomination of members from the Senior Management team, on Board of Directors of the Bank's subsidiaries and associates (if BOD approval is required)
- Review and recommend appointment of Shariah Advisor for Islamic Banking operation of the Bank in Pakistan and overseas, and terms of his contract or renewal/revision for approval of the Board
- Review and recommend matters relating to the shareholders and related parties to the Board, in consultation with the Chairman
- Review and recommend the Management's strategy for establishing communication with shareholders, as well as the corporate strategy of the Bank for approval of the Board

Board Risk Management Committee

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

- Review, approve and/or recommend to Board for approval the Annual Credit Plan (ACP), Annual Treasury Plan (ATP), Contingency Funding Plan (CFP), acquisition, strategic investment and equity investments of the Bank from risk perspective
- Recommend Treasury Risk limits, Counter party limits, Country limits to the Board for approval
- Review and recommend product exposure ceilings in respect of Consumer Financing, Agri Financing, etc. or any other new product to be introduced, for approval to the Board
- Review and recommend re-schedule/restructure/settlement/write off proposals for approval to the Board
- Conduct periodical reviews of the consumer portfolio; and review and recommend tolerance limits for Operational Risk to the Board
- Review and recommend to the Board, the IT strategy, IT security policy and technological procurement requirements
- Periodically review compliance areas with specific focus on KYC/AML aspects

Annual Evaluation of the Board's Performance

The Board of Directors is responsible for monitoring the overall performance of Bank, providing the management with a clear strategic direction, ensuring the management's compliance with the code of corporate governance and ethical conduct.

The Board plays a pivotal role as a fiduciary to act and communicate with the management on behalf of the Bank's stakeholders to ensure that their interests are well protected and achieved in a timely manner.

The roles and responsibilities of the Board, as specified by the regulatory ordinances such as the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and State Bank's Prudential Regulations, are well-defined in the established code of corporate governance.

To evaluate and monitor the performance of the Board, a descriptive evaluation criteria has been established at Bank Alfalah, which takes into account numerous factors to assess the functions and behaviours of the Board of Directors and the Board Committees. Key performance indicators to benchmark the Board's performance include:

- **Strategic direction:** To ensure that the Board is actively involved in setting and devising of key strategies that provide the Bank with a futuristic direction and that the Management's proposals, challenges, assumptions and alternatives are duly considered prior to deciding such strategy
- **Management's performance:** To ensure that the Management's performance and its progress towards achieving its set targets is periodically monitored by Board members
- **Internal controls:** To oversee and ensure that an appropriately designed internal control framework is in place and is routinely tested to address all types of key risks
- **Audit and compliance:** To ensure that there is an active compliance function in the organisation; to monitor its compliance with external laws and regulations and internal codes; and to monitor the organisation's abidance by audit principles
- **Understanding of Corporate Governance and Conduct Code:** To ensure that the Directors fully understand the company's agreed policies on corporate governance and ethics. Address improvements in Corporate Governance as a priority
- **Understanding of roles and responsibilities:** To ensure that the Board has a clear understanding of the company's goals and vision and mission statements
- **Committee composition:** To ensure that each Board Committee is appropriately structured to effectively achieve its underlying goals and objectives and its key functions are also clear and well-defined

The Board of Directors also hold a duty of care and duty of loyalty towards the organisation to act honestly in the interest of the Company and exercise its role with complete integrity and care.

The evaluation framework established assesses the Board's performance on numerous criterion including those described above. A well-founded scoring scale is used to rate the Board's performance. The Board of Directors at Bank Alfalah have efficiently fulfilled their vested roles and responsibilities towards stakeholders and the management to steer the Company in the right direction and ensuring maximum shareholder value.

Liquidity Management

Liquidity levels indicate the ability to quickly generate cash at a reasonable cost; they also denote how quickly, in times of distress, available assets can be converted into cash without any significant loss to the principal value of assets. Monitoring and managing liquidity levels, is an area of utmost importance for the Bank's management.

At Bank Alfalah, we consider the management and monitoring of liquidity risk as an element of critical significance to achieve our strategic objectives, including plans for diversification and growth.

To address liquidity risk and ensure timely repayment of debts and recovery of losses, Bank Alfalah has a well-devised Liquidity Risk Strategy. The Strategy ensures that any remote possibility of liquidity risk is managed appropriately by the Bank by maintaining desirable levels of currency wise liquidity, and that profitability is optimised on the resources allocated for liquidity requirements.

The Liquidity Risk Strategy of the Bank, which is also incorporated in its Annual Business Plan approved by the Board underlines certain specific controls and measures:

- **Composition of assets and liabilities:** Taking the Bank's day to day liquidity requirement into account, a mix of assets and liabilities is strategically decided to maintain desired liquidity levels. Such composition comprises both liquid assets and liquid liabilities forming part of the Bank's portfolio.
- **Diversification and stability of liabilities:** The policy outlines diversification plan for liabilities to comprehensively assess the stability of the liability portfolio. Based on methodologies approved by the Bank's ALCO, liabilities are classified into core and non-core deposits, and then analysed further.

The Liquidity Risk Strategy also identifies certain early warning indicators that can possibly suggest or trigger a liquidity problem. These indicators include the NPLs to credit portfolio ratio and the Off Balance Sheet exposures. Besides setting up early warning indicators, the Bank's Contingency Funding Plan (Country wise) is also developed under the Liquidity Risk Strategy to address liquidity issues in times of stress/crises. The Bank's Treasury and Financial Institutions Group in consultation and guidance from the Bank's ALCO prepares the Contingency Funding Plan (CFP) for Conventional and IBG Operations on an annual basis for identifying the possible stress scenarios and the appropriate funding plan for such scenarios.

In addition, for overall effective liquidity management, multiple departments including Risk Management and Treasury, together with the Bank's ALCO have established thorough control structures that incorporate components such as Limit and Breach approval mechanisms, management action points, tolerance limits and liquidity ratios etc.

The Bank's Risk Management Group independently prepares Risk Measurement reports on a regular basis to ensure risk analysis and compliance of limits. Market and Liquidity Risk reports prepared are mainly based on data extracted from the Bank's Core Banking System, Data Warehouse, Treasury Middle Office Utilities and Bloomberg.

IT Governance

At Bank Alfalah, IT governance aims to ensure that the senior management, with the approval of the Board, formulates and effectively implements the overall IT strategy to ensure strategic alignment between business needs and IT systems.

Effective IT governance aims on transforming IT systems holistically to fulfill the present and future needs and expectation of the business and its customers. We realise the importance of efficient IT systems that support core competencies, increase overall efficiency and facilitate timely responsiveness to market development. To ensure sound and cost effective IT systems, a detailed and comprehensive IT management policy has been put in place, engineered by the IT team under the supervision of the IT Steering Committee (Technology Committee). IT management policy underlines working areas including Strategic Alignment, Value Delivery, Resource Management, Risk Management and Performance Measures, in accordance with the Bank's financial and technological accountability.

The Bank's IT division is entrusted to ensure seamless quality, management and value of technology used in the Bank and to ensure technological harmonisation across the organisation to deliver exceptional value through technology.

All IT related functional units, are managed by the Chief Information Officer, who reports directly to the Chief Executive Officer and works in close coordination with the IT Steering Committee. The CIO oversees the entire IT framework, policies and controls, keeps the Bank abreast of all technological developments in the banking sector and ensures that the Bank is equipped with innovative, world-class and robust IT solutions to outperform competition. The CIO is also responsible for monitoring, improving and strengthening IT governance framework by providing guidance and valuable strategic insight.

The core areas that contribute to the overall effectiveness of IT governance include IT Operations, IT Security Risk/Compliance/Audit, Information Security, IT Service Management, Application Technology – Core Banking Systems and IT Help Desk.

IT Steering Committee (Technology Committee)

The Bank's IT Steering Committee has been constituted as a subcommittee of the Central Management Committee to provide guidance, strategic direction and governance to the Information Technology team in rolling out various IT related initiatives and projects in the Bank. The key objectives include:

- To improve the quality, management and value of technology in use
- To align IT Strategic Plan and Master Project Plan, its relevant initiatives, with the Business Strategy and required SBP guidelines
- To ensure that all technology requirements related to approved projects are carried out effectively and efficiently

The IT Steering Committee is chaired by the CEO. The Committee regularly monitors the overall IT performance and progress and institutes appropriate actions to achieve desired results.

Core functional responsibilities of the IT Steering Committee are:

- Formulation and review of the IT Strategy Plan to ensure that an effective strategy and approach is in place to ensure alignment with overall goals of the Bank
- Review and implement IT policies and procedures
- Oversee the scope of IT related projects, ensure that project timelines are realistic and achievable, review technology spent v/s plan on regular basis, exploring new technology and evaluation of appropriateness, prioritise and review execution of various IT projects based on business requirements, changing regulatory practices and organisational issues

- Ensure review of Information Security policies by the relevant stakeholders on regular basis; evaluate and review risk mitigation options to be implemented to control and reduce risks identified; drive continuous improvement agenda for mitigating IT related risk across the Bank, in line with SBP recommended guidelines.

Stakeholder Engagement

Key stakeholders for Bank Alfalah are people who are directly or indirectly involved in its operations or are influenced by them. Internal and external stakeholders are of pivotal significance for the success of the Bank. To establish an enduring and mutually beneficial relationship with our stakeholders, a comprehensive strategy for stakeholders engagement is in place at the Bank.

The Bank has a strong communication plan to regularly interact with its stakeholders including institutional investors and shareholders; customers; regulatory bodies; suppliers and vendors; correspondent banks; media agencies; analysts; government bodies and communities at large.

Our underlying objective is to keep all the stakeholders actively engaged with the Bank so that they work with us to help achieve the organistional goals while ensuring that we meet their communications needs.

Investor Grievances

At Bank Alfalah, Investor Relations are given utmost priority, and periodic calls are arranged for existing and potential investors, which gives them a chance to discuss the performance of the Bank with the management.

To timely address any grievances that may arise in the normal course of business, a sound grievance redressal mechanism is in place that provides investors with a transparent and credible process that leads to impartial and effective outcomes.

The Investor Information section on the Bank's website mentions the complete contact details of the persons designated for assisting and handling investor grievances. This desk is part of the Bank's Legal Affairs Division, while the Investor Relations desk handles queries related to the Bank's performance.

Code of Business Conduct and Ethical Principles

Integrity and honesty is at the heart of our business and brand. Our internal ethical standards and code of business conduct are the results of shared moral convictions. Rationales such as 'everyone in the market does it' or 'our competitors do it' cannot be countenanced as permitting deviations from our standards. The objective of underlying policies is to ensure that the Bank is recognised as a professionally run and successfully managed profitable Bank with high moral and ethical standards.

The Code besides containing general guidelines broadly covers the overall responsibility of employees, adherence to legal/regulatory requirements and internal policies and procedures of the Bank that apply to the employees. Specific guidelines with reference to managing conflicts of interest, political affiliations, conduct, KYC, gifts and entertainment, corporate ethical policies, fraud, theft or illegal activities, etc. are all covered in the Code.

A statement of Code of Ethics and Business practices is in place and is signed off by every employee and submitted to the Bank's Human Resource and Learning Group on a yearly basis. The Code of Ethics is also readily available on the Company website.

Whistle Blowing

Our Value - The Right Way, encourages our employees to work with absolute honesty and integrity, creating an environment of trust and transparency within the Bank. Misconduct, malpractices and breach of trust endanger the Bank's reputation and may cause financial losses. To create a culture that fosters integrity and openness, we have developed a comprehensive whistle blowing policy which includes guidelines for employees, vendors and customers to communicate any genuine suspicions about wrongdoings at the Bank without fear of any repercussions or retaliation.

Any person who in good faith blows a whistle shall not suffer harassment, retaliation or adverse consequences. It is the responsibility of the Bank's Management that he/she should be provided with complete protection. An employee who retaliates against someone who has blown a whistle in good faith is subject to disciplinary action up to and including termination of employment.

A whistleblower may even be rewarded, if any significant/critical issue is raised by him. In exercise of such discretion, the factors to be considered by the Bank shall include, without limitation, the seriousness of allegations, its credibility and the extent to which the allegation can be confirmed or corroborated by relevant sources/evidences.

Any person with a complaint should promptly report it in writing to the Group Head, Audit & Inspection Group. The Board Audit Committee addresses reported concerns or complaints regarding corporate practices, internal controls or Frauds, etc. through Group Head, Audit & Inspection Group.

All whistleblowing complaints are presented to the Board Audit Committee for a decision. However, considering the gravity and magnitude of the complaint, the Group Head, Audit & Inspection is authorised to initiate immediate investigation in the matter specified under the policy. During 2015, six whistleblowing incidents took place and their details were submitted to the Board Audit Committee.

Human Resource Management and Succession Planning

Bank Alfalah realises the importance of human capital in achieving its organisational goals and objectives and has significantly invested in the management, development and retention of its talent pool. Strategic human resource management at Bank Alfalah is linked to the overall strategy of the organisation. By playing the role of a strategic partner and a change agent, the Human Resource &

Learning Group (HRLG) aims to provide all units with an effective workforce, ensure that all employees have ample opportunities for learning and development, and act as an advisor to the field management, helping them in keeping all employees happy, motivated and productive.

Key elements of HR strategy include recruitment, training and development, compensation and benefits, leadership development and succession planning.

Being an equal opportunity employer, we induct the right people with the right skills, to develop a well-skilled talent pool that fulfills the human capital needs of the Bank. **Learning and Development** of existing staff is a critical necessity of today's fast paced business environment, where skills become obsolete very quickly. Keeping this in mind, Bank Alfalah has established a dedicated function to address the learning and development needs of employees. In order to retain talent, Bank Alfalah ensures that its **Compensation and Benefits** are competitive and towards this end, the Bank participates in recognised benchmarking surveys periodically.

Succession Planning is the process of systematically identifying successors for all key positions within the Bank (especially those which are likely to fall vacant or to open up in the near future due to promotion, resignation or retirement). The primary benefit of succession planning is that a sequence of personnel actions is initiated so that one or more candidates are identified for each key position in advance of actual need. This prior identification permits opportunities for mentoring and developmental activities to improve their readiness to succeed to specific positions.

The Bank has implemented comprehensive and dedicated policies and controls for effectively managing, recording and controlling its massive database that includes very valuable as well as confidential information such as customer records, employee documents, business records and legal and operational documents etc. Specific guidelines are in place for **Record Management** at the Bank including voucher management, physical document maintenance, electronic data, movement on record, retention of record on premises, destruction of records, and data management.

Our Products and Services

Deposit Product Suite

Bank Alfalah offers a comprehensive deposit product suite designed to meet the diverse needs of our customers. Our deposit products include a range of interest and non-interest bearing accounts aimed at providing daily banking services through our vast branch network, transactional privileges and self-service digital banking solutions.

Current Deposit Product Menu

- PKR Current Account
- Alfalah Kamyab Karobar Account
- Basic Banking Account (BBA)
- Alfalah Asaan Account-Current
- Alfalah at Work-Payroll Account

Savings Deposit Product Menu

Bank Alfalah's Savings Product menu allows our customers to enjoy transactional continuity in their banking services as well as earn healthy returns on their deposits. The product suite caters to both short and long-term investment requirements.

- Alfalah PLS Savings Account
- Alfalah Care Account
- Alfalah Royal Profit Account
- Alfalah Kifayat Account
- Alfalah Asaan Account-Savings

Term Deposit Product Menu

We offer attractive investment in fixed deposit for individuals and corporate customers in a variety of tenors.

- PKR Term Deposit
- Alfalah Mahana Amdan Account

Foreign Currency (FCY) Deposit Product Menu

We offer current, savings and fixed deposit in foreign currency. Customers can choose to open accounts in USD, EURO, GBP and Japanese Yen.

- FCY-Savings and Current Accounts
- FCY-Term Deposit

Consumer Finance Product Menu

As the leading Consumer Business in Pakistan, Bank Alfalah's consumer finance product suite is tailored to cater to the lifestyle needs of our customers. The consumer finance menu covers a variety of credit card variants for individual and corporate entities as well as short and long-term financing needs for individuals.

- Alfalah Credit Cards
- Alfalah Debit Cards
- Alfalah Auto Finance
- Alfalah Personal Loan
- Alfalah Home Finance
- Alfalah Merchant Acquiring-Card Acceptance Services

Bank Alfalah introduced its card acquiring services in 2005, enabling retail businesses on the acceptance of all credit and debit cards issued by local and foreign banks. Our acquiring machines accept cards powered by Visa, MasterCard, Union Pay International, and American Express. Alfalah is a market leader in acquiring business in Pakistan, having a network of 22,000 merchants in 107 cities.

Bancassurance Portfolio

Bank Alfalah's Bancassurance solutions are specially designed to help our customers protect and secure a stable future for their loved ones. Partnering with leading insurance companies in the country, we offer a diverse range of insurance plans, customised to meet our customers' savings, child's education/marriage and retirement needs. Our Bancassurance bundle is available under Conventional and Islamic Banking umbrellas to cater to our diverse client base. Products include:

- Alfalah Roshni
- Alfalah Rida
- Alfalah Sahara
- Alfalah Danish
- Alfalah Uroos
- Alfalah Tadbeer

Investment Services

The Bank's Investment Services offer Mutual Funds to our customers which allow diversification of their investments. Funds from Alfalah GHP, UBL Fund Management & Al-Meezan Investments are currently part of our product suite. Different categories of Mutual Funds are offered to cater to an individual or entity's risk appetite and financial needs.

- Income Funds
- Balanced Funds
- Equity Funds
- Capital Protected Funds

Home Remittances Services

Alfalah Zariya provides our customers the convenience to receive Home Remittance transactions from abroad quickly and efficiently. Our continuing focus on Home Remittance business reflects our commitment to bring a positive impact on the economy of Pakistan while ensuring the best possible service to our customers. Our strong network of branches and with leading partners in the Middle East, Europe and North America, we cater to major migrant centres through the following services:

- Account Credit to Bank Alfalah Account Holders
- Cash Over the Counter Transactions
- Account Credit to other Bank Account Holders

Alfalah Pardes Remittance Card

Alfalah Pardes Remittance Card is available to beneficiaries who receive their cash remittances from the counters of our Bank. The remittance amount is loaded onto the Pardes card and the beneficiary can either withdraw cash from any ATM machine or conduct transaction using a point of sale terminal at retail outlets within Pakistan.

Business Loans

Our dedicated team of relationship managers assist our institutional clients with a range of business loans and banking solutions to meet their specific short-term or long-term funding and business expansion requirements. These include the following:

- Alfalah Milkiat Finance (AMF)
- Alfalah Karobar Finance (AKF)
- Alfalah Quick Finance (AQF)
- Alfalah Merchant Line (AML)

Agriculture Loans

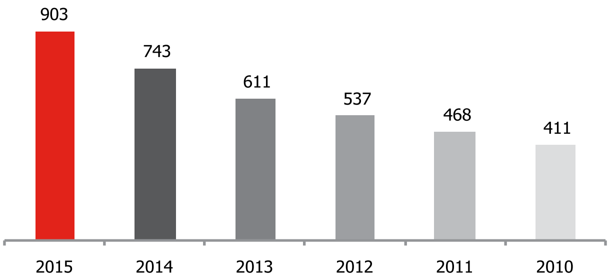
Bank Alfalah realises the strong contribution of agriculture in our country's economy and the growing financial needs of farmers. Our Rural Finance Programme **"Alfalah Zarie Sahulat"** offers finance facilities covering an entire spectrum of farming and non-farming needs with a wide range of products on flexible short, medium and long-term repayment tenures at affordable markup rates.
The following loans are available:

- Alfalah Paidawari Zarie Sahulat
- Alfalah Musalsal Zarie Sahulat
- Alfalah Tractor and Transport Zarie Sahulat
- Alfalah Machinery & Equipment Zarie Sahulat
- Alfalah Aabpaash Zarie Sahulat
- Alfalah Islah-e-Araazi Zarie Sahulat
- Alfalah Poultry Zarie Sahulat
- Alfalah Dairy & Livestock Zarie Sahulat
- Alfalah Fisheries Zarie Sahulat Inland
- Alfalah Silos`e Sahulat
- Alfalah Lease Zarie Sahulat

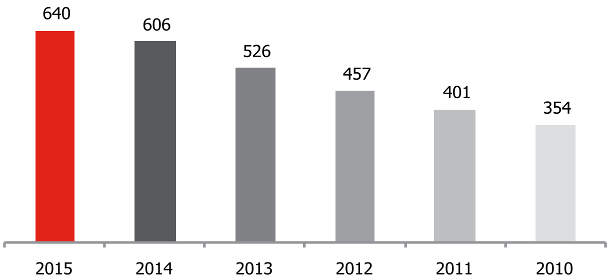
FINANCIAL INFORMATION

FINANCIAL PERFORMANCE (2010-2015)

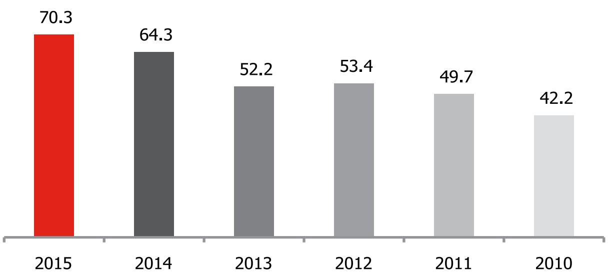
Total Assets (Rs in Bn)
CAGR 17%



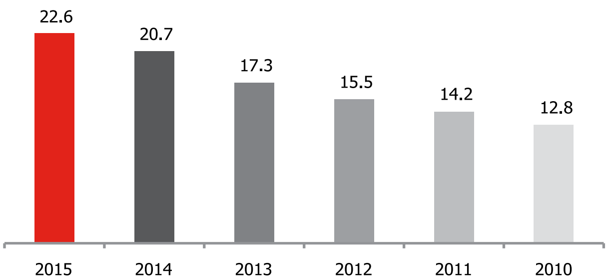
Deposits (Rs in Bn)
CAGR 13%



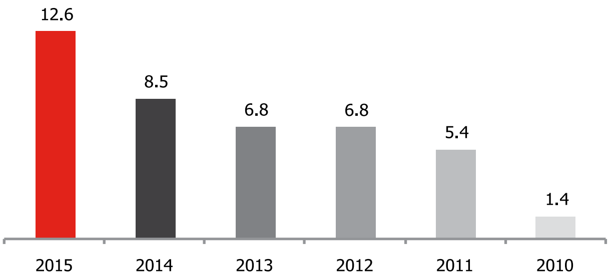
Total Income (Rs in Bn)
CAGR 11%



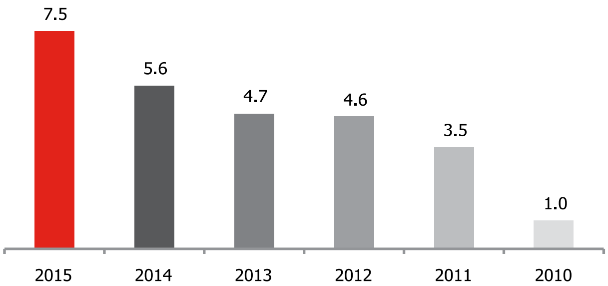
Total Expenses (Rs in Bn)
CAGR 12%



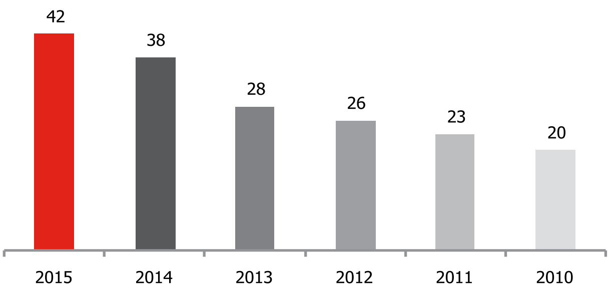
Profit before Tax (Rs in Bn)
CAGR 56%



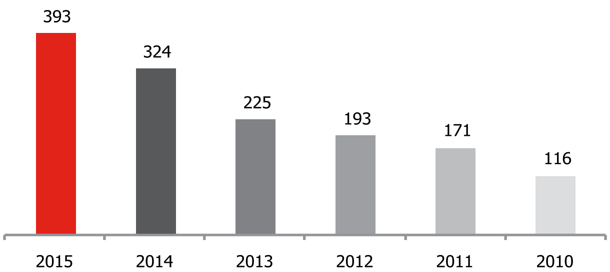
Profit after Tax (Rs in Bn)
CAGR 51%



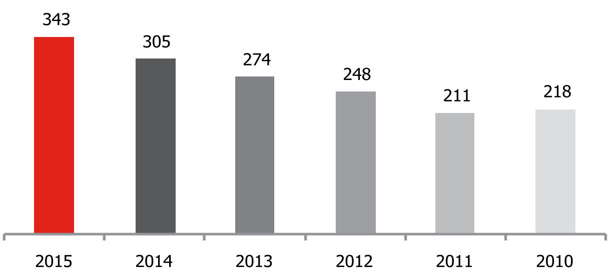
Shareholder's Equity (Rs in Bn)
CAGR 17%



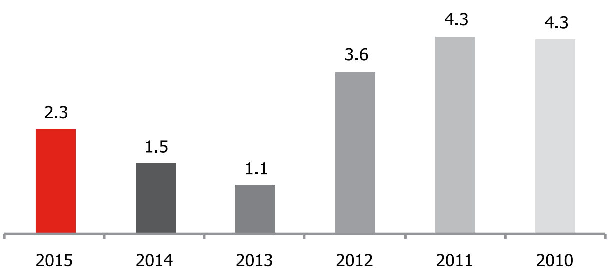
Investments at Cost (Rs in Bn)
CAGR 28%



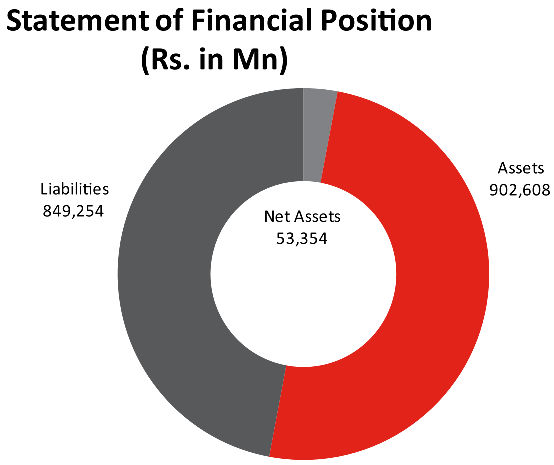
Advances - Gross (Rs in Bn)
CAGR 9%

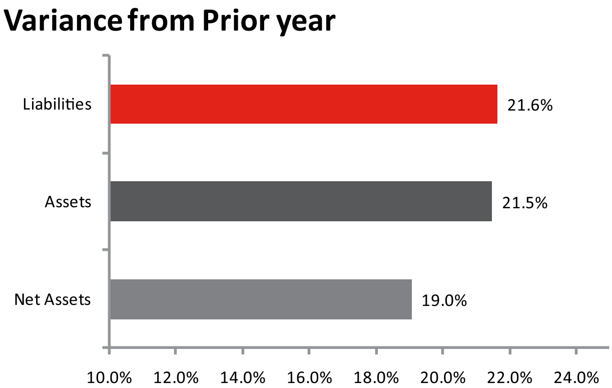


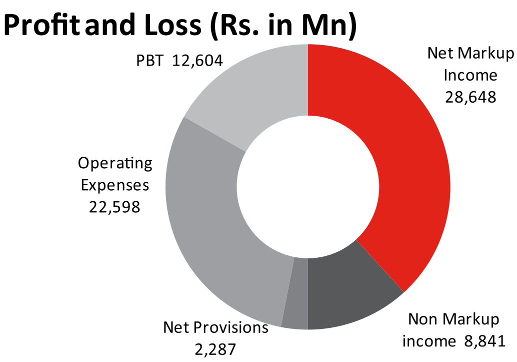
Provision / Impairment (Rs in Bn)
CAGR (12%)

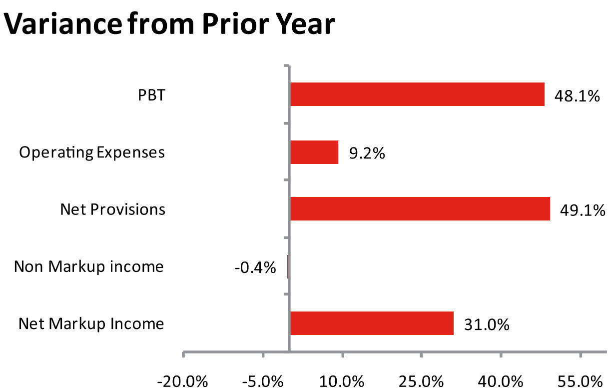


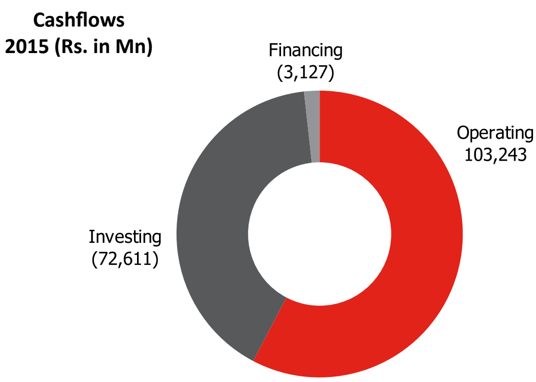
GRAPHICAL PRESENTATION

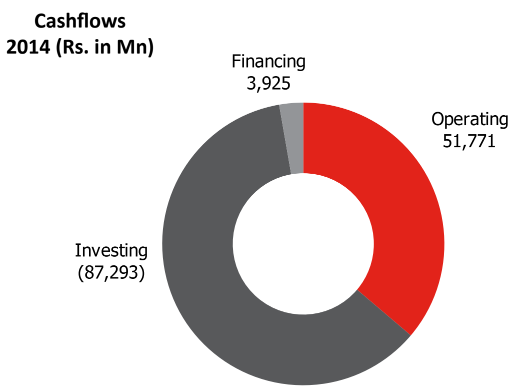












SIX YEARS FINANCIAL SUMMARY 2010 - 2015

		2010	2011	2012	2013	2014	2015
Profit & Loss Account							
Mark-up / return / interest earned	Rs. Mn	37,530	44,298	46,080	43,961	55,378	61,458
Mark-up / return / interest expensed	Rs. Mn	23,855	25,687	27,500	27,066	33,505	32,811
Non Fund based income	Rs. Mn	4,708	5,368	7,281	8,279	8,876	8,841
Total Income	Rs. Mn	42,238	49,666	53,361	52,240	64,254	70,299
Operating Expenses	Rs. Mn	12,754	14,215	15,519	17,313	20,702	22,598
Operating Profit before provisions & taxation	Rs. Mn	5,629	9,763	10,342	7,861	10,048	14,891
Provisions / write-offs	Rs. Mn	4,260	4,330	3,559	1,054	1,534	2,287
Profit before taxation	Rs. Mn	1,369	5,434	6,783	6,807	8,514	12,604
Profit after taxation	Rs. Mn	968	3,503	4,556	4,676	5,641	7,523
Cash Dividends	%	08	17.5	20	20	20	-
Statement of Financial Position							
Authorised Capital	Rs. Mn	23,000	23,000	23,000	23,000	23,000	23,000
Paid up Capital	Rs. Mn	13,492	13,492	13,492	13,492	15,872	15,898
Reserves	Rs. Mn	3,819	4,100	5,637	7,274	12,338	14,164
Unappropriated Profit	Rs. Mn	2,416	5,248	6,374	7,500	9,613	12,363
Shareholders' equity	Rs. Mn	19,727	22,840	25,502	28,266	37,824	42,425
Surplus on revaluation of assets - net of tax	Rs. Mn	2,579	2,937	4,558	3,636	6,995	10,928
Net Assets	Rs. Mn	22,306	25,777	30,059	31,902	44,819	53,353
Total Assets	Rs. Mn	411,484	468,174	536,568	611,428	743,128	902,607
Gross Advances	Rs. Mn	218,432	211,397	248,346	273,827	304,848	343,490
Advances - net of Provisions	Rs. Mn	207,153	198,469	233,933	260,780	290,597	327,298
Non Performing Loans	Rs. Mn	18,320	19,096	22,182	17,947	19,412	18,455
Investments at cost	Rs. Mn	115,925	170,850	193,473	225,035	324,336	393,327
Investments - net	Rs. Mn	113,426	166,532	189,487	219,690	324,319	397,097
Total Liabilities	Rs. Mn	389,178	442,397	506,509	579,526	698,309	849,254
Deposits & Other Accounts	Rs. Mn	354,015	401,248	457,044	525,526	605,963	640,189
Borrowings	Rs. Mn	13,700	18,169	21,228	23,115	55,233	172,393
Profitability Ratios:							
Profit before tax ratio	%	3.65%	12.27%	14.72%	15.48%	15.37%	20.51%
Gross Spread	%	36.44%	42.01%	40.32%	38.43%	39.50%	46.61%
Non Interest income to total income	%	11.15%	10.81%	13.65%	15.85%	13.81%	12.58%
Return on average equity (ROE)	%	4.83%	16.36%	19.42%	18.04%	18.86%	19.00%
Return on average assets (ROA)	%	0.25%	0.81%	0.92%	0.83%	0.85%	0.91%
Cost to income ratio	%	69.38%	59.28%	60.01%	68.77%	67.32%	60.28%
Investment Ratios:							
Earnings per share	Rs.	0.72	2.60	3.38	3.41	4.09	4.73
Breakup value per share (excl. surplus on rev.)	Rs.	14.62	16.93	18.90	20.95	23.83	26.69
Breakup value per share (incl. surplus on rev.)	Rs.	16.53	19.11	22.28	23.65	28.24	33.56

		2010	2011	2012	2013	2014	2015
Share Information							
Market value per share - Dec 31	Rs.	11.21	11.00	16.82	27.04	34.88	28.82
High - during the year	Rs.	14.58	12.31	19.12	27.04	34.88	35.05
Low - during the year	Rs.	7.32	8.75	11.14	14.75	24.91	23.82
Assets Quality and Liquidity Ratios							
Gross Advances to Deposits ratio	%	61.70%	52.68%	54.34%	52.11%	50.31%	53.65%
Net Advances to Deposits ratio	%	58.52%	49.46%	51.18%	49.62%	47.96%	51.13%
Net Investments to Deposits ratio	%	32.04%	41.50%	41.46%	41.80%	53.52%	62.03%
NPLs to Gross Advances ratio	%	8.39%	9.03%	8.93%	6.55%	6.37%	5.37%
Coverage Ratio (specific provision / NPLs)	%	58.02%	64.57%	62.54%	69.32%	70.06%	83.73%
Deposits to Shareholders Equity	Times	17.95	17.57	17.92	18.59	16.02	15.09
Assets to Equity	Times	20.86	20.50	21.04	21.63	19.65	21.28
Risk Adequacy							
Tier 1 Capital	Rs. Mn	17,837	21,640	23,813	25,251	33,399	36,850
Total Eligible Capital	Rs. Mn	26,291	29,117	35,499	36,085	44,490	50,957
Risk Weighted Assets (RWA)	Rs. Mn	249,640	250,933	281,662	299,297	348,833	380,195
Tier 1 to RWA	%	7.15%	8.62%	8.45%	8.44%	9.57%	9.69%
RWA to Total Assets	%	60.67%	53.60%	52.49%	48.95%	46.94%	42.12%
Capital Adequacy ratio	%	10.53%	11.60%	12.60%	12.06%	12.75%	13.40%
Net Return on Average RWA	%						
DuPont Analysis							
Net Operating Margin	%	2.29%	7.05%	8.54%	8.95%	8.78%	10.70%
Asset Utilization	%	10.55%	11.29%	10.62%	9.10%	9.49%	8.54%
Leverage Ratio / Equity Multiplier	Times	19.17	20.29	21.18	21.61	22.11	20.78
Trade							
Imports - Volume	Rs. Mn	254,705	286,550	322,633	370,556	374,901	324,877
Exports - Volume	Rs. Mn	132,277	191,820	192,132	212,871	202,369	134,388
Others							
No. of Permanent Employees	Absolute	7,369	7,355	6,890	7,006	7,540	7,538

REVIEW OF SIX YEARS' PERFORMANCE

Statement of Financial Position

Total Assets:

The asset base of the Bank has registered a compounded annualized growth rate (CAGR) of 17 percent over the last 6 years growing from Rs. 411 billion as at December 31, 2010 to Rs. 903 billion as at December 31, 2015. The key contributors to the said increase have been investments and advances, with investments registering a CAGR of approximately 28 percent over the said period, while gross advances have grown by 9 percent. The Bank has prudently managed the earning asset mix to ensure maximization of returns to stakeholders.

Advances:

The credit off-take over the last couple of years has remained muted on account of macro-economic instability and operational challenges faced by the country. However, the Bank's net advances have continued to improve moderately over the said period, with yearly growth in net advances remaining in double digits with the year 2011 being an exception. Our gross ADR percentage has consistently been maintained at around the levels of 54 percent over the said period.

Non-performing Loans:

The Bank has kept a close check on the quality of its assets. The infection ratio of the Bank has consistently been lower than that of the industry overall, and at December 2015, stands at 5.4 percent. Over the course of the said period, significant recoveries have been posted which are indicative of the focus and efforts that have been made in this regard. Over the last six years, NPLs of the Bank peaked in 2012 at Rs. 22.182 billion, following which a downward trajectory has been observed in the NPL base, which stands at Rs. 18.455 billion at December 2015. The Bank has managed not only to reduce its net provision charge through enhanced recoveries, but more importantly, the Bank's coverage stands significantly improved from 58 percent in 2010 to 84 percent in 2015. As at December 2015, the NPLs classified in "loss" category constitute approximately 75 percent of the Bank's total NPL base.

Investments:

In line with the overall industry trend over the last few years, the Bank's investment in Government Securities has also been significantly higher. The main reason behind this deployment shift remained the lack of credit opportunities which persisted in the industry. With an average annualized growth rate of 28 percent over the last six years, the investment base (at cost) of the Bank has grown from Rs. 116 billion in 2010 to Rs. 393 billion in 2015. Investment in Government Securities has grown from Rs. 83.402 Billion in 2010 to Rs. 367.115 Billion in 2015, a CAGR of 35%.

Deposits:

The deposit base of the Bank has continued to grow over the last six years, increasing from Rs. 354 billion in 2010 to Rs. 640 billion in 2015. The Bank's CASA percentage at December 2015 stands at 75 percent. The Bank's high cost deposits have strategically been tapered off over the period. The Bank enjoys a diversified product suite, with products catered to meet varying customer needs. Our focus remains on maintaining service excellence, and providing adequate returns to our depositors together with transactional convenience through our Alternate Delivery Channels as well as through our enhanced branch network. During the six year period, the Bank has added 267 branches to its branch network, growing from 386 branches in 2010 to 653 branches in 2015.

Equity and Dividends

The paid-up capital of the Bank has grown from Rs. 13.492 billion in 2010 to Rs. 15.898 billion in 2015, with IFC acquiring a stake of 15 percent towards the end of the year 2014, which represented a key strategic alliance in the Bank's recent history. This alliance has further brought synergies in technology, human resource and trade business.

The equity base of the Bank has continued to improve, which is reflective of the bank's consistent performance. Over the years, the Bank has had a consistent dividend payout stream. The reported CAR of the Bank stood at 13.40 percent at December 2015. Going forward, the Bank intends to further strengthen its capital base in order to deliver superior value to its stakeholders over the medium to long term.

The composition of the Bank's Capital structure has been detailed in the notes on capital adequacy forming part of the audited financial statements.

Profit and Loss account

Income

The composition of markup income has seen a shift in recent years on the back of concentration shift in the Bank's earning asset base. The contribution from markup income earned on advances has reduced from 69 percent in 2010 to 42 percent in 2015 while markup income from investments has increased to 53 percent (2010: 29 percent). The reduction in policy rates and regulatory revisions covering minimum deposit rates over the recent past has adversely affected the sector's net interest margins. The Bank has therefore continued to manage its asset and liability position in order to maximize returns given reduced sector margins.

During the last six years, fee, commission income, foreign exchange income and capital gains have been the major drivers behind non-fund income. Our fee and commission income has been supplemented by our branchless banking and G2P initiatives, while capital gains have been tapped at the right times. During the current year, income from dealing in foreign currencies has shown a downward trend, which has been offset through increased capital gains materialized during the year. With key changes to its technology platform, the Bank intends to deliver enhanced transactional convenience to its customers, to help improve the non fund based income contribution further.

Operating Expenses

The Bank has been in a transformation phase, with more than 250 branches opened over the period from 2010 to 2015. The growth in administrative costs has been mainly on account of costs attributable to additional branches under the Bank's expansion plan, rising rentals and utility costs, and significant IT costs relating to infrastructural improvements to the core banking system, new initiatives and the overall technological platform. The management has introduced a strict cost discipline with a focus on improving its cost to income ratio, which stands improved to 60 percent in the year 2015, from 70 percent in the year 2010. Centralization of various expenses and revisit to expenditure approval authorities have been some of the key initiatives undertaken in this respect. The management intends to further bring in cost savings through cost rationalization measures going forward.

DUPONT ANALYSIS

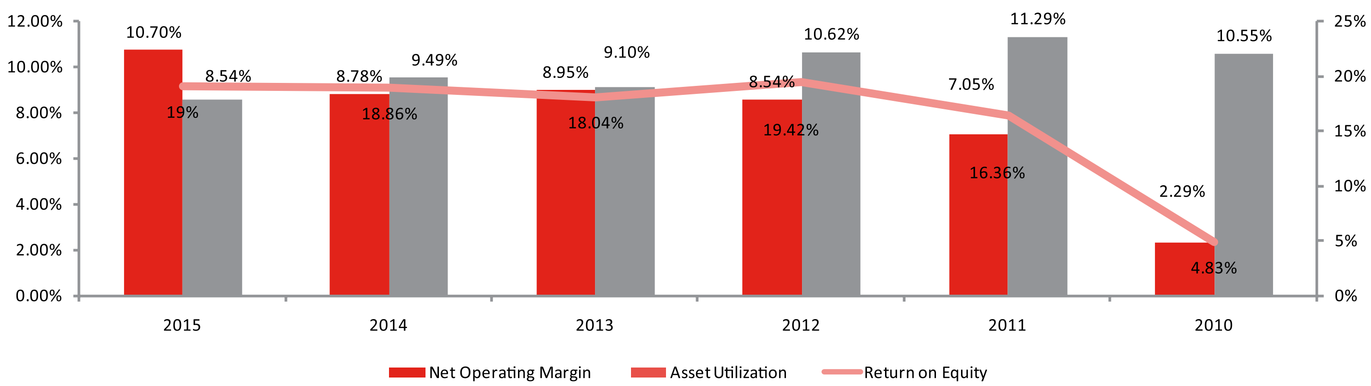
Ratio	Formula		2015	2014	2013	2012	2011	2010
Net Operating Margin	(PAT/Total Income)	A	10.70%	8.78%	8.95%	8.54%	7.05%	2.29%
Asset Utilization	(Total Income / Average Assets)	B	8.54%	9.49%	9.10%	10.62%	11.29%	10.55%
Return On Assets	(PAT/Average Assets)	C = A x B	0.91%	0.85%	0.83%	0.92%	0.81%	0.25%
Leverage Ratio / Equity Multiplier	(Average Assets / Average Equity)	D	20.78	22.11	21.61	21.18	20.29	19.17
Return on Equity	(PAT/Average Equity)	E = C x D	19%	18.86%	18.04%	19.42%	16.36%	4.83%

Main Highlights

Net Operating Margin improvement is evident due to growth in core revenues outpacing growth in costs

Asset Utilization appears lower in 2015, evidencing impact of reduction in discount rates on total income

ROE appears lower due to impact on increase in share capital post IFC injection, thereby increasing average equity



STATEMENT OF VALUE ADDED

	2015 Rs in Mn		2014 Rs in Mn	
Value Added				
Net Interest Income	28,648		21,873	
Non Interest Income	8,841		8,876	
Operating Expenses exluding Staff costs depreciation, amortization and WWF	(10,559)		(9,101)	
Provision against advances, Investments & Others	(2,599)		(1,928)	
Value added available for distribution	**24,331**		**19,720**	
Distribution of Value Added		%		%
To Employees				
Remuneration, provident fund and other benefits	9,972	41%	9,079	46%
To Government				
Worker Welfare Fund	287	1%	189	1%
Income Tax	5,081	21%	2,872	15%
	5,368	22%	3,061	16%
To providers of capital				
Cash dividends to shareholders	1,590	7%	3,174	16%
Bonus Shares	-	0%	-	0%
	1,590	7%	3,174	16%
To Society				
Donations	58	0.24%	33	0.17%
To Expansion and growth				
Depreciation	1,809	7%	1,637	8%
Amortization	272	1%	268	1%
Retained Earnings	5,262	22%	2,468	13%
	7,343	30%	4,373	22%
	24,331	**100%**	**19,720**	**100%**

SIX YEARS VERTICAL ANALYSIS

Statement of Financial Position / Profit & Loss

	2015		2014		2013		2012		2011		2010	
	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and Balances With Treasury Banks	62,369	7%	50,516	7%	61,205	10%	58,044	11%	50,883	11%	41,198	10%
Balances With Other Banks	16,552	2%	12,332	2%	34,764	6%	26,721	5%	17,424	4%	16,179	4%
Lendings to Financial Institutions	53,629	6%	18,313	2%	2,522	0%	877	0%	7,765	2%	6,498	2%
Investments - Net	397,097	44%	324,319	44%	219,690	36%	189,487	35%	166,532	36%	113,426	28%
Advances - Net	327,298	36%	290,597	39%	260,780	43%	233,933	44%	198,469	42%	207,153	50%
Fixed Assets	17,242	2%	15,740	2%	14,835	2%	13,748	3%	13,389	3%	14,205	3%
Deferred Tax Assets	-	-	-	-	1,204	-	486	-	422	-	-	-
Other Assets	28,421	3%	31,311	4%	16,427	3%	13,273	2%	13,290	3%	12,826	3%
	902,607	**100%**	**743,128**	**100%**	**611,428**	**100%**	**536,568**	**100%**	**468,174**	**100%**	**411,484**	**100%**
LIABILITIES												
Bills Payable	9,734	1%	11,758	2%	9,543	2%	8,431	2%	5,403	1%	4,522	1%
Borrowings From Financial Institutions	172,393	19%	55,233	7%	23,115	4%	21,228	4%	18,169	4%	13,700	3%
Deposits & Other Accounts	640,189	71%	605,963	82%	525,526	86%	457,044	85%	401,248	86%	354,015	86%
Subordinated loans	9,983	1%	9,987	1%	9,991	2%	5,875	1%	7,149	2%	7,567	2%
Deferred Tax Liabilities - Net	1,824	-	853	-	-	-	-	-	-	-	116	-
Other Liabilities	15,131	2%	14,515	2%	11,351	2%	13,931	3%	10,428	2%	9,258	2%
	849,254	**94%**	**698,309**	**94%**	**579,526**	**95%**	**506,509**	**94%**	**442,397**	**94%**	**389,178**	**95%**
NET ASSETS	**53,353**	**6%**	**44,819**	**6%**	**31,902**	**5%**	**30,059**	**6%**	**25,777**	**6%**	**22,306**	**5%**
REPRESENTED BY :												
Share Capital	15,898	2%	15,872	2%	13,492	2%	13,492	3%	13,492	3%	13,492	3%
Reserves	14,164	2%	12,338	2%	7,274	1%	5,637	1%	4,100	1%	3,819	1%
Unappropriated profit	12,363	1%	9,613	1%	7,500	1%	6,374	1%	5,248	1%	2,416	1%
Shareholder's Equity	**42,425**	**5%**	**37,824**	**5%**	**28,266**	**5%**	**25,502**	**5%**	**22,840**	**5%**	**19,727**	**5%**
Surplus on revaluation of fixed assets - net of tax	10,928	1%	6,995	1%	3,636	1%	4,558	1%	2,937	1%	2,579	1%
Net Assets	**53,353**	**6%**	**44,819**	**6%**	**31,902**	**5%**	**30,059**	**6%**	**25,777**	**6%**	**22,306**	**5%**
PROFIT & LOSS ACCOUNT												
Mark-up / return / interest earned	61,458	87%	55,378	86%	43,961	84%	46,080	86%	44,298	89%	37,530	89%
Mark-up / return / interest expensed	(32,811)	-47%	(33,505)	-52%	(27,066)	-52%	(27,500)	-52%	(25,687)	-52%	(23,855)	-56%
Net mark-up / interest income	**28,648**	**41%**	**21,873**	**34%**	**16,895**	**32%**	**18,580**	**35%**	**18,611**	**37%**	**13,675**	**32%**
Provisions and Write Offs	(2,287)	-3%	(1,534)	-2%	(1,054)	-2%	(3,559)	-7%	(4,330)	-9%	(4,260)	-10%
Net mark-up / interest income after provisions	**26,361**	**37%**	**20,340**	**32%**	**15,841**	**30%**	**15,021**	**28%**	**14,281**	**29%**	**9,414**	**22%**
Non mark-up / interest income	8,841	13%	8,876	14%	8,279	16%	7,281	14%	5,368	11%	4,708	11%
Non mark-up / interest expenses	(22,598)	-32%	(20,702)	-32%	(17,313)	-33%	(15,519)	-29%	(14,215)	-29%	(12,754)	-30%
Profit before taxation	12,604	18%	8,514	13%	6,807	13%	6,783	13%	5,434	11%	1,369	3%
Taxation	(5,081)	-7%	(2,873)	-4%	(2,131)	-4%	(2,227)	-4%	(1,931)	-4%	(400)	-1%
Profit after taxation	**7,523**	**11%**	**5,641**	**9%**	**4,676**	**9%**	**4,556**	**9%**	**3,503**	**7%**	**968**	**2%**

SIX YEARS HORIZONTAL ANALYSIS

Statement of Financial Position / Profit & Loss

	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12	2012	12 Vs 11	2011	11 Vs 10	2010	10 Vs 09
	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and Balances With Treasury Banks	62,369	23%	50,516	-17%	61,205	5%	58,044	14%	50,883	24%	41,198	18%
Balances With Other Banks	16,552	34%	12,332	-65%	34,764	30%	26,721	53%	17,424	8%	16,179	-29%
Lendings to Financial Institutions	53,629	193%	18,313	626%	2,522	188%	877	-89%	7,765	20%	6,498	-57%
Investments - Net	397,097	22%	324,319	48%	219,690	16%	189,487	14%	166,532	47%	113,426	14%
Advances - Net	327,298	13%	290,597	11%	260,780	11%	233,933	18%	198,469	-4%	207,153	10%
Fixed Assets	17,242	10%	15,740	6%	14,835	8%	13,748	3%	13,389	-6%	14,205	-2%
Deferred Tax Assets	-	-	-	-100%	1,204	148%	486	15%	422	-	-	-
Other Assets	28,421	-9%	31,311	91%	16,427	24%	13,273	0%	13,290	4%	12,826	-12%
	902,607	**21%**	**743,128**	**22%**	**611,428**	**14%**	**536,568**	**15%**	**468,174**	**14%**	**411,484**	**6%**
LIABILITIES												
Bills Payable	9,734	-17%	11,758	23%	9,543	13%	8,431	56%	5,403	20%	4,522	20%
Borrowings From Financial Institutions	172,393	212%	55,233	139%	23,115	9%	21,228	17%	18,169	33%	13,700	-34%
Deposits & Other Accounts	640,189	6%	605,963	15%	525,526	15%	457,044	14%	401,248	13%	354,015	9%
Subordinated loans	9,983	0%	9,987	0%	9,991	70%	5,875	-18%	7,149	-6%	7,567	0%
Deferred Tax Liabilities - Net	1,824	114%	853	-	-	-	-	-	-	-100%	116	-36%
Other Liabilities	15,131	4%	14,515	28%	11,351	-19%	13,931	34%	10,428	13%	9,258	-7%
	849,254	**22%**	**698,309**	**20%**	**579,526**	**14%**	**506,509**	**14%**	**442,397**	**14%**	**389,178**	**6%**
NET ASSETS	**53,353**	**19%**	**44,819**	**40%**	**31,902**	**6%**	**30,059**	**17%**	**25,777**	**16%**	**22,306**	**1%**
REPRESENTED BY :												
Share Capital	15,898	0%	15,872	18%	13,492	0%	13,492	0%	13,492	0%	13,492	0%
Reserves	14,164	15%	12,338	70%	7,274	29%	5,637	37%	4,100	7%	3,819	6%
Unappropriated profit	12,363	29%	9,613	28%	7,500	18%	6,374	21%	5,248	117%	2,416	-10%
Shareholder's Equity	**42,425**	**12%**	**37,824**	**34%**	**28,266**	**11%**	**25,502**	**12%**	**22,840**	**16%**	**19,727**	**0%**
Surplus on revaluation of fixed assets - net of tax	10,928	56%	6,995	92%	3,636	-20%	4,558	55%	2,937	14%	2,579	9%
Net Assets	**53,353**	**19%**	**44,819**	**40%**	**31,902**	**6%**	**30,059**	**17%**	**25,777**	**16%**	**22,306**	**1%**
PROFIT & LOSS ACCOUNT												
Mark-up / return / interest earned	61,458	11%	55,378	26%	43,961	-5%	46,080	4%	44,298	18%	37,530	6%
Mark-up / return / interest expensed	(32,811)	-2%	(33,505)	24%	(27,066)	-2%	(27,500)	7%	(25,687)	8%	(23,855)	-197%
Net mark-up / interest income	**28,648**	**31%**	**21,873**	**29%**	**16,895**	**-9%**	**18,580**	**0%**	**18,611**	**36%**	**13,675**	**25%**
Provisions and Write Offs	(2,287)	49%	(1,534)	46%	(1,054)	-70%	(3,559)	-18%	(4,330)	2%	(4,260)	-205%
Net mark-up / interest income after provisions	**26,361**	**30%**	**20,340**	**28%**	**15,841**	**5%**	**15,021**	**5%**	**14,281**	**52%**	**9,414**	**38%**
Non mark-up / interest income	8,841	0%	8,876	7%	8,279	14%	7,281	36%	5,368	14%	4,708	-9%
Non mark-up / interest expenses	(22,598)	9%	(20,702)	20%	(17,313)	12%	(15,519)	9%	(14,215)	11%	(12,754)	-216%
Profit before taxation	12,604	48%	8,514	25%	6,807	0%	6,783	25%	5,434	297%	1,369	35%
Taxation	(5,081)	77%	(2,873)	35%	(2,131)	-4%	(2,227)	15%	(1,931)	382%	(400)	-436%
Profit after taxation	**7,523**	**33%**	**5,641**	**21%**	**4,676**	**3%**	**4,556**	**30%**	**3,503**	**262%**	**968**	**8%**

NOTICE OF THE 24th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 24th Annual General Meeting of Bank Alfalah Limited ("the Bank") will be held on Monday, 28th March 2016 at 10:30 AM at Ball Room, Movenpick Hotel, Karachi, to transact the following business:

Ordinary Business:

1. To confirm Minutes of the Extra-Ordinary General Meeting held on 27th May 2015
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended December 31, 2015 together with Directors' Report and Auditors' Report thereon including post-facto approval of remuneration paid to the non-executive directors for attending Board and Board Committees meetings as reported under Notes No. 27 and 36 of the Annual Accounts, in compliance with SBP Prudential Regulations.
3. To approve as recommended by the Board of Directors, payment of cash dividend at the rate of Re.1/- per share i.e. 10%
4. To appoint Auditors of the Bank for the year 2016 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

Karachi
Dated: 7th March 2016

By Order of the Board

MIAN EJAZ AHMAD
Company Secretary

NOTES:

1. The Share Transfer Books of the Bank will be closed from 21st March 2016 to 28th March 2016 (both days inclusive). Transfers received at the office of the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, before the close of business on 20th March 2016 will be treated in time for the purpose of above entitlement to the transferees.
2. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, F.D. Registrar Services (SMC-Pvt) Limited, Room No. 1705, 17th Floor, Saima Trade Tower "A", I.I. Chundrigar Road, Karachi, not less than 48 hours before the time of the Meeting.
4. Those shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy with our Share Registrar as per paragraph No. 3 above. In case of Proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).
5. Shareholders are requested to promptly notify change in their address, if any, to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited.
6. **Mandatory submission of CNIC**

   Please be informed that SECP vide its Notification No. SRO.831 (1)2012 of July 05, 2012 has made mandatory for Companies to provide CNIC number of registered shareholder on the dividend warrant. Further, mentioning of CNIC number in the Annual Return 'Form A' is also an obligatory requirement, which is required to be filed with SECP under Section 156 of the Companies Ordinance, 1984.

In view of the foregoing, those shareholders who have not yet submitted a valid copy of their Computerized National Identity Card (CNIC) are once again requested to submit the same immediately to our Share Registrar at their address mentioned at Sr. No. 3 above.

7. **Deduction of Income Tax from Dividend**

This is to inform the shareholders that the Government; through its Finance Act 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are (a) For filers of income tax returns: 12.5% (b) For non-filers of income tax returns: 17.5%

Those shareholders, whose name will not be appeared (at the time of issuance of dividend) in the Active Tax Payers list of filers, as updated by the Federal Board of Revenue from time to time, will be subject to 17.5% withholding tax deduction on the dividend income.

8. **Payment of Cash Dividend Electronically (e-Dividend)/Dividend Mandate (optional)**

In accordance with SECP's letter No. 8(4) SM/CDC 2008 dated 5th April 2013, we would like to apprise the shareholders that SECP has devised a strategy for implementation and promotion of e-dividend mechanism whereby the cash dividend amount would be directly credited into the respective bank account of the shareholders through electronic fund transfer facilities. The benefits associated with this (e-dividend) mechanism include instant credit of cash dividends, no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address etc. The shareholders can avail benefits of the e-dividend mechanism by providing dividend mandate in their CDS accounts through their Participants or to the respective share registrar.

Those shareholders, who have shares in physical form and wish to receive their cash dividend through the afore mentioned e-dividend mechanism, are requested to send complete details of their bank account to our Share Registrar at the above address. The CDC sub-account holders are requested to provide the required information/ document to their Participant/CDC Investor Account Services for the purpose.

9. **Financial Statements and Notice of Annual General Meeting through email**

SECP vide SRO No. 787(I)2014 dated 8th September 2014 has allowed companies to circulate the audited financial statements and notice of Annual General Meeting to shareholders through their email address subject to their written consent. Desiring shareholders are requested to provide their complete email address through a duly signed letter along with copy of valid CNIC. Such shareholders are also required to notify immediately any change in email address in writing to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited.

10 **Video Conference Facility for Attending General Meetings**

With reference to the SECP's Circular No. 10 of 2014 dated May 21, 2014 ("the Circular"), members may avail video conference facility in Lahore, Islamabad, subject to fulfillment of the requirements and procedures of the Circular, mentioned below:

The members should provide their consent as per the following format and submit to the registered address of the Bank, 10 days before holding of AGM.

Consent Form for Video Conference Facility

"I/We, ______________________ of ____________, being a member of Bank Alfalah Limited, holder of ____________ Ordinary shares as per Register Folio/CDC Account No. ____________ hereby opt for video conference facility at ____________ (geographical location).

____

Signature of member

If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city.

The Bank will intimate members regarding venue of video conference facility at least 5 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2015

This statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Clause 5.19.23 of the Rule Book (Listing of Companies and Securities Regulations) of the Pakistan Stock Exchange ("PSX"), for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent and non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Non-Executive Directors (5)	H. H. Sheikh Hamdan Bin Mubarak Al Nahayan Mr. Abdulla Nasser Hawaileel Al Mansoori Mr. Abdulla Khalil Al Mutawa Mr. Khalid Mana Saeed Al Otaiba Mr. Efstratios Georgios Arapoglou
Independent Directors (2)	Mr. Khalid Qurashi Mr. Kamran Y. Mirza
Executive Director (1)	Mr. Atif Bajwa (Chief Executive Officer)

The independent directors meet the criteria of independence under the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
3. All the resident Directors of the Bank are registered as taxpayers and none of them, in their personal capacity, have defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board.
5. The Bank has prepared a "Code of Conduct - Ethics and Business Practices" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, non-executive and independent directors, have been taken by the Board/Shareholders.
8. The Chairman presided three (out of five) Board Meetings held in the year, and in his absence, the meetings were presided by a Director elected by the Board for this purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, two of the Bank's Directors, Mr. Atif Bajwa, and Mr. Khalid Qurashi completed the Directors' Training Course conducted by the Pakistan Institute of Corporate Governance (PICG).

10. During the year ended December 31, 2015, there was no new appointment of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit.

11. The Directors' Report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding. The shares issued by the Bank to its executives as a result of exercise of options granted to them under the Bank's approved Employees Stock Option Scheme (ESOS) are included in the said pattern under the category "Executives". During the year, the Bank has issued further option letters to selected senior staff members including the CEO under the Bank's ESOS, as decided by the Board Compensation Committee. All options issued under the scheme have a defined vesting period and are exercisable over the period specified in the scheme. This information has been disclosed as part of the annual report.

14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising of 4 members, all being non-executive Directors, and the Chairman of the Committee is an independent Director.

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resources and Nomination Committee. It comprises of 4 members, of whom 3 members are non-executive Directors including the Chairman of the Committee. The Board has also constituted a Compensation Committee comprised of 3 non-executive Directors, for the administration and superintendence of the Bank's Employees Stock Options Scheme ("ESOS").

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

19. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Bank's securities, was determined and intimated to Directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The Board has put in place a mechanism for undertaking annual evaluation of the performance of the Board.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and On behalf of the Board

Atif Bajwa
Director and Chief Executive Officer
February 29, 2016
Abu Dhabi

Auditors' Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Bank Alfalah Limited ("the Bank") for the year ended December 31, 2015 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange ("PSX") where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

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

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2015.

February 29, 2016
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

REPORT OF SHARIAH BOARD
FOR THE YEAR ENDED DECEMBER 31, 2015

By the grace of Almighty Allah, the year under review was the 12th year of Islamic commercial banking for Bank Alfalah Limited Islamic Banking Group. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank Alfalah Limited Islamic Banking Group are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of Bank Alfalah Limited Islamic Banking Group. During this year, the Bank developed and executed a variety of new as well as established Islamic Banking products and transactions after due approval from Shari'ah Advisor/Shari'ah Board. Moreover, the Shari'ah Advisor/Shari'ah Board reviewed various products, concepts, transactions, processes and their Shari'ah Compliance.

The Bank primarily used Murabaha, Ijarah, Diminishing Musharakah, Istisna, Musharakah and Salam for its financing activities during the year.It is encouraging to note that the Bank has moved towards diversification in the usage of various financing products.

The Shari'ah Audit Function plays a vital role in achieving the objective of ensuring Shari'ah compliance by evaluating the adherence to Shari'ah guidelines in each and every activity under taken by the Bank. Shari'ah Audit of all IBG Branches was conducted as a part of the Bank's efforts to strengthen the internal Shari'ah control mechanism. These audits not only cover the transactions that the branches/departments undertake but also include an evaluation of the Shari'ah knowledge of staff.

On the other side, the Bank's Shari'ah Compliance Department makes extra effort to understand the customer's business model before formulation of process flow of any facility. Frequent customer meetings and factory visits and reviews of business processes and transactions are undertaken to ensure that the facility being offered to the customer is delivered through a process that ensures compliance with Shari'ah.

As part of its ongoing activities, the Shari'ah Compliance Department got approval from Shari'ah Board of product structures and process flows for its clients. Moreover, random physical inspections and concrete measures were taken to verify the purchases evidences and invoices of financing transactions, thus further improving the quality of internal controls. In Istisna and Salam transactions, existence of goods was ensured by conducting physical inspection at the time of taking delivery of goods.

Shari'ah Compliance also conductedreview of the process of profit distribution to depositors on monthly basis to ensure adherence to Shari'ah guidelines.

To form our opinion as expressed in this report, we have reviewed the reports of Shari'ah Compliance Department,Internal Shari'ah Audit and working of former Shari'ah Advisor. Based on above, we are of the view that:

i) Business affairs of Bank Alfalah Islamic Banking Group, especially with reference to transactions, relevant documentation and procedures performed and executed by the Bank during the year 2015 are, by and large, in conformity with the principles and guidelines of Shari'ah and other guidelines issued by Shari'ah Board, former Shari'ah Advisor and State Bank of Pakistan.

ii) Bank has a well-defined system in place in form of Internal Shari'ah Audit and Shari'ah Compliance reviews to ensure that earnings realized from sources or means prohibited by Shari'ah will be credited to Charity account to warrant that the income distributed among stakeholders largely remains Halal and purified. In year 2015, an income of Rs. 1.295 Million has been transferred to charity account as per Shari'ah Board/ former Advisor's instructions owing to the violation of Shari'ah guidelines observed and highlighted during Internal Shari'ah Audit Reviews.

iii) The allocation of Profit and charging of Losses to Mudarabah based remunerative deposits, which was reviewed and approved on monthly basis, is generally in conformity with the Shari'ah Rules & Principles and Pool Management guidelines of State Bank of Pakistan.

iv) Bank has, by and large, complied with the fatawas/ opinions/ advices issued by Shari'ah Board from 01 Oct 2015 to 31 Dec 2015.

v) Bank is continuously giving attention towards enhancing the Islamic Banking skills of the staff. Learning & Development Department of the Bank has achieved the milestone of providing Basic Islamic Banking training to almost entire staff of the Group. Moreover, specific Islamic Banking certification courses and Shariah documentation courses were also conducted.

vi) Bank has also increased its focus on Customers' Awareness regarding Islamic Banking and conducted significant number of programs at different cities.

vii) During the year, an amount of Rs. 80.933 Million was recovered from the customers as charity on account of delay in payments. A substantial amount of Rs. 45.740 Million has been granted to various charitable institutions.

viii) Shari'ah Board requires further resources for the Shari'ah Compliance Department.

May Almighty Allah grant us success here and the hereafter on the Day of Judgment and forgive our mistakes perpetrated willingly or unwillingly.

Dr. Khalil Ahmad Aazami
Chairperson Shari'ah Board

Mohib ul Haq Siddiqui
Member Shari'ah Board

Ovais Ahmed Qazi
Member Shari'ah Board

February 17, 2016 / Rabi-Us-Sani 23, 1436 A.H

MANAGEMENT STATEMENT OF COMPLIANCE WITH EMPLOYEES STOCK OPTION SCHEME

Bank Alfalah Limited as of December 31, 2015 has implemented its Employees Stock Option Scheme as approved by the shareholders and the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

The Bank has complied in all material respects with the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated May 11, 2001. The details of the scheme including pricing formula, options granted, lapsed, etc. have been disclosed in note 34.2 to the financial statements. A summary of the scheme is described in the annexure attached with this statement.

Atif Bajwa
Director and Chief Executive Officer

February 29, 2016
Abu Dhabi

INDEPENDENT ASSURANCE REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH EMPLOYEES STOCK OPTION SCHEME

We were engaged by the Board of Directors of Bank Alfalah Limited (the Bank), to report on Bank's Compliance with the Employees Stock Option Scheme as approved by the shareholders in their Annual General Meeting held on March 29, 2013 (the Scheme), and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules), as set out in the annexed Statement prepared by the Bank as of December 31, 2015, in the form of an independent reasonable as surance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Bank's compliance with the Scheme and the Rules.

Bank's responsibility

The Management of the Bank is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Scheme and the Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Bank in accordance with the Rules and Scheme and to ensure that Bank complies with the terms and conditions of the Scheme and the Rules.

Our Responsibility

Our responsibility is to examine the annexed statement prepared by the Bank and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Bank's compliance with the Scheme and the Rules.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with the Scheme and the Rules whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Bank in accordance with the Scheme and the Rules in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal control.

The procedures performed included:

1. Verifying that only eligible employees have participated in the Scheme in compliance with the Rules;

2. Verifying that the share options granted, vested, lapsed or surrendered under the Scheme have been recorded in the books of accounts in accordance with the requirements of the Rules; and

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

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Bank's compliance with the Scheme and the Rules as of December 31, 2015.

February 29, 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

STATEMENT ON INTERNAL CONTROLS

This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the Bank's policies, aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended December 31, 2015.

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

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

The Bank has adopted the internationally accepted COSO Internal Control - Integrated Framework. The Bank follows SBP guidelines on Internal Controls over Financial Reporting (ICFR).

To further strengthen the overall control environment, the management has constituted an Internal Control Department. Moreover, the Bank's Controls Committee comprising of Senior Executives of the Bank has been formulated for enhanced governance and monitoring. As a major step forward towards processes / controls revamp, Process Improvement Committee (PIC) was formed to evaluate and consider the recommendations of all the reviewers such as Risk, Operations and Compliance. A thorough review of the Bank's processes was undertaken by the Committee during the year.

In order to ensure consistency in the process of compliance with the relevant guidelines, the Bank has followed a structured roadmap. Accordingly, the Bank has completed a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design and development of implemented remediation plans for the gaps.

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

Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring ongoing operating effectiveness of majority of key controls and has significantly addressed the design improvement opportunities identified to complete the project related initiatives.

In accordance with SBP directives, the Bank's external auditors are engaged to provide the management with their Long Form Report on the extent of ICFR, which is then submitted to the SBP.

Management's Evaluation on Effectiveness of ICFR:

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

The management believes that the Bank's existing system of Internal Control is considered reasonable in design and is being effectively implemented and monitored. In addition, further Internal Control improvements are expected from the Bank's adoption of COSO framework, as described above. Based on the work performed under ICFR, the management has identified various areas for process improvements as well as additional controls required to be put in place, and areas requiring strengthening of existing controls. The management takes all reasonable steps to ensure that the timelines and priorities assigned to the same are adhered to.

The Bank shall continue in its endeavor to further enhance its internal control design and assessment process in accordance with the industry best practices.

For and behalf of the Board.

Atif Bajwa
Director & Chief Executive Officer

February 29 , 2016
Abu Dhabi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of Bank Alfalah Limited (the Bank) as at 31 December2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for fifty branches which have been audited by us and three branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches and the offshore banking unit have been found adequate for the purposes of our audit;

b) in our opinion:

   i) the unconsolidated statement of financial position and the unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied,except for the change in accounting policies as disclosed in note 5.1 to the accompanying financial statements, with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2015 and its true balance of the profit,its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

February 29, 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	62,368,790	50,515,643
Balances with other banks	7	16,552,207	12,331,713
Lendings to financial institutions	8	53,628,870	18,313,485
Investments - net	9	397,097,214	324,319,454
Advances - net	10	327,297,821	290,597,237
Operating fixed assets	11	17,241,968	15,740,100
Deferred tax assets	12	-	-
Other assets	13	28,420,651	31,310,661
		902,607,521	743,128,293
LIABILITIES			
Bills payable	14	9,733,929	11,758,155
Borrowings	15	172,393,198	55,232,916
Deposits and other accounts	16	640,188,735	605,963,224
Sub-ordinated loans	17	9,983,000	9,987,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	12	1,824,054	853,331
Other liabilities	18	15,131,430	14,514,599
		849,254,346	698,309,225
NET ASSETS		53,353,175	44,819,068
REPRESENTED BY			
Share capital	19	15,898,062	15,872,427
Reserves		14,164,120	12,338,026
Unappropriated profit		12,362,596	9,613,374
		42,424,778	37,823,827
Surplus on revaluation of assets - net of tax	20	10,928,397	6,995,241
		53,353,175	44,819,068
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 45 and Annexures I and II form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR	CHAIRMAN

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		(Rupees in '000)	
Mark-up / return / interest earned	23	61,458,407	55,378,477
Mark-up / return / interest expensed	24	32,810,722	33,505,003
Net mark-up / interest income		28,647,685	21,873,474
Provision against non-performing loans and advances - net	10.5	2,150,209	1,447,931
Provision for diminution in the value of investments - net	9.22	136,691	85,897
Bad debts written off directly	10.6.1	-	5
		2,286,900	1,533,833
Net mark-up / interest income after provisions		26,360,785	20,339,641
Non mark-up / interest income			
Fee, commission and brokerage income		4,384,496	4,385,319
Dividend income		514,401	492,348
Income from dealing in foreign currencies		1,379,097	2,042,957
Gain on sale of securities - net	25	1,606,751	1,058,167
Unrealised gain on revaluation of investments classified as held for trading - net	9.24	229,063	160,098
Other income	26	727,212	736,928
Total non mark-up / interest income		8,841,020	8,875,817
		35,201,805	29,215,458
Non mark-up / interest expenses			
Administrative expenses	27	21,956,115	20,100,591
Provision against off-balance sheet obligations	18.1	1,066	38,453
Provision against other assets	13.3	310,765	356,486
Other charges	28	329,789	206,362
Total non mark-up / interest expenses		22,597,735	20,701,892
		12,604,070	8,513,566
Extra ordinary / unusual items		-	-
Profit before taxation		12,604,070	8,513,566
Taxation	29		
- Current		5,008,992	3,122,512
- Deferred		(495,545)	(288,216)
- Prior years		567,813	38,419
		5,081,260	2,872,715
Profit after taxation		7,522,810	5,640,851
		(Rupees)	
Basic earnings per share	30.1	4.73	4.09
Diluted earnings per share	30.2	4.71	4.09

The annexed notes 1 to 45 and Annexures I and II form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR	CHAIRMAN

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		(Rupees in '000)	
Profit after taxation		7,522,810	5,640,851
Other comprehensive income			
Items that are or may be reclassified subsequently to profit and loss account			
Exchange differences on translation of net investments in foreign branches		210,501	(403,585)
Items that will never be reclassified to profit and loss account			
Remeasurement of defined benefit plans	34.1.4	(198,962)	357,045
Related tax on remeasurement of defined benefit plans		69,637	(124,966)
		(129,325)	232,079
Comprehensive income - transferred to statement of changes in equity		7,603,986	5,469,345
Components of comprehensive income not reflected in equity			
Items that are or may be reclassified subsequently to profit and loss account			
Surplus on revaluation of available for sale securities		3,791,058	5,262,506
Related deferred tax liability		(1,346,452)	(1,841,877)
		2,444,606	3,420,629
Total comprehensive income		10,048,592	8,889,974

The annexed notes 1 to 45 and Annexures I and II form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **DIRECTOR** **CHAIRMAN**

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		12,604,070	8,513,566
Dividend income		(514,401)	(492,348)
		12,089,669	8,021,218
Adjustments			
Depreciation	27	1,809,454	1,636,518
Amortisation	27	272,179	267,702
Provision against non-performing loans and advances - net	10.5	2,150,209	1,447,931
Provision for diminution in value of investments - net	9.22	136,691	85,897
Provision against off-balance sheet obligations	18.1	1,066	38,453
Provision against other assets	13.3	310,765	356,486
Unrealised gain on revaluation of investments classified as held for trading - net	9.24	(229,063)	(160,098)
Bad debts written-off directly	10.6.1	-	5
Gain on sale of operating fixed assets - net	26	(11,519)	(170,526)
		4,439,782	3,502,368
		16,529,451	11,523,586
(Increase) / decrease in operating assets			
Lendings to financial institutions		(23,711,516)	(14,653,524)
Held for trading securities		2,363,062	(14,136,264)
Advances		(38,850,793)	(31,265,323)
Other assets (excluding advance taxation)		142,188	(13,951,023)
		(60,057,059)	(74,006,134)
Increase / (decrease) in operating liabilities			
Bills payable		(2,024,226)	2,214,675
Borrowings		117,197,929	32,101,847
Deposits and other accounts		34,225,511	80,437,454
Other liabilities		410,446	3,450,060
		149,809,660	118,204,036
		106,282,052	55,721,488
Income tax paid		(3,039,444)	(3,949,664)
Net cash generated from operating activities		103,242,608	51,771,824
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(71,390,574)	(25,920,716)
Net investments in held to maturity securities		984,355	(58,690,346)
Investment in subsidiaries / associated companies		(1,723,471)	(545,052)
Disposal of investment in subsidiaries / associated companies		928,244	-
Dividend income received		519,569	501,687
Investments in operating fixed assets		(1,951,174)	(3,289,506)
Sale proceeds of property and equipment disposed-off	11.4	22,342	650,912
Net cash used in investing activities		(72,610,709)	(87,293,021)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		41,836	6,666,420
Redemption of sub-ordinated loans		(4,000)	(4,000)
Dividend paid		(3,165,079)	(2,737,015)
Net cash (used) / generated in financing activities		(3,127,243)	3,925,405
Exchange difference on translation of the net investments in foreign branches		210,501	(403,585)
Increase / (decrease) in cash and cash equivalents		27,715,157	(31,999,377)
Cash and cash equivalents at beginning of the year		65,536,606	95,700,776
Effects of exchange rate changes on cash and cash equivalents		343,958	2,179,165
		65,880,564	97,879,941
Cash and cash equivalents at end of the year	31	93,595,721	65,880,564

The annexed notes 1 to 45 and Annexures I and II form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **DIRECTOR** **CHAIRMAN**

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	Capital Reserves			Revenue Reserves		Total
		Share premium	Statutory reserve*	Exchange translation reserve	Employee share option compensation reserve	Unappro-priated profit	
	--(Rupees in '000)--						
Balance as at January 1, 2014	13,491,563	-	5,508,172	1,766,050	-	7,499,831	28,265,616
Changes in equity for 2014							
Total comprehensive income							
Profit after taxation	-	-	-	-	-	5,640,851	5,640,851
Other comprehensive income							
Exchange difference on translation of net investment in foreign branches	-	-	-	(403,585)	-	-	(403,585)
Remeasurement of defined benefit plans (Note 34.1.4)	-	-	-	-	-	357,045	357,045
Related tax charge	-	-	-	-	-	(124,966)	(124,966)
	-	-	-	(403,585)	-	5,872,930	5,469,345
Transfer to statutory reserve	-	-	1,128,170	-		(1,128,170)	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	67,096	67,096
Transactions with owners recorded directly in equity							
Shares issued during the year	2,380,864	4,285,556	-	-	-	-	6,666,420
Final cash dividend for the year ended December 31, 2013 @ 20%	-	-	-	-	-	(2,698,313)	(2,698,313)
Recognition of fair value of share based payments on grant date (34.2)	-	-	-	-	117,083	-	117,083
Unamortised portion of deferred employee compensation expense	-	-	-	-	(63,420)	-	(63,420)
Balance as at December 31, 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 2015							
Total comprehensive income							
Profit after taxation	-	-	-	-	-	7,522,810	7,522,810
Other comprehensive income							
Exchange difference on translation of net investment in foreign branches	-	-	-	210,501	-	-	210,501
Remeasurement of defined benefit plans (Note 34.1.4)	-	-	-	-	-	(198,962)	(198,962)
Related tax charge	-	-	-	-	-	69,637	69,637
	-	-	-	210,501	-	7,393,485	7,603,986
Transfer to statutory reserve	-	-	1,504,562	-	-	(1,504,562)	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	34,784	34,784
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2014 @ 20%	-	-	-	-	-	(3,174,485)	(3,174,485)
Shares issued during the year	25,635	16,201	-	-	-	-	41,836
Recognition of fair value of share based payments on grant date (34.2)	-	-	-	-	119,250	-	119,250
Unamortised portion of deferred employee compensation expense	-	-	-	-	(24,420)	-	(24,420)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	27,891			(27,891)	-	-
Balance as at December 31, 2015	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,362,596	42,424,778

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

The annexed notes 1 to 45 and Annexures I and II form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **DIRECTOR** **CHAIRMAN**

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange (formerly 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 484 conventional banking branches including 12 sub branches (2014: 480 branches including 12 sub branches), 10 overseas branches (2014: 10 branches), 158 Islamic banking branches (2014: 157 branches) and 1 offshore banking unit (2014: 1 unit). The credit rating of the Bank is disclosed in note 32 of the unconsolidated financial statements.

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 these unconsolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

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

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by SECP and SBP shall prevail.

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 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' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.3 IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these unconsolidated financial statements is based on the requirements laid down by SBP.

3.4 The Securities and Exchange Commission of Pakistan (SECP) has notified the applicability of 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. 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 in the current year starting March 2015.

3.5 The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank.

3.6 New and revised approved accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Bank's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after January 1, 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Bank's financial statements.
- Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 1, 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Bank's financial statements.
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after January 1, 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Bank's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 1, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Bank's financial statements.
- Annual Improvements 2012-2014 cycle (amendments are effective for annual periods beginning on or after January 1, 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.
- IAS 24 'Related Party Disclosures'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

The above amendments are not likely to have an impact on Bank's financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, and held for trading and available for sale investments and derivative financial instruments are measured at fair value.

4.2 Functional and Presentation Currency

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4.3 Critical accounting estimates and judgements

The preparation of these unconsolidated financial statements is in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

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

i) classification and provisioning against investments (notes 5.4 and 9)
ii) classification and provisioning against non-performing loans and advances (notes 5.5 and 10)
iii) income taxes (notes 5.11 and 29)
iv) accounting for defined benefit plan and compensated absences (notes 5.12 and 34)
v) depreciation / amortisation of operating fixed assets (notes 5.6 and 11)
vi) impairment of assets (notes 5.9 & 5.10)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated financial statements are consistent with previous year, except for approved new revised accounting standards effective from January 01, 2015 as set out below.

5.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 27 Separate financial statements (Amendments) and IFRS 10 Consolidated Financial Statements: IFRS 10 - Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. The standard replaces the previous guidance on consolidation in IAS 27 Consolidated and Seperate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. The standard also includes specific guidance on de-facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influences the assessment of control.

Accordingly, in the current year, the Bank has classified investments in the following entities as investments in subsidiaries as referred to in note 9 to these unconsolidated financial statements:

- Alfalah GHP Investment Management Limited
- Alfalah GHP Value Fund
- Alfalah GHP Islamic Stock Fund
- Alfalah GHP Cash Fund

However, the SECP through S.R.O 56(I) /2016 dated January 28, 2016, has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, investments in Alfalah GHP Value Fund, Alfalah GHP Islamic Stock Fund and Alfalah GHP Cash Fund have not been considered for consolidation in the Bank's Consolidated Financial Statements for the year ended December 31, 2015.

IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' which requires all joint ventures to be equity accounted hereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept of jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as joint venture.

IFRS 12 Disclosure of interests in other entities: The standard prescribes additional disclosures around significant judgements and assumptions met in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in unconsolidated structured entities. The applicability of this standard did not have an impact on the unconsolidated financial statements of the Bank, except for certain disclosures as provided in note 9.18.

IFRS 13 'Fair Value Measurement' consoildates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value heirarchy. The application of IFRS 13 does not have an impact on the unconsolidated financial statements of the Bank except for certain disclosures as mentioned in note 37.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial institutions

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

Sale of securities under repurchase agreements

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

Purchase of securities under resale agreements

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

5.4 Investments

5.4.1 Classification

The Bank classifies its investments as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

Associates

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

Subsidiaries

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

5.4.2 Regular way contracts

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

5.4.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at cost. Transaction costs associated with the investment are included in cost of investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

5.4.4 Subsequent measurement

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

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

5.4.5 Impairment

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

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

5.5 Advances

Loans and advances

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

Islamic Financing and Related Assets

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

Net investment in Finance Lease

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

5.6 Operating Fixed assets

Tangible assets

Operating fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Office premises (which includes land and buildings) are stated at revalued amount less accumulated depreciation.

Depreciation is charged to income by applying the straight-line method using the rates specified in note 11.2 to these unconsolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Office premises are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of operating fixed assets account. Deficit arising on subsequent revaluation of operating fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of operating fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gains and losses on disposal of operating fixed assets are taken to the profit and loss account except that the related surplus / deficit on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

5.7 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

5.8 Non-current assets held for sale

The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

5.9 Impairment

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the unconsolidated financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.10 Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/receivable on Ijarah under IFAS 2 are recorded as income / revenue.

Depreciation

The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

Ijarah Rentals

Ijarah rentals outstanding are disclosed in 'Islamic financing and related assets' on the Statement of Financial Position at amortized cost.

Impairment

Impairment of Ijarah assets is determined on the same basis as that of operating fixed assets. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

5.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in statement of comprehensive income.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.12 Employee benefits

a) Defined benefit plan

The Bank operates an approved funded gratuity scheme covering eligible employees whose period of employment with Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

b) Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 8.33% of the basic salary in accordance with the terms of the scheme.

c) Compensated absences

The Bank recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial recommendations.

d) Employees Stock Option Scheme

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

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the profit and loss account, such employee compensation expense is reversed in the profit and loss account equal to the amortized portion with a corresponding effect to employee stock option compensation reserve equal to the un amortized portion.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to employee stock option compensation reserve.

When the options are exercised, employee stock option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

5.13 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claim are stated at the lower of the claim amount and the market value of assets acquired at the time of acquisition. The Bank carries out periodic valuation of these assets and any decline in their value below the recognised amount is charged to the profit and loss account.

5.14 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.

b) Borrowing costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

5.15 Deposits - Islamic Banking

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Modaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Maal (Usually Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal upto a specified percentage of its profit.

Profits are distributed from the pool so the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period.

Asset pools are created at the Bank's discretion and the Bank can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

5.16 Provisions

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-of expected recoveries.

Other provisions are recognised when the Bank has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

5.17 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.18 Revenue recognition

Advances and investments

Mark-up income on loans and advances, debt securities investments and profit on murabaha and musharika financing are recognised on a time proportion basis. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

Dividend income is recognised at the time when the Bank's right to receive the dividend has been established.

Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognised as income when they are realised.

Unrealised lease income and mark-up / return on non-performing advances are suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis.

Ijarah income is recognised on an accrual basis as and when the rental becomes due.

Morabaha income is recognised on deferred income basis.

Fee, commission and brokerage

Fee, commission and brokerage income except income from guarantees are accounted for on receipt basis. Commission on guarantees is recognised on time proportion basis.

Other income is recognised on accrual basis.

5.19 Foreign currency translation

Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates.

Transactions and balances

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts other than contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the reporting date. The forward cover fee payable on such contracts is amortised over the term of the contracts.

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year. Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

5.20 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

5.21 Off-setting

Financial assets and financial liabilities are off-set and the net amount reported in the unconsolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

5.23 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.24 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

a) Business segments

Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

Commercial banking

Commercial banking includes project finance, corporate finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

Corporate banking

Corporate banking includes services provided in connection with mergers and acquisition, underwriting, privatisation, securitisation, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

b) Geographical segments

The Bank operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

	Note	2015	2014
		(Rupees in '000)	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit 2015: Rs. 6 million, 2014: Rs. 21 million)		8,971,966	10,637,682
Foreign currencies (including in transit 2015: Rs. 7 million, 2014: Rs. 1 million)		2,377,778	2,949,564
With State Bank of Pakistan in			
Local currency current accounts	6.1	20,593,524	9,203,721
Foreign currency current accounts	6.2	3,232,623	2,801,243
Foreign currency deposit accounts	6.3	7,224,768	6,205,512
With other central banks in			
Foreign currency current accounts	6.4	5,933,513	5,806,368
Foreign currency deposit accounts	6.4	656,196	573,530
With National Bank of Pakistan in			
Local currency current account		13,305,048	12,281,353
National Prize Bonds		73,374	56,670
		62,368,790	50,515,643

6.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

6.2 As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

6.3 Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. The State Bank of Pakistan has not remunerated these deposit accounts during the year.

6.4 Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2015	2014
		(Rupees in '000)	
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		616,187	762,928
On deposit accounts	7.1	540	1,298,486
Outside Pakistan			
On current accounts	7.2	10,956,696	7,005,797
On deposit accounts	7.3	4,978,784	3,264,502
		16,552,207	12,331,713

7.1 This represents funds deposited with various banks at profit rates ranging from 3.00% to 4.50% per annum (2014: 6.70% to 9.50% per annum).

7.2 This includes amount held in Automated Investment Plans. The balance is current in nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.

7.3 This includes placement of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.00% to 6.00% per annum (2014: 0.10% to 6.25% per annum) having maturities upto March 2016 (2014: May 2015).

	Note	2015	2014
		(Rupees in '000)	
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	15,265,899	3,528,957
Bai Muajjal	8.2	38,362,971	14,784,528
		53,628,870	18,313,485

8.1 These represent lendings to financial institutions at interest rates ranging from 0.40% to 12.00% per annum (2014: 2.83% to 12.50% per annum) having maturities upto November 2016 (2014: November 2016).

8.2 This represents Bai Muajjal agreement entered into with State Bank of Pakistan (SBP) and Ministry of Finance, Government of Pakistan through SBP, whereby the Bank sold Sukuks having carrying value amounting to Rs. 12,360 million and Rs. 26,003 million respectively on deferred payment basis. The rates of return on these transactions are upto 8.26% per annum and 5.99% per annum respectively. They are due to be matured by March 2016 and November 2016 respectively.

	2015	2014
	(Rupees in '000)	
8.3 Particulars of lendings to financial institutions		
In local currency	38,612,971	16,884,528
In foreign currencies	15,015,899	1,428,957
	53,628,870	18,313,485

9 INVESTMENTS - NET

9.1 Investments by types

	Note	2015 Held by Bank	2015 Given as collateral	2015 Total	2014 Held by Bank	2014 Given as collateral	2014 Total
		(Rupees in '000)					
Held for trading securities							
Market Treasury Bills		13,480,197	-	13,480,197	15,194,352	-	15,194,352
Pakistan Investment Bonds		2,423,862	-	2,423,862	2,905,528	-	2,905,528
Overseas Bonds		2,990,933	-	2,990,933	2,193,796	-	2,193,796
Sukuk Bonds		-	-	-	1,002,278	-	1,002,278
Fully paid up ordinary shares / units - Listed		197,998	-	197,998	-	-	-
		19,092,990	-	19,092,990	21,295,954	-	21,295,954
Available for sale securities							
Market Treasury Bills		78,391,879	494,563	78,886,442	44,998,239	102,962	45,101,201
Pakistan Investment Bonds		28,914,704	128,577,363	157,492,067	85,004,793	30,150,519	115,155,312
Fully paid up ordinary shares / units - Listed		5,000,753	-	5,000,753	4,729,456	-	4,729,456
Fully paid up ordinary shares / units - Unlisted		4,426,617	-	4,426,617	4,426,617	-	4,426,617
Term Finance Certificates		829,594	-	829,594	1,234,849	-	1,234,849
Preference Shares - Listed		108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted		325,000	-	325,000	340,000	-	340,000
Pakistan Euro Bonds		2,409,043	-	2,409,043	-	-	-
Overseas Bonds		4,804,159	-	4,804,159	3,566,942	-	3,566,942
Sukuk Bonds		33,280,442	-	33,280,442	41,516,803	-	41,516,803
		158,491,026	129,071,926	287,562,952	185,926,534	30,253,481	216,180,015
Held to maturity securities							
Market Treasury Bills		-	-	-	1,193,121	-	1,193,121
Pakistan Investment Bonds		66,180,991	-	66,180,991	65,769,574	-	65,769,574
Term Finance Certificates		524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds		3,347,785	-	3,347,785	3,176,300	-	3,176,300
Overseas Bonds		7,920,557	-	7,920,557	8,315,367	-	8,315,367
Sukuk Bonds		4,230,816	-	4,230,816	4,210,142	-	4,210,142
		82,204,415	-	82,204,415	83,188,770	-	83,188,770
Subsidiaries							
Alfalah Securities (Private) Limited		1,126,000	-	1,126,000	826,000	-	826,000
Alfalah GHP Investment Management Limited		130,493	-	130,493	130,493	-	130,493
Alfalah GHP Value Fund		100,000	-	100,000	100,000	-	100,000
Alfalah GHP Islamic Stock Fund		250,000	-	250,000	250,000	-	250,000
Alfalah GHP Cash Fund		525,474	-	525,474	1,000,390	-	1,000,390
		2,131,967	-	2,131,967	2,306,883	-	2,306,883
Associates							
Alfalah Insurance Limited		68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited		978,123	-	978,123	345,052	-	345,052
Alfalah GHP Money Market Fund		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
Appollo Pharma Limited		790,400		790,400	-	-	-
		2,334,185	-	2,334,185	1,364,042	-	1,364,042
Investments at cost		**264,254,583**	**129,071,926**	**393,326,509**	**294,082,183**	**30,253,481**	**324,335,664**
Provision for diminution in the value of investments	9.22	(6,345,811)	-	(6,345,811)	(6,216,757)	-	(6,216,757)
Investments (net of provisions)		**257,908,772**	**129,071,926**	**386,980,698**	**287,865,426**	**30,253,481**	**318,118,907**
Surplus on revaluation of held for trading securities - net	9.24	229,063	-	229,063	160,098	-	160,098
Surplus on revaluation of available for sale securities - net	20.2	9,365,358	522,095	9,887,453	5,994,801	45,648	6,040,449
Total investments		**267,503,193**	**129,594,021**	**397,097,214**	**294,020,325**	**30,299,129**	**324,319,454**

9.2 Strategic Investments

	Note	2015	2014
		(Rupees in '000)	
Available for sale			
Fully paid up ordinary shares - Unlisted			
Al Hamra Avenue (Private) Limited (Percentage of holding: 3.12% (2014: 3.12%))	9.11	50,000	50,000
Warid Telecom (Private) Limited (Related Party) (Percentage of holding: 8.76% (2014: 8.76%))	9.11	4,366,796	4,366,796
Subsidiaries			
Alfalah Securities (Private) Limited (Percentage of holding: 97.91% (2014: 97.18%))	9.18	1,126,000	826,000
Alfalah GHP Investment Management Limited (Percentage of holding: 40.22% (2014: 40.22%))	9.18	130,493	130,493
Alfalah GHP Value Fund (Percentage of holding: 27% (2014: 34.67%))	9.18	100,000	100,000
Alfalah GHP Islamic Stock Fund (Percentage of holding: 52.92% (2014: 87.18%))	9.18	250,000	250,000
Associates			
Alfalah Insurance Limited (Percentage of holding: 30% (2014: 30%))	9.19	68,990	68,990
Alfalah GHP Income Multiplier Fund (Percentage of holding: 10.68% (2014: 13.81%))	9.19	250,000	250,000
Sapphire Wind Power Company Limited (Percentage of holding: 30% (2014: 30%))	9.19	978,123	345,052
		7,320,402	6,387,331
Provision for diminution in the value of investments		(5,242,796)	(5,242,796)
		2,077,606	1,144,535

Strategic investments are those which the Bank makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to the fulfilment of the requirements prescribed by the SBP. Further, as per the SBP instructions in BPD Circular Letter No. 16 of 2006 dated August 01, 2006, investments marked as strategic have a minimum retention period of 5 years from the original purchase date. However, these can be sold before the stipulated period with the prior permission of the SBP.

9.3 Investments by segments

	Note	2015	2014
		(Rupees in '000)	
Federal Government Securities			
- Market Treasury Bills	9.5	92,366,639	61,488,674
- Pakistan Investment Bonds	9.6	226,096,920	183,830,414
- Overseas Government Bonds	9.7	11,799,149	11,353,583
- Sukuk Bonds	9.8	31,096,239	40,389,250
- Pakistan Euro Bonds	9.9	5,756,828	3,176,300
		367,115,775	300,238,221
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.10	5,198,751	4,729,456
- Un-listed companies	9.11	4,426,617	4,426,617
- Preference Shares - Listed	9.12	108,835	108,835
- Preference Shares - Unlisted	9.13	325,000	340,000
		10,059,203	9,604,908
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.14	99,940	549,080
- Un-listed TFCs	9.15	1,253,920	1,210,035
- Sukuk Bonds	9.16	6,415,019	6,339,973
- Overseas Bonds	9.17	3,916,500	2,722,522
		11,685,379	10,821,610
Investment in Subsidiaries	9.18	2,131,967	2,306,883
Investment in Associates	9.19	2,334,185	1,364,042
Total investments at cost		393,326,509	324,335,664
Provision for diminution in the value of investments	9.22	(6,345,811)	(6,216,757)
Investments (net of provisions)		386,980,698	318,118,907
Surplus on revaluation of held for trading securities - net	9.24	229,063	160,098
Surplus on revaluation of available for sale securities - net	20.2	9,887,453	6,040,449
Total investments		397,097,214	324,319,454

9.3.1 Market value of held to maturity securities is Rs. 83,866 million (2014: Rs. 85,048 million) excluding non-government overseas bonds.

9.4 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

9.5 Market Treasury Bills are for the periods of three months, six months and one year. The effective rates of profit on Market Treasury Bills range between 6.26% to 7.99% per annum (2014: 9.42% to 9.92% per annum) with maturities upto October 2016 (2014: December 2015).

9.6 Pakistan Investment Bonds (PIBs) are for the periods of three, five, seven, ten years and fifteen years. The rates of profit range from 8.75% to 12% per annum (2014: 9.00% to 12.00% per annum) with maturities from May 2016 to July 2022 (2014: July 2015 to July 2024). These also include PIBs having face value of Rs. 35 million (2014: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.

9.7 These represent Overseas Government Bonds issued by the Government of Bahrain, the Government of Kazakhstan, the Government of Afghanistan, the Government of Bangladesh, the Government of Mexico and the Government of Indonesia amounting to USD 5 million (2014: USD 5 million), USD 3 million (2014: USD 3 million), AFN 1,214 million (2014: AFN 2,414 million), BDT 6,605 million (2014: BDT 4,932 million), EUR 0.5 million (2014: nil) and EUR 2.00 million (2014: nil) respectively. The rates of profit on Government of Bahrain bond is 5.50% (2014: 5.50%), Government of Kazakhstan bond is 3.88% (2014: 3.88%) and Government of Afghanistan bond ranging from 1.80% to 6.70% per annum (2014: 3.56% to 7.10% per annum), Government of Bangladesh bonds carry profit ranging from 8.50% to 12.48% per annum (2014: 8.57% to 12.55% per annum), Government of Mexico bonds is 1.63% (2014: nil) while Government of Indonesia bonds is 3.38% (2014: nil). The bonds are due to mature by March 2020 (2014: March 2020), October 2024 (2014: October 2024), December 2016 (2014: December 2015), November 2034 (2014: November 2034), March 2024 (2014: Nil) and July 2025 (2014: Nil) respectively.

9.8 These represent sukuk bonds of Rs. 1,790 million (2014: Rs. 2,200 million) issued by Water and Power Development Authority (WAPDA) for a period of eight and ten years, ijarah sukuk of Rs. 27,451 million (2014: Rs. 36,410 million) issued by the State Bank of Pakistan for a period of three years and ijarah sukuk of USD 17.70 million (2014: USD 17.70 million) issued by the Government of Indonesia, the Government of South Africa and the Government of Pakistan. The rates of profit on these bonds range between 6.78% to 7.59% per annum (2014: 9.47% to 9.98% per annum), between 5.89% to 6.15% per annum (2014: 9.47% to 9.98% per annum) and between 3.90% to 6.75% per annum (2014: 3.90% to 6.75% per annum) respectively. These sukuk bonds are due to mature by October 2021, December 2018 and September 2024 respectively.

9.9 These represent Pakistan Euro Bonds of US Dollar 55.05 million (2014: US Dollar 32.05 million) issued by the Government of Pakistan. These bonds carry interest between 7.13% to 8.25% per annum (2014: 7.13% to 7.25% per annum) with maturities upto September 2025 (2014: April 2019).

9.10 Particulars of investments in listed companies / mutual funds include the following:

2015	2014		2015	2014
(Number of shares / certificates / units)			(Rupees in '000)	
		MUTUAL FUNDS		
-	1,815,575	Meezan Balanced Fund	-	5,894
-	972,919	Meezan Islamic Income Fund	-	50,000
-	24,669,055	NAFA Income Opportunity Fund	-	250,805
-	15,000,000	Pak Oman Advantage Fund	-	150,000
-	600,000	Pak Oman Advantage Islamic Income Fund	-	30,000
-	580,218	Al-Ameen Islamic Income Fund	-	50,000
		OIL AND GAS		
800,000	1,223,100	Oil and Gas Development Corporation Limited	110,368	311,966
655,200	980,050	Pakistan Oilfields Limited	203,635	454,490
1,125,000	2,179,000	Pakistan Petroleum Limited	142,597	465,706
955,000	976,400	Pakistan State Oil Company Limited	350,923	363,591
213,000	163,100	Attock Petroleum Limited	113,732	88,078
		CHEMICALS		
1,948,333	1,948,333	Agritech Limited (Note 9.15.1)	15,100	22,737
1,144,600	700,000	Engro Corporation Limited	296,555	134,075
540,500	2,400,000	Fatima Fertilizer Company Limited	14,290	60,544
1,250,000	518,700	Fauji Fertilizer Company Limited	162,897	59,514
2,000,000	659,000	Fauji Bin Qasim Limited	111,594	27,629

2015	2014		2015	2014
(Number of shares / certificates / units)			(Rupees in '000)	
		CONSTRUCTION AND MATERIALS		
750,000	-	Attock Cement Company Limited	138,493	-
2,250,000	954,500	D G Khan Cement Limited	285,827	83,384
828,500	1,000,000	Lucky Cement Limited	356,351	381,839
1,750,000		Amreli Steels Limited	89,250	-
		REAL ESTATE		
71,003,617	-	Dolmen City Real Estate Investment Trust (REIT)	781,040	-
		PERSONAL GOODS		
1,090,100	800,000	Nishat Mills Limited	119,233	97,493
153,750	-	Al Saheer Corporation Limited	9,593	-
		ELECTRICITY		
5,391,000	4,550,000	The Hub Power Company Limited	424,458	249,590
2,325,000	1,600,000	Kot Addu Power Company Limited	175,968	98,997
4,475,000	5,767,000	Nishat (Chunian) Power Company Limited	147,806	190,480
2,650,000	5,422,500	Nishat Power Company Limited	111,650	164,780
3,703,706	2,203,706	Engro Powergen Qadirpur Limited	126,735	66,283
		TELECOMMUNICATION		
250,000	-	Pakistan Telecommunication Company Limited	4,008	-
		BANKS		
841,700	510,000	Allied Bank Limited	83,782	56,100
5,449,000	7,737,700	Bank Al Habib Limited	220,770	304,288
925,000	435,700	MCB Bank Limited	230,466	121,068
1,300,000	1,710,000	United Bank Limited	210,949	274,133
700,000	566,200	Habib Bank Limited	145,681	115,992
1,800,720	-	First Dawood Investment Bank Limited (note 9.13.1)	15,000	-
		FINANCIAL SERVICES		
11,865	11,865	Visa Inc.	-	-
			5,198,751	4,729,456

9.11 Investments in unlisted companies

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
572,531	572,531	**Pakistan Export Finance Guarantee Agency Limited** Chief Executive: Mr. S.M. Zaeem Break-up value per share: Rs. 0.5 Date of financial statements: June 30, 2010 (Audited)	5,725	5,725
24	24	**Society for Worldwide Interbank Financial Telecommunication** Chief Executive: Mr. Gottfried Leibbrandt Break-up value per share: Rs. 425,866 (2012: Rs. 330,035) Date of financial statements: December 31, 2013 (Audited)	4,096	4,096
5,000,000	5,000,000	**Al-Hamra Avenue (Private) Limited** Chief Executive: Mr. Habib Ahmed Break-up value per share: Rs. 9.52 Date of financial statements: June 30, 2010 (Un-audited)	50,000	50,000

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
319,054,124	319,054,124	**Warid Telecom (Private) Limited (Related party) note 9.11.1** Chief Executive: Mr. Muneer Farooqui Break-up value per share: Rs. 1.52 (2014: Rs. 2.19) Date of financial statements: June 30, 2015 (Audited)	4,366,796	4,366,796
			4,426,617	4,426,617

9.11.1 During the year, the Bank entered into an acquisition agreement dated November 26, 2015 with International Wireless Communications Pakistan Limited and Pakistan Mobile Communications Limited in respect of sale of these shares. The transaction has not yet been completed.

9.12 Investments in preference shares - Listed

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
10,883,486	10,883,486	**Agritech Limited** Chief Executive: Mr. Muhammad Khalid Mir Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 1.85 (2013: Rs. 9.83) Date of financial statements: December 31, 2014 (Audited)	108,835	108,835
			108,835	108,835

9.13 Investments in preference shares - Unlisted

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
120,000,000	120,000,000	**Silk Bank Preference Shares** Chief Executive : Mr. Azmat Tarin Redemption: Put Option: The Bank has an option to sell on the expiry of 3 years, its outstanding shares to Arif Habib Corporation Limited at strike price of Rs. 3.70 per share. Call Option: Silkbank is entitled to exercise call option after the end of first year from date of issue till the expiry of 3 years at strike price ranging from Rs. 2.85 to Rs. 3.7 per share. Subsequent to the year ended December 31, 2015, Silkbank excercised its right to call the preference shares vide it's letter dated January 26, 2016 at a strike price of Rs. 3.66 calculated in accordance with the agreement entered into between the Bank and the issuer. Break-up value per share: Rs. 2.76 (2014: Rs. 3.13) Date of financial statements : September 2015 (Unaudited) (Paid-up value of each share is Rs. 2.50)	300,000	300,000

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
-	1,500,000	**First Dawood Investment Bank Limited (note 9.13.1)** Chief Executive: Mr. Abu Khursheed Muhammad Arif Redemption: Preference dividend @ 4% on cumulative basis and redeemable at par after 5 years. Break-up value per share: Rs. 1.23 (2014: Rs. 0.89) Date of financial statements: June 30, 2015 (Audited)	-	15,000
2,500,000	2,500,000	**Trust Investment Bank Limited** Chief Executive: Mr. Ahsan Rafique Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. (20.34) (2014: Rs. (18.1)) Date of financial statements: June 30, 2015 (Audited)	25,000	25,000
			325,000	340,000

9.13.1 During the year, the preference shares of First Dawood Investment Bank Limited were converted into ordinary shares at ratio of 1:1.2

9.14 Particulars of Term Finance Certificates - Listed	**2015**	**2014**
	(Rupees in '000)	
Askari Bank Limited (3rd Issue)	-	449,100
Nil (2014: 90,000) certificates of Rs. 5,000 each		
NIB Bank Limited - (2nd Issue)	99,940	99,980
20,000 (2014: 20,000) certificates of Rs. 5,000 each		
Mark up: Average six months KIBOR + 115 basis points per annum with no floor and cap Redemption: The TFC is structured to redeem 0.3 percent of principal semi-annually in the first ninety months followed by remaining 99.37% on maturity at the end of the ninety sixth month. The repayment obligations of the issuer pursuant to the TFCs unsecured and sub-ordinated to all other financial obligations of the issuer. Maturity: June 2022 Rating: A+ (PACRA) Chief Executive: Mr. Atif Bokhari		
	99,940	549,080

	2015	2014
	(Rupees in '000)	

9.15 Particulars of Term Finance Certificates - Unlisted

	2015	2014
Askari Bank Limited	99,960	100,000

20,000 (2014: 20,000) certificates of Rs. 5,000 each

Mark up: Average six months KIBOR plus 120 basis points per annum

Redemption: TFC is structured to redeem 0.36% of the issue amount during the tenor of the issue with 99.64% of the issue amount in year ten in 2 equal semi annual instalments of 49.82% each. The TFCs shall be sub-ordinated to the payment of the principal and profit to all other indebtness of the issuer including deposits, and are not redeemable before maturity without the prior approval of the State Bank of Pakistan.

Maturity: September 2024

Rating: AA- (JCR-VIS)

Chief Executive: Mr. Syed Majeedullah Hussaini

	2015	2014
Faysal Bank Limited	149,700	149,760

30,000 (2014: 30,000) certificates of Rs. 5,000 each

Mark up: Average 6 month KIBOR plus 225 basis points per annum

Redemption: The instrument is structured to redeem 0.20 percent of principal semi-annually in the first 60 months and remaining amount in 4 equal semi-annual instalments of 24.95% each starting from 66th month. The TFCs are sub-ordinated to all other indebtness of the issuer including deposits.

Maturity: December 2017

Rating: AA- (JCR-VIS)

Chief Executive: Mr. Nauman Ansari

	2015	2014
Bank Al Habib Limited	299,520	299,580

60,000 (2014: 60,000) certificates of Rs. 5,000 each

Mark up: Year 1 - 5 : 15%
Year 6 - 10 : 15.5%

Redemption: The instrument is structured to redeem 0.02 percent of principal semi-annually in the first 9 years and the remaining issue amount in 2 equal semi-annual instalments of 49.82% in the 10th year. These TFCs are sub-ordinated as to the payment of principal and profit and in case of occurrence of an event of default the TFC holders will rank below the senior un-secured creditors and depositors and the creditors of the issuer.

Maturity: July 2021

Rating: AA (PACRA)

Chief Executive: Mr. Abbas D. Habib

	2015	2014
	(Rupees in '000)	
Agritech Limited	499,586	499,586

100,000 (2014: 100,000) certificates of Rs. 5,000 each

Mark up: Average six months KIBOR (Ask Side) + 175 basis point per annum (no floor & no cap)
Redemption: Repayment will be made in stepped up instalments where 35 percent of principal amount will be paid in the years 3 to 5 and remaining 65 percent will be paid in years 6 to 8.
Maturity: July 2017
Rating: Unrated
Chief Executive: Mr. Muhammad Khalid Mir

Zulekha Textile Mills Limited (Formerly Khunja Textile Mills Limited)	24,680	24,680

300 (2014: 300) certificates of Rs. 100,000 each

Mark up: Average Six Months KIBOR + 300 basis points per annum
Redemption: 10 equal semi-annual instalments commencing from the 24th months from first draw down.
Maturity: October 2019
Rating: Unrated
Chief Executive: Shanzae Amjad

Azgard Nine Limited - Note 9.15.1	43,350	43,350

20,000 (2014: 20,000) certificates of Rs.5,000 each
Mark up: Average Six months KIBOR (Ask Side) + 100 basis points per annum
Redemption: Principal will be repaid in 12 semi annual instalments with stepped up repayment plan whereby 47 percent of principal amount will be repaid in the years 3 to 6 and remaining 53 percent will be repaid in the years 7 and 8.
Maturity: December 2017
Rating: Unrated
Chief Executive: Mr. Ahmed H. Shaikh

Azgard Nine Limited - Note 9.15.2	32,870	32,870

6,574 (2014: 6,574) certificates of Rs.5,000 each
Mark up: Zero Rated
Redemption: Principal to be repaid in 7 semi annual instalment starting from March 2014.
Maturity: March 2017
Rating: Unrated
Chief Executive: Mr. Ahmed H. Shaikh

	2015	2014
	(Rupees in '000)	
New Allied Electronics - Note 9.15.3	2,185	2,185
437 (2014: 437) certificates of Rs. 5,000 each		
Mark up: Average three months KIBOR plus 275 basis points		
Redemption: 17 equal quarterly instalments		
Maturity: May 15, 2011		
Rating: Unrated		
Chief Executive: Mr. Zeeshan Pervaiz Akhtar		
Flying Board & Paper Products	-	6,990
Nil (2014: 1,500) certificates of Rs. 5,000 each		
Fauji Akber Portia Marine Terminals Limited (FAP) - Note 19.15.4	102,069	51,034
1 certificate of Rs. 102.069 million (2014: 1 certificate of Rs. 51.034 million)		
Mark up: Zero rated		
Redemption: Repayment will commence after the repayment of entire principal of reduced STF facility of FAP and will be made in 3 un-equal semi-annual instalments commencing from 2021.		
Maturity: May 2022		
Rating: Unrated		
Chief Executive: Mr. Ahmed Kamal Rana		
	1,253,920	1,210,035

9.15.1 In the year 2012, the Bank's exposure in the TFCs of Azgard Nine Limited (ANL) amounting to Rs. 99.920 million was restructured under a Debt / Asset Swap arrangement. As per the terms of the restructuring, the Bank received 1,616,036 shares of Agritech Limited (AGL) (valued at Rs. 35 per share) as partial settlement of the ANL's TFC exposure. In addition, the Bank also injected additional equity amounting to Rs. 11.631 million for acquisition of additional 332,297 shares in AGL. Subsequent to this settlement, Bank's exposure in the TFC of ANL has reduced to Rs. 43.350 million (as reflected in note 9.15). This exposure in TFC is fully provided while investment in shares has been held at fair value.

As per the terms of agreement, AGL shares shall be held by the respective trustees for the TFC issue in their name and on behalf of the TFC Holders who shall be the beneficial owners of the subject shares in proportion to their holdings. The Trustees of the TFC issue are authorised pursuant to shareholders investors agreement to hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. Hence, 1,616,036 shares received by the Bank are held by the trustees of the TFCs.

Further, under the terms of Investor's Buy-Back Agreement entered into by the Bank in 2012, the strategic investor issued a put option notice to the Bank in January 2016. As per the notice, the Bank being one of the financing investors is required to purchase 325,198 shares of AGL at a price of Rs. 35 per share.

9.15.2 This represents Zero Rated Term Finance Certificates of Azgard Nine Limited (ANL) received in settlement of overdue mark-up outstanding on the actual TFC exposure of the Bank, amounting to Rs. 99.920 million. The settlement was made as per the Investor Agreement entered into between ANL and the Bank. As at December 31, 2015, this investment is fully provided.

9.15.3 These represent TFCs of New Allied Electronics amounting to Rs. 2.185 million, received partially in lieu of the fully impaired unlisted TFCs of First Dawood Investment Bank previously held by the Bank. As at December 31, 2015, this investment is fully provided.

9.15.4 During the year 2015, the Bank received zero rated TFCs of Fauji Akbar Portia Marine Terminal Limited (FAP) amounting to Rs. 51.034 million (2014: Rs. 51.034 million). These TFCs were received in settlement of overdue mark-up instalments on reduced STF facility of FAP. The Bank will continue to receive TFCs in settlement of mark-up to be accrued on semi-annual basis till May 2021. As at December 31, 2015, the exposure in the TFCs amounts to Rs. 102.069 million which stands fully provided.

9.16 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Number of Certificates	2015	2014
				(Rupees in '000)	
Security Leasing Corporation Limited - II	September 2022	6 months KIBOR plus 1.95%	35,000	52,350	52,350
Sitara Energy Limited	May 2015	3 months KIBOR plus 1.70%	-	-	3,155
BRR Guardian Modaraba	December 2016	1 months KIBOR	20,000	58,750	68,125
Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.00%	60,000	157,813	198,654
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00%	100,000	356,674	396,567
Amreli Steel (Private) Limited	December 2016	3 months KIBOR plus 2.50%	50,000	95,000	190,000
Security Leasing Corporation Limited - I	January 2022	3% cash + 3% accrual	5,000	6,418	6,418
Engro Corporation Limited	September 2015	6 months KIBOR plus 1.50%	-	-	336,670
Quetta Textile Mills Limited	September 2019	6 months KIBOR plus 1.50%	30,000	74,483	82,759
Pakistan Mobile Communication Limited	December 2019	3 months KIBOR plus 0.88%	340,000	1,700,000	739,130
Sui Southern Gas Company Limited	October 2019	3 months KIBOR plus 0.4%	300,000	1,500,000	1,500,000
Ghani Glass Limited	December 2017	3 months KIBOR plus 1.75%	-	-	248,595
TF Varlik Kiralama AS	April 2019	5.38%	3,000	318,711	306,920
Kuveyt Turk Katilim Bankasi	June 2019	5.16%	5,000	523,705	502,416
Albaraka Turk Katilim Bankasi	June 2019	6.25%	15,000	1,571,115	1,708,214
				6,415,019	6,339,973

9.17 These represent overseas bonds amounting to BDT 200 million (2014: nil), US Dollar 30 million (2014: USD 24 million) and EUR 5 million (2014: EUR 4 million) issued by MI Cement Factory Limited, TC ZIRRAT Bankasi A.S, Qatar National Bank, Turkey Halk Bankasi, Syndicate Bank, RAK Funding Cayman Limited, Turkey IS Bankasi A.S, African Finance Corporation, Turkiye Garanti Bankasi A.S, Abu Dhabi Commercial Bank and Deutsche Bank respectively. Interest rates on these bonds ranges between 10.25% per annum (2014: nil), 1.57% to 5.00% per annum (2014: 1.48% to 5.00% per annum) and 1.13% - 3.38% per annum (2014: 3.38% per annum) and are due for maturity upto March 2016 (2014: nil), June 2021 (2014: June 2021), and March 2025 (2014: July 2019) respectively.

9.18 Particulars of investment in subsidiaries

The paid up value of these shares / units is Rs. 10 unless otherwise stated.

2015	2014		2015	2014
(Number of shares / units)			(Rupees in '000)	
112,600,000	82,600,000	**Alfalah Securities (Private) Limited** Percentage of holding: 97.91% (2014: 97.18%) Break-up value per share: Rs. 2.10 (2014: Rs. (0.3)) Date of audited financial statements: December 31, 2015 Chief Executive: Atif Mohammed Khan	1,126,000	826,000
13,049,070	13,049,070	**Alfalah GHP Investment Management Limited** Percentage of holding: 40.22% (2014: 40.22%) Break-up value per share: Rs. 13.87 (2014: Rs. 13.24) Date of audited financial statements: December 31, 2015 Chief Executive: Ms. Maheen Rehman	130,493	130,493
2,889,739	2,889,739	**Alfalah GHP Value Fund** Percentage of holding: 27% (2014: 34.67%) NAV per unit: Rs. 64.95 (2014: Rs. 60.38) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	100,000	100,000
5,590,077	5,590,077	**Alfalah GHP Islamic Stock Fund** Percentage of holding: 52.92% (2014: 87.18%) NAV per unit: Rs. 64.39 (2014: Rs. 58.68) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	250,000
1,050,926	2,000,739	**Alfalah GHP Cash Fund** Percentage of holding: 70.09% (2014: 43.99%) NAV per unit: Rs.514.71 (2014: Rs. 524.12) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 500)	525,474	1,000,390
			2,131,967	2,306,883

9.19 Particulars of investments in associates

The paid up value of these shares / units is Rs. 10 unless otherwise stated.

2015	2014		2015	2014
(Number of shares / units)			(Rupees in '000)	
14,997,825	8,998,695	**Alfalah Insurance Limited** Percentage of holding: 30% (2014: 30%) Break-up value per share: Rs. 16.07 (2014: Rs. 23.67) Date of un-audited financial statements: December 31, 2015 Chief Executive: Mr. Nasar us Samad Qureshi	68,990	68,990
97,812,317	34,505,200	**Sapphire Wind Power Company Limited** Percentage of holding: 30% (2014: 30%) Break-up value per share:Rs. 11.14 (2014: Rs. 9.00) Date of un-audited financial statements: December 31, 2015 Chief Executive: Mr. Nadeem Abdullah	978,123	345,052
524,771	5,165,658	**Alfalah GHP Money Market Fund** Percentage of holding: 2.71% (2014: 16.18%) NAV per unit: Rs. 103.69 (2014: 105.31) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	46,672	500,000
5,481,236	5,481,236	**Alfalah GHP Income Multiplier Fund** Percentage of holding: 10.68% (2014: 13.81%) NAV per unit: Rs. 52.58 (2014: Rs. 51.60) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	250,000
1,978,187	1,978,187	**Alfalah GHP Sovereign Fund** Percentage of holding: 2.59 % (2014:6.24%) NAV per unit: Rs.106.48 (2014:Rs. 109.05) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	200,000	200,000
20,800,000	-	**Appollo Pharma Limited - note 9.19.1** Percentage of holding: 7.4% Break-up value per share: Rs. 12.77 Date of un-audited financial statements: December 31, 2015 (Paid-up value of each unit is Rs. 10)	790,400	-
			2,334,185	1,364,042

9.19.1 During the year, the Bank has invested in the shares of the said company. The recoverable amount of the investment in Appollo Pharma Limited was tested for impairment based on value in use, in accordance with IAS - 36. The value in use calculations are based on cash flow projections with terminal growth rate taken into account. The estimated future cash flows were discounted using a post-tax discount rate estimate. Based on the calculations considered, the recoverable amount from the invesment exceeds it current carrying value, and does not result in any impairment.

	2015	2014
	(Rupees in '000)	
9.20 Particulars of Assets and Liabilities of Subsidiaries and Associates		
Subsidiaries		
Alfalah Securities (Private) Limited		
Date of audited financial statements: December 31, 2015		
Assets	274,978	64,213
Liabilities	32,413	88,166
Revenue	12,030	2,856
Loss for the year	29,577	18,105
Alfalah GHP Investment Management Limited		
Date of audited financial statements: December 31, 2015		
Assets	602,972	530,908
Liabilities	152,880	101,370
Revenue	278,278	195,046
Profit for the six months period	20,554	38,011
Alfalah GHP Value Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	717,689	521,212
Liabilities	22,579	17,961
Revenue	47,631	54,149
Profit for the six months period	40,521	44,711
Alfalah GHP Islamic Stock Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	699,117	389,317
Liabilities	18,867	13,086
Revenue	56,222	34,157
Profit for the six months period	46,241	27,562
Alfalah GHP Cash Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	801,763	2,413,648
Liabilities	30,004	29,827
Revenue	33,271	127,951
Profit for the six months period	20,604	97,614
Associates		
Alfalah Insurance Limited		
Date of un-audited financial statements: December 31, 2015		
Assets	2,358,908	2,179,853
Liabilities	1,553,592	1,469,542
Revenue	180,158	150,515
Profit for the year	115,214	123,037
Sapphire Wind Power Company Limited		
Date of un-audited financial statements: December 31 , 2015		
Assets	13,041,994	995,101
Liabilities	9,408,801	120,161
Revenue	285,310	28,613
Profit for the year	116,553	28,613

	2015	2014
	(Rupees in '000)	
Alfalah GHP Money Market Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	2,028,461	3,394,276
Liabilities	18,783	31,696
Revenue	66,801	159,631
Profit for the six months period	55,933	140,708
Alfalah GHP Income Multiplier Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	2,731,883	2,066,981
Liabilities	32,415	19,510
Revenue	120,263	161,200
Profit for the six months period	95,698	141,228
Alfalah GHP Sovereign Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	8,181,233	3,473,259
Liabilities	63,938	15,756
Revenue	332,892	147,819
Profit for the six months period	280,920	270,622
Appollo Pharma Limited		
Date of un-audited financial statements: December 31, 2015		
Assets	8,814,870	-
Liabilities	5,240,530	-
Revenue	3,747,920	-
Profit for the year	631,620	-

9.21 Quality of available for sale securities

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2015	2014	2015	2014		
	---------------------------(Rupees in '000)---------------------------					
Market Treasury Bills	78,961,247	45,126,733	78,886,442	45,101,201	(Unrated - Government Securities)	
Pakistan Investment Bonds	166,465,955	120,129,862	157,492,067	115,155,312	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited	99,741	100,000	99,960	100,000	AA-	JCR-VIS
Askari Bank Limited (3rd Issue)	-	440,451	-	449,100	AA-	PACRA
NIB Bank Limited (2nd Issue)	98,941	98,563	99,940	99,980	A+	PACRA
Faysal Bank Limited	153,068	156,691	149,700	149,760	AA	PACRA
Bank Al-Habib Limited	330,930	343,528	299,520	299,580	AA+	PACRA
Flying Board & Paper Products	Not Applicable	Not Applicable	-	6,990	------(Unrated)------	
New Allied Electronics *	Not Applicable	Not Applicable	2,185	2,185	------(Unrated)------	
Fauji Akbar Portia Marine Terminals Limited *	Not Applicable	Not Applicable	102,069	51,034	------(Unrated)------	
Azgard Nine Limited *	Not Applicable	Not Applicable	43,350	43,350	------(Unrated)------	
Azgard Nine Limited (Zero rated) *	Not Applicable	Not Applicable	32,870	32,870	------(Unrated)------	
	682,680	1,139,233	829,594	1,234,849		

* These Term Finance Certificates are quoted, however due to absence of trading their market value is not available. Adequate provision has been made against these certificates.

	Market value 2015	Market value 2014	Cost 2015	Cost 2014	Long / Medium Term Credit Rating	Rated by
Shares in Listed Companies / Certificates / Units						
Agritech Limited	18,217	15,100	15,100	22,737	------(Unrated)------	
Allied Bank Limited	79,339	57,926	83,782	56,100	AA+	PACRA
Amreli Steels Limited	105,123	-	89,250	-	A	PACRA
Attock Cement Pakistan Limited	125,813	-	138,493	-	------(Unrated)------	
Attock Petroleum Limited	107,591	88,006	113,732	88,078	------(Unrated)------	
Bank Al Habib Limited	226,678	375,665	220,770	304,288	AA+	PACRA
Dolmen City Real Estate Investment Trust (REIT)	761,869	-	781,040	-	RR1	JCR-VIS
Engro Corporation Limited	279,390	155,057	256,728	134,075	AA	PACRA
Engro Powergen Qadirpur Limited	126,593	90,683	126,735	66,283	------(Unrated)------	
Fatima Fertilizer Limited	22,365	85,848	12,613	60,544	AA-	PACRA
Fauji Bin Qasim Limited	86,922	29,793	93,215	27,629	------(Unrated)------	
Fauji Fertilizer Company Limited	147,475	60,745	162,897	59,514	------(Unrated)------	
First Dawood Investment Bank Limited	2,394	-	15,000	-	------(Unrated)------	
Kot Addu Power Company Limited	188,325	126,304	175,968	98,997	AA+	JCR-VIS
Lucky Cement Limited	358,904	500,280	306,277	381,839	------(Unrated)------	
DG Khan Cement Limited	332,078	105,501	285,827	83,384	------(Unrated)------	
Habib Bank Limited	140,084	122,446	145,681	115,992	AAA	JCR-VIS
MCB Bank Limited	200,586	133,172	230,466	121,068	AAA	PACRA
Meezan Balanced Fund	-	26,054	-	5,894	------(Unrated)------	
Meezan Islamic Income Fund	-	50,757	-	50,000	A-(f)	JCR-VIS
NAFA Income Opportunity Fund	-	275,428	-	250,805	A(f)	PACRA
Nishat (Chunian) Power Company Limited	246,349	285,755	147,806	190,480	A+	JCR-VIS
Nishat Mills Limited	103,418	96,792	119,233	97,493	AA	PACRA
Nishat Power Company Limited	142,252	247,266	111,650	164,780	A+	PACRA
Oil and Gas Development Corporation	93,872	251,800	110,368	311,966	------(Unrated)------	
Pak Oman Advantage Fund	-	148,500	-	150,000	3-Star	PACRA
Pak Oman Advantage Islamic Income Fund	-	31,860	-	30,000	A+(f)	PACRA
Pakistan Oilfields Limited	175,607	371,792	203,635	454,490	------(Unrated)------	
Pakistan Petroleum Limited	137,036	384,637	142,597	465,706	------(Unrated)------	
Pakistan State Oil Company Limited	311,110	349,463	350,923	363,591	AA	PACRA
The Hub Power Company Limited	478,732	356,538	350,018	249,590	AA+	PACRA
United Bank Limited	201,435	302,174	210,949	274,133	AA+	JCR-VIS
Al-Ameen Islamic Income Fund	-	57,616	-	50,000	BBB+(f)	JCR-VIS
Visa Shares	385,502	312,602	-	-	------(Unrated)------	
	5,585,059	5,495,560	5,000,753	4,729,456		

	Market value 2015	Market value 2014	Cost 2015	Cost 2014	Long / Medium Term Credit Rating	Rated by
	---------------------------	(Rupees in '000)	---------------------------			
Shares in Un-listed Companies						
Pakistan Export Finance Guarantee Agency Limited	Not Applicable		5,725	5,725	------(Unrated)------	
Society for Worldwide Interbank Financial Telecommunication	Not Applicable		4,096	4,096	------(Unrated)------	
Al-Hamra Avenue (Private) Limited	Not Applicable		50,000	50,000	------(Unrated)------	
Warid Telecom (Private) Limited	Not Applicable		4,366,796	4,366,796	------(Unrated)------	
			4,426,617	4,426,617		
Preference Shares in Listed Companies						
Agritech Limited	Not Applicable		108,835	108,835	------(Unrated)------	
Preference Shares in Un-listed Companies						
Silk Bank Preference Shares	Not Applicable		300,000	300,000	------(Unrated)------	
First Dawood Investment Bank Limited	Not Applicable		-	15,000	------(Unrated)------	
Trust Investment Bank Limited	Not Applicable		25,000	25,000	------(Unrated)------	
			325,000	340,000		
Overseas Bonds						
Kingdom of Bahrain Bond	533,639	537,886	563,025	548,510	BBB-	Fitch
Kazakistan Sovereign Bond	296,774	283,239	308,943	295,910	BBB+	Fitch
Qatar National Bank Finance Limited	524,634	507,004	524,114	503,238	A+	S&P
Abu Dhabi Commercial Bank Cayman Limited	1,049,268	1,014,008	1,048,228	1,006,476	A+	Fitch
United Mexican State	44,572	-	53,922	-	BBB+	Fitch
Indonesia Government Bond	226,503	-	228,590	-	BBB-	Fitch
TC Zirrat Bankasi A.S	258,114	251,477	261,087	250,281	BBB	Fitch
Turkiye Halk Bankasi	51,865	50,846	52,346	50,212	BBB-	Fitch
Syndicate Bank	53,557	50,177	52,371	50,242	BBB-	S&P
RAK Funding Cayman Limited	206,566	203,307	208,398	199,650	BBB+	Fitch
Turkiye IS Bankasi A.S	306,129	304,831	310,874	297,742	BBB	Fitch
Turkiye Garanti Bankasi A.S	344,622	371,145	342,365	364,681	BBB	Fitch
Africa Finance Corporation	630,010	-	623,004	-	A3	Moody's
Deutsche Bank	213,449	-	226,892	-	A-	Fitch
Pakistan Euro Bonds	2,482,952	-	2,409,043	-	B	Fitch
	7,222,654	3,573,920	7,213,202	3,566,942		
Sukuk Bonds						
Pakistan Sukuk Bond 19	927,157	863,057	910,044	872,805	B-	S&P
Ijarah Sukuk Bonds	905,742	908,538	944,663	906,479	------(Unrated)------	
TF Varlik Kiralama AS	322,437	313,204	318,711	306,920	BBB	Fitch
Kuveyt Turk Katilim Bankasi	539,254	523,391	523,705	502,416	BBB	Fitch
Albaraka Turk Katilim Bankasi	1,562,521	1,722,287	1,571,115	1,708,213	BB	Fitch
GoP - Ijarah Bonds IX	-	5,006,500	-	5,004,139	------(Unrated)------	
GoP - Ijara Sukuk X	-	4,006,800	-	4,003,362	------(Unrated)------	
GoP - Ijara Sukuk XI	-	5,012,500	-	5,000,000	------(Unrated)------	
GoP - Ijara Sukuk XII	-	9,823,520	-	9,804,356	------(Unrated)------	
GoP - Ijara Sukuk XIII	-	4,108,610	-	4,099,501	------(Unrated)------	
GoP - Ijara Sukuk XIV	7,462,130	7,481,323	7,432,655	7,466,230	------(Unrated)------	
GoP - Ijara Sukuk XVI	20,244,608	-	20,018,400	-	------(Unrated)------	
GoP - Sukuk	-	30,172	-	30,100	------(Unrated)------	
Wapda Sukuk III	1,411,426	1,823,454	1,457,143	1,700,000	------(Unrated)------	
Security Leasing Corporation Limited I	Not Applicable	Not Applicable	6,418	6,418	------(Unrated)------	
Security Leasing Corporation Limited II	Not Applicable	Not Applicable	23,105	23,105	------(Unrated)------	
Quetta Textile Mills limited	Not Applicable	Not Applicable	74,483	82,759	------(Unrated)------	
	33,375,275	41,623,356	33,280,442	41,516,803		

9.22 Particulars of provision for diminution in value of investments - net	2015	2014
	(Rupees in '000)	
Opening balance	6,216,757	6,130,860
Charge for the year	136,691	130,043
Reversals during the year	-	(44,146)
	136,691	85,897
Provision written off during the year	(7,637)	-
Closing balance	6,345,811	6,216,757

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

	2015	2014
Available for sale securities		
Listed companies / mutual funds		
- Fully paid up ordinary shares / units		
- Agritech Limited	-	7,637
- First Dawood Investment Bank Limited	15,000	-
- 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 / sukuk bonds		
- Azgard Nine Limited	76,220	76,220
- Security Leasing Corporation Limited I	6,418	6,418
- Security Leasing Corporation Limited II	23,105	23,105
- New Allied Electronics	2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited	102,069	51,034
- Quetta Textile Mills Limited	37,242	-
- Preference shares		
- First Dawood Investment Bank Limited	-	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
	6,345,811	6,216,757

9.24 Unrealised gain / (loss) on revaluation of investments classified as held for trading - net

	Unrealised gain / (loss)		Cost	
	2015	2014	2015	2014
	---------------- (Rupees in '000) ----------------			
Market Treasury Bills	(6,414)	(1,531)	13,480,197	15,194,352
Pakistan Investment Bonds	4,060	54,186	2,423,862	2,905,528
Overseas Bonds	229,460	106,622	2,990,933	2,193,796
Sukuk Bonds	-	821	-	1,002,278
Fully paid up ordinary shares / units - Listed	1,957	-	197,998	-
	229,063	160,098	19,092,990	21,295,954

10 ADVANCES - NET

	Note	2015	2014
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		307,913,702	272,433,191
Outside Pakistan		11,007,287	12,957,433
		318,920,989	285,390,624
Net investment in finance lease			
In Pakistan	10.2	3,814,907	3,720,506
Outside Pakistan		-	-
		3,814,907	3,720,506
Assets under Ijarah (IFAS-2)	10.3	6,875,617	5,474,603
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		6,186,509	5,799,128
Payable outside Pakistan		7,692,258	4,463,186
		13,878,767	10,262,314
	10.1	343,490,280	304,848,047
Provision against advances			
Specific provision against non-performing loans and advances	10.5	(15,452,555)	(13,601,307)
General provision against advances	10.5	(739,904)	(649,503)
		(16,192,459)	(14,250,810)
		327,297,821	290,597,237

10.1 Particulars of advances - gross of provisions

	2015	2014
In local currency	300,457,901	269,311,559
In foreign currencies	43,032,379	35,536,488
	343,490,280	304,848,047
Short term (upto one year)	240,473,933	204,669,071
Long term (over one year)	103,016,347	100,178,976
	343,490,280	304,848,047

10.2 Net investment in finance lease

	2015				2014			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	--(Rupees in '000)--							
Lease rentals receivable	395,820	2,399,850	-	2,795,670	1,334,355	1,400,490	-	2,734,845
Residual value	212,125	1,109,316	-	1,321,441	760,119	531,756	-	1,291,875
Minimum lease payments	607,945	3,509,166	-	4,117,111	2,094,474	1,932,246	-	4,026,720
Financial charges for future periods	(97,803)	(204,401)	-	(302,204)	(132,581)	(173,633)	-	(306,214)
Present value of minimum lease payments	510,142	3,304,765	-	3,814,907	1,961,893	1,758,613	-	3,720,506

10.2.1 Net investment in finance lease includes Ijarah financings disbursed prior to January 1, 2009. Ijarah contracts entered on or after January 1, 2009 have been accounted for in accordance with the requirements of IFAS 2, "Ijarah" as disclosed in note 10.3.

10.3 Assets under Ijarah (IFAS-2)

a) Brief description of the Ijarah arrangements

Ijarah contracts entered into by the Bank essentially represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. The significant ijarah contracts entered into by the Bank are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 3 to 5 years.

b) Movement in net book value of ijarah assets

	2015				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	------------------------------------(Rupees in '000)------------------------------------				
At January 1, 2015					
Cost	6,908,417	678,140	517,928	13,634	8,118,119
Accumulated depreciation	(1,958,688)	(372,301)	(300,668)	(11,859)	(2,643,516)
Net book value	4,949,729	305,839	217,260	1,775	5,474,603
Year ended December 31, 2015					
Opening net book value	4,949,729	305,839	217,260	1,775	5,474,603
Additions	3,043,051	593,396	78,256	-	3,714,703
Disposals					
Cost	(1,394,171)	(293,670)	(274,438)	(9,449)	(1,971,728)
Accumulated depreciation	735,275	166,450	188,863	8,437	1,099,025
	(658,896)	(127,220)	(85,575)	(1,012)	(872,703)
Depreciation	(1,286,787)	(108,610)	(45,724)	135	(1,440,986)
Closing net book value	6,047,097	663,405	164,217	898	6,875,617
At December 31, 2015					
Cost	8,557,297	977,866	321,745	4,185	9,861,093
Accumulated depreciation	(2,510,200)	(314,461)	(157,528)	(3,287)	(2,985,476)
Net book value	6,047,097	663,405	164,217	898	6,875,617

	2014				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	-----(Rupees in '000)-----				
At January 1, 2014					
Cost	5,756,318	838,735	652,341	91,930	7,339,324
Accumulated depreciation	(1,770,955)	(429,029)	(300,601)	(78,116)	(2,578,701)
Net book value	3,985,363	409,706	351,740	13,814	4,760,623
Year ended December 31, 2014					
Opening net book value	3,985,363	409,706	351,740	13,814	4,760,623
Additions	2,618,233	61,981	-	-	2,680,214
Disposals					
Cost	(1,466,134)	(222,576)	(134,414)	(78,296)	(1,901,420)
Accumulated depreciation	646,285	191,305	106,358	66,389	1,010,337
	(819,849)	(31,271)	(28,056)	(11,907)	(891,083)
Depreciation	(834,018)	(134,577)	(106,424)	(132)	(1,075,151)
Closing net book value	4,949,729	305,839	217,260	1,775	5,474,603
At December 31, 2014					
Cost	6,908,417	678,140	517,928	13,634	8,118,119
Accumulated depreciation	(1,958,688)	(372,301)	(300,668)	(11,859)	(2,643,516)
Net book value	4,949,729	305,839	217,260	1,775	5,474,603

c) Future Ijarah payments receivable

	2015	2014
	(Rupees in '000)	
Not later than one year	1,377,350	1,954,346
Later than one year and not later than five years	5,498,267	3,520,257
	6,875,617	5,474,603

10.4 Advances include Rs. 18,455 million (2014: Rs. 19,412 million) which have been placed under non-performing status as detailed below:

	2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification	----- (Rupees in '000) -----								
Other Assets Especially Mentioned (Agri Financing)	115,219	-	115,219	2,547	-	2,547	2,547	-	2,547
Substandard	2,052,587	54,595	2,107,182	524,432	70,795	595,227	524,432	70,795	595,227
Doubtful	2,554,443	5,506	2,559,949	1,502,617	1,587	1,504,204	1,502,617	1,587	1,504,204
Loss	13,110,724	562,325	13,673,049	12,936,185	414,392	13,350,577	12,936,185	414,392	13,350,577
	17,832,973	622,426	18,455,399	14,965,781	486,774	15,452,555	14,965,781	486,774	15,452,555

	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification	----- (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
	18,697,899	714,364	19,412,263	13,034,524	566,783	13,601,307	13,034,524	566,783	13,601,307

10.5 Particulars of provisions against non-performing loans and advances

	Note	2015 Specific	2015 General	2015 Total	2014 Specific	2014 General	2014 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		31,406	3,300	34,706	(25,754)	(5,212)	(30,966)
Charge for the year		3,921,493	146,652	4,068,145	3,281,110	48,740	3,329,850
Reversals / recoveries during the year		(1,858,385)	(59,551)	(1,917,936)	(1,881,919)	-	(1,881,919)
		2,063,108	87,101	2,150,209	1,399,191	48,740	1,447,931
Amounts written off	10.6.1	(243,266)	-	(243,266)	(213,602)	-	(213,602)
Closing balance		15,452,555	739,904	16,192,459	13,601,307	649,503	14,250,810

10.5.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2015 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 110.774 million (2014: Rs. 747.957 million).

10.5.2 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 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.

10.5.3 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.

10.5.4 Particulars of provisions against advances

	2015 Specific	2015 General	2015 Total	2014 Specific	2014 General	2014 Total
	---------------------------------(Rupees in '000)			----------------------------------		
In local currency	14,965,781	639,433	15,605,214	13,034,524	550,800	13,585,324
In foreign currencies	486,774	100,471	587,245	566,783	98,703	665,486
	15,452,555	739,904	16,192,459	13,601,307	649,503	14,250,810

10.5.5 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

10.6 Particulars of write-offs

		2015	2014
		(Rupees in '000)	
10.6.1	Against provisions	243,266	213,602
	Directly charged to profit and loss account	-	5
		243,266	213,607
10.6.2	Write offs of Rs. 500,000 and above	172,501	98,869
	Write offs of below Rs. 500,000	70,765	114,738
		243,266	213,607

10.7 Details of loans written-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of loans written-off or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2015 is given in Annexure-I.

	Note	2015	2014
10.8 Particulars of loans and advances to directors, executives, associated companies, etc.		**(Rupees in '000)**	
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
- Balance at beginning of the year		5,139,055	4,848,070
- Loans granted during the year		1,867,232	1,834,479
- Repayments during the year		(1,271,248)	(1,543,494)
- Balance at end of the year		5,735,039	5,139,055
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
- Balance at beginning of the year		901,426	752,988
- Loans granted during the year		3,099,590	3,140,375
- Repayments during the year		(2,501,606)	(2,991,937)
- Balance at end of the year		1,499,410	901,426
Debts due by subsidiary company, controlled firms, managed modarabas and other related parties			
- Balance at beginning of the year		2,957,096	2,899,545
- Loans granted during the year		19,070,202	7,557,326
- Repayments during the year		(17,187,258)	(7,499,775)
- Balance at end of the year		4,840,040	2,957,096
Total		12,074,489	8,997,577

11 OPERATING FIXED ASSETS

	Note	2015	2014
Capital work-in-progress	11.1	704,981	1,134,085
Property and equipment	11.2	15,497,616	13,828,003
Intangible assets	11.3	1,039,371	778,012
		17,241,968	15,740,100

11.1 Capital work-in-progress

	2015	2014
Civil works	286,041	345,190
Equipment / intangibles	412,113	243,334
Advances to suppliers and contractors	18,239	541,206
Others	3,913	19,680
Provision against capital work-in-progress	(15,325)	(15,325)
	704,981	1,134,085

11.2 Property and equipment

Description	Cost / revaluation as at January 1, 2015	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost / Revaluation as at December 31, 2015	Accumulated depreciation as at January 1, 2015	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Accumulated Depreciation Reversed on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation as at December 31, 2015	Net book value as at December 31, 2015	Rate of depreciation %
	2015											
	(Rupees in '000)											per annum
Office premises	5,158,963	11,157 - * (4,043)	- (272,715) -	- - -	4,893,362	187,629	86,278 - * (1,192)	(272,715) - -	- - -	-	4,893,362	2.5%
Revaluation	3,917,799	- - -	1,643,150 (161,482) -	- - -	5,399,467	107,966	53,516 - -	(161,482) - -	- - -	-	5,399,467	2.5% - 5%
	9,076,762	11,157 - * (4,043)	1,643,150 (434,197) -		10,292,829	295,595	139,794 - * (1,192)	(434,197)	- - -	-	10,292,829	
Lease hold improvements	4,214,355	591,081 - * (10,757)	-	(16,922)	4,777,757	2,573,351	360,878 - * (7,875)	-	(16,922)	2,909,432	1,868,325	10% - 20%
Furniture and fixtures	2,077,740	62,894 (1,490) * (18,505)	-	(176,145)	1,944,494	1,274,163	204,332 (1,268) * (9,640)	-	(176,145)	1,291,442	653,052	10% - 25%
Office equipment	9,319,066	1,145,482 (57,013) * 26,008	-	(1,011,440)	9,422,103	6,873,578	1,017,359 (53,049) * 7,589	-	(1,011,440)	6,834,037	2,588,066	20% - 25%
Vehicles	382,747	31,710 (34,521) * (3,041)	-	(28,939)	347,956	225,980	87,091 (27,884) * (3,636)	-	(28,939)	252,612	95,344	25%
	25,070,670	1,842,324 (93,024) * (10,338)	1,643,150 (434,197)	(1,233,446)	26,785,139	11,242,667	1,809,454 (82,201) * (14,754)	(434,197)	(1,233,446)	11,287,523	15,497,616	

Description	Cost / revaluation as at January 1, 2014	Additions / (disposals) / *adjustments	Cost / Revaluation as at December 31, 2014	Accumulated depreciation as at January 1, 2014	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Accumulated depreciation as at December 31, 2014	Net book value as at December 31, 2014	Rate of depreciation %
	2014							
	(Rupees in '000)							per annum
Office premises	5,195,666	405,061 (440,909) * (855)	5,158,963	78,657	110,739 (1,256) * (511)	187,629	4,971,334	2.5%
Revaluation	3,950,082	- (32,283) -	3,917,799	54,408	53,558 -	107,966	3,809,833	2.5% - 5%
	9,145,748	405,061 (473,192) * (855)	9,076,762	133,065	164,297 (1,256) * (511)	295,595	8,781,167	
Lease hold improvements	3,609,162	647,892 (32,653) (10,046)	4,214,355	2,348,510	261,520 (32,036) * (4,643)	2,573,351	1,641,004	10% - 20%
Furniture and fixtures	1,927,948	170,213 (16,516) * (3,905)	2,077,740	1,110,073	183,563 (14,641) * (4,832)	1,274,163	803,577	10% - 25%
Office equipment	8,068,190	1,363,845 (65,589) * (47,380)	9,319,066	6,007,696	966,340 (60,097) * (40,361)	6,873,578	2,445,488	20% - 25%
Vehicles	371,152	29,124 (13,107) * (4,422)	382,747	181,260	60,798 (12,641) * (3,437)	225,980	156,767	25%
	23,122,200	2,616,135 (601,057) * (66,608)	25,070,670	9,780,604	1,636,518 (120,671) * (53,784)	11,242,667	13,828,003	

11.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 6,085 million (2014: Rs. 3,984 million)

11.2.2 Office premises were last revalued on December 31, 2015 on the basis of market values determined by independent valuer M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Asif Associates (Private) Limited. Had there been no revaluation, the net book value of the office premises would have been Rs. 4,893.362 million (2014: Rs. 4,971.334 million).

11.3 Intangible assets

	2015									
	Cost				Accumulated Amortisation					
Description	**As at January 1, 2015**	**Additions/ (deletions)/ *adjustment**	**Write Off Cost**	**As at December 31, 2015**	**As at January 1, 2015**	**Amortisation (deletions) / *adjustment**	**Write Off accumulated depreciation**	**As at December 31, 2015**	**Book value as at December 31, 2015**	**Rate of amortisation % per annum**
	-----	-----	-----	-----	(Rupees in '000)	-----	-----	-----	-----	
Computer software	1,959,342	533,042	(151,690)	2,341,848	1,181,330	272,179	(151,690)	1,302,477	1,039,371	20%
		-				-				
		* 1,154				* 658				
Goodwill	56,031	-	-	56,031	56,031	-		56,031	-	-
	2,015,373	533,042	(151,690)	2,397,879	1,237,361	272,179	(151,690)	1,358,508	1,039,371	
		-				-				
		* 1,154				* 658				

	2014									
	Cost				Accumulated Amortisation					
Description	**As at January 1, 2014**	**Additions/ (deletions)/ *adjustment**	**Write Off Cost**	**As at December 31, 2014**	**As at January 1, 2014**	**Amortisation (deletions) / *adjustment**	**Write Off accumulated depreciation**	**As at December 31, 2014**	**Book value as at December 31, 2014**	**Rate of amortisation % per annum**
	-----	-----	-----	-----	(Rupees in '000)	-----	-----	-----	-----	
Computer software	1,390,877	570,300	-	1,959,342	915,159	267,702	-	1,181,330	778,012	20%
						-				
		* (1,835)				* (1,531)				
Goodwill	56,031	-	-	56,031	56,031	-	-	56,031	-	-
	1,446,908	570,300	-	2,015,373	971,190	267,702	-	1,237,361	778,012	
		-				-				
		* (1,835)				* (1,531)				

11.3.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 1,052.837 million (2014: Rs. 390.495 million).

11.4 Details of disposals of operating fixed assets

Details of disposals of operating fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above are given below:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	------------------(Rupees in '000)			------------------		
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	1,490	1,268	222	51	Various	Various
	1,490	1,268	222	51		
Computers						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,937	5,896	1,041	965	Various	Various
	6,937	5,896	1,041	965		
Office equipment						
HVAC	7,720	7,720	-	250	Bid	M/s Barvi Trade Ways
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Generator	1,145	1,139	6	309	Bid	M/s Ch. Bashir
Generator	1,050	1,050	-	315	Bid	M/s Raiz Agri Engg. Works
Generator	2,139	2,139	-	2,115	Insurance Claim	M/s Alfalah Insurance
Generator	1,450	1,450	-	453	Bid	M/s Ch. Bashir
Generator	2,335	2,335	-	158	Bid	M/s Brother Enterprises
Generator	1,127	1,127	-	55	Insurance Claim	M/s Alfalah Insurance
Generator	1,214	1,214	-	348	Bid	M/s Ch. Bashir
ATM	945	405	540	144	Insurance Claim	M/s Alfalah Insurance
DVR	521	143	378	300	Insurance Claim	M/s Alfalah Insurance
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	19,947	17,948	1,999	2,812	Various	Various
	50,075	47,152	2,923	7,589		
Vehicles						
Mercedes-Benz	8,500	6,794	1,706	1,700	As per Policy	Mr. Bahauddin Khan
Mercedes-Benz	8,500	3,569	4,931	4,920	As per Policy	Mr. A. Wahid Dada
Toyota Yaris	2,156	2,156	-	715	Bid	Mr. Sayed Bin Sadrul
Toyota Corona Premio	1,032	1,032	-	625	Bid	Mr. Syed Monir Kawsar
Toyota Spacia X-G	1,761	1,761	-	823	Bid	Mr. A.S.Avi
Toyota Yaris	2,156	2,156	-	676	Bid	Mr. Rafiqul Islam
Honda Civic	1,455	1,455	-	637	Bid	Mr. Rafiqul Islam
Honda Civic Exi	2,435	2,435	-	953	Bid	Mr. Zahirul Islam
Ford Everest	4,127	4,127	-	1,476	Bid	Mr. Golam Kibria Jahangir
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	2,400	2,400	-	1,212	Various	Various
	34,522	27,885	6,637	13,737		
Total - December 31, 2015 (Note 11.2)	93,024	82,201	10,823	22,342		
Total - December 31, 2014	601,057	120,671	480,386	650,912		

* Disposal as per Bank's policy represents vehicles sold to employees as per the terms of their employment.

12 DEFERRED TAX LIABILITIES - NET

	2015	2014
	(Rupees in '000)	
Deferred debits arising due to		
Provision for doubtful debts	1,434,609	1,106,413
Provision against off-balance sheet obligations	15,706	15,333
Impairment in the value of investments	2,247,184	2,202,709
Provision against other assets	334,501	215,401
	4,032,000	3,539,856
Deferred credits arising due to		
Accelerated tax depreciation	(1,473,306)	(1,482,114)
Gain on remeasurement of held for trading investments	(80,172)	(56,034)
Surplus on revaluation of available for sale investments	(3,460,609)	(2,114,157)
Surplus on revaluation of operating fixed assets	(841,967)	(740,882)
	(5,856,054)	(4,393,187)
	(1,824,054)	(853,331)

12.1 Reconciliation of deferred tax assets/ liabilities

	January 01, 2014	Recognized in Profit and Loss Account (Note 29)	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2014	Recognized in Profit and Loss Account (Note 29)	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2015
	(Rupees in '000)						
Deferred debits arising due to							
Provision for doubtful debts	1,362,466	(256,053)	-	1,106,413	328,196	-	1,434,609
Provision against off-balance sheet obligations	1,140	14,193	-	15,333	373	-	15,706
Impairment in the value of investments	2,172,645	30,064	-	2,202,709	44,475	-	2,247,184
Provision against other assets	85,429	129,972	-	215,401	119,100	-	334,501
	3,621,680	(81,824)	-	3,539,856	492,144	-	4,032,000
Deferred credits arising due to							
Accelerated tax depreciation	1,377,230	104,884	-	1,482,114	(8,808)	-	1,473,306
Gain on remeasurement of held for trading investments	2,963	53,071	-	56,034	24,138	-	80,172
Surplus on revaluation of available for sale investments	272,280	-	1,841,877	2,114,157	-	1,346,452	3,460,609
Surplus on revaluation of operating fixed assets	765,207	(18,745)	(5,580)	740,882	(18,731)	119,816	841,967
	2,417,680	139,210	1,836,297	4,393,187	(3,401)	1,466,268	5,856,054
Net deferred tax liabilities	1,204,000	(221,034)	(1,836,297)	(853,331)	495,545	(1,466,268)	(1,824,054)

	Note	2015	2014
		(Rupees in '000)	
13 OTHER ASSETS			
Income / mark-up accrued in local currency		16,770,774	16,486,332
Income / mark-up accrued in foreign currencies		754,640	571,802
Advances, deposits, advance rent and other prepayments		2,663,543	2,959,857
Non-banking assets acquired in satisfaction of claims	13.1	675,325	528,135
Advances against future murabaha		3,653,031	5,273,422
Advances against future ijarah		411,162	439,019
Advances against diminishing musharakah		1,744,135	278,802
Advances against Istisna		1,022,590	667,250
Advances against salam		30,000	-
Tax recoverable		-	2,212,888
Dividend receivable		7,103	12,271
Unrealised gain on forward foreign exchange contracts		739,757	1,105,710
Unrealised gain on interest rate swaps		1,888	7,153
Receivable from brokers		6,143	6,143
Stationery and stamps on hand		82,833	111,653
Defined benefit plan	34.1.3	40,003	238,523
Balance held with bank	13.2	413,657	396,841
Others	13.4	178,223	545,332
		29,194,807	31,841,133
Provision held against other assets	13.3	(774,156)	(530,472)
		28,420,651	31,310,661

13.1 Market value of non-banking assets acquired in satisfaction of claims	705,605	524,552

13.2 This represents an amount of USD 3.949 million held in the Bank's Nostro Account in New York, United States of America, which 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, as more fully detailed in note 21.4.2 to these financial statements.

Based on the fact that the said amount is not readily available for use of the Bank, the amount has been reclassified from Balances with Other banks to Other Assets. Although the management is confident that the matter will be decided in the Bank's favour, as at December 31, 2015, the Bank has maintained full provision against the same (December 31, 2014: USD 1.975 million).

13.3 Provision held against other assets	2015	2014
	(Rupees in '000)	
Opening balance	530,472	182,503
Charge for the year	310,765	382,625
Transferred to operating fixed assets	-	(26,139)
Payment out of provisions	(22,097)	(6,136)
Amount written off	(22,322)	-
Exchange and other adjustments	(22,662)	(2,381)
Closing balance	774,156	530,472

13.4 This includes an amount of Rs. 112.350 million given as advance against issuance of shares to an associated company Sapphire Wind Power Company Limited.

	Note	2015	2014
		(Rupees in '000)	

14 BILLS PAYABLE

In Pakistan		9,592,804	11,632,488
Outside Pakistan		141,125	125,667
		9,733,929	11,758,155

15 BORROWINGS

In Pakistan		164,187,489	50,282,818
Outside Pakistan		8,205,709	4,950,098
		172,393,198	55,232,916

15.1 Particulars of borrowings with respect to currencies

In local currency		164,187,489	50,191,363
In foreign currencies		8,205,709	5,041,553
		172,393,198	55,232,916

15.2 Details of borrowings secured / unsecured

	Note	2015	2014
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	15.3	16,889,852	13,774,989
Long-Term Finance for Export Oriented Projects Scheme (LTF-EOP)		-	10,546
Long-Term Finance Facility	15.4	394,024	710,389
Modernisation of SMEs		-	2,324
Financing Facility for Storage of Agriculture produce (FFSAP)	15.5	146,235	178,697
Repurchase agreement borrowings	15.6	129,071,926	30,253,481
		146,502,037	44,930,426
Unsecured			
Call borrowings	15.7	17,901,900	6,648,098
Bai Muajjal	15.8	7,935,453	3,562,937
Overdrawn nostro accounts		53,808	91,455
		25,891,161	10,302,490
		172,393,198	55,232,916

15.3 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.50% to 4.50% per annum (2014: 5.50% to 7.50% per annum) payable on a quarterly basis.

15.4 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 3.00% to 4.50% per annum (2014: 7.25% to 11.00% per annum) payable on a quarterly basis.

15.5 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.25% per annum (2014: 6.25% to 6.50% per annum) payable on a quarterly basis.

15.6 This represents repurchase agreement borrowing from SBP and other banks at the rate of 6.04% and 6.50% per annum respectively (2014: 9.50% and 9.60% per annum) having maturities upto January 2016 (2014: January 2015 and February 2015).

15.7 This represents borrowings from financial institutions at mark-up rates ranging from 0.50% to 6.08% per annum (2014: 1.00% to 9.50%) having maturities upto March 2016 (2014: September 2015).

15.8 This represents borrowings from financial institutions at mark-up rates ranging from 6.35% to 7.45% per annum (2014: 9.20% to 9.50%) having maturities upto April 2016 (2014: April 2015).

16 DEPOSITS AND OTHER ACCOUNTS

	2015	2014
	(Rupees in '000)	
Customers		
Fixed deposits	137,604,333	153,480,193
Savings deposits	210,368,288	196,118,387
Current accounts - non-remunerative	234,795,160	215,500,460
Others	6,849,023	6,728,458
	589,616,804	571,827,498
Financial institutions		
Remunerative deposits	48,877,152	33,534,156
Non-remunerative deposits	1,694,779	601,570
	50,571,931	34,135,726
	640,188,735	605,963,224

16.1 Particulars of deposits

	2015	2014
In local currency	539,929,934	521,123,983
In foreign currencies	100,258,801	84,839,241
	640,188,735	605,963,224

17 SUB-ORDINATED LOANS

	2015	2014
Term Finance Certificates IV - Private, Unsecured	4,988,000	4,990,000

Mark up: Either of the following options with the holder:

- Floating coupon of Base Rate + 2.50 percent

  (Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on the first day of the start of each half yearly period for mark up due at the end of that period)

- Fixed coupon of 15 percent per annum payable semi-annually in arrears

Subordination: The TFCs are subordinated as to the payment of principal and profit to all other indebtness of the Bank.

Issue date: December 2009

Rating: AA-

Tenor: Eight years

Redemption: The instrument is structured to redeem 0.26% of principal, semi-annually, in the first 78 months and remaining principal of 33.247% each of the issue amount respectively, starting from the 84th month.

Maturity: December 2017

	2015	2014
Term Finance Certificates V - Quoted, Unsecured	4,995,000	4,997,000

Mark up: Base Rate + 1.25 percent

(Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.

Subordination: The TFCs are subordinated as to the payment of principal and profit to all other indebtness of the bank.

Issue date: February 2013

Rating: AA-

Tenor: Eight years

Redemption: The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.

Maturity: February 2021

	2015	2014
	9,983,000	9,987,000

18 OTHER LIABILITIES

	Note	2015	2014
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		1,969,052	3,280,294
Mark-up / return / interest payable in foreign currencies		280,118	291,532
Unearned commission and income on bills discounted		437,666	436,091
Accrued expenses		3,831,161	3,150,313
Branch adjustment account		947,438	149,520
Payable against redemption of credit card reward points		122,804	117,336
Taxation payable		463,980	-
Security deposits		4,790,001	4,241,542
Unclaimed dividend		58,435	49,029
Unrealised loss on forward foreign exchange contracts		729,875	1,416,275
Unrealised loss on interest rate swaps		88,804	24,821
Payable to brokers		-	2,995
Provision against off-balance sheet obligations	18.1	77,590	85,953
Workers' Welfare Fund		475,569	399,444
Compensated Absences	18.2	313,930	225,720
Others		545,007	643,734
		15,131,430	14,514,599

18.1 Provision against off-balance sheet obligations

	2015	2014
Opening balance	85,953	49,075
Charge for the year	1,066	38,453
Exchange and other adjustments	(9,429)	(1,575)
Closing balance	77,590	85,953

18.2 During the year, a valuation for compensated absences has been carried out by an actuary appointed for the purpose. Major assumptions considered for the purpose of valuation are as follows:

Mortality Rate	SLIC 2001-2005
Withdrawal Rate	Age dependant withdrawal table; the average turnover rate over next one year is around 21%.
Salary Increase rate	10.0% p.a.

19 SHARE CAPITAL

19.1 Authorised capital

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

19.2 Issued, subscribed and paid up capital

2015	2014	Ordinary shares of Rs. 10 each	2015	2014
(Number of shares)			(Rupees in '000)	
865,399,937	862,836,450	Fully paid in cash	8,653,999	8,628,364
724,406,250	724,406,250	Issued as bonus shares	7,244,063	7,244,063
1,589,806,187	1,587,242,700		15,898,062	15,872,427

During the year the Bank has issued 2,563,487 ordinary shares having face value of Rs. 10/- each to its employees on excercise of options vested under the Employees Stock Option Scheme (ESOS) (note 34.2). The paid-up capital of the Bank before issuance of shares to employees was Rs. 15,872,427,000 (divided into 1,587,242,700 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 15,879,061,870. (divided into 1,589,806,187 shares of Rs. 10 each).

	Note	2015	2014
20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		(Rupees in '000)	
Surplus arising on revaluation of:			
- Operating fixed assets	20.1	4,557,499	3,068,949
- Available for sale securities	20.2	6,370,898	3,926,292
		10,928,397	6,995,241
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of operating fixed assets at January 01,	11.2	3,809,833	3,895,674
Transferred to retained earnings in respect of incremental depreciation charged during the year - net of tax		(34,784)	(34,813)
Related deferred tax liability in respect of incremental depreciation charged during the year		(18,732)	(18,745)
Surplus on revaluation of fixed assets recognized during the year		1,643,150	-
Reversal of surplus on account of disposal of property	11.2	-	(32,283)
		1,589,634	(85,841)
		5,399,467	3,809,833
Related deferred tax liability on surplus as at January 01,		740,884	765,209
Deferred tax liability charge / (reversal)		119,816	(5,580)
Deferred tax liability in respect of incremental depreciation charged during the year		(18,732)	(18,745)
		101,084	(24,325)
		841,968	740,884
		4,557,499	3,068,949
20.2 Surplus on revaluation of available for sale securities			
Government securities		9,257,769	5,154,286
Quoted shares / units / certificates / sukuks / bonds		596,124	845,350
Term finance certificates		33,560	40,813
Interest rate swaps		(55,946)	-
		9,831,507	6,040,449
Related deferred tax liability		(3,460,609)	(2,114,157)
		6,370,898	3,926,292

21 CONTINGENCIES AND COMMITMENTS

	2015	2014
21.1 Direct credit substitutes		
i) Government	743,580	937,508
ii) Banking companies & other financial institutions	311,835	2,606
iii) Others	2,094,645	1,756,948
	3,150,060	2,697,062
21.2 Transaction-related contingent liabilities		
i) Government	27,412,625	26,536,835
ii) Banking companies & other financial institutions	163,826	506,432
iii) Others	12,719,286	8,671,481
	40,295,737	35,714,748
21.3 Trade-related contingent liabilities		
Letters of credit	52,107,916	48,045,564
Acceptances	15,797,161	12,774,108
21.4 Other contingencies		
21.4.1 Claims against the Bank not acknowledged as debts	14,861,738	9,521,537

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

21.4.2 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 provision of USD 3.949 million against the same (December 2014: USD 1.975 million) as referred to in note 13.3 to these unconsolidated financial statements.

The Bank filed a case against the above mentioned Third Party Customer in primary commercial court in Afghanistan. In June 2014, the court did not accede claim of the Bank and advised it to pay USD 0.520 million as compensation to the customer along with government / court fee of AFS 5.268 million. The Bank filed an appeal in the appellate court against the said judgment, in which the earlier decisions were upheld. The said amounts have been charged off during the current year.

		2015	2014
		(Rupees in '000)	
21.5	**Commitments in respect of forward lendings**		
	Commitments to extend credit	5,222,555	8,609,125
	Commitments in respect of investments	-	1,615,818
21.6	**Commitments in respect of forward exchange contracts**		
	Purchase	98,261,212	69,435,889
	Sale	106,520,120	54,156,057
21.7	**Commitments for the acquisition of fixed assets**	291,237	291,239
21.8	**Commitments in respect of repo transactions**		
	Repurchase	129,226,010	30,274,144
21.9	**Other commitments**		
	Interest rate swaps	6,962,920	6,314,951
	Donations	22,000	41,500

21.10 Contingency for tax payable (note 29.1)

22 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

At present the bank deals in the following instruments:

- Forward Exchange Contracts
- Interest Rate Swaps
- Share Options (note 9.15.1)

22.1 Product analysis

Counter Parties	Interest Rate Swaps			
	2015		2014	
	No. of Contracts	Notional Principal *	No. of Contracts	Notional Principal *
	(Rupees in '000)			
With Banks for				
Hedging	18	6,962,920	16	6,314,951
Market Making	-	-	-	-
With FIs other than banks				
Hedging	-	-	-	-
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	-	-	-	-
Total				
Hedging	18	6,962,920	16	6,314,951
Market Making	-	-	-	-

* At the exchange rate prevailing at the year end

22.2 Unrealised gain / (loss) on derivatives financial instruments.

	Contractual / notional amount		Unrealised gain / (loss)	
	2015	2014	2015	2014
	------------------- (Rupees in '000) -------------------			
Interest Rate Swaps	6,962,920	6,314,951	(86,916)	(17,668)

22.3 Maturity Analysis - Interest Rate Swaps (Fixed Rate)

Remaining Maturity	Number of Contracts	Notional Principal	Mark to Market Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
3 to 5 years	13	5,287,064	(44,541)	1,888	(42,653)
5 to 10 years	5	1,675,856	(44,263)	-	(44,263)
Above 10 years	-	-	-	-	-
	18	6,962,920	(88,804)	1,888	(86,916)

	Note	2015	2014
23 MARK-UP / RETURN / INTEREST EARNED		**(Rupees in '000)**	
a) On loans and advances to:			
i) customers		25,494,765	28,014,893
ii) financial institutions		272,510	342,835
b) On investments in:			
i) held for trading securities		1,140,627	992,063
ii) available for sale securities		22,521,676	17,826,937
iii) held to maturity securities		9,105,351	6,219,695
c) On deposits with financial institutions		2,634,590	1,528,138
d) On securities purchased under resale agreements		288,888	453,916
		61,458,407	55,378,477

	Note	2015	2014
24 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		22,653,547	27,021,348
Securities sold under repurchase agreements		6,755,279	1,952,164
Other short term borrowings		2,039,750	3,033,843
Term finance certificates		1,102,752	1,249,709
Brokerage and commission		259,394	247,939
		32,810,722	33,505,003

	Note	2015	2014
25 GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
- Market Treasury Bills		350,718	28,334
- Pakistan Investment Bonds		774,197	112,329
Overseas Government Bonds		170,371	121,594
Shares / Mutual Funds		257,113	746,901
Sukuk Bonds		54,352	49,009
		1,606,751	1,058,167

	Note	2015	2014
26 OTHER INCOME			
Gain on sale of operating fixed assets	11.4	11,519	170,526
Postage, telex service charges etc.		715,693	566,402
		727,212	736,928

	Note	2015	2014
27 ADMINISTRATIVE EXPENSES			
Non executive directors fee & allowances		91,967	83,683
Salaries, allowances, etc.	27.1	9,387,129	8,530,481
Charge for defined benefit plan	34.1.4	290,111	283,117
Contribution to defined contribution plan	35	295,929	266,536
Charge for employee stock option scheme	34.2	94,830	53,663
Rent, taxes, insurance, electricity, etc.		3,378,650	3,350,034
Legal and professional charges		415,550	324,334
Communications		734,923	732,657
Repairs and maintenance		1,526,509	1,159,163
Stationery and printing		404,747	458,718
Advertisement and publicity		858,512	553,775
Capital work-in-progress written off		-	13,761
Donations	27.2	57,638	32,695
Auditors' remuneration	27.3	21,874	21,859
Depreciation	11.2 & 27.4	1,809,454	1,636,518
Amortisation of intangible assets	11.3	272,179	267,702
Travelling, conveyance and fuel expenses		490,067	520,202
Entertainment		215,397	255,504
Subscription		31,120	37,185
Outsourced peons and riders expenses		274,063	245,745
Security service charges		837,761	771,697
Others		467,705	501,562
		21,956,115	20,100,591

27.1 In addition to the remuneration as disclosed in note 36 and note 40.10, payment of Rs. 128.310 million (2014: Rs. 120 million) on account of performance bonus for the year 2014 was made to the Chief Executive Officer.

27.2 Donations

	2015	2014
	(Rupees in '000)	
Acumen Fund Pakistan	-	4,208
Institute of Business Administration	22,000	-
Jaipur Foot	5,638	-
Karachi Education Initiative (KEI)	25,000	25,000
Network of Organizations Working for People with Disabilities - Pakistan	-	3,487
The Aga Khan University	5,000	-
	57,638	32,695

The CEO of the Bank is one of the directors of the KEI. Other than this none of the directors or their spouses had any interest in the donees.

27.3 Auditors' remuneration

	2015	2014
	(Rupees in '000)	
Audit fee	7,900	7,600
Half yearly review	1,900	1,700
Special certifications and sundry advisory services	5,328	6,106
Out-of-pocket expenses	1,051	812
	16,179	16,218
Fee for audit of foreign branches	5,695	5,641
	21,874	21,859

27.4 This includes an amount of Rs. 50.591 million on account of accelerated depreciation considered during the current year in respect of untraced / consumable items identified during the physical tagging exercise conducted by the Bank.

28 OTHER CHARGES

	Note	2015	2014
		(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan		42,892	17,690
Workers' Welfare Fund	28.1	286,897	188,672
		329,789	206,362

28.1 As per the Worker's Welfare Ordinance, 1971, the Bank is liable to pay Workers' Welfare Fund @ 2% of accounting profit before tax or declared income as per the income tax return, whichever is higher.

29 TAXATION

	Note	2015	2014
		(Rupees in '000)	
For the year			
Current		5,008,992	3,122,512
Deferred		(495,545)	(288,216)
For prior years			
Current	29.2	567,813	(470,833)
Deferred		-	509,252
		567,813	38,419
		5,081,260	2,872,715

29.1 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. The issue mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008 to 2013, the tax authorities have raised certain issues including disallowance of expenditure on account of non-deduction of withholding tax, default in payment of WWF, allocation of expenses to dividend and capital gains and dividend income from mutual funds not being taken under income from business, resulting in additional demand of Rs. 1,674.708 million. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 952.212 million whereas appeal effect orders are pending. The management's appeals in respect of allocation of expenses against dividend and capital gain are pending before Commissioner Appeals. 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 year, the Bank has received amended assessment orders for Tax Years from 2010 to 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 990.423 million. As a result of appeal filed before Commissioner Appeal, relief is provided to the Bank to the extent of principal amount which is part of Ijarah rentals and should not be taxed. Accordingly tax amount is reduced to Rs.96.160 million. The Bank has filed appeal before Appellate Tribunal. The Bank has not made any provision against these orders and the management is of the view that the matter will be settled in Bank's favour through appellate process.

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. As a result of appeal filed before Commissioner Appeals, relief has been provided for amounting to Rs. 10.024 million whereas appeal effect orders are pending. To obtain relief on rest of the amount, 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.

During the year, 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 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.

29.2 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 gains are 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 December 31, 2014. The effect of above amendments have been incorporated in these financial statements 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.

29.3 Relationship between tax expense and accounting profit	**2015**	**2014**
	(Rupees in '000)	
Profit before taxation	12,604,070	8,513,566
Tax at the applicable rate of 35% (2014: 35%)	4,411,425	2,979,748
Effect of:		
- income chargeable to tax at reduced rates	-	(198,015)
- permanent differences	15,012	6,192
- tax charge pertaining to overseas branches	88,715	84,799
- tax for prior years	567,813	38,419
- others	(1,705)	(38,428)
Tax expense for the year	5,081,260	2,872,715

	Note	2015	2014
		(Rupees in '000)	

30 EARNINGS PER SHARE

30.1 BASIC EARNINGS PER SHARE

	2015	2014
Profit after taxation for the year	7,522,810	5,640,851
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,589,281	1,378,741
	(Rupees)	
Basic earnings per share	4.73	4.09

30.2 DILUTED EARNINGS PER SHARE

	2015	2014
	(Rupees in '000)	
Profit after taxation for the year	7,522,810	5,640,851
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,596,665	1,378,741
	(Rupees)	
Diluted earnings per share	4.71	4.09

30.3 Reconciliation of basic and diluted earning per share

	2015	2014
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,589,281	1,378,741
Plus: Employee stock option scheme	6,044	-
Shares under agreement with International Finance Corporation	1,340	-
Dilutive potential ordinary shares	1,596,665	1,378,741

31 CASH AND CASH EQUIVALENTS

	Note	2015	2014
		(Rupees in '000)	
Cash and balances with treasury banks	6	62,368,790	50,515,641
Balances with other banks	7	16,552,207	11,934,893
Call money lendings		14,728,532	3,521,485
Overdrawn nostro accounts	15.2	(53,808)	(91,455)
		93,595,721	65,880,564

32 CREDIT RATING

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).

33 STAFF STRENGTH

	2015	2014
	(Number of employees)	
Permanent	7,565	7,509
Temporary / on contractual basis	233	276
Bank's own staff strength at the end of the year	7,798	7,785
Outsourced	2,482	2,731
Total staff strength	10,280	10,516

34 EMPLOYEE BENEFITS

34.1 DEFINED BENEFIT PLAN

34.1.1 Principal actuarial assumptions

The projected unit credit method, as required by the International Accounting Standard 19 - 'Employee Benefits', was used for actuarial valuation based on the following significant assumptions:

	2015	2014
Discount factor used	10.00%	11.25%
Expected rate of return on plan assets	10.00%	11.25%
Expected rate of salary increase	10.00%	11.25%
Normal retirement age	60 Years	60 Years

The disclosures made in notes 34.1 to 34.1.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2015.

34.1.2 Reconciliation of receivable from defined benefit plan

	Note	2015	2014
		(Rupees in '000)	
Present value of defined benefit obligations	34.1.6	1,743,133	1,770,352
Fair value of plan assets	34.1.7	(1,783,136)	(2,008,875)
		(40,003)	(238,523)

34.1.3 Movement in (receivable) / payable from defined benefit plan

	Note	2015	2014
Opening balance		(238,523)	118,522
Charge for the year - in profit and loss account	34.1.4	290,111	283,117
Other comprehensive Income		198,962	(357,045)
Adjustments		(442)	-
Bank's contribution to fund made during the year		(290,111)	(283,117)
Closing balance		(40,003)	(238,523)

34.1.4 Charge for defined benefit plan

	2015	2014
Recognised in profit and loss account		
Current service cost	332,822	250,607
Net interest	(42,711)	32,510
	290,111	283,117
Recognised in other comprehensive income		
Actuarial gain on obligations	252,372	267
Actuarial (loss) / gain on Assets	(451,334)	356,778
	(198,962)	357,045
Total	489,073	(73,928)

34.1.5 Actual return on plan assets

	2015	2014
Actual return on plan assets	225,357	517,750

34.1.6 Reconciliation of present value of obligation

	2015	2014
Present value of obligation as at January 1	1,770,352	1,547,856
Current service cost	332,822	250,607
Interest cost	182,824	193,482
Benefits paid	(290,493)	(221,326)
Remeasurement gain on obligation	(252,372)	(267)
Present value of obligation as at December 31	1,743,133	1,770,352

34.1.7 Changes in the fair value of plan assets are as follows:

	Note	2015	2014
		(Rupees in '000)	
Opening fair value of plan assets		2,008,875	1,429,334
Expected return		225,977	160,972
Contributions by the Bank		290,111	283,117
Benefits paid		(290,493)	(221,326)
Remeasurement (loss) / gain		(451,334)	356,778
Fair value at end of the year	34.1.8	1,783,136	2,008,875

34.1.8 Plan assets consist of the following:

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
Ordinary shares	366,896	21%	427,280	21%
Term Finance Certificates	27,572	2%	45,727	2%
Pakistan Investment Bonds	562,446	32%	876,333	44%
Units of mutual funds	301,916	17%	335,449	17%
Cash and bank balances	524,306	29%	324,086	16%
	1,783,136	100%	2,008,875	100%

34.1.9 Amount for the current year and the previous four years of the present value of the defined benefit obligation, the fair value of plan assets, surplus / (deficit) and experience adjustments arising thereon are as follows:

	2015	2014	2013	2012	2011
	(Rupees in '000)				
Defined benefit obligation	1,743,133	1,770,352	1,547,856	1,372,290	1,208,509
Fair value of plan assets	1,783,136	2,008,875	1,429,334	1,182,931	964,669
Surplus / (deficit)	40,003	238,523	(118,522)	(189,359)	(243,840)
Experience adjustments on plan liabilities	252,372	267	(56,337)	56,038	(23,654)
Experience adjustments on plan assets	(451,334)	356,778	127,174	(16,931)	(48,499)

34.1.10 Expected gratuity expense for the next year

Expected gratuity expense for the year ending December 31, 2016, works out to Rs. 260.795 million.

34.1.11 Sensitivity Analysis

Particulars	Present Value of Defined Benefit Obligation (Amount in '000)	Percentage Change
Current Liability	1,743,134	
+1% Discount Rate	1,541,085	-11.59%
-1% Discount Rate	1,986,975	13.99%
+1% Salary Increase Rate	1,984,563	13.85%
-1% Salary Increase Rate	1,539,398	-11.69%
+10% Withdrawal Rates	1,687,258	-3.21%
-10% Withdrawal Rates	1,819,787	4.40%
1 Year Mortality age set back	1,744,979	0.11%
1 Year Mortality age set forward	1,739,490	-0.21%

34.1.12 Maturity Profile

Particulars	Undiscounted Payments (Amounts in Rupees)
Year 1	135,123,035
Year 2	85,119,138
Year 3	73,043,659
Year 4	129,340,961
Year 5	105,294,377
Year 6 to Year 10	647,033,235

34.1.13 Risks Associated with Defined Benefit Plans

(a) Investment Risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

(b) Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

(c) Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

(d) Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

34.2 EMPLOYEES 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 December 31, 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	174	1,156
Options vested	N/A	3,554
Options exercised	N/A	2,563
Vested options carried forward	N/A	895
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. 10.10	Rs. 10.88

35 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute @ 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 295.929 million (2014: Rs. 266.536 million) in respect of this fund.

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	(Rupees in '000)					
Fee	-	-	91,967	83,683	-	-
Managerial remuneration - note 36.2	77,707	74,232	-	-	3,688,078	3,239,586
Post employment benefits	8,989	8,561	-	-	313,525	275,334
Rent and house maintenance	5,024	4,568	-	-	822,643	723,132
Utilities	5,394	5,138	-	-	209,335	186,080
	97,114	92,499	91,967	83,683	5,033,581	4,424,132
Number of persons*	1	1	8	5	1,773	1,576

*As a result of Election of Directors held during the year, three new non executive directors were appointed on the Board who replaced two of the outgoing non executive directors.

36.1 The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per Bank's policy.

36.2 Managerial remuneration includes bonus of executives except for Chief Executive bonus - also refer note 27.1. In addition, the Bank granted share options to its employees - refer note 34.2.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

37.1 The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2015										
	Carrying Amount							Fair value			
	HFT	AFS	HTM	Loans and Receivables	Subsidiaries & Associates	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	---(Rupees in '000)---										
Financial assets measured at fair value											
- Other assets											
Forward foreign exchange contracts	739,757	-	-	-	-	-	739,757	-	739,757	-	739,757
Interest rate swaps	1,888	-	-	-	-	-	1,888	-	1,888	-	1,888
- Investments											
Government Secrurities (Tbills, PIBs, GoP Sukuks, Overseas Govt. Sukkuk, Overseas and Euro bonds)	19,122,097	279,962,706	-	-	-	-	299,084,803	-	299,084,803	-	299,084,803
Overseas Bonds - others	-	3,638,213	-	-	-	-	3,638,213	-	3,638,213	-	3,638,213
Ordinary shares of listed companies	199,954	5,582,663	-	-	-	-	5,782,617	5,782,616	-	-	5,782,616
Debt securities (TFCs)	-	682,680	-	-	-	-	682,680	-	682,680	-	682,680
Sukuk-Other than Govt	-	2,424,212	-	-	-	-	2,424,212	-	2,424,212	-	2,424,212
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	62,368,790	-	-	62,368,790				
- Balances with other banks	-	-	-	16,552,207	-	-	16,552,207				
- Lending to financial institutions	-	-	-	53,628,870	-	-	53,628,870				
- Advances	-	-	-	327,297,821	-	-	327,297,821				
- Other assets	-	-	-	26,920,860	-	-	26,920,860				
- Investments											
Government Secrurities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)	-	-	77,515,845	-	-	-	77,515,845	-	80,144,714	-	80,144,714
Overseas Bonds - Others	-	-	266,822	-	-	-	266,822	-	-	-	-
Unlisted shares (Ordinary & Preference)	-	304,096	-	-	-	-	304,096	-	-	-	-
Sukuk-Other than Govt	-	37,242	3,720,532	-	-	-	3,757,774	-	3,721,244	-	3,721,244
Associates											
- Mutual Funds	-	-	-	-	496,672	-	496,672	-	553,269	-	553,269
- Ordinary shares of unlisted companies	-	-	-	-	1,837,513	-	1,837,513				
Subsidiaries											
- Mutual Funds	-	-	-	-	875,474	-	875,474	-	1,088,561	-	1,088,561
- Ordinary shares of unlisted companies	-	-	-	-	430,493	-	430,493				
	20,063,696	292,631,812	81,503,199	486,768,548	3,640,152	-	884,607,407				
Financial liabilities measured at fair value											
- Other liabilities											
Forward foreign exchange contracts	729,875	-	-	-	-	-	729,875	-	729,875	-	729,875
Interest rate swaps	88,804	-	-	-	-	-	88,804	-	88,804	-	88,804
Financial liabilities not measured at fair value											
- Bills Payable	-	-	-	-	-	9,733,929	9,733,929				
- Borrowings	-	-	-	-	-	172,393,198	172,393,198				
- Deposits and other accounts	-	-	-	-	-	640,188,735	640,188,735				
- Subordinated loans	-	-	-	-	-	9,983,000	9,983,000				
- Other liabilities	-	-	-	-	-	13,333,516	13,333,516				
	818,679	-	-	-	-	845,632,378	846,451,057				

	2014										
	Carrying Amount							Fair value			
	HFT	AFS	HTM	Loans and Receivables	Subsidiaries & Associates	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	----------(Rupees in '000)----------										
On balance sheet financial instruments											
Financial assets measured at fair value											
- Other assets											
Forward foreign exchange contracts	1,105,710	-	-	-	-	-	1,105,710	-	1,105,710	-	1,105,710
Interest rate swaps	7,153	-	-	-	-	-	7,153	-	7,153	-	7,153
- Investments											
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	21,456,052	205,142,193	-	-	-	-	226,598,245	-	226,598,245	-	226,598,245
Overseas Bonds - others	-	2,752,797	-	-	-	-	2,752,797	-	2,752,797	-	2,752,797
Ordinary shares of listed companies / mutual funds	-	5,495,559	-	-	-	-	5,495,559	5,164,273	331,286	-	5,495,559
Debt securities (TFCs)	-	1,139,233	-	-	-	-	1,139,233	-	1,139,233	-	1,139,233
Sukuk-Other than Govt	-	2,558,884	-	-	-	-	2,558,884	-	2,558,884	-	2,558,884
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	50,515,643	-	-	50,515,643				
- Balances with other banks	-	-	-	12,331,713	-	-	12,331,713				
- Lending to financial instruments	-	-	-	18,313,485	-	-	18,313,485				
- Advances	-	-	-	290,597,237	-	-	290,597,237				
- Other assets	-	-	-	27,345,128	-	-	27,345,128				
- Investments											
Government Secrurities (Tbills, PIBs, GoP Sukuks and Eurobonds)	-	-	78,954,362	-	-	-	78,954,362	-	81,466,591	-	81,466,591
Overseas Bonds - Others	-	-	-	-	-	-	-	-	-	-	-
Unlisted shares (Ordinary & Preference)	-	304,096	-	-	-	-	304,096				
Sukuk-Other than Govt	-	82,759	3,547,019	-	-	-	3,629,778	-	3,547,019	-	3,547,019
Debt securities (TFCs)	-	6,990	34,586	-	-	-	41,576		34,586		34,586
Associates											
- Mutual Funds	-	-	-	-	950,000	-	950,000	-	1,042,544	-	1,042,544
- Ordinary shares of unlisted companies	-	-	-	-	414,042	-	414,042				-
Subsidiaries											
- Mutual Funds	-	-	-	-	1,350,390	-	1,350,390	-	1,551,110	-	1,551,110
- Ordinary shares of unlisted companies	-	-	-	-	130,493	-	130,493	-	-	-	-
	22,568,915	217,482,511	82,535,967	399,103,206	2,844,924	-	724,535,523				
Financial liabilities measured at fair value											
- Other liabilities											
Forward foreign exchange contracts	1,416,275	-	-	-	-	-	1,416,275	-	1,416,275	-	1,416,275
Interest rate swaps	24,821	-	-	-	-	-	24,821	-	24,821	-	24,821
Financial liabilities not measured at fair value											
- Bills Payable	-	-	-	-	-	11,758,155	11,758,155				
- Borrowings	-	-	-	-	-	55,232,916	55,232,916				
- Deposits and other accounts	-	-	-	-	-	605,963,224	605,963,224				
- Subordinated loans	-	-	-	-	-	9,987,000	9,987,000				
- Other liabilities	-	-	-	-	-	12,551,097	12,551,097				
	1,441,096	-	-	-	-	695,492,392	696,933,488				

37.2 Fixed assets have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 11. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2015			
	Trading & sales	Retail banking	Corporate / commercial banking	Total
	---------------- (Rupees in '000) ---------------			
Segment income	39,302,126	6,969,613	24,027,688	70,299,427
Inter-segment income	(18,392,072)	27,876,950	(9,484,878)	-
Segment expenses	12,188,719	31,916,615	13,590,023	57,695,357
Profit before tax	8,721,335	2,929,948	952,787	12,604,070
Segment assets	445,660,369	128,165,208	328,781,944	902,607,521
Segment non-performing loans	-	463,093	17,992,306	18,455,399
Segment provision required against loans and advances	-	1,039,331	15,153,128	16,192,459
Segment liabilities	155,037,953	555,406,805	138,809,588	849,254,346
Segment return on assets (ROA) (%)*	1.71%	0.49%	0.17%	0.79%
Segment cost of funds (%)*	6.75%	6.20%	5.37%	6.12%

	2014			
	Trading & sales	Retail banking	Corporate / commercial banking	Total
	---------------- (Rupees in '000) ---------------			
Segment income	30,633,653	6,656,165	26,964,476	64,254,294
Inter-segment income	(22,074,385)	32,388,441	(10,314,056)	-
Segment expenses	6,881,132	33,084,253	15,775,343	55,740,728
Profit before tax	1,678,136	5,960,353	875,077	8,513,566
Segment assets - net	337,370,134	111,857,434	293,900,725	743,128,293
Segment non-performing loans	-	579,750	18,832,513	19,412,263
Segment provision required against loans and advances	-	900,882	13,349,928	14,250,810
Segment liabilities	40,712,656	522,427,051	135,169,518	698,309,225
Segment return on assets (ROA) (%)*	0.55%	1.01%	0.16%	0.65%
Segment cost of funds (%)*	9.25%	8.69%	8.00%	8.59%

* Based on Average Asset and Average Funds

39 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the Bank is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

40 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.

Details of transactions with related parties and balances with them as at the year-end other than disclosed elsewher are as follows:

40.1 Deposits

	2015					
	Directors	Key management personnel	Group companies / Others	Subsidiaries / Associates	Strategic investments	Total
	(Rupees in '000)					
Balance at beginning of the year	38,398	71,170	5,054,205	486,239	18	5,650,030
Placements during the year	168,409	1,271,256	81,788,021	31,744,672	-	114,972,358
Withdrawals / adjustments* during the year	(191,982)	(1,222,145)	(80,747,195)	(31,828,818)	-	(113,990,140)
Balance at end of the year	14,825	120,281	6,095,031	402,093	18	6,632,248

	2014					
	(Rupees in '000)					
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

40.2 Advances

	2015					
	(Rupees in '000)					
Balance at beginning of the year	-	280,630	3,828,522	30,000	-	4,139,152
Disbursements during the year	-	324,922	22,147,792	22,000	-	22,494,714
Repayments / adjustments* during the year	-	(277,272)	(19,636,864)	(52,000)	-	(19,966,136)
Balance at end of the year	-	328,280	6,339,450	-	-	6,667,730

	2014					
	(Rupees in '000)					
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

40.3 Investments

	2015					
	(Rupees in '000)					
Balance at beginning of the year	-	-	4,366,796	3,670,925	50,000	8,087,721
Investments during the year	-	-	-	1,723,470	-	1,723,470
(Redemptions) / adjustments* during the year	-	-	300,000	(928,243)	-	(628,243)
Balance at end of the year	-	-	4,666,796	4,466,152	50,000	9,182,948
Provisions held against investments	-	-	4,366,796	826,000	50,000	5,242,796

	2014					
	(Rupees in '000)					
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
Provisions held against investments	-	-	4,366,796	826,000	50,000	5,242,796

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

	Directors	Key management personnel	Group companies / Others	Subsidiaries / Associates	Strategic investments	Total
	2015					
40.4 Call borrowings / Repo	---- (Rupees in '000) ----					
Balance at beginning of the year	-	-	-	-	-	-
Borrowings during the year	-	-	1,300,000	-	-	1,300,000
Repayments during the year	-	-	(1,300,000)	-	-	(1,300,000)
Balance at end of the year	-	-	-	-	-	-
	2014					
	---- (Rupees in '000) ----					
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	-	-	-	-	-	-
	2015					
40.5 Call lendings / Reverse Repo	---- (Rupees in '000) ----					
Balance at beginning of the year	-	-	-	-	-	-
Placements during the year	-	-	17,825,000	-	-	17,825,000
Withdrawals during the year	-	-	(17,825,000)	-	-	(17,825,000)
Balance at end of the year	-	-	-	-	-	-
	2014					
	---- (Rupees in '000) ----					
Balance at beginning of the year	-	-	-	-	-	-
Placements during the year	-	-	-	-	-	-
Withdrawals during the year	-	-	-	-	-	-
Balance at end of the year	-	-	-	-	-	-

	2015	2014
40.6 Advances	(Rupees in '000)	
Running finance	760,958	2,698,691
Long term loans	5,906,772	1,440,461
40.7 Contingencies and commitments		
Letters of credit, acceptance & Guarantees outstanding	3,134,931	1,809,608
40.8 Customer accounts		
PLS accounts	3,304,579	3,612,686
Current accounts	1,059,518	1,455,725
Fixed deposit accounts	2,268,151	581,619
40.9 Transactions with Subsidiaries / Associates and Others		
Subsidiaries / Associates		
Mark-up income on advances	36,254	-
Mark-up expense on deposits	46,283	32,814
Mark-up paid to Alfalah GHP Income Multiplier Fund on TFCs Issued	648	346
Mark-up paid to Alfalah GHP Income Fund (Formerly: IGI Income Fund) on TFCs issued	9,316	5,384
Advance against issue of shares to Saphhire Wind Power Company Limited	112,350	-
Brokerage expense pertaining to Alfalah Securities (Private) Limited	680	535
Rent Income from Alfalah Securities (Private) Limited	1,368	1,304
Rent income from Alfalah GHP Investment Management Limited	-	324
Rent Income from Alfalah Insurance Limited	1,997	1,997
Insurance premium paid to Alfalah Insurance Company Limited	533,948	460,811
Dividend paid to Alfalah Insurance Company Limited	1,000	1,000
Dividend received from Alfalah Insurance Company Limited	5,311	-
Dividend received from Alfalah GHP Value Fund	22,434	28,738
Dividend received from Alfalah GHP Cash Fund	47,082	36,749
Dividend received from Alfalah GHP Islamic Stock Fund	40,867	83,800
Dividend received from Alfalah GHP Income Multiplier Fund	23,284	27,650
Dividend received from Alfalah GHP Sovereign Fund	26,944	2,303
Revenue from Alfalah GHP Investment Management Limited against sale of units	68,739	58,835
Purchase of miscellaneous items from Alfalah GHP Investment Management Limited	170	-
Capital Gain on sale of units of Alfalah GHP Money Market Fund	46,672	-
Capital Gain on sale of units of Alfalah GHP Cash Fund	25,085	-
Reversal of provision against rent receivable from Alfalah Securities (Private) Limited	9,147	-
Investment made during the year in Apollo Pharma Limited	790,400	-

In addition to these, the remuneration paid to the outgoing CEO and certain expenses of Alfalah Securities (Private) Limited were paid by the Bank for a part of the year.

	2015	2014
	(Rupees in '000)	
Others		
Mark-up income on advances	421,942	392,545
Mark-up expense on deposits	261,949	168,185
Rent income from Wateen Telecom Limited	1,766	13,064
Rent income from Warid Telecom (Private) Limited	16,937	17,522
Rent expense pertaining to Wateen Telecom Limited	11,200	11,400
Interest received on placements with Silk Bank	5,061	-
Mark-up paid to Taavun (Private) Limited on TFCs issued	74,845	37,433
Mark-up paid to Key Management Personnel on TFCs Issued	26,108	13,161
Interest paid on Borrowings from Silk Bank	372	-
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	464	470
Payment to Wateen Telecom Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	143,993	110,969
Payment to Monet (Private) Limited for Branchless banking services	197,588	110,809
Payment to Al-Qudees & Co	27,505	-
Payment to Intelligens Financials	3,407	-
Payment to Sundar Interiors & Architects	57,412	-
Payment to Timber Links	10,428	-
Payment to Expressive Safety & Security Solutions	7,540	-
Payment to Olive International (Private) Limited	6,590	-
Payment to Computer Marketing Co. (Private) Limited.	11,396	-
Payment to K-Tabs	19,345	-
Payment to MEC Engineer	2,894	-
Payment to Printeria	40,321	-
Charge for security services to Wackenhut Pakistan (Private) Limited	136,393	314,008
Contribution to gratuity fund	290,111	283,117
Contribution to employees provident fund	295,929	266,536
Commission received from Warid Telecom (Private) Limited	9,656	8,756

40.10 Balances with Subsidiaries / Associates and Others

	2015	2014
Subsidiaries / Associates		
Mark-up receivable on advances from Alfalah Securities (Private) Limited	-	33,423
Advance Rent from Alfalah Insurance Company Limited	1,955	-
Rent receivable from Alfalah Securities (Private) Limited	577	9,147
Brokerage payable to Alfalah Securities (Private) Limited	46	12
TFCs held by Alfalah GHP Income Multiplier Fund	6,119	6,121
TFCs held by Alfalah GHP Income Fund	87,899	87,935
Others		
Mark-up suspended on advances to Warid Telecom (Private) Limited	42,582	22,300
Mark-up suspended on advances to Wateen Telecom (Private) Limited	644,122	441,119
Advance Rent from Wateen Telecom Limited	-	589
Advance Rent from Warid Telecom Limited	8,206	9,005
Rent payable to Wateen Telecom Limited	750	950
TFCs held by Taavun (Private) Limited	498,800	499,000
TFCs held by Key Management Personnel	186,591	161,466

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

	2015	2014
Salaries and allowances (also refer note 27.1)	1,156,757	1,062,321
Fair value charge against employee stock option scheme	94,830	53,663

In addition, the Chief Executive and certain Executives are provided with Bank maintained cars and other benefits.

41 CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Applications

Amounts subject to Pre - Basel III treatment

The Basel-III Framework is applicable to the Bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and also on a stand alone basis. As mentioned in Note 5.1, subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method whereas associates in which the bank has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, Basic Indicator Approach (BIA) up to the extent of 80% is used for Operational Risk Capital Adequacy purpose.

41.2 Capital Management

41.2.1 Objectives and goals of managing capital

The Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

41.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion in a phased manner from the financial year December 2013. The paid up capital of the Bank for the year ended December 31, 2015 stands at Rs. 15.898 billion and is in compliance with the SBP requirement for the said year.

The capital adequacy ratio of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No	Ratio	2014	2015	2016	2017	2018	31-Dec-19
1	CET 1	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
2	ADT 1	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
3	Tier 1	7.0%	7.5%	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
5	*CCB	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

* Capital conservative buffer

41.2.3 Bank's regulatory capital is analysed into three tiers

Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 41.4).

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1 (refer to note 41.4).

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), gross reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, further in the current year additional benefit of revaluation reserves (net of tax effect) is availed at the rate of 40% per annum for the remaining portion of 55% of revaluation reserve and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer to note 41.4).

The required capital adequacy ratio (10.25% of the risk-weighted assets) is achieved by the Bank through improvement in the capital base, asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/ view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations. The Bank remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

41.2.4 Leverage Ratio

The leverage ratio of the Bank as at December 31, 2015 is 3.41% (2014: 3.90%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2015; Total Tier 1 capital of the Bank amounts to Rs. 36,850,340 thousand (2014: Rs. 33,399,121 thousand) whereas the total exposure measure amounts to Rs. 1,079,543,383 thousand (2014: Rs. 856,284,868 thousand).

Shift in leverage ratio is mainly due to increase in advances, investments and unconditionally cancellable commitments.

41.3 Capital Adequacy

Bank's approach for assessing the adequacy of the capital to support current and future business operations based on the following:

a. Capital Adequacy play the key consideration for not only arriving at the business projections / plans but is religiously monitored while undertaking transactions.

b. During the stress years the bank controlled its business growth to keep buffer for unusual circumstances and also the new capital adequacy regime. Since Bank has demonstrated its resilience to meet the challenges of stress situation and to meet new capital adequacy standards, the bank is now following controlled growth strategy. The TFC was issued to support the growth but gradually the bank is enriching the Tier 1 capital while ensuring regular dividend to share holders.

c. The Capital base forms the very basic foundation of business plans. The capital base is sufficient to support the envisaged business growth and this would be monitored regularly.

d. Current and potential risk exposures across all the major risk types are:

Risk Type	Materiality Level for Bank– High/ Medium/Low	Adequacy of controls (Adequate / Partially adequate/ Not adequate)
Credit	High	Adequate
Market	High	Adequate
Operational	High	Adequate
Model	Low	Adequate
Concentration	Medium	Adequate
Interest rate risk in Banking Book	High	Adequate
Liquidity	High	Adequate
Country	Medium	Adequate
Reputation	Medium	Adequate
Strategic / Business	Medium	Adequate
Legal Risk	Medium	Adequate

e. As per the ICAAP exercise bank's CAR, with all shock incorporated falls below the required level of 12.25%. Despite of this figure we feel that the outlook of the bank is stable due to following mitigants:

i. The probability of all shocks materializing at the same time is remote given that fact that Banks' risk management is activities are more prudent.
ii. Increasing CASA deposits in line with branch network.
iii. Better recoveries of existing NPLs and more controlled lending.
iv. Increasing returns on advances.
v. With improvements in capital markets, Bank would always have the opportunity to tap fresh capital.

f. The bank enjoys strong sponsor support from Abu Dhabi Group, and more recently, IFC has acquired a 15% stake in the Bank. This alliance has further solidified the Bank's position and indicates increased investor confidence. The Bank has successfully managed five TFC issues in the past, two of which are currently in issue. These are indicative of the bank's capacity to raise capital where required.

g. Presently there is no model for determining economic capital requirement. Bank follows Standardised approach for Credit & Market Risk, and Basic Indicator approach for Operational Risk. The assessment of capital adequacy is based on regulatory requirements.

41.4 Capital Adequacy Ratio as at December 31, 2015

			2015	2014
			(Rupees in '000)	
	Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP		15,898,062	15,872,427
2	Balance in Share Premium Account		4,329,648	4,285,556
3	Reserve for issue of Bonus Shares		-	-
4	Discount on Issue of shares		-	-
5	General/ Statutory Reserves		8,261,506	6,690,005
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
7	Unappropriated/unremitted profits/ (losses)		12,362,596	9,613,374
8	subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-
9	**CET 1 before Regulatory Adjustments**		**40,851,812**	**36,461,362**
10	Total regulatory adjustments applied to CET1 (Note 41.4.1)		4,001,472	3,062,241
11	**Common Equity Tier 1**		**36,850,340**	**33,399,121**
	Additional Tier 1 (AT 1) Capital			
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		-	-
13	of which: Classified as equity		-	-
14	of which: Classified as liabilities		-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		-	-
16	of which: instrument issued by subsidiaries subject to phase out		-	-
17	**AT1 before regulatory adjustments**		-	-
18	Total regulatory adjustment applied to AT1 capital (Note 41.4.2)		410,987	266,449
19	Additional Tier 1 capital after regulatory adjustments		-	-
20	**Additional Tier 1 capital recognized for capital adequacy**		-	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**		**36,850,340**	**33,399,121**
	Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		4,989,000	4,991,000
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		465,454	1,330,027
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		-	-
25	of which: instruments issued by subsidiaries subject to phase out		-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		780,744	685,997
27	Revaluation Reserves (net of taxes)	c=a+b	**7,322,026**	**3,917,335**
28	of which: Revaluation reserves on fixed assets	a	3,053,524	1,718,611
29	of which: Unrealized gains/losses on AFS	b	4,268,502	2,198,724
30	Foreign Exchange Translation Reserves		1,572,966	1,362,465
31	Undisclosed/Other Reserves (if any)		-	-
32	**T2 before regulatory adjustments**		**15,130,190**	**12,286,824**
33	Total regulatory adjustment applied to T2 capital (Note 41.4.3)		1,023,572	1,196,309
34	Tier 2 capital (T2) after regulatory adjustments		14,106,618	11,090,515
35	Tier 2 capital recognized for capital adequacy		14,106,618	11,090,515
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
37	Total Tier 2 capital admissible for capital adequacy		14,106,618	11,090,515
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**		**50,956,958**	**44,489,636**
39	**Total Risk Weighted Assets (RWA) {for details refer Note 41.7}**		**380,194,525**	**348,832,775**
	Capital Ratios and buffers (in percentage of risk weighted assets)			
40	**CET1 to total RWA**		**9.69%**	**9.57%**
41	**Tier-1 capital to total RWA**		**9.69%**	**9.57%**
42	**Total capital to total RWA**		**13.40%**	**12.75%**
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		6.25%	5.50%
44	of which: capital conservation buffer requirement		0.25%	-
45	of which: countercyclical buffer requirement		-	-
46	of which: D-SIB or G-SIB buffer requirement		-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)		3.69%	4.07%
	National minimum capital requirements prescribed by SBP			
48	**CET1 minimum ratio**		**6.00%**	**5.50%**
49	**Tier 1 minimum ratio**		**7.50%**	**7.00%**
50	**Total capital minimum ratio (Inclusive of 0.25% CCB for 2015)**		**10.25%**	**10.00%**

	Regulatory Adjustments and Additional Information	2015 Amount	2015 Amounts subject to Pre- Basel III treatment*	2014 Amount	2014 Amounts subject to Pre- Basel III treatment*
		Rupees in '000			
41.4.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)	-		-	
2	All other intangibles (net of any associated deferred tax liability)	1,331,250		1,138,633	
3	Shortfall in provisions against classified assets	-		-	
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,612,800	2,419,201	707,971	2,831,884
5	Defined-benefit pension fund net assets	16,001		-	
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	630,434		629,534	
7	Cash flow hedge reserve	-		-	
8	Investment in own shares/ CET1 instruments	-		319,654	
9	Securitization gain on sale	-		-	
10	Capital shortfall of regulated subsidiaries	-		-	
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-	
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-	
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
15	Amount exceeding 15% threshold	-		-	
16	of which: significant investments in the common stocks of financial entities	-		-	
17	of which: deferred tax assets arising from temporary differences	-		-	
18	National specific regulatory adjustments applied to CET1 capital	-		-	
19	Investments in TFCs of other banks exceeding the prescribed limit	-		-	
20	Any other deduction specified by SBP (mention details)	-		-	
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	410,987		266,449	
22	**Total regulatory adjustments applied to CET1 (sum of 1 to 21)**	**4,001,472**		**3,062,241**	
41.4.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]			166,708	
24	Investment in own AT1 capital instruments	-		-	
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-	
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	410,987	(410,987)	99,741	(99,741)
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-	
30	**Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)**	**410,987**		**266,449**	
41.4.3	**Tier 2 Capital: regulatory adjustments**				
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	410,987	(410,987)	99,741	(99,741)
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	611,920		1,065,736	
33	Investment in own Tier 2 capital instrument	665		30,832	
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	
36	**Total regulatory adjustment applied to T2 capital (sum of 31 to 35)**	**1,023,572**		**1,196,309**	

*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.

41.4.4 Additional Information

		2015	2014
		Rupees in '000	
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	316,804,185	292,684,864
(i)	of which: deferred tax assets	2,419,201	2,831,884
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	364,877	766,359
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	821,974	(199,483)
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	222,688	375,665
39	Significant investments in the common stock of financial entities	547,983	199,483
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	780,744	685,997
42	Cap on inclusion of provisions in Tier 2 under standardized approachs	4,752,432	4,360,410
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

41.5 Capital Structure Reconciliation

Table: 41.5.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2015	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	62,368,790	62,368,790
Balances with other banks	16,552,207	16,552,207
Lending to financial institutions	53,628,870	53,628,870
Investments	397,097,214	397,097,214
Advances	327,297,821	327,297,821
Operating fixed assets	17,241,968	17,241,968
Deferred tax assets	-	-
Other assets	28,420,651	28,420,651
Total assets	**902,607,521**	**902,607,521**
Liabilities & Equity		
Bills payable	9,733,929	9,733,929
Borrowings	172,393,198	172,393,198
Deposits and other accounts	640,188,735	640,188,735
Sub-ordinated loans	9,983,000	9,983,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	1,824,054	1,824,054
Other liabilities	15,131,430	15,131,430
Total liabilities	**849,254,346**	**849,254,346**
Share capital / Head office capital account	15,898,062	15,898,062
Reserves	14,164,120	14,164,120
Unappropriated / Unremitted profit/ (losses)	12,362,596	12,362,596
Minority Interest	-	-
Surplus on revaluation of assets	10,928,397	10,928,397
Total equity	53,353,175	53,353,175
Total liabilities & equity	**902,607,521**	**902,607,521**

Table: 41.5.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2015		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	62,368,790	62,368,790	
Balances with other banks	16,552,207	16,552,207	
Lending to financial institutions	53,628,870	53,628,870	
Investments	397,097,214	397,097,214	
- of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	600,887	600,887	a
- of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	547,983	547,983	b
- of which: Mutual Funds exceeding regulatory threshold	-	-	c
- of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	1,234,916	1,234,916	d
- of which: others (mention details)	394,713,429	394,713,429	e
Advances	327,297,821	327,297,821	
- shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
- general provisions reflected in Tier 2 capital	780,744	780,744	g
Fixed Assets	17,241,968	17,241,968	
of which: Intangibles	1,331,250	1,331,250	k
Deferred Tax Assets	-	-	
- of which: DTAs that rely on future profitability excluding those arising from temporary differences	4,032,001	4,032,001	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	28,420,651	28,420,651	
- of which: Goodwill	-	-	j
- of which: Defined-benefit pension fund net assets	40,002	40,002	l
Total assets	**902,607,521**	**902,607,521**	
Liabilities & Equity			
Bills payable	9,733,929	9,733,929	
Borrowings	172,393,198	172,393,198	
Deposits and other accounts	640,188,735	640,188,735	
Sub-ordinated loans	9,983,000	9,983,000	
- of which: eligible for inclusion in AT1	-	-	m
- of which: eligible for inclusion in Tier 2	5,454,454	5,454,454	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,824,054	1,824,054	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	-	-	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	15,131,430	15,131,430	
Total liabilities	**849,254,346**	**849,254,346**	
Share capital	**15,898,062**	**15,898,062**	
- of which: amount eligible for CET1	15,898,062	15,898,062	s
- of which: amount eligible for AT1	-	-	t
Reserves	**14,164,120**	**14,164,120**	
- of which: portion eligible for inclusion in CET1(provide breakup)	12,591,154	12,591,154	u
- of which: portion eligible for inclusion in Tier 2	1,572,966	1,572,966	v
Unappropriated profit/ (losses)	**12,362,596**	**12,362,596**	w
Minority Interest	-	-	
- of which: portion eligible for inclusion in CET1	-	-	x
- of which: portion eligible for inclusion in AT1	-	-	y
- of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	**10,928,397**	**10,928,397**	
- of which: Revaluation reserves on Fixed Assets	4,557,499	4,557,499	aa
- of which: Unrealized Gains/Losses on AFS	6,370,898	6,370,898	
- In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total equity	**53,353,175**	**53,353,175**	
Total liabilities & equity	**902,607,521**	**902,607,521**	

	Table: 41.5.3	Component of regulatory capital reported by bank 2015 Rupees in '000	Source based on reference number from step 2
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	15,898,062	(s)
2	Balance in Share Premium Account	4,329,648	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	8,261,506	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	12,362,596	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	CET 1 before Regulatory Adjustments	**40,851,812**	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	1,331,250	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,612,800	{(h) - (r} * 40%
13	Defined-benefit pension fund net assets	16,001	{(l) - (q)} * 40%
14	Reciprocal cross holdings in CET1 capital instruments	630,434	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	410,987	
30	**Total regulatory adjustments applied to CET1 (sum of 9 to 29)**	**4,001,472**	
31	**Common Equity Tier 1**	**36,850,340**	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	**AT1 before regulatory adjustments**	-	
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	410,987	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	**Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 43)**	**410,987**	
46	**Additional Tier 1 capital**	-	
47	**Additional Tier 1 capital recognized for capital adequacy**	-	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	**36,850,340**	

	Table: 41.5.3	Component of regulatory capital reported by bank	Source based on reference number from step 2
		2015	
		Rupees in '000	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	4,989,000	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	465,454	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	780,744	(g)
54	Revaluation Reserves	**7,322,026**	
55	of which: Revaluation reserves on fixed assets	3,053,524	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	4,268,502	
57	Foreign Exchange Translation Reserves	1,572,966	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	**T2 before regulatory adjustments**	**15,130,190**	
	Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	410,987	
61	Reciprocal cross holdings in Tier 2 instruments	611,920	
62	Investment in own Tier 2 capital instrument	665	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	**Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)**	**1,023,572**	
66	Tier 2 capital (T2)	14,106,618	
67	Tier 2 capital recognized for capital adequacy	14,106,618	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	**Total Tier 2 capital admissible for capital adequacy**	**14,106,618**	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**50,956,958**	

41.6 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments				
S. No.	**Main Features**	**Common Shares**	**Instrument - 2**	**Instrument - 3**
1	Issuer	Bank Alfalah Limited	Bank Alfalah Limited	Bank Alfalah Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BAFL	BAFL	BAFL TFC5
3	Governing law(s) of the instrument	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan
	Regulatory treatment			
4	Transitional Basel III rules	Commom Equity Tier 1	Tier 2	Tier 2
5	Post-transitional Basel III rules	Commom Equity Tier 1	Ineligible	Ineligible
6	Eligible at solo/ group/ group&solo	Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Subordinated debt	Subordinated debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	15,898,062	531,947	4,989,000
9	Par value of instrument	Rs. 10	Rs. 5,000	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability	Liability
11	Original date of issuance	21-Jun-92	Dec 2009	Feb 19 & 20, 2013
12	Perpetual or dated	NA	Dated	Dated
13	Original maturity date	NA	Dec 2017	Feb 2021
14	Issuer call subject to prior supervisory approval	NA	NA	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend/ coupon		Fixed to floating	Floating
18	Coupon rate and any related index/ benchmark	NA	Option 1: Fixed at 15.50% per annum Option 2: 6 Months KIBOR plus 250 basis points per annum	Floating at 6 Months KIBOR*(Base Rate) plus 125 basis points per annum without any floor or CAP
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No	No
22	Noncumulative or cumulative	NA	Cumulative	Cumulative
23	Convertible or non-convertible	NA	Non convertible	Convertible
24	If convertible, conversion trigger (s)	NA	NA	At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
25	If convertible, fully or partially	NA	NA	May convert fully or partially
26	If convertible, conversion rate	NA	NA	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	NA	NA	Optional
28	If convertible, specify instrument type convertible into	NA	NA	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	NA	NA	BAFL
30	Write-down feature	No	NA	Yes
31	If write-down, write-down trigger(s)	NA	NA	At the option of supervisor it can be either written off upon occurrence of a certain trigger event , called point of non viability(PONV). The PONV is the earlier of;
				1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable.
				2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
32	If write-down, full or partial	NA	NA	either may be written-down fully or may be written down partially;
33	If write-down, permanent or temporary	NA	NA	Temporary
34	If temporary write-down, description of write-up mechanism	NA	NA	As may be determined by reversal of trigger event and subject to regulator's approval
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	NA	Deposits	Deposits
36	Non-compliant transitioned features	NA	NA	No
37	If yes, specify non-compliant features	NA	NA	N/A

41.7 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements 2015	Capital Requirements 2014	Risk Weighted Assets 2015	Risk Weighted Assets 2014
	(Rupees in '000)			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash & cash equivalents	-	-	-	-
Sovereign	2,969,180	2,674,766	28,967,616	26,747,666
Public Sector entities	986,853	704,951	9,627,832	7,049,507
Banks	1,124,334	731,522	10,969,116	7,315,216
Corporate	15,706,091	14,492,390	153,230,159	144,923,900
Retail	3,220,789	2,713,698	31,422,330	27,136,983
Residential Mortgages	313,969	289,536	3,063,114	2,895,356
Past Due loans	266,037	615,311	2,595,479	6,153,105
Operating Fixed Assets	1,630,849	1,460,147	15,910,718	14,601,467
Other assets	1,425,225	1,376,581	13,904,637	13,765,814
	27,643,327	**25,058,901**	**269,691,001**	**250,589,014**
Portfolios subject to Internal Rating Based (IRB) Approach e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees	936,061	1,247,267	9,132,300	12,472,665
Acceptances	1,143,764	925,566	11,158,670	9,255,660
Performance Related Contingencies	825,039	808,111	8,049,163	8,081,114
Trade Related Contingencies	830,617	724,375	8,103,584	7,243,755
	3,735,481	**3,705,319**	**36,443,717**	**37,053,194**
Market related				
Foreign Exchange contracts	57,548	110,542	561,441	1,105,419
Derivatives	2,770	2,692	27,026	26,917
	60,318	**113,234**	**588,467**	**1,132,336**
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	516,131	438,006	5,035,426	4,380,065
Unlisted Equity Investment	886,792	292,902	8,651,626	2,929,016
	1,402,923	**730,908**	**13,687,052**	**7,309,081**
Under Internal models approach	-	-	-	-
	32,842,049	**29,608,361**	**320,410,237**	**296,083,625**
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	297,976	577,561	3,724,700	7,219,513
Equity position risk	31,993	15,104	399,913	188,800
Foreign Exchange risk	886,466	118,636	11,080,825	1,482,950
	1,216,435	**711,301**	**15,205,438**	**8,891,263**
Capital Requirement for portfolios subject to Internal Models Approach				
Operational Risk (Restricted to 80% of Basic Indicator Approach)*				
Capital Requirement for operational risks	**3,566,308**	**3,508,631**	**44,578,850**	**43,857,888**
Total Risk Weighted Exposures	**37,624,792**	**33,828,293**	**380,194,525**	**348,832,775**

* During the previous year SBP has accorded approval to the bank vide SBP letter No. BPRD/ BA&CP/ 614/ 17838/2013 dated December 03, 2013 for adoption of ASA based on the following capital floor i.e, operational risk charge under ASA should not fall below a certain percentage of operational risk capital charge calculated under Basic Indicator Approach (BIA)

Capital Floor (for operational risk capital charge only)		
December 2013 - December 2014	**Year 2015**	**Year 2016**
90%	80%	70%

Capital Adequacy Ratios	2015		2014	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	9.69%	5.50%	9.57%
Tier-1 capital to total RWA	7.50%	9.69%	7.00%	9.57%
Total capital to total RWA	10.25%	13.40%	10.00%	12.75%

42 RISK MANAGEMENT

The variety of business activities undertaken by the Bank requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To complement CMC and to supervise risk management activities within their respective scopes, CMC has further established sub-committes such as Assets & Liabilities Committee (ALCO), Investment Committee, Principal Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies & procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, IT security risk and environment & social risk.

42.1 Credit risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure to this credit risk. The Bank's credit risk management philosophy is based on Bank's overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately rated, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Bank has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate banking, Islamic banking, commercial & SME banking, agricultural financing, and overseas operations.

The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Risk Management Division.

A sophisticated internal credit rating system has been developed by the Bank, which is capable of quantifying counter-party & transaction risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates an internal rating vis-à-vis anticipated customer behaviour. It also includes facility rating system in line with SBP's guidelines. Providing estimated LGD (Loss Given Default), this has been implemented in Corporate Banking and Retail & Middle Market segments with other business units to follow. Furthermore, this system has an integrated loan origination module, which is currently being used in corporate banking and Retail & Middle Market segments; roll out is in progress in other business units. The system is continuously reviewed for best results in line with the State Bank of Pakistan's guidelines for Internal Credit Rating and Risk Management. Moreover, the system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to generate the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions. The system has been rolled over in Corporate and Retail & Middle Market segments covering the major exposures of the bank. System is being rolled out gradually on other Business Groups as well.

A centralized Credit Administration Division (CAD) under Operations Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD. Credit Monitoring, under CAD, keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authority with a view to arrest deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/ settlement of the Bank's non-performing exposure and protect the interests of the bank's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of Bank's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

42.1.1 Credit Risk - General Disclosures Basel Specific

Bank Alfalah Limited is using The Standardized Approach (TSA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

42.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights in the IRB Approach-Basel specific

42.1.2.1 External ratings

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by CRAB and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel III framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

42.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised and IRB approaches-Basel III specific

42.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

42.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

42.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

42.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes) , the Bank considers all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, in line with the SBP Basel III requirements, the Bank recognises only eligible collaterals as mentioned in the SBP Basel III accord.

42.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, BAL's annual credit plan spells out the maximum allowable exposure that it can take on specific industries. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category) .

42.1.4 Segmental information

42.1.4.1 Segments by class of business

	2015					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	25,426,115	7.40%	9,268,099	1.45%	403,097	0.36%
Automobile & Transportation Equipment	3,243,866	0.94%	12,494,496	1.95%	2,310,736	2.08%
Chemical and Pharmaceuticals	6,340,677	1.85%	6,943,315	1.08%	4,826,490	4.33%
Cement	4,950,929	1.44%	3,012,779	0.47%	1,679,342	1.51%
Communication	6,787,948	1.98%	7,408,672	1.16%	2,033,797	1.83%
Electronics and Electrical Appliances	5,450,802	1.59%	3,981,446	0.62%	1,463,169	1.31%
Educational Institutes	1,579,472	0.46%	10,393,163	1.62%	166,705	0.15%
Financial	6,012,279	1.75%	43,479,479	6.79%	16,388,180	14.72%
Fertilizers	10,761,359	3.13%	13,237,190	2.07%	2,243,982	2.02%
Food & Allied Products	10,400,922	3.03%	9,009,487	1.41%	2,366,516	2.13%
Glass & Ceramics	369,412	0.11%	1,858,994	0.29%	136,529	0.12%
Ghee & Edible Oil	7,134,790	2.08%	4,018,647	0.63%	3,314,775	2.98%
Housing Societies / Trusts	1,011,819	0.29%	10,340,871	1.62%	62,421	0.06%
Insurance	1,247	0.00%	1,774,999	0.28%	-	0.00%
Import & Export	3,679,806	1.07%	14,074,053	2.20%	448,922	0.40%
Iron / Steel	8,657,120	2.52%	7,888,480	1.23%	5,970,084	5.36%
Oil & Gas	32,560,786	9.48%	41,076,943	6.42%	13,674,007	12.28%
Paper & Board	3,107,556	0.90%	2,399,688	0.37%	669,425	0.60%
Production and Transmission of Energy	52,890,720	15.40%	12,261,946	1.92%	10,895,232	9.78%
Real Estate / Construction	9,587,247	2.79%	20,256,601	3.16%	6,593,492	5.92%
Retail / Wholesale Trade	7,842,822	2.28%	28,219,596	4.41%	5,239,175	4.71%
Rice Processing and Trading/ Wheat	9,290,979	2.70%	6,134,412	0.96%	8,572	0.01%
Sugar	6,787,255	1.98%	3,522,207	0.55%	143,569	0.13%
Shoes and Leather garments	2,300,422	0.67%	5,307,073	0.83%	448,764	0.40%
Sports Goods	104,205	0.03%	964,705	0.15%	37,579	0.03%
Surgical Goods	404,717	0.12%	928,481	0.15%	71,983	0.06%
Textile Spinning	24,802,454	7.22%	2,963,234	0.46%	4,204,188	3.78%
Textile Weaving	10,306,336	3.00%	3,086,072	0.48%	876,232	0.79%
Textile Composite	15,990,129	4.66%	4,578,195	0.72%	5,493,318	4.93%
Welfare Institutions	73,341	0.02%	8,209,978	1.28%	3,050	0.00%
Individuals	32,608,311	9.49%	194,754,585	30.42%	1,547,964	1.39%
Others	33,024,437	9.61%	146,340,849	22.85%	17,629,579	15.83%
	343,490,280	100.00%	640,188,735	100.00%	111,350,874	100.00%

	2014					
	Advances (Gross) (Note 10)		Deposits (Note 16)		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	21,452,577	7.04%	8,042,565	1.33%	1,237,065	1.25%
Automobile & Transportation Equipment	3,699,247	1.21%	10,222,562	1.69%	3,363,696	3.39%
Chemical and Pharmaceuticals	7,474,487	2.45%	7,226,411	1.19%	6,046,715	6.09%
Cement	1,656,854	0.54%	1,558,562	0.26%	682,497	0.69%
Communication	6,354,047	2.08%	9,843,285	1.62%	3,071,004	3.09%
Electronics and Electrical Appliances	2,809,928	0.92%	4,075,053	0.67%	1,837,531	1.85%
Educational Institutes	1,533,410	0.50%	7,726,269	1.28%	187,033	0.19%
Financial	5,493,834	1.80%	31,530,312	5.20%	16,301,140	16.43%
Fertilizers	8,096,085	2.66%	18,588,795	3.07%	2,301,754	2.32%
Food & Allied Products	15,620,016	5.12%	8,351,559	1.38%	1,536,429	1.55%
Glass & Ceramics	346,954	0.11%	1,741,273	0.29%	126,009	0.13%
Ghee & Edible Oil	5,945,521	1.95%	3,784,719	0.62%	2,049,426	2.07%
Housing Societies / Trusts	1,229,630	0.40%	14,794,525	2.44%	646	0.00%
Insurance	4,495	0.00%	1,881,529	0.31%	-	0.00%
Import & Export	4,684,377	1.54%	13,310,289	2.20%	1,750,609	1.76%
Iron / Steel	9,278,277	3.04%	8,746,597	1.44%	5,300,038	5.34%
Oil & Gas	21,193,889	6.95%	32,238,728	5.32%	10,066,621	10.14%
Paper & Board	4,308,937	1.41%	2,561,872	0.42%	1,512,181	1.52%
Production and Transmission of Energy	48,626,513	15.95%	10,046,722	1.66%	13,050,713	13.15%
Real Estate / Construction	4,709,041	1.54%	19,661,439	3.24%	3,441,814	3.47%
Retail / Wholesale Trade	6,126,563	2.01%	27,740,674	4.58%	3,831,760	3.86%
Rice Processing and Trading/ Wheat	9,775,635	3.21%	6,224,405	1.03%	28,084	0.03%
Sugar	6,924,296	2.27%	2,946,747	0.49%	56,709	0.06%
Shoes and Leather garments	1,892,679	0.62%	1,950,345	0.32%	50,432	0.05%
Sports Goods	353,402	0.12%	1,271,301	0.21%	50,529	0.05%
Surgical Goods	128,355	0.04%	1,392,195	0.23%	99,790	0.10%
Textile Spinning	23,187,499	7.61%	2,799,724	0.46%	2,185,386	2.20%
Textile Weaving	5,208,402	1.71%	2,910,323	0.48%	609,542	0.61%
Textile Composite	25,711,718	8.43%	7,780,741	1.28%	5,373,308	5.41%
Welfare Institutions	34,993	0.01%	8,067,063	1.33%	69,140	0.07%
Individuals	24,258,957	7.96%	181,533,230	29.96%	910,546	0.92%
Others	26,727,429	8.80%	145,413,410	24.00%	12,103,335	12.21%
	304,848,047	100.00%	605,963,224	100.00%	99,231,482	100.00%

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

42.1.4.2 Segment by sector

	2015					
	Advances (Gross) (Note 10)		Deposits (Note 16)		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	94,312,609	27%	36,469,841	6%	16,132,091	14%
Private	249,177,671	73%	603,718,894	94%	95,218,783	86%
	343,490,280	100%	640,188,735	100%	111,350,874	100%

	2014					
	Advances (Gross) (Note 10)		Deposits (Note 16)		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	67,491,848	22%	41,294,631	7%	11,673,760	12%
Private	237,356,199	78%	564,668,593	93%	87,557,722	88%
	304,848,047	100%	605,963,224	100%	99,231,482	100%

42.1.4.3 Details of non-performing advances and specific provisions by class of business segment

	2015		2014	
	Classified advances	Specific provision (Note 10.4)	Classified advances	Specific provision
	--------------------------(Rupees in '000)--------------------------			
Agribusiness	293,088	150,383	333,839	56,047
Automobile & Transportation equipment	141,121	87,666	114,036	62,675
Chemical & Pharmaceuticals	110,231	98,165	285,028	125,168
Cement	-	-	30,974	15,487
Communication	519,376	519,376	342,335	340,674
Electronic & Electrical Appliances	413,838	411,590	397,910	394,942
Financial	78,970	78,970	118,909	118,909
Fertilizers	790,636	794,048	791,036	673,566
Food and allied products	273,119	202,843	185,085	118,054
Glass / Ceramics	26,559	26,559	41,943	36,845
Ghee & Edible Oil	392,526	454,547	475,897	473,851
Import & Export	626,525	603,525	663,999	620,895
Iron and steel	246,643	213,770	492,423	367,577
Oil and gas	2,271,267	1,368,285	2,814,894	1,204,274
Paper & Board	133,651	133,551	115,564	83,517
Production and transmission of energy	1,948	1,948	7,115	-
Real Estate / Construction	655,948	348,688	289,032	193,062
Retail Trade & Wholesale	895,584	824,676	923,624	658,500
Rice processing and trading / wheat	521,589	501,232	306,907	248,259
Shoes & Leather garments	95,251	94,301	70,451	67,791
Sports	3,900	3,900	3,900	3,900
Surgical goods	15,047	15,047	17,047	17,047
Textile Spinning	628,397	644,892	722,890	589,158
Textile Weaving	316,201	309,064	328,686	247,559
Textile Composite	3,090,643	2,899,945	2,484,478	2,170,470
Individuals	1,119,034	918,437	1,203,287	677,850
Others	4,794,307	3,747,147	5,850,974	4,035,230
	18,455,399	15,452,555	19,412,263	13,601,307

42.1.4.4 Details of non-performing advances and specific provisions by sector

	2015		2014	
	Classified advances	Specific provision	Classified advances	Specific provision
	--------------------------(Rupees in '000)--------------------------			
Public / Government	-	-	-	-
Private	18,455,399	15,452,555	19,412,263	13,601,307
	18,455,399	15,452,555	19,412,263	13,601,307

42.1.4.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	------------------------(Rupees in '000)------------------------			
Pakistan	11,244,267	849,051,014	44,103,918	97,080,642
Asia Pacific (including South Asia)	1,143,980	45,042,933	8,394,070	5,081,365
Middle East	215,823	8,513,574	855,187	9,188,867
	12,604,070	902,607,521	53,353,175	111,350,874

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	------------------------(Rupees in '000)------------------------			
Pakistan	7,153,763	689,571,786	35,569,811	84,961,250
Asia Pacific (including South Asia)	1,143,980	45,042,933	8,394,070	5,081,365
Middle East	215,823	8,513,574	855,187	9,188,867
	8,513,566	743,128,293	44,819,068	99,231,482

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

42.2 Market risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk at BAFL, a well-defined risk management structure, under Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines methods to measure and control market risk which are carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

The Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Management Unit of RMD. The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II/III. Currently, the Bank calculates 'Value at Risk (VaR)' on a daily basis. Moreover, the Bank also carries out stress testing on regular intervals by applying shocks on Fixed Income, Equity and Foreign Exchange positions.

42.2.1 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer and currency-wise limits.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as Forwards and Swaps. VaR analysis are conducted on regular basis to measure and monitor the FX risk.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	867,586,751	811,623,017	8,236,601	64,200,335
United States Dollar	33,991,224	29,601,732	(15,445,404)	(11,055,912)
Great Britain Pound	293,051	4,988,182	4,706,822	11,691
Japanese Yen	151,675	2,998	(152,303)	(3,626)
Euro	216,986	2,984,674	2,774,062	6,374
Other currencies	367,834	53,743	(119,778)	194,313
Total foreign currency exposure	35,020,770	37,631,329	(8,236,601)	(10,847,160)
Total currency exposure	902,607,521	849,254,346	-	53,353,175

	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	727,877,278	668,489,865	(13,169,291)	46,218,122
United States Dollar	13,215,460	20,899,012	6,316,708	(1,366,844)
Great Britain Pound	768,832	5,548,007	4,816,406	37,231
Japanese Yen	189,532	6,368	(178,254)	4,910
Euro	887,985	3,304,558	2,311,852	(104,721)
Other currencies	189,206	61,415	(97,421)	30,370
Total foreign currency exposure	15,251,015	29,819,360	13,169,291	(1,399,054)
Total currency exposure	743,128,293	698,309,225	-	44,819,068

42.2.2 Equity investment risk

Equity Investment risk arises due to the risk of changes in the prices of individual stocks held by the bank. The Bank's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD monitors & reports portfolio and scrip level internal and external limits, tolerance levels and sector limits.

42.3 Interest rate risk

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets and liabilities and off-balance sheet instruments within a certain range of maturity due to re-pricing (whichever is earlier). BAFL has formulated a separate Interest Rate Risk Management (IRRM) framework which establishes aggregate and tenor-wise balance sheet level PV01 (Price Value of 1bps) limits to manage interest rate risk within the Board approved risk appetite. Treasury & FI Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Management Unit of RMD independently monitors, analyses & reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

42.3.1 Mismatch of interest rate sensitive assets and liabilities

	2015											
	Exposed to yield / interest rate risk											
	Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
	---(Rupees in '000)---											
On-balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	-	62,368,790	7,880,964	-	-	-	-	-	-	-	-	54,487,826
Balances with other banks	0.81%	16,552,207	2,904,940	2,074,384	-	-	-	-	-	-	-	11,572,883
Lendings to financial institutions	7.58%	53,628,870	13,895,000	13,193,983	533,644	26,006,243	-	-	-	-	-	-
Investments	9.19%	397,097,214	2,592,749	52,449,451	38,355,780	120,343,711	56,712,435	64,174,242	27,040,219	25,706,276	295,487	9,426,864
Advances	8.37%	327,297,821	47,339,054	87,244,099	139,361,612	49,423,003	90,661	117,449	273,824	413,954	3,034,165	-
Other assets		27,662,505	-	-	-	-	-	-	-	-	-	27,662,505
		884,607,407	74,612,707	154,961,917	178,251,036	195,772,957	56,803,096	64,291,691	27,314,043	26,120,230	3,329,652	103,150,078
Financial Liabilities												
Bills payable		9,733,929	-	-	-	-	-	-	-	-	-	9,733,929
Borrowings	6.22%	172,393,198	143,210,497	4,381,324	24,580,883	-	-	-	-	166,686	-	53,808
Deposits and other accounts	4.00%	640,188,735	289,527,760	47,840,572	33,572,157	22,311,911	1,874,012	966,744	199,291	-	-	243,896,288
Sub-ordinated loans	11.04%	9,983,000	-	4,995,000	2,588,455	799,847	1,599,698	-	-	-	-	-
Other liabilities		14,152,195	-	-	-	-	-	-	-	-	-	14,152,195
		846,451,057	432,738,257	57,216,896	60,741,495	23,111,758	3,473,710	966,744	199,291	166,686	-	267,836,220
On-balance sheet gap		38,156,350	(358,125,550)	97,745,021	117,509,541	172,661,199	53,329,386	63,324,947	27,114,752	25,953,544	3,329,652	(164,686,142)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		98,261,212	48,466,074	38,285,002	10,163,560	1,346,576	-	-	-	-	-	
Forward exchange contracts - sale		106,520,120	29,830,025	72,780,665	3,850,461	58,969	-	-	-	-	-	
Interest Rate Swaps - receipts		6,962,920	1,600,180	5,100,887	261,853	-	-	-	-	-	-	
Interest Rate Swaps - payments		6,962,920	-	-	-	-	-	-	5,287,064	1,675,856	-	
Off-balance sheet gap		(8,258,908)	20,236,229	(29,394,776)	6,574,952	1,287,607	-	-	(5,287,064)	(1,675,856)	-	
Total yield / interest rate risk sensitivity gap			(337,889,321)	68,350,245	124,084,493	173,948,806	53,329,386	63,324,947	21,827,688	24,277,688	3,329,652	
Cumulative yield / interest rate risk sensitivity gap			(337,889,321)	(269,539,076)	(145,454,583)	28,494,223	81,823,609	145,148,556	166,976,244	191,253,932	194,583,584	

	Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
	2014											
	Exposed to yield / interest rate risk											
	------(Rupees in '000)------											
On-balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	0.04%	50,515,643	6,779,042	-	-	-	-	-	-	-	-	43,736,601
Balances with other banks	1.68%	12,331,713	2,050,991	2,115,175	396,822	-	-	-	-	-	-	7,768,725
Lendings to financial institutions	7.39%	18,313,485	5,959,705	1,452,463	-	10,893,845	7,472	-	-	-	-	-
Investments	8.82%	324,319,454	19,681,030	26,260,674	49,210,227	28,976,100	100,075,181	47,343,388	22,311,787	21,059,578	1,056,910	8,344,579
Advances	9.80%	290,597,237	26,063,758	97,765,257	120,504,173	42,120,297	59,841	153,726	298,416	371,149	3,260,620	-
Other assets		28,457,991	-	-	-	-	-	-	-	-	-	28,457,991
		724,535,523	60,534,526	127,593,569	170,111,222	81,990,242	100,142,494	47,497,114	22,610,203	21,430,727	4,317,530	88,307,896
Financial Liabilities												
Bills payable		11,758,155	-	-	-	-	-	-	-	-	-	11,758,155
Borrowings	7.49%	55,232,916	37,063,623	2,597,027	14,609,151	150,725	-	-	-	720,935	-	91,455
Deposits and other accounts	4.85%	605,963,224	242,359,784	62,430,002	43,601,164	32,143,517	1,473,687	796,983	327,599	-	-	222,830,488
Sub-ordinated loans	12.70%	9,987,000	-	4,997,001	2,594,482	480	798,664	1,596,373	-	-	-	-
Other liabilities		13,992,193	-	-	-	-	-	-	-	-	-	13,992,193
		696,933,488	279,423,407	70,024,030	60,804,797	32,294,722	2,272,351	2,393,356	327,599	720,935	-	248,672,291
On-balance sheet gap		27,602,035	(218,888,881)	57,569,539	109,306,425	49,695,520	97,870,143	45,103,758	22,282,604	20,709,792	4,317,530	(160,364,395)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		69,435,889	19,224,825	36,364,235	12,105,085	1,741,744	-	-	-	-	-	
Forward exchange contracts - sale		54,156,057	17,879,461	23,756,313	12,230,024	290,258	-	-	-	-	-	
Interest Rate Swaps - receipts		6,314,951	2,225,289	4,089,662	-	-	-	-	-	-	-	
Interest Rate Swaps - payments		6,314,951	-	-	-	-	-	-	4,305,289	2,009,662	-	
Off-balance sheet gap		15,279,833	3,570,653	16,697,584		1,451,486	-	-	(4,305,289)	(2,009,662)	-	
Total yield / interest rate risk sensitivity gap			(215,318,228)	74,267,123	109,181,486	51,147,006	97,870,143	45,103,758	17,977,315	18,700,130	4,317,530	
Cumulative yield / interest rate risk sensitivity gap			(215,318,228)	(141,051,105)	(31,869,620)	19,277,387	117,147,530	162,251,288	180,228,603	198,928,733	203,246,263	

42.3.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

	2015	2014
	(Rupees in '000)	
Total financial assets as per note 42.3.1	884,607,407	724,535,523
Add: Non financial assets		
Operating fixed assets	17,241,968	15,740,100
Deferred tax assets	-	-
Other assets	758,146	2,852,670
Total assets as per statement of financial position	902,607,521	743,128,293
Total liabilities as per note 42.3.1	846,451,057	696,933,488
Add: Non financial liabilities		
Deferred tax liabilities	1,824,054	853,331
Other liabilities	979,235	522,406
Total liabilities as per statement of financial position	849,254,346	698,309,225

42.4 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Bank's exposure in that country. For BAFL, country risk arises as a result of the Bank's FCY lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to monitor and mitigate the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using Financial Market and Economic factors. Political risk is measured using a variety of indicia indicative of relative certainty of payment of foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved caps. The limits and their utilization are monitored and controlled at head office level and country risk exposures are reported to Central Credit Committee at a defined frequency.

42.5 Liquidity risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The Bank's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function including liquidity management. The BOD has approved a comprehensive Market & Liquidity Risk Management Policy which stipulates the various parameters to monitor and control liquidity risk including maintenance of various liquidity ratios. Liquidity Risk Management Unit of RMD is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and BoD approved Risk Framework. It also monitors & reports the maintenance of liquidity buffer in form of excess Government securities over regulatory requirement, liquidity ratios and depositors' concentration both in terms of the overall funding mix and avoidance of undue reliance on large volume deposits. As core retail deposits form a considerable part of the Bank's overall funding mix, significant importance is being given to the stability and growth of these deposits. Maturity gaps and sources of funding are also reviewed in order to ensure diversification in terms of tenor, currency and geography. Moreover, Bank also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in times of stress / crisis situations containing early warning indicators to pre-empt unforeseen liquidity crisis. In addition to this, the Bank has designed different scenarios of cash outflows to stress test adequacy of its liquid assets.

42.5.1 Maturities of assets and liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank

	2015									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	62,368,790	24,957,532	4,141,354	4,768,934	6,095,093	188,315	1,156,125	2,286,746	5,538,959	13,235,732
Balances with other banks	16,552,207	14,477,823	2,074,384	-	-	-	-	-	-	-
Lendings to financial institutions	53,628,870	13,895,000	13,193,983	533,644	26,006,243	-	-	-	-	-
Investments	397,097,214	2,520,871	48,493,577	15,046,677	126,164,518	58,248,104	84,418,850	30,240,219	28,028,759	3,935,639
Advances	327,297,821	50,086,876	88,580,191	62,922,984	27,554,695	12,149,602	18,789,835	45,449,363	10,238,566	11,525,709
Operating fixed assets	17,241,968	115,298	230,595	345,892	691,785	1,383,570	1,383,570	2,587,670	2,577,930	7,925,658
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	28,420,651	18,411,290	7,141,078	420,240	440,948	941,679	266,354	399,531	399,531	-
	902,607,521	124,464,690	163,855,162	84,038,371	186,953,282	72,911,270	106,014,734	80,963,529	46,783,745	36,622,738
Liabilities										
Bills payable	9,733,929	9,733,929	-	-	-	-	-	-	-	-
Borrowings	172,393,198	143,264,305	4,381,324	24,580,883	-	-	-	-	166,686	-
Deposits and other accounts	640,188,735	92,791,698	89,134,029	95,309,296	104,357,745	3,455,393	19,121,615	36,484,643	90,701,673	108,832,643
Sub-ordinated loans	9,983,000	-	1,000	1,000	1,663,330	3,326,670	2,000	4,000	4,985,000	-
Deferred tax liabilities	1,824,054	-	-	-	1,824,054	-	-	-	-	-
Other liabilities	15,131,430	8,974,374	536,962	914,860	2,118,634	646,650	646,650	1,293,300	-	-
	849,254,346	254,764,306	94,053,315	120,806,039	109,963,763	7,428,713	19,770,265	37,781,943	95,853,359	108,832,643
Net assets	53,353,175	(130,299,616)	69,801,847	(36,767,668)	76,989,519	65,482,557	86,244,469	43,181,586	(49,069,614)	(72,209,905)
Share capital	15,898,062									
Reserves	14,164,120									
Unappropriated profit	12,362,596									
Surplus on revaluation of assets - net of tax	10,928,397									
	53,353,175									

	2014									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	---------- (Rupees in '000) ----------									
Assets										
Cash and balances with treasury banks	50,515,643	27,164,683	1,116,934	1,396,866	1,560,828	165,847	403,865	1,942,644	4,718,678	12,045,298
Balances with other banks	12,331,713	9,819,716	2,115,175	396,822	-	-	-	-	-	-
Lendings to financial institutions	18,313,485	5,959,705	1,452,463	-	10,893,845	7,472	-	-	-	-
Investments	324,319,454	10,543,847	7,262,619	24,592,807	58,384,758	113,569,365	49,979,035	29,467,941	26,614,306	3,904,776
Advances	290,597,237	41,629,705	71,806,120	59,298,647	22,395,479	8,651,562	11,249,609	47,062,103	17,055,817	11,448,195
Operating fixed assets	15,740,100	108,818	217,633	326,450	652,900	1,305,800	1,305,800	2,401,448	2,584,978	6,836,273
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	31,310,661	25,761,662	314,594	471,892	2,754,449	824,120	295,986	443,979	443,979	-
	743,128,293	120,988,136	84,285,538	86,483,484	96,642,259	124,524,166	63,234,295	81,318,115	51,417,758	34,234,542
Liabilities										
Bills payable	11,758,155	11,758,155	-	-	-	-	-	-	-	-
Borrowings	55,232,916	37,155,078	2,597,027	14,609,151	150,725	-	-	-	720,935	-
Deposits and other accounts	605,963,224	77,570,543	100,347,323	87,020,509	100,972,308	12,094,846	16,983,858	32,723,633	80,999,235	97,250,969
Sub-ordinated loans	9,987,000	-	1,000	1,000	2,000	1,665,330	3,326,670	4,000	4,987,000	-
Deferred tax liabilities	853,331	-	-	-	853,331	-	-	-	-	-
Other liabilities	14,514,599	9,330,033	511,901	876,874	1,579,312	554,120	554,120	1,108,239	-	-
	698,309,225	135,813,809	103,457,251	102,507,534	103,557,676	14,314,296	20,864,648	33,835,872	86,707,170	97,250,969
Net assets	44,819,068	(14,825,673)	(19,171,713)	(16,024,050)	(6,915,417)	110,209,870	42,369,647	47,482,243	(35,289,412)	(63,016,427)
Share capital	15,872,427									
Reserves	12,338,026									
Unappropriated profit	9,613,374									
Surplus on revaluation of assets - net of tax	6,995,241									
	44,819,068									

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a behavioural study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

42.5.2 Maturities of assets and liabilities based on contractual maturities

	2015									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	62,368,790	52,140,763	2,212,246	1,375,203	1,931,132	48,645	333,150	665,974	1,664,542	1,997,135
Balances with other banks	16,552,207	14,477,823	2,074,384	-	-	-	-	-	-	-
Lendings to financial institutions	53,628,870	13,895,000	13,193,983	533,644	26,006,243	-	-	-	-	-
Investments	397,097,214	7,718,031	48,493,577	15,046,677	120,967,358	58,248,104	84,418,850	30,240,219	28,028,759	3,935,639
Advances	327,297,821	50,086,876	88,580,191	62,922,984	27,554,695	12,149,602	18,789,835	45,449,363	10,238,566	11,525,709
Operating fixed assets	17,241,968	115,298	230,595	345,892	691,785	1,383,570	1,383,570	2,587,670	2,577,930	7,925,658
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	28,420,651	18,411,290	7,141,078	420,240	440,948	941,679	266,354	399,531	399,531	-
	902,607,521	156,845,081	161,926,054	80,644,640	177,592,161	72,771,600	105,191,759	79,342,757	42,909,328	25,384,141
Liabilities										
Bills payable	9,733,929	9,733,929	-	-	-	-	-	-	-	-
Borrowings	172,393,198	143,264,305	4,381,324	24,580,883	-	-	-	-	166,686	-
Deposits and other accounts	640,188,735	538,262,834	47,840,572	28,733,371	22,311,911	1,874,012	966,744	199,291	-	-
Sub-ordinated loans	9,983,000	-	1,000	1,000	1,663,330	3,326,670	2,000	4,000	4,985,000	-
Deferred tax liabilities	1,824,054	-	-	-	1,824,054	-	-	-	-	-
Other liabilities	15,131,430	8,974,374	536,962	914,860	2,118,634	646,650	646,650	1,293,300	-	-
	849,254,346	700,235,442	52,759,858	54,230,114	27,917,929	5,847,332	1,615,394	1,496,591	5,151,686	-
Net assets	53,353,175	(543,390,361)	109,166,196	26,414,526	149,674,232	66,924,268	103,576,365	77,846,166	37,757,642	25,384,141
Share capital	15,898,062									
Reserves	14,164,120									
Unappropriated profit	12,362,596									
Surplus on revaluation of investments	10,928,397									
	53,353,175									

	2014									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	50,515,643	42,748,302	1,116,934	1,396,866	1,560,828	165,847	251,679	503,702	1,259,400	1,512,085
Balances with other banks	12,331,713	9,819,716	2,115,175	396,822	-	-	-	-	-	-
Lendings to financial institutions	18,313,485	5,959,705	1,452,463	-	10,893,845	7,472	-	-	-	-
Investments	324,319,454	15,726,802	7,262,619	24,592,807	58,384,758	108,386,410	49,979,035	29,467,941	26,614,306	3,904,776
Advances	290,597,237	41,629,705	71,806,120	59,298,647	22,395,479	8,651,562	11,249,609	47,062,103	17,055,817	11,448,195
Operating fixed assets	15,740,100	108,818	217,633	326,450	652,900	1,305,800	1,305,800	2,401,448	2,584,978	6,836,273
Deferred Tax Assets	-	-	-	-	-	-	-	-	-	-
Other assets	31,310,661	25,761,662	314,594	471,892	2,754,449	824,120	295,986	443,979	443,979	-
	743,128,293	141,754,710	84,285,538	86,483,484	96,642,259	119,341,211	63,082,109	79,879,173	47,958,480	23,701,329
Liabilities										
Bills payable	11,758,155	11,758,155	-	-	-	-	-	-	-	-
Borrowings	55,232,916	37,155,078	2,597,027	14,609,151	150,725	-	-	-	720,935	-
Deposits and other accounts	605,963,224	466,626,785	62,430,002	42,164,651	32,143,517	1,473,687	796,983	327,599	-	-
Sub-ordinated loans	9,987,000	-	1,000	1,000	2,000	1,665,330	3,326,670	4,000	4,987,000	-
Deferred tax liabilities	853,331	-	-	-	853,331	-	-	-	-	-
Other liabilities	14,514,599	9,330,033	511,901	876,874	1,579,312	554,120	554,120	1,108,239	-	-
	698,309,225	524,870,051	65,539,930	57,651,676	34,728,885	3,693,137	4,677,773	1,439,838	5,707,935	-
Net assets	44,819,068	(383,115,341)	18,745,608	28,831,808	61,913,374	115,648,074	58,404,336	78,439,335	42,250,545	23,701,329
Share capital	15,872,427									
Reserves	12,338,026									
Unappropriated profit	9,613,374									
Surplus on revaluation of investments	6,995,241									
	44,819,068									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the Bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

42.6 Operational risk

Basel II defines Operational risk as, "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

42.6.1 Operational Risk Disclosures - Basel II Specific

Bank was given approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013. The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors are 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. Bank Alfalah is one of the first few banks in Pakistan to achieve this milestone. As per SBP requirements, Bank's operational risk assessment systems have also been reviewed by the external auditors during 2014.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies and procedures of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems introduced in 2010 have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. From April 2016 loss data base reports shall also be shared with the regulator on its prescribed format.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

42.6.2 IT Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank's technology assets by developing IT security baselines for IT solutions that support products and services, monitoring of threats and vulnerabilities, investigation of reported information security incidents, reinforcement of IT security risk awareness to employees via periodic communications, following up on due dates with stakeholders responsible for remediation of open issues, and reporting the status of IT security risk to the management and BRMC/Board.

43 NON-ADJUSTING EVENT AFTER THE YEAR END REPORTING DATE

The Board of Directors in its meeting held on February 29, 2016 has announced cash dividend of 10 percent (2014: 20 percent cash dividend). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2015 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2016.

44 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 29, 2016 by the Board of Directors of the Bank.

45 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison.

CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR	CHAIRMAN

ANNEXURE - I

STATEMENT SHOWING WRTTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2015

(Rupees in '000)

S. No.	Name and address of the borrower	"Name of individuals / partners / directors (with CNIC No.)"	Father's / Husband's Name	Outstanding liabilities at January 1, 2015				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Abdul Hameed (Rajpoot Colony, Lodhran)	Abdul Hameed CNIC # 36203-8402349-9	Muhammad Saeed	699.912	238.557	-	938.468	699.912	238.557	-	938.468	Musalsul Zrai Sahulat
2	Abdul Rauf Khan Saldera (Mouza Saldera Po Farooq Abad Tehsil Burewala Distt. Vehari)	Abdur Rauf Khan Saldera CNIC # 36601-2448901-3	Ali Ahmed Khan Saidera	1,599.404	660.327	-	2,259.731	1,599.404	660.327	-	2,259.731	Musalsul Zrai Sahulat
3	Agha Zarar Jan (Mohalla Babur Sultan Kot Taluka & Distt. Shiakrpur)	Agha Zarar Jan CNIC # 43304-3997997-7	Agha Abdul Hameed Khan	-	783.000	-	783.000	-	748.000	-	748.000	Musalsul Zrai Sahulat
4	Ahmad Mahroof Khanzada Inait Ullah Dairies, Mariyam Abad Fpr Lahore	Ahmad Mahroof Khanzada CNIC # 35201-7214378-9	Umer Din Khan	2,138.723	147.646	13.631	2,300.000	-	730.965	-	730.965	Alfalah Musalsal Zarai Sahulat
5	Akhtar Hayat / Khurram Hayat (Chak No 41Sb Tehsil And District Sargodha)	Akhtar Hayat CNIC # 38403-1723107-5, Khurram Hayat CNIC# 38403-2033786-5	Sultan Muhammad Hayat / Akhtar Hayat	898.027	354.933	-	1,252.960	898.027	354.933	-	1,252.960	Musalsul Zrai Sahulat
6	Ali Hassan Address: House No. B196, St # 1,Rabani Colony Banker, Halal Road Faisalabad	Ali Hassan CNIC # 33100-7994029-5	Mehfooz Ahmed	274.772	112.549	-	387.321	274.772	236.994	-	511.766	Credit Card
7	"Ali Nawaz Qureshi Address: Residence: House # 337 Block-D Tajpura Scheme Cantt Lahore Punjab Office: Shop No 7, 289/A, Khyber Block , Allama Iqbal Town"	Ali Nawaz Qureshi CNIC # 35201-5256413-7	Muhammad Ilyas Qureshi	750.760	199.182	-	949.943	703.029	252.804	-	955.833	Auto Finance
8	"Ali Sarwar Village Jafarabad Nagar, Tehsil Nagar District Gilgit"	Ali Sarwar CNIC # 71503-0405231-3	Malik Shah	809.582	811.590	5.512	1,626.684	809.582	817.102	-	1,626.684	Agri
9	Allah Bux Khan (Mohalla Babur Sultan Kot Taluka & Distt. Shiakrpur)	Allah Bux Khan CNIC # 43304-3818440-9	Agha Abdul Hameed Khan	-	1,095.568	-	1,095.568	-	1,130.000	-	1,130.000	Musalsul Zrai Sahulat
10	Altaf Hussain, Flat No.B-18 Farhan Square Sector 15 A/5 Bufferzone Khi3	Altaf Hussain CNIC # 42101-6745824-7	Sultan Mohammad	684.330	-	-	684.330	684.330	-	-	684.330	Consumer Car Ijarah
11	Amjad Abbas Sargana (Chah Sheikh Tahirwala, Barajh Sargana, P.O. Sarai Sidhu, Tehsil Kabirwala, Distt. Khanewal.)	Amjad Abbas Sargana CNIC # 36102-7394584-1	Mulazim Hussain	629.020	117.650	-	746.670	629.020	117.650	-	746.670	Musalsul Zrai Sahulat
12	Amna Happy Home, 2095/C/5, Ist Floor, Ward Iii, Madni Trade Centre Hussain Agahi Multan	Abdul Majid CNIC # 36302-4818561-3	Muhammad Khalid	2,000.000	879.822	43.613	2,923.435	-	879.822	-	879.822	Akf
13	Anmol Zari Emporium, Hussain Agahi Multan	Ejaz Mehmood CNIC # 36302-4521210-9, Iqbal Mehmood CNIC # 36302-2731839-1	Haji Muhammad Akram	7,000.000	885.000	-	7,885.000	-	4,040.000	-	4,040.000	Cf – Hypo
14	Aon Ali Khan / Samana Rubab (Village & P.O Kot Chughata Tehsil Sahiwal And District Sargodha)	Aon Ali Khan CNIC # 38402-5100351-7, Samana Rubab 38402-7231347-6	Ali Nawaz Khan	1,772.783	786.295	-	2,559.078	1,772.783	786.295	-	2,559.078	Musalsul Zrai Sahulat
15	Asad Ur Rehman Address: R-S-2/92, Shakeel Manzil, Sands Road, Ram Swami, Karachi	Asad Ur Rehman CNIC # 42301-9462340-1	Atta Ur Rehman	368.153	171.879	-	540.032	380.848	241.541	-	622.389	Credit Card
16	Ashiq Muhammad Khan (Basti Allahabad, Chah Berwala, Loother, P.O. Riazabad, Tehsil Multan Saddar, Distt. Multan.)	Ashiq Muhammad Khan CNIC # 36302-5957368-1	Muhammad Jaffar Khan	1,499.642	79.202	-	1,578.844	1,499.642	79.202	-	1,578.844	Musalsul Zrai Sahulat
17	Aurang Zaib (Basti Jam Bhoral, Bhong, P.O Khas, Tehsil Sadiq Abad, Distt. Rahim Yar Khan)	Aurang Zaib CNIC # 31304-9423620-5	Jam Bhoral	298.225	311.495	-	609.720	298.225	311.495	-	609.720	Musalsul Zrai Sahulat
18	Barkat Traders - Suite No.1, D/2600 Naya Bazar, Shahalam Gate Lahore	Azhar Ali Khan (Proprietor) CNIC # 35202-8026177-3	Barkat Ali Khan	4,485.238	643.080	1,163.753	6,292.071	-	158.184	1,163.753	1,321.937	Cf-Hypo
19	"Bashir Ahmed Address: Residence: House # 558, Street # 11-A, Rasool Park, Madina Town Office: Riaz Shahid Chowk, Street # 09, Stand Wali Islam Nagar Iqbal Stadium Road"	Bashir Ahmed CNIC # 33100-9407754-7	Fakhar Din	1,089.565	171.998	-	1,261.563	1,089.565	233.233	-	1,322.798	Auto Finance
20	Bilal Hashim, 23-C, Khayabane Sehar, Phase 7, Dha, Karachi	Bilal Hashim CNIC # 42301-9889976-5	Hashim Ismail Khan	1,258.750	3,350.000	-	4,608.750	1,258.750	3,350.446	3,313.771	7,922.967	Home Musharka
21	Bisharat Mehmood (Doburji Arayan P.O. Nikka Pura Sialkot)	Bisharat Mehmood CNIC # 34603-2334487-5	Ahsan Ul Haq	1,191.661	560.463	-	1,752.124	1,191.661	576.000	-	1,767.661	Musalsul Zrai Sahulat
22	Chachar Model Farm - Address : Ronwati Road Ubauro	ABDUL LATIF CNIC # 45105-1852113-3	Abdul Hameed	399.928	507.141	31.944	939.013	-	507.141	31.944	539.085	Current Finance
23	"Dewan Syed Muhammad Abbas Bukhari (Shop No.4-5Shuja Shopping Centre old Multan Road near Taxi Stand shujabad)"	Dewan Syed M. Abbas Khakwani CNIC # 35201-1065247-3	Syed Ashiq Hussain Bukhari	3,886.052	2,051.742	-	5,937.794	3,886.052	2,051.742	-	5,937.794	Musalsul Zrai Sahulat
24	Dildar Hussain, Ward No. 09,Dograain Kalan, Jallo Road, Bata Pur, Lahore M.Sadiq 03018888384 (Deposit In Mardan Branch)	Dildar Hussain CNIC # 35200-1486081-9	Akbar Ali	824.542	-	-	824.542	825.000	-	-	825.000	Consumer Car Ijarah
25	F. Rabbi Steel (Pvt) Ltd. - Address : 220. Dehli Mercantile Cooperative Housing Society, S Abdul Tawab Road, Karachi	S. Khalid Tawab CNIC # 42301-1123116-9	Abdul Tawab	42,166.000	32,376.000	-	74,542.000	-	9,421.000	286.000	9,707.000	Cf/Fim/Fatr
26	Faisal Farooq Address: 161 Shadman Colony II, Lahore	Faisal Farooq CNIC # 35202-2895477-1	Farooq Ahmed	473.193	12.581	-	485.774	473.193	232.872	-	706.065	Credit Card
27	Faisal Rafique Malik, Gali Mohallah #14 Chaklala Road Doke Farman Ali Rawalpindi	Faisal Rafique Malik CNIC # 37405-2289259-3	Muhammad Rafique Malik	779.275	-	-	779.275	779.275	-	-	779.275	Consumer Car Ijarah
28	Fateh Muhammad (Mouza Bakaini 2, P.O. Same, Tehsil Jatoi, Distt. Muzaffargarh.)	Fateh Muhammad CNIC # 32302-5492736-9	Khuda Baksh	1,532.901	-	-	1,532.901	1,532.901	-	-	1,532.901	Musalsul Zrai Sahulat
29	Fayyaz Hussain Shah (Street#2 Mohalla Koray,No.17 Lodhran)	Fayyaz Hussain Shah CNIC # 36203-4602763-1	Syed Qasim Shah	849.483	90.629	-	940.112	849.483	90.629	-	940.112	Musalsul Zrai Sahulat
30	Fazal Dad Malik Address: H. # 201, Lane # 01, Attock Cantt., Mirza Road, Attock	Fazal Dad Malik CNIC # 37101-7705653-7	Mehr Khan Malik	371.795	83.420	-	455.215	464.603	281.986	-	746.589	Credit Card
31	Ghazanfar Amin (Mouza Bara Sajwar Khan, P.O. Same, Tehsil & Distt. Bahawalnagar.)	Ghazanfar Amin CNIC # 31101-5825954-3	Muhammad Amin	4,496.143	942.473	-	5,438.616	4,496.143	942.473	-	5,438.616	Musalsul Zrai Sahulat
32	Ghulam Abbas Address: H. No. 182-185,,Gulistan Town, Quetta Cantt Balouchistan	Ghulam Abbas CNIC # 54400-0456595-1	Muhammad Bukhsh	765.273	28.064	-	793.337	645.842	195.645	-	841.486	Auto Finance
33	Ghulam Abbas/ Riasat Ali (Village Lakha, P.O Bahbra, Tehsil Phalia, Distt. Mandi Bahauddin 0300-6048443.)	Ghulam Abbas/ Riasat Ali (34403-2164163-9 / 34403-1880898-1)	Karam Rasool / Sardar Khan	1,050.000	794.000	-	1,844.000	1,050.000	394.100	-	1,444.100	Musalsul Zrai Sahulat
34	Ghulam Abbas/ Riasat Ali (Village Lakha, P.O Bahbra, Tehsil Phalia, Distt. Mandi Bahauddin 0300-6048443.)	Ghulam Abbas/ Riasat Ali (34403-2164163-9 / 34403-1880898-1)	Karam Rasool / Sardar Khan	1,977.981	1,250.000	-	3,227.981	1,977.981	829.099	-	2,807.080	Musalsul Zrai Sahulat
35	Ghulam Hussain (Basti Bhatian, Mouza Noorpur, P.O Jamalpur, Tehsil Hasilpur, Distt: Bahawalpur.)	Ghulam Hussain CNIC # 31203-4029274-3	Bashir Ahmed	5,296.034	1,289.091	-	6,585.125	5,296.034	1,289.091	-	6,585.125	Musalsul Zrai Sahulat
36	Ghulam Mohiuddin (Gorer Mohalla Radhan Station Tehsil Mehar Distt: Dadu)	Ghulam Mohiuddin CNIC # 41205-2180039-1	Ghulam Mustafa	499.936	130.696	-	630.633	499.936	137.406	-	637.342	Musalsul Zrai Sahulat
37	Ghulam Murtaza Gorer (Gorer Muhalla Radhan Tehsil Mehar)	Ghulam Murtaza Gorer CNIC # 41205-7287235-1	Muhammad Hassan	399.733	172.699	-	572.432	399.733	178.063	-	577.796	Musalsul Zrai Sahulat

S. No.	Name and address of the borrower	"Name of individuals / partners / directors (with CNIC No.)"	Father's / Husband's Name	Outstanding liabilities at January 1, 2015 Principal	Mark-up	Others	Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
1	2	3	4	5	6	7	8	9	10	11	12	13
38	Ghulam Nizam Fareed (Mominabad Zaildar, P.O. Takhat Mehal, Tehsil & Distt. Bahawalnagar.)	Ghulam Nizam Fareed CNIC # 31101-1663104-3	Pir Ali Muhammad	757.116	1,033.608	-	1,790.724	757.116	1,033.608	-	1,790.724	Musalsul Zrai Sahulat
39	Ghulam Shabbir (Kund Sargana, Podt-Off Kaal Pur, Tehsil Kabir Wala, Distt Khanewal)	Ghulam Shabbir CNIC # 36102-1926888-5	Muhammad Afzal	1,699.255	565.950	-	2,265.205	1,699.255	565.950	-	2,265.205	Musalsul Zrai Sahulat
40	Gill Farms (Chak 70/4-R, Maqboolpur Noor Shah Sahiwal)	Amir Nazeer CNIC # 36502-1394122-9	Nazir Ahmed Gill	0.003	760.000	-	760.003	-	1,870.118	-	1,870.118	Musalsul Zrai Sahulat
41	Gill Farms Chak 70/4-R, Maqboolpur Noor Shah Sahiwal	Amir Nazir Gill CNIC # 36502-1394122-9	Nazir Ahmed Gill	3,495.122	1,511.717	-	5,006.838	3,495.122	1,870.118	-	5,365.239	Amzs
42	Gulshan Ara (Gorer Mohalla Radhan Station Tehsil Mehar Distt: Dadu)	Gulshan Ara CNIC # 41205-7115330-4	Ghulam Mustafa	499.611	282.621	-	782.231	499.611	282.621	-	782.231	Musalsul Zrai Sahulat
43	Habib Ali (Malikpur Dakkhana, Sharaqpur Sharif, Tehsil Ferozwala, Zil)	Habib Ali CNIC # 35401-4885932-7	Sher Muhammad	599.738	401.556	-	1,001.294	599.738	401.556	-	1,001.294	Musalsul Zrai Sahulat
44	Habib-Ur-Rehman Khan Khakwani (House No.17Abdali Colony Multan)	Habib-ur-Rehman CNIC # 36302-2471450-5	Abu Ul Hassan Khan Khakwani	1,499.190	99.345	-	1,598.534	1,499.190	99.345	-	1,598.534	Musalsul Zrai Sahulat
45	Hussain Raza Khan, Ex-Staff - Flat No. D-11, 1St Floor, Abdullah Terrace Bclock-16, Scheme 36, Gulistane Jouhar, Karachi	Hussain Raza Khan CNIC # 42301-6867250-7	Haq Raza Khan	750.592	118.938	-	869.530	-	78.938	440.149	519.087	Staff House Loan
46	Hymal Apparels Limited, Head Office, 68/2, Purana Paltan, Dhaka -1000.	" Abdul Malek Khan CNIC not available, Hossain Ahmed CNIC not available, Jahangir Alam CNIC not available, Kamrun Nahar CNIC not available, Musarraf Hossain CNIC not available "	"Abdul Wahed Khan Jalal Ahmed Shahidullah Abul Hossain Abul Hossain "	33,352.758	-	-	33,352.758	33,352.758	3,386.231	-	36,738.988	Mlpo
47	Iftekhar & Hafeez Bibi (Chak Ahmad Shah Basir Pur Tehsil Depalpur Distt Okara)	Iftekhar & Hafeez Bibi CNIC # 35301-7366827-5	Maham Ali	399.048	122.134	0.000	521.183	399.048	122.134	-	521.183	Agrim
48	Imam Brothers - Office No. 608, 6Th Floor, Anum Estate, Sharahe Faisal, Karachi	Rashid Imam (Proprietor) CNIC # 42201-0228881-3	Azhar Imam	997.988	337.801	-	1,335.789	-	-	858.000	858.000	Akf
49	Imran Bhutto (House # 32-B-Iii, Street # 3, Gulberg Iii, Tehsil Lahore City.)	Imran Bhutto CNIC # 35202-7187679-1	Alllah Yar Bhutto	1,248.190	370.572	-	1,618.763	1,248.190	370.572	-	1,618.762	Musalsul Zrai Sahulat
50	Irshad Akhtar (Chak Shah Khagga Tehsil & District Sahiwal)	Irshad Akhtar CNIC # 36402-6801505-9	Muhammad Akhtar	0.003	424.628	-	424.631	-	1,889.283	-	1,889.283	Musalsul Zrai Sahulat
51	Irshad Akhtar Chak # 87/9-L Anjum Farm Tehsil & District Sahiwal	Irshad Akhtar CNIC # 36402-6801505-9	Muhammad Akhtar	3,497.431	1,530.645	-	5,028.076	3,497.431	1,889.283	-	5,386.714	Amzs
52	Javed Rajput Address: C-75, Block-A, Kea Officers Society, Karachi	Javed Rajput CNIC # 42501-1459075-1	M Hanif Rajput	618.116	669.612	-	1,287.729	-	667.729	-	667.729	Credit Card
53	Jhanzaib Qureshi Address: 710 Askari-9,Zarar Shaheed Road, Lahore Cantt., Lahore	Jhanzaib Qureshi CNIC # 35201-7999471-7	Pervaiz Khalid Qureshi	496.002	398.941	-	894.943	-	723.245	-	723.245	Credit Card
54	Kashif Nadeem Address: House No. 346-B By Pass Road, Jinnah Colony Jahania Punjab	Kashif Nadeem CNIC # 36101-9722721-1	Ibrahim	702.503	46.008	-	748.511	694.465	233.983	-	928.447	Auto Finance
55	"Ken Knitting Fabrics Factory Address :Charmugurta, Madaripur Factory: Ishdair, Fatulla, Narayangang"	Mr. Motiur Rahman CNIC not available	Sikandar Ali	14,088.946	-	-	14,088.946	14,088.946	-	-	14,088.946	Mlpo
56	Khalid Iqbal (Chah Noor Mahiwala, Mouza Nehaley Wala, Tehsil Kabirwala, Distt. Khanewal. Permanent Address Rehman Pura, Chak No 338 Jb, Nia Lahore, Tehsil Gojra District Khanewal)	Khalid Iqbal CNIC # 33301-8408469-3	Muhammad Manzoor Ahmed	599.441	360.525	-	959.966	599.441	261.000	-	860.441	Musalsul Zrai Sahulat
57	Khalid Javaid & Bros. 52-57, Aiwan-E-Tijarat Building, Aiwan-E-Tijarat Road, Karachi	Shahid bearing CNIC # 42301-0889594-7	Sh. Mansoor Ahmed	8,399.232	5,718.058	-	14,117.290	-	3,718.058	2,078.000	5,796.058	Cf
58	Khawar Abbas Khan Khakwani (H # 5, Chah Saidanwala, Multan Public School Road, Neel Kot, Tehsil Multan Saddar, Distt. Multan.)	Khawar Abbas Khan CNIC # 36302-0443755-1	Haji Ghulam Akbar Khan	2,885.852	-	-	2,885.852	2,885.852	-	-	2,885.852	Musalsul Zrai Sahulat
59	Khwaja Bashir Ahmed & Sons (Pvt.) Ltd, Registered Office At Vehari Road, Chowk Shah Abbas Multan	Khwaja Mehboob ur Rehman CINC # 36302-8650914-9	Khwaja Bashir Ahmed	99,972.187	10,002.659	-	109,974.847	-	13,056.495	-	13,056.495	Cf Hypo
60	Lubna Rubab, Jalal Abad Colony, Jahanian	Lubna Rubab CNIC # 36101-9290821-6	Ch. Muhammad Khalid Javed	506.918	-	-	506.918	507.000	-	-	507.000	Consumer Car Ijarah
61	Malik Amir Shahzad, H#171-N,St#2-A,Mohallah Qasim Abad Rawalpindi.	Malik Amir Shahzad CNIC # 37405-6437563-3	Malik Altaf Hussain	779.275	-	-	779.275	779.275	-	-	779.275	Consumer Car Ijarah
62	"Malik Ashraf Karyana Merchant, House # 331/11 Jogianwala Wazirabad, Gujranwala."	Malik mohammad Ashraf CNIC # 34104-9277219-9	Ahmed Din	4,000.000	712.000	1,286.000	5,998.000	-	-	1,336.000	1,336.000	Cf Hypo
63	"Malik Khurshid Ahmed Address: Residence: H # 399-400, Dheri Hassan Abad, Rawalpindi Office: Ordinance Road, Nr. Mosq Sheikhan, Dheri Hassanabad, Rawalpindi"	Malik Khurshid Ahmed CNIC # 37405-7517285-7	Malik Alif Din	486.040	98.789	-	584.830	486.040	112.319	-	598.359	Auto Finance
64	Malik Muneer Hussain (Chak# 13 Fw, P.O Chak# 58/F, Tehsil Hasilpur, Distt: Bahawalpur.)	Malik Muneer Hussain CNIC # 31203-8360217-1	Malik Khuda Baksh	449.840	174.496	-	624.335	449.840	174.496	-	624.335	Musalsul Zrai Sahulat
65	Malik Nasir, Main Road Shadman Town Mohalla Peoples Colony Gujranwala	Malik Nasir CNIC # 34101-0207555-1	Muhammad Nawaz Malik	687.975	-	-	687.975	688.000	-	-	688.000	Consumer Car Ijarah
66	Manzoor Ahmed (Village Rasool Bux Brohi Tehsil Warah Distt. Larkana)	Manzoor Ahmed CNIC # 43207-0848488-7	Rasool Buksh	499.995	159.490	-	659.484	499.995	166.284	-	666.279	Musalsul Zrai Sahulat
67	"Manzoor Mir Village Pari Banglow, Tehsil & District Gilgit & Zulfiqarabad Jutial Gilgit"	Manzoor Ahmed Mir CNIC # 71501-7001912-1	Yousaf Mir	4,100.608	2,922.524	89.129	7,112.261	4,100.608	3,011.653	-	7,112.261	Agri
68	Mehmood Mehboob Brothers (Pvt.) Ltd Registered Office At Vehari Road, Chowk Shah Abbas Multan	Khwaja Mehboob ur Rehman CINC # 36302-8650914-9	Khwaja Bashir Ahmed	49,993.858	5,001.417	-	54,995.275	-	6,528.572	-	6,528.572	Cf Hypo
69	Mian Mohsin Haleem Address: Defence Road, Iqbal Town St # 04 Sialkot	Mian Mohsin Haleem CNIC # 3460344842489	Mian Abdul Haleem	500.790	48.045	-	548.835	500.790	72.928	-	573.719	Auto Finance
70	Mian Muhammad Hanif (Chak#112/Eb Po Same Tehsil Burewala Distt. Vehari)	Mian Muhammad Hanif CNIC # 36601-1602076-1	Muhammad Sadiq	897.858	179.749	-	1,077.607	897.858	179.749	-	1,077.607	Musalsul Zrai Sahulat
71	Mian Sanaullah Naveed, Home # 28, Kahkashan Street # 03, North Gulgasht, Multan	Mian Sanauallah Naveed CNIC # 36302-0369484-1	Mian Rehmatullah	2,538.900	2,965.986	58.000	5,562.886	-	2,431.475	58.000	2,489.475	Staff House Loan
72	Micro Disc. Industries Limited	" Mr. K.M. Shahjahan Bari CNIC not available, Mrs. Khondoker Nazmun Nahar CNIC not available "	"Late K.M.A. Bari Late A.K.M Hafez Ahmed"	12,024.297	1,946.713	-	13,971.010	-	5,711.791	5,764.226	11,476.017	Mlpo

S. No.	Name and address of the borrower	"Name of individuals / partners / directors (with CNIC No.)"	Father's / Husband's Name	Outstanding liabilities at January 1, 2015 Principal	Mark-up	Others	Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
1	2	3	4	5	6	7	8	9	10	11	12	13
73	Mir Zohair Mahmood Address: T-13/1/1, Dha, Lahore	Mir Zohair Mahmood CNIC # 35201-1337726-1	Mir Nasir Mahmood	674.398	167.707	-	842.105	684.534	271.924	-	956.457	Credit Card
74	Mlaik Hammad Ullah Bhara (Mohala Kalay Wala Khanwah Ghalwan P O Qurehi Wala Lodhran)	Mlaik Hammad Ullah Bhara CNIC # 36203-7321131-9	Mukhtar Hussain	698.756	268.646	-	967.402	698.756	268.646	-	967.402	Musalsul Zrai Sahulat
75	Mohammad Ahssan Ullah Khan Address: A-55, Block-4,Gul-shan-E-Iqbal,Karachi	Mohammad Ahssan Ullah Khan CNIC # 42201-8575140-1	Azmat Ullah Khan	952.820	31.117	-	983.937	984.966	471.876	-	1,456.841	Credit Card
76	Mohammad Munir, C-27 Sector 14-B Phase 2 Kea Flat Shadman Town North Karachi	Mohammad Munir CNIC # 42101-7501854-5	Mohammad Laeeq	688.622	-	-	688.622	688.622	-	-	688.622	Consumer Car Ijarah
77	Moula Bux Jatoi (House#303 Mohalla Bath Island Takeri Colony Clifton Karachi)	Moula Bux Jatoi CNIC # 42301-2284992-7	Qurban Ali Jatoi	499.861	216.840	-	716.701	499.861	223.548	-	723.408	Musalsul Zrai Sahulat
78	"Muhammad Abbas Khan 6-B, Islamia Road, Peshawer"	CNIC # 42000-9738285-1	Shamsul Nazir	2,032.877	718.464	50.359	2,801.700	-	451.341	50.359	501.700	House Loan
79	Muhammad Abdullah (Chak 15 Db, Tehsil Piplan, District Mianwali)	Muhammad Abdullah CNIC # 38303-8024200-3	Muzaffar Khan	349.955	161.595	-	511.550	349.955	231.000	-	580.955	Musalsul Zrai Sahulat
80	Muhammad Ahmad, P-18, Street No. 1-A, Naimat Colony, Faisalabad	Mr. Muhammad Ahmad CNIC # 33100-6278566-3	Hafiz Ramzan	1,057.014	41.689	-	1,098.703	-	-	1,871.007	1,871.007	Murabaha
81	Muhammad Ahmed Bhutto (Basti Kacha Bhutta, Tehsil Sadiq Abad, Distt. Rahim Yar Khan)	Muhammad Ahmed Bhutto CNIC # 35202-2601416-8	Alllah Yar Bhutto	2,399.722	786.140	-	3,185.863	2,399.722	668.730	-	3,068.452	Musalsul Zrai Sahulat
82	Muhammad Arshid Address: St No 3, Farid Town, Nimatabad Road, Near Akram Karyana Store, Faisalabad	Muhammad Arshid CNIC # 33100-0457138-3	Bashir Ahmed	256.969	0.276	-	257.245	256.969	346.977	-	603.946	Credit Card
83	Muhammad Asif, - H#5-B-1 Johar Town Lahore.	Muhammad Asif CNIC # 33303-1236495-5	Muhammad Aslam	895.352	-	-	895.352	895.000	-	-	895.000	Consumer Car Ijarah
84	Muhammad Atif Majeed & Kashif Majeed Sajid (Basti Rasool, Mouza Amin Garh, Rahim Yar Khan)	Muhammad Atif Majeed CNIC # 31303-2325840-5, Kashif Majeed Sajid CNIC # 31303-3382381-7	Abdul Majeed Sajid	544.857	267.980	-	812.838	544.857	267.980	-	812.838	Musalsul Zrai Sahulat
85	Muhammad Ejaz Rasheed, House# 216/12, Rail Town, Canal Bank Multan Road, Lahore	Muhammad Ejaz Rasheed CNIC # 35202-2493962-9	Rasheed Ahmed	587.801	-	-	587.801	588.000	-	-	588.000	Consumer Car Ijarah
86	Muhammad Hanif (Raqba Nabi Shah, P.O Kotla Naseer,Teh & Distt Rajan Pur)	Muhammad Hanif CNIC # 32403-9068423-3	Muhammad Pahalwan	2,997.705	2,244.898	-	5,242.603	2,997.705	2,136.000	-	5,133.705	Musalsul Zrai Sahulat
87	"Muhammad Hassan Address: Residence: House # 512, Old Cia Staff, Ward # 6, Lodhran Punjab Office: Near Tehsil Road."	Muhammad Hassan CNIC # 36203-1783834-5	Chaudhry Muhammad Sharif	437.681	91.676	-	529.358	437.681	99.312	-	536.993	Auto Finance
88	Muhammad Hayat (Deceased) (Chak# 23 J.B, Teh. Chak Jhumra, Distt. Faisalabad)	Muhammad Hayat CNIC # 33101-0468736-3	Mian Rana	499.773	53.000	-	552.773	499.773	44.572	-	544.345	Musalsul Zrai Sahulat
89	Muhammad Imtiaz Ahmed Address: Younas Fan Colony # 3, G.T. Road, Near Younas Fan Co., Gujrat	Muhammad Imtiaz Ahmed CNIC # 34201-0349263-7	Mirza Muhammad Inait Ullah	466.986	199.977	-	666.963	466.986	261.143	-	728.129	Credit Card
90	Muhammad Jamil Address: House No. 38 Lane No. 11Lahorenew Canal Park, Harbanspura Punjab	Muhammad Jamil CNIC # 35201-3335989-1	Muhammad Munir	592.390	47.536	-	639.926	577.930	157.153	-	735.083	Auto Finance
91	Muhammad Ramzan Madni (Ittefaq Street, H # 442, Gali # 1, Willayat Abad # 1, Multan.)	Muhammad Ramzan Madni CNIC # 36302-6392280-9	Hassan Bux	4,899.959	1,048.601	-	5,948.559	4,899.959	1,048.601	-	5,948.559	Musalsul Zrai Sahulat
92	Muhammad Ramzan, House # 5, Street # 24/C New Bogiwal China Scheme Baghbanpura Lahore	M Ramzan CNIC # 35201-9105113-9	Haji Muhammad	769.035	-	-	769.035	769.000	-	-	769.000	Consumer Car Ijarah
93	Muhammad Ramzan, P-18, Street No. 1-A, Naimat Colony, Faisalabad	Muhammad Ramzan CNIC # 33100-5766301-5	Hafiz Ramzan	1,302.179	67.080	-	1,369.259	-	-	2,390.644	2,390.644	Murabaha
94	Muhammad Rashid Qureshi (Karam Shahimakhdoom Rasheed P.O. Khas Multan)	Muhammad Rashid Qureshi CNIC # 36303-0997668-3	Muhammad Riaz Khan	699.755	320.721	-	1,020.477	699.755	320.721	-	1,020.477	Musalsul Zrai Sahulat
95	Muhammad Safdar/ Muhammad Arshad (Basti Rehmat Ali, Bhamba Shaheed, P.O Ahmed Pur Lamma, Tehsil Sadiq Abad.)	Muhammad Safdar/ Muhammad Arshad CNIC # 31304-8948965-9	Abdul Aziz	898.646	696.111	-	1,594.757	898.646	596.111	-	1,494.757	Musalsul Zrai Sahulat
96	Muhammad Sajjad (Basti Yousaf Wala Mouza Pagalwari P.O Qureshi Wala Tehsil & District Lodhran)	Muhammad Sajjad CNIC # 36203-3283464-7	Faiz Buksh	774.693	120.426	-	895.118	774.693	120.426	-	895.118	Musalsul Zrai Sahulat
97	Muhammad Shakil Address: Chajoki Post Office Gujranwala kamoke, Tehsil Kamoke Punjab	Muhammad Shakil CNIC # 34102-5763878-9	Chaudhry Muhammad Sulman Khan	618.814	27.919	-	646.733	639.411	122.479	-	761.890	Auto Finance
98	"Muhammad Tahir Address: Residence: Kamal Pur P.O Khan Garh Tehsil & Distt. Muzaffar Garh Punjab Office: District Office Road, Near K.B Stand Muzaffargarh"	Muhammad Tahir CNIC # 32304-3545223-7	Ashiq Hussain	604.850	148.206	-	753.056	576.610	192.393	-	769.003	Auto Finance
99	Muhammad Tariq Bucha Address: 29 V, Phase II, D.H.A Lahore	Muhammad Tariq Bucha CNIC # 35202-2823727-7	Malik Khuda Buksh	505.436	326.634	-	832.071	454.074	385.621	-	839.695	Credit Card
100	Muhammad Tariq, Near Road Rajbah Street # 1, Mohalla Faqeer Pura Ferozewala Road Gujranwala	Muhammad Tariq CNIC # 34101-3803726-1	Muhammad Tufail	753.314	-	-	753.314	753.000	-	-	753.000	Consumer Car Ijarah
101	Muhammad Yousaf, Kot Ladha P O Khas Teh Noshra Virkan Distt Gujranwala	Muhammad Yousaf CNIC # 34103-1954174-1	Noor Muhammad	555.241	-	-	555.241	555.000	-	-	555.000	Consumer Car Ijarah
102	Muhammad Zafar Iqbal And Muhammad (Basti Channar P/O Uch Sharif Teh: Ahmedpur East Distt: Bwp)	Muhammad Zafar Iqbal CNIC # 31201-0322761-3, Muhammad CNIC # 31201-6388845-7	Malik Pirn Ditta	648.664	205.134	-	853.798	548.664	213.346	-	762.010	Musalsul Zrai Sahulat
103	Muhammad Zulqarnain Bukhari (H.No 108/5,Tufail Road Lahore. Tehsil Lahore, Lahore.)	Muhammad Zulqarnain Bukhari CNIC # 35201-1539211-7	Syed Ashiq Hussain Bukhari	1,186.166	677.333	-	1,863.499	1,186.166	677.333	-	1,863.499	Musalsul Zrai Sahulat
104	Mushtaq Ahmad (Mouza Kot Abdullah P.O.Makhdoom Purdist Khanewal)	Mushtaq Ahmed CNIC # 36103-4494640-5	Muhammad Hussain	995.445	537.636	-	1,533.081	995.445	537.636	-	1,533.081	Musalsul Zrai Sahulat
105	Mushtaq Ahmed (Basti Jeewa Arain, Post Office Rajanpur Kallan,Teh & District Rajanpur)	Mushtaq Ahmed CNIC # 31303-2374534-3	Abdul Aziz	1,494.816	927.610	-	2,422.426	1,494.816	877.610	-	2,372.426	Musalsul Zrai Sahulat
106	"Nasir Ali Address: Residence: H # 117-F, Block-2, Pechs Near Rehmani Masjid, Karachi Sindh Office: Suite # 114 Ist Floor Poona Wala Trade Tower Jodia Bazar Near City Court"	Nasir Ali CNIC # 33201-1711950-5	Sardar Ali	588.367	101.404	-	689.771	588.367	111.506	-	699.874	Auto Finance
107	Naved Hanif Rajput Address: C-75, Block-A, KDA Officers Society, Karachi	Naved Hanif Rajput CNIC # 42501-1459074-7	Hanif Rajput	877.400	36.367	-	913.767	826.240	397.428	-	1,223.668	Credit Card
108	Nazeer Ahmed (Abbasi House Near Meat Market Muhalla Rahmat Pur Larkana)	Nazeer Ahmed CNIC # 43203-9588161-3	Abdullah Abbasi	999.824	608.304	-	1,608.127	999.824	608.304	-	1,608.127	Musalsul Zrai Sahulat
109	Omega Printers, Address-Plot No. 158, Block-D, Sector-31, Post & Telegraph Cooperative Housing Society, Korangi Township, Karachi	Syed Athar Ali CNIC # 42301-1587976-1	Syed Muhammad Mazhar Ali	4,991.000	579.000	-	5,570.000	-	-	1,229.167	1,229.167	Tf

S. No.	Name and address of the borrower	"Name of individuals / partners / directors (with CNIC No.)"	Father's / Husband's Name	Outstanding liabilities at January 1, 2015				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
110	Ovais Moe Address: Gk-813/14, Bohry Road, 4Th Floor, Aslam Moti Wala Palace, Flat No. 406,Kharader,Karachi	Ovais Moe CNIC # 42301-2999290-9	Amanullah	321.258	14.151	-	335.409	321.258	213.237	-	534.495	Credit Card
111	Promi Enterprises	Tania Islam NIC # 04247-0550368-2	Kazi Shirazul Islam	41,334.378	-	-	41,334.378	-	276.008	21,830.200	22,106.208	Lbp
112	"Qaswar Abbas (Kund Sargana P.O.Qatal Purtehsil Kabirwala Distt. Khanewal Al)"	Qaswar Abbas CNIC # 36102-9732414-5	Muhammad Afzal	2,496.844	944.502	-	3,441.346	2,496.844	944.502	-	3,441.346	Musalsul Zrai Sahulat
113	Rafaqat Shahzad Address: H. # 7, St. # 8, Jamia Masjid, Nehar Wali, Muslimabad, Mughalpura, Lahore	Rafaqat Shahzad CNIC # 35201-9019898-7	Anayat Ali	-	-	-	-	329.210	245.948	-	575.158	Credit Card
114	Raheel Rahman Address: 53/Ii, 21St Street, Phase-V, DHA, Karachi	Raheel Rahman CNIC # 42000-0508914-7	Abdur Rahman	429.796	45.376	-	475.172	453.308	210.768	-	664.076	Credit Card
115	Rana Muhammad Ramzan Anwar Address: House # 3322/2, Ward # 08 Muslimmoallah Faridabad, Multan outside Bohar Gate, Punjab	Rana Muhammad Ramzan Anwar CNIC # 36302-5276489-9	Rana Anwar Ali	926.172	80.294	-	1,006.466	917.421	295.910	-	1,213.331	Auto Finance
116	Razia Begum (H# C-276 Gorer Mohalla Radhan Station Taluka Mehar District Dadu)	Razia Begum CNIC # 41205-1857815-0	Ghulam Mustafa	499.975	157.647	-	657.622	499.975	164.356	-	664.331	Musalsul Zrai Sahulat
117	Sabeen Yasir Address: House No 14, Street No 5, Safari Villas, Rawalpindi	Sabeen Yasir CNIC # 35202-2603937-4	Yasir Arafat	629.823	25.285	-	655.108	599.197	102.127	-	701.323	Auto Finance
118	Safdar Ali Khan (Chak # 3/1-R, P.O. Azizabad, Tehsil Haroonabad, Distt. Bahawalnagar.)	Safdar Ali Khan Individual CNIC # 31104-5479229-3	Muhammad Yar	1,499.501	494.594	-	1,994.095	1,499.501	494.594	-	1,994.095	Musalsul Zrai Sahulat
119	"Safdar Rice Corporation (Jalal Pur Bhatian, District Hafizabad)"	"Muhammad Asif CNIC # 34302-9919918-9, Safdar Ali CNIC # 34302-7581207-3, M Afzal CNIC # 34302-6538655-1, Rashid Mahmood CNIC # 34302-4583167-9, Tariq Mahmood CNIC # 34302-3042750-1"	Muhammad Rafiq	10,000.000	658.356	-	10,658.356	-	458.356	5,973.413	6,431.769	Murabaha
120	Sajid Mehmood (Basti Mirzaika, Jhodhak, P.O. Same Tehsil & Distt Bahawalanagr.)	Sajid Mehmood CNIC # 31101-8385587-7	Manzoor Ahmed	591.565	173.199	-	764.764	591.565	173.199	-	764.764	Musalsul Zrai Sahulat
121	Sardar Muhammad Nawaz Address: H.# 84-Y, Phase-Iii, St.# 18,Dha,Lahore	Sardar Muhammad Nawaz CNIC # 38101-0945197-9	Sardar Mehar Khan	384.660	91.616	-	476.276	384.660	225.957	-	610.617	Credit Card
122	Shabbir Ahmad & Noor Fatima (Chak 112/7-R,Tehsil Chechawat-ni,District Sahiwal)	Shabbir Ahmed CNIC # 36501-8513428-5	Noor Muhammad	0.001	245.000	-	245.001	-	816.240	-	816.240	Musalsul Zrai Sahulat
123	Shabbir Ahmed & Noor Fatima Chak 112/7-R,Tehsil Chechawatni,Dis-trict Sahiwal	Shabbir Ahmed CNIC # 36501-8513428-5	Noor Muhammad	1,299.913	678.081	-	1,977.995	1,299.913	816.240	-	2,116.153	Amzs
124	Shahbaz Sharif Chaudhary (Kot Hakim Wala Chak No.21/74 Po Syed Wala Tehsile & Distt. Nankana Sahib)	Shahbaz Sharif CNIC # 35402-3865169-9	Muhammad Sharif	1,498.738	833.594	-	2,332.332	1,498.738	833.594	-	2,332.332	Musalsul Zrai Sahulat
125	Shaikh Aamir Hussain, Ex-Staff - Address : H No A-289 North Nazimabad Blk T Karachi	Shaikh Aamir Hussain CNIC # 42101-9637474-1	Safdar Hussain	2,247.794	511.991	-	2,759.785	-	-	806.422	806.422	Staff House Loan
126	Shamsain Marketing - M-1, Clifton Pride, Plot No. Ac/2, Khaybane Saadi, Block-2 Karachi	Arshad Ali Khan (Proprietor) CNIC # 42301-5052989-1	Ain Uddin Khan	10,002.148	1,341.970	-	11,344.118	-	-	1,805.000	1,805.000	Cf
127	Shehzad Fareed (Basti Zaildar, Mominabad, P.O. Takhat Mehal, Tehsil & Distt. Bahawalnagar.)	Shehzad Fareed CNIC # 31101-8421827-7	Pir Ali Muhammad	893.515	433.138	-	1,326.653	893.515	433.138	-	1,326.653	Musalsul Zrai Sahulat
128	Shehzad Farid (Mouza Khokhra Po Sahuka Tehsil Burewala Distt. Vehari)	Shehzad Farid CNIC # 36601-7236065-5	Sardar Ali	1,016.279	268.886	-	1,285.165	1,016.279	268.886	-	1,285.165	Musalsul Zrai Sahulat
129	Sheikh Mohammad Abid Rasheed Address: Canal Banquet Hall ,West Canal Roadabdullahpur, Near Abdullahpur Bypass, Faisalabad	Sheikh Mohammad Abid Rasheed CNIC # 42101-5069927-5	Shaikh Abdur Rasheed	340.366	54.874	-	395.240	657.503	636.695	-	1,294.199	Credit Card
130	Sheikh Sajjad Hussain Address: 592-A-Block,Gulshan-E-Ravi,Lahore	Sheikh Sajjad Hussain CNIC # 35202-2938611-9	Sheikh Muhammad Akbar	308.838	1.914	-	310.752	314.512	218.470	-	532.982	Credit Card
131	Sheraz, 5 E 7Th East Street, D.H.A. Phase I, Karachi.	Sheraz CNIC # 42301-0552209-7	Muhammad Hafeez	759.491	-	-	759.491	759.000	-	-	759.000	Consumer Car Ijarah
132	Sohno Khukhar (Village Lohi Pull P.O & Talka Miro Khan Dist: Larkana)	Sohno Khukhar CNIC # 4320475344427	Gul Hassan	793.022	476.054	-	1,269.076	793.022	486.831	-	1,279.853	Musalsul Zrai Sahulat
133	Sultan Ahmad (Moza Jham, P. O. Chiniot, Tehsil & Distt. Chiniot,)	Sultan Ahmed CNIC # 33201-1650967-1	Ahmed Ali	999.965	158.371	-	1,158.336	999.965	158.371	-	1,158.336	Musalsul Zrai Sahulat
134	"Syed Aamir Hasnain Shah Address: Residence: Sham Din Po Depalpur Teh. Depalpur Distt Okara Punjab Office: Sham Din Po Depalpur Distt Okara"	Syed Aamir Hasnain Shah CNIC # 35301-6075707-5	Syed Altaf Hussain Shah	792.746	205.591	-	998.337	727.103	263.771	-	990.874	Auto Finance
135	Syed Ahsan Murtaza Sherazi (Chak 112/9-L, Tehsil & District Sahiwal)	Syed Ahsan Murtaza Sheerazi CNIC # 36502-9608567-3	Syed Ghulam Murtaza Sherazi	0.001	171.000	-	171.001	-	587.395	-	587.395	Musalsul Zrai Sahulat
136	Syed Ahsan Murtaza Sherazi Chak 112/9-L, Tehsil & District Sahiwal	Syed Ahsan Murtaza Sherazi CNIC # 36502-9608567-3	Syed Ghulam Murtaza Sherazi	1,496.111	454.832	-	1,950.943	1,000.111	587.395	-	1,587.506	Amzs
137	"Syed Gohar Abbas Shah (Mouza Hasokey Tehsil Tandlianwala District Faisalabad)"	Syed Gohar Abbas Shah CNIC # 33100-9895928-9	Shehbaz Ali Shah	1,948.576	-	605.426	2,554.002	-	77.738	459.221	536.959	Agri
138	Syed Mohsin Ali Shah & Amina Bibi (Mouza Bakhu Shah Tehsil Depalpur Distt Okara)	Syed Mohsin Ali Shah & Amina Bibi CNIC # 35301-0729162-1	Syed Faiz Ali Shah	873.496	244.763	0.000	1,118.259	873.496	244.763	-	1,118.259	Agrim
139	Syed Raza Ali Shah Address: H. # 18-A, Shah Jamal Colony, Street # 15, Near Ihsan Hospital, Lahore	Syed Raza Ali Shah CNIC # 35202-8162479-5	Syed Jafar Ali	790.387	94.291	-	884.677	786.450	490.137	-	1,276.587	Credit Card
140	Syed Tasvir Husain Address: H.No. 298, West Canal Bank, Lahore	Syed Tasvir Husain CNIC # 35202-5372857-9	Syed Shabir	637.549	62.036	-	699.585	599.988	446.381	-	1,046.369	Credit Card
141	Syed Zulfiqar Rehman Address: House # B-174, Block-12,Sindh Baloach Society, Gulistan-E-Johar, Karachi	Syed Zulfiqar Rehman CNIC # 42101-6967248-5	Syed Mati Ur Rehman	402.510	24.606	-	427.117	157.510	641.360	-	798.870	Credit Card
142	Tahir Mehmood, House No.356,Street No.86,I-8/4,Islamabad.	Tahir Mehmood CNIC # 33100-1478149-5	Imam Ali	768.857	-	-	768.857	768.857	-	-	768.857	Consumer Car Ijarah
143	Tahseen Ahmed Address: H. # 27, Waleed Block, Muslim Town # 1,Faisalabad	Tahseen Ahmed CNIC # 33100-9905115-5	Waris Ali	436.711	106.568	-	543.279	446.913	289.432	-	736.344	Credit Card
144	"Tariq Mahmood & Abdul Razzaq (Mohallah Rajpootan, Syedwala, Tehseel - Distt. Nankana Sahib)"	Tariq Mahmood CNIC # 35501-0136654-1, Abdur Razzaq CNIC # 35402-1084479-1	Rustam Ali	549.000	72.669	-	621.669	549.000	72.669	-	621.669	Musalsul Zrai Sahulat
145	Tariq Mahmood Nazir Address: House # 95,J-Block, M.A Johar Town, Lahore	Tariq Mahmood Nazir CNIC # 35202-7998163-1	Ch Nazir Ahmed	217.561	293.948	-	511.509	217.561	293.948	-	511.509	Credit Card

S. No.	Name and address of the borrower	"Name of individuals / partners / directors (with CNIC No.)"	Father's / Husband's Name	Outstanding liabilities at January 1, 2015				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
146	Tariq Mansoor Mujtaba Makwal (Basti Makwal, Utra Sandeela, P.O. Same, Tehsil & Distt. Muzaffargarh.)	Tariq Mansoor Mujtaba Kakwal CNIC # 32304-0133949-1	Mian Muhammad Murtaza Makwal	2,400.000	47.781	-	2,447.781	2,400.000	47.781	-	2,447.781	Musalsul Zrai Sahulat
147	Uig (Pvt) Ltd. , Star Avenue, Terminal 1, Jinnah International Karachi	Muhammad Anwer Qureshi (CEO) CNIC # 42301-1068409-9	Abdul Ghaffar Qureshi	14,855.870	1,715.906	-	16,571.775	-	474.906	4,162.000	4,636.906	Cf
148	Usman Jamil & Co. - Address : Fruit Market Mian Chunnu	Muhammad Jameel CNIC # 36104-2079573-1	Ghulam Muhammad	6,218.934	1,003.052	-	7,221.986	-	-	747.747	747.747	Cf Hypo
149	Wahid Bux Junejo (Village Saindad Junejo Tehsil Dokri District Larkana)	Wahid Bux Junejo CNIC # 43201-1863615-1	Allah Buksh	399.964	95.447	-	495.411	399.964	100.626	-	500.590	Musalsul Zrai Sahulat
150	Yara (Moza Jham, P. O. Chiniot, Tehsil & Distt. Chiniot,)	Yara CNIC # 33201-1651534-3	Muhammad	1,199.932	372.273	-	1,572.205	1,199.932	378.985	-	1,578.917	Musalsul Zrai Sahulat
151	Z. Corporation, Wazirabad Road Sialkot	Naveed Zia CNIC # 34603-6018597-3, Zafar Iqbal CNIC # 91509-0124424-9	Muhammad Iqbal	4,816.000	-	-	4,816.000	-	1,056.000	-	1,056.000	Lease Finance
152	Zafar Iqbal, No. 9/19, 2Nd Floor, Block 5-D, Nazimabad, Near Mohammadi Masjiod	Zafar Iqbal CNIC # 51401-3602710-3	Abdul Rahman	714.398	-	-	714.398	714.398	-	-	714.398	Consumer Car Ijarah
153	Zahid Javaid Address: Pirmahal Mohallah Lower Colonytoba Tek Singh kamalia Punjab	Zahid Javaid CNIC # 33302-1023062-7	Muhammad Yaqoob	436.107	30.812	-	466.919	432.570	131.646	-	564.217	Auto Finance
154	Zeeshan Daha (Nawab Pur Road, H # 32/B, Mohalladh Lodhi Colony, Multan.)	Zeeshan Daha CNIC # 36302-4544291-5	Abdul Qadir	2,479.860	513.297	-	2,993.156	2,479.860	513.297	-	2,993.156	Musalsul Zrai Sahulat
			Total	511,747.253	115,977.090	3,347.367	631,071.710	172,501.382	110,685.700	56,655.023	339,842.105	

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

BALANCE SHEET	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		9,516,305	9,424,644
Balances with and due from financial institutions		2,938,812	2,655,800
Lendings to financial institutions		38,612,971	17,286,944
Investments - net		33,422,029	42,725,945
Islamic Financing and Related Assets	A-II.1	42,056,149	36,314,148
Fixed assets		2,285,906	2,130,999
Other assets		2,664,563	4,571,148
		131,496,735	115,109,628
LIABILITIES			
Bills payable		1,428,720	1,348,263
Borrowings		9,984,637	9,756,894
Deposits and other accounts			
- Current Accounts		37,357,094	34,284,151
- Saving Accounts		51,824,143	44,024,101
- Term Deposits		14,714,498	11,428,821
- Others		1,269,209	807,927
Deposits from Financial Institutions - Remunerative deposits		240,392	214,559
Deposits from Financial Institutions - Non-remunerative deposits		1,946	1,319
Other liabilities		5,303,877	4,799,138
		122,124,516	106,665,173
NET ASSETS		9,372,219	8,444,455
REPRESENTED BY			
Islamic banking fund		1,800,000	1,800,000
Exchange equalisation reserve		(56)	10,786
Unappropriated / Unremitted profit (Head Office Current Account)		6,463,950	5,665,417
		8,263,894	7,476,203
Surplus on revaluation of assets - net of tax		1,108,325	968,252
		9,372,219	8,444,455
Remuneration to Shariah Advisor / Board		4,605	2,800
CHARITY FUND			
Opening balance		131,543	145,707
Additions during the year			
Received from customers on delayed payments & others		80,933	53,410
Non-shariah compliant income		1,295	3,805
Profit on charity saving account		8,527	8,861
		90,755	66,076
Distribution of charity			
Welfare Works		(16,397)	(20,511)
Health		(24,163)	(43,425)
Education		(5,181)	(16,304)
Payments / Utilization during the year		(45,741)	(80,240)
Closing balance		176,557	131,543

PROFIT & LOSS ACCOUNT	Note	2015	2014
		(Rupees in '000)	
Income / return earned		9,270,300	8,777,612
Income / return expensed		3,725,082	4,202,950
Net income / return before depreciation on asset given on lease		5,545,218	4,574,662
Depreciation on assets given on lease	10.3	1,440,986	1,075,151
Net income / return earned after depreciation		4,104,232	3,499,511
Provisions against loans and advances - net		109,353	338,743
Provision for diminution in value of investments - net		13,828	43,914
Bad debts written off directly		-	-
		123,181	382,657
Net income / return earned after provisions		3,981,051	3,116,854
Other income			
Fee, commission and brokerage income		253,125	254,616
Dividend income		40,867	90,460
Income from dealing in foreign currencies		133,190	196,399
Gain on sale of securities - net		83,649	14,239
Unrealised (loss) / gain on revaluation of investment classified as held for trading		-	857
Other income		71,448	68,225
Total other income		582,279	624,796
		4,563,330	3,741,650
Other expenses			
Administrative expenses		2,764,172	2,595,380
Provision against off-balance sheet obligations		-	3,831
Other charges		1,088	692
Total other expenses		2,765,260	2,599,903
Profit before taxation		1,798,070	1,141,747

Notes to the Annexure II For the year ended December 31, 2015

		Note	2015	2014
			(Rupees in '000)	
A-II.1	**Islamic Financing and Related Assets**			
	Murabaha	A-II.1.1	10,173,925	17,194,729
	Ijarah	A-II.1.2	7,220,136	5,862,184
	Diminishing Musharakah	A-II.1.3	506,584	723,800
	Musharakah	A-II.1.4	9,902,071	3,998,454
	Running Musharakah	A-II.1.5	3,153,938	-
	Salam	A-II.1.6	5,016,961	3,703,959
	Istisna	A-II.1.7	1,833,420	1,986,254
	SBP Islamic Export Refinance Scheme	A-II.1.8	3,410,839	2,099,949
	Others	A-II.1.9	838,275	744,819
			42,056,149	36,314,148
A-II.1.1	**Murabaha**			
	Financing/Investments/Receivables		7,091,427	12,339,071
	Advances		3,652,705	5,273,422
	Others (Provisions)		(570,207)	(417,764)
			10,173,925	17,194,729
A-II.1.2	**Ijarah**			
	Financing/Investments/Receivables		176,280	234,342
	Advances		408,452	433,614
	Assets/Inventories		6,875,617	5,474,603
	Others (Provisions)		(240,213)	(280,375)
			7,220,136	5,862,184
A-II.1.3	**Diminishing Musharakah**			
	Financing / Investments / Receivables		614,441	735,076
	Advances		45,053	172,513
	Others (Provisions)		(152,910)	(183,789)
			506,584	723,800
A-II.1.4	**Musharakah**			
	Financing / Investments / Receivables		8,258,035	3,964,844
	Advances		1,653,089	52,150
	Others (Provisions)		(9,053)	(18,540)
			9,902,071	3,998,454
A-II.1.5	**Running Musharakah**			
	Financing / Investments / Receivables		3,153,938	-
	Advances		-	-
	Others (Provisions)		-	-
			3,153,938	-

		2015	2014
		(Rupees in '000)	
A-II.1.6	**Salam**		
	Financing / Investments / Receivables	4,989,061	3,707,935
	Advances	30,000	-
	Others (Provisions)	(2,100)	(3,976)
		5,016,961	3,703,959
A-II.1.7	**Istisna**		
	Financing / Investments / Receivables	810,830	1,319,004
	Advances	1,022,590	667,250
		1,833,420	1,986,254
A-II.1.8	**SBP Islamic Export Refinance Scheme**		
	Financing / Investments / Receivables	3,410,839	2,099,949
	Advances	-	-
	Others (Provisions)	-	-
		3,410,839	2,099,949
A-II.1.9	**Others**		
	Staff Loans	808,402	659,577
	Advance Against Musharakah Staff	46,320	54,138
	Advance Against Ijarah Staff	2,709	5,406
	Overdue Acceptances and FBP	12,452	25,698
	Others (Provisions)	(31,608)	-
		838,275	744,819

A-II.2 1.- The pools, their key features and risk and reward characteristics.

The profit and loss sharing between the Rabbul Maal (depositor) and Mudarib (Bank - IBG) is based upon the underlying principles of Mudaraba, where Bank also contributes its equity to general pool of funds, and becomes the capital provider.

Currently Islamic Banking Group is managing following pools:

a) General Pool for Local Currency Depositors
b) FCY Pool for Foreign Currency (USD, GBP and EURO) depositors
c) FIs Pool for Treasury Purposes
d) IERS Pool for Islamic Export Refinance Scheme facilities
e) Islamic Banking Afghanistan Operations Pool

All the Mudaraba based Remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBG's own share of equity, which is also commingled in the pool. The applications of these funds are on Advances, Investments, and Placements for generating profits to be shared among the depositors as per the Weightage system.

The IERS pool is maintained as per the guideline under SBP IERS Scheme.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

2. Avenues / sectors where Mudaraba based deposits have been deployed.

	2015	**2014**
	(Rupees in '000)	
Agribusiness	4,012,938	1,800,205
Automobile and transportation equipment	519,761	930,811
Chemical and pharmaceuticals	1,233,566	1,104,313
Cement	3,097,895	-
Communication	1,100,176	26,783
Electronics and electrical appliances	1,097,774	20,625
Educational institutes	24,102	50,934
Fertilizers	-	153,775
Food and allied products	1,128,938	1,363,485
Glass and Ceramics	716	180,250
Ghee and Edible Oil	-	406,606
Import and Export	-	195,170
Iron / Steel	4,085,334	575,809
Oil and Gas	-	95,557
Paper and Board	-	372,241
Production and transmission of energy	6,409,509	8,419,556
Real Estate / Construction	116,311	83,484
Retail / wholesale trade	-	279,064
Rice processing and trading / wheat	1,982,075	276,080
Sugar	1,211,792	924,091
Shoes and leather garments	717,954	586,538
Sports goods	4,900	226,018
Surgical goods	9,755	5,549
Textile spinning	2,721,054	2,700,131
Textile weaving	1,406,655	383,246
Textile composite	3,156,685	4,936,177
Welfare institutions	-	199,894
Individuals	3,873,804	7,030,446
Others	5,150,546	3,891,754
Total Gross Islamic Financing and Related Assets	**43,062,240**	**37,218,592**
Total Gross Investments *	33,389,013	42,672,798
Total Islamic Placements	41,551,783	19,942,744
Total Invested Funds	**118,003,036**	**99,834,134**

* Mainly invested in GOP Ijarah Sukuks.

3. The major components of Profit distribution and charging of the expenses.

Profit is distributed among the Mudaraba deposits on the basis of underlying principles of weightage mechanism which are announced before the beginning of the concerned period. Only direct attributable expenses such as depreciation on ijarah assets, brokerage, CIB Charges, bad debts write off on advances and loss on sale of investments etc are charged to the pool. Expenses of pool(s) do not include general and specific provisioning created against non-performing financings and diminution in the value of investments.

4. The Bank managed the following general and specific pools during the year:

General Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share/Fee	Rabbul Maal Share	(in '000)			(in '000)
PKR Pool	Monthly	7.72%	35.00%	65.00%	1,735,695	3.88%	3.2%	246,680
USD Pool	Monthly	3.17%	65.00%	35.00%	30,667	1.10%	0.8%	652
GBP Pool	Monthly	0.00%	60.00%	40.00%	143	0.00%	0.0%	-
EUR Pool	Monthly	3.07%	60.00%	40.00%	1,312	0.43%	0.8%	19
Foreign Operation Pool (Afghanistan branch - USD)	Bi-Annually	2.08%	50.00%	50.00%	-	0.10%	-	-

General Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Bank Share	SBP Share	(in '000)			(in '000)
Islamic Export Refinance (IERS) Pool	Monthly	5.85%	62.20%	37.80%	177,694	Nil	1.27%	3,620,000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Bank Alfalah Limited and its subsidiary companies (the Group) as at 31 December 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Bank Alfalah Limited and its subsidiary companies namely Alfalah Securities (Private) Limited and Alfalah GHP Investment Management Limited. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Bank Alfalah Limited and its subsidiary companies as at 31 December 2015 and the results of their operations for the year then ended.

The comparative figures for the year ended 31 December 2014 in the accompanying financial statements are based on the unaudited consolidated financial statements of the Group.

February 29, 2016
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	62,368,827	50,515,645
Balances with other banks	7	16,583,138	12,334,368
Lendings to financial institutions	8	53,628,870	18,313,485
Investments - net	9	397,516,448	324,960,872
Advances - net	10	327,299,560	290,568,379
Operating fixed assets	11	17,317,691	15,796,592
Deferred tax assets	12	-	-
Other assets	13	28,701,223	31,469,458
		903,415,757	743,958,799
LIABILITIES			
Bills payable	14	9,733,929	11,758,155
Borrowings	15	172,393,198	55,232,916
Deposits and other accounts	16	640,137,161	605,956,904
Sub-ordinated loans	17	9,983,000	9,987,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	12	1,826,270	821,038
Other liabilities	18	15,249,463	14,635,222
		849,323,021	698,391,235
NET ASSETS		54,092,736	45,567,564
REPRESENTED BY			
Share capital	19	15,898,062	15,872,427
Reserves		14,164,120	12,338,026
Unappropriated profit		12,813,488	10,091,872
Total equity attributable to the equity holders of the Bank		42,875,670	38,302,325
Non-controlling interest		274,134	255,999
Surplus on revaluation of assets - net of tax	20	10,942,932	7,009,240
		54,092,736	45,567,564
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR	CHAIRMAN

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
Mark-up / return / interest earned	23	61,424,713	55,374,052
Mark-up / return / interest expensed	24	32,810,469	33,494,344
Net mark-up / interest income		28,614,244	21,879,708
Provision against non-performing loans and advances - net	10.5	2,150,209	1,447,931
Provision for diminution in the value of investments - net	9.21	136,691	85,897
Bad debts written off directly	10.6.1	-	5
		2,286,900	1,533,833
Net mark-up / interest income after provisions		26,327,344	20,345,875
Non mark-up / interest income			
Fee, commission and brokerage income		4,570,382	4,545,819
Dividend income		349,963	313,950
Income from dealing in foreign currencies		1,379,097	2,042,957
Gain on sale of securities - net	25	1,534,994	1,058,167
Unrealised gain on revaluation of investments classified as held for trading - net	9.23	229,063	160,098
Share of profit from associates	9.19	309,017	331,238
Other income	26	730,298	684,131
Total non mark-up / interest income		9,102,814	9,136,360
		35,430,158	29,482,235
Non mark-up / interest expenses			
Administrative expenses	27	22,119,740	20,201,113
Provision against off-balance sheet obligations	18.1	1,066	38,453
Provision against other assets	13.3	322,391	358,935
Other charges	28	329,789	206,377
Total non mark-up / interest expenses		22,772,986	20,804,878
		12,657,172	8,677,357
Extra ordinary / unusual items		-	-
Profit before taxation		12,657,172	8,677,357
Taxation	29		
- Current		5,036,065	3,123,661
- Deferred		(461,035)	(272,194)
- Prior years		567,813	38,427
		5,142,843	2,889,894
Profit after taxation		7,514,329	5,787,463
Profit attributable to:			
Equity holders of the Bank		7,502,660	5,765,251
Non-controlling interest		11,669	22,212
		7,514,329	5,787,463
		(Rupees)	
Basic earnings per share	30.1	4.72	4.18
Diluted earnings per share	30.2	4.70	4.18

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR	CHAIRMAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
Profit after taxation		7,514,329	5,787,463
Other comprehensive income			
Items that are or may be reclassified subsequently to profit and loss account			
Exchange differences on translation of net investments in foreign branches		210,501	(403,585)
Items that will never be reclassified to profit and loss account			
Remeasurement of defined benefit plans	34.1.4	(199,200)	357,065
Related tax on remeasurement of defined benefit plans		69,637	(124,966)
		(129,563)	232,099
Share of Remeasurement of defined benefit plans of associate		(752)	125
Comprehensive income - transferred to statement of changes in equity		7,594,515	5,616,102
Attributable to:			
Equity holders of the Bank		7,576,380	5,593,890
Non-controlling interest		18,135	22,212
Comprehensive income - transferred to statement of changes in equity		7,594,515	5,616,102
Components of comprehensive income not reflected in equity			
Items that are or may be reclassified subsequently to profit and loss account			
Surplus on revaluation of available for sale securities		3,791,058	5,262,506
Related deferred tax liability		(1,346,452)	(1,841,877)
		2,444,606	3,420,629
Share of surplus on revaluation on associates' available for sale securities		536	-
Total comprehensive income		10,039,657	9,036,731

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **DIRECTOR** **CHAIRMAN**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		12,675,172	8,677,357
Dividend income		(349,963)	(313,950)
Share of profit from associates - net of tax		(309,017)	(331,238)
		11,998,192	8,032,169
Adjustments			
Depreciation	27	1,816,229	1,642,965
Amortisation	27	275,439	271,926
Provision against non-performing loans and advances - net	10.5	2,150,209	1,447,931
Provision for diminution in value of investments - net	9.21	136,691	85,897
Provision against off-balance sheet obligations	18.1	1,066	38,453
Provision against other assets	13.3	322,391	358,935
Unrealised gain on revaluation of investments classified as held for trading - net	9.23	(229,063)	(160,098)
Bad debts written-off directly	10.6.1	-	5
Gain on sale of operating fixed assets - net	26	(13,975)	(177,462)
		4,458,987	3,508,552
		16,457,179	11,540,721
(Increase) / decrease in operating assets			
Lendings to financial institutions		(23,711,516)	(14,653,524)
Held for trading securities		2,363,062	(14,136,264)
Advances		(38,881,390)	(31,265,764)
Other assets (excluding advance taxation)		(56,111)	(13,980,116)
		(60,285,955)	(74,035,668)
Increase / (decrease) in operating liabilities			
Bills payable		(2,024,226)	2,214,675
Borrowings		117,197,929	32,101,847
Deposits and other accounts		34,180,257	80,448,344
Other liabilities		565,200	3,081,248
		149,919,160	117,846,114
		106,090,384	55,351,167
Income tax paid		(3,066,039)	(3,989,132)
Net cash generated from operating activities		103,024,345	51,362,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(71,390,574)	(25,948,321)
Net investments in held to maturity securities		984,355	(58,690,346)
Investment in associated companies		(1,960,874)	(730,159)
Disposal of investment in associated companies		1,434,580	96,000
Dividend income received from associates		168,887	179,240
Dividend income received		355,131	323,289
Investments in operating fixed assets		(1,981,066)	(3,314,064)
Sale proceeds of property and equipment disposed-off	11.4	25,424	657,856
Net cash used in investing activities		(72,364,137)	(87,426,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		41,836	6,666,420
Redemption of sub-ordinated loans		(4,000)	(4,000)
Dividend paid		(3,165,079)	(2,733,934)
Net cash (used) / generated in financing activities		(3,127,243)	3,928,486
Exchange difference on translation of the net investments in foreign branches		210,501	(403,585)
Increase / (decrease) in cash and cash equivalents		27,743,466	(32,539,569)
Cash and cash equivalents at beginning of the year		65,539,265	96,243,627
Effects of exchange rate changes on cash and cash equivalents		343,958	2,179,165
		65,883,223	98,422,792
Cash and cash equivalents at end of the year	31	93,626,689	65,883,223

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **DIRECTOR** **CHAIRMAN**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	Capital Reserves			Revenue Reserves		Sub-total	Non Controlling Interest	Total
		Share premium	Statutory reserve	Exchange translation reserve	Employee share option compensation reserve	Unappro-priated profit			
	--------------------	--------------------	--------------------	--------------------	(Rupees in '000)	--------------------	--------------------	--------------------	--------------------
Balance as at January 1, 2014	13,491,563	-	5,508,172	1,766,050	-	7,853,784	28,619,569	233,787	28,853,356
Changes in equity for 2014									
Total comprehensive income									
Profit after taxation	-	-	-	-	-	5,765,251	5,765,251	22,212	5,787,463
Other comprehensive income									
Exchange difference on translation of net investment in foreign branches	-	-	-	(403,585)	-	-	(403,585)	-	(403,585)
Remeasurement of defined benefit plans (Note 34.1.4)	-	-	-	-	-	357,065	357,065	-	357,065
Related tax charge	-	-	-	-	-	(124,966)	(124,966)	-	(124,966)
Share of Remeasurement of defined benefit plans of associate	-	-	-	-	-	125	125	-	125
	-	-	-	(403,585)	-	5,997,475	5,593,890	22,212	5,616,102
Transfer to statutory reserve	-	-	1,128,170	-		(1,128,170)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	67,096	67,096	-	67,096
Transactions with owners recorded directly in equity									
Shares issued during the year	2,380,864	4,285,556	-	-	-	-	6,666,420	-	6,666,420
Final cash dividend for the year ended December 31, 2013 @ 20%	-	-	-	-	-	(2,698,313)	(2,698,313)	-	(2,698,313)
Recognition of fair value of share based payments on grant date (note 34.2)	-	-	-	-	117,083	-	117,083	-	117,083
Unamortised portion of deferred employee compensation expense	-	-	-	-	(63,420)	-	(63,420)	-	(63,420)
Balance as at December 31, 2014	15,872,427	4,285,556	6,636,342	1,362,465	53,663	10,091,872	38,302,325	255,999	38,558,324
Changes in equity for 2015									
Total comprehensive income									
Profit after taxation	-	-	-	-	-	7,502,660	7,502,660	11,669	7,514,329
Effect of change in minority interest	-	-	-	-	-	(6,466)	(6,466)	6,466	-
Other comprehensive income									
Exchange difference on translation of net investment in foreign branches	-	-	-	210,501	-	-	210,501	-	210,501
Remeasurement of defined benefit plans (note 34.1.4)	-	-	-	-	-	(199,200)	(199,200)	-	(199,200)
Related tax charge	-	-	-	-	-	69,637	69,637	-	69,637
Share of Remeasurement of defined benefit plans of associate						(752)	(752)	-	(752)
	-	-	-	210,501	-	7,365,875	7,576,380	18,135	7,594,515
Transfer to statutory reserve	-	-	1,504,562	-	-	(1,504,562)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	34,784	34,784	-	34,784
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2014 @ 20%	-	-	-	-	-	(3,174,485)	(3,174,485)	-	(3,174,485)
Shares issued during the year	25,635	16,201	-	-	-	-	41,836	-	41,836
Recognition of fair value of share based payments on grant date (note 34.2)	-	-	-	-	119,250	-	119,250	-	119,250
Unamortised portion of deferred employee compensation expense	-	-	-	-	(24,420)	-	(24,420)	-	(24,420)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	27,891			(27,891)	-	-	-	-
Balance as at December 31, 2015	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,813,488	42,875,670	274,134	43,149,804

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

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR	CHAIRMAN

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 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 located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange (formerly 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 484 conventional banking branches including 12 sub branches (2014: 480 branches including 12 sub branches), 10 overseas branches (2014: 10 branches), 158 Islamic banking branches (2014: 157 branches) and 1 offshore banking unit (2014: 1 unit). The credit rating of the Bank is disclosed in note 32 of the consolidated financial statements.

	Percentage of Holding	
	2015	**2014**
Subsidiaries		
Alfalah Securities (Private) Limited, Pakistan	97.91 percent	97.18 percent
Alfalah GHP Investment Management Limited, Pakistan	40.22 percent	40.22 percent

1.2 In addition the Group maintains investments in the following:

Investment in mutual funds established under trust structure not consolidated as subsidiaries - Note 1.2.1

Alfalah GHP Value Fund	27 percent	34.67 percent
Alfalah GHP Islamic Stock Fund	52.92 percent	87.18 percent
Alfalah GHP Cash Fund	70.09 percent	43.99 percent
Alfalah GHP Islamic Income Fund	84.1 percent	47.42 percent

Associates		
Alfalah Insurance Limited	30 percent	30 percent
Sapphire Wind Power Company Limited	30 percent	30 percent
Alfalah GHP Money Market Fund	2.71 percent	16.18 percent
Alfalah GHP Income Multiplier Fund	10.68 percent	22.25 percent
Alfalah GHP Sovereign Fund	5.22 percent	4.03 percent
Alfalah GHP Income Fund	0.43 percent	3.60 percent
Appollo Pharma Limited	7.4 percent	NIL

1.2.1 These represent the Bank's investment in mutual funds established under Trust structure, which are subsidiaries of the Group under IFRS 10, but have not been considered for the purposes of consolidation in accordance with the directives issued by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O 56(I) /2016 dated January 28, 2016. The said SRO states that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, for the purposes of Consolidated Financial Statements of the Group, the investments in these funds have been accounted for as associates as explained in note 2.5 to these consolidated financial statements.

2 BASIS OF PRESENTATION

2.1 These consolidated financial statements represent financial statements of holding company - Bank Alfalah Limited and its subsidiaries. The assets and liabilities of subsidiaries have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.

2.2 The Securities and Exchange Commission of Pakistan (SECP) vide letters EMD/233/407/2002-750 dated February 28, 2013, EMD/233/407/2002-734 dated December 18, 2013 and EMD/233/655/2004-68 dated August 18, 2014 had granted an exemption to the holding company from the preparation of consolidated financial statements for the years 2012, 2013 and 2014 respectively, subject to disclosure of certain information in the financial statements of the holding company. For the purposes of these consolidated financial statements, un-audited comparative information for the prior year 2014 has been presented consistent with the basis of consolidation as referred to in note 2.5 to these consolidated financial statements. Accordingly, the comparative figures for the year ended 31 December 2014 are un-audited.

2.3 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 re-sale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

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

2.5 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee.

These consolidated financial statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.

Associates are those entites in which the Group has significant influence, but not control, over the financial and operating polices. Associates as well as investment in mutual funds established under trust structure (not consolidated as subsidiaries) are accounted for using the equity method.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interest which are not owned by the holding company. Material intra-group balances and transactions are eliminated.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by SECP and SBP shall prevail.

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 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' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.3 IFRS 8 'Operating Segments' is effective for the group's accounting periods beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by SBP.

3.4 The Securities and Exchange Commission of Pakistan (SECP) has notified the applicability of 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. 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 in the current year starting March 2015.

3.5 The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in these consolidated financial statements of the Group.

3.6 New and revised approved accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after January 1, 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Group's financial statements.

- Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 1, 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Group's financial statements.

- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after January 1, 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Group's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 1, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Group's financial statements.
- Annual Improvements 2012-2014 cycle (amendments are effective for annual periods beginning on or after January 1, 2016). The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.
  - IAS 24 'Related Party Disclosures'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

  The above amendments are not likely to have an impact on Group's financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, and held for trading and available for sale investments and derivative financial instruments are measured at fair value.

4.2 Functional and Presentation Currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4.3 Critical accounting estimates and judgements

The preparation of these consolidated financial statements is in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

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

i) classification and provisioning against investments (notes 5.4 and 9)
ii) classification and provisioning against non-performing loans and advances (notes 5.5 and 10)
iii) income taxes (notes 5.11 and 29)
iv) accounting for defined benefit plan and compensated absences (notes 5.12 and 34)
v) depreciation / amortisation of operating fixed assets (notes 5.6 and 11)
vi) impairment of assets (notes 5.9 & 5.10)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with previous year except for approved new revised accounting standards, which were effective from January 01, 2015 as set out below.

5.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 27 Separate financial statements (Amendments) and IFRS 10 Consolidated Financial Statements: IFRS 10 - Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. The standard replaces the previous guidance on consolidation in IAS 27 Consolidated and Seperate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. The standard also includes specific guidance on de-facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influences the assessment of control.

Accordingly, in the current year, the holding company classified investments in the following entities as investments in subsidiaries in its separate unconsolidated financial statements:

- Alfalah GHP Investment Management Limited
- Alfalah GHP Value Fund
- Alfalah GHP Islamic Stock Fund
- Alfalah GHP Cash Fund
- Alfalah GHP Islamic Income Fund

However, the SECP through S.R.O 56(I) /2016 dated January 28, 2016, has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, investments in Alfalah GHP Value Fund, Alfalah GHP Islamic Stock Fund and Alfalah GHP Cash Fund have not been considered for consolidation in these Consolidated Financial Statements for the year ended December 31, 2015, as well as for the prior comparative period.

IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' which requires all joint ventures to be equity accounted hereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept of jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as joint venture.

IFRS 12 Disclosure of interests in other entities: The standard prescribes additional disclosures around significant judgements and assumptions met in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in unconsolidated structured entities. The applicability of this standard did not have an impact on these consolidated financial statements of the Group, except for certain disclosures as provided in note 9.18 and 9.19.

IFRS 13 'Fair Value Measurement' consoildates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value heirarchy. The application of IFRS 13 does not have an impact on these consolidated financial statements of the Group except for certain disclosures as mentioned in note 37.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 01, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these consolidated financial statements.

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial institutions

The holding company enters into transactions of repo and reverse repo at contracted rates for a specified period of time. These are recorded as under:

Sale of securities under repurchase agreements

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

Purchase of securities under resale agreements

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

5.4 Investments

5.4.1 Classification

The Group classifies its investments as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

Associates

Associates are all entities over which the Group has significant influence but not control. These are accounted for using the equity method of accounting. The investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves.

Investments in mutual funds established under trust structure not consolidated as subsidiaries - Note 1.2.1

For the purposes of presentation, such investments have been disclosed as part of associates, and accounted for at par with associates using the equity method of accounting.

5.4.2 Regular way contracts

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

5.4.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at cost. Transaction costs associated with the investment are included in cost of investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

5.4.4 Subsequent measurement

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

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

5.4.5 Impairment

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

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

5.5 Advances

Loans and advances

loans and advances including net investment in finance lease are stated net of provision against non-performing advances. specific and general provisions against pakistan operations are made in accordance with the requirements of the prudential regulations issued by the state bank of pakistan from time to time. the net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. provisions pertaining to overseas advances are made in accordance with the requirements of regulatory authorities of the respective countries. advances are written off when there are no realistic prospects of recovery.

Islamic Financing and Related Assets

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

Net investment in Finance Lease

Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

5.6 Operating Fixed assets

Tangible assets

Operating fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Office premises (which includes land and buildings) are stated at revalued amount less accumulated depreciation.

Depreciation is charged to income by applying the straight-line method using the rates specified in note 11.2 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Office premises are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of operating fixed assets account. Deficit arising on subsequent revaluation of operating fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of operating fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gains and losses on disposal of operating fixed assets are taken to the profit and loss account except that the related surplus / deficit on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

Goodwill

Goodwill arising on the acquisition represents the excess of the consideration transferred over interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. For the purpose of impairment testing , goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGU, that is expected to benefit from the synergies of the combination. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

5.7 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

5.8 Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

5.9 Impairment

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the consolidated financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.10 Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable on Ijarah under IFAS 2 are recorded as income / revenue.

Depreciation

The group charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

Ijarah Rentals

Ijarah rentals outstanding are disclosed in 'Islamic financing and related assets' on the Statement of Financial Position at amortized cost.

Impairment

Impairment of Ijarah assets is determined on the same basis as that of operating fixed assets. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

5.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in statement of comprehensive income.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.12 Employee benefits

a) Defined benefit plan

The holding company operates an approved funded gratuity scheme covering eligible employees whose period of employment with the holding company is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

The subsidiary - Alfalah Securities operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The cost of providing benefits under the defined benefit scheme is determined using the "Projected Unit Credit Method". Actuarial (remeasurement) gains and losses are recognised as income or expense in full in the year in which they occur in other comprehensive income.

b) Defined contribution plan

The Holding Company operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the holding company and its employees to the fund at the rate of 8.33% of the basic salary in accordance with the terms of the scheme.

The subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary.

c) Compensated absences

The Holding Company recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial recommendations.

d) Employees Stock Option Scheme

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

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the profit and loss account, such employee compensation expense is reversed in the profit and loss account equal to the amortized portion with a corresponding effect to employee stock option compensation reserve equal to the un amortized portion.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to employee stock option compensation reserve.

When the options are exercised, employee stock option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

5.13 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claim are stated at the lower of the claim amount and the market value of assets acquired at the time of acquisition. The Bank carries out periodic valuation of these assets and any decline in their value below the recognised amount is charged to the profit and loss account.

5.14 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.

b) Borrowing costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

5.15 Deposits - Islamic Banking

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Modaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Maal (Usually Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal upto a specified percentage of its profit.

Profits are distributed from the pool so the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period.

Asset pools are created at the Bank's discretion and the Bank can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

5.16 Provisions

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-of expected recoveries.

Other provisions are recognised when the Bank has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

5.17 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.18 Revenue recognition

Advances and investments

Mark-up income on loans and advances, debt securities investments and profit on murabaha and musharika financing are recognised on a time proportion basis. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

Dividend income is recognised at the time when the Group's right to receive the dividend has been established.

Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognised as income when they are realised.

Unrealised lease income and mark-up / return on non-performing advances are suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis.

Ijarah income is recognised on an accrual basis as and when the rental becomes due.

Morabaha income is recognised on deferred income basis.

Fee, commission and brokerage

Fee, commission and brokerage income except income from guarantees are accounted for on receipt basis. Commission on guarantees is recognised on time proportion basis.

Other income is recognised on accrual basis.

5.19 Foreign currency translation

Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates.

Transactions and balances

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts other than contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the reporting date. The forward cover fee payable on such contracts is amortised over the term of the contracts.

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year. Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

5.20 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

5.21 Off-setting

Financial assets and financial liabilities are off-set and the net amount reported in these consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

5.23 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.24 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The group's primary format of reporting is based on business segments.

a) **Business segments**

Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

Commercial banking

Commercial banking includes project finance, corporate finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

Corporate banking

Corporate banking includes services provided in connection with mergers and acquisition, underwriting, privatisation, securitisation, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

Retail Brokerage

It includes stock brokerage, investment counselling & fund placements mainly conducted though the subsidiary Alfalah Securities (Private) Limited.

Asset Management

It includes asset management activities mainly through the subsidiary Alfalah GHP Investment Management Limited.

b) **Geographical segments**

The group operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit 2015: Rs. 6 million, 2014: Rs. 21 million)		8,972,003	10,637,684
Foreign currencies (including in transit 2015: Rs. 7 million, 2014: Rs. 1 million)		2,377,778	2,949,564
With State Bank of Pakistan in			
Local currency current accounts	6.1	20,593,524	9,203,721
Foreign currency current accounts	6.2	3,232,623	2,801,243
Foreign currency deposit accounts	6.3	7,224,768	6,205,512
With other central banks in			
Foreign currency current accounts	6.4	5,933,513	5,806,368
Foreign currency deposit accounts	6.4	656,196	573,530
With National Bank of Pakistan in			
Local currency current account		13,305,048	12,281,353
National Prize Bonds		73,374	56,670
		62,368,827	50,515,645

6.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

6.2 As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

6.3 Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. The State Bank of Pakistan has not remunerated these deposit accounts during the year.

6.4 Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Holding Company.

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		618,033	753,987
On deposit accounts	7.1	29,625	1,310,082
Outside Pakistan			
On current accounts	7.2	10,956,696	7,005,797
On deposit accounts	7.3	4,978,784	3,264,502
		16,583,138	12,334,368

7.1 This represents funds deposited with various banks at profit rates ranging from 3.00% to 5.75% per annum (2014: 6.00% to 9.50% per annum).

7.2 This includes amount held in Automated Investment Plans. The balance is current in nature and on increase in the balance above a specified amount, the Holding Company is entitled to earn interest from the correspondent banks at agreed upon rates.

7.3 This includes placement of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.00% to 6.00% per annum (2014: 0.10% to 6.25% per annum) having maturities upto March 2016 (2014: May 2015).

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	15,265,899	3,528,957
Bai Muajjal	8.2	38,362,971	14,784,528
		53,628,870	18,313,485

8.1 These represent lendings to financial institutions at interest rates ranging from 0.40% to 12.00% per annum (2014: 2.83% to 12.50% per annum) having maturities upto November 2016 (2014: November 2016).

8.2 This represents Bai Muajjal agreement entered into with State Bank of Pakistan (SBP) and Ministry of Finance, Government of Pakistan through SBP, whereby the Holding Company sold Sukuks having carrying value amounting to Rs. 12,360 million and Rs. 26,003 million respectively on deferred payment basis. The rates of return on these transactions are upto 8.26% per annum and 5.99% per annum respectively. They are due to be matured by March 2016 and November 2016 respectively.

	2015	2014 (Un-audited)
	(Rupees in '000)	
8.3 Particulars of lendings to financial institutions		
In local currency	38,612,971	16,884,528
In foreign currencies	15,015,899	1,428,957
	53,628,870	18,313,485

9 INVESTMENTS - NET

9.1 Investments by types

	Note	2015 Held by Bank	2015 Given as collateral	2015 Total	2014 (Un-audited) Held by Bank	2014 (Un-audited) Given as collateral	2014 (Un-audited) Total
		--------------------------------------(Rupees in '000)--------------------------------------					
Held for trading securities							
Market Treasury Bills		13,480,197	-	13,480,197	15,194,352	-	15,194,352
Pakistan Investment Bonds		2,423,862	-	2,423,862	2,905,528	-	2,905,528
Overseas Bonds		2,990,933	-	2,990,933	2,193,796	-	2,193,796
Sukuk Bonds		-	-	-	1,002,278	-	1,002,278
Fully paid up ordinary shares / units - Listed		197,998	-	197,998	-	-	-
		19,092,990	-	19,092,990	21,295,954	-	21,295,954
Available for sale securities							
Market Treasury Bills		78,391,879	494,563	78,886,442	44,998,239	102,962	45,101,201
Pakistan Investment Bonds		28,914,704	128,577,363	157,492,067	85,004,793	30,150,519	115,155,312
Fully paid up ordinary shares / units - Listed		5,000,753	-	5,000,753	4,729,456	-	4,729,456
Fully paid up ordinary shares / units - Unlisted		4,454,223	-	4,454,223	4,454,223	-	4,454,223
Term Finance Certificates		829,594	-	829,594	1,234,849	-	1,234,849
Preference Shares - Listed		108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted		325,000	-	325,000	340,000	-	340,000
Pakistan Euro Bonds		2,409,043	-	2,409,043	-	-	-
Overseas Bonds		4,804,159	-	4,804,159	3,566,942	-	3,566,942
Sukuk Bonds		33,280,442	-	33,280,442	41,516,803	-	41,516,803
		158,518,632	129,071,926	287,590,558	185,954,140	30,253,481	216,207,621
Held to maturity securities							
Market Treasury Bills		-	-	-	1,193,121	-	1,193,121
Pakistan Investment Bonds		66,180,991	-	66,180,991	65,769,574	-	65,769,574
Term Finance Certificates		524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds		3,347,785	-	3,347,785	3,176,300	-	3,176,300
Overseas Bonds		7,920,557	-	7,920,557	8,315,367	-	8,315,367
Sukuk Bonds		4,230,816	-	4,230,816	4,210,142	-	4,210,142
		82,204,415	-	82,204,415	83,188,770	-	83,188,770
Investments in Associates and Mutual Funds established under Trust Structure not considered for consolidation							
Alfalah Insurance Limited		241,560	-	241,560	213,069	-	213,069
Sapphire Wind Power Company Limited		1,006,054	-	1,006,054	342,216	-	342,216
Alfalah GHP Money Market Fund		54,415	-	54,415	543,985	-	543,985
Alfalah GHP Income Multiplier Fund		283,699	-	283,699	386,907	-	386,907
Alfalah GHP Sovereign Fund		423,475	-	423,475	270,828	-	270,828
Appollo Pharma Limited		802,130		802,130	-	-	-
Alfalah GHP Income Fund		113,036	-	113,036	93,164	-	93,164
Alfalah GHP Islamic Income Fund		6,384		6,384	44,992	-	44,992
Alfalah GHP Value Fund		187,684	-	187,684	174,470	-	174,470
Alfalah GHP Islamic Stock Fund		359,958	-	359,958	328,011	-	328,011
Alfalah GHP Cash Fund		540,918	-	540,918	1,048,628	-	1,048,628
		4,019,313	-	4,019,313	3,446,270	-	3,446,270
Investments at cost		263,835,350	129,071,926	392,907,276	293,885,134	30,253,481	324,138,615
Provision for diminution in the value of investments	9.21	(5,519,811)	-	(5,519,811)	(5,390,757)	-	(5,390,757)
Investments (net of provisions)		258,315,539	129,071,926	387,387,465	288,494,377	30,253,481	318,747,858
Surplus on revaluation of held for trading securities - net	9.23	229,063	-	229,063	160,098	-	160,098
Surplus on revaluation of available for sale securities - net	20.2	9,377,825	522,095	9,899,920	6,007,268	45,648	6,052,916
Total investments		267,922,427	129,594,021	397,516,448	294,661,743	30,299,129	324,960,872

9.1.1 Market value of held to maturity securities is Rs. 83,866 million (2014: Rs. 85,048 million) excluding non-government overseas bonds.

9.2 Strategic Investments

Strategic investments are those which the Bank makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to the fulfilment of the requirements prescribed by the SBP. Further, as per the SBP instructions in BPD Circular Letter No. 16 of 2006 dated August 01, 2006, investments marked as strategic have a minimum retention period of 5 years from the original purchase date. However, these can be sold before the stipulated period with the prior permission of the SBP.

Strategic Investments are restricted to and the same as those reflected in the Bank's separate financial statements and do not include investments resulting by way of consolidation of holding through subsidiaries.

9.3 Investments by segments

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
Federal Government Securities			
- Market Treasury Bills	9.5	92,366,639	61,488,674
- Pakistan Investment Bonds	9.6	226,096,920	183,830,414
- Overseas Government Bonds	9.7	11,799,149	11,353,583
- Sukuk Bonds	9.8	31,096,239	40,389,250
- Pakistan Euro Bonds	9.9	5,756,828	3,176,300
		367,115,775	300,238,221
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.10	5,198,751	4,729,456
- Un-listed companies	9.11	4,454,223	4,454,223
- Preference Shares - Listed	9.12	108,835	108,835
- Preference Shares - Unlisted	9.13	325,000	340,000
		10,086,809	9,632,514
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.14	99,940	549,080
- Un-listed TFCs	9.15	1,253,920	1,210,035
- Sukuk Bonds	9.16	6,415,019	6,339,973
- Overseas Bonds	9.17	3,916,500	2,722,522
		11,685,379	10,821,610
Investments in Associates and Mutual Funds established under trust structure not considered for consolidation	9.18	4,019,313	3,446,270
Total investments at cost		392,907,276	324,138,615
Provision for diminution in the value of investments	9.21	(5,519,811)	(5,390,757)
Investments (net of provisions)		387,387,465	318,747,858
Surplus on revaluation of held for trading securities - net	9.23	229,063	160,098
Surplus on revaluation of available for sale securities - net	20.2	9,899,920	6,052,916
Total investments		397,516,448	324,960,872

9.4 Investments include certain approved / government securities which are held by the Holding Company to comply with the Statutory Liquidity Requirement determined on the basis of the Holding Company's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

9.5 Market Treasury Bills are for the periods of three months, six months and one year. The effective rates of profit on Market Treasury Bills range between 6.26% to 7.99% per annum (2014: 9.42% to 9.92% per annum) with maturities upto October 2016 (2014: December 2015).

9.6 Pakistan Investment Bonds (PIBs) are for the periods of three, five, seven, ten years and fifteen years. The rates of profit range from 8.75% to 12% per annum (2014: 9.00% to 12.00% per annum) with maturities from May 2016 to July 2022 (2014: July 2015 to July 2024). These also include PIBs having face value of Rs. 35 million (2014: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.

9.7 These represent Overseas Government Bonds issued by the Government of Bahrain, the Government of Kazakhstan, the Government of Afghanistan, the Government of Bangladesh, the Government of Mexico and the Government of Indonesia amounting to USD 5 million (2014: USD 5 million), USD 3 million (2014: USD 3 million), AFN 1,214 million (2014: AFN 2,414 million), BDT 6,605 million (2014: BDT 4,932 million), EUR 0.5 million (2014: nil) and EUR 2.00 million (2014: nil) respectively. The rates of profit on Government of Bahrain bond is 5.50% (2014: 5.50%), Government of Kazakhstan bond is 3.88% (2014: 3.88%) and Government of Afghanistan bond ranging from 1.80% to 6.70% per annum (2014: 3.56% to 7.10% per annum), Government of Bangladesh bonds carry profit ranging from 8.50% to 12.48% per annum (2014: 8.57% to 12.55% per annum), Government of Mexico bonds is 1.63% (2014: nil) while Government of Indonesia bonds is 3.38% (2014: nil). The bonds are due to mature by March 2020 (2014: March 2020), October 2024 (2014: October 2024), December 2016 (2014: December 2015), November 2034 (2014: November 2034), March 2024 (2014: Nil) and July 2025 (2014: Nil) respectively.

9.8 These represent sukuk bonds of Rs. 1,790 million (2014: Rs. 2,200 million) issued by Water and Power Development Authority (WAPDA) for a period of eight and ten years, ijarah sukuk of Rs. 27,451 million (2014: Rs. 36,410 million) issued by the State Bank of Pakistan for a period of three years and ijarah sukuk of USD 17.70 million (2014: USD 17.70 million) issued by the Government of Indonesia, the Government of South Africa and the Government of Pakistan. The rates of profit on these bonds range between 6.78% to 7.59% per annum (2014: 9.47% to 9.98% per annum), between 5.89% to 6.15% per annum (2014: 9.47% to 9.98% per annum) and between 3.90% to 6.75% per annum (2014: 3.90% to 6.75% per annum) respectively. These sukuk bonds are due to mature by October 2021, December 2018 and September 2024 respectively.

9.9 These represent Pakistan Euro Bonds of US Dollar 55.05 million (2014: US Dollar 32.05 million) issued by the Government of Pakistan. These bonds carry interest between 7.13% to 8.25% per annum (2014: 7.13% to 7.25% per annum) with maturities upto September 2025 (2014: April 2019).

9.10 Particulars of investments in listed companies / mutual funds include the following:

2015	2014 (Un-audited)		2015	2014 (Un-audited)
(Number of shares / certificates / units)			(Rupees in '000)	
		MUTUAL FUNDS		
-	1,815,575	Meezan Balanced Fund	-	5,894
-	972,919	Meezan Islamic Income Fund	-	50,000
-	24,669,055	NAFA Income Opportunity Fund	-	250,805
-	15,000,000	Pak Oman Advantage Fund	-	150,000
-	600,000	Pak Oman Advantage Islamic Income Fund	-	30,000
-	580,218	Al-Ameen Islamic Income Fund	-	50,000

2015	2014 (Un-audited)		2015	2014 (Un-audited)
(Number of shares / certificates / units)			(Rupees in '000)	
		OIL AND GAS		
800,000	1,223,100	Oil and Gas Development Corporation Limited	110,368	311,966
655,200	980,050	Pakistan Oilfields Limited	203,635	454,490
1,125,000	2,179,000	Pakistan Petroleum Limited	142,597	465,706
955,000	976,400	Pakistan State Oil Company Limited	350,923	363,591
213,000	163,100	Attock Petroleum Limited	113,732	88,078
		CHEMICALS		
1,948,333	1,948,333	Agritech Limited (Note 9.15.1)	15,100	22,737
1,144,600	700,000	Engro Corporation Limited	296,555	134,075
540,500	2,400,000	Fatima Fertilizer Company Limited	14,290	60,544
1,250,000	518,700	Fauji Fertilizer Company Limited	162,897	59,514
2,000,000	659,000	Fauji Bin Qasim Limited	111,594	27,629
		CONSTRUCTION AND MATERIALS		
750,000	-	Attock Cement Company Limited	138,493	-
2,250,000	954,500	D G Khan Cement Limited	285,827	83,384
828,500	1,000,000	Lucky Cement Limited	356,351	381,839
1,750,000	-	Amreli Steels Limited	89,250	-
		REAL ESTATE		
71,003,617	-	Dolmen City Real Estate Investment Trust (REIT)	781,040	-
		PERSONAL GOODS		
1,090,100	800,000	Nishat Mills Limited	119,233	97,493
153,750	-	Al Saheer Corporation Limited	9,593	-
		ELECTRICITY		
5,391,000	4,550,000	The Hub Power Company Limited	424,458	249,590
2,325,000	1,600,000	Kot Addu Power Company Limited	175,968	98,997
4,475,000	5,767,000	Nishat (Chunian) Power Company Limited	147,806	190,480
2,650,000	5,422,500	Nishat Power Company Limited	111,650	164,780
3,703,706	2,203,706	Engro Powergen Qadirpur Limited	126,735	66,283
		TELECOMMUNICATION		
250,000	-	Pakistan Telecommunication Company Limited	4,008	-
		BANKS		
841,700	510,000	Allied Bank Limited	83,782	56,100
5,449,000	7,737,700	Bank Al Habib Limited	220,770	304,288
925,000	435,700	MCB Bank Limited	230,466	121,068
1,300,000	1,710,000	United Bank Limited	210,949	274,133
700,000	566,200	Habib Bank Limited	145,681	115,992
1,800,720	-	First Dawood Investment Bank Limited (note 9.13.1)	15,000	-
		FINANCIAL SERVICES		
11,865	11,865	Visa Inc.	-	-
			5,198,751	4,729,456

9.11 Investments in unlisted companies

2015	2014 (Un-audited)		2015	2014 (Un-audited)
(Number of shares)			(Rupees in '000)	
572,531	572,531	**Pakistan Export Finance Guarantee Agency Limited** Chief Executive: Mr. S.M. Zaeem Break-up value per share: Rs. 0.5 Date of financial statements: June 30, 2010 (Audited)	5,725	5,725
24	24	**Society for Worldwide Interbank Financial Telecommunication** Chief Executive: Mr. Gottfried Leibbrandt Break-up value per share: Rs. 425,866 (2012: Rs. 330,035) Date of financial statements: December 31, 2013 (Audited)	4,096	4,096
5,000,000	5,000,000	**Al-Hamra Avenue (Private) Limited** Chief Executive: Mr. Habib Ahmed Break-up value per share: Rs. 9.52 Date of financial statements: June 30, 2010 (Un-audited)	50,000	50,000
319,054,124	319,054,124	**Warid Telecom (Private) Limited (Related party) note 9.11.1** Chief Executive: Mr. Muneer Farooqui Break-up value per share: Rs. 1.52 (2014: Rs. 2.19) Date of financial statements: June 30, 2015 (Audited)	4,366,796	4,366,796
4,007,383	4,007,383	**Pakistan Stock Exchange Limited (PSX) (formerly Karachi Stock Exchange (note 9.11.2)** Managing Director: Mr. Munir Kamal Break-up value per share: Rs. 10.17 (2014: Rs. 10.07) Date of financial statements: June 30, 2015 (Audited)	27,606	27,606
			4,454,223	4,454,223

9.11.1 During the year, the Holding Company entered into an acquisition agreement dated November 26, 2015 with International Wireless Communications Pakistan Limited and Pakistan Mobile Communications Limited in respect of sale of these shares. The transaction has not yet been completed.

9.11.2 This represents shares of Pakistan Stock Exchange Limited (PSX) (formerly Karachi Stock Exchange) held by Alfalah Securities (Private) Limited acquired in persuance of corporisation and demutualization of PSX as a public company limited by shares. As per the arrangements, the authorized and paid-up capital of PSX is Rs. 10 billion and Rs. 8.015 billion respectively with a par value of Rs. 10 each. The paid-up capital of PSX is equally distributed among 200 members (term as initial shareholders of exchange after corporatization) of PSX by issuance of 4,007,383 to each initial shareholders in the following manner:

- 40 % of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account of Central Depository Company of Pakistan Limited (CDC) to each initial shareholder.

- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under PSX's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institution.

9.12 Investments in preference shares - Listed

2015	2014 (Un-audited)		2015	2014 (Un-audited)
(Number of shares)			(Rupees in '000)	
10,883,486	10,883,486	**Agritech Limited** Chief Executive: Mr. Muhammad Khalid Mir Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 1.85 (2013: Rs. 9.83) Date of financial statements: December 31, 2014 (Audited)	108,835	108,835
			108,835	108,835

9.13 Investments in preference shares - Unlisted

120,000,000	120,000,000	**Silk Bank Preference Shares** Chief Executive : Mr. Azmat Tarin Redemption: Put Option: The Holding Company has an option to sell on the expiry of 3 years, its outstanding shares to Arif Habib Corporation Limited at strike price of Rs. 3.70 per share. Call Option: Silkbank is entitled to exercise call option after the end of first year from date of issue till the expiry of 3 years at strike price ranging from Rs. 2.85 to Rs. 3.7 per share. Subsequent to the year ended December 31, 2015, Silkbank excercised its right to call the preference shares vide it's letter dated January 26, 2016 at a strike price of Rs. 3.66 calculated in accordance with the agreement entered into between the Bank and the issuer. Break-up value per share: Rs. 2.76 (2014: Rs. 3.13) Date of financial statements : September 30, 2015 (Unaudited) (Paid-up value of each share is Rs. 2.50)	300,000	300,000
-	1,500,000	**First Dawood Investment Bank Limited (note 9.13.1)** Chief Executive: Mr. Abu Khursheed Muhammad Arif Redemption: Preference dividend @ 4% on cumulative basis and redeemable at par after 5 years. Break-up value per share: Rs. 1.23 (2014: Rs. 0.89) Date of financial statements: June 30, 2015 (Audited)	-	15,000
2,500,000	2,500,000	**Trust Investment Bank Limited** Chief Executive: Mr. Ahsan Rafique Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. (20.34) (2014: Rs. (18.1)) Date of financial statements: June 30, 2015 (Audited)	25,000	25,000
			325,000	340,000

9.13.1 During the year, the preference shares of First Dawood Investment Bank Limited were converted into ordinary shares at ratio of 1:1.2

9.14 Particulars of Term Finance Certificates - Listed	2015	2014 (Un-audited)
	(Rupees in '000)	
Askari Bank Limited (3rd Issue)	-	449,100
Nil (2014: 90,000) certificates of Rs. 5,000 each		
NIB Bank Limited - (2nd Issue)	99,940	99,980
20,000 (2014: 20,000) certificates of Rs. 5,000 each		
Mark up: Average six months KIBOR + 115 basis points per annum with no floor and cap		
Redemption: The TFC is structured to redeem 0.3 percent of principal semi-annually in the first ninety months followed by remaining 99.37% on maturity at the end of the ninety sixth month. The repayment obligations of the issuer pursuant to the TFCs unsecured and sub-ordinated to all other financial obligations of the issuer.		
Maturity: June 2022		
Rating: A+ (PACRA)		
Chief Executive: Mr. Atif Bokhari		
	99,940	549,080

9.15 Particulars of Term Finance Certificates - Unlisted

	2015	2014 (Un-audited)
Askari Bank Limited	99,960	100,000
20,000 (2014: 20,000) certificates of Rs. 5,000 each		
Mark up: Average six months KIBOR plus 120 basis points per annum		
Redemption: TFC is structured to redeem 0.36% of the issue amount during the tenor of the issue with 99.64% of the issue amount in year ten in 2 equal semi annual instalments of 49.82% each. The TFCs shall be sub-ordinated to the payment of the principal and profit to all other indebtness of the issuer including deposits, and are not redeemable before maturity without the prior approval of the State Bank of Pakistan.		
Maturity: September 2024		
Rating: AA- (JCR-VIS)		
Chief Executive: Mr. Syed Majeedullah Hussaini		
Faysal Bank Limited	149,700	149,760
30,000 (2014: 30,000) certificates of Rs. 5,000 each		
Mark up: Average 6 month KIBOR plus 225 basis points per annum		
Redemption: The instrument is structured to redeem 0.20 percent of principal semi-annually in the first 60 months and remaining amount in 4 equal semi-annual instalments of 24.95% each starting from 66th month. The TFCs are sub-ordinated to all other indebtness of the issuer including deposits.		
Maturity: December 2017		
Rating: AA- (JCR-VIS)		
Chief Executive: Mr. Nauman Ansari		
Bank AL Habib Limited	299,520	299,580
60,000 (2014: 60,000) certificates of Rs. 5,000 each		
Mark up: Year 1 - 5 : 15% Year 6 - 10 : 15.5%		
Redemption: The instrument is structured to redeem 0.02 percent of principal semi-annually in the first 9 years and the remaining issue amount in 2 equal semi-annual instalments of 49.82% in the 10th year. These TFCs are sub-ordinated as to the payment of principal and profit and in case of occurrence of an event of default the TFC holders will rank below the senior un-secured creditors and depositors and the creditors of the issuer.		
Maturity: July 2021		
Rating: AA (PACRA)		
Chief Executive: Mr. Abbas D. Habib		

	2015	2014 (Un-audited)
	(Rupees in '000)	
Agritech Limited	499,586	499,586

100,000 (2014: 100,000) certificates of Rs. 5,000 each
Mark up: Average six months KIBOR (Ask Side) + 175 basis point per annum (no floor & no cap)
Redemption: Repayment will be made in stepped up instalments where 35 percent of principal amount will be paid in the years 3 to 5 and remaining 65 percent will be paid in years 6 to 8.
Maturity: July 2017
Rating: Unrated
Chief Executive: Mr. Muhammad Khalid Mir

Zulekha Textile Mills Limited (Formerly Khunja Textile Mills Limited)	24,680	24,680

300 (2014: 300) certificates of Rs. 100,000 each
Mark-up: Average Six Months KIBOR + 300 basis points per annum
Redemption: 10 equal semi-annual instalments commencing from the 24th months from first draw down.
Maturity: October 2019
Rating: Unrated
Chief Executive: Shanzae Amjad

Azgard Nine Limited - Note 9.15.1	43,350	43,350

20,000 (2014: 20,000) certificates of Rs.5,000 each
Mark-up: Average Six months KIBOR (Ask Side) + 100 basis points per annum
Redemption: Principal will be repaid in 12 semi annual instalments with stepped up repayment plan whereby 47 percent of principal amount will be repaid in the years 3 to 6 and remaining 53 percent will be repaid in the years 7 and 8.
Maturity: December 2017
Rating: Unrated
Chief Executive: Mr. Ahmed H. Shaikh

Azgard Nine Limited - Note 9.15.2	32,870	32,870

6,574 (2014: 6,574) certificates of Rs.5,000 each
Mark-up: Zero Rated
Redemption: Principal to be repaid in 7 semi annual instalment starting from March 2014.
Maturity: March 2017
Rating: Unrated
Chief Executive: Mr. Ahmed H. Shaikh

New Allied Electronics - Note 9.15.3	2,185	2,185

437 (2014: 437) certificates of Rs. 5,000 each
Mark up: Average three months KIBOR plus 275 basis points
Redemption: 17 equal quarterly instalments
Maturity: May 15, 2011
Rating: Unrated
Chief Executive: Mr. Zeeshan Pervaiz Akhtar

Flying Board & Paper Products	-	6,990

Nil (2014: 1,500) certificates of Rs. 5,000 each

Fauji Akber Portia Marine Terminals Limited (FAP) - Note 19.15.4	102,069	51,034

1 certificate of Rs. 102.069 million (2014: 1 certificate of Rs. 51.034 million)
Mark up: Zero rated
Redemption: Repayment will commence after the repayment of entire principal of reduced STF facility of FAP and will be made in 3 un-equal semi-annual instalments commencing from 2021.
Maturity: May 2022
Rating: Unrated
Chief Executive: Mr. Ahmed Kamal Rana

	1,253,920	1,210,035

9.15.1 In the year 2012, the Group's exposure in the TFCs of Azgard Nine Limited (ANL) amounting to Rs. 99.920 million was restructured under a Debt / Asset Swap arrangement. As per the terms of the restructuring, the Holding Company received 1,616,036 shares of Agritech Limited (AGL) (valued at Rs. 35 per share) as partial settlement of the ANL's TFC exposure. In addition, the Holding Company also injected additional equity amounting to Rs. 11.631 million for acquisition of additional 332,297 shares in AGL. Subsequent to this settlement, Group's exposure in the TFC of ANL has reduced to Rs. 43.350 million (as reflected in note 9.15). This exposure in TFC is fully provided while investment in shares has been held at fair value.

As per the terms of agreement, AGL shares shall be held by the respective trustees for the TFC issue in their name and on behalf of the TFC Holders who shall be the beneficial owners of the subject shares in proportion to their holdings. The Trustees of the TFC issue are authorised pursuant to shareholders investors agreement to hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. Hence, 1,616,036 shares received by the Group are held by the trustees of the TFCs.

Further, under the terms of Investor's Buy-Back Agreement entered into by the Holding Company in 2012, the strategic investor issued a put option notice to the Holding Company in January 2016. As per the notice, the Holding Company being one of the financing investors is required to purchase 325,198 shares of AGL at a price of Rs. 35 per share.

9.15.2 This represents Zero Rated Term Finance Certificates of Azgard Nine Limited (ANL) received in settlement of overdue mark-up outstanding on the actual TFC exposure of the Group, amounting to Rs. 99.920 million. The settlement was made as per the Investor Agreement entered into between ANL and the Holding Company. As at December 31, 2015, this investment is fully provided.

9.15.3 These represent TFCs of New Allied Electronics amounting to Rs. 2.185 million, received partially in lieu of the fully impaired unlisted TFCs of First Dawood Investment Bank previously held by the Group. As at December 31, 2015, this investment is fully provided.

9.15.4 During the year 2015, the Group received zero rated TFCs of Fauji Akbar Portia Marine Terminal Limited (FAP) amounting to Rs. 51.034 million (2014: Rs. 51.034 million). These TFCs were received in settlement of overdue mark-up instalments on reduced STF facility of FAP. The Group will continue to receive TFCs in settlement of mark-up to be accrued on semi-annual basis till May 2021. As at December 31, 2015, the exposure in the TFCs amounts to Rs. 102.069 million which stands fully provided.

9.16 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Number of Certificates	2015	2014 (Un-audited)
				(Rupees in '000)	
Security Leasing Corporation Limited - II	September 2022	6 months KIBOR plus 1.95%	35,000	52,350	52,350
Sitara Energy Limited	May 2015	3 months KIBOR plus 1.70%	-	-	3,155
BRR Guardian Modaraba	December 2016	1 months KIBOR	20,000	58,750	68,125
Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.00%	60,000	157,813	198,654
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00%	100,000	356,674	396,567
Amreli Steel (Private) Limited	December 2016	3 months KIBOR plus 2.50%	50,000	95,000	190,000
Security Leasing Corporation Limited - I	January 2022	3% cash + 3% accrual	5,000	6,418	6,418
Engro Corporation Limited	September 2015	6 months KIBOR plus 1.50%	-	-	336,670
Quetta Textile Mills Limited	September 2019	6 months KIBOR plus 1.50%	30,000	74,483	82,759
Pakistan Mobile Communication Limited	December 2019	3 months KIBOR plus 0.88%	340,000	1,700,000	739,130
Sui Southern Gas Company Limited	October 2019	3 months KIBOR plus 0.4%	300,000	1,500,000	1,500,000
Ghani Glass Limited	December 2017	3 months KIBOR plus 1.75%	-	-	248,595
TF Varlik Kiralama AS	April 2019	5.38%	3,000	318,711	306,920
Kuveyt Turk Katilim Bankasi	June 2019	5.16%	5,000	523,705	502,416
Albaraka Turk Katilim Bankasi	June 2019	6.25%	15,000	1,571,115	1,708,214
				6,415,019	6,339,973

9.17 These represent overseas bonds amounting to BDT 200 million (2014: nil), US Dollar 30 million (2014: USD 24 million) and EUR 5 million (2014: EUR 4 million) issued by MI Cement Factory Limited, TC ZIRRAT Bankasi A.S, Qatar National Bank, Turkey Halk Bankasi, Syndicate Bank, RAK Funding Cayman Limited, Turkey IS Bankasi A.S, African Finance Corporation, Turkiye Garanti Bankasi A.S, Abu Dhabi Commercial Bank and Deutsche Bank respectively. Interest rates on these bonds ranges between 10.25% per annum (2014: nil), 1.57% to 5.00% per annum (2014: 1.48% to 5.00% per annum) and 1.13% - 3.38% per annum (2014: 3.38% per annum) and are due for maturity upto March 2016 (2014: nil), June 2021 (2014: June 2021), and March 2025 (2014: July 2019) respectively.

9.18 Particulars of investments in associates and mutual funds established under trust structure not considered for consolidation.

The paid up value of these shares / units is Rs. 10 unless otherwise stated.

2015	2014 (Un-audited)		2015	2014 (Un-audited)
(Number of shares / units)			(Rupees in '000)	
14,997,825	8,998,695	**Alfalah Insurance Limited** Percentage of holding: 30% (2014: 30%) Break-up value per share: Rs. 16.07 (2014: Rs. 23.67) Date of un-audited financial statements: December 31, 2015 Chief Executive: Mr. Nasar us Samad Qureshi	241,560	213,069
97,812,317	34,505,200	**Sapphire Wind Power Company Limited** Percentage of holding: 30% (2014: 30%) Break-up value per share:Rs. 11.14 (2014: Rs. 9.00) Date of un-audited financial statements: December 31, 2015 Chief Executive: Mr. Nadeem Abdullah	1,006,054	342,216
524,771	5,165,658	**Alfalah GHP Money Market Fund** Percentage of holding: 2.71% (2014: 16.18%) NAV per unit: Rs. 103.69 (2014: 105.31) Date of reviewed financial statements: December 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	54,415	543,985
5,481,236	7,497,900	**Alfalah GHP Income Multiplier Fund** Percentage of holding: 10.68% (2014: 22.25%) NAV per unit: Rs. 52.58 (2014: Rs. 51.60) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	283,699	386,907
3,976,926	2,832,533	**Alfalah GHP Sovereign Fund** Percentage of holding: 5.22% (2014: 4.03%) NAV per unit: Rs.106.48 (2014:Rs. 109.05) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	423,475	270,828
20,800,000	-	**Appollo Pharma Limited - note 9.18.1** Percentage of holding: 7.4% Break-up value per share: Rs. 12.77 Date of un-audited financial statements: December 31, 2015 (Paid-up value of each unit is Rs. 10)	802,130	-
62,274	431,143	**Alfalah GHP Income Fund** Percentage of holding: 0.43% (2014: 3.60%) NAV per unit: Rs. 109.32 (2014: Rs. 106.82) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	113,036	93,164

2015	2014 (Un-audited)		2015	2014 (Un-audited)
(Number of shares / units)			(Rupees in '000)	
1,034,037	515,950	**Alfalah GHP Islamic Income Fund** Percentage of holding: 84.1% (2014: 47.42%) NAV per unit: Rs. 102.51 (2014: Rs. 104.36) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	6,384	44,992
2,889,739	2,889,739	**Alfalah GHP Value Fund** Percentage of holding: 27% (2014: 34.67%) NAV per unit: Rs. 64.95 (2014: Rs. 60.38) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	187,684	174,470
5,590,077	5,590,077	**Alfalah GHP Islamic Stock Fund** Percentage of holding: 52.92% (2014: 87.18%) NAV per unit: Rs. 64.39 (2014: Rs. 58.68) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	359,958	328,011
1,050,926	2,000,739	**Alfalah GHP Cash Fund** Percentage of holding: 70.09% (2014: 43.99%) NAV per unit: Rs.514.71 (2014: Rs. 524.12) Date of reviewed financial statements: December 31, 2015 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 500)	540,918	1,048,628
			4,019,313	3,446,270

9.18.1 During the year, the Group has invested in the shares of the said company. The recoverable amount of the investment in Appollo Pharma Limited was tested for impairment based on value in use, in accordance with IAS - 36. The value in use calculations are based on cash flow projections with terminal growth rate taken into account. The estimated future cash flows were discounted using a post-tax discount rate estimate. Based on the calculations considered, the recoverable amount from the invesment exceeds it current carrying value, and does not result in any impairment.

	2015	2014 (Un-audited)
	(Rupees in '000)	
9.19 Particulars of assets and liabilities of associates and mutual funds established under trust structure not considered for consolidation.		
Alfalah Insurance Limited		
Date of un-audited financial statements: December 31, 2015		
Assets	2,358,908	2,179,853
Liabilities	1,553,592	1,469,542
Revenue	180,158	150,515
Profit for the year	115,214	123,037
Sapphire Wind Power Company Limited		
Date of un-audited financial statements: December 31 , 2015		
Assets	13,041,994	995,101
Liabilities	9,408,801	120,161
Revenue	285,310	28,613
Profit for the year	116,553	28,613

	2015	2014 (Un-audited)
	(Rupees in '000)	
Alfalah GHP Money Market Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	2,028,461	3,394,276
Liabilities	18,783	31,696
Revenue	66,801	159,631
Profit for the six months period	55,933	140,708
Alfalah GHP Income Multiplier Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	2,731,883	2,066,981
Liabilities	32,415	19,510
Revenue	120,263	161,200
Profit for the six months period	95,698	141,228
Alfalah GHP Sovereign Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	8,181,233	3,473,259
Liabilities	63,938	15,756
Revenue	332,892	147,819
Profit for the six months period	280,920	270,622
Appollo Pharma Limited		
Date of un-audited financial statements: December 31, 2015		
Assets	8,814,870	-
Liabilities	5,240,530	-
Revenue	3,747,920	-
Profit for the year	631,620	-
Alfalah GHP Income Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	1,623,353	1,397,762
Liabilities	48,363	117,832
Revenue	60,603	119,825
Profit for the six months period	57,313	76,655
Alfalah GHP Islamic Income Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	127,877	114,965
Liabilities	1,837	1,420
Revenue	4,160	5,365
Profit for the six months period	2,481	3,701
Alfalah GHP Value Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	717,689	521,212
Liabilities	22,579	17,961
Revenue	47,631	54,149
Profit for the six months period	40,521	44,711
Alfalah GHP Islamic Stock Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	699,117	389,317
Liabilities	18,867	13,086
Revenue	56,222	34,157
Profit for the six months period	46,241	27,562
Alfalah GHP Cash Fund		
Date of reviewed financial statements: December 31, 2015		
Assets	801,763	2,413,648
Liabilities	30,004	29,827
Revenue	33,271	127,951
Profit for the six months period	20,604	97,614

9.19.1 Movement in values of investments accounted for under equity method of accounting

The details of investments accounted for under equity method of accounting is as follows.

	2015	2014 (Un-audited)
	(Rupees in '000)	
Alfalah Insurance Company Limited		
Investment as at January 1	213,069	176,032
Remeasurement of defined benefit plan	(752)	125
Dividend received during the year	(5,311)	-
Share of profit	34,554	36,912
Balance as at December 31	241,560	213,069
Sapphire Wind Power Company Limited		
Investment as at January 1	342,216	-
Investments made during the year	633,071	345,052
Dividend received during the year	-	-
Share of profit	30,767	(2,836)
Balance as at December 31	1,006,054	342,216
Alfalah GHP Money Market Fund		
Investment as at January 1	543,985	500,122
Dividend received during the year	-	-
Redeemed during the year	(500,000)	-
Share of profit	10,430	43,863
Balance as at December 31	54,415	543,985
Alfalah GHP Income Multiplier Fund		
Investment as at January 1	386,907	322,850
Investment made during the year	109,500	49,960
Redeemed during the year	(220,191)	(10,000)
Dividend received during the year	(23,284)	(27,650)
Share in reserves of associate	536	-
Share of profit	30,231	51,748
Balance as at December 31	283,699	386,907
Alfalah GHP Sovereign Fund		
Investment as at January 1	270,828	127,075
Investments made during the year	220,529	200,000
Redeemed during the year	(76,228)	(80,000)
Dividend received during the year	(26,944)	(2,303)
Share of profit	35,290	26,056
Balance as at December 31	423,475	270,828
Appollo Pharma Limited		
Investment as at January 1	-	-
Investments made during the year	790,400	-
Dividend received during the year	-	-
Share of profit	11,730	-
Balance as at December 31	802,130	-

	2015	2014 (Un-audited)
	(Rupees in '000)	
Alfalah GHP Income Fund		
Investment as at January 1	93,164	91,273
Investment made during the year	110,000	-
Redeemed during the year	(96,175)	(6,000)
Dividend received during the year	-	-
Share of profit	6,047	7,891
Balance as at December 31	113,036	93,164
Alfalah GHP Islamic Income Fund		
Investment as at January 1	44,992	-
Investment made during the year	4,210	43,874
Redeemed during the year	(41,985)	-
Dividend received during the year	(2,966)	-
Share of profit	2,133	1,118
Balance as at December 31	6,384	44,992
Alfalah GHP Value Fund		
Investment as at January 1	174,470	171,994
Dividend received during the year	(22,434)	(28,738)
Share of profit	35,648	31,214
Balance as at December 31	187,684	174,470
Alfalah GHP Islamic Stock Fund		
Investment as at January 1	328,011	362,389
Investment made during the year	-	-
Redeemed during the year	-	-
Dividend received during the year	(40,867)	(83,800)
Share of profit	72,814	49,422
Balance as at December 31	359,958	328,011
Alfalah GHP Cash Fund		
Investment as at January 1	1,048,628	1,056,508
Investment made during the year	-	21,000
Dividend received during the year	(47,081)	(36,749)
Redeemed during the year	(500,001)	(77,980)
Share of profit	39,372	85,849
Balance as at December 31	540,918	1,048,628
Total	4,019,314	3,446,271

9.20 Quality of available for sale securities

	Market value / Fair value		Cost		Long / Medium Term Credit Rating	Rated by
	2015	2014 (Un-audited)	2015	2014 (Un-audited)		
	----------------------------(Rupees in '000)----------------------------					
Market Treasury Bills	78,961,247	45,126,733	78,886,442	45,101,201	(Unrated - Government Securities)	
Pakistan Investment Bonds	166,465,955	120,129,862	157,492,067	115,155,312	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited	99,741	100,000	99,960	100,000	AA-	JCR-VIS
Askari Bank Limited (3rd Issue)	-	440,451	-	449,100	AA-	PACRA
NIB Bank Limited (2nd Issue)	98,941	98,563	99,940	99,980	A+	PACRA
Faysal Bank Limited	153,068	156,691	149,700	149,760	AA	PACRA
Bank Al-Habib Limited	330,930	343,528	299,520	299,580	AA+	PACRA
Flying Board & Paper Products	Not Applicable	Not Applicable	-	6,990	------(Unrated)------	
New Allied Electronics *	Not Applicable	Not Applicable	2,185	2,185	------(Unrated)------	
Fauji Akbar Portia Marine Terminals Limited	Not Applicable	Not Applicable	102,069	51,034	------(Unrated)------	
Azgard Nine Limited *	Not Applicable	Not Applicable	43,350	43,350	------(Unrated)------	
Azgard Nine Limited (Zero rated) *	Not Applicable	Not Applicable	32,870	32,870	------(Unrated)------	
	682,680	1,139,233	829,594	1,234,849		

* These Term Finance Certificates are quoted, however due to absence of trading their market value is not available. Adequate provision has been made against these certificates.

Shares in Listed Companies / Certificates / Units						
Agritech Limited	18,217	15,100	15,100	22,737	------(Unrated)------	
Allied Bank Limited	79,339	57,926	83,782	56,100	AA+	PACRA
Amreli Steels Limited	105,123	-	89,250	-	A	PACRA
Attock Cement Pakistan Limited	125,813	-	138,493	-	------(Unrated)------	
Attock Petroleum Limited	107,591	88,006	113,732	88,078	------(Unrated)------	
Bank Al Habib Limited	226,678	375,665	220,770	304,288	AA+	PACRA
Dolmen City Real Estate Investment Trust (REIT)	761,869	-	781,040	-	RR1	JCR-VIS
Engro Corporation Limited	279,390	155,057	256,728	134,075	AA	PACRA
Engro Powergen Qadirpur Limited	126,593	90,683	126,735	66,283	------(Unrated)------	
Fatima Fertilizer Limited	22,365	85,848	12,613	60,544	AA-	PACRA
Fauji Bin Qasim Limited	86,922	29,793	93,215	27,629	------(Unrated)------	
Fauji Fertilizer Company Limited	147,475	60,745	162,897	59,514	------(Unrated)------	
First Dawood Investment Bank Limited	2,394	-	15,000	-	------(Unrated)------	
Kot Addu Power Company Limited	188,325	126,304	175,968	98,997	AA+	JCR-VIS
Lucky Cement Limited	358,904	500,280	306,277	381,839	------(Unrated)------	
DG Khan Cement Limited	332,078	105,501	285,827	83,384	------(Unrated)------	
Habib Bank Limited	140,084	122,446	145,681	115,992	AAA	JCR-VIS
MCB Bank Limited	200,586	133,172	230,466	121,068	AAA	PACRA
Meezan Balanced Fund	-	26,054	-	5,894	------(Unrated)------	
Meezan Islamic Income Fund	-	50,757	-	50,000	A-(f)	JCR-VIS
NAFA Income Opportunity Fund	-	275,428	-	250,805	A(f)	PACRA
Nishat (Chunian) Power Company Limited	246,349	285,755	147,806	190,480	A+	JCR-VIS
Nishat Mills Limited	103,418	96,792	119,233	97,493	AA	PACRA
Nishat Power Company Limited	142,252	247,266	111,650	164,780	A+	PACRA
Oil and Gas Development Corporation	93,872	251,800	110,368	311,966	------(Unrated)------	
Pak Oman Advantage Fund	-	148,500	-	150,000	3-Star	PACRA
Pak Oman Advantage Islamic Income Fund	-	31,860	-	30,000	A+(f)	PACRA
Pakistan Oilfields Limited	175,607	371,792	203,635	454,490	------(Unrated)------	
Pakistan Petroleum Limited	137,036	384,637	142,597	465,706	------(Unrated)------	
Pakistan State Oil Company Limited	311,110	349,463	350,923	363,591	AA	PACRA
The Hub Power Company Limited	478,732	356,538	350,018	249,590	AA+	PACRA
United Bank Limited	201,435	302,174	210,949	274,133	AA+	JCR-VIS
Al-Ameen Islamic Income Fund	-	57,616	-	50,000	BBB+(f)	JCR-VIS
Visa Shares	385,502	312,602	-	-	------(Unrated)------	
	5,585,059	5,495,560	5,000,753	4,729,456		

	Market value / Fair value		Cost			
	2015	2014 (Un-audited)	2015	2014 (Un-audited)	Long / Medium Term Credit Rating	Rated by
	----------------------------(Rupees in '000)----------------------------					
Shares in Un-listed Companies						
Pakistan Export Finance Guarantee Agency Limited	Not Applicable		5,725	5,725	------(Unrated)------	
Society for Worldwide Interbank Financial Telecommunication	Not Applicable		4,096	4,096	------(Unrated)------	
Al-Hamra Avenue (Private) Limited	Not Applicable		50,000	50,000	------(Unrated)------	
Warid Telecom (Private) Limited	Not Applicable		4,366,796	4,366,796	------(Unrated)------	
Pakistan Stock Exchange (PSX) formerly Karachi Stock Exchange	40,073	40,073	27,606	27,606	------(Unrated)------	
			4,454,223	4,454,223		
Preference Shares in Listed Companies						
Agritech Limited	Not Applicable		108,835	108,835	------(Unrated)------	
Preference Shares in Un-listed Companies						
Silk Bank Preference Shares	Not Applicable		300,000	300,000	------(Unrated)------	
First Dawood Investment Bank Limited	Not Applicable		-	15,000	------(Unrated)------	
Trust Investment Bank Limited	Not Applicable		25,000	25,000	------(Unrated)------	
			325,000	340,000		
Overseas Bonds						
Kingdom of Bahrain Bond	533,639	537,886	563,025	548,510	BBB-	Fitch
Kazakistan Sovereign Bond	296,774	283,239	308,943	295,910	BBB+	Fitch
Qatar National Bank Finance Limited	524,634	507,004	524,114	503,238	A+	S&P
Abu Dhabi Commercial Bank Cayman Limited	1,049,268	1,014,008	1,048,228	1,006,476	A+	Fitch
United Mexican State	44,572	-	53,922	-	BBB+	Fitch
Indonesia Government Bond	226,503	-	228,590	-	BBB-	Fitch
TC Zirrat Bankasi A.S	258,114	251,477	261,087	250,281	BBB	Fitch
Turkiye Halk Bankasi	51,865	50,846	52,346	50,212	BBB-	Fitch
Syndicate Bank	53,557	50,177	52,371	50,242	BBB-	S&P
RAK Funding Cayman Limited	206,566	203,307	208,398	199,650	BBB+	Fitch
Turkiye IS Bankasi A.S	306,129	304,831	310,874	297,742	BBB	Fitch
Turkiye Garanti Bankasi A.S	344,622	371,145	342,365	364,681	BBB	Fitch
Africa Finance Corporation	630,010	-	623,004	-	A3	Moody's
Deutsche Bank	213,449	-	226,892	-	A-	Fitch
Pakistan Euro Bonds	2,482,952	-	2,409,043	-	B	Fitch
	7,222,654	3,573,920	7,213,202	3,566,942		
Sukuk Bonds						
Pakistan Sukuk Bond 19	927,157	863,057	910,044	872,805	B-	S&P
Ijarah Sukuk Bonds	905,742	908,538	944,663	906,479	------(Unrated)------	
TF Varlik Kiralama AS	322,437	313,204	318,711	306,920	BBB	Fitch
Kuveyt Turk Katilim Bankasi	539,254	523,391	523,705	502,416	BBB	Fitch
Albaraka Turk Katilim Bankasi	1,562,521	1,722,287	1,571,115	1,708,213	BB	Fitch
GoP - Ijarah Bonds IX	-	5,006,500	-	5,004,139	------(Unrated)------	
GoP - Ijara Sukuk X	-	4,006,800	-	4,003,362	------(Unrated)------	
GoP - Ijara Sukuk XI	-	5,012,500	-	5,000,000	------(Unrated)------	
GoP - Ijara Sukuk XII	-	9,823,520	-	9,804,356	------(Unrated)------	
GoP - Ijara Sukuk XIII	-	4,108,610	-	4,099,501	------(Unrated)------	
GoP - Ijara Sukuk XIV	7,462,130	7,481,323	7,432,655	7,466,230	------(Unrated)------	
GoP - Ijara Sukuk XVI	20,244,608	-	20,018,400	-	------(Unrated)------	
GoP - Sukuk	-	30,172	-	30,100	------(Unrated)------	
Wapda Sukuk III	1,411,426	1,823,454	1,457,143	1,700,000	------(Unrated)------	
Security Leasing Corporation Limited I	Not Applicable	Not Applicable	6,418	6,418	------(Unrated)------	
Security Leasing Corporation Limited II	Not Applicable	Not Applicable	23,105	23,105	------(Unrated)------	
Quetta Textile Mills limited	Not Applicable	Not Applicable	74,483	82,759	------(Unrated)------	
	33,375,275	41,623,356	33,280,442	41,516,803		

	2015	2014 (Un-audited)
9.21 Particulars of provision for diminution in value of investments - net	**(Rupees in '000)**	
Opening balance	5,390,757	5,304,860
Charge for the year	136,691	130,043
Reversals during the year	-	(44,146)
	136,691	85,897
Provision written off during the year	(7,637)	-
Closing balance	5,519,811	5,390,757

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

	2015	2014 (Un-audited)
Available for sale securities		
Listed companies / mutual funds		
- Fully paid up ordinary shares / units		
- Agritech Limited	-	7,637
- First Dawood Investment Bank Limited	15,000	-
- 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 / sukuk bonds		
- Azgard Nine Limited	76,220	76,220
- Security Leasing Corporation Limited I	6,418	6,418
- Security Leasing Corporation Limited II	23,105	23,105
- New Alied Electronics	2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited	102,069	51,034
- Quetta Textile Mills Limited	37,242	-
- Preference shares		
- First Dawood Investment Bank Limited	-	15,000
- Trust Investment Bank Limited	25,000	25,000
Held to maturity securities		
Unlisted securities		
- Term finance certificates / sukuk bonds		
- Agritech Limited	499,586	465,000
- BRR Guardian Modaraba	34,062	20,234
- Security Leasing Corporation Limited	29,245	29,245
- Sitara Peroxide (Private) Limited	113,643	113,643
- Zulekha Textile Mills (formerly Khunja Textile Mills Limited)	24,680	24,680
	5,519,811	5,390,757

9.23 Unrealised gain / (loss) on revaluation of investments classified as held for trading - net

	Unrealised gain / (loss)		Cost	
	2015	2014 (Un-audited)	2015	2014 (Un-audited)
	------------------- (Rupees in '000) ---------------			
Market Treasury Bills	(6,414)	(1,531)	13,480,197	15,194,352
Pakistan Investment Bonds	4,060	54,186	2,423,862	2,905,528
Overseas Bonds	229,460	106,622	2,990,933	2,193,796
Sukuk Bonds	-	821	-	1,002,278
Fully paid up ordinary shares / units - Listed	1,957	-	197,998	-
	229,063	160,098	19,092,990	21,295,954

10 ADVANCES - NET

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		307,915,801	272,404,693
Outside Pakistan		11,007,287	12,957,433
		318,923,088	285,362,126
Net investment in finance lease			
In Pakistan	10.2	3,814,907	3,720,506
Outside Pakistan		-	-
		3,814,907	3,720,506
Assets under Ijarah (IFAS-2)	10.3	6,875,617	5,474,603
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		6,186,509	5,799,128
Payable outside Pakistan		7,692,258	4,463,186
		13,878,767	10,262,314
	10.1	343,492,379	304,819,549
Provision against advances			
Specific provision against non-performing loans and advances	10.5	(15,452,915)	(13,601,667)
General provision against advances	10.5	(739,904)	(649,503)
		(16,192,819)	(14,251,170)
		327,299,560	290,568,379

10.1 Particulars of advances - gross of provisions

	2015	2014
In local currency	300,460,000	269,283,061
In foreign currencies	43,032,379	35,536,488
	343,492,379	304,819,549
Short term (upto one year)	240,473,933	204,669,071
Long term (over one year)	103,018,446	100,150,478
	343,492,379	304,819,549

10.2 Net investment in finance lease

	2015				2014 (Un-audited)			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	-----(Rupees in '000)-----							
Lease rentals receivable	395,820	2,399,850	-	2,795,670	1,334,355	1,400,490	-	2,734,845
Residual value	212,125	1,109,316	-	1,321,441	760,119	531,756	-	1,291,875
Minimum lease payments	607,945	3,509,166	-	4,117,111	2,094,474	1,932,246	-	4,026,720
Financial charges for future periods	(97,803)	(204,401)	-	(302,204)	(132,581)	(173,633)	-	(306,214)
Present value of minimum lease payments	510,142	3,304,765	-	3,814,907	1,961,893	1,758,613	-	3,720,506

10.2.1 Net investment in finance lease includes Ijarah financing disbursed prior to January 1, 2009. Ijarah contracts entered on or after January 1, 2009 have been accounted for in accordance with the requirements of IFAS 2, "Ijarah" as disclosed in note 10.3.

10.3 Assets under Ijarah (IFAS-2)

a) Brief description of the Ijarah arrangements

Ijarah contracts entered into by the Group essentially represent arrangements whereby the Holding Company (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. The significant ijarah contracts entered into by the Group are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 3 to 5 years.

b) Movement in net book value of ijarah assets

	2015				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	-------------------------(Rupees in '000)-----------------------				
At January 1, 2015					
Cost	6,908,417	678,140	517,928	13,634	8,118,119
Accumulated depreciation	(1,958,688)	(372,301)	(300,668)	(11,859)	(2,643,516)
Net book value	4,949,729	305,839	217,260	1,775	5,474,603
Year ended December 31, 2015					
Opening net book value	4,949,729	305,839	217,260	1,775	5,474,603
Additions	3,043,051	593,396	78,256	-	3,714,703
Disposals					
Cost	(1,394,171)	(293,670)	(274,438)	(9,449)	(1,971,728)
Accumulated depreciation	735,275	166,450	188,863	8,437	1,099,025
	(658,896)	(127,220)	(85,575)	(1,012)	(872,703)
Depreciation	(1,286,787)	(108,610)	(45,724)	135	(1,440,986)
Closing net book value	6,047,097	663,405	164,217	898	6,875,617
At December 31, 2015					
Cost	8,557,297	977,866	321,745	4,185	9,861,093
Accumulated depreciation	(2,510,200)	(314,461)	(157,528)	(3,287)	(2,985,476)
Net book value	6,047,097	663,405	164,217	898	6,875,617

	2014 (Un-audited)				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	-------------------------(Rupees in '000)-----------------------				
At January 1, 2014					
Cost	5,756,318	838,735	652,341	91,930	7,339,324
Accumulated depreciation	(1,770,955)	(429,029)	(300,601)	(78,116)	(2,578,701)
Net book value	3,985,363	409,706	351,740	13,814	4,760,623
Year ended December 31, 2014					
Opening net book value	3,985,363	409,706	351,740	13,814	4,760,623
Additions	2,618,233	61,981	-	-	2,680,214
Disposals					
Cost	(1,466,134)	(222,576)	(134,414)	(78,296)	(1,901,420)
Accumulated depreciation	646,285	191,305	106,358	66,389	1,010,337
	(819,849)	(31,271)	(28,056)	(11,907)	(891,083)
Depreciation	(834,018)	(134,577)	(106,424)	(132)	(1,075,151)
Closing net book value	4,949,729	305,839	217,260	1,775	5,474,603
At December 31, 2014					
Cost	6,908,417	678,140	517,928	13,634	8,118,119
Accumulated depreciation	(1,958,688)	(372,301)	(300,668)	(11,859)	(2,643,516)
Net book value	4,949,729	305,839	217,260	1,775	5,474,603

c) Future Ijarah payments receivable	2015	2014 (Un-audited)
	(Rupees in '000)	
Not later than one year	1,377,350	1,954,346
Later than one year and not later than five years	5,498,267	3,520,257
	6,875,617	5,474,603

10.4 Advances include Rs. 18,456 million (2014: Rs. 19,413 million) which have been placed under non-performing status as detailed below:

	2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification	(Rupees in '000)								
Other Assets Especially Mentioned (Agri Financing)	115,219	-	115,219	2,547	-	2,547	2,547	-	2,547
Substandard	2,052,587	54,595	2,107,182	524,432	70,795	595,227	524,432	70,795	595,227
Doubtful	2,554,443	5,506	2,559,949	1,502,617	1,587	1,504,204	1,502,617	1,587	1,504,204
Loss	13,111,084	562,325	13,673,409	12,936,545	414,392	13,350,937	12,936,545	414,392	13,350,937
	17,833,333	622,426	18,455,759	14,966,141	486,774	15,452,915	14,966,141	486,774	15,452,915

	2014 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification	(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	12,607,861	713,039	13,320,900	11,155,479	566,121	11,721,600	11,155,479	566,121	11,721,600
	18,698,259	714,364	19,412,623	13,034,884	566,783	13,601,667	13,034,884	566,783	13,601,667

10.5 Particulars of provisions against non-performing loans and advances

	Note	2015			2014 (Un-audited)		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		13,601,667	649,503	14,251,170	12,441,832	605,975	13,047,807
Exchange adjustment and other movements		31,406	3,300	34,706	(25,754)	(5,212)	(30,966)
Charge for the year		3,921,493	146,652	4,068,145	3,281,110	48,740	3,329,850
Reversals / recoveries during the year		(1,858,385)	(59,551)	(1,917,936)	(1,881,919)	-	(1,881,919)
		2,063,108	87,101	2,150,209	1,399,191	48,740	1,447,931
Amounts written off	10.6.1	(243,266)	-	(243,266)	(213,602)	-	(213,602)
Closing balance		15,452,915	739,904	16,192,819	13,601,667	649,503	14,251,170

10.5.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2015 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 110.774 million (2014: Rs. 747.957 million).

10.5.2 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 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.

10.5.3 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.

10.5.4 Particulars of provisions against advances

	2015			2014 (Un-audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	14,966,141	639,433	15,605,574	13,034,884	550,800	13,585,684
In foreign currencies	486,774	100,471	587,245	566,783	98,703	665,486
	15,452,915	739,904	16,192,819	13,601,667	649,503	14,251,170

10.5.5 Although the Group has made provision against its non-performing portfolio as per the category of classification of the loan, the Group holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

	2015	2014 (Un-audited)
10.6 Particulars of write-offs	(Rupees in '000)	
10.6.1 Against provisions	243,266	213,602
Directly charged to profit and loss account	-	5
	243,266	213,607
10.6.2 Write offs of Rs. 500,000 and above	172,501	98,869
Write offs of below Rs. 500,000	70,765	114,738
	243,266	213,607

10.7 Details of loans written-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of loans written-off or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2015 is given in Annexure-I to the unconsolidated financial statements.

	Note	2015	2014 (Un-audited)
10.8 Particulars of loans and advances to directors, executives, associated companies, etc.		(Rupees in '000)	
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
- Balance at beginning of the year		5,139,055	4,848,070
- Loans granted during the year		1,867,232	1,834,479
- Repayments during the year		(1,271,248)	(1,543,494)
- Balance at end of the year		5,735,039	5,139,055
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
- Balance at beginning of the year		901,426	752,988
- Loans granted during the year		3,099,590	3,140,375
- Repayments during the year		(2,501,606)	(2,991,937)
- Balance at end of the year		1,499,410	901,426
Debts due by other related parties			
- Balance at beginning of the year		2,927,096	2,869,545
- Loans granted during the year		19,048,202	7,557,326
- Repayments during the year		(17,135,258)	(7,499,775)
- Balance at end of the year		4,840,040	2,927,096
Total		12,074,489	8,967,577

11 OPERATING FIXED ASSETS

	Note	2015	2014
Capital work-in-progress	11.1	704,981	1,134,085
Property and equipment	11.2	15,532,465	13,843,969
Intangible assets	11.3	1,080,245	818,538
		17,317,691	15,796,592

11.1 Capital work-in-progress

	2015	2014
Civil works	286,041	345,190
Equipment / intangibles	412,113	243,334
Advances to suppliers and contractors	18,239	541,206
Others	3,913	19,680
Provision against capital work-in-progress	(15,325)	(15,325)
	704,981	1,134,085

11.2 Property and equipment

2015

Description	Cost / revaluation as at January 1, 2015	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost / Revaluation as at December 31, 2015	Accumulated depreciation as at January 1, 2015	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Accumulated Depreciation Reversed on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation as at December 31, 2015	Net book value as at December 31, 2015	Rate of depreciation %
	----------	----------	----------	----------	----------	----------(Rupees in '000)----------	----------	----------	----------	----------	----------	per annum
Office premises	5,158,963	11,157 - * (4,043)	- (272,715) -	- - -	4,893,362	187,629	86,278 - * (1,192)	(272,715) - -	- - -	-	4,893,362	2.5% - 5.5%
Revaluation	3,917,799	- - -	1,643,150 (161,482) -	- - -	5,399,467	107,966	53,516 - -	(161,482) - -	- - -	-	5,399,467	2.5% - 5.5%
	9,076,762	11,157 - * (4,043)	1,643,150 (434,197) -		10,292,829	295,595	139,794 - * (1,192)	(434,197)	- - -	-	10,292,829	
Lease hold improvements	4,214,355	591,081 - * (10,757)	-	(16,922)	4,777,757	2,573,351	360,878 - * (7,875)	-	(16,922)	2,909,432	1,868,325	10% - 20%
Furniture and fixtures	2,094,569	75,649 (14,238) * (18,505)	-	(176,145)	1,961,330	1,285,070	206,277 (13,422) * (9,640)	-	(176,145)	1,292,140	669,190	10% - 25%
Office equipment	9,368,429	1,153,764 (68,029) * 26,008	-	(1,011,440)	9,468,732	6,916,993	1,020,988 (64,033) * 7,589	-	(1,011,440)	6,870,097	2,598,635	10% - 33%
Vehicles	395,307	36,957 (39,882) * (3,041)	-	(28,939)	360,402	234,444	88,292 (33,245) * (3,636)	-	(28,939)	256,916	103,486	25%
	25,149,422	1,868,608 (122,149) * (10,338)	1,643,150 (434,197)	(1,233,446)	26,861,050	11,305,453	1,816,229 (110,700) * (14,754)	(434,197)	(1,233,446)	11,328,585	15,532,465	

2014 (Un-audited)

Description	Cost / revaluation as at January 1, 2014	Additions / (disposals) / *adjustments	Cost / Revaluation as at December 31, 2014	Accumulated depreciation as at January 1, 2014	Depreciation for the year / (on disposal) / *adjustments	Accumulated depreciation as at December 31, 2014	Net book value as at December 31, 2014	Rate of depreciation %
	----------	----------	----------	----------(Rupees in '000)----------	----------	----------	----------	per annum
Office premises	5,195,666	405,061 (440,909) * (855)	5,158,963	78,657	110,739 (1,256) * (511)	187,629	4,971,334	2.5% - 5.5%
Revaluation	3,950,082	- (32,283) -	3,917,799	54,408	53,558 -	107,966	3,809,833	2.5% - 5.5%
	9,145,748	405,061 (473,192) * (855)	9,076,762	133,065	164,297 (1,256) * (511)	295,595	8,781,167	
Lease hold improvements	3,609,162	647,892 (32,653) * (10,046)	4,214,355	2,348,510	261,520 (32,036) * (4,643)	2,573,351	1,641,004	10% - 20%
Furniture and fixtures	1,940,296	174,694 (16,516) * (3,905)	2,094,569	1,119,239	185,304 (14,641) * (4,832)	1,285,070	809,499	10% - 25%
Office equipment	8,119,276	1,366,341 (69,808) * (47,380)	9,368,429	6,051,458	970,204 (64,308) * (40,361)	6,916,993	2,451,436	10% - 33%
Vehicles	387,885	33,693 (21,849) * (4,422)	395,307	197,624	61,640 (21,383) * (3,437)	234,444	160,863	25%
	23,202,367	2,627,681 (614,018) * (66,608)	25,149,422	9,849,896	1,642,965 (133,624) * (53,784)	11,305,453	13,843,969	

11.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 6,094 million (2014: Rs. 3,998 million).

11.2.2 Office premises were last revalued on December 31, 2015 on the basis of market values determined by independent valuer M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Asif Associates (Private) Limited. Had there been no revaluation, the net book value of the office premises would have been Rs. 4,893.362 million (2014: Rs. 4,971.334 million).

11.3 Intangible assets

	2015									
	Cost				Accumulated Amortisation					
Description	As at January 1, 2015	Additions/ (deletions)/ *adjustment	Write Off Cost	As at December 31, 2015	As at January 1, 2015	Amortisation (deletions) / *adjustment	Write Off accumulated depreciation	As at December 31, 2015	Book value as at December 31, 2015	Rate of amortisation %
	----(Rupees in '000)----									
Computer software	1,982,322	536,650 (1,802) * 1,154	(151,690)	2,366,634	1,198,390	275,439 (1,802) * 658	(151,690)	1,320,995	1,045,639	20% - 33%
Goodwill	85,711	-	-	85,711	56,031	-	-	56,031	29,680	
Membership Card / DGCEX (Note 11.3.2)	6,011	-	-	6,011	6,011	-	-	6,011	-	
Membership Card PSX TRE) (Note 11.3.3)	4,926	-	-	4,926	-	-	-	-	4,926	
	2,078,970	536,650 (1,802) * 1,154	(151,690)	2,463,282	1,260,432	275,439 (1,802) * 658	(151,690)	1,383,037	1,080,245	

Description	2014 (Un-audited)							
	Cost			Accumulated Amortisation				
	As at January 1, 2015	Additions/ (deletions)/ *adjustment	As at December 31, 2014	As at January 1, 2014	Amortisation (deletions) / *adjustment	As at December 31, 2014	Book value as at December 31, 2014	Rate of amortisation %
	---(Rupees in '000)---							per annum
Computer software	1,412,357	571,800 * (1,835)	1,982,322	929,506	270,415 - * (1,531)	1,198,390	783,932	20% - 33%
Goodwill	85,711	-	85,711	56,031	-	56,031	29,680	
Membership Card / DGCEX (Note 11.3.2)	6,011	-	6,011	4,500	1,511	6,011	-	
Membership Card PSX (TRE) (Note 11.3.3)	4,926	-	4,926	-	-	-	4,926	
	1,509,005	571,800 - * (1,835)	2,078,970	990,037	271,926 - * (1,531)	1,260,432 - -	818,538	

11.3.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 1,057 million (2014: Rs. 396 million).

11.3.2 This represents amount paid for corporate membership of Dubai Gold and Commodities Exchange (DGCEX) held by Alfalah Securities (Private) Limited (the Subsidiary). The subsidiary has not yet commenced its operations in Dubai Exchange and has not been able to sell the membership due to legal restrictions of DGCX By-Law. The Board of Directors in their meeting held on September 11, 2015, has decided to transfer the membership to the Holding Company. In this respect, the Board had contacted the management of DGCEX, who have agreed the transfer of membership to the Holding Company, upon clearance of pending dues. The transfer has not yet been completed.

11.4 Details of disposals of operating fixed assets

Details of disposals of operating fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above are given below:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	-----------------Rupees in '000)-----------------					
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	14,238	13,422	816	291	Various	Various
	14,238	13,422	816	291		
Computers						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	12,833	11,761	1,072	1,082	Various	Various
	12,833	11,761	1,072	1,082		
Office equipment						
HVAC	7,720	7,720	-	250	Bid	M/s Barvi Trade Ways
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Condensing Unit	1,747	1,747	-	55	Bid	M/s M. Suleman
Generator	1,145	1,139	6	309	Bid	M/s Ch. Bashir
Generator	1,050	1,050	-	315	Bid	M/s Raiz Agri Engg, Works
Generator	2,139	2,139	-	2,115	Insurance Claim	M/s Alfalah Insurance
Generator	1,450	1,450	-	453	Bid	M/s Ch. Bashir
Generator	2,335	2,335	-	158	Bid	M/s Brother Enterprises
Generator	1,127	1,127	-	55	Insurance Claim	M/s Alfalah Insurance
Generator	1,214	1,214	-	348	Bid	M/s Ch. Bashir
ATM	945	405	540	144	Insurance Claim	M/s Alfalah Insurance
DVR	521	143	378	300	Insurance Claim	M/s Alfalah Insurance
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	25,067	23,067	2,000	2,991	Various	Various
	55,195	52,271	2,924	7,768		
Vehicles						
Mercedes-Benz	8,500	6,794	1,706	1,700	As per Policy	Mr. Bahauddin Khan
Mercedes-Benz	8,500	3,569	4,931	4,920	As per Policy	Mr. A. Wahid Dada
Toyota Yaris	2,156	2,156	-	715	Bid	Mr. Sayed Bin Sadrul
Toyota Corona Premio	1,032	1,032	-	625	Bid	Mr. Syed Monir Kawsar
Toyota Spacia X-G	1,761	1,761	-	823	Bid	Mr. A.S.Avi
Toyota Yaris	2,156	2,156	-	676	Bid	Mr. Rafiqul Islam
Honda Civic	1,455	1,455	-	637	Bid	Mr. Rafiqul Islam
Honda Civic Exi	2,435	2,435	-	953	Bid	Mr. Zahirul Islam
Ford Everest	4,127	4,127	-	1,476	Bid	Mr. Golam Kibria Jahangir
Honda City	1,060	1,060	-	825	Bid	Mr.Danish Ahmed Khan
Honda Civic	1,895	1,895	-	1,080	Bid	Mr.Mahmood Ali
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	4,806	4,806	-	1,853	Various	Various
	39,883	33,246	6,637	16,283		
Total - December 31, 2015 (Note 11.2)	122,149	110,700	11,449	25,424		
Total - December 31, 2014	614,018	133,624	480,394	657,856		

* Disposal as per Bank's policy represents vehicles sold to employees as per the terms of their employment.

12 DEFERRED TAX LIABILITIES - NET

	2015	2014 (Un-audited)
	(Rupees in '000)	
Deferred debits arising due to		
Provision for doubtful debts	1,434,609	1,106,413
Provision against off-balance sheet obligations	15,706	15,333
Impairment in the value of investments	2,247,184	2,202,709
Provision against other assets	334,501	215,401
Unabsorbed tax losses	-	32,293
	4,032,000	3,572,149
Deferred credits arising due to		
Accelerated tax depreciation	(1,474,060)	(1,482,114)
Gain on remeasurement of held for trading investments	(80,172)	(56,034)
Surplus on revaluation of available for sale investments	(3,462,071)	(2,114,157)
Surplus on revaluation of operating fixed assets	(841,967)	(740,882)
	(5,858,270)	(4,393,187)
	(1,826,270)	(821,038)

12.1 Reconciliation of deferred tax assets/ liabilities

	January 01, 2014	Recognized in Profit and Loss Account (Note 29)	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2014 (Un-audited)	Recognized in Profit and Loss Account (Note 29)	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2015
	(Rupees in '000)						
Deferred debits arising due to							
Provision for doubtful debts	1,362,466	(256,053)	-	1,106,413	328,196	-	1,434,609
Provision against off-balance sheet obligations	1,140	14,193	-	15,333	373	-	15,706
Impairment in the value of investments	2,172,645	30,064	-	2,202,709	44,475	-	2,247,184
Provision against other assets	85,429	129,972	-	215,401	119,100	-	334,501
Unabsorbed tax losses	47,818	(11,574)	-	36,244	(36,244)	-	-
	3,669,498	(93,398)	-	3,576,100	455,900	-	4,032,000
Deferred credits arising due to							
Accelerated tax depreciation	1,376,723	105,990	-	1,482,713	(8,653)	-	1,474,060
Gain on remeasurement of held for trading investments	2,963	56,423	-	59,386	22,248	-	81,634
Surplus on revaluation of available for sale investments	272,280	-	1,841,877	2,114,157	-	1,346,452	3,460,609
Surplus on revaluation of operating fixed assets	765,207	(18,745)	(5,580)	740,882	(18,730)	119,816	841,967
	2,417,173	143,668	1,836,297	4,397,138	(5,135)	1,466,268	5,858,270
Net deferred tax assets / liabilities	1,252,325	(237,066)	(1,836,297)	(821,038)	461,035	(1,466,268)	(1,826,270)

13 OTHER ASSETS

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
Income / mark-up accrued in local currency		16,770,774	16,486,332
Income / mark-up accrued in foreign currencies		754,640	571,802
Advances, deposits, advance rent and other prepayments		3,499,927	3,580,401
Non-banking assets acquired in satisfaction of claims	13.1	675,325	528,135
Advances against future murabaha		3,653,031	5,273,422
Advances against future ijarah		411,162	439,019
Advances against diminishing musharakah		1,744,135	278,802
Advances against Istisna		1,022,590	667,250
Advances against salam		30,000	-
Tax recoverable		-	2,277,787
Dividend receivable		7,103	12,271
Unrealised gain on forward foreign exchange contracts		739,757	1,105,710
Unrealised gain on interest rate swaps		1,888	7,153
Receivable from brokers		6,143	6,143
Stationery and stamps on hand		82,833	111,653
Defined benefit plan	34.1.3	40,003	238,523
Balance held with bank	13.2	413,657	396,841
Others	13.4	166,406	551,056
		30,019,374	32,532,300
Provision held against other assets	13.3	(1,318,151)	(1,062,842)
		28,701,223	31,469,458

13.1 Market value of non-banking assets acquired in satisfaction of claims	705,605	524,552

13.2 This represents an amount of USD 3.949 million held in the Holding Company's Nostro Account in New York, United States of America, which 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, as more fully detailed in note 21.4.2 to these consolidated financial statements.

Based on the fact that the said amount is not readily available for use of the holding company, the amount has been reclassified from Balances with Other banks to Other Assets. Although the management is confident that the matter will be decided in the Group's favour, as at December 31, 2015, the Group has maintained full provision against the same (December 31, 2014: USD 1.975 million).

13.3 Provision held against other assets

	2015	2014 (Un-audited)
	(Rupees in '000)	
Opening balance	1,062,842	712,424
Charge for the year	322,391	385,074
Transferred to operating fixed assets	-	(26,139)
Payment out of provisions	(22,097)	(6,136)
Amount written off	(22,322)	(2,253)
Exchange and other adjustments	(22,663)	(128)
Closing balance	1,318,151	1,062,842

13.4 This includes an amount of Rs. 112.350 million given as advance against issuance of shares to an associated company Sapphire Wind Power Company Limited.

		Note	2015	2014 (Un-audited)
			(Rupees in '000)	
14	**BILLS PAYABLE**			
	In Pakistan		9,592,804	11,632,488
	Outside Pakistan		141,125	125,667
			9,733,929	11,758,155
15	**BORROWINGS**			
	In Pakistan		164,187,489	50,282,818
	Outside Pakistan		8,205,709	4,950,098
			172,393,198	55,232,916
15.1	**Particulars of borrowings with respect to currencies**			
	In local currency		164,187,489	50,191,363
	In foreign currencies		8,205,709	5,041,553
			172,393,198	55,232,916
15.2	**Details of borrowings secured / unsecured**			
	Secured			
	Borrowings from State Bank of Pakistan under:			
	Export refinance scheme	15.3	16,889,852	13,774,989
	Long-Term Finance for Export Oriented Projects Scheme (LTF-EOP)		-	10,546
	Long-Term Finance Facility	15.4	394,024	710,389
	Modernisation of SMEs		-	2,324
	Financing Facility for Storage of Agriculture produce (FFSAP)	15.5	146,235	178,697
	Repurchase agreement borrowings	15.6	129,071,926	30,253,481
			146,502,037	44,930,426
	Unsecured			
	Call borrowings	15.7	17,901,900	6,648,098
	Bai Muajjal	15.8	7,935,453	3,562,937
	Overdrawn nostro accounts		53,808	91,455
			25,891,161	10,302,490
			172,393,198	55,232,916

15.3 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.50% to 4.50% per annum (2014: 5.50% to 7.50% per annum) payable on a quarterly basis.

15.4 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 3.00% to 4.50% per annum (2014: 7.25% to 11.00% per annum) payable on a quarterly basis.

15.5 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.25% per annum (2014: 6.25% to 6.50% per annum) payable on a quarterly basis.

15.6 This represents repurchase agreement borrowing from SBP and other banks at the rate of 6.04% and 6.50% per annum respectively (2014: 9.50% and 9.60% per annum) having maturities upto January 2016 (2014: January 2015 and February 2015).

15.7 This represents borrowings from financial institutions at mark-up rates ranging from 0.50% to 6.08% per annum (2014: 1.00% to 9.50%) having maturities upto March 2016 (2014: September 2015).

15.8 This represents borrowings from financial institutions at mark-up rates ranging from 6.35% to 7.45% per annum (2014: 9.20% to 9.50%) having maturities upto April 2016 (2014: April 2015).

	2015	2014 (Un-audited)
16 DEPOSITS AND OTHER ACCOUNTS	(Rupees in '000)	
Customers		
Fixed deposits	137,604,333	153,476,878
Savings deposits	210,368,288	196,118,387
Current accounts - non-remunerative	234,743,586	215,497,455
Others	6,849,023	6,728,458
	589,565,230	571,821,178
Financial institutions		
Remunerative deposits	48,877,152	33,534,156
Non-remunerative deposits	1,694,779	601,570
	50,571,931	34,135,726
	640,137,161	605,956,904

16.1 Particulars of deposits

	2015	2014
In local currency	539,878,360	521,117,663
In foreign currencies	100,258,801	84,839,241
	640,137,161	605,956,904

17 SUB-ORDINATED LOANS

	2015	2014
Term Finance Certificates IV - Private, Unsecured	4,988,000	4,990,000

Mark up: Either of the following options with the holder:

- Floating coupon of Base Rate + 2.50 percent

  (Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on the first day of the start of each half yearly period for mark up due at the end of that period)

- Fixed coupon of 15 percent per annum payable semi-annually in arrears

Subordination: The TFCs are subordinated as to the payment of principal and profit to all other indebtness of the Bank.

Issue date: December 2009

Rating: AA-

Tenor: Eight years

Redemption: The instrument is structured to redeem 0.26% of principal, semi-annually, in the first 78 months and remaining principal of 33.247% each of the issue amount respectively, starting from the 84th month.

Maturity: December 2017

	2015	2014
Term Finance Certificates V - Quoted, Unsecured	4,995,000	4,997,000

Mark up: Base Rate + 1.25 percent

(Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period).

Subordination: The TFCs are subordinated as to the payment of principal and profit to all other indebtness of the bank.

Issue date: February 2013

Rating: AA-

Tenor: Eight years

Redemption: The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.

Maturity: February 2021

	2015	2014
	9,983,000	9,987,000

18 OTHER LIABILITIES

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		1,969,052	3,246,871
Mark-up / return / interest payable in foreign currencies		280,118	291,532
Unearned commission and income on bills discounted		437,666	436,091
Accrued expenses		3,881,060	3,187,540
Branch adjustment account		947,438	149,520
Payable against redemption of credit card reward points		122,804	117,336
Taxation payable		399,559	-
Security deposits		4,790,001	4,241,542
Unclaimed dividend		58,435	49,029
Unrealised loss on forward foreign exchange contracts		729,875	1,416,275
Unrealised loss on interest rate swaps		88,804	24,821
Payable to brokers		-	2,995
Provision against off-balance sheet obligations	18.1	77,590	85,953
Workers' Welfare Fund		475,569	402,820
Compensated Absences	18.2	313,930	225,720
Others		677,562	757,177
		15,249,463	14,635,222

18.1 Provision against off-balance sheet obligations

	2015	2014
Opening balance	85,953	49,075
Charge for the year	1,066	38,453
Exchange and other adjustments	(9,429)	(1,575)
Closing balance	77,590	85,953

18.2 During the year, a valuation for compensated absences has been carried out by an actuary appointed for the purpose. Major assumptions considered for the purposes of valuation are as follows:

Mortality Rate	SLIC 2001-2005
Withdrawal Rate	Age dependant withdrawal table; the average turnover rate over next one year is around 21%.
Salary Increase rate	10.0% p.a.

19 SHARE CAPITAL

19.1 Authorised capital

2015	2014 (Un-audited)		2015	2014 (Un-audited)
(Rupees in '000)			(Rupees in '000)	
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

19.2 Issued, subscribed and paid up capital

2015	2014 (Un-audited)	Ordinary shares of Rs. 10 each	2015	2014 (Un-audited)
(Rupees in '000)			(Rupees in '000)	
865,399,937	862,836,450	Fully paid in cash	8,653,999	8,628,364
724,406,250	724,406,250	Issued as bonus shares	7,244,063	7,244,063
1,589,806,187	1,587,242,700		15,898,062	15,872,427

During the year the Bank has issued 2,563,487 ordinary shares having face value of Rs. 10/- each to its employees on excercise of options vested under the Employees Stock Option Scheme (ESOS) (note 34.2). The paid-up capital of the Bank before issuance of shares to employees was Rs. 15,872,427,000 (divided into 1,587,242,700 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 15,879,061,870 (divided into 1,589,806,187 shares of Rs. 10 each).

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation of:			
- Operating fixed assets	20.1	4,559,031	3,070,481
- Available for sale securities	20.2	6,383,901	3,938,759
		10,942,932	7,009,240

	Note	2015	2014 (Un-audited)
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of operating fixed assets at January 01,	11.2	3,811,365	3,897,206
Transferred to retained earnings in respect of incremental depreciation charged during the year - net of tax		(34,784)	(34,813)
Related deferred tax liability in respect of incremental depreciation charged during the year		(18,732)	(18,745)
Surplus on revaluation of fixed assets recognized during the year		1,643,150	-
Reversal of surplus on account of disposal of property	11.2	-	(32,283)
		1,589,634	(85,841)
		5,400,999	3,811,365
Related deferred tax liability on surplus as at January 01,		740,884	765,209
Deferred tax liability charge / (reversal)		119,816	(5,580)
Deferred tax liability in respect of incremental depreciation charged during the year		(18,732)	(18,745)
		101,084	(24,325)
		841,968	740,884
		4,559,031	3,070,481

	2015	2014 (Un-audited)
20.2 Surplus on revaluation of available for sale securities and derivative financial instruments		
Government securities	9,257,769	5,154,286
Shares / units / certificates / sukuks / bonds	608,591	857,817
Term finance certificates	33,560	40,813
Interest rate swaps	(55,946)	-
	9,843,974	6,052,916
Related deferred tax liability	(3,460,609)	(2,114,157)
Share of surplus on revaluation on associates' available for sale securities	536	-
	6,383,901	3,938,759

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

21 CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

	2015	2014
i) Government	743,580	937,508
ii) Banking companies & other financial institutions	311,835	2,606
iii) Others	2,094,645	1,756,948
	3,150,060	2,697,062

21.2 Transaction-related contingent liabilities

	2015	2014
i) Government	27,412,625	26,536,835
ii) Banking companies & other financial institutions	163,826	506,432
iii) Others	12,719,286	8,671,481
	40,295,737	35,714,748

21.3 Trade-related contingent liabilities

	2015	2014
Letters of credit	52,107,916	48,045,564
Acceptances	15,797,161	12,774,108

21.4 Other contingencies

	2015	2014
21.4.1 Claims against the Bank not acknowledged as debts	14,861,738	9,521,537

These mainly represents counter claims filed by the borrowers for restricting the holding company from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the holding company 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 holding company's favour and the possibility of any outcome against the Group is remote and accordingly no provision has been made in these consolidated financial statements.

21.4.2 An amount of USD 3.949 million ("the Amount") in holding company'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 holding company had to release the accounts of the Third Party – Customer on specific instructions of Central Bank of Afghanistan. The holding company 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 provision of USD 3.949 million against the same (December 2014: USD 1.975 million) as referred to in note 13.3 to these consolidated financial statements.

The holding company filed a case against the above mentioned Third Party Customer in primary commercial court in Afghanistan. In June 2014, the court did not accede claim of the Bank and advised it to pay USD 0.520 million as compensation to the customer along with government / court fee of AFS 5.268 million. The Bank filed an appeal in the appellate court against the said judgment, in which the earlier decisions were upheld. The said amounts have been charged off during the current year.

	2015	2014 (Un-Audited)
	(Rupees in '000)	
21.5 Commitments in respect of forward lendings		
Commitments to extend credit	5,222,555	8,609,125
Commitments in respect of investments	-	1,615,818
21.6 Commitments in respect of forward exchange contracts		
Purchase	98,261,212	69,435,889
Sale	106,520,120	54,156,057
21.7 Commitments for the acquisition of fixed assets	291,237	291,239
21.8 Commitments in respect of repo transactions		
Repurchase	129,226,010	30,274,144
21.9 Other commitments		
Interest rate swaps	6,962,920	6,314,951
Donations	22,000	41,500

21.10 Contingency for tax payable (note 29.1)

22 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

At present the bank deals in the following instruments:

- Forward Exchange Contracts
- Interest Rate Swaps
- Share Options (note 9.15.1)

22.1 Product analysis

	Interest Rate Swaps			
	2015		2014 (Un-audited)	
Counter Parties	**No. of Contracts**	**Notional Principal ***	**No. of Contracts**	**Notional Principal ***
		(Rupees in '000)		
With Banks for				
Hedging	18	6,962,920	16	6,314,951
Market Making	-	-	-	-
With FIs other than banks				
Hedging	-	-	-	-
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	-	-	-	-
Total				
Hedging	18	6,962,920	16	6,314,951
Market Making	-	-	-	-

* At the exchange rate prevailing at the year end

22.2 Unrealised loss on derivatives financial instruments.

	Contractual / notional amount		Unrealised gain / (loss)	
	2015	2014 (Un-audited)	2015	2014 (Un-audited)
	------------------- (Rupees in '000) -------------------			
Interest Rate Swaps	6,962,920	6,314,951	(86,916)	(17,668)

22.3 Maturity Analysis - Interest Rate Swaps (Fixed Rate)

Remaining Maturity	Number of Contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Mark to Market Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
3 to 5 years	13	5,287,064	(44,541)	1,888	(42,653)
5 to 10 years	5	1,675,856	(44,263)	-	(44,263)
Above 10 years	-	-	-	-	-
	18	6,962,920	(88,804)	1,888	(86,916)

23 MARK-UP / RETURN / INTEREST EARNED

	2015	2014 (Un-audited)
	(Rupees in '000)	
a) On loans and advances to:		
i) customers	25,459,027	28,014,910
ii) financial institutions	272,510	342,835
b) On investments in:		
i) held for trading securities	1,140,627	992,312
ii) available for sale securities	22,521,676	17,826,937
iii) held to maturity securities	9,105,351	6,219,695
c) On deposits with financial institutions	2,636,634	1,523,447
d) On securities purchased under resale agreements	288,888	453,916
	61,424,713	55,374,052

24 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	22,651,179	27,009,835
Securities sold under repurchase agreements	6,755,279	1,952,164
Other short term borrowings	2,042,429	3,035,232
Term finance certificates	1,102,752	1,249,709
Brokerage and commission	258,830	247,404
	32,810,469	33,494,344

		Note	2015	2014 (Un-audited)
25	**GAIN ON SALE OF SECURITIES - NET**		(Rupees in '000)	
	Federal Government Securities			
	- Market Treasury Bills		350,718	28,334
	- Pakistan Investment Bonds		774,197	112,329
	Overseas Government Bonds		170,371	121,594
	Shares / Mutual Funds		185,356	746,901
	Sukuk Bonds		54,352	49,009
			1,534,994	1,058,167
26	**OTHER INCOME**			
	Gain on sale of operating fixed assets	11.4	13,975	177,462
	Postage, telex service charges etc.		716,323	506,669
			730,299	684,131
27	**ADMINISTRATIVE EXPENSES**			
	Non executive directors fee & allowances		91,967	83,683
	Salaries, allowances, etc.	27.1	9,481,183	8,607,814
	Charge for defined benefit plan	27.2 & 34.1.4	290,282	283,262
	Contribution to defined contribution plan	35	302,691	271,699
	Charge for employee stock option scheme	34.2	94,830	53,663
	Rent, taxes, insurance, electricity, etc.		3,392,584	3,360,292
	Legal and professional charges		431,737	329,986
	Communications		744,093	741,137
	Repairs and maintenance		1,530,904	1,162,487
	Stationery and printing		406,288	459,553
	Advertisement and publicity		869,247	522,372
	Capital work-in-progress written off		-	13,761
	Donations	27.3	57,638	32,695
	Auditors' remuneration	27.4	23,449	22,881
	Depreciation	11.2 & 27.5	1,816,229	1,642,965
	Amortisation of intangible assets	11.3	275,439	271,926
	Travelling, conveyance and fuel expenses		496,615	523,284
	Entertainment		215,397	255,504
	Subscription		37,178	40,866
	Outsourced peons and riders expenses		274,063	245,745
	Security service charges		838,223	771,697
	Others		449,703	503,841
			22,119,740	20,201,113

27.1 In addition to the remuneration as disclosed in note 36 and note 40.10, payment of Rs. 128.310 million (2014: Rs. 120 million) on account of performance bonus for the year 2014 was made to the Chief Executive Officer.

27.2 This includes an amount of Rs. 171 thousand (2014: Rs. 145 thousand) being charge considered by the subsidiary against its unfunded gratuity scheme.

		2015	2014 (Un-audited)
27.3	**Donations**	(Rupees in '000)	
	Acumen Fund Pakistan	-	4,208
	Institute of Business Administration	22,000	-
	Jaipur Foot	5,638	-
	Karachi Education Initiative (KEI)	25,000	25,000
	Network of Organizations Working for People with Disabilities - Pakistan	-	3,487
	The Aga Khan University	5,000	-
		57,638	32,695

The CEO of the Bank is one of the directors of the KEI. Other than this none of the directors or their spouses had any interest in the donees.

		2015	2014 (Un-audited)
27.4 Auditors' remuneration		(Rupees in '000)	
Audit fee		8,836	8,210
Half yearly review		2,000	1,800
Special certifications and sundry advisory services		5,358	6,106
Tax Services		372	125
Out-of-pocket expenses		1,188	999
		17,754	17,240
Fee for audit of foreign branches		5,695	5,641
		23,449	22,881

27.5 This includes an amount of Rs. 50.591 million on account of accelerated depreciation considered during the current year in respect of untraced / consumable items identified during the physical tagging exercise conducted by the holding company.

	Note	2015	2014 (Un-audited)
28 OTHER CHARGES		(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan		42,892	17,690
Workers' Welfare Fund	28.1	286,897	188,687
		329,789	206,377

28.1 As per the Worker's Welfare Ordinance, 1971, the Bank is liable to pay Workers' Welfare Fund @ 2% of accounting profit before tax or declared income as per the income tax return, whichever is higher.

	Note	2015	2014 (Un-audited)
29 TAXATION		(Rupees in '000)	
For the year			
Current		5,036,065	3,123,661
Deferred		(461,035)	(272,194)
For prior years			
Current	29.2	567,813	(470,833)
Deferred		-	509,260
		567,813	38,427
		5,142,843	2,889,894

29.1 The income tax assessments of the holding company have been finalized upto and including tax year 2014. Matters of disagreement exist between the holding company 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. The issue mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008 to 2013, the tax authorities have raised certain issues including disallowance of expenditure on account of non-deduction of withholding tax, default in payment of WWF, allocation of expenses to dividend and capital gains and dividend income from mutual funds not being taken under income from business, resulting in additional demand of Rs. 1,674.708 million. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 952.212 million whereas appeal effect orders are pending. The management's appeals in respect of allocation of expenses against dividend and capital gain are pending before Commissioner Appeals. The management is confident that this matter will be decided in favour of the Group and consequently has not made any provision in respect of these amounts.

During the year, the Bank has received amended assessment orders for Tax Years from 2010 to 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 990.423 million. As a result of appeal filed before Commissioner Appeal, relief is provided to the Bank to the extent of principal amount which is part of Ijarah rentals and should not be taxed. Accordingly tax amount is reduced to Rs.96.160 million. The Bank has filed appeal before Appellate Tribunal. The Group has not made any provision against these orders and the management is of the view that the matter will be settled in Bank's favour through appellate process.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Group has not made provision amounting to Rs. 181.597 million against tax demand (after reduction on rectifications) for tax years 2011 to 2015. As a result of appeal filed before Commissioner Appeals, relief has been provided for amounting to Rs. 10.024 million whereas appeal effect orders are pending. To obtain relief on rest of the amount, 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.

During the year, 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 Commissioner Appeals. The Group 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.

29.2 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 gains are 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 December 31, 2014. The effect of above amendments have been incorporated in these financial statements 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.

29.3 Relationship between tax expense and accounting profit	**2015**	**2014**
	(Rupees in '000)	
Profit before taxation	12,657,172	8,677,357
Tax at the applicable rate of 35% (2014: 35%)	4,430,010	3,037,075
Effect of:		
- income chargeable to tax at reduced rates	(6,631)	(207,889)
- permanent differences	15,525	6,557
- tax charge pertaining to overseas branches	88,715	84,799
- tax for prior years	567,813	39,206
- others	47,411	(69,854)
Tax expense for the year	5,142,843	2,889,894

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	

30 EARNINGS PER SHARE

30.1 BASIC EARNINGS PER SHARE

	2015	2014
Profit after taxation for the year attributable to equity holders of the Bank	7,502,660	5,765,251
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,589,281	1,378,741
	(Rupees)	
Basic earnings per share	4.72	4.09

30.2 DILUTED EARNINGS PER SHARE

	2015	2014
	(Rupees in '000)	
Profit after taxation for the year attributable to equity holders of the Bank	7,502,660	5,765,251
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,596,665	1,378,741
	(Rupees)	
Diluted earnings per share	4.70	4.18

30.3 Reconciliation of basic and diluted earning per share

	2015	2014
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,589,281	1,378,741
Employee stock option scheme	6,044	-
Shares under agreement with International Finance Corporation	1,340	-
Dilutive potential ordinary shares	1,596,665	1,378,741

31 CASH AND CASH EQUIVALENTS

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
Cash and balances with treasury banks	6	62,368,827	50,515,645
Balances with other banks	7	16,583,138	11,937,548
Call money lendings		14,728,532	3,521,485
Overdrawn nostro accounts	15.2	(53,808)	(91,455)
		93,626,689	65,883,223

32 CREDIT RATING

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 holding company as at June 2015 (2014: AA [Double A] for long term and A1+ [A one plus] for short term).

33 STAFF STRENGTH

	2015	2014 (Un-Audited)
	(Number of employees)	
Permanent	7,605	7,524
Temporary / on contractual basis	233	276
Bank's own staff strength at the end of the year	7,838	7,800
Outsourced	2,482	2,731
Total staff strength	10,320	10,531

34 EMPLOYEE BENEFITS

34.1 DEFINED BENEFIT PLAN

34.1.1 Principal actuarial assumptions

The projected unit credit method, as required by the International Accounting Standard 19 - 'Employee Benefits', was used for actuarial valuation based on the following significant assumptions:

	2015	2014 (Un-Audited)
Discount factor used	10.00%	11.25%
Expected rate of return on plan assets	10.00%	11.25%
Expected rate of salary increase	10.00%	11.25%
Normal retirement age	60 Years	60 Years

The disclosures made in notes 34.1 to 34.1.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2015.

34.1.2 Reconciliation of receivable from defined benefit plan

	Note	2015	2014 (Un-Audited)
		(Rupees in '000)	
Present value of defined benefit obligations	34.1.6	1,743,133	1,770,352
Fair value of plan assets	34.1.7	(1,783,136)	(2,008,875)
		(40,003)	(238,523)

34.1.3 Movement in (receivable) / payable from defined benefit plan

	Note	2015	2014 (Un-Audited)
Opening balance		(238,523)	118,522
Charge for the year - in profit and loss account	34.1.4	290,111	283,117
Other comprehensive Income		198,962	(357,045)
Adjustments		(442)	-
Bank's contribution to fund made during the year		(290,111)	(283,117)
Closing balance		(40,003)	(238,523)

34.1.4 Charge for defined benefit plan

	2015	2014 (Un-Audited)
Recognised in profit and loss account		
Current service cost	332,822	250,607
Net interest	(42,711)	32,510
	290,111	283,117
Recognised in other comprehensive income		
Actuarial gain on obligations	252,372	267
Actuarial (loss) / gain on Assets	(451,334)	356,778
	(198,962)	357,045
Total	489,073	(73,928)

34.1.5 Actual return on plan assets

	2015	2014 (Un-Audited)
Actual return on plan assets	225,357	517,750

34.1.6 Reconciliation of present value of obligation

	2015	2014 (Un-Audited)
Present value of obligation as at January 1	1,770,352	1,547,856
Current service cost	332,822	250,607
Interest cost	182,824	193,482
Benefits paid	(290,493)	(221,326)
Remeasurement gain on obligation	(252,372)	(267)
Present value of obligation as at December 31	1,743,133	1,770,352

34.1.7 Changes in the fair value of plan assets are as follows:

	Note	2015	2014 (Un-audited)
		(Rupees in '000)	
Opening fair value of plan assets		2,008,875	1,429,334
Expected return		225,977	160,972
Contributions by the Bank		290,111	283,117
Benefits paid		(290,493)	(221,326)
Remeasurement (loss) / gain		(451,334)	356,778
Fair value at end of the year	34.1.8	1,783,136	2,008,875

34.1.8 Plan assets consist of the following:

	2015 (Rupees in '000)	%	2014 (Un-audited) (Rupees in '000)	%
Ordinary shares	366,896	21%	427,280	21%
Term Finance Certificates	27,572	2%	45,727	2%
Pakistan Investment Bonds	562,446	32%	876,333	44%
Units of mutual funds	301,916	17%	335,449	17%
Cash and bank balances	524,306	29%	324,086	16%
	1,783,136	100%	2,008,875	100%

34.1.9 Amount for the current year and the previous four years of the present value of the defined benefit obligation, the fair value of plan assets, surplus / (deficit) and experience adjustments arising thereon are as follows:

	2015	2014	2013	2012	2011
	----------	----------	(Rupees in '000)	----------	----------
Defined benefit obligation	1,743,133	1,770,352	1,547,856	1,372,290	1,208,509
Fair value of plan assets	1,783,136	2,008,875	1,429,334	1,182,931	964,669
Surplus / (deficit)	40,003	238,523	(118,522)	(189,359)	(243,840)
Experience adjustments on plan liabilities	252,372	267	(56,337)	56,038	(23,654)
Experience adjustments on plan assets	(451,334)	356,778	127,174	(16,931)	(48,499)

34.1.10 Expected gratuity expense for the next year

Expected gratuity expense for the year ending December 31, 2016, works out to Rs. 260.795 million.

34.1.11 Sensitivity Analysis

Particulars	Present Value of Defined Benefit Obligation (Amount in '000)	Percentage Change
Current Liability	1,743,134	
+1% Discount Rate	1,541,085	-11.59%
-1% Discount Rate	1,986,975	13.99%
+1% Salary Increase Rate	1,984,563	13.85%
-1% Salary Increase Rate	1,539,398	-11.69%
+10% Withdrawal Rates	1,687,258	-3.21%
-10% Withdrawal Rates	1,819,787	4.40%
1 Year Mortality age set back	1,744,979	0.11%
1 Year Mortality age set forward	1,739,490	-0.21%

34.1.12 Maturity Profile

Particulars	Undiscounted Payments (Amounts in Rupees)
Year 1	135,123,035
Year 2	85,119,138
Year 3	73,043,659
Year 4	129,340,961
Year 5	105,294,377
Year 6 to Year 10	647,033,235

34.1.13 Risks Associated with Defined Benefit Plans

(a) Investment Risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

(b) Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

(c) Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

(d) Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

34.2 EMPLOYEES STOCK OPTION SCHEME

The holding company 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 holding company 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 December 31, 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	174	1,156
Options vested	N/A	3,554
Options exercised	N/A	2,563
Vested options carried forward	N/A	895
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. 10.10	Rs. 10.88

35 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute @ 8.33% of basic salary in equal monthly contributions. The subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary.

Contribution made during the year by the Bank amounted to Rs. 295.929 million (2014: Rs. 266.536 million), whereas the contribution made by the subsidiary - Alfalah GHP Investment Management Limited amounted to Rs. 3.381 million (2014: Rs. 2.582 million) in their respective funds.

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2015	2014 (Un-audited)	2015	2014 (Un-audited)	2015	2014 (Un-audited)
	------(Rupees in '000)------					
Fee	-	-	91,967	83,683	345	510
Managerial remuneration - note 36.2	77,707	74,232	-	-	3,735,970	3,283,837
Post employment benefits	8,989	8,561	-	-	313,525	275,334
Rent and house maintenance	5,024	4,568	-	-	834,702	735,247
Utilities	5,394	5,138	-	-	222,675	195,793
	97,114	92,499	91,967	83,683	5,107,217	4,490,721
Number of persons*	1	1	8	5	1,808	1,603

*As a result of Election of Directors held during the year, three new non executive directors were appointed on the Board who replaced two of the outgoing non executive directors.

36.1 The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per Bank's policy.

36.2 Managerial remuneration includes bonus of executives except for Chief Executive bonus - also refer note 27.1. In addition, the Bank granted share options to its employees - refer note 34.2.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

37.1 The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2015										
	Carrying Amount							Fair value			
	HFT	AFS	HTM	Loans and Receivables	Associates	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)										
On balance sheet financial instruments											
Financial assets measured at fair value											
- Other assets											
Forward foreign exchange contracts	739,757	-	-	-	-	-	739,757	-	739,757	-	739,757
Interest rate swaps	1,888	-	-	-	-	-	1,888	-	1,888	-	1,888
- Investments											
Government Secrurities (Tbills, PIBs, GoP Sukuks, Overseas Govt. Sukkuk, Overseas and Euro bonds)	19,122,097	279,962,706	-	-	-	-	299,084,803	-	299,084,803	-	299,084,803
Overseas Bonds - others	-	3,638,216	-	-	-	-	3,638,216	-	3,638,216	-	3,638,216
Ordinary shares of listed companies	199,954	5,582,658	-	-	-	-	5,782,612	5,782,612	-	-	5,782,612
Ordinary shares of unlisted company	-	40,073	-	-	-	-	40,073	-	-	40,073	40,073
Debt securities (TFCs)	-	682,680	-	-	-	-	682,680	-	682,680	-	682,680
Sukuk-Other than Govt	-	2,424,212	-	-	-	-	2,424,212	-	2,424,212	-	2,424,212
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	62,368,827	-	-	62,368,827				
- Balances with other banks	-	-	-	16,583,138	-	-	16,583,138				
- Lending to financial institutions	-	-	-	53,628,870	-	-	53,628,870				
- Advances	-	-	-	327,299,560	-	-	327,299,560				
- Other assets	-	-	-	27,201,431	-	-	27,201,431				
- Investments											
Government Secrurities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)	-	-	77,515,845	-	-	-	77,515,845	-	80,144,714	-	80,144,714
Overseas Bonds - Others	-	-	266,822	-	-	-	266,822	-	-	-	-
Unlisted Shares (Ordinary & Preference)		304,096	-	-	-	-	304,096	-	-	-	-
Sukuk-Other than Govt	-	37,242	3,720,532	-	-	-	3,757,774	-	3,721,244	-	3,721,244
Debt securities (TFCs)	-	-	-	-	-	-	-	-	-	-	-
Ordinary and preference shares	-	-	-	-	-	-	-	-	-	-	-
Associates											
- Mutual Funds	-	-	-	-	1,969,571	-	1,969,571	-	1,754,637	-	1,754,637
- Ordinary shares of unlisted companies	-	-	-	-	2,049,744	-	2,049,744	-	2,330,815	-	2,330,815
	20,063,696	292,671,883	81,503,199	487,081,826	4,019,315	-	885,339,919				
Financial liabilities measured at fair value											
- Other liabilities											
Forward foreign exchange contracts	729,875	-	-	-	-	-	729,875	-	729,875	-	729,875
Interest rate swaps	88,804	-	-	-	-	-	88,804	-	88,804	-	88,804
Financial liabilities not measured at fair value											
- Bills Payable	-	-	-	-	-	9,733,929	9,733,929				
- Borrowings	-	-	-	-	-	172,393,198	172,393,198				
- Deposits and other accounts	-	-	-	-	-	640,137,161	640,137,161				
- Subordinated Loans	-	-	-	-	-	9,983,000	9,983,000				
- Other liabilities	-	-	-	-	-	13,515,970	13,515,970				
	818,679	-	-	-	-	845,763,258	846,581,937				

	2014 (Un-audited)										
	Carrying Amount							Fair value			
	HFT	AFS	HTM	Loans and Receivables	Associates	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	---(Rupees in '000)---										
Financial assets measured at fair value											
- Other assets											
Forward foreign exchange contracts	1,105,710	-	-	-	-	-	1,105,710	-	1,105,710	-	1,105,710
Interest rate swaps	7,153	-	-	-	-	-	7,153	-	7,153	-	7,153
- Investments											
Government Securities (Tbills, PIBs, GoP Sukuks, Overseas Govt. Sukkuk, Overseas and Euro bonds)	21,456,052	205,142,193	-	-	-	-	226,598,245	-	226,598,245	-	226,598,245
Overseas Bonds - others	-	2,752,796	-	-	-	-	2,752,796	-	2,752,796	-	2,752,796
Ordinary shares of listed companies	-	5,495,560	-	-	-	-	5,495,560	5,164,274	331,286	-	5,495,560
Ordinary shares of unlisted company	-	40,073	-	-	-	-	40,073	-	-	40,073	40,073
Debt securities (TFCs)	-	1,139,233	-	-	-	-	1,139,233	-	1,139,233	-	1,139,233
Sukuk-Other than Govt	-	2,558,884	-	-	-	-	2,558,884	-	2,558,884	-	2,558,884
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	50,515,645	-	-	50,515,645				
- Balances with other banks	-	-	-	12,334,368	-	-	12,334,368				
- Lending to financial institutions	-	-	-	18,313,485	-	-	18,313,485				
- Advances	-	-	-	290,568,379	-	-	290,568,379				
- Other assets	-	-	-	27,439,024	-	-	27,439,024				
- Investments											
Government Securities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)	-	-	78,954,362	-	-	-	78,954,362	-	81,466,591	-	81,466,591
Overseas Bonds - Others	-	-	-	-	-	-	-	-	-	-	-
Unlisted Shares (Ordinary & Preference)		304,096		-	-	-	304,096	-	-	-	-
Sukuk-Other than Govt	-	82,759	3,547,019	-	-	-	3,629,778	-	3,547,019	-	3,547,019
Debt securities (TFCs)	-	6,990	34,586	-	-	-	41,576	-	34,586	-	34,586
Ordinary and preference shares	-	-	-	-	-	-	-	-	-	-	-
Associates											
- Mutual Funds	-	-	-	-	2,890,985	-	2,890,985	-	2,693,550	-	2,693,550
- Ordinary shares of unlisted companies	-	-	-	-	555,285	-	555,285	-	527,198	-	527,198
	22,568,915	217,522,584	82,535,967	399,170,901	3,446,270	-	725,244,636				
Financial liabilities measured at fair value											
- Other liabilities											
Forward foreign exchange contracts	1,416,275	-	-	-	-	-	1,416,275	-	1,416,275	-	1,416,275
Interest rate swaps	24,821	-	-	-	-	-	24,821	-	24,821	-	24,821
Financial liabilities not measured at fair value											
- Bills Payable											
- Borrowings	-	-	-	-	-	11,758,155	11,758,155				
- Deposits and other accounts	-	-	-	-	-	55,232,916	55,232,916				
- Subordinated Loans	-	-	-	-	-	605,956,904	605,956,904				
- Other liabilities	-	-	-	-	-	9,987,000	9,987,000				
	-	-	-	-	-	12,668,706	12,668,706				
	1,441,096	-	-	-	-	695,603,681	697,044,777				

37.2 Fixed assets have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 11. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2015					
	Trading & sales	Retail banking	Corporate / commercial banking	Retail brokerage	Asset management	Total
	---------- (Rupees in '000) ----------					
Segment income	39,302,126	6,969,613	23,964,226	12,030	279,532	70,527,527
Inter-segment income	(18,392,072)	27,876,950	(9,484,878)	-	-	-
Segment expenses	12,188,719	31,916,615	13,526,018	41,344	197,659	57,870,355
Profit before tax	8,721,335	2,929,948	953,330	(29,314)	81,873	12,657,172
Segment assets	445,660,369	128,165,208	328,778,868	270,032	541,280	903,415,757
Segment non-performing loans	-	463,093	17,992,306	360	-	18,455,759
Segment provision required against loans and advances	-	1,039,331	15,153,128	360	-	16,192,819
Segment liabilities	155,037,953	555,406,805	138,759,608	27,467	91,188	849,323,021
Segment return on assets (ROA) (%)*	1.71%	0.49%	0.17%			0.79%
Segment cost of funds (%)*	6.75%	6.20%	5.37%			6.12%

	2014 (Un-audited)					
	Trading & sales	Retail banking	Corporate / commercial banking	Retail brokerage	Asset management	Total
	---------- (Rupees in '000) ----------					
Segment income	30,633,653	6,656,165	27,015,749	2,856	201,989	64,510,412
Inter-segment income	(22,074,385)	32,388,441	(10,314,056)			-
Segment expenses	6,881,132	33,084,253	15,699,908	20,025	147,737	55,833,055
Profit before tax	1,678,136	5,960,353	1,001,785	(17,169)	54,252	8,677,357
Segment assets - net	337,370,134	111,857,434	294,168,402	64,214	498,615	743,958,799
Segment non-performing loans	-	579,750	18,832,513	360	-	19,412,623
Segment provision required against loans and advances	-	900,882	13,349,928	360	-	14,251,170
Segment liabilities	40,712,656	522,427,051	135,090,617	91,834	69,077	698,391,235
Segment return on assets (ROA) (%)*	0.55%	1.01%	0.16%			0.65%
Segment cost of funds (%)*	9.25%	8.69%	8.00%			8.59%

* Based on Average Asset and Average Funds

39 TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the holding company is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

40 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.

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

40.1 Deposits

	2015					
	Directors	Key management personnel	Group companies / Others	Associates	Strategic investments	Total
	------------------------------ (Rupees in '000)					--------------------------
Balance at beginning of the year	38,398	71,170	5,054,205	453,398	18	5,617,189
Placements during the year	168,409	1,271,256	81,661,921	29,668,778	-	112,770,364
Withdrawals / adjustments* during the year	(191,982)	(1,222,145)	(80,620,892)	(29,771,860)	-	(111,806,879)
Balance at end of the year	14,825	120,281	6,095,234	350,316	18	6,580,674

	2014 (Un-audited)					
	------------------------------ (Rupees in '000)					--------------------------
Balance at beginning of the year	34,796	80,786	4,416,681	325,507	18	4,857,788
Placements during the year	236,286	894,069	57,901,746	18,121,968	-	77,154,069
Withdrawals / adjustments* during the year	(232,684)	(903,685)	(57,264,222)	(17,994,077)	-	(76,394,668)
Balance at end of the year	38,398	71,170	5,054,205	453,398	18	5,617,189

40.2 Advances

	2015					
	------------------------------ (Rupees in '000)					--------------------------
Balance at beginning of the year	-	280,630	3,828,522	-	-	4,109,152
Disbursements during the year	-	324,922	22,147,792	-	-	22,472,714
Repayments / adjustments* during the year	-	(277,272)	(19,636,864)	-	-	(19,914,136)
Balance at end of the year	-	328,280	6,339,450	-	-	6,667,730

	2014 (Un-audited)					
	------------------------------ (Rupees in '000)					--------------------------
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

40.3 Investments

	2015					
	------------------------------ (Rupees in '000)					--------------------------
Balance at beginning of the year	-	-	4,366,796	3,446,271	50,000	7,863,067
Investments during the year	-	-	-	1,867,710	-	1,867,710
(Redemptions) / adjustments* during the year	-	-	300,000	(1,294,667)	-	(994,667)
Balance at end of the year	-	-	4,666,796	4,019,314	50,000	8,736,110
Provisions held against investments	-	-	4,366,796	-	50,000	4,416,796

	2014 (Un-audited)					
	------------------------------ (Rupees in '000)					--------------------------
Balance at beginning of the year	-	-	4,553,930	2,589,895	50,000	7,193,825
Investments during the year	-	-	-	922,097	-	922,097
(Redemptions) / adjustments* during the year	-	-	(187,134)	(65,721)	-	(252,855)
Balance at end of the year	-	-	4,366,796	3,446,271	50,000	7,863,067
Provisions held against investments	-	-	4,366,796	-	50,000	4,416,796

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

		Directors	Key management personnel	Group companies / Others	Associates	Strategic investments	Total
		2015					
40.4	**Call borrowings / Repo**	-------------------------------	-------------------------------	(Rupees in '000)	---------------------------		
	Balance at beginning of the year	-	-	-	-	-	-
	Borrowings during the year	-	-	1,300,000	-	-	1,300,000
	Repayments during the year	-	-	(1,300,000)	-	-	(1,300,000)
	Balance at end of the year	-	-	-	-	-	-
		2014 (Un-audited)					
		-------------------------------	-------------------------------	(Rupees in '000)	---------------------------		
	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	-	-	-	-	-	-
		2015					
40.5	**Call lendings / Reverse Repo**	-------------------------------	-------------------------------	(Rupees in '000)	---------------------------		
	Balance at beginning of the year	-	-	-	-	-	-
	Placements during the year	-	-	17,825,000	-	-	17,825,000
	Withdrawals during the year	-	-	(17,825,000)	-	-	(17,825,000)
	Balance at end of the year	-	-	-	-	-	-
		2014 (Un-audited)					
		-------------------------------	-------------------------------	(Rupees in '000)	---------------------------		
	Balance at beginning of the year	-	-	-	-	-	-
	Placements during the year	-	-	-	-	-	-
	Withdrawals during the year	-	-	-	-	-	-
	Balance at end of the year	-	-	-	-	-	-

		2015	2014 (Un-audited)
		(Rupees in '000)	
40.6	**Advances**		
	Running finance	760,958	2,698,690
	Long term loans	5,906,772	1,410,461
40.7	**Contingencies and commitments**		
	Letters of credit, acceptance & Guarantees outstanding	3,134,931	1,809,608
40.8	**Customer accounts**		
	PLS accounts	3,264,885	3,588,076
	Current accounts	1,047,644	1,452,700
	Fixed deposit accounts	2,268,145	576,413
40.9	**Transactions with Associates and Others**		
	Associates and Funds not considered for consolidation		
	Mark-up expense on deposits / TFCs	53,878	36,931
	Advance against issue of shares to Saphhire Wind Power Company Limited	112,350	-
	Rent Income from Alfalah Insurance Limited	1,997	1,997
	Insurance premium paid to Alfalah Insurance Company Limited	534,335	461,163
	Dividend paid to Alfalah Insurance Company Limited	1,000	1,000
	Dividend received from Alfalah Insurance Company Limited	5,311	-
	Dividend received from Alfalah GHP Income Multiplier Fund	23,284	27,650
	Dividend received from Alfalah GHP Sovereign Fund	26,944	2,303
	Dividend received from Alfalah GHP Islamic Stock Fund	40,867	83,800
	Dividend received from Alfalah GHP Cash Fund	47,082	36,749
	Dividend received from Alfalah GHP Value Fund	22,434	28,738
	Brokerage income - Alfalah Securities	23	5
	Receivable against trade of marketable securities	31	5
	Management Fee earned from funds	90,303	65,908
	Sales load earned from funds	7,583	928
	Payment made on behalf of funds	-	860
	Bonus received from funds	-	11,645

	2015	2014 (Un-audited)
	(Rupees in '000)	
Others		
Mark-up income on advances / investments	421,942	392,545
Mark-up expense on deposits	362,903	218,779
Rent income from Wateen Telecom Limited	1,766	13,064
Rent income from Warid Telecom (Private) Limited	16,937	17,522
Rent expense pertaining to Wateen Telecom Limited	11,200	11,400
Interest received on placements with Silk Bank	5,061	-
Interest paid on Borrowings from Silk Bank	372	-
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	464	470
Payment to Wateen Telecom Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	143,993	110,969
Payment to Monet (Private) Limited for Branchless banking services	197,588	110,809
Payment to Al-Qudees & Co	27,505	-
Payment to Intelligens Financials	3,407	-
Payment to Sundar Interiors & Architects	57,412	-
Payment to Timber Links	10,428	-
Payment to Expressive Safety & Security Solutions	7,540	-
Payment to Olive International (Private) Limited	6,590	-
Payment to Computer Marketing Co. (Private) Limited.	11,396	-
Payment to K-Tabs	19,345	-
Payment to MEC Engineer	2,894	-
Payment to Printeria	40,321	-
Charge for security services to Wackenhut Pakistan (Private) Limited	136,393	314,008
Communication charges Wateen Telecom (Private) Limited	278	263
Communication charges Warid Telecom (Private) Limited	43	68
Contribution to gratuity fund	290,282	283,262
Contribution to employees provident fund	302,691	271,699
Commission received from Warid Telecom (Private) Limited	9,656	8,756

40.10 Balances with Associates and Others

	2015	2014
Associates and Funds not considered for consolidation		
Advance Rent from Alfalah Insurance Company Limited	1,955	-
TFCs held by Alfalah GHP Income Multiplier Fund	6,119	6,121
TFCs held by Alfalah GHP Income Fund (Formerly IGI Income Fund)	87,899	87,935
Management Fee receivable from funds	102,998	55,226
Sales load receivable from funds	8,477	4,743
Receivable against formation for funds	7,901	3,418
Insurance payable for general and health	183	93
Others		
Mark-up suspended on advances to Warid Telecom (Private) Limited	42,582	22,300
Mark-up suspended on advances to Wateen Telecom (Private) Limited	644,122	441,119
Advance Rent from Wateen Telecom Limited	-	589
Advance Rent from Warid Telecom Limited	8,206	9,005
Rent payable to Wateen Telecom Limited	750	950
TFCs held by Taavun (Private) Limited	498,800	499,000
TFCs held by Key Management Personnel	186,591	161,466
Contributory Provident Fund payable to the fund by the subsidiaries	-	363

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

	2015	2014
Salaries and allowances (also refer note 27.1)	1,174,453	1,078,278
Fair value charge against employee stock option scheme	94,830	53,663

In addition, the Chief Executive and certain Executives are provided with Bank maintained cars and other benefits.

41 CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Applications

Amounts subject to Pre - Basel III treatment

The Basel-III Framework is applicable to the Group both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and also on a stand alone basis. As mentioned in Note 5.1, subsidiaries are included while calculating Consolidated Capital Adequacy for the Group using full consolidation method whereas associates in which the Group has significant influence on equity method . Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, Basic Indicator Approach (BIA) up to the extent of 80% is used for Operational Risk Capital Adequacy purpose.

41.2 Capital Management

41.2.1 Objectives and goals of managing capital

Objectives and goals of managing capital

The Group manages its capital to attain the following objectives and goals;
- an appropriately capitalized status, as defined by Banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

41.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated Banks to be raised to Rs. 10 billion in a phased manner from the financial year December 2013. The paid up capital of the Group for the year ended December 31, 2015 stands at Rs. 15.898 billion and is in compliance with the SBP requirement for the said year.

The capital adequacy ratio of the Group is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines Groups are required to maintain the following ratios on an ongoing basis:t

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No	Ratio	2014	2015	2016	2017	2018	31-Dec-19
1	CET 1	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
2	ADT 1	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
3	Tier 1	7.0%	7.5%	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
5	*CCB	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

* Capital conservative buffer

41.2.3 Group's regulatory capital is analysed into three tiers

Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 41.4).

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1 (refer to note 41.4).

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), gross reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, further in the current year additional benefit of revaluation reserves (net of tax effect) is availed at the rate of 40% per annum for the remaining portion of 55% of revaluation reserve and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer to note 41.4).

The required capital adequacy ratio (10.25% of the risk-weighted assets) is achieved by the Group through improvement in the capital base, asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Group. As the Group carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Group to particular operations. The Group remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Group's management of capital during the year.

41.2.4 Leverage Ratio

The leverage ratio of the Group as at December 31, 2015 is 3.47% (2014: 3.95%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2015; Total Tier 1 capital of the Group amounts to Rs. 37,447,318 thousand (2014: Rs. 33,864,539 thousand) whereas the total exposure measure amounts to Rs. 1,080,351,619 thousand (2014: Rs. 856,987,660 thousand).

Shift in leverage ratio is mainly due to increase in advances, investments and unconditionally cancellable commitments.

41.3 Capital Adequacy

Group's approach for assessing the adequacy of the capital to support current and future business operations based on the following:

a. Capital Adequacy plays a key consideration for not only arriving at the business projections / plans but is religiously monitored while undertaking transactions.

b. During the stress years the Group controlled its business growth to keep buffer for unusual circumstances and also the new capital adequacy regime. Since Group has demonstrated its resilience to meet the challenges of stress situation & to meet new capital adequacy standards, the Group is now following controlled growth strategy. The TFC was issued to support the growth but gradually the Group is enriching the Tier 1 capital while ensuring regular dividend to share holders.

c. The Capital base forms the very basic foundation of business plans. The capital base is sufficient to support the envisaged business growth and this would be monitored regularly.

d. Current and potential risk exposures across all the major risk types are:

Risk Type	Materiality Level for Bank– High/ Medium/Low	Adequacy of controls (Adequate / Partially adequate/ Not adequate)
Credit	High	Adequate
Market	High	Adequate
Operational	High	Adequate
Model	Low	Adequate
Concentration	Medium	Adequate
Interest rate risk in Banking Book	High	Adequate
Liquidity	High	Adequate
Country	Medium	Adequate
Reputation	Medium	Adequate
Strategic / Business	Medium	Adequate
Legal Risk	Medium	Adequate

e. As per the ICAAP exercise bank's CAR, with all shock incorporated falls below the required level of 12.25%. Despite of this figure we feel that the outlook of the Group is stable due to following mitigants:

   i. The probability of all shocks materializing at the same time is remote given that fact that Group's risk management activities are more prudent.
   ii. Increasing CASA deposits in line with branch network.
   iii. Better recoveries of existing NPLs and more controlled lending.
   iv. Increasing returns on advances.
   v. With improvements in capital markets, Group would always have the opportunity to tap fresh capital.

f. The Group enjoys strong sponsor support from Abu Dhabi Group, and more recently, IFC has acquired a 15% stake in the Bank. This alliance has further solidified the Group's position and indicates increased investor confidence. The Bank has successfully managed five TFCs issues in the past, two of which are currently in issue. These are indicative of the Group's capacity to raise capital where required.

g. Presently there is no model for determining economic capital requirement. Group follows Standardised approach for Credit & Market Risk, and Basic Indicator approach for Operational Risk. The assessment of capital adequacy is based on regulatory requirements.

41.4 Capital Adequacy Ratio as at December 31, 2015

			2015	2014 (Un-audited)
			(Rupees in '000)	
	Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP		15,898,062	15,872,427
2	Balance in Share Premium Account		4,329,648	4,285,556
3	Reserve for issue of Bonus Shares		-	-
4	Discount on Issue of shares		-	-
5	General/ Statutory Reserves		8,261,506	6,690,005
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
7	Unappropriated/unremitted profits/ (losses)		12,813,488	10,091,872
8	subsidiaries (amount allowed in CET1 capital of the consolidation group)		172,924	210,201
9	**CET 1 before Regulatory Adjustments**		**41,475,628**	**37,150,061**
10	Total regulatory adjustments applied to CET1 (Note 41.4.1)		4,028,310	3,285,523
11	**Common Equity Tier 1**		**37,447,318**	**33,864,538**
	Additional Tier 1 (AT 1) Capital			
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		-	-
13	of which: Classified as equity		-	-
14	of which: Classified as liabilities		-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		-	-
16	of which: instrument issued by subsidiaries subject to phase out		-	-
17	**AT1 before regulatory adjustments**		**-**	**-**
18	Total regulatory adjustment applied to AT1 capital (Note 41.4.2)		**397,536**	**703,671**
19	Additional Tier 1 capital after regulatory adjustments		-	-
20	**Additional Tier 1 capital recognized for capital adequacy**		**-**	**-**
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**		**37,447,318**	**33,864,538**
	Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		4,989,000	4,991,000
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		465,454	1,330,027
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		4,230	2,249
25	of which: instruments issued by subsidiaries subject to phase out		-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		780,744	685,997
27	Revaluation Reserves (net of taxes)	c=a+b	7,331,765	3,925,174
28	of which: Revaluation reserves on fixed assets	a	3,054,551	1,719,469
29	of which: Unrealized gains/losses on AFS	a	4,277,214	2,205,705
30	Foreign Exchange Translation Reserves		1,572,966	1,362,465
31	Undisclosed/Other Reserves (if any)		-	-
32	**T2 before regulatory adjustments**		**15,144,159**	**12,296,912**
33	Total regulatory adjustment applied to T2 capital (Note 41.4.3)		1,010,121	1,800,377
34	Tier 2 capital (T2) after regulatory adjustments		14,134,038	10,496,536
35	Tier 2 capital recognized for capital adequacy		14,134,038	10,496,536
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
37	Total Tier 2 capital admissible for capital adequacy		14,134,038	10,496,536
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**		**51,581,356**	**44,361,074**
39	**Total Risk Weighted Assets (RWA) {for details refer Note 41.7}**		**380,899,853**	**348,264,547**
	Capital Ratios and buffers (in percentage of risk weighted assets)			
40	**CET1 to total RWA**		**9.83%**	**9.72%**
41	**Tier-1 capital to total RWA**		**9.83%**	**9.72%**
42	**Total capital to total RWA**		**13.54%**	**12.74%**
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus		6.25%	5.50%
	any other buffer requirement)		0.25%	-
44	of which: capital conservation buffer requirement		-	-
45	of which: countercyclical buffer requirement		-	-
46	of which: D-SIB or G-SIB buffer requirement		4.34%	4.22%
47	CET1 available to meet buffers (as a percentage of risk weighted assets)		3.69%	4.07%
	National minimum capital requirements prescribed by SBP			
48	**CET1 minimum ratio**		**6.00%**	**5.50%**
49	**Tier 1 minimum ratio**		**7.50%**	**7.00%**
50	**Total capital minimum ratio (Inclusive of 0.25% CCB for 2015)**		**10.25%**	**10.00%**

	Regulatory Adjustments and Additional Information	2015 Amount	2015 Amounts subject to Pre- Basel III treatment*	2014 (Un-audited) Amount	2014 (Un-audited) Amounts subject to Pre- Basel III treatment*
		Rupees in '000			
41.4.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)	-		-	
2	All other intangibles (net of any associated deferred tax liability)	1,372,124		1,179,160	
3	Shortfall in provisions against classified assets	-		-	
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,612,215	2,418,323	714,549	2,858,198
5	Defined-benefit pension fund net assets	16,001		47,705	
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	630,434		634,534	
7	Cash flow hedge reserve	-		-	
8	Investment in own shares/ CET1 instruments	-		5,904	
9	Securitization gain on sale	-		-	
10	Capital shortfall of regulated subsidiaries	-		-	
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-	
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-	
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
15	Amount exceeding 15% threshold	-		-	
16	of which: significant investments in the common stocks of financial entities	-		-	
17	of which: deferred tax assets arising from temporary differences	-		-	
18	National specific regulatory adjustments applied to CET1 capital	-		-	
19	Investments in TFCs of other banks exceeding the prescribed limit	-		-	
20	Any other deduction specified by SBP (mention details)	-		-	
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	397,536		703,671	
22	**Total regulatory adjustments applied to CET1 (sum of 1 to 21)**	**4,028,310**		**3,285,523**	
41.4.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]			-	
24	Investment in own AT1 capital instruments	-		-	
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-	
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	397,536	(397,536)	703,671	(703,671)
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-	
30	**Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)**	**397,536**		**703,671**	
41.4.3	**Tier 2 Capital: regulatory adjustments**	397,536	(397,536)	703,671	(703,671)
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	611,920		1,062,959	
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	665		33,747	
33	Investment in own Tier 2 capital instrument	-		-	
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	1,010,121		1,800,377	
36	**Total regulatory adjustment applied to T2 capital (sum of 31 to 35)**	**1,023,572**		**1,196,309**	

*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.

41.4.4 Additional Information

		2015	2014 (Un-audited)
		Rupees in '000	
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	317,227,723	292,026,853
(i)	of which: deferred tax assets	2,418,323	2,858,198
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	364,877	530,349
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	795,072	1,407,342
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	222,688	375,665
39	Significant investments in the common stock of financial entities	530,048	351,836
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	780,744	685,997
42	Cap on inclusion of provisions in Tier 2 under standardized approach	4,761,248	4,353,307
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

41.5 Capital Structure Reconciliation

Table: 41.5.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2015	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	62,368,827	62,368,827
Balances with other banks	16,583,138	16,583,138
Lending to financial institutions	53,628,870	53,628,870
Investments	397,516,448	397,516,448
Advances	327,299,560	327,299,560
Operating fixed assets	17,317,691	17,317,691
Deferred tax assets	-	-
Other assets	28,701,223	28,701,223
Total assets	**903,415,757**	**903,415,757**
Liabilities & Equity		
Bills payable	9,733,929	9,733,929
Borrowings	172,393,198	172,393,198
Deposits and other accounts	640,137,161	640,137,161
Sub-ordinated loans	9,983,000	9,983,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	1,826,270	1,826,270
Other liabilities	15,249,463	15,249,463
Total liabilities	**849,323,021**	**849,323,021**
Share capital/ Head office capital account	15,898,062	15,898,062
Reserves	14,164,120	14,164,120
Unappropriated/ Unremitted profit/ (losses)	12,813,488	12,813,488
Minority Interest	274,134	274,134
Surplus on revaluation of assets	10,942,932	10,942,932
Total equity	**54,092,736**	**54,092,736**
Total liabilities & equity	**903,415,757**	**903,415,757**

Table: 41.5.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2015		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	62,368,827	62,368,827	
Balances with other banks	16,583,138	16,583,138	
Lending to financial institutions	53,628,870	53,628,870	
Investments	397,516,448	397,516,448	
- of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	600,887	600,887	a
- of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	530,048	530,048	b
- of which: Mutual Funds exceeding regulatory threshold	-	-	c
- of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	1,234,916	1,234,916	d
- of which: others (mention details)	395,150,597	395,150,597	e
Advances	327,299,560	327,299,560	
- shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
- general provisions reflected in Tier 2 capital	780,744	780,744	g
Fixed Assets	17,317,691	17,317,691	
of which: Intangibles	1,372,124	1,372,124	k
Deferred Tax Assets	-	-	
- of which: DTAs that rely on future profitability excluding those arising from temporary differences	4,030,539	4,030,539	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	28,701,223	28,701,223	
- of which: Goodwill	-	-	j
- of which: Defined-benefit pension fund net assets	40,002	40,002	l
Total assets	**903,415,757**	**903,415,757**	
Liabilities & Equity			
Bills payable	9,733,929	9,733,929	
Borrowings	172,393,198	172,393,198	
Deposits and other accounts	640,137,161	640,137,161	
Sub-ordinated loans	9,983,000	9,983,000	
- of which: eligible for inclusion in AT1	-	-	m
- of which: eligible for inclusion in Tier 2	5,454,454	5,454,454	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,826,270	1,826,270	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	-	-	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	15,249,463	15,249,463	
Total liabilities	**849,323,021**	**849,323,021**	
Share capital	**15,898,062**	**15,898,062**	
- of which: amount eligible for CET1	15,898,062	15,898,062	s
- of which: amount eligible for AT1	-	-	t
Reserves	**14,164,120**	**14,164,120**	
- of which: portion eligible for inclusion in CET1(provide breakup)	12,591,164	12,591,154	u
- of which: portion eligible for inclusion in Tier 2	1,572,966	1,572,966	v
Unappropriated profit/ (losses)	**12,813,488**	**12,813,488**	w
Minority Interest	**274,134**	**274,134**	
- of which: portion eligible for inclusion in CET1	172,924	172,924	x
- of which: portion eligible for inclusion in AT1	-	-	y
- of which: portion eligible for inclusion in Tier 2	4,230	4,230	z
Surplus on revaluation of assets	**10,942,932**	**10,942,932**	
- of which: Revaluation reserves on Fixed Assets	4,559,051	4,559,051	aa
- of which: Unrealized Gains/Losses on AFS	6,383,901	6,383,901	
- In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total equity	**54,092,736**	**54,092,736**	
Total liabilities & equity	**903,415,757**	**903,415,757**	

	Table: 41.5.3	Component of regulatory capital reported by bank 2015 (Rupees in '000)	Source based on reference number from step 2
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	15,898,062	(s)
2	Balance in Share Premium Account	4,329,648	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	8,261,506	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	12,813,488	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	172,924	(x)
8	**CET 1 before Regulatory Adjustments**	**41,475,628**	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	1,372,124	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,612,216	{(h) - (r} * 40%
13	Defined-benefit pension fund net assets	16,001	{(l) - (q)} * 40%
14	Reciprocal cross holdings in CET1 capital instruments	630,434	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	397,536	
30	**Total regulatory adjustments applied to CET1 (sum of 9 to 29)**	**4,028,310**	
31	**Common Equity Tier 1**	**37,447,318**	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	**AT1 before regulatory adjustments**	-	
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	397,536	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	**Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 43)**	**397,536**	
46	**Additional Tier 1 capital**	-	
47	**Additional Tier 1 capital recognized for capital adequacy**	-	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	**37,447,318**	

	Table: 41.5.3	Component of regulatory capital reported by bank 2015 (Rupees in '000)	Source based on reference number from step 2
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	4,989,000	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	465,454	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	4,230	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	780,744	(g)
54	Revaluation Reserves	**7,331,765**	
55	of which: Revaluation reserves on fixed assets	3,054,551	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	4,277,214	
57	Foreign Exchange Translation Reserves	1,572,966	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	**T2 before regulatory adjustments**	**15,144,159**	
	Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	397,536	
61	Reciprocal cross holdings in Tier 2 instruments	611,920	
62	Investment in own Tier 2 capital instrument	665	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	**Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)**	**1,010,121**	
66	Tier 2 capital (T2)	14,134,038	
67	Tier 2 capital recognized for capital adequacy	14,134,038	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	**Total Tier 2 capital admissible for capital adequacy**	**14,134,038**	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**51,581,356**	

41.6 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments				
S. No.	**Main Features**	**Common Shares**	**Instrument - 2**	**Instrument - 3**
1	Issuer	Bank Alfalah Limited	Bank Alfalah Limited	Bank Alfalah Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BAFL	BAFL	BAFL TFC5
3	Governing law(s) of the instrument	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan
	Regulatory treatment			
4	Transitional Basel III rules	Commom Equity Tier 1	Tier 2	Tier 2
5	Post-transitional Basel III rules	Commom Equity Tier 1	Ineligible	Ineligible
6	Eligible at solo/ group/ group&solo	Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Subordinated debt	Subordinated debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	15,898,062	531,947	4,989,000
9	Par value of instrument	Rs. 10	Rs. 5,000	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability	Liability
11	Original date of issuance	21-Jun-92	Dec 2009	Feb 19 & 20, 2013
12	Perpetual or dated	NA	Dated	Dated
13	Original maturity date	NA	Dec 2017	Feb 2021
14	Issuer call subject to prior supervisory approval	NA	NA	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend/ coupon		Fixed to floating	Floating
18	Coupon rate and any related index/ benchmark	NA	Option 1: Fixed at 15.50% per annum Option 2: 6 Months KIBOR plus 250 basis points per annum	Floating at 6 Months KIBOR*(Base Rate) plus 125 basis points per annum without any floor or CAP
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No	No
22	Noncumulative or cumulative	NA	Cumulative	Cumulative
23	Convertible or non-convertible	NA	Non convertible	Convertible
24	If convertible, conversion trigger (s)	NA	NA	At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
25	If convertible, fully or partially	NA	NA	May convert fully or partially
26	If convertible, conversion rate	NA	NA	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	NA	NA	Optional
28	If convertible, specify instrument type convertible into	NA	NA	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	NA	NA	BAFL
30	Write-down feature	No	NA	Yes
31	If write-down, write-down trigger(s)	NA	NA	At the option of supervisor it can be either written off upon occurrence of a certain trigger event , called point of non viability(PONV). The PONV is the earlier of;
				1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable.
				2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
32	If write-down, full or partial	NA	NA	either may be written-down fully or may be written down partially;
33	If write-down, permanent or temporary	NA	NA	Temporary
34	If temporary write-down, description of write-up mechanism	NA	NA	As may be determined by reversal of trigger event and subject to regulator's approval
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	NA	Deposits	Deposits
36	Non-compliant transitioned features	NA	NA	No
37	If yes, specify non-compliant features	NA	NA	N/A

41.7 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements 2015	Capital Requirements 2014 (Un-audited)	Risk Weighted Assets 2015	Risk Weighted Assets 2014 (Un-audited)
	(Rupees in '000)			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash & cash equivalents	-	-	-	-
Sovereign	2,969,181	2,674,767	28,967,616	26,747,666
Public Sector entities	986,853	704,951	9,627,832	7,049,507
Banks	1,125,068	731,754	10,976,271	7,317,544
Corporate	15,731,681	14,498,387	153,479,814	144,983,869
Retail	3,220,951	2,713,791	31,423,916	27,137,906
Residential Mortgages	313,969	289,536	3,063,114	2,895,356
Past Due loans	266,037	615,311	2,595,479	6,153,105
Operating Fixed Assets	1,634,421	1,461,692	15,945,566	14,616,915
Other assets	1,429,572	1,442,377	13,947,040	14,423,768
	27,677,733	**25,132,566**	**270,026,648**	**251,325,636**
Portfolios subject to Internal Rating Based (IRB) Approach e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees	936,061	1,247,267	9,132,300	12,472,665
Acceptances	1,143,764	925,566	11,158,670	9,255,660
Performance Related Contingencies	825,039	808,111	8,049,163	8,081,114
Trade Related Contingencies	830,617	724,375	8,103,584	7,243,755
	3,735,481	**3,705,319**	**36,443,717**	**37,053,194**
Market related				
Foreign Exchange contracts	57,548	110,542	561,441	1,105,419
Derivatives	2,770	2,941	27,026	29,412
	60,318	**113,483**	**588,467**	**1,134,831**
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	516,131	438,007	5,035,426	4,380,065
Unlisted Equity Investment	892,953	292,902	8,711,737	2,929,016
	1,409,084	**730,909**	**13,747,163**	**7,309,081**
Under Internal models approach	-	-	-	-
	32,882,616	**29,682,277**	**320,805,995**	**296,822,742**
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	307,488	494,929	3,843,600	6,186,613
Equity position risk	31,993	2,501	399,913	31,263
Foreign Exchange risk	886,466	118,636	11,080,825	1,482,950
	1,225,947	**616,066**	**15,324,338**	**7,700,826**
Capital Requirement for portfolios subject to Internal Models Approach				
Operational Risk (Restricted to 80% of Basic Indicator Approach)*				
Capital Requirement for operational risks	**3,581,562**	**3,499,278**	**44,769,520**	**43,740,979**
Total Risk Weighted Exposures	**37,690,125**	**33,797,621**	**380,899,853**	**348,264,547**

* During the previous year SBP has accorded approval to the bank vide SBP letter No. BPRD/ BA&CP/ 614/ 17838/2013 dated December 03, 2013 for adoption of ASA based on the following capital floor i.e, operational risk charge under ASA should not fall below a certain percentage of operational risk capital charge calculated under Basic Indicator Approach (BIA)

Capital Floor (for operational risk capital charge only)		
December 2013 - December 2014	**Year 2015**	**Year 2016**
90%	80%	70%

Capital Adequacy Ratios	2015		2014	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	9.83%	5.50%	8.44%
Tier-1 capital to total RWA	7.50%	9.83%	7.00%	8.44%
Total capital to total RWA	10.25%	13.54%	10.00%	12.06%

42 RISK MANAGEMENT

The variety of business activities undertaken by the Group requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Group. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To complement CMC and to supervise risk management activities within their respective scopes, CMC has further established sub-committes such as Assets & Liabilities Committee (ALCO), Investment Committee, Principal Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies & procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Group's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, IT security risk and environment & social risk.

42.1 Credit risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Group due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Group's exposure to this credit risk. The Group's credit risk management philosophy is based on Group's overall business strategy / direction as established by the Board. The Group is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately rated, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Group has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate Grouping, Islamic Grouping, commercial & SME Grouping, agricultural financing, and overseas operations.

The Group manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Risk Management Division.

A sophisticated internal credit rating system has been developed by the Group, which is capable of quantifying counter-party & transaction risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates an internal rating vis-à-vis anticipated customer behaviour. It also includes facility rating system in line with SBP's guidelines. Providing estimated LGD (Loss Given Default), this has been implemented in Corporate Banking and Retail & Middle Market segments with other business units to follow. Furthermore, this system has an integrated loan origination module, which is currently being used in corporate banking and Retail & Middle Market segments; roll out is in progress in other business units. The system is continuously reviewed for best results in line with the State Bank of Pakistan's guidelines for Internal Credit Rating and Risk Management. Moreover, the system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to generate the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions. The system has been rolled over in Corporate and Retail & Middle Market segments covering the major exposures of the bank. System is being rolled out gradually on other Business Groups as well.

A centralized Credit Administration Division (CAD) under Operations Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD. Credit Monitoring, under CAD, keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authority with a view to arrest deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/ settlement of the Bank's non-performing exposure and protect the interests of the bank's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of Bank's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

42.1.1 Credit Risk - General Disclosures Basel Specific

The Group is using The Standardized Approach (TSA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

42.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights in the IRB Approach-Basel specific

42.1.2.1 External ratings

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by CRAB and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel III framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

42.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised and IRB approaches-Basel III specific

42.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

42.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel III guidelines, the Group uses the comprehensive approach for collateral valuation. Under this approach, the Group reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

42.1.3.3 Types of collateral taken by the Bank

The Group determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Group. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/ automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Group also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

42.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes) , the Group considers all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, in line with the SBP Basel III requirements, the Group recognises only eligible collaterals as mentioned in the SBP Basel III accord.

42.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, BAL's annual credit plan spells out the maximum allowable exposure that it can take on specific industries. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category) .

42.1.4 Segmental information

42.1.4.1 Segments by class of business

	2015					
	Advances (Gross) (Note 10)		Deposits (Note 16)		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	25,426,115	7.40%	9,268,099	1.45%	403,097	0.36%
Automobile & Transportation Equipment	3,243,866	0.94%	12,494,496	1.95%	2,310,736	2.08%
Chemical and Pharmaceuticals	6,340,677	1.85%	6,943,315	1.08%	4,826,490	4.33%
Cement	4,950,929	1.44%	3,012,779	0.47%	1,679,342	1.51%
Communication	6,787,948	1.98%	7,408,672	1.16%	2,033,797	1.83%
Electronics and Electrical Appliances	5,450,802	1.59%	3,981,446	0.62%	1,463,169	1.31%
Educational Institutes	1,579,472	0.46%	10,393,163	1.62%	166,705	0.15%
Financial	6,012,279	1.75%	43,427,905	6.78%	16,388,180	14.72%
Fertilizers	10,761,359	3.13%	13,237,190	2.07%	2,243,982	2.02%
Food & Allied Products	10,400,922	3.03%	9,009,487	1.41%	2,366,516	2.13%
Glass & Ceramics	369,412	0.11%	1,858,994	0.29%	136,529	0.12%
Ghee & Edible Oil	7,134,790	2.08%	4,018,647	0.63%	3,314,775	2.98%
Housing Societies / Trusts	1,011,819	0.29%	10,340,871	1.62%	62,421	0.06%
Insurance	1,247	0.00%	1,774,999	0.28%	-	0.00%
Import & Export	3,679,806	1.07%	14,074,053	2.20%	448,922	0.40%
Iron / Steel	8,657,120	2.52%	7,888,480	1.23%	5,970,084	5.36%
Oil & Gas	32,560,786	9.48%	41,076,943	6.42%	13,674,007	12.28%
Paper & Board	3,107,556	0.90%	2,399,688	0.37%	669,425	0.60%
Production and Transmission of Energy	52,890,720	15.40%	12,261,946	1.92%	10,895,232	9.78%
Real Estate / Construction	9,587,247	2.79%	20,256,601	3.16%	6,593,492	5.92%
Retail / Wholesale Trade	7,842,822	2.28%	28,219,596	4.41%	5,239,175	4.71%
Rice Processing and Trading/ Wheat	9,290,979	2.70%	6,134,412	0.96%	8,572	0.01%
Sugar	6,787,255	1.98%	3,522,207	0.55%	143,569	0.13%
Shoes and Leather garments	2,300,422	0.67%	5,307,073	0.83%	448,764	0.40%
Sports Goods	104,205	0.03%	964,705	0.15%	37,579	0.03%
Surgical Goods	404,717	0.12%	928,481	0.15%	71,983	0.06%
Textile Spinning	24,802,454	7.22%	2,963,234	0.46%	4,204,188	3.78%
Textile Weaving	10,306,336	3.00%	3,086,072	0.48%	876,232	0.79%
Textile Composite	15,990,129	4.66%	4,578,195	0.72%	5,493,318	4.93%
Welfare Institutions	73,341	0.02%	8,209,978	1.28%	3,050	0.00%
Individuals	32,610,410	9.49%	194,754,585	30.42%	1,547,964	1.39%
Others	33,024,437	9.61%	146,340,849	22.85%	17,629,579	15.83%
	343,492,379	100.00%	640,137,161	100.00%	111,350,874	100.00%

	2014 (Un-audited)					
	Advances (Gross) (Note 10)		Deposits (Note 16)		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	21,452,577	7.04%	8,042,565	1.33%	1,237,065	1.25%
Automobile & Transportation Equipment	3,699,247	1.21%	10,222,562	1.69%	3,363,696	3.39%
Chemical and Pharmaceuticals	7,474,487	2.45%	7,226,411	1.19%	6,046,715	6.09%
Cement	1,656,854	0.54%	1,558,562	0.26%	682,497	0.69%
Communication	6,354,047	2.08%	9,843,285	1.62%	3,071,004	3.09%
Electronics and Electrical Appliances	2,809,928	0.92%	4,075,053	0.67%	1,837,531	1.85%
Educational Institutes	1,533,410	0.50%	7,726,269	1.28%	187,033	0.19%
Financial	5,493,834	1.80%	31,530,312	5.20%	16,301,140	16.43%
Fertilizers	8,096,085	2.66%	18,588,795	3.07%	2,301,754	2.32%
Food & Allied Products	15,620,016	5.12%	8,351,559	1.38%	1,536,429	1.55%
Glass & Ceramics	346,954	0.11%	1,741,273	0.29%	126,009	0.13%
Ghee & Edible Oil	5,945,521	1.95%	3,784,719	0.62%	2,049,426	2.07%
Housing Societies / Trusts	1,229,630	0.40%	14,794,525	2.44%	646	0.00%
Insurance	4,495	0.00%	1,881,529	0.31%	-	0.00%
Import & Export	4,684,377	1.54%	13,310,289	2.20%	1,750,609	1.76%
Iron / Steel	9,278,277	3.04%	8,746,597	1.44%	5,300,038	5.34%
Oil & Gas	21,193,889	6.95%	32,238,728	5.32%	10,066,621	10.14%
Paper & Board	4,308,937	1.41%	2,561,872	0.42%	1,512,181	1.52%
Production and Transmission of Energy	48,626,513	15.95%	10,046,722	1.66%	13,050,713	13.15%
Real Estate / Construction	4,709,041	1.54%	19,661,439	3.24%	3,441,814	3.47%
Retail / Wholesale Trade	6,126,563	2.01%	27,740,674	4.58%	3,831,760	3.86%
Rice Processing and Trading/ Wheat	9,775,635	3.21%	6,224,405	1.03%	28,084	0.03%
Sugar	6,924,296	2.27%	2,946,747	0.49%	56,709	0.06%
Shoes and Leather garments	1,892,679	0.62%	1,950,345	0.32%	50,432	0.05%
Sports Goods	353,402	0.12%	1,271,301	0.21%	50,529	0.05%
Surgical Goods	128,355	0.04%	1,392,195	0.23%	99,790	0.10%
Textile Spinning	23,187,499	7.61%	2,799,724	0.46%	2,185,386	2.20%
Textile Weaving	5,208,402	1.71%	2,910,323	0.48%	609,542	0.61%
Textile Composite	25,711,718	8.44%	7,780,741	1.28%	5,373,308	5.41%
Welfare Institutions	34,993	0.01%	8,067,063	1.33%	69,140	0.07%
Individuals	24,258,957	7.96%	181,533,230	29.96%	910,546	0.92%
Others	26,698,931	8.79%	145,407,090	24.00%	12,103,335	12.21%
	304,819,549	100.00%	605,956,904	100.00%	99,231,482	100.00%

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

42.1.4.2 Segment by sector

	2015					
	Advances (Gross) (Note 10)		Deposits (Note 16)		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	94,312,609	27%	36,469,841	6%	16,132,091	14%
Private	249,179,770	73%	603,667,320	94%	95,218,783	86%
	343,492,379	100%	640,137,161	100%	111,350,874	100%

	2014 (Un-audited)					
	Advances (Gross) (Note 10)		Deposits (Note 16)		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	67,491,848	22%	41,294,631	7%	11,673,760	12%
Private	237,327,701	78%	564,662,273	93%	87,557,722	88%
	304,819,549	100%	605,956,904	100%	99,231,482	100%

42.1.4.3 Details of non-performing advances and specific provisions by class of business segment

	2015		2014(Un-audited)	
	Classified advances	Specific provision (Note 10.4)	Classified advances	Specific provision
	------------------------(Rupees in '000)------------------------			
Agribusiness	293,088	150,383	333,839	56,047
Automobile & Transportation equipment	141,121	87,666	114,036	62,675
Chemical & Pharmaceuticals	110,231	98,165	285,028	125,168
Cement	-	-	30,974	15,487
Communication	519,376	519,376	342,335	340,674
Electronic & Electrical Appliances	413,838	411,590	397,910	394,942
Financial	79,330	79,330	119,269	119,269
Fertilizers	790,636	794,048	791,036	673,566
Food and allied products	273,119	202,843	185,085	118,054
Glass / Ceramics	26,559	26,559	41,943	36,845
Ghee & Edible Oil	392,526	454,547	475,897	473,851
Import & Export	626,525	603,525	663,999	620,895
Iron and steel	246,643	213,770	492,423	367,577
Oil and gas	2,271,267	1,368,285	2,814,894	1,204,274
Paper & Board	133,651	133,551	115,564	83,517
Production and transmission of energy	1,948	1,948	7,115	-
Real Estate / Construction	655,948	348,688	289,032	193,062
Retail Trade & Wholesale	895,584	824,676	923,624	658,500
Rice processing and trading / wheat	521,589	501,232	306,907	248,259
Shoes & Leather garments	95,251	94,301	70,451	67,791
Sports	3,900	3,900	3,900	3,900
Surgical goods	15,047	15,047	17,047	17,047
Textile Spinning	628,397	644,892	722,890	589,158
Textile Weaving	316,201	309,064	328,686	247,559
Textile Composite	3,090,643	2,899,945	2,484,478	2,170,470
Individuals	1,119,034	918,437	1,203,287	677,850
Others	4,794,307	3,747,147	5,850,974	4,035,230
	18,455,759	15,452,915	19,412,623	13,601,667

42.1.4.4 Details of non-performing advances and specific provisions by sector

	2015		2014 (Un-audited)	
	Classified advances	Specific provision	Classified advances	Specific provision
	------------------------(Rupees in '000)------------------------			
Public / Government	-	-	-	-
Private	18,455,759	15,452,915	19,412,623	13,601,667
	18,455,759	15,452,915	19,412,623	13,601,667

42.1.4.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	----------------------(Rupees in '000)----------------------			
Pakistan	11,297,369	849,859,250	44,843,479	97,080,642
Asia Pacific (including South Asia)	1,143,980	45,042,933	8,394,070	5,081,365
Middle East	215,823	8,513,574	855,187	9,188,867
	12,657,172	903,415,757	54,092,736	111,350,874

	2014 (Un-audited)			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	----------------------(Rupees in '000)----------------------			
Pakistan	7,317,554	690,402,292	36,318,307	84,961,250
Asia Pacific (including South Asia)	1,143,980	45,042,933	8,394,070	5,081,365
Middle East	215,823	8,513,574	855,187	9,188,867
	8,677,357	743,958,799	45,567,564	99,231,482

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

42.2 Market risk

Market risk exposes the Group to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk at BAFL, a well-defined risk management structure, under Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines methods to measure and control market risk which are carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

The Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Management Unit of RMD. The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II/III. Currently, the Bank calculates 'Value at Risk (VaR)' on a daily basis. Moreover, the Group also carries out stress testing on regular intervals by applying shocks on Fixed Income, Equity and Foreign Exchange positions.

42.2.1 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer and currency-wise limits.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as Forwards and Swaps. VaR analysis are conducted on regular basis to measure and monitor the FX risk.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Group's foreign currency risk for on and off balance sheet financial instruments:

	2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----------------------(Rupees in '000)-------------------			
Pakistan Rupee	868,394,987	811,691,692	8,236,601	64,939,896
United States Dollar	33,991,224	29,601,732	(15,445,404)	(11,055,912)
Great Britain Pound	293,051	4,988,182	4,706,822	11,691
Japanese Yen	151,675	2,998	(152,303)	(3,626)
Euro	216,986	2,984,674	2,774,062	6,374
Other currencies	367,834	53,743	(119,778)	194,313
Total foreign currency exposure	35,020,770	37,631,329	(8,236,601)	(10,847,160)
Total currency exposure	903,415,757	849,323,021	-	54,092,736

	2014 (Un-audited)			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----------------------(Rupees in '000)-------------------			
Pakistan Rupee	728,707,784	668,571,875	(13,169,291)	46,966,618
United States Dollar	13,215,460	20,899,012	6,316,708	(1,366,844)
Great Britain Pound	768,832	5,548,007	4,816,406	37,231
Japanese Yen	189,532	6,368	(178,254)	4,910
Euro	887,985	3,304,558	2,311,852	(104,721)
Other currencies	189,206	61,415	(97,421)	30,370
Total foreign currency exposure	15,251,015	29,819,360	13,169,291	(1,399,054)
Total currency exposure	743,958,799	698,391,235	-	45,567,564

42.2.2 Equity investment risk

Equity Investment risk arises due to the risk of changes in the prices of individual stocks held by the Group. The Group's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD monitors & reports portfolio and scrip level internal and external limits, tolerance levels and sector limits.

42.3 Interest rate risk

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Group is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets and liabilities and off-balance sheet instruments within a certain range of maturity due to re-pricing (whichever is earlier). BAFL has formulated a separate Interest Rate Risk Management (IRRM) framework which establishes aggregate and tenor-wise balance sheet level PV01 (Price Value of 1bps) limits to manage interest rate risk within the Board approved risk appetite. Treasury & FI Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Management Unit of RMD independently monitors, analyses & reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

42.3.1 Mismatch of interest rate sensitive assets and liabilities

	2015											
			Exposed to yield / interest rate risk									
	Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
	(Rupees in '000)											
On-balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	-	62,368,827	7,880,964	-	-	-	-	-	-	-	-	54,487,863
Balances with other banks	0.81%	16,583,138	2,934,025	2,074,384	-	-	-	-	-	-	-	11,574,729
Lendings to financial institutions	7.58%	53,628,870	13,895,000	13,193,983	533,644	26,006,243	-	-	-	-	-	-
Investments	9.19%	397,516,448	2,592,748	52,449,451	38,355,780	120,343,711	56,712,435	64,174,242	27,040,219	25,706,276	295,487	9,846,099
Advances	8.37%	327,299,560	47,339,640	87,244,099	139,361,612	49,423,872	90,661	117,733	273,824	413,954	3,034,165	-
Other assets		27,943,076	-	-	-	-	-	-	-	-	-	27,943,076
		885,339,919	74,642,377	154,961,917	178,251,036	195,773,826	56,803,096	64,291,975	27,314,043	26,120,230	3,329,652	103,851,767
Financial Liabilities												
Bills payable		9,733,929	-	-	-	-	-	-	-	-	-	9,733,929
Borrowings	6.22%	172,393,198	143,210,497	4,381,324	24,580,883	-	-	-	-	166,686	-	53,808
Deposits and other accounts	4.00%	640,137,161	289,527,760	47,840,572	33,572,157	22,311,911	1,874,012	966,744	199,291	-	-	243,844,714
Sub-ordinated loans	11.04%	9,983,000	-	4,995,000	2,588,455	799,847	1,599,698	-	-	-	-	-
Other liabilities		14,334,649	-	-	-	-	-	-	-	-	-	14,334,649
		846,581,937	432,738,257	57,216,896	60,741,495	23,111,758	3,473,710	966,744	199,291	166,686	-	267,967,100
On-balance sheet gap		38,757,982	(358,095,880)	97,745,021	117,509,541	172,662,068	53,329,386	63,325,231	27,114,752	25,953,544	3,329,652	(164,115,333)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		98,261,212	48,466,074	38,285,002	10,163,560	1,346,576	-	-	-	-	-	
Forward exchange contracts - sale		106,520,120	29,830,025	72,780,665	3,850,461	58,969	-	-	-	-	-	
Interest Rate Swaps - receipts		6,962,920	1,600,180	5,100,887	261,853	-	-	-	-	-	-	
Interest Rate Swaps - payments		6,962,920	-	-	-	-	-	-	5,287,064	1,675,856	-	
Off-balance sheet gap		(8,258,908)	20,236,229	(29,394,776)	6,574,952	1,287,607	-	-	(5,287,064)	(1,675,856)	-	
Total yield / interest rate risk sensitivity gap			(337,859,651)	68,350,245	124,084,493	173,949,675	53,329,386	63,325,231	21,827,688	24,277,688	3,329,652	
Cumulative yield / interest rate risk sensitivity gap			(337,859,651)	(269,509,406)	(145,424,913)	28,524,762	81,854,148	145,179,379	167,007,067	191,284,755	194,614,407	

	2014(Un-audited)											
	Exposed to yield / interest rate risk											
	Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
	(Rupees in '000)											
On-balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	0.01%	50,515,645	6,779,042	-	-	-	-	-	-	-	-	43,736,603
Balances with other banks	0.88%	12,334,368	2,062,587	2,115,175	396,822	-	-	-	-	-	-	7,759,784
Lendings to financial institutions	9.04%	18,313,485	5,959,705	1,452,463	-	10,893,845	7,472	-	-	-	-	-
Investments	10.17%	324,960,872	19,681,031	26,260,674	49,210,227	28,976,100	100,075,181	47,343,388	22,311,787	21,059,578	1,056,910	8,985,996
Advances	10.21%	290,568,379	26,063,758	97,765,257	120,504,173	42,091,074	60,206	153,726	298,416	371,149	3,260,620	-
Other assets		28,551,887	-	-	-	-	-	-	-	-	-	28,551,887
		725,244,636	60,546,123	127,593,569	170,111,222	81,961,019	100,142,859	47,497,114	22,610,203	21,430,727	4,317,530	89,034,270
Financial Liabilities												
Bills payable		11,758,155	-	-	-	-	-	-	-	-	-	11,758,155
Borrowings	7.68%	55,232,916	37,063,623	2,597,027	14,609,151	150,725	-	-	-	720,935	-	91,455
Deposits and other accounts	5.15%	605,956,904	242,356,468	62,430,002	43,601,164	32,143,517	1,473,687	796,983	327,599	-	-	222,827,484
Sub-ordinated loans	12.49%	9,987,000	-	4,997,001	2,594,482	480	798,664	1,596,373	-	-	-	-
Other liabilities		14,109,802	-	-	-	-	-	-	-	-	-	14,109,802
		697,044,777	279,420,091	70,024,030	60,804,797	32,294,722	2,272,351	2,393,356	327,599	720,935	-	248,786,896
On-balance sheet gap		28,199,859	(218,873,968)	57,569,539	109,306,425	49,666,297	97,870,508	45,103,758	22,282,604	20,709,792	4,317,530	(159,752,626)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		69,435,889	19,224,825	36,364,235	12,105,085	1,741,744	-	-	-	-	-	
Forward exchange contracts - sale		54,156,057	17,879,461	23,756,313	12,230,024	290,258	-	-	-	-	-	
Interest Rate Swaps - receipts		6,314,951	2,225,289	4,089,662	-	-	-	-	-	-	-	
Interest Rate Swaps - payments		6,314,951	-	-	-	-	-	-	4,305,289	2,009,662	-	
Off-balance sheet gap		15,279,833	3,570,653	16,697,584	(124,939)	1,451,486	-	-	(4,305,289)	(2,009,662)	-	
Total yield / interest rate risk sensitivity gap			(215,303,315)	74,267,123	109,181,486	51,117,783	97,870,508	45,103,758	17,977,315	18,700,130	4,317,530	
Cumulative yield / interest rate risk sensitivity gap			(215,303,315)	(141,036,192)	(31,854,707)	19,263,077	117,133,585	162,237,343	180,214,658	198,914,788	203,232,318	

42.3.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

	2015	2014 (Un-audited)
	(Rupees in '000)	
Total financial assets as per note 42.3.1	885,339,919	725,244,636
Add: Non financial assets		
Operating fixed assets	17,317,691	15,796,592
Deferred tax assets	-	-
Other assets	758,147	2,917,571
Total assets as per statement of financial position	903,415,757	743,958,799
Total liabilities as per note 42.3.1	846,581,937	697,044,777
Add: Non financial liabilities		
Deferred tax liabilities	1,826,270	821,038
Other liabilities	914,814	525,420
Total liabilities as per statement of financial position	849,323,021	698,391,235

42.4 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Group's exposure in that country. For BAFL, country risk arises as a result of the Bank's FCY lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to monitor and mitigate the risk, the Group has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using Financial Market and Economic factors. Political risk is measured using a variety of indicia indicative of relative certainty of payment of foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved caps. The limits and their utilization are monitored and controlled at head office level and country risk exposures are reported to Central Credit Committee at a defined frequency.

42.5 Liquidity risk

Liquidity risk is the potential for loss to the Group arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The Bank's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function including liquidity management. The BOD has approved a comprehensive Market & Liquidity Risk Management Policy which stipulates the various parameters to monitor and control liquidity risk including maintenance of various liquidity ratios. Liquidity Risk Management Unit of RMD is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and BoD approved Risk Framework. It also monitors & reports the maintenance of liquidity buffer in form of excess Government securities over regulatory requirement, liquidity ratios and depositors' concentration both in terms of the overall funding mix and avoidance of undue reliance on large volume deposits. As core retail deposits form a considerable part of the Bank's overall funding mix, significant importance is being given to the stability and growth of these deposits. Maturity gaps and sources of funding are also reviewed in order to ensure diversification in terms of tenor, currency and geography. Moreover, Bank also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in times of stress / crisis situations containing early warning indicators to pre-empt unforeseen liquidity crisis. In addition to this, the Bank has designed different scenarios of cash outflows to stress test adequacy of its liquid assets.

42.5.1 Maturities of assets and liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Holding Company.

	2015									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	62,368,827	24,957,569	4,141,354	4,768,934	6,095,093	188,315	1,156,125	2,286,746	5,538,959	13,235,732
Balances with other banks	16,583,138	14,508,754	2,074,384	-	-	-	-	-	-	-
Lendings to financial institutions	53,628,870	13,895,000	13,193,983	533,644	26,006,243	-	-	-	-	-
Investments	397,516,448	2,520,868	48,493,577	15,046,677	126,164,518	58,248,104	84,418,850	30,240,219	28,068,833	4,314,802
Advances	327,299,560	50,087,462	88,580,191	62,922,984	27,555,564	12,149,602	18,790,119	45,449,363	10,238,566	11,525,709
Operating fixed assets	17,317,691	116,482	232,965	349,447	698,894	1,397,787	1,397,787	2,612,653	2,586,013	7,925,663
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	28,701,223	17,939,116	7,224,716	545,697	566,406	1,025,317	349,993	524,989	524,989	-
	903,415,757	124,025,251	163,941,170	84,167,383	187,086,718	73,009,125	106,112,874	81,113,970	46,957,360	37,001,906
Liabilities										
Bills payable	9,733,929	9,733,929	-	-	-	-	-	-	-	-
Borrowings	172,393,198	143,264,305	4,381,324	24,580,883	-	-	-	-	166,686	-
Deposits and other accounts	640,137,161	92,787,084	89,129,568	95,301,606	104,349,741	3,455,351	19,119,701	36,480,821	90,692,116	108,821,173
Sub-ordinated loans	9,983,000	-	1,000	1,000	1,663,330	3,326,670	2,000	4,000	4,985,000	-
Deferred tax liabilities	1,826,270	-	-	-	1,826,270	-	-	-	-	-
Other liabilities	15,249,463	9,035,319	559,055	947,999	2,120,490	646,650	646,650	1,293,300	-	-
	849,323,021	254,820,637	94,070,947	120,831,488	109,959,831	7,428,671	19,768,351	37,778,121	95,843,802	108,821,173
Net assets	54,092,736	(130,795,386)	69,870,223	(36,664,105)	77,126,887	65,580,454	86,344,523	43,335,849	(48,886,442)	(71,819,267)
Share capital	15,898,062									
Reserves	14,164,120									
Unappropriated profit	12,813,488									
Non-Controlling Interest	274,134									
Surplus on revaluation of assets - net of tax	10,942,932									
	54,092,736									

	2014 (Un-audited)									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	----------	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------	----------
Assets										
Cash and balances with treasury banks	50,515,645	27,164,686	1,116,934	1,396,866	1,560,828	165,847	403,865	1,942,644	4,718,678	12,045,297
Balances with other banks	12,334,368	9,822,371	2,115,175	396,822	-	-	-	-	-	-
Lendings to financial institutions	18,313,485	5,959,705	1,452,463	-	10,893,845	7,472	-	-	-	-
Investments	324,960,872	10,543,848	7,262,619	24,592,807	58,384,758	113,569,365	49,979,035	29,467,941	26,654,379	4,506,120
Advances	290,568,379	41,629,705	71,806,120	59,298,647	22,366,256	8,651,562	11,249,609	47,062,468	17,055,817	11,448,195
Operating fixed assets	15,796,592	109,737	219,474	329,211	658,423	1,316,845	1,316,845	2,421,768	2,588,013	6,836,276
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	31,469,458	25,338,828	376,649	564,973	2,870,673	886,175	358,040	537,060	537,060	-
	743,958,799	120,568,880	84,349,434	86,579,326	96,734,783	124,597,266	63,307,394	81,431,881	51,553,947	34,835,888
Liabilities										
Bills payable	11,758,155	11,758,155	-	-	-	-	-	-	-	-
Borrowings	55,232,916	37,155,078	2,597,027	14,609,151	150,725	-	-	-	720,935	-
Deposits and other accounts	605,956,904	77,566,897	100,347,048	87,020,113	100,971,894	12,094,832	16,983,746	32,723,408	80,998,673	97,250,293
Sub-ordinated loans	9,987,000	-	1,000	1,000	2,000	1,665,330	3,326,670	4,000	4,987,000	-
Deferred tax liabilities	821,038	-	-	-	821,038	-	-	-	-	-
Other liabilities	14,635,222	9,342,960	530,868	905,325	1,639,590	554,120	554,120	1,108,239	-	-
	698,391,235	135,823,090	103,475,943	102,535,589	103,585,247	14,314,282	20,864,536	33,835,647	86,706,608	97,250,293
Net assets	45,567,564	(15,254,210)	(19,126,509)	(15,956,263)	(6,850,464)	110,282,984	42,442,858	47,596,234	(35,152,661)	(62,414,405)
Share capital	15,872,427									
Reserves	12,338,026									
Unappropriated profit	10,091,872									
Non-controlling interest	255,999									
Surplus on revaluation of assets - net of tax	7,009,240									
	45,567,564									

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a behavioural study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

42.5.2 Maturities of assets and liabilities based on contractual maturities

	2015									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	62,368,827	52,140,800	2,212,246	1,375,203	1,931,132	48,645	333,150	665,974	1,664,542	1,997,135
Balances with other banks	16,583,138	14,508,754	2,074,384	-	-	-	-	-	-	-
Lendings to financial institutions	53,628,870	13,895,000	13,193,983	533,644	26,006,243	-	-	-	-	-
Investments	397,516,448	7,718,029	48,493,577	15,046,677	120,967,358	58,248,104	84,418,850	30,240,219	28,028,759	4,354,875
Advances	327,299,560	50,088,613	88,580,191	62,922,984	27,554,695	12,149,602	18,789,835	45,449,363	10,238,566	11,525,711
Operating fixed assets	17,317,691	116,482	232,965	349,447	698,894	1,397,787	1,397,787	2,612,653	2,586,013	7,925,663
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	28,701,223	17,939,116	7,224,716	545,697	566,406	1,025,317	349,993	524,989	524,989	-
	903,415,757	156,406,794	162,012,062	80,773,652	177,724,728	72,869,455	105,289,615	79,493,198	43,042,869	25,803,384
Liabilities										
Bills payable	9,733,929	9,733,929	-	-	-	-	-	-	-	-
Borrowings	172,393,198	143,264,305	4,381,324	24,580,883	-	-	-	-	166,686	-
Deposits and other accounts	640,137,161	538,211,260	47,840,572	28,733,371	22,311,911	1,874,012	966,744	199,291	-	-
Sub-ordinated loans	9,983,000	-	1,000	1,000	1,663,330	3,326,670	2,000	4,000	4,985,000	-
Deferred tax liabilities	1,826,270	-	-	-	1,826,270	-	-	-	-	-
Other liabilities	15,249,463	9,035,319	559,055	947,999	2,120,490	646,650	646,650	1,293,300	-	-
	849,323,021	700,244,813	52,781,951	54,263,253	27,922,001	5,847,332	1,615,394	1,496,591	5,151,686	-
Net assets	54,092,736	(543,838,019)	109,230,111	26,510,399	149,802,727	67,022,123	103,674,221	77,996,607	37,891,183	25,803,384
Share capital	15,898,062									
Reserves	14,164,120									
Unappropriated profit	12,813,488									
Non-controlling interest	274,134									
Surplus on revaluation of investments	10,942,932									
	54,092,736									

	2014 (Un-audited)									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	50,515,645	42,748,304	1,116,934	1,396,866	1,560,828	165,847	251,679	503,702	1,259,400	1,512,085
Balances with other banks	12,334,368	9,822,371	2,115,175	396,822	-	-	-	-	-	-
Lendings to financial institutions	18,313,485	5,959,705	1,452,463	-	10,893,845	7,472	-	-	-	-
Investments	324,960,872	15,766,874	7,262,619	24,592,807	58,384,758	108,386,410	49,979,035	29,467,941	26,614,306	4,506,122
Advances	290,568,379	41,629,705	71,806,120	59,298,647	22,366,256	8,651,562	11,249,609	47,062,468	17,055,817	11,448,195
Operating fixed assets	15,796,592	109,737	219,474	329,211	658,423	1,316,845	1,316,845	2,421,768	2,588,013	6,836,276
Deferred Tax Assets	-	-	-	-	-	-	-	-	-	-
Other assets	31,469,458	25,338,828	376,649	564,973	2,870,673	886,175	358,040	537,060	537,060	-
	743,958,799	141,375,524	84,349,434	86,579,326	96,734,783	119,414,311	63,155,208	79,992,939	48,054,596	24,302,678
Liabilities										
Bills payable	11,758,155	11,758,155	-	-	-	-	-	-	-	-
Borrowings	55,232,916	37,155,078	2,597,027	14,609,151	150,725	-	-	-	720,935	-
Deposits and other accounts	605,956,904	466,620,465	62,430,002	42,164,651	32,143,517	1,473,687	796,983	327,599	-	-
Sub-ordinated loans	9,987,000	-	1,000	1,000	2,000	1,665,330	3,326,670	4,000	4,987,000	-
Deferred tax liabilities	821,038	-	-	-	821,038	-	-	-	-	-
Other liabilities	14,635,222	9,342,960	530,868	905,325	1,639,590	554,120	554,120	1,108,239	-	-
	698,391,235	524,876,658	65,558,897	57,680,127	34,756,870	3,693,137	4,677,773	1,439,838	5,707,935	-
Net assets	45,567,564	(383,501,134)	18,790,537	28,899,199	61,977,913	115,721,174	58,477,435	78,553,101	42,346,661	24,302,678
Share capital	15,872,427									
Reserves	12,338,026									
Unappropriated profit	10,091,872									
Non-controlling interest	255,999									
Surplus on revaluation of investments	7,009,240									
	45,567,564									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the Group estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

42.6 Operational risk

Basel II defines Operational risk as, "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

42.6.1 Operational Risk Disclosures - Basel II Specific

Bank was given approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013. The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors are 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. Bank Alfalah is one of the first few banks in Pakistan to achieve this milestone. As per SBP requirements, Bank's operational risk assessment systems have also been reviewed by the external auditors during 2014.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies and procedures of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems introduced in 2010 have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. From April 2016 loss data base reports shall also be shared with the regulator on its prescribed format.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

42.6.2 IT Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank's technology assets by developing IT security baselines for IT solutions that support products and services, monitoring of threats and vulnerabilities, investigation of reported information security incidents, reinforcement of IT security risk awareness to employees via periodic communications, following up on due dates with stakeholders responsible for remediation of open issues, and reporting the status of IT security risk to the management and BRMC/Board.

43 NON-ADJUSTING EVENT AFTER THE YEAR END REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 29, 2016 has announced cash dividend of 10 percent (2014: 20 percent cash dividend). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2015 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2016.

44 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 29, 2016 by the Board of Directors of the Bank.

45 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison.

CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR	CHAIRMAN

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2015

Number of	Shareholding			Number of
Sharehoders	From		To	Shares Held
1,982	1	-	100	58,426
2,176	101	-	500	656,992
2,024	501	-	1,000	1,533,438
4,791	1,001	-	5,000	13,885,971
1,272	5,001	-	10,000	9,055,084
317	10,001	-	15,000	3,988,824
170	15,001	-	20,000	3,062,438
133	20,001	-	25,000	3,102,503
91	25,001	-	30,000	2,570,853
65	30,001	-	35,000	2,140,475
39	35,001	-	40,000	1,509,765
30	40,001	-	45,000	1,284,616
56	45,001	-	50,000	2,767,423
26	50,001	-	55,000	1,374,621
28	55,001	-	60,000	1,625,738
7	60,001	-	65,000	429,623
23	65,001	-	70,000	1,578,991
14	70,001	-	75,000	1,036,065
11	75,001	-	80,000	855,857
9	80,001	-	85,000	745,035
10	85,001	-	90,000	877,722
5	90,001	-	95,000	464,213
41	95,001	-	100,000	4,089,463
2	100,001	-	105,000	205,278
8	105,001	-	110,000	872,679
6	110,001	-	115,000	675,500
7	115,001	-	120,000	827,395
11	120,001	-	125,000	1,364,375
5	125,001	-	130,000	646,500
6	130,001	-	135,000	795,126
2	135,001	-	140,000	273,465
3	140,001	-	145,000	431,561
4	145,001	-	150,000	593,154
2	150,001	-	155,000	303,786
2	155,001	-	160,000	315,662
1	160,001	-	165,000	165,000
2	165,001	-	170,000	336,488
2	170,001	-	175,000	348,000
1	175,001	-	180,000	175,500
4	180,001	-	185,000	736,950
4	185,001	-	190,000	753,302
2	190,001		195,000	383,412

Number of	Shareholding			Number of
Sharehoders	From		To	Shares Held
21	195,001	-	200,000	4,192,125
1	200,001	-	205,000	200,281
4	205,001	-	210,000	835,112
1	215,001	-	220,000	218,500
3	220,001	-	225,000	665,664
1	225,001	-	230,000	229,977
3	230,001	-	235,000	694,319
4	235,001	-	240,000	954,538
1	240,001	-	245,000	245,000
6	245,001	-	250,000	1,498,437
5	250,001	-	255,000	1,260,578
1	255,001	-	260,000	260,000
2	260,001	-	265,000	523,295
2	265,001	-	270,000	536,500
1	270,001	-	275,000	274,873
2	275,001	-	280,000	554,625
2	280,001	-	285,000	565,957
2	290,001	-	295,000	583,375
6	295,001	-	300,000	1,798,715
1	305,001	-	310,000	308,500
1	315,001	-	320,000	317,500
1	320,001	-	325,000	321,000
2	330,001	-	335,000	665,500
1	335,001	-	340,000	337,154
3	345,001	-	350,000	1,045,933
2	355,001	-	360,000	720,000
1	365,001	-	370,000	370,000
3	370,001	-	375,000	1,124,406
1	385,001	-	390,000	388,000
1	390,001	-	395,000	392,000
7	395,001	-	400,000	2,795,000
2	420,001	-	425,000	850,000
1	425,001	-	430,000	429,000
1	440,001	-	445,000	441,973
1	450,001	-	455,000	451,855
1	455,001	-	460,000	460,000
3	465,001	-	470,000	1,407,346
1	470,001	-	475,000	471,000
1	475,001	-	480,000	475,312
1	480,001	-	485,000	480,744
4	495,001	-	500,000	2,000,000
1	500,001		505,000	501,495
1	505,001		510,000	506,000

Number of	Shareholding			Number of
Sharehoders	From		To	Shares Held
1	510,001	-	515,000	515,000
1	520,001	-	525,000	520,837
1	530,001	-	535,000	533,000
1	570,001	-	575,000	575,000
1	575,001	-	580,000	578,500
1	580,001	-	585,000	582,375
1	585,001	-	590,000	589,500
1	590,001	-	595,000	591,532
2	595,001	-	600,000	1,200,000
2	600,001	-	605,000	1,205,610
1	620,001	-	625,000	623,807
2	625,001	-	630,000	1,256,387
1	630,001	-	635,000	630,800
1	635,001	-	640,000	640,000
1	645,001	-	650,000	650,000
1	650,001	-	655,000	655,000
1	655,001	-	660,000	658,500
1	660,001	-	665,000	664,394
1	665,001	-	670,000	666,319
1	670,001	-	675,000	675,000
1	685,001	-	690,000	688,186
2	695,001	-	700,000	1,400,000
1	745,001	-	750,000	750,000
1	750,001	-	755,000	750,500
1	760,001	-	765,000	762,500
1	795,001	-	800,000	800,000
1	820,001	-	825,000	825,000
1	825,001	-	830,000	827,000
1	835,001	-	840,000	837,016
1	850,001	-	855,000	853,188
1	875,001	-	880,000	877,000
1	895,001	-	900,000	900,000
1	940,001	-	945,000	940,500
1	945,001	-	950,000	948,000
1	970,001	-	975,000	970,500
1	985,001	-	990,000	988,409
7	995,001	-	1,000,000	6,997,500
1	1,000,001	-	1,005,000	1,001,187
1	1,045,001	-	1,050,000	1,049,500
1	1,055,001	-	1,060,000	1,059,000
1	1,105,001	-	1,110,000	1,110,000
1	1,195,001	-	1,200,000	1,200,000
1	1,205,001	-	1,210,000	1,209,474

Number of	Shareholding			Number of
Sharehoders	From		To	Shares Held
1	1,235,001	-	1,240,000	1,238,000
1	1,245,001	-	1,250,000	1,250,000
1	1,270,001	-	1,275,000	1,274,199
1	1,290,001	-	1,295,000	1,294,250
2	1,295,001	-	1,300,000	2,600,000
1	1,300,001	-	1,305,000	1,303,004
1	1,345,001	-	1,350,000	1,350,000
1	1,355,001	-	1,360,000	1,356,318
3	1,380,001	-	1,385,000	4,148,610
1	1,400,001	-	1,405,000	1,403,122
1	1,410,001	-	1,415,000	1,414,538
1	1,495,001	-	1,500,000	1,498,800
1	1,770,001	-	1,775,000	1,770,500
1	1,795,001	-	1,800,000	1,799,145
1	1,915,001	-	1,920,000	1,918,000
1	1,930,001	-	1,935,000	1,934,000
2	1,995,001	-	2,000,000	4,000,000
1	2,135,001	-	2,140,000	2,136,507
1	2,340,001	-	2,345,000	2,345,000
1	2,510,001	-	2,515,000	2,511,861
1	2,545,001	-	2,550,000	2,550,000
1	2,550,001	-	2,555,000	2,552,947
1	2,595,001	-	2,600,000	2,600,000
1	2,665,001	-	2,670,000	2,666,330
1	2,705,001	-	2,710,000	2,705,300
1	2,790,001	-	2,795,000	2,795,000
1	3,160,001	-	3,165,000	3,163,740
1	3,265,001	-	3,270,000	3,266,000
1	3,350,001	-	3,355,000	3,352,360
1	3,385,001	-	3,390,000	3,387,603
1	3,415,001	-	3,420,000	3,419,000
1	3,495,001	-	3,500,000	3,500,000
1	3,530,001	-	3,535,000	3,531,369
1	3,995,001	-	4,000,000	4,000,000
1	4,095,001	-	4,100,000	4,100,000
1	4,325,001	-	4,330,000	4,325,500
1	4,355,001	-	4,360,000	4,356,359
1	4,385,001	-	4,390,000	4,388,500
1	4,535,001	-	4,540,000	4,537,000
1	5,195,001	-	5,200,000	5,200,000
1	5,305,001	-	5,310,000	5,309,113
1	5,495,001	-	5,500,000	5,500,000
1	5,865,001	-	5,870,000	5,867,605

Number of	Shareholding			Number of
Sharehoders	From		To	Shares Held
1	6,095,001	-	6,100,000	6,100,000
1	7,195,001	-	7,200,000	7,200,000
1	10,800,001	-	10,805,000	10,802,453
1	11,045,001	-	11,050,000	11,045,500
1	11,675,001	-	11,680,000	11,677,000
1	11,825,001	-	11,830,000	11,825,818
1	12,030,001	-	12,035,000	12,034,780
1	12,050,001	-	12,055,000	12,053,500
2	12,515,001	-	12,520,000	25,033,788
1	13,230,001	-	13,235,000	13,231,000
1	13,240,001	-	13,245,000	13,243,384
1	13,495,001	-	13,500,000	13,500,000
1	14,350,001	-	14,355,000	14,354,147
1	14,650,001	-	14,655,000	14,653,068
1	16,435,001	-	16,440,000	16,439,000
1	16,815,001	-	16,820,000	16,816,000
1	17,500,001	-	17,505,000	17,501,603
1	18,795,001	-	18,800,000	18,800,000
1	19,095,001	-	19,100,000	19,096,875
1	19,125,001	-	19,130,000	19,128,259
1	27,185,001	-	27,190,000	27,186,000
1	30,685,001	-	30,690,000	30,689,567
1	32,145,001	-	32,150,000	32,149,947
1	36,690,001	-	36,695,000	36,694,424
1	38,565,001	-	38,570,000	38,566,171
1	53,090,001	-	53,095,000	53,090,599
1	53,965,001	-	53,970,000	53,966,250
1	55,040,001	-	55,045,000	55,044,258
1	68,805,001	-	68,810,000	68,805,322
1	75,685,001	-	75,690,000	75,687,166
2	103,205,001	-	103,210,000	206,415,966
1	119,260,001	-	119,265,000	119,263,433
1	238,085,001	-	238,090,000	238,086,450
13639				1,589,806,187

CATEGORIES OF SHAREHOLDERS
AS AT DECEMBER 31, 2015

S.No.	Shareholder's Category	Number of Shareholders	Number of Shares	Percentage
1	Directors, Chief Executive Officer their Spouse(s) & Minor Children.	8	223,670,783	14.07
2	Associated Companies, Undertakings & Related Parties.	8	101,107,886	6.36
3	NIT & ICP	2	988,657	0.06
4	Banks DFI & NBFI.	20	64,330,032	4.05
5	Insurance Companies	17	22,101,770	1.39
6	Modarabas & Mutual Funds	20	53,890,916	3.39
7	Public Sector Companies & Corporations	10	65,829,071	4.14
8	General Public - Local	13,340	151,918,664	9.56
9	General Public - Foreign	24	459,290,156	28.89
10	Foreign Companies	44	415,109,044	26.11
11	Others	146	31,569,208	1.99
		13,639	**1,589,806,187**	**100.00**

PATTERN OF SHAREHOLDING UNDER CODE OF CORPORATE GOVERNANCE
AS AT DECEMBER 31, 2015

S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Category Wise No. of Shares	Percentage %
1-	**Associated Companies, Undertakings and Related Parties**	8		101,107,886	6.36
	Dhabi One Investments Services LLC		38,566,171		2.43
	Trustee of Bank Alfalah Ltd - Employees Provident Fund Trust		19,125,000		1.20
	Wincom (Pvt) Limited		14,653,068		0.92
	MAB Investments Inc		14,354,147		0.90
	Trustee of Bank Alfalah Ltd - Employees Gratuity Fund Trust		13,231,000		0.83
	Silk Bank Limited		675,000		0.04
	Alfalah Insurance Company Limited		500,000		0.03
	CDC - Trustee Alfalah Ghp Income Fund -Mt		3,500		0.00
2-	**Mutual Funds**	21		54,879,325	3.45
	CDC - Trustee PICIC Growth Fund		27,186,000		1.71
	CDC - Trustee PICIC Investment Fund		11,677,000		0.73
	CDC - Trustee NIT-Equity Market Opportunity Fund		5,309,113		0.33
	CDC - Trustee NAFA Stock Fund		4,388,500		0.28
	CDC - Trustee HBL - Stock Fund		1,049,500		0.07
	CDC - Trustee National Investment (UNIT) Trust		988,409		0.06
	CDC-Trustee NAFA Asset Allocation Fund		970,500		0.06
	Safeway Fund Limited		800,000		0.05
	CDC - Trustee NAFA Multi Asset Fund		626,500		0.04
	CDC - Trustee HBL Multi - Asset Fund		589,500		0.04
	CDC - Trustee Atlas Income Fund - MT		280,998		0.02
	CDC-Trustee NAFA Savings Plus Fund - MT		189,000		0.01
	CDC - Trustee PIML Value Equity Fund		173,000		0.01
	CDC - Trustee AKD Index Tracker Fund		153,305		0.01
	CDC - Trustee NAFA Income Opportunity Fund - MT		130,500		0.01
	CDC - Trustee PIML Strategic Multi Asset Fund		122,000		0.01
	CDC - Trustee Faysal Savings Growth Fund - MT		100,000		0.01
	CDC - Trustee AKD Aggressive Income Fund - MT		69,500		0.00
	CDC - Trustee First Capital Mutual Fund		40,000		0.00
	CDC - Trustee Askari High Yield Scheme - MT		27,500		0.00
	CDC - Trustee PICIC Stock Fund		8,500		0.00
3-	**Directors their spouse(s) and minor children**	8		223,670,783	14.07
	H.H. Sheikh Hamdan Bin Mubarak Al Nahayan, Chairman		135,357,930		8.51
	Mr. Abdulla Nasser Hawaileel Al Mansoori, Director		88,203,414		5.55
	Mr. Abdulla Khalil Al Mutawa, Director		11,331		0.00
	Mr. Khalid Mana Saeed Al Otaiba, Director		67,457		0.00
	Mr. Atif Bajwa, Director / CEO		500		0.00
	Mr. Kamran Y. Mirza, Director		29,151		0.00
	Mr. Efstratios Georgios Arapoglou, Director		500		0.00
	Mr. Khalid Qurashi, Director		500		0.00

S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Category Wise No. of Shares	Percentage %
4-	**Executives**	459		7,066,684	0.44
5-	Public Sector Companies and Corporations	10		65,829,071	4.14
6-	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas & Pension Funds.	42		90,600,302	5.70
	Shareholders holding 5% or more Voting Rights				
	Total Paid Up Capital	1,589,806,187 Shares			
	5% of the Paid Up Capital	79,490,310 Shares			
				Holding	%
	M/s. International Finance Corporation			238,086,450	14.98
	H.H. Sheikh Nahayan Mabarak Al Nahayan			172,354,032	10.84
	H.H. Sheikh Hamdan Bin Mubarak Al Nahayan, Chairman			135,357,930	8.51
	H.E. Sheikh Suroor Bin Mohammad Al Nahyan			115,033,801	7.24
	Mr. Abdulla Nasser Hawaileel Al Mansoori , Director			88,203,414	5.55
	M/s. Electro Mechanical Company LLC			87,933,581	5.53

SALE/PURCHASE OF SHARES OF THE BANK
BY DIRECTORS/EXECUTIVES/SPOUSES AND THEIR MINOR CHILDREN DURING THE YEAR 2015

Sr. No.	Name	Date	No. of Shares		Rate
			Purchase	Sale	
1	Mr. Wasim Akhter	27-Apr-15	-	1,000	30.10
			-	1,000	30.35
2	Mr. Jawad Khawaja	15-May-15	-	6,500	28.20
			-	3,000	28.30
			-	7,000	28.40
			-	500	28.41
			-	500	28.45
		18-May-15	-	1,500	27.93
			-	2,500	27.85
			-	3,000	27.95
			-	5,500	27.90
3	Mr. Muhammad Qasim Rashid Janjua	15-May-15	-	46	28.26
			-	46,500	28.50
			-	2	28.60
4	Mr. Ali Zaman Khan	18-May-15	-	18,000	27.60
		25-May-15	-	219	26.00
			-	500	26.20
			-	2,000	26.25
			-	6,000	26.26
			-	500	26.30
			-	4,500	26.40
5	Mr. Muhammad Rizwan-Ul-Haq	27-May-15	-	43,819	26.07
6	Ms. Afshan Sameen	15-Jun-15	-	1,000	24.72
		13-Jul-15	-	13	27.00
		14-Jul-15	-	12,000	27.00
7	Mr. Amin Sukhiani	25-Jun-15	10,000	-	24.22
			5,000	-	24.10
			10,000	-	24.00
		7-Jul-15	50,000	-	26.50
			6,000	-	26.55
8	Mr. Ijaz Muhammad Chaudhry	10-Jul-15	-	20,000	27.10
9	Mr. Mohammad Saeed Iqbal Awan	10-Jul-15	-	7,312	27.25
10	Mr. Khurram Hussain	13-Jul-15	-	38,500	26.86
			-	1,500	26.87
		17-Sep-15	-	50,000	26.15
11	Spouse of Mr. Aasim Wajid Jawad	16-Jul-15	-	5,000	27.31
12	Mr. Ali Ayub	4-Aug-15	-	5,000	28.13
13	Mr. Muhammad Omar Dogar	6-Jul-15	-	17,000	25.70
		8-Jul-15	-	20,863	26.15
14	Mr. Farhan Ali	1-Sep-15	-	1,500	27.85
				100	28.00

Sr. No.	Name	Date	No. of Shares		Rate
			Purchase	Sale	
15	Mr. Amin Dawood Saleh	28-Jul-15	-	1,000	28.35
	(trades in future contract)		-	1,000	28.40
			-	1,000	28.45
			-	1,000	28.50
			1,500	-	28.30
		27-Aug-15	1,000	-	26.95
		August Futures settled by delivering 1,500 shares			
16	Mr. Mohammad Nasim Qureshi	2-Sep-15	-	30,000	28.00
17	Mr. Yasir Zaman Ahmed	5-Oct-15	500	-	26.50
18	Mr. Shahzad Gulzar	26-Oct-15	-	261	28.20
			-	75	28.30
			-	28,500	28.50
			-	2,500	28.51
			-	2,500	28.52
19	Mr. Shehzad Lalani	22-Oct-15	-	234	28.00
			-	26,000	28.10
20	Mr. Amir Patel	26-Oct-15	-	1,000	28.83
		28-Oct-15	-	500	29.00
		29-Oct-15	-	500	29.50
		4-Nov-15	-	500	29.28
		12-Nov-15	-	1,000	29.75
		12-Nov-15	-	1,000	30.00
		13-Nov-15	-	1,000	30.00
		10-Dec-15	-	1,000	29.89
		10-Dec-15	-	1,000	30.00
21	Mr. Sharif Khawar	30-Oct-15	-	62,000	28.80
			-	1,000	28.81
			-	5,000	28.82

Annexure
Employees Stock Option Scheme

The Bank has granted share options to its employees under the Employee Stock Options Scheme (ESOS) as approved by the shareholders and Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

Under the Scheme, the Bank 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. The option entitles an employee to purchase shares at 40% discount (the Option Discount), of the market price prevailing at the date of the grant. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

Details of share options granted under the scheme together with the status as at December 31, 2015 are as follows:

Particulars	**Granted in 2015**	**Granted in 2014**
Total Number of options issued	12.614 million	11.331 million
Date of Grant	April 01, 2015	April 01, 2014
Options no longer in issue	0.174 million	1.156 million
Options vested during the year	Nil	3.553 million
Options exercised during the year	N/A	2.563 million
Vested Options carried forward	N/A	0.895 million
Options not yet vested upto December 31, 2015	12.440 million	6.715 million
Number of Senior Managerial Personnel, including the CEO to whom options were granted and remained outstanding at the year end	38	31
Options granted to Senior Managerial Personnel which remained outstanding at the year end	8.746 million	7.347 million
Option Exercise Price	Rs. 15.15 per option	Rs. 16.32 per option
Option discount	Rs. 10.10 per option	Rs. 10.88 per option
Total Shares issued on account of Options exercised during the year	N/A	2.563 million
Amount Received against exercise of options	N/A	Rs. 41.836 million
Shares issued to Senior Managerial Personnel during the year on account of options availed	N/A	1.685 million
Vesting period	3 years (with one third of the options vesting on completion of each year of service from April 1, 2015)	3 years (with one third of the options vesting on completion of each year of service from April 1, 2014)

The options granted to the CEO were more than 5% of the total options granted during the years 2014 and 2015. Furthermore, no employee was granted with options more than 1% of the issued / paid up capital of the Bank.
Tax under Salary has been deducted in respect of shares issued on account of Options exercised by the employees during the year, in accordance with applicable laws.

The above information has been presented as per the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) issued by the SECP vide SRO 300(I) 2001 dated May 11, 2001, and in accordance with the relaxation granted to the Bank by the SECP vide their letter No. SMD/CIW/ESOP/02/2013 dated February 24, 2015 in clubbed form instead of employee wise.

BRANCH NETWORK

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

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

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

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
175	Shinkiari	1	0	1
176	Shorkot	1	0	1
177	Shujabad	1	0	1
178	Sibi	1	0	1
179	Sillanwali	1	0	1
180	Skardu	1	0	1
181	Swabi	1	0	1
182	Swat	1	0	1
183	Talagang	1	0	1
184	Tando Adam	1	0	1
185	Tando Allahyar	1	0	1
186	Temargarha	1	0	1
187	Toba Tek Singh	1	0	1
188	Turbat	1	0	1
189	Uch Sharif	1	0	1
190	Umerkot	1	0	1
191	Vehari	0	1	1
192	Wah Cantt	1	0	1
193	Waisa	1	0	1
194	Wazirabad	1	0	1
195	Yazman	1	0	1
196	Zafarwal	1	0	1
197	Zhob	1	0	1
198	Sihala	1	0	1
199	Bhowana	1	0	1
200	Dadyal, AJK	1	0	1
201	Bhimber, AJK	1	0	1
202	Chowk Azam	1	0	1
203	Khoiratta, AJK	1	0	1
204	Gondal	1	0	1
205	Pano Aqil	1	0	1
206	Ghakkar	1	0	1
207	Chak Jhumra	1	0	1
208	Mehrabpur	1	0	1
209	Taunsa Sharif	1	0	1
210	Alipur Chatta	1	0	1
211	Kahror Pacca	1	0	1
212	Shikarpur	1	0	1
213	Mehar	1	0	1
214	Shahdadkot	1	0	1
215	Usta Mohammad	1	0	1
216	Jalalpur Pirwala	1	0	1
217	Siranwali	1	0	1
218	Kotli Loharan	1	0	1
219	Abdul Hakim	0	1	1
220	Phoolnagar	1	0	1
221	Islamgarh, AJK	1	0	1
222	Rawalakot	1	0	1
223	Gulbahar	1	0	1
224	Khan Bela	1	0	1
225	Pasrur	1	0	1
	Total	**484**	**158**	**642**

BANK ALFALAH 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

Definitions and Glossary of Terms

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words "accepted" above his signature and specifies a designated payment date.

Activity/Turnover Ratios

Activity/Turnover ratios evaluate the operational efficiency of the Company to convert inventory and receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales.

Basis Point

One hundredth of a percent i.e. 0.01 percent. 100 basis points is 1 percent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per Share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

Call Money Rate

Interbank clean (without collateral) lending/borrowing rates.

Capital Structure Ratios

Capital Structure ratios provide an indication of the long term solvency of the Company and its cost of debt, in relation to equity and profits.

Coupon Rate

Coupon rate is interest rate payable on a bond's par value at specific regular periods. In PIBs, they are paid on bi-annual basis.

Call Deposits

Short notice and special notice deposits.

Current Deposits

Non-remunerative checking account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

Contingencies

A condition or situation existing at date of Statement of Financial position where the outcome will be confirmed only by occurrence of one or more future events.

CAGR

Compound Annual Growth Rate.

Corporate Governance

"The system by which companies are directed and controlled" as defined by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

Defined Contribution

A post-employment benefit plan under which entity and employee pay fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

Derivatives

A financial instrument or a contract where its value is dependent upon or derived from one or more underlying assets. It requires no or very little initial net investment and is settled at a future date.

Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age and other factors.

Deferred Taxation

Sum set aside for tax in financial statements that will become payable/receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

Discount Rate

The rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio

Dividend per share divided by the market value of share.

Earnings per Share

Profit after taxation divided by the weighted average number of ordinary shares in issue.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Finance Lease

Finance lease is when the risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged/pledged assets in a forced/ distressed sale condition.

Forward Exchange Contract

Forward contracts are agreements between two parties to exchange two designated currencies at a specific time in the future.

Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of failure of another person, who is, in the first instance, liable to such payment or performance.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is a financial contract between two parties exchanging or swapping a stream of interest payments for a "Notional Principal" amount on multiple occasions during a specified period. The swap is usually "fixed to floating" or "floating to floating" exchanges of interest rate. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating/floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other party.

Interest Spread

The difference between the average interest rate earned and the average interest rate paid on funds.

Interest in Suspense

Interest suspended on non–performing loans and advances.

Investment/Market Ratios

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the company's ability to generate profits.

KIBOR (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

Liquidity Ratios

Liquidity ratios determine the Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

Non-Performing Loan

A loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

Non-Performing Loan-Substandard Category

Where markup/interest or principal is overdue by 90 days or more from the due date.

Non-Performing Loan-Doubtful Category

Where markup/interest or principal is overdue by 180 days or more from the due date.

Non-Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

Nostro Account

An account held with a bank outside Pakistan.

Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

Off Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

Pakistan Investment Bonds (PIBs)

Long-term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 years.

Profitability Ratios

Profitability Ratios are used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

Return on Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Return on Average Assets

Profit after tax divided by the average assets.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Revenue Reserve

Reserves set aside for future distribution and investment.

Subsidiary Company

A company is a subsidiary of another company if the parent company holds more than 50 percent of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

Weighted Average Cost of Deposits

Percentage of the total interest expensed on average deposits of the bank for the period.

Glossary – Acronyms

AGM	Annual General Meeting
BAC	Board Audit Committee
BAFL	Bank Alfalah Limited
BBC	Board Compensation Committee
BHNC	Board Human Resource & Nomination Committee
BRMC	Board Risk Management Committee
BSFC	Board Strategy & Finance Committee
BCP	Business Continuity Planning
BoD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
DPS	Dividend per Share
EPS	Earnings per Share
ERP	Enterprise Resource Planning
HR	Human Resource
HRLG	Human Resource & Learning Group

FORM OF PROXY

Folio/CDC Account No.

I/We, ____, of _____________being member(s) of BANK ALFALAH LIMITED ("the Bank"), holding _________________________ ordinary shares, hereby appoint _________________________________ ______ of ___________________or failing him/her _______________________________________ of ___________________, who is also a member of the Bank, as my/our proxy to vote for me/us, and on my/our behalf at the 24th Annual General Meeting of the Bank to be held on March 28, 2016 and at any adjournment thereof.

As witness my/our hand this ________________ day of ______________________, 2016

Witness:

____

Name: __________________________

CNIC/Passport No: _______________

Address: ________________________

____

(Member's signature on
Rs.5/- Revenue Stamp)

1. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.

2. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, Office No: 1705, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi-74000, not less than 48 hours before the time of the Meeting.

3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's Computerized National Identity Card, Account and Participant's ID numbers must be deposited alongwith the form of proxy with the Share Registrar. The proxy must produce his/her original identity card at the time of the Meeting. In case of proxy for corporate members, he/she should bring the usual documents required for such purpose.

بینک الفلاح لمیٹڈ

نمائندگی کا فارم (پراکسی فارم)

فولیو/سی ڈی سی اکاؤنٹ نمبر

میں مسمّی/مسماۃ ______ ساکن ______

ضلع ______ بحیثیت ممبر بینک الفلاح لمیٹڈ مسمّی/مسماۃ ______

ساکن ______ یا انکی غیر حاضری کی صورت میں

مسمّی/مسماۃ ______ ساکن ______

کو بطور مختار (پراکسی) مقرر کرتا ہوں تا کہ وہ میری جگہ اور میری طرف سے کمپنی کے 24ویں سالانہ اجلاسِ عام جو بتاریخ 28 مارچ 2016 بروز پیر، دن کے 10:30 بجے منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

گواہ (وٹنس) کے دستخط

______

نام:

______

شناختی کارڈ نمبر:

______

پتہ:

______

______

(ممبر/رکن کے دستخط
Rs.5/= کی رسیدی ٹکٹ پر)

اہم نکات

1۔ ایسا ممبر جو میٹنگ میں شمولیت اور ووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر اپنے/اپنی پراکسی کے طور پر میٹنگ میں شمولیت اور ووٹ دینے کیلئے نامزد کر سکتا ہے علاوہ ازیں کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔

2۔ ہر لحاظ سے مکمل پراکسی فارم اور پاور آف اٹارنی یا کوئی اور متعلقہ اتھارٹی جسکے تحت اس فارم کو مکمل کیا گیا ہو لازمی طور پر بینک کے شئیر رجسٹرار (ایف ڈی شئیر رجسٹرار) کے پتہ، آفس نمبر 1705، سترھویں منزل، صائمہ ٹریڈ ٹاور۔اے، آئی آئی چندریگر روڈ کراچی، پر میٹنگ سے 48 گھنٹے قبل جمع کرا دیا جائے۔

3۔ سی ڈی سی اکاؤنٹ ہولڈر فرد کے لئے ضروری ہے کہ وہ ممبر کی تصدیق شدہ شناختی کارڈ کی کاپی بمع سی ڈی سی اکاؤنٹ کی تفصیل شئیر رجسٹرار کو جمع کرائے۔ جبکہ پراکسی کا میٹنگ کے وقت اوریجنل شناختی کارڈ مہیا کرنا ضروری ہے۔

The website link of JamaPunji is available at the website of Bank Alfalah for the convenience and facilitation of shareholders and investors.

Bank Alfalah

Bank Alfalah Limited
B. A. Building, I. I. Chundrigar Road
Karachi, Pakistan
111 777 786
bankalfalah.com

Ogilvy & Mather Printed by YAQEEN UAN: 111-927-336