Directors' Report

Dear Shareholders,

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 program loans from these IFIs. Appreciating the headway achieved with economic reforms, the World Bank has restarted its program 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 stabilization program; 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 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% 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 witha "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 Loan, 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

Rupees in Mns

	2015	2014
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

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. 8,513 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 Rs. 640,189 million. Advances (net) 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.

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 the last year, with 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 in general. 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 capitalized 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) Summarized 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 (December 2015)
Staff Gratuity Fund	Rs. 1,699.603 million (December 2014)

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

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

k) As of date Mr. Khalid Quraishi and Mr. Atif Bajwa have completed the Corporate Governance Leadership Skills Program offered by the Pakistan Institute of Corporate Governance under the Directors Training Programme. The 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 Director's 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% 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 like 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 the world's 4th most vulnerable country to the 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 the 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 superior returns to our shareholders over the medium to long term.

DIVIDEND

The Board of Directors have recommended a Cash dividend @ 10% 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