

Annual Report 2014



Bank Alfalah

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Our Company

Bank Alfalah Limited is the sixth largest Bank in Pakistan with a network of 648 branches across 196 cities in the country. The Bank has an international presence in Afghanistan, Bangladesh, Bahrain with a representative office in the UAE. Bank Alfalah 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.

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

Mr. Abdulla Nasser Hawaileel Al-Mansoori
Director

Mr. Abdulla Khalil Al Mutawa
Director

Mr. Khalid Mana Saeed Al Otaiba
Director

Mr. Ikram Ul-Majeed Sehgal
Director

Mr. Nadeem Iqbal Sheikh
Director

Mr. Atif Bajwa
Chief Executive Officer

Board Audit Committee

Mr. Abdulla Khalil Al Mutawa
Director

Mr. Khalid Mana Saeed Al Otaiba
Director

Mr. Nadeem Iqbal Sheikh
Director

Mr. Yasar Rashid
Secretary

Board Strategy and Finance Committee

Mr. Abdulla Khalil Al Mutawa
Director

Mr. Khalid Mana Saeed Al Otaiba
Director

Mr. Ikram Ul-Majeed Sehgal
Director

Mr. Atif Bajwa
Chief Executive Officer

Mr. M. Iftikhar Shabbir
Secretary

Board Risk Management Committee

Mr. Khalid Mana Saeed Al Otaiba
Director

Mr. Abdulla Khalil Al Mutawa
Director

Mr. Ikram Ul-Majeed Sehgal
Director

Mr. Atif Bajwa
Chief Executive Officer

Mr. Haroon Khalid
Secretary

Board Human Resource Committee

Mr. Abdulla Khalil Al Mutawa
Director

Mr. Khalid Mana Saeed Al Otaiba
Director

Mr. Nadeem Iqbal Sheikh
Director

Mr. Atif Bajwa
Chief Executive Officer

Mr. Mian Ejaz Ahmad
Secretary

Central Management Committee

Mr. Atif Bajwa
Chairman

Mr. Bahauddin Khan
Member

Mr. A. Wahid Dada
Member

Mr. Faisal Farooq Khan
Member

Mr. Khurram Hussain
Member

Ms. Mehreen Ahmed
Member

Mr. Mirza Zafar Baig
Member

Mr. Rizwan Ata
Member

Mr. Saad ur Rahman Khan
Member

Mr. Aly Mustansir
Member

Mr. Suhail Yaqub Khan
Member

Mr. Syed Ali Sultan
Member

Board Compensation Committee

Mr. Nadeem Iqbal Sheikh
Director

Mr. Abdulla Khalil Al Mutawa
Director

Mr. Khalid Mana Saeed Al Otaiba
Director

Chief Operating Officer

Mr. Bahauddin Khan

Company Secretary

Mr. Mian Ejaz Ahmad

Chief Financial Officer

Mr. Mirza Zafar Baig

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Registered / Head Office

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

Share Registrar

F. D. Registrar Services (SMC-Pvt) Ltd
1705, 17th Floor, Saima Trade Tower-A
I. I. Chundrigar Road
Karachi, Pakistan

Board of Directors



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 Huwaileel holds a B.Sc. (Hons) degree in Electrical Engineering from Swansea University, UK.



**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; and Director of Makhazen Investment Company in Abu Dhabi, and 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.



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.



Ikram Ul-Majeed Sehgal
Director

Mr. Ikram Ul-Majeed Sehgal is the Chairman of Pathfinder Group, which includes two of the largest private security companies in Pakistan i.e. Security & Management Services (Pvt) Ltd and Wackenhut Pakistan (Pvt) Ltd. He is also Chairman of SMS Electronic Safety Services (Pvt) Ltd, Research & Collection Services (Pvt) Ltd, Facility Specialist & Multi Services (Pvt) Ltd and Virtual Remittance Gateway (Pvt) Ltd. Mr. Sehgal has previously served in the Pakistan Army (Infantry and Army Aviation). He is a weekly columnist in six countries, publisher of the Defence Journal and author of eight books including "Escape from Oblivion, a 1971 Episode," published by the Oxford University Press.

Mr. Sehgal is member of the Board of Directors of General Tyre & Rubber Company of Pakistan Ltd, Association of International Mobility, Geneva and EastWest Institute, USA (one of the largest U.S. think tanks). He is also a Founding Member of the World Economic Forum, Switzerland, a former Member of WEF Global Agenda Council for Counter-terrorism, a Member of WEF Partnering against Corruption Initiative as well as of the Business Advisory Board, and a Member of the International Organization for Migration, Geneva.

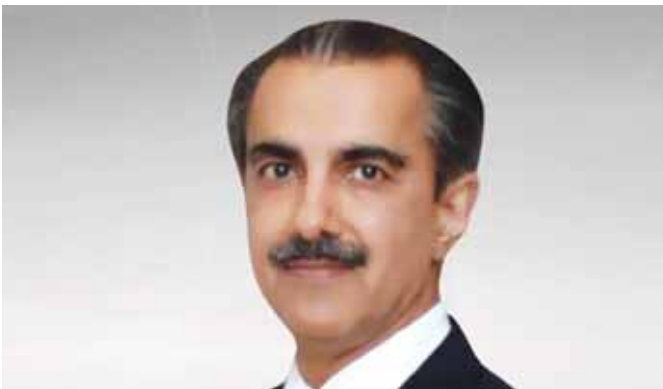
Mr. Ikram ul-Majeed Sehgal is a graduate from Pakistan Military Academy, Kakul.



Nadeem Iqbal Sheikh
Director

Mr. Nadeem Iqbal Sheikh is the Chief Executive of Nadeem Surgical Corporation (Pvt) Limited. Mr. Sheikh is former President of the Sialkot Chamber of Commerce and Industry and has been Chairman of Surgical Instruments Manufacturers Association of Pakistan, Sialkot twice.

He is also a former member of the General Body of Federation of the Pakistan Chamber of Commerce and Industry, Karachi.



Atif Bajwa
Director & CEO

Mr. Atif Bajwa has been the President of Bank Alfalah since November 2011. Mr. Bajwa has a diversified and rich experience in Banking and has held various positions including President of the Abu Dhabi Group (Pakistan), 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 Bank.

Mr. Atif Bajwa is the President of the Overseas Investors Chamber of Commerce and Industry (OICCI) and is also a Director on the Board of various companies including Pakistan International Airlines Corporation, Abbott Laboratories (Pakistan) Limited and the Board of Investment.

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

Senior Management Team



Left to Right - Sitting

Mr. Atif Bajwa (President & CEO) | Mr. Bashir Ahmed Sheikh (Group Head - Special Asset Management)

Left to Right - Standing

Mr. Aasim Wajid Jawad (Head - Strategy) | Mr. Mirza Zafar Baig (Chief Financial Officer) | Mr. Riaz Hussain Hamdani (Chief Compliance Officer)
Mr. Saad Ur Rahman Khan (Group Head - Corporate & Investment Banking) | Mr. Mian Ejaz Ahmed (Head - Legal & Company Secretary)
Mr. Abdul Wahid Dada (Group Head - Operations) | Mr. Faisal Farooq Khan (Group Head - HR & Learning)



Left to Right - Sitting

Mr. Bahauddin Khan (Chief Operating Officer) | Ms. Mehreen Ahmed (Group Head - Retail South & New Initiatives)

Left to Right - Standing

Mr. Aly Mustansir (Chief Marketing Officer) | Mr. Rizwan Ata (Group Head - Islamic Banking) | Mr. Ali Sultan (Group Head - Treasury & FI)
Mr. Imran Zafar (Head - Merchant Banking) | Mr. Suhail Yaqoob Khan (Chief Risk Officer)
Mr. Khurram Hussain (Group Head - Retail Central & North and Consumer Banking) | Mr. Yasar Rashid (Group Head - Audit & Inspection)



Chairman's Message

Dear Shareholder,

I am pleased to note that Bank Alfalah has delivered solid financial performance along with strong and consistent long-term shareholder returns despite a challenging year in a tough business environment. The Board of Directors is pleased with the Bank's progress and confident that it is built on a sustainable foundation. This performance has been driven by the Bank's team of strong professionals who have continuously demonstrated excellent performance and unwavering determination to deliver good results for you.

The Bank has gone through significant transformation during the last few years. However, we have never lost sight of who we are or the important role we play in the lives of our customers. We have progressed the Bank's reshaping to become a more customer-centric organisation. Today, Bank Alfalah has a clear direction to inspire and empower people to do things differently and that is reflected in our new vision. We are optimistic that this unique positioning will help us in creating further value in the lives of people that we touch.

During the year, 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.

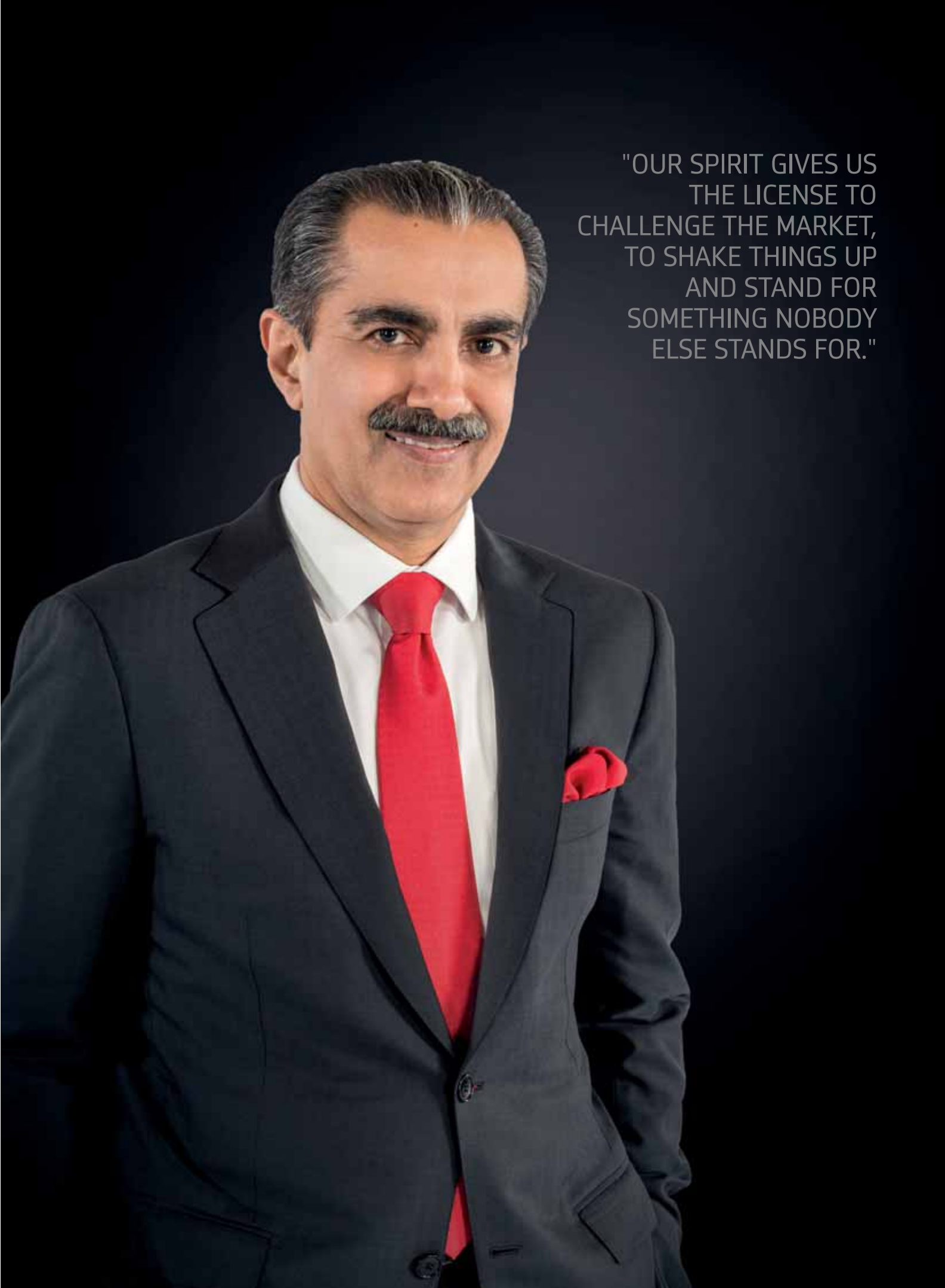
Our unwavering focus on attracting and developing our human resources has helped us in creating a pool of the industry's best talent in the industry. With a strong leadership team now in place, the Bank is well poised to further make its mark in the banking sector.

On behalf of the Board, 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 Atif Bajwa and his team for their continued efforts in enhancing the Bank's performance and its image. We are confident that under Atif's dynamic leadership, Bank Alfalah will continue to sustain its positive thrust and achieve its growth trajectory in 2015 and beyond. The future is promising.

HH SHEIKH HAMDAN BIN MUBARAK AL NAHAYAN

Chairman

"TODAY, BANK ALFALAH HAS A CLEAR DIRECTION TO INSPIRE AND EMPOWER PEOPLE TO DO THINGS DIFFERENTLY."



"OUR SPIRIT GIVES US
THE LICENSE TO
CHALLENGE THE MARKET,
TO SHAKE THINGS UP
AND STAND FOR
SOMETHING NOBODY
ELSE STANDS FOR."

Directors' Report to the Shareholders

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 2014.

Economic Review

The year 2014 began on an optimistic note with all major economic indicators moving in the desired direction. According to State Bank of Pakistan (SBP) review, the most notable developments were the IMF's Extended Fund Facility (EFF) that was formalized in September 2013, tangible improvement in the country's FX reserves, unprecedented appreciation of the PKR in early March, reduction in the fiscal deficit, lower than expected inflation rate, improvement in the private sector and the relatively contained current account deficit.

The fiscal deficit was contained during the first half of the year while private sector credit increased. The State Bank of Pakistan's (SBP) foreign exchange reserves increased from USD 3.2 billion at end January 2014 to USD 4.6 billion in March 2014, which led to improved market sentiments and resulted in a 6 percent appreciation of the Rupee vis-a-vis the US Dollar.

During the year, the government reduced retail POL prices in response to softening oil prices in the global market; the Rupee appreciated after a sharp decline during July-November 2013 and the supply of wheat and other perishable food items improved. These developments, along with the lagged impact of monetary tightening, were the main reasons for a sustained drop in CPI and helped keep the inflation in control.

Trade deficit remained at an elevated level of USD 13.1 billion during July-March, FY14. Nevertheless, with robust growth in workers' remittances, the external current account deficit clocked in at USD 2.3 billion during July-March, FY14. The International Monetary Fund's latest projections show the current account deficit to be around 1.2 percent of GDP.

In the greater part of 2015, inflation is expected to remain in single digits on account of reduced energy prices and its trickle down impact on the economy. SBP's latest projection for inflation in FY15 is in the range of 4.5 to 5.5 percent, lower than earlier estimates of 7.5 percent.

Better than projected inflows were witnessed through issuance of Euro bonds of USD 2 billion and other inflows from multilateral sources in April and early May 2014, raising SBP's foreign exchange reserves to USD 8.0 billion by May 2014. This trend persisted during the year and the year closed at USD 15.2 billion in December, 2014. The Rupee stabilized around PKR 99 against the greenback after experiencing significant appreciation. However, the political turmoil in Islamabad affected the Rupee fairly quickly forcing it to slide to PKR 102. The year closed at around PKR 100.40-80 on account of the International Sukuk issue of USD 1.0 billion and disbursement of IMF's 4th and 5th tranches of USD 1.1 billion.

With continuation of the IMF program and government's privatisation plan, the Central Bank expects to see further strengthening of its external position in FY15. Current account deficit has been projected to remain around 1 percent of GDP in FY15, and due to continued financial inflows, SBP expects its foreign exchange reserves to exceed USD 13 billion by end-June 2015.

Banking Sector Review

The banking sector witnessed relatively higher growth in domestic loans at 11 percent as compared to 5.6 percent last year. Sector domestic deposits grew at 12 percent and fuelled growth in investments, which increased by 26 percent during the year. Capital Adequacy Ratio of the industry improved to 15.5 percent from 14.9 percent in 2013.

At the backdrop of improved macroeconomic indicators, the Central Bank kept the policy rate unchanged at 10.0 percent during 2014, and towards the end of the year, cut the discount rate by 50bps to 9.5 percent. The monetary easing has continued into 2015 on the back of sharply declining inflation numbers.

During the year, the Banking sector took advantage of the major re-composition of Pakistan's domestic government debt by increasing investments in Pakistan Investment Bonds (PIBs).

On the asset quality front, non-performing loans for the sector remained flat at PKR 608 billion (PKR 607 billion in CY13). The NPLs declined as a percentage of advances to 13 percent from 13.3 percent in CY13.

Pakistan's macro-economic indicators are showing signs of recovery and the Banking sector will benefit from the revival of private sector credit growth. Going forward, the sector's NIMs will continue to be supported by investments made during the year.

The Bank's Performance

During the current year, the Bank continued its momentum of growth and transformation.

Our Balance sheet momentum displayed an upward trajectory through consistent and sustainable growth, while maintaining pricing discipline. Profitability growth from the retail business has been commendable with contribution from both revenue and cost parameters. Deposit growth was mainly driven through new customer acquisitions and deepening of the existing portfolio base. Cross sell products like Bancassurance, Credit Cards, Autos and Investment products proved to be important

contributors to our profitability as well as in increasing customer loyalty and share of wallet. A segment wise strategy with exposures in selected segments with a proven history was implemented to improve efficiency.

Our Treasury Sales continued to strengthen its customer relationships and market presence through regular product awareness sessions and road shows across Pakistan. Continued interactive sessions with prominent figures from both the public and private sectors were conducted on key issues facing the economy and the opportunities present in the market.

The Bank's Institutional Sales continue to cater to the investment needs of corporate customers. Attractive risk-adjusted return opportunities offered by the fixed income market in Pakistan were capitalised upon by the Bank through replacement of shorter tenure Treasury Bills with Pakistan Investment Bonds. This ensured an increase in the Bank's interest spreads in a declining interest rate environment.

The Bank continues to maintain a strong presence in the domestic foreign exchange market. In addition to managing customer flows, the Bank actively trades in all major currencies allowing us to quote narrow bid offer spreads to our customers and keep them updated about market developments. A major initiative during the year



was the alignment of overseas Treasury Units through deployment of local expertise to implement best practices in new markets.

We also strengthened our payments capabilities with institutions and implemented processes to comply with international obligations in payments processing especially with respect to the FATCA regulations. The Bank became FATCA compliant during the year.

Brand Identity

As a business we have never stood still. We have rapidly expanded our network, invested in new technology and built one of the best teams in the industry. As a result, we felt it was time for our brand to reflect who we are and where we are heading.

During the year, we embarked on the journey to re-invent ourselves and create a new identity for the Bank. I am pleased to introduce our refreshed brand identity to you – one that truly reflects what we stand for as a Company and where we are headed in years to come.

In the vibrant, emerging landscape of Pakistan, Bank Alfalah's is a powerful story to tell. Cast alongside a raft of long-standing national banks, we are seen as fresh, young and forward thinking – a growing bank providing the best service in our field.

The new Bank Alfalah brand tells the story of how we have always been different and how we have defined our own rules of success. That spirit gives us license to challenge the market, to shake things up and stand for something nobody else stands for. We will do this by being insightful into the lives of our customers and the needs of businesses, by creating relevant new products and services and delivering them all with beautiful simplicity.

This is just the start of a new chapter in our history. We will continue with our ambition to grow our business and create a world-class brand.

Sustainable Growth

Sustainable growth was one of the key focus areas of the Bank's retail business strategy in 2014. As part of our 2014 branch expansion plan, 74 new branches were added to our branch network. The year witnessed another major milestone for the Bank as we crossed the 600 branches mark. As at 31 December 2014, we stand at a network of 648 branches, including 157 Islamic Banking branches, 10 foreign branches (7 in Bangladesh and 3 in Afghanistan) and 1 offshore banking unit in Bahrain. We continue to reach out to our customers with an aim to provide enhanced customer service quality and convenience.



Focus On Customers

Customers are the focal point of Bank Alfalah's business model. Understanding our customers' needs, developing innovative financial solutions and building long-term relationships are the foundations of our commitment to our customers. With our strategic thrust heavily focused on customer, we strive to harness and deliver innovative, responsible and sustainable financial solutions for our customers.

Our Consumer Finance Group continues to demonstrate our strategic intent to develop a process driven 'built to last' consumer business. It showed double digits growth in advances and resilient growth in revenue. Other results echoed stability and sustainability, with industry-leading performance in credit loss indicators.

Alfalah Cards, our flagship consumer business, remains the market leader in the banking industry. New acquisition of cards showed a remarkable increase with a year on year growth of 28 percent comprising 105 percent increase in credit cards and 23 percent in debit cards. Despite emerging competition, Cards Merchant Acquiring business retained its market leadership position, successfully signing 3,000 new merchants while showing 30 percent sales growth year on year.

Bank Alfalah Car Finance continued demonstrating growth in 2014 and successfully maintained a leading

market position in new customer acquisition. Car Finance showed year on year growth of 32 percent in volume and recorded overall high performance in profitability, customer-centric processes, and prudent lending practices.

Home Finance continued its controlled growth and selective sales strategy, achieving year on year growth of 110 percent. Focus on corporate sector employees and existing banking customers allowed the Bank to optimise its business model. Improved and structured Collection and Recovery activities also contributed to better results.

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.

Reaching Out to the Unbanked Masses

With the aim to include the unbanked masses into the financial mainstream, we increased our outreach through equal coverage of rural and urban areas. A smart neighborhood branch model was implemented to ensure the right mix of residential and semi commercial areas. We also strengthened our efforts to understand the needs of the masses and widened our product range and value proposition in order to cater to their needs.

In collaboration with Warid Telecom, our branchless



banking service, "Mobile Paisa" was also launched during the year. Mobile Paisa offers customers over-the-counter (OTC) bill payments and money transfer facilities at more than 12,000 agent locations nationwide. With the launch of Mobile Paisa, the Bank aims to support the creation of a branchless banking and alternate payments ecosystem, which is likely to augment financial inclusion in the country, thereby reducing the gap between the banked and the yet-to-be-banked.

Bank Alfalah's Branchless Banking service now has the fourth largest share in the industry's Branchless Banking OTC transactions. We look forward to another successful year by continuing to build payment types, segment based products and customisable payment offerings going forward.

The Bank has participated in different Government To Person (G2P) payment initiatives over the years. 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. So far the Bank has distributed 873,023 BISP debit cards and over PKR 27.5 billion of funds, inclusive of quarterly installments.

Focus on SME

Small and medium enterprise growth was also 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 to agro-based businesses particularly the cotton and wheat sectors. Innovative product propositions such as payroll banking and cross sell products have been made highly efficient in terms of new acquisitions and existing portfolio deepening.

Bank Alfalah's 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. Focus in 2014 remained on implementation of the revamped business model, under the advisory services of International Finance Corporation (IFC). We have successfully transformed our business strategy to serve this sector with continued zeal and passion. We are looking to provide end to end solutions, which focus on meeting the financial, non-financial, transactional, investment and advisory needs of our SME customers.

Bank Alfalah is now officially the first Bank in Pakistan to have launched an SME Toolkit. Through this unique and one-of-its-kind offering, we will be 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.

Digital Innovations

Bank Alfalah rose to the challenge of reconnecting 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 with increasingly responsive services for our banking customers and have strengthened our alternative distribution channels and branchless banking networks. With a footprint of more than 580 ATMs covering more than 150 cities across the country, our network is the fifth largest in the country.

The Bank has successfully launched mobile banking for customers which enables them to transfer funds and make payments on the go.

Largest Islamic Banking Window

With a network of 157 dedicated branches across the country, the Bank's Islamic Banking business continues to serve as the largest Islamic Banking window operations in Pakistan. Bank Alfalah's Islamic Banking Business was awarded the 'Best Islamic Banking Window of a Commercial Bank in Pakistan' by the Global Islamic Finance Award, which is considered one of the most prestigious awards in the field of Islamic banking.

To cater to the unique needs of our customers, new and innovative Islamic Banking products such as Falah Forward Cover, Falah Currency Salam and Falah Tijarah were developed during the year.

Fostering Best Talent

Our human resource is our strongest and most important asset. We have invested in human capital by putting in place an experienced leadership team and continue to focus on attracting and developing the best talent.

Over the years, the Bank has successfully attracted and developed key talent across the organisation. Continued focus on identifying people with essential knowledge and skills and on creating learning and development opportunities to foster talent has helped us in building a professional and engaged team that works in line with the Bank's strategic direction. Our leadership team has extensive local and global experience in the financial services industry. I am confident that this will be a key ingredient in helping us build a strong and reputable organisation.

Realignment for better service delivery and efficient resource management resulted in role enhancements and

job enrichment for a number of key positions across the Bank in 2014. With the vision to become an employer of choice, many learning and development initiatives were undertaken during the year. Increasing its focus on providing learning opportunities to employees, a total of 691 learning programmes were offered by the Bank.

We have also developed a system that establishes objective, performance based measures, and aims to reward performance at all levels.

As part of the Bank's endeavour to develop and retain key talent, the Bank has granted share options to its key employees under the Employee Stock Options Scheme (ESOS) as approved by its shareholders and the Securities and Exchange Commission of Pakistan (SECP), referred to in Note 34.2 to the financial statements. Details of the scheme and options granted as required under the SECP's ESOS Rules 2001 have been included as part of this Annual Report.

Investing 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.

Strategic Alliances

The year saw the establishment of new relationships and deepening of existing ones. In 2014, the Bank became part of the Asian Development Bank's Trade Finance Program. The Bank is already part of the IFC Global Trade Finance Program. Such collaborations have opened new doors for the Bank to expand its trade activities by allowing competitive access to new markets and new clients. Being an IFC and ADB partner, the Bank will further strengthen its ability to conduct business globally.

In line with our vision to expand our outreach in SME clusters across the country, we have collaborated with various external agencies such as SBP, DFID UK and USAID, which will help us in strengthening this pivotal sector of the economy.

One of the most significant events of the year was the Bank's partnership with the International Finance Corporation (IFC) of the World Bank as a long term strategic collaboration which will strengthen Bank Alfalah's ability to provide a wider range of services and better access to finance and create opportunities for economic growth in the country. Under this partnership, IFC invested USD 67million to acquire 15 percent equity stake in Bank Alfalah towards the end of the year.

The equity injection has boosted the Bank's capital and reserve base.

The investment fits well with IFC's strategy to expand access to credit and help boost intra-regional investment. IFC support is also expected to help enhance investors'

confidence in Pakistan's banking sector.

The year 2015 will witness a continuation of these strategies along with a focus on improving business efficiency, developing alternative distribution channels and strengthening our customer service delivery quality.

Operating Results

	Rupees in '000	
	2014	2013
Balance Sheet		
Shareholders' Equity	37,823,827	28,265,616
Total Deposits	605,963,224	525,525,770
Total Assets	743,128,293	611,427,624
Advances – net	290,597,237	260,779,850
Investments – net	324,319,454	219,690,369
Profit And Loss Account		
Profit before taxation	8,513,566	6,807,211
Taxation	<u>(2,872,715)</u>	<u>(2,131,261)</u>
Profit after taxation	<u>5,640,851</u>	<u>4,675,950</u>
Basic earnings per share	PKR 4.09	PKR 3.41
Diluted earnings per share	PKR 4.08	PKR 3.41

At the back of Balance Sheet growth of 21.5%, with total assets reported at PKR 743,128 million at year end 2014, the Bank's profit before taxation for the year increased to PKR 8,514 million as compared to PKR 6,807 million last year, increasing by 25% YoY. Basic earnings per share were reported at PKR 4.09, which were worked out after taking into account the weighted average number of shares after IFC's equity injection. The Bank managed to increase its deposit base by 15.31% to PKR 605,963 million. Advances (net) have grown by 11.43% to PKR 290,597 million at December 31, 2014 as compared to PKR 260,780 million last year. Gross advances to deposits ratio was 50.31%. Investments (net) level has significantly increased by 47.63% to PKR 324,319 million.

With the SBP policy rate maintained at 10% for a major part of the year, the bank registered net markup income of PKR 21,873 million for the year as compared to PKR 16,895 million recorded last year, registering a growth of 30%. Income from advances grew by PKR 3,906 million year on year, whereas a major contributor to the increased revenue was the Bank's investment portfolio in government securities. Income from investments improved by PKR 6,519 million as compared to the prior year.

Bank's net provision charge against non-performing loans and advances has increased to PKR 1,448 million as

compared to PKR 955 million last year. Net Provision against investment for the year was PKR 86 million as compared to PKR 95 million last year.

Non mark-up income has also increased by 9.15% to PKR 9,036 million, which includes contribution from fee based income of PKR 3,120 million. Bank has also registered healthy capital gains on sale of securities of PKR 1,058 million.

Administrative expenses have increased to PKR 20,261 million in the current year as compared to PKR 17,289 million last year, which is mainly attributable to inflationary pressures and branch network growth. The bank has remained focused on improving its operational efficiency and introduced new initiatives on cost controls during the year.

The NPL level has increased to PKR 19,412 million at year end as compared to PKR 17,947 million last year. Our NPL to gross loans ratio of 6.37% continues to be lower than that of the overall industry in general.

The Bank is adequately capitalized and has implemented the Basel-III reporting framework in line with State Bank of Pakistan requirements during the year.

Credit Rating

PACRA, a premier rating agency of the country, has rated the Bank 'AA' (double A) Entity Rating for the Long Term and A1+ (A one plus) for the Short Term. These ratings denote a very low expectation of credit risk, a strong capacity for timely payment of financial commitments in the long term and the highest capacity for timely repayment in the short term, respectively. The unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of AA- (double A minus).

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 2014. 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:

- 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.
- Proper books of accounts of the bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- 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.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Bank's ability to continue as a going concern.
- 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.
- Summarized key operating and financial data of last eight years has been presented as part of the Annual Report.
- Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund based on the respective audited accounts is:

Staff Provident Fund
PKR 3,461.244 million (Dec 2014)

Staff Gratuity Fund
PKR 1,394.016 million (Dec 2013)
- The number of Board and Board Committee meetings held during the year 2014 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 Resource Committee Meetings	Board Risk Management Committee Meetings	Board Compensation Committee Meetings
	No. of meetings held	5	6	6	3	6	1
1	H.H. Sheikh Hamdan Bin Mubarak Al Nahayan	4	N/A	N/A	N/A	N/A	N/A
2	Mr. Abdulla Nasser Hawaileel Al Mansoori	4	N/A	N/A	N/A	N/A	N/A
3	Mr. Abdulla Khalil Al Mutawa	5	6	6	3	6	1
4	Mr. Khalid Mana Saeed Al Otaiba	5	6	6	3	6	1
5	Mr. Ikram Ul-Majeed Sehgal	5	N/A	6	N/A	6	N/A
6	Mr. Nadeem Iqbal Sheikh	4	5	N/A	2	N/A	1
7	Mr. Atif Bajwa	5	N/A	6	3	6	N/A

- k) As of date two Directors of the Bank namely Mr. Ikram ul-Majeed Sehgal and Mr. Nadeem Iqbal Sheikh have completed the Corporate Governance Leadership Skills Program offered by the Pakistan Institute of Corporate Governance under the Directors Training Programme. Therefore, 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 2014 was marked by some key developments on the economic front which were beneficial for the overall economy. However, some old economic woes such as the issue of circular debt, which rose to sizable proportions mainly due to the slow recovery of dues from government institutions, resurfaced during the year. This factor exacerbated the overall energy shortfall situation as there was no respite from electricity and gas load shedding for both domestic as well as industrial consumers in most parts of the country. Recently introduced alternative energy generation efforts will take time to materialize as most of these projects have a long lead time. The overall political climate remained uncertain while the law and order situation also showed little signs of improvement. Moreover, the economic slowdown in

many global markets coupled with crop surpluses had a negative effect on almost all major commodities with falling prices, inventory losses and slow off-take.

The challenging external environment necessitated further strengthening of the Bank's risk management controls on credit underwriting and portfolio monitoring. The Bank's risk management framework continued to play a pivotal role by providing the essential control environment and enabling and supporting businesses in optimising growth within the risk parameters laid down by the Board.

Advances continued to grow at a healthy pace in 2014 with major contributions coming from Corporate Banking, Islamic Banking, and Retail & Middle Market business segments. On the investment side, better yielding PIBs stacked up on the Bank's balance sheet while the Bank also increased its foreign currency (FCY) bond portfolio with the dual purpose of diversifying risk and improving yields on FCY liquidity available to the Bank.

The credit risk management framework was further bolstered through revamp of the credit policy for both conventional and Islamic Banking, while the overhauled credit approval process helped improve the turnaround time in line with market requirements without compromising on the prescribed risk standards. The Bank's indigenous loan origination and rating system, Credit Initiation and Internal Rating System (CIIRS) was rolled out and has been implemented in all Corporate, Retail and Middle Market branches.

New risk rating models for FIs, insurance companies and countries were developed while the existing rating models were further refined. Major steps were also taken in terms of developing statistical models in line with Basel III advanced approaches requirements, which will



further improve the borrower's evaluation capability going forward. For improving the Bank's technological platform and strengthening internal controls, we have launched a system upgrade project for core banking with active participation from businesses and support/control units.

Being a responsible corporate citizen, the Bank has decided to integrate sustainable finance approaches to its lending activities. An Environmental and Social Management System (ESMS) is being put in place in close coordination with IFC. The Bank firmly believes that the integration of financial, social and environmental considerations into its decision making would enable higher and sustainable gains for all stakeholders.

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 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 during the year. Through this programme, we aim to 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 sports talent in the country, and in line with that, emerging talent in Polo was supported during the year.

We partnered with NOWPDP (Network of Organizations Working for People with Disabilities, Pakistan) for its vocational training programme, "The Artwork", which aims to empower people with disabilities through craftsmanship training in the field of textiles.

Our extensive support towards Community Investment Programmes in education and poverty alleviation continued during the year. These include Acumen's "Eradicating Poverty Through Entrepreneurship Programme," 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).

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.

Subsidiary Company

Bank Alfalah Limited has 97.18% shareholding in Alfalah Securities (Private) Limited.

Dividend

The Directors recommend the payment of Cash dividend @ 20% subject to approval of the shareholders.

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

The year 2015 marks a year of new beginnings for Bank Alfalah. As a company, we have constantly transformed and grown to stay ahead of the evolving needs of our customers. We are committed to developing innovative, sustainable financial solutions for the people of Pakistan and making a significant contribution to the country’s economy.

We begin the year 2015 with the same determination and passion to achieve new heights. 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 and providing an engaging work environment for all will continue in the future. This year, we have reinvigorated our brand and it is now time to leap forward. We will differentiate ourselves, really connect with our customers and create a world class brand.

We remain committed to providing sustained growth in shareholder value, based on an improved mix of assets and liabilities by optimising our resources. We will continue to deliver consistent, quality earnings through diversified revenue streams.

Bank Alfalah has been a front-runner in developing effective financial solutions for the country’s SME segment and has partnered with IFC to develop a comprehensive advisory package for its SME banking model. The Bank plans to continue extending its outreach to ensure financial inclusion of the un-banked masses. With IFC now on board with an equity stake in the Bank, the Bank is well positioned for growth. The IFC collaboration indicates a strong vote of confidence in the Bank, its sponsors and management.

We seek to develop technology-driven, robust, systems architecture, which is capable of meeting internal and external stakeholder requirements.

Our organisational restructuring has reached its culmination and a strong and knowledgeable leadership team is in place to lead the Bank to new heights. We remain committed to becoming an employer of choice and will continue to invest in attracting and developing best talent.

Acknowledgement

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

Last but not least, I would like to acknowledge the commitment, dedication and hard work of our employees, which has helped the Bank meet its strategic objectives. Your passion and determination has made it possible for us to deliver on the promise made to our stakeholders and build an organisation that we are all proud to be a part of.

Sincerely,



Atif Bajwa
Director & Chief Executive Officer
Bank Alfalah
26 February 2015
Abu Dhabi



Consumer Finance

Customers are at the centre of our business at Bank Alfalah. Understanding our customers' needs, developing innovative financial solutions and building long-term relationships are the foundations of our commitment to our customers. Our continuing commitment to exceed customer expectations by providing value at most affordable rates coupled with exceptional customer service sets us apart.

Our strategic intent to develop a process-driven 'built to last' consumer business is well demonstrated by the Bank's Consumer Finance group.

During the year, the Bank improved its financial performance by showing double digit growth in advances and a resilient growth in revenue. Other results echoed stability and sustainability, with industry-leading performance in credit loss indicators.

Alfalah Cards

Alfalah Cards, our consumer flagship business, remains the market leader in the banking industry. During 2014, Bank Alfalah was awarded the Consumers Choice Award for "Best Debit & Credit Card Nationwide" by the Consumers Association of Pakistan.

Alfalah Cards introduced a Corporate Credit Card designed to fulfill the payment and expense management needs of Corporate and Small & Medium Enterprises.

New acquisition of cards showed a remarkable increase with a year on year growth of 28 percent comprising 105 percent increase in credit cards and 23 percent in debit cards. Despite emerging competition, Cards Merchant Acquiring business retained its market leadership position, successfully signing 3,000 new merchants while showing 30 percent sales growth year on year. Cards business also focused on portfolio enrichment activities including customer credit lines review and card activation and usage programmes.

Alfalah Car Finance

Bank Alfalah Car Finance continued demonstrating growth in 2014 and successfully maintained a leading market position in new customer acquisition. Car Finance showed year on year growth of 32 percent in volume and recorded overall high performance in profitability, customer-centric-processes, and prudent lending practices.

Our focus on customer turn-around-time competitiveness through responding to customer needs and expectations by aligning product offerings and customizing service solutions continued during the year. Car Product outreach for customers increased through the expansion of Retail and Corporate Banking branch-network.

Home Finance

Home Finance business continued its controlled growth and selective sales strategy, achieving year on year growth of 110 percent. Focus on corporate sector employees and existing banking customers allowed the Bank to optimise its business model.

Improved and structured Collection and Recovery activities resulted in better results. Moving forward, our focus will remain on portfolio yield improvement through new acquisition, attrition optimisation and building fresh balances and revenue.

The Home Finance business will launch Green Mortgage as a key business initiative in 2015. This initiative will improve financial performance, internal operational efficiency, risk management capabilities and control structure, which will help achieve new milestones for business, customers and people in the coming quarters.

Year 2015 will see significant focus on cost to income ratio optimization, increasing operational efficiencies through re-engineering, and enhancing customer value propositions leading to a world class consumer banking business model.



Retail Banking

Sustainable growth was one of the key pillars of the Bank's retail business strategy in 2014. During the year, expansion was undertaken through a holistic multi-dimensional strategy by increasing the distribution footprint as well as enhancing the operational eco system. The Bank as part of its outreach strategy continued to maintain equal coverage of rural and urban areas for the financial inclusion of the unbanked masses. A smart neighbourhood branch model has been implemented to tap into residential and semi commercial areas for a balanced mix.

As part of our branch expansion plan, 74 new branches were added to our branch network during the year. A major milestone for the Bank was crossing the 600 branches mark. As at December 31, 2014, we stand at a network of 648 branches, including 157 Islamic Banking branches, 10 foreign branches (7 in Bangladesh and 3 in Afghanistan) and 1 offshore banking unit in Bahrain.

Customer focus has been a cornerstone of the Bank's business strategy. Understanding customer needs has helped us widen our product range and value proposition particularly in reaching out to the masses.

The business also understands the need for a strong acceptance network with increasingly responsive services for our banking customers and has strengthened its alternative distribution channels and branchless banking networks. Our network is the fifth largest in the country with a footprint of more than 580 ATMs covering more than 150 cities across Pakistan.

The Bank also launched its branchless banking services "Mobile Paisa" in collaboration with Warid Telecom.

Small and medium enterprise growth was a focal point of our strategy and prudent, responsible lending has been extended to support this critical section of our economy. Active support has been provided to agro based businesses particularly the cotton and wheat sectors.

Innovative product propositions for example payroll banking and cross sell products have been made highly efficient in terms of new acquisitions and existing portfolio deepening.

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. Deposit growth was mainly CASA driven through new customer acquisitions and deepening of the existing portfolio base. Cross sell products like Bancassurance, Credit Cards, Autos, Investment products proved to be important contributors to our profitability as well as in increasing customer loyalty and share of wallet.

Due to the challenging economic environment, a cautious approach was taken towards lending. A segment wise strategy was implemented with exposures in selected segments with a proven history. Credit focus was also on collection and recovery activities with a sizable growth in recoveries.

Sales and relationship management channels have been strengthened through dedicated programmes and the inculcation of a need based and customer oriented sales culture.

2015 will witness a continuation of these strategies along with a focus on improving business efficiency, furthering strengthening of alternative distribution channels and enhancing our customer service delivery quality.



Multiple STP training workshops were conducted nationwide and a total of 926 leaders and sales staff were trained during the year.

BDO Project

To bring focused attention to low cost deposits (CASA growth), 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 by 59 percent and total deposits of PKR 46.6 Billion, an increase of 69 percent over last year, has been generated during the year.

Customer Experience

Our focus on improving customer experience helps us drive value and build competitive advantage. During the year, we continued our pursuit to enhance the experience for our customers who bank with us with an aim to provide fast, convenient and error-free services. We continue to embed our service values into the DNA of our people, systems and processes.

Our customer experiential indicators have shown significant improvement over the years. The Bank continues to enhance the measuring of experiences that it currently delivers while bringing in new areas into its monitoring framework to enhance customer service.

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 cards and loans also reduced considerably, 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 10,000 customers was conducted to gain customer insight.

Monitoring frameworks were enhanced during the year to include new critical areas to monitor. More than 200 branches are being assessed each month to evaluate and improve the performance of the branches in meeting customer expectations.



Digital Innovations

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

Branchless Banking – Bank Alfalah launched “Mobile Paisa,” its branchless banking services in collaboration with Warid Telecom during the start of the year. Mobile Paisa offers customers over the counter bill payments and money transfer facilities at more than 12,000 agent locations nationwide. It also offers mobile wallet accounts for customers using a Warid SIM at selected locations. With the launch of Mobile Paisa, the Bank aims to support the creation of a branchless banking and alternate payments ecosystem, which is likely to augment financial inclusion in the country, reducing the gap between the banked and the yet-to-be-banked.

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. So far the Bank has distributed 873,023 BISP debit cards and over PKR 27.5 billion of funds, inclusive of quarterly installments.

Bank Alfalah’s Branchless Banking service, in its first year of launch, has the fourth largest share in the industry’s Branchless Banking OTC transactions. We look forward to another successful year by continuing to build payment types, segment based products and customisable payment offering in 2015.

Mobile Banking – The Bank has successfully launched mobile banking for customers which enables customers to transfer funds and make payments on the go.

ATM Network – With a footprint of over 580 ATMs covering more than 150 cities across the country, Bank Alfalah has the 5th largest ATM network in Pakistan. A successful transaction takes place every 1.5 seconds and a cash withdrawal transaction takes place every 2 seconds. Over 160 billion digital payments have been processed during the year, registering an increase of 27 percent over last year. Bank Alfalah’s Call centre has played a key role in building businesses and creating transactional convenience. Customer interactions increased by 16 percent during the year.

Bancassurance

In collaboration with leading insurance companies, Bank Alfalah provides customised Bancassurance solutions to meet the savings, education, marriage, retirement and protection needs of its customers.

FY 2014 has been a significant year for Bancassurance at Bank Alfalah. The Bank has generated insurance business of PKR 765 Million in FY 2014, registering a growth of 25 percent over FY 2013. The business also achieved first year renewal persistency of 80 percent.

Key initiatives were also taken to further optimize its operational processes and increase sales. The business has teamed up with the largest insurance company, State Life Insurance Corporation, to offer bonus linked investment and protection solutions to its customers with guaranteed returns backed by the Government of Pakistan.

Alfalah Pardes Remittance Card

The year saw the launch of the Alfalah Pardes Remittance Card. The card enables home remittance beneficiaries to access their remittances without visiting the branch. Funds can be conveniently withdrawn through ATMs across Pakistan. A round-the-clock Call Centre along with services such as SMS alerts, allow customers to keep track of their remittances.

Alfalah at Work

Alfalah at Work is a payroll portfolio which allows customers to enjoy non-stop banking privileges from within the comfort of their own offices through on-site account opening and instrument deliveries. During the year, Alfalah At Work portfolio has grown substantially through current account deposit growth, cross-sell of consumer finance products along with Bancassurance products. The new customer base of the Bank has seen a sharp rise within the retail segment providing sustainable deposit growth and cross sell opportunities.

Sales Transformation Programmes

Two core sales programmes are in place to help augment the Bank’s growth.

Blue Storm

Launched in early 2014, Blue Storm enables us to build a customer centric, need-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.

Treasury and Financial Institutions

The Bank's Treasury has evolved into an active player in the Financial Market. The year saw a significant increase in profits across all Treasury segments.

We focused on strengthening customer relationships and enhancing our market presence through regular product awareness sessions and roadshows across Pakistan. Prominent figures from both the public and private sectors highlighted key issues facing the economy and the opportunities present in the market through sessions conducted for the Bank's management and customers.

A major initiative during the year was the alignment of overseas Treasury units through deployment of local expertise to implement best practices in new markets.

Strengthening of Institutional Sales Framework

Our Institutional Sales team is equipped with the knowledge and expertise to cater to the investment needs of our corporate customers. We have strengthened our institutional sales framework to help customers take advantage of the attractive return opportunities offered by the fixed income market. Customers are regularly provided information on market developments so that they can make informed decisions.

Active Fixed Income Portfolio Buildup

Fixed income markets in Pakistan offered attractive risk-adjusted return opportunities in 2014. The Bank capitalized on this opportunity through replacement of shorter tenure Treasury Bills with Pakistan Investment Bonds. This has ensured an increase in the Bank's interest spreads in a declining interest rate environment while also leading to sizable gains on our bond portfolio.

Islamic Liquidity Management Toolkit

Since its inception, the Islamic Banking industry has faced challenges in liquidity management due to a dearth of Shariah-compliant products. The recent introduction of the deferred payment contract, Ba'i Mu'ajjal, allows banks the flexibility of tenure in deployment of surplus funds.

Strong Presence in Foreign Exchange Markets

The Bank continues to maintain a strong presence in the domestic spot and forward foreign exchange markets. The Bank actively trades in all major currencies allowing us to quote narrow bid offer spreads to our customers and keep them updated about market developments.

Development of Capital Markets

Bank Alfalah continued to play an active role in the development of capital markets in Pakistan. Technical assistance was provided by the Bank and was appreciated by regulators, Karachi Stock Exchange and other stakeholders.

Financial Institutions

The Financial Institutions Division undertook a number of significant, revenue-driving initiatives during the year. Bank Alfalah became part of the Asian Development Bank's (ADB) Trade Finance Program, which has opened new doors for the Bank to expand its trade activities by allowing competitive access to new markets and new clients. Being an ADB partner, the Bank will further strengthen its ability to conduct business globally. The Bank is also part of the IFC Global Trade Finance Program.

During the year, the Bank completed a major IT infrastructure upgrade supporting our Home Remittance Business, to enhance the capacity of the Bank to aggressively capture business. A substantial share of the country's remittances are already channelled through the Bank.

We also significantly expanded our asset portfolio, pursuing an active bond investment strategy primarily targeting sovereign and financial institution obligors in the investment grade domain. We strengthened our relationships with regional and global investment dealers to source bonds in the primary market while managing interest rate risk through the use of derivatives. Trade assets continued to form a part of our core short-dated asset portfolio as they allow for diversification of risk as well as capture value added returns.

The year saw the establishment of new relationships and deepening of existing ones. We also strengthened our payments capabilities with institutions and implemented processes to comply with international obligations in payments processing especially with respect to the FATCA regulations. The Bank became FATCA compliant during the year.

To ensure accurate and timely monitoring of the risks undertaken by the Bank, risk policies and models were strengthened during the year.



Corporate and Investment Banking

Our Corporate and Investment Banking Group 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.

Corporate and Investment Banking at Bank Alfalah offers 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.

Corporate Banking

Our Corporate Banking team comprises of experienced relationship managers and advisors who have a deep understanding of a wide range of complex financial issues faced by our clients and an appreciation of global trends and market dynamics. This coupled with our continuous innovation enables us to provide flexible financial products that are better designed to cater to our customers' business needs.

Our team is also well-equipped to design customised credit solutions to meet specific short-term and long-term financing requirements as well as foreign and local trade transactional needs of our customers. Our trade services are supported globally by a strong correspondents' network, allowing our clients the freedom to transact anywhere around the world. We believe in forging long-term associations with our clients by understanding their needs and going the extra mile to ensure exemplary customer service.

Our corporate platforms, across the country, are a one-stop-shop catering to the banking needs of our valued clients. We offer long term and short term loans; letter of credit; import/export finance and bank guarantees.

Investment Banking

Our Investment Banking team is well-equipped to provide comprehensive financial advisory services for raising financial capital. We work closely with our clients to offer customised financing solutions, designed to meet their transactional or project needs. We strive to provide our clients access to liquidity from a wide variety of sources, in order to help them optimise their capital structure. This includes assisting them in garnering fiscal support from the banking fraternity.

We also provide expert advisory services on key strategic decisions to be undertaken by our clients, including but not limited to financial restructuring and effective management of debt instruments. We offer leveraged and structured finance; project and infrastructure financing; debt syndication (Conventional and Islamic); strategic advisory services; capital market services and listing; and private placement of corporate bonds, sukuk, commercial paper, and preference shares.

Transaction Banking

Bank Alfalah also offers innovative cash management tools designed to improve transactional flows and provide effective liquidity management for customers, so that they can effectively utilise their working capital. Our payments module ensures timely payments through a wide range of conduits. It allows bulk payments via cheques, pay orders and transfers through secured channels across Pakistan.

Our collections services ensure that cash and other instruments are picked up from your doorstep and reach your accounts in a timely and efficient manner. Distribution of payments and fund collection is handled by our extensive network of branches spread throughout the country.



Islamic Banking

With a network of 157 dedicated branches across the country, the Bank's Islamic Banking business continues to serve as the second largest Islamic Banking offering in Pakistan. Bank Alfalah's Islamic Banking Business was awarded the "Best Islamic Banking Window of a Commercial Bank in Pakistan" by the Global Islamic Finance Award, which is considered one of the most prestigious awards in the field of Islamic banking.

To cater to the unique needs of our customers, new and innovative Islamic Banking products were launched during the year. These included:

Bai Muajjal - a credit sales currently used only for Sukuk, which has helped the Bank manage and deploy its excess liquidity;

Falah Tijarah (finished goods financing) - a short-term financing facility offered against finished goods that helps meet the liquidity requirements of customers;

Falah Currency Salam - a substitute for bill negotiation/discounting which will allow the Islamic Banking group to better facilitate export customers and add new revenue streams;

Falah Forward Cover - an effective hedging tool which provides protection to traders and clients from unfavourable exchange rate fluctuations which might occur between the contract and the settlement dates.

In addition, various liability products were also developed across segments to enhance the scope of the existing product portfolio.

2014 also witnessed the complete migration of the Islamic Banking branches to an innovative banking software, which aids in providing the highest quality of customer service by enhancing our operational efficiency.

Our back office functions were re-structured and key positions were put in place to help strengthen our operations. We also enhanced our business intelligence function, which enabled us to make informed decisions.

The Bank has a zero tolerance policy for non-compliance of Shariah principles. Extensive staff training, in coordination with a Shariah Advisor were conducted during the year to help employees understand and uphold Shariah-compliant banking practices.

In line with best global practices, the Bank organised an Islamic Banking Customer Awareness programme. The seminar helped enhance our customers' knowledge and remove misconceptions about Islamic Banking.



Small and Medium Enterprise (SME) Banking

The SME sector plays a pivotal role in the economic growth of Pakistan, contributing to more than 30 percent of GDP and over 70 percent to the overall employment in the country. According to the State Bank of Pakistan, SMEs face tremendous challenge in getting the right set of facilities and services and only 4 to 5 percent of SMEs have access to any formal credit from the Banking sector.

Bank Alfalah's 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. During the year, our focus remained on implementation of the revamped business model, under the advisory services of IFC. We have successfully transformed our business strategy to serve this sector with continued zeal and passion. We are looking to provide end to end solutions, which focus on meeting the financial, non-financial, transactional, investment and advisory needs of our SME customers.

It is our endeavour to enhance inclusion of the SME sector into the financial mainstream by providing complete banking solutions and financial advisory services to meet the unique needs of the unbanked masses.

From SME Lending to SME Banking

In collaboration with IFC, the Bank transformed its business model from focusing only on credit services to providing a complete range of banking solutions including advisory services to its SME customers.

The unique needs of SME customers were identified and solutions were designed to cater to their needs. Our structured Financial Solutions Suite has been enhanced with new offerings while our existing SME products have been revamped to build a solid SME portfolio.

Our focus remained on improving outreach of our services and enhancing financial inclusion for SME customers. The branch network was reclassified and dedicated relationship managers were placed in branches to reach out to customers. We also collaborated with SBP - DFID UK and USAID to bolster support to this pivotal sector of the economy.

SME Toolkit and Business Advisory

Bank Alfalah is now officially the first Bank in Pakistan to have launched an SME Toolkit. Through this unique and one-of-its-kind offering, we will be 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.



International Banking

Afghanistan

Bank Alfalah Afghanistan Operations registered a satisfactory performance despite an uncertain economic and security environment in the country.

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. 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 14.40 Billion (USD246 million), as of 31 December 2014.

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 Citi bank; financing of large and medium sized public development projects, Corporate Financing, Structured Financing and working capital loans.

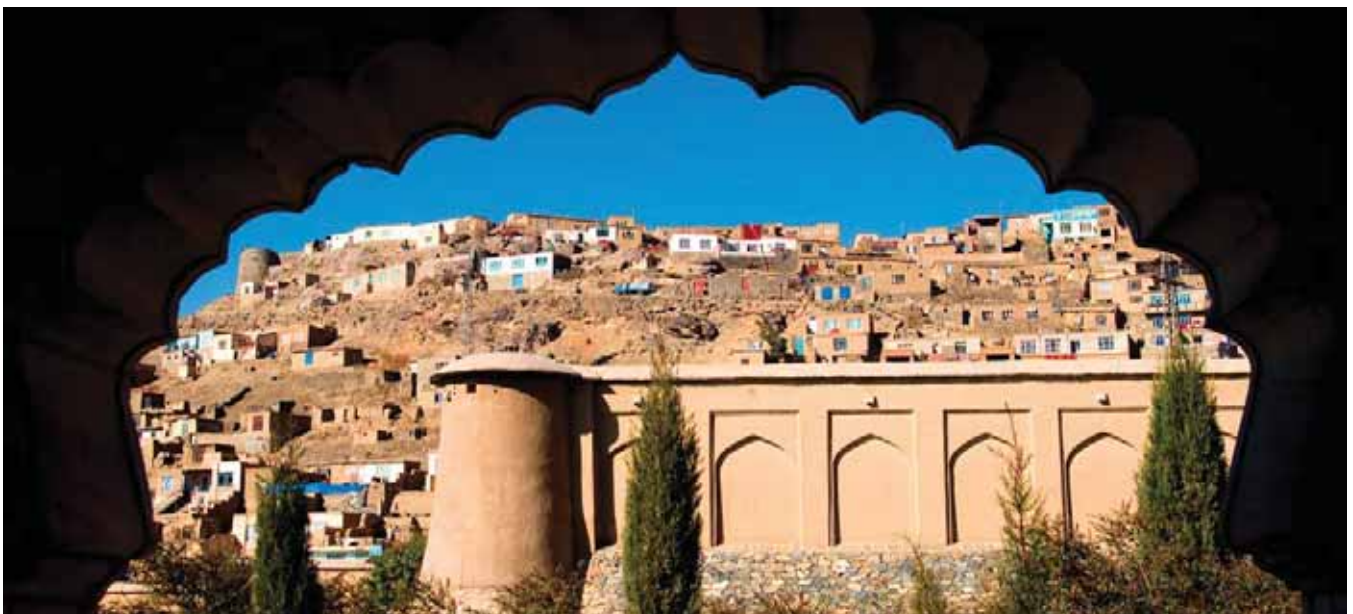
We provide a complete range of banking solutions to our customers and enjoy the market leadership position in consumer banking products including VISA International Credit cards and Debit cards etc.

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, our focus remained on strengthening our internal controls and ensuring compliance to enhance operational efficiencies and mitigate risks.

Investing in human talent continued during the year with a strong focus on enhancing learning and development opportunities for staff who were given extensive training on areas of banking, finance and customer service.



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 Bahrain 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 43.13 percent in profits during the year, mainly due to the shift towards the more lucrative fixed income investments business.



Bangladesh

Bank Alfalah commenced its operations in Bangladesh in 2005 and with a presence in almost every major city, operates through a network of seven branches across the country.

During the year, our Sylhet branch relocated to new premises in the business hub of Sylhet for better business growth opportunity, increased efficiency and focus on customers.

We also launched three new CASA products, Alfalah Premium Plus, Alfalah Karobar Current Account and Alfalah Advance Profit during the year. The BDO Sales team was restructured to give more focus on CASA growth. Over 4,000 new CASA accounts were opened during 2014.

Attractive discounts and promotions on our Visa Debit Card were offered through more than 50 new channel partners in Bangladesh. To safeguard customer interest, awareness programs on ATM/Debit card frauds and effectiveness were held at all branches.





Corporate Social Responsibility

At Bank Alfalah, we aim to conduct business with the multi-pronged approach of creating value for our clients, shareholders and communities responsibly. Through an innovative business strategy, exceptional focus on customer service and experience, sustainable philanthropic investments and a diverse, engaged workforce, we reinforce our commitment to the communities where we live and operate.

In our endeavours to motivate, inspire and recognize young, upcoming talent in the country, we introduced the Rising Talent Program in 2014. Through this program, we aim to provide meaningful opportunities to deserving talent; showcase emerging stories of optimism and ingenuity and hence help enhance Pakistan's image at both local and global levels.

As part of this initiative, the Bank endorsed the Lahore Literary Festival, a platform which brings together a diverse range of talents under one ambit and gave an opportunity for nascent writers and artists to express their imagination and flair through poetry, art, short stories and photography.

We also collaborated with Pakistan Fashion Design Council and Fashion Pakistan Council representing and promoting Pakistani designers and funded debut shows for young designers to showcase their designs at the Councils' Fashion Weeks.

The Bank continues to play a key role in nurturing sports with a view to fostering youth and community development in Pakistan. Last year, we supported Polo and emerging talent in the game through our Rising Talent Program.

We partnered with NOWPDP (Network of Organisations Working for People with Disabilities, Pakistan) for its vocational training program The Artwork. This is an effort to empower people with disabilities through craftsmanship training in the field of Textiles.

We continue to uphold our extensive support towards Community Investment Programs in education and poverty alleviation with Acumen Fund on 'Eradicating Poverty through Entrepreneurship Program' and K-Electric Initiative on "Development of quality business education and leadership in Pakistan" and developing leaders in finance through the Institute of Business Administration (IBA).

In Afghanistan, we organised a community service initiative by joining hands with Jaipur Foot and provided artificial limbs for war victims to help rehabilitate them in normal life.

In Bangladesh, blankets and warm accessories were distributed by the employees in Dhaka, Chittagong and Sylhet to the financially disadvantaged segments of our society. A year-long scholarship program for 50 school going children from slum areas was also launched during the year. The Bank played a part in creating a clean and green environment by participating in the Sylhet City Roadside Gardening and Beautification projects during T20 World Cup 2014. Developing women as second earning members of their families, the Bank sponsored a stitching and tailoring training project for 40 poor women living in the remote areas of Shundarban. Through this project, the women were able to improve their livelihoods and contribute towards their household income.

We take pride in the fact that our corporate social responsibility endeavours are embedded into our overall business strategy. All 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. It is for this reason that we pursue a 'Beyond Philanthropy' approach towards citizenship, so as to augment financial support with time and create real value-additional impact in peoples' lives.

FINANCIAL SUMMARY

		Rupees in Million							
		2007	2008	2009	2010	2011	2012	2013	2014
OPERATIONAL RESULTS									
Total Income	Rs. In million	31,822	35,789	40,743	42,238	49,666	53,361	52,240	64,414
Operating Expenses	Rs. In million	8,289	9,957	11,002	12,754	14,215	15,519	17,313	20,863
Profit before Income Tax and Provision	Rs. In million	6,906	5,310	5,028	5,604	9,754	10,342	7,857	10,048
Profit before Income Tax	Rs. In million	4,536	1,795	1,016	1,369	5,434	6,783	6,807	8,514
Profit after Taxation	Rs. In million	3,130	1,301	897	968	3,503	4,556	4,676	5,641
BALANCE SHEET									
Shareholders' Equity	Rs. In million	13,767	14,609	19,770	19,727	22,616	25,502	28,266	37,824
Total Assets	Rs. In million	328,895	348,991	389,070	411,484	468,294	536,568	611,428	743,128
Advances - net of provision	Rs. In million	171,199	191,790	188,042	207,153	198,469	233,933	260,780	290,597
Investments -net of provision	Rs. In million	88,492	75,973	99,160	113,426	166,532	189,487	219,690	324,319
Deposits and other accounts	Rs. In million	273,174	300,733	324,760	354,015	401,233	457,044	525,526	605,963
OTHERS									
Imports	Rs. In million	184,305	190,289	197,304	254,705	286,550	322,633	370,556	374,901
Exports	Rs. In million	79,090	93,406	100,493	132,277	191,820	192,132	212,871	202,369
RATIOS									
Capital Adequacy	%	9.85	8.03	12.46	10.53	11.60	12.60	12.06	12.75
Profit before tax ratio (PBT/Gross mark up income)	%	17.59	5.80	2.86	3.65	12.27	14.72	15.48	15.37
Gross spread ratio (Net mark up income / gross mark up income)	%	35.54	33.82	30.67	36.44	42.01	40.32	38.43	39.50
Income / Expense ratio	Times	3.84	3.59	3.70	3.31	3.49	3.44	3.02	3.09
Return on average equity (ROE)	%	25.66	8.94	4.83	4.83	16.36	19.42	18.04	18.86
Return on average assets (ROA)	%	1.05	0.39	0.26	0.25	0.81	0.92	0.83	0.85
Advances / Deposit Ratio	%	62.67	63.77	57.90	58.52	49.46	51.18	52.11	50.31
Cash Dividends	%	-	15.00	-	8.00	17.50	20.00	20.00	-
Stock Dividend	%	30.00	23.00	12.50	-	-	-	-	-
Book Value per share excluding revaluation of Assets	Rs.	21.18	18.27	14.65	14.62	16.76	18.90	20.95	23.83
Book Value per share including revaluation of Assets	Rs.	24.95	21.32	16.41	16.53	18.94	22.28	23.65	28.24
Basic earnings per share	Rs.	3.92	1.41	0.71	0.72	2.60	3.38	3.41	4.09
No of Employees	No.	7,371	7,584	7,462	7,571	7,580	7,124	7,253	7,785

NOTICE OF THE 23RD ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd Annual General Meeting of Bank Alfalah Limited will be held on Friday, 27th March 2015 at 10:30 AM at Ballroom, Pearl Continental Hotel, Karachi, to transact the following business:

Ordinary Business:

1. To confirm Minutes of the Extra-Ordinary General Meeting held on 10th October 2014
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended December 31, 2014 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 reported at Notes No. 27 and 36 of the Annual Accounts, as required under SBP Prudential Regulations.
3. To approve as recommended by the Board of Directors, payment of cash dividend at the rate of Rs.2/- per share i.e. 20%
4. To appoint Auditors of the Bank for the year 2015 and fix their remuneration.

Special Business:

5. Subject to obtaining all requisite approvals, to consider and approve equity investment of up to PKR 300,000,000/- (Pak Rupees Three Hundred Million) in Alfalah Securities (Private) Limited, a subsidiary of the Bank and to pass the following Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 208 of the Companies Ordinance, 1984 and subject to obtaining of all requisite approvals, including the approval of the State Bank of Pakistan, Bank Alfalah Limited (**"the Bank"**) be and is hereby authorized to make equity investment of up to PKR 300,000,000/- (Pak Rupees Three Hundred Million) in its subsidiary, Alfalah Securities (Pvt) Limited (**"ASL"**) by way of subscription of shares of ASL proportionate to such investment, at the rate of up to Rs. 10/- per share.

RESOLVED FURTHER THAT Mr. Imran Zaffar, Head of Merchant Banking, Mr. Mahmud Hiraj, Merchant Banking Group, Mr. Syed Ali Sultan, Group Head Treasury and FI, Mr. Aasim Wajid Jawad, Head of Strategy of the Bank, be and are hereby jointly (any two of them acting jointly) authorized and empowered to do the following on behalf of the Bank:

- (i) take all steps and actions for notifying or obtaining any consent/approval that may be required from regulatory authorities with respect to the above;
 - (ii) to sign any/all documents, agreements etc. and to deliver the same to the relevant authorities/regulators and concerned parties;
 - (iii) to make payments of necessary fee, commission, charges, subscription money etc. or any other payments (either in full or in tranches) as may be required in the matter; and
 - (iv) to do or cause to be done all such acts, deeds and things as may be required from time to time and are ancillary or incidental for the purposes of the above resolutions/matters."
6. To transact any other business with the permission of the Chair.

Karachi
March 06, 2015

By Order of the Board

MIAN EJAZ AHMAD
Company Secretary

NOTES:

1. The statement of material facts under Section 160(1)(b) of the Companies Ordinance, 1984 relating to the aforesaid Special Business to be transacted at the Annual General Meeting is being sent to the Members with the Notice.
2. The Share Transfer Books of the Bank will be closed from 20th March 2015 to 27th March 2015 (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 19th March 2015 will be treated in time for the purpose of above entitlement to the transferees.
3. 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.
4. 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.
5. 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. 4 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).
6. Shareholders are requested to notify change in their address, if any, to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited.
7. **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 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. 4 above.

8. **Increase in tax on dividend income for Non-Filers**

This is to inform the shareholders that the Government; through its Fiscal Budget for 2014-15, announced that withholding tax rate on Dividend Income has been increased from 10% to 15% for non-filers. Those shareholders whose name will not be appeared (at the time of issuance of dividend, if any) in the list of filers, as updated by Federal Board of Revenue from time to time, will be subject to 15% withholding tax deduction on the dividend income.

9. **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.

Statement under Section 160(1)(b) of the Companies Ordinance, 1984 concerning the Special Business

The information required to be annexed to the Notice by Notification No. SRO 27(I)/2012 dated 16 January 2012 is set out below:

Investment of up to Pakistani Rupees Three Hundred Million (PKR 300 M) in Alfalah Securities (Private) Limited

Name of the associated company	Alfalah Securities (Private) Limited (or "ASL")
Relationship with associated company	Subsidiary of Bank Alfalah Limited ("BAFL"), with BAFL holding approximately 97% of the paid up and issued share capital of ASL
Purpose, benefits and period of investment	To revive the operations of ASL and create a market leading brokerage, advisory and capital markets platform. The investment in ASL will be injected over a period of up to one year.
Maximum Amount of investment	Pakistani Rupees Three Hundred Million (PKR 300 Million) Only
Maximum Price at which securities will be acquired.	Pakistani Rupees Ten (PKR 10/-) per share
Maximum number of securities to be acquired.	Upto 30,000,000 ordinary shares of ASL, having face value of PKR 10/- each
Number of securities and percentage thereof held before and after the proposed investment.	BAFL currently holds Eighty Two Million and Six Hundred Thousand (82,600,000) shares representing 97.18% of the current paid up and issued share capital of ASL. After the proposed investment and assuming (i) an investment amount of PKR 300 Million and (ii) the other shareholders do not subscribe to any additional shares, BAFL will hold One Hundred and Twelve Million and Six Hundred Thousand (112,600,000) shares, which will represent approximately 97.91% of the total issued and paid up share capital of ASL on a proforma post investment basis
Fair market value of the securities, determined in terms of regulation 6(1)	The fair market value of ASL in terms of regulation 6(1) comes to PKR 10.37 per share
Break-up value of securities intended to be acquired on the basis of the latest audited financial statements.	The breakup value of ASL is PKR (0.28)/- per share
Earning per share of the associated company or associated undertaking for the last three years.	2012: PKR (0.16) per share 2013: PKR (0.14) per share 2014: PKR (0.21) per share
Sources of fund from which securities will be acquired.	BAFL will utilize its internal cash flows for the purposes of such investment
Salient features of the agreement(s), if any entered into with its associated company or associated undertaking with regards to the proposed investment.	None
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	None
Any other important details necessary for the members to understand the transaction.	None

STATEMENT OF COMPLIANCE WITH THE CODE OF THE CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2014

This statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No. G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan ("SBP"), listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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:

- The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. However, the Securities & Exchange Commission of Pakistan ("SECP") has granted exemption to the Bank from the requirement of the Clause (i)(b) of the Code of Corporate Governance regarding independent directors, and the SBP has also granted exemption to the Bank from the requirement of having atleast 25% of board members as independent directors, till the next election of directors of the Bank in May 2015. At present the board includes:

Category	Names
Non-Executive Directors (6)	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. Ikram ul-Majeed Sehgal Mr. Nadeem Iqbal Sheikh
Executive Director (1)	Mr. Atif Bajwa (Chief Executive Officer)

- The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
- 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 NBFIs or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
- During the year, no casual vacancy occurred on the Board.
- 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.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 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, and non-executive directors, have been taken by the Board/Shareholders.
- The Chairman presided four (out of five) Board Meetings 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.
- One of the Directors, Mr. Ikram ul-Majeed Sehgal has completed the directors' training course conducted by the Pakistan Institute of Corporate Governance (PICG) during the year. Mr. Nadeem Iqbal Sheikh had already completed this course earlier.

10. During the year ended December 31, 2014, 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 Code 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. Furthermore, during the year, the Bank has issued option letters to selected senior staff members including the CEO under the Bank's approved Employee Stock Option Scheme (ESOS), as decided by the Board Compensation Committee, but the option exercise period has yet not commenced. 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 3 members, all being non-executive Directors.
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 Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource 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 company 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 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. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and On behalf of the Board

Atif Bajwa
Director and Chief Executive Officer
February 26, 2015
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, 2014 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges 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, 2014.

February 26, 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

SHARIAH ADVISOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2014

By the grace of Almighty Allah, I have reviewed the transactions, related agreements and procedures practiced by Bank Alfalah Islamic Banking Group during the year 2014. This review function was mainly based on direct review of transactions/ locations on test check basis with the assistance of Shariah Compliance Department, and on Shariah Audit reports of Internal Audit Group.

It depicts that 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 2014 are, by and large, in conformity with the principles and guidelines of Shari'ah and other guidelines issued by Shariah Advisor and State Bank of Pakistan.

Moreover, 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 Shariah Rules & Principles and Pool Management guidelines of State Bank of Pakistan.

In order to ensure that income distributed to the stakeholders remains pure and Halal, income of PKR 3.805 Million has been transferred to Charity Account as per Shariah Advisor's instructions owing to the violations of Shariah guidelines observed during Shariah Compliance and Internal Shariah Audit reviews.

During the year, an amount of PKR 53.410 Million was recovered from the Customers as Charity on account of delayed payments. A substantial amount of PKR 80.240 Million was also disbursed from the Charity Account to various charitable institutions in the avenues of Education, Health and Welfare.

Internal Audit Group of Bank Alfalah has conducted Shariah Audit of 105 branches of Islamic Banking Group during the year. These Shariah Audit reports were presented to Shariah Advisor for review and instructions.

Shariah Compliance Department has also reviewed certain locations and Branches of Islamic Banking Group under direct supervision of Shariah Advisor. The department has structured 27 Customized Process Flows and refined 12 existing Customized Process Flows for Corporate/Commercial Customers after visiting various Customers to understand their actual procurement system and to suggest suitable mode of Islamic finance.

Islamic Banking Group has significantly worked towards Product Development and 8 new products have been developed during the year.

Management's special attention was observed towards enhancing the Islamic Banking skills of the staff. Through Learning & Development Department, the Bank has achieved the milestone of providing Basic Islamic Banking training to all staff of the Group. Moreover, specific Islamic Banking certification courses were also conducted.

Bank Alfalah Islamic Banking Group's overall performance from the perspective of Shariah Compliance was satisfactory during the year. However, following are some areas which require further improvement:

1. Keeping in view the risk of non-compliance of Shariah guidelines & loss of income and reputational risk involved in centralization of Islamic Banking Group's operations with conventional set-ups, it was recommended in previous report that "areas where Islamic Banking Group's operations have been centralized with conventional set-ups, a dedicated senior resource with good Islamic Banking knowledge and experience should be placed in the relevant group who exclusively supervise and manage the affairs/ transactions of Islamic Banking Group under direct reporting line to respective Group Head". It is advised that above suggested mechanism should be implemented properly and centralization should not take place without specific approval of Shariah Advisor.
2. It was being highlighted in previous years' Shari'ah Advisor Report that transactional matters, employment contracts and retirement benefits of staff should be brought in line with the Shari'ah rulings. A certain progress has been observed in this regard. However, it is recommended that development should be accelerated to resolve the matter within the year 2015.

3. Bank Alfalah Islamic Banking Group is yet to devise a clear strategy to gradually shift the coverage of the assets owned by the Bank under Ijarah and Diminishing Musharakah from Conventional Insurance to Takaful. It is recommended that a clear strategy should be planned and documented to steadily shift the Asset's coverage from Conventional Insurance to Takaful keeping in view the fact that Takaful windows of Conventional Insurance companies are now available in the market.
4. Bank Alfalah Islamic Banking Group has significantly worked towards product development during the year. However, now there is a need to focus on the refinement/ updation of existing products/ manuals/ process flows and documents, and in-depth implementation of AAIOFI standards adapted by State Bank of Pakistan.
5. Bank Alfalah Islamic Banking Group has conducted 6 Customer Awareness Programs at Karachi. It is recommended that quantum of such programs should be increased and other cities should also be covered.

May Allah bless us with His Guidance and make us successful here and in the hereafter and forgive our mistakes.

Dr. Khalil Ahmad Aazami

Shariah Advisor

Bank Alfalah Limited – Islamic Banking Group

February 13, 2015 / Rabi-Us-Sani 23, 1436 A.H

MANAGEMENT STATEMENT OF COMPLIANCE WITH EMPLOYEES STOCK OPTION SCHEME

Bank Alfalah Limited as of December 31, 2014 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 as part of the Annual Report.

Atif Bajwa

Director and Chief Executive Officer

February 26, 2015

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, 2014, in the form of an independent reasonable assurance 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, 2014.

February 26, 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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, 2014.

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 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, with the Head of Internal Control reporting to the Chief Operating Officer. Moreover, the Bank's Controls Committee comprising of Senior Executives of the Bank has been formulated for enhanced governance and monitoring.

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.

Going forward, the Bank intends to further improve on its overall processes and controls, for which a detailed review exercise for revisiting processes across the Bank has been planned.

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 26, 2015
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 December 2014 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 forty six branches which have been audited by us and ten branches and one offshore banking unit 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 of 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 account 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 account and are further in accordance with accounting policies consistently applied;
 - 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 2014 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 26, 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

	Note	2014 (Rupees in '000)	2013
ASSETS			
Cash and balances with treasury banks	6	50,515,643	61,204,697
Balances with other banks	7	12,331,713	34,764,008
Lendings to financial institutions	8	18,313,485	2,522,022
Investments - net	9	324,319,454	219,690,369
Advances - net	10	290,597,237	260,779,850
Operating fixed assets	11	15,740,100	14,835,200
Deferred tax assets	12	-	1,204,000
Other assets	13	31,310,661	16,427,478
		<u>743,128,293</u>	<u>611,427,624</u>
LIABILITIES			
Bills payable	14	11,758,155	9,543,480
Borrowings	15	55,232,916	23,115,102
Deposits and other accounts	16	605,963,224	525,525,770
Sub-ordinated loans	17	9,987,000	9,991,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	12	853,331	-
Other liabilities	18	14,514,599	11,350,528
		<u>698,309,225</u>	<u>579,525,880</u>
NET ASSETS		<u>44,819,068</u>	<u>31,901,744</u>
REPRESENTED BY			
Share capital	19	15,872,427	13,491,563
Reserves		12,338,026	7,274,222
Unappropriated profit		9,613,374	7,499,831
		<u>37,823,827</u>	<u>28,265,616</u>
Surplus on revaluation of assets - net of tax	20	6,995,241	3,636,128
		<u>44,819,068</u>	<u>31,901,744</u>
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, 2014

	Note	2014 (Rupees in '000)	2013
Mark-up / return / interest earned	23	55,378,477	43,961,060
Mark-up / return / interest expensed	24	33,505,003	27,066,229
Net mark-up / interest income		<u>21,873,474</u>	<u>16,894,831</u>
Provision against non-performing loans and advances - net	10.5	1,447,931	954,563
Provision for diminution in the value of investments - net	9.25	85,897	94,797
Bad debts written off directly	10.6.1	5	4,288
		<u>1,533,833</u>	<u>1,053,648</u>
Net mark-up / interest income after provisions		<u>20,339,641</u>	<u>15,841,183</u>
Non mark-up / interest income			
Fee, commission and brokerage income		3,120,035	2,800,461
Dividend income		492,348	482,567
Income from dealing in foreign currencies		2,042,957	1,535,808
Gain on sale of securities - net	25	1,058,167	1,588,895
Unrealised gain on revaluation of investments classified as held for trading - net	9.27	160,098	8,465
Other income	26	2,162,836	1,862,498
Total non mark-up / interest income		<u>9,036,441</u>	<u>8,278,694</u>
		<u>29,376,082</u>	<u>24,119,877</u>
Non mark-up / interest expenses			
Administrative expenses	27	20,261,215	17,288,779
Provision against off-balance sheet obligations	18.2	38,453	2,100
Provision / (reversal) against other assets	13.3	356,486	(162,621)
Other charges	28	206,362	184,408
Total non mark-up / interest expenses		<u>20,862,516</u>	<u>17,312,666</u>
		<u>8,513,566</u>	<u>6,807,211</u>
Extra ordinary / unusual items		-	-
Profit before taxation		<u>8,513,566</u>	<u>6,807,211</u>
Taxation	29		
- Current		3,122,512	2,400,321
- Deferred		(288,216)	(159,060)
- Prior years		38,419	(110,000)
		<u>2,872,715</u>	<u>2,131,261</u>
Profit after taxation		<u>5,640,851</u>	<u>4,675,950</u>
			(Rupees)
Basic earnings per share	30.1	<u>4.09</u>	<u>3.41</u>
Diluted earnings per share	30.2	<u>4.08</u>	<u>3.41</u>

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, 2014

	Note	2014 (Rupees in '000)	2013
Profit after taxation		5,640,851	4,675,950
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		(403,585)	702,483
Items that will never be reclassified to profit and loss account			
Remeasurement of defined benefit plans	34.1.3	357,045	74,576
Related tax on remeasurement of defined benefit plans		(124,966)	(26,102)
Remeasurement of defined benefit plans - net of tax		232,079	48,474
Comprehensive income - transferred to statement of changes in equity		5,469,345	5,426,907
Components of comprehensive income not reflected in equity			
Surplus / (deficit) on revaluation of available for sale securities - net of tax		3,420,629	(882,550)
Total comprehensive income		8,889,974	4,544,357

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, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,513,566	6,807,211
Less: Dividend income		(492,348)	(482,567)
		8,021,218	6,324,644
Adjustments			
Depreciation	27	1,636,518	1,378,368
Amortisation	27	267,702	194,731
Provision against non-performing loans and advances - net	10.5	1,447,931	954,563
Provision for diminution in value of investments - net	9.25	85,897	94,797
Provision against off-balance sheet obligations	18.2	38,453	2,100
Provision / (reversal) against other assets	13.3	356,486	(162,621)
Unrealised gain on revaluation of investments classified as held for trading - net	9.27	(160,098)	(8,465)
Bad debts written-off directly	10.6.1	5	4,288
Gain on sale of operating fixed assets - net	26	(170,526)	(24,186)
Charge for defined benefit plan	27	283,117	253,608
		3,785,485	2,687,183
		11,806,703	9,011,827
Increase in operating assets			
Lendings to financial institutions		(15,180,157)	(8,665)
Held for trading securities		(14,136,264)	(3,620,450)
Advances		(31,265,323)	(27,805,343)
Other assets (excluding advance taxation)		(13,951,023)	(1,432,978)
		(74,532,767)	(32,867,436)
Increase in operating liabilities			
Bills payable		2,214,675	1,112,570
Borrowings		32,101,847	1,897,957
Deposits and other accounts		80,437,454	68,481,370
Other liabilities		3,450,060	884,081
		118,204,036	72,375,978
		55,477,972	48,520,369
Gratuity paid	34.1.4	(283,117)	(253,608)
Income tax paid		(3,949,664)	(3,579,103)
Net cash generated from operating activities		51,245,191	44,687,658
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(25,920,716)	(32,059,414)
Net investments in held to maturity securities		(58,690,346)	4,032,546
Investment in subsidiaries / associated companies		(545,052)	(500,000)
Disposal of investment in subsidiaries / associated companies		-	499,610
Dividend income received		501,687	498,718
Investments in operating fixed assets		(3,289,506)	(2,725,650)
Sale proceeds of operating fixed assets disposed-off	11.4	650,912	82,559
Net cash used in investing activities		(87,293,021)	(30,171,631)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		6,666,420	-
Issuance of sub-ordinated loans		-	1,250,000
Redemption of sub-ordinated loans		(4,000)	(883,742)
Dividend paid		(2,737,015)	(2,733,934)
Net cash generated / (used) in financing activities		3,925,405	(2,367,676)
Exchange difference on translation of the net investments in foreign branches		(403,585)	702,483
		(32,526,010)	12,850,834
Increase in cash and cash equivalents		98,406,574	85,555,740
Cash and cash equivalents at the beginning of the year		98,406,574	85,555,740
Cash and cash equivalents at the end of the year	31	65,880,564	98,406,574

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, 2014

	Share capital	Capital Reserves			Revenue Reserve		Total
		Share premium	Statutory reserve*	Exchange translation reserve	Employee share option compensation reserve	Unappropriated profit	
(Rupees in '000)							
Balance as at January 1, 2013	13,491,563	-	4,572,982	1,063,567	-	6,373,545	25,501,667
Changes in equity for 2013							
Total comprehensive income							
Profit after taxation	-	-	-	-	-	4,675,950	4,675,950
Other comprehensive income							
Exchange difference on translation of net investment in foreign branches	-	-	-	702,483	-	-	702,483
Remeasurement of defined benefit plans (Note 34.1.3)	-	-	-	-	-	74,576	74,576
Related tax charge	-	-	-	-	-	(26,102)	(26,102)
	-	-	-	702,483	-	4,724,424	5,426,907
Transfer to statutory reserve	-	-	935,190	-	-	(935,190)	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	35,365	35,365
Transactions with owners recorded directly in equity							
Final cash dividend for the year ended December 31, 2012 @ 20%	-	-	-	-	-	(2,698,313)	(2,698,313)
Balance as at December 31, 2013	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 34.1.3)	-	-	-	-	-	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							
Share capital 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

* 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, 2014

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 480 conventional banking branches including 12 sub branches (2013: 423 branches including 10 sub branches), 10 overseas branches (2013: 10 branches), 157 Islamic banking branches (2013: 140 branches) and 1 offshore banking unit (2013: 1 unit). The credit rating of the Bank is disclosed in note 32 of the unconsolidated financial statements.

The Securities and Exchange Commission of Pakistan (SECP) vide letter EMD/233/655/2004-68 dated August 18, 2014 has granted an exemption to the Bank from the preparation of consolidated financial statements of the Bank and its subsidiary company namely Alfalah Securities (Private) Limited upto December 31, 2014, subject to disclosure of certain information in the financial statements of the Bank. The disclosures required by the SECP are given in note 9.20 to these 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.
- 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 In addition, 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 January 1, 2006. The standard has not been adopted by Islamic branches of conventional banks pending resolution of certain issues. The Bank plans to adopt the standard with effect from January 01, 2015.

3.5 Application of 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, 2015:

- Amendments to IAS 19 'Employee Benefits' Employee contributions – a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after January 01, 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 amortisation 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 these unconsolidated financial statements of the Bank.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after January 01, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determine which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after January 01, 2016. The amendments do not effect these unconsolidated financial statements of the Bank.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after January 01, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on these unconsolidated financial statements of the Bank.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after January 01, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on these unconsolidated financial statements of the Bank.
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after January 01, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, Bank 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.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Amendments to IFRS 10 and IAS 28 effective for annual periods beginning on or after January 01, 2016. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual periods beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:
 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
 - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
 - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
 - Amendments to IAS 16-'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
 - 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.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01, 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.

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 5.3 and 9)
- ii) classification and provisioning against non-performing loans and advances (notes 5.4 and 10)
- iii) income taxes (notes 5.10 and 29)
- iv) accounting for defined benefit plan and compensated absences (notes 5.11 and 34)
- v) depreciation / amortisation of operating fixed assets (notes 5.5 and 11)
- vi) impairment of assets (notes 5.8 and 5.9)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated financial statements are set out below.

5.1 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.

5.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repos and reverse repos 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.

5.3 Investments**5.3.1 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.

Subsidiary

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

5.3.2 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.

5.3.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value. 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.

5.3.4 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 subsidiary 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 financial statements. Investment in subsidiary and associates are carried at cost, less accumulated impairment losses, if any.

5.3.5 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.

5.4 Advances

Loans and advances

Loans and advances including net investment in finance lease are stated net of provisions 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.

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.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 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'.

5.10 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.

5.11 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) 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.

c) 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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 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.

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.

5.18 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.

5.19 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.

5.20 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.

5.21 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.

5.22 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.

5.23 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	2014 (Rupees in `000)	2013
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit 2014: Rs. 21 million, 2013: Rs. 275 million)		10,637,682	11,073,038
Foreign currencies (including in transit 2014: Rs. 1 million, 2013: Rs. 47 million)		2,949,564	2,862,086
With State Bank of Pakistan in			
Local currency current accounts	6.1	9,203,721	17,814,105
Foreign currency current accounts	6.2	2,801,243	2,466,325
Foreign currency deposit accounts	6.3	6,205,512	5,618,346
With other central banks in			
Foreign currency current accounts	6.4	5,806,368	9,689,404
Foreign currency deposit accounts	6.4	573,530	3,000,151
With National Bank of Pakistan in			
Local currency current account		12,281,353	8,635,986
National Prize Bonds		<u>56,670</u>	<u>45,256</u>
		<u>50,515,643</u>	<u>61,204,697</u>
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	2014 (Rupees in `000)	2013
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		762,928	1,179,611
On deposit accounts	7.1	1,298,486	6,502,187
Outside Pakistan			
On current accounts	7.2	7,005,797	19,378,622
On deposit accounts	7.3	<u>3,264,502</u>	<u>7,703,588</u>
		<u>12,331,713</u>	<u>34,764,008</u>
7.1	This represents funds deposited with various banks at profit rates ranging from 6.70% to 9.50% per annum (2013: 5.00% to 9.00% per annum).		
7.2	This includes amount held in Automated Investment Plans. The balance is current by 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 placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 0.10% to 6.25% per annum (2013: 0.12% to 4.00% per annum) with maturities upto May 2015 (2013: March 2014).

	Note	2014 (Rupees in '000)	2013
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	3,528,957	2,522,022
Bai Muajjal	8.2	14,784,528	-
		<u>18,313,485</u>	<u>2,522,022</u>

- 8.1 These represent lendings to financial institutions at interest rates ranging from 2.83% to 12.50% per annum (2013: 0.32% to 13.25% per annum) with maturities upto November 2016 (2013: November 2014).
- 8.2 These represent lending to financial institutions by Islamic banking business under Bai Muajjal agreements at returns ranging from 9.05% to 9.52% per annum (2013: Nil) with maturities upto December 2015 (2013: Nil).

	2014 (Rupees in '000)	2013
8.3 Particulars of lendings to financial institutions		
In local currency	16,884,528	-
In foreign currencies	1,428,957	2,522,022
	<u>18,313,485</u>	<u>2,522,022</u>

9 INVESTMENTS - NET

9.1 Investments by types

Note	2014			2013		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
------(Rupees in '000)-----						
Held for trading securities						
Market Treasury Bills	15,194,352	-	15,194,352	6,243,509	-	6,243,509
Pakistan Investment Bonds	2,905,528	-	2,905,528	-	-	-
Overseas Bonds	2,193,796	-	2,193,796	907,716	-	907,716
Sukuk Bonds	1,002,278	-	1,002,278	-	-	-
	21,295,954	-	21,295,954	7,151,225	-	7,151,225
Available for sale securities						
Market Treasury Bills	44,998,239	102,962	45,101,201	104,046,128	4,608,632	108,654,760
Pakistan Investment Bonds	85,004,793	30,150,519	115,155,312	17,680,342	-	17,680,342
Fully paid up ordinary shares / units - Listed	4,729,456	-	4,729,456	3,235,923	-	3,235,923
Fully paid up ordinary shares / units - Unlisted	4,426,617	-	4,426,617	4,426,617	-	4,426,617
Term Finance Certificates	1,234,849	-	1,234,849	1,033,994	-	1,033,994
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	340,000	-	340,000	340,000	-	340,000
Overseas Bonds	3,566,942	-	3,566,942	1,583,831	-	1,583,831
Sukuk Bonds	41,516,803	-	41,516,803	53,194,997	-	53,194,997
	185,926,534	30,253,481	216,180,015	185,650,667	4,608,632	190,259,299
Held to maturity securities						
Market Treasury Bills	1,193,121	-	1,193,121	1,631,150	-	1,631,150
Pakistan Investment Bonds	65,769,574	-	65,769,574	14,277,652	-	14,277,652
Term Finance Certificates	524,266	-	524,266	526,888	-	526,888
Pakistan Euro Bonds	3,176,300	-	3,176,300	2,582,702	-	2,582,702
Overseas Bonds	8,315,367	-	8,315,367	3,148,451	-	3,148,451
Sukuk Bonds	4,210,142	-	4,210,142	2,331,581	-	2,331,581
	83,188,770	-	83,188,770	24,498,424	-	24,498,424
Subsidiaries / Associates						
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited	345,052	-	345,052	-	-	-
IGI Money Market Fund	500,000	-	500,000	500,000	-	500,000
Alfalah GHP Value Fund	100,000	-	100,000	100,000	-	100,000
Alfalah GHP Income Multiplier Fund	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Islamic Fund	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Cash Fund	1,000,390	-	1,000,390	1,000,390	-	1,000,390
Alfalah GHP Sovereign Fund	200,000	-	200,000	-	-	-
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
Alfalah Securities (Private) Limited	826,000	-	826,000	826,000	-	826,000
	3,670,925	-	3,670,925	3,125,873	-	3,125,873
Investments at cost	294,082,183	30,253,481	324,335,664	220,426,189	4,608,632	225,034,821
Less: Provision for diminution in the value of investments	9.25	(6,216,757)	(6,216,757)	(6,130,860)	-	(6,130,860)
Investments (net of provisions)		287,865,426	318,118,907	214,295,329	4,608,632	218,903,961
Surplus on revaluation of held for trading securities - net	9.27	160,098	160,098	8,465	-	8,465
Surplus on revaluation of available for sale securities - net	20.2	5,994,801	6,040,449	766,647	11,296	777,943
Total investments		294,020,325	324,319,454	215,070,441	4,619,928	219,690,369

9.2 Strategic Investments	Note	2014 (Rupees in '000)	2013
Available for sale			
Fully paid up ordinary shares - Unlisted			
Al Hamra Avenue (Private) Limited (Percentage of holding: 3.12% (2013: 3.12%))	9.11	50,000	50,000
Warid Telecom (Private) Limited (Related Party) (Percentage of holding: 8.76% (2013: 8.76%))	9.11	4,366,796	4,366,796
Subsidiaries / Associates			
Alfalaha Insurance Limited (Percentage of holding: 30% (2013: 30%))	9.19	68,990	68,990
Alfalaha GHP Investment Management Limited (Percentage of holding: 40.22% (2013: 40.22%))	9.19	130,493	130,493
Alfalaha GHP Value Fund (Percentage of holding: 34.67% (2013: 33.26%))	9.19	100,000	100,000
Alfalaha GHP Income Multiplier Fund (Percentage of holding: 13.81% (2013: 41.66%))	9.19	250,000	250,000
Alfalaha GHP Islamic Fund (Percentage of holding: 87.18% (2013: 99.37%))	9.19	250,000	250,000
Sapphire Wind Power Company Limited (Percentage of holding: 30% (2013: nil))	9.19	345,052	-
Alfalaha Securities (Private) Limited (Percentage of holding: 97.18% (2013: 97.18%))	9.18	826,000	826,000
		6,387,331	6,042,279
Provision for diminution in the value of investments		(5,242,796)	(5,225,296)
		1,144,535	816,983

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. The overall exposure limit for equity investments prescribed by the SBP does not apply to these investments. 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	2014 (Rupees in '000)	2013
Federal Government Securities			
- Market Treasury Bills	9.5	61,488,674	116,529,419
- Pakistan Investment Bonds	9.6	183,830,414	31,957,994
- Overseas Government Bonds	9.7	11,353,583	3,974,888
- Sukuk Bonds	9.8	40,389,250	53,722,607
- Pakistan Euro Bond	9.9	3,176,300	2,582,702
		300,238,221	208,767,610

	Note	2014 (Rupees in '000)	2013
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.10	4,729,456	3,235,923
- 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	340,000	340,000
		9,604,908	8,111,375
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.14	549,080	468,449
- Un-listed TFCs	9.15	1,210,035	1,092,433
- Sukuk Bonds	9.16	6,339,973	1,803,971
- Overseas Bonds	9.17	2,722,522	1,665,110
		10,821,610	5,029,963
Investment in Subsidiaries / Associates	9.18 & 9.19	3,670,925	3,125,873
Total investments at cost		324,335,664	225,034,821
Provision for diminution in the value of investments	9.25	(6,216,757)	(6,130,860)
Investments (net of provisions)		318,118,907	218,903,961
Surplus on revaluation of held for trading securities - net	9.27	160,098	8,465
Surplus on revaluation of available for sale securities - net	20.2	6,040,449	777,943
Total investments		<u>324,319,454</u>	<u>219,690,369</u>

- 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 9.42% to 9.92% per annum (2013: 8.9% to 9.9% per annum) with maturities upto December 2015 (2013: November 2014).
- 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 9.00% to 12.00% per annum (2013: 8.00% to 12.00% per annum) with maturities from July 2015 to July 2024 (2013: April 2014 to July 2022). These also include PIBs having face value of Rs. 35 million (2013: 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 and the Government of Bangladesh amounting to USD 5 million (2013: nil), USD 3 million (2013: nil), AFN 2,414.07 million (2013: AFN 821.09 million) and BDT 4,932 million (2013: BDT 1,801.25 million) respectively. The rates of profit on Government of Bahrain bond is 5.5%, Government of Kazakhstan bond is 3.87% and Government of Afghanistan bond range from 3.56% to 7.1% per annum (2013: 3.40% to 5.92% per annum) while Government of Bangladesh bonds carry profit ranging from 8.57% to 12.55% per annum (2013: 10.6% to 12.55%). The bonds are due to mature by March 2020 (2013: nil), October 2024 (2013: nil), December 2015 (2013: December 2014) and November 2034 (2013: December 2032) respectively.

- 9.8 These represent sukuk bonds of Rs. 2,200.00 million (2013: 2,366.67 million) issued by Water and Power Development Authority (WAPDA) for a period of eight and ten years, ijarah sukuk of Rs. 36,410 million (2013: 51,355.94 million) issued by the State Bank of Pakistan for a period of three years and ijarah sukuk of USD 17.7 million (2013: nil) 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 9.47% to 9.98% per annum (2013: 8.84% to 11.30% per annum), between 9.47% to 9.98% per annum (2013: 8.99% to 9.98% per annum) and between 3.90% to 6.75% (2013: nil) respectively. These sukuk bonds are due to mature by October 2021, June 2017, September 2024, June 2020, and December 2019 respectively.
- 9.9 These represent Pakistan Euro Bonds of US Dollar 32.05 million (2013: 24.52 million) issued by the Government of Pakistan. These bonds carry interest range between 7.13% to 7.25% (2013: 7.13%) per annum with maturities upto April 2019 (2013: March 2016).

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

2014 (Number of shares / certificates / units)	2013 (Number of shares / certificates / units)		2014 (Rupees in '000)	2013 (Rupees in '000)
		MUTUAL FUNDS		
1,815,575	1,551,000	Meezan Balanced Fund	5,894	5,894
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
24,669,055	24,669,055	NAFA Income Opportunity Fund	250,805	250,805
15,000,000	15,000,000	Pak Oman Advantage Fund	150,000	150,000
600,000	600,000	Pak Oman Advantage Islamic Income Fund	30,000	30,000
580,218	504,951	Al-Ameen Islamic Income Fund (Formerly United Islamic Income Fund)	50,000	50,000
		OIL AND GAS		
1,223,100	1,195,000	Oil and Gas Development Corporation Limited	311,966	290,492
980,050	873,300	Pakistan Oilfields Limited	454,490	425,538
2,179,000	1,366,380	Pakistan Petroleum Limited	465,706	264,736
976,400	400,000	Pakistan State Oil Company Limited	363,591	119,539
163,100	-	Attock Petroleum Limited	88,078	-
		CHEMICALS		
1,948,333	1,948,333	Agritech Limited (Note 9.15.1)	22,737	22,737
700,000	360,000	Engro Corporation Limited	134,075	50,124
2,400,000	5,725,738	Fatima Fertilizer Company Limited	60,544	142,537
518,700	1,829,300	Fauji Fertilizer Company Limited	59,514	208,681
659,000	300,000	Fauji Bin Qasim Limited	27,629	12,508
		CONSTRUCTION AND MATERIALS		
954,500	1,900,000	D G Khan Cement Limited	83,384	146,969
1,000,000	850,000	Lucky Cement Limited	381,839	195,892
		PERSONAL GOODS		
800,000	684,700	Nishat Mills Limited	97,493	68,528
		ELECTRICITY		
4,550,000	4,700,000	The Hub Power Company Limited	249,590	259,944
1,600,000	500,000	Kot Addu Power Company Limited	98,997	25,638
5,767,000	4,083,911	Nishat (Chunian) Power Company Limited	190,480	126,245
5,422,500	1,000,098	Nishat Power Company Limited	164,780	23,778
2,203,706	-	Engro Powergen Qadirpur Limited	66,283	-
		BANKS		
510,000	-	Allied Bank Limited	56,100	-
7,737,700	2,275,000	Bank Al Habib Limited	304,288	71,662
435,700	400,000	MCB Bank Limited	121,068	106,542
1,710,000	1,200,000	United Bank Limited	274,133	137,134
566,200	-	Habib Bank Limited	115,992	-
		FINANCIAL SERVICES		
11,865	21,865	Visa Inc.	-	-
			<u>4,729,456</u>	<u>3,235,923</u>

9.11 Investments in unlisted companies

2014 (Number of shares)	2013		2014 (Rupees in '000)	2013 (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) Chief Executive: Mr. Muneer Farooqui Break-up value per share: Rs. 2.19 (2013: Rs. 1.89) Date of financial statements: June 30, 2014 (Audited)	4,366,796	4,366,796
			<u>4,426,617</u>	<u>4,426,617</u>

9.12 Investments in preference shares - Listed

2014 (Number of shares)	2013		2014 (Rupees in '000)	2013 (Rupees in '000)
10,883,486	10,883,486	Agritech Limited Chief Executive: Mr. Ahmed Jaudet Bilal Redemption: Any time after the issuance of preference shares Date of financial statements: June 30, 2013 (Audited)	108,835	108,835
			<u>108,835</u>	<u>108,835</u>

9.13 Investments in preference shares - Unlisted

2014 (Number of shares)	2013		2014 (Rupees in '000)	2013 (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. Break-up value per share: Rs. 2.39 (2013: Rs. 2.59) Date of financial statements : September 2014 (Unaudited) (Paid-up value of each share is Rs. 2.50)	300,000	300,000

2014 (Number of shares)	2013		2014 (Rupees in '000)	2013
1,500,000	1,500,000	First Dawood Investment Bank Limited 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. 1.00 (2013: Rs. 3.70) Date of financial statements: June 30, 2014 (Audited)	15,000	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. (16.02) (2013: Rs. (16.05)) Date of financial statements: June 30, 2014 (Audited)	25,000	25,000
			<u>340,000</u>	<u>340,000</u>

9.14 Particulars of Term Finance Certificates - Listed

Askari Bank Limited (3rd Issue)	449,100	449,280
90,000 (2013: 90,000) certificates of Rs. 5,000 each		
Mark up:	Average six months KIBOR plus 250 basis points (for one to five years) Average six months KIBOR plus 295 basis points (for six to ten years)	
Redemption:	This instrument is structured to redeem 0.32 percent of total issue amount in the first ninety six months after issuance i.e. September 28, 2009 and remaining issue amount in four equal semi-annual instalments of 24.92 percent each, starting from the 102nd month after the issuance. Liability to the TFCs holders is sub-ordinated to and rank inferior to all other indebtedness of the Bank including deposits and is not redeemable before maturity without prior approval of the State Bank of Pakistan.	
Maturity:	November 2019	
Rating:	AA- (PACRA)	
Chief Executive:	Mr. Syed Majeedullah Husaini	
NIB Bank Limited - (2nd Issue)	99,980	-
20,000 (2013: Nil) 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	
Allied Bank Limited	-	19,169
Nil (2013: 7,686) certificates of Rs. 5,000 each		
	<u>549,080</u>	<u>468,449</u>

	2014	2013
	(Rupees in '000)	
9.15 Particulars of Term Finance Certificates - Unlisted		
Askari Bank Limited	100,000	-
20,000 (2013: nil) 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 indebtedness 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	149,760	149,820
30,000 (2013: 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 indebtedness of the issuer including deposits.		
Maturity: December 2017		
Rating: AA- (JCR-VIS)		
Chief Executive: Mr. Nauman Ansari		
Bank AL Habib Limited	299,580	299,760
60,000 (2013: 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		

	2014	2013
	(Rupees in '000)	
Agritech Limited	499,586	499,586
100,000 (2013: 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. Ahmed Jaudet Bilal	
Zulaikha Textile Mills Limited (Formerly Khunja Textile Mills Limited)	24,680	27,302
300 (2013: 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:	Mr. Muhammad Ramzan	
Azgard Nine Limited - Note 9.15.1	43,350	43,350
20,000 (2013: 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 (2013: 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	
Gharibwal Cement - Note 9.15.3	-	8,120
Nil (2013: 1643) certificates of Rs. 5,000 each		
New Allied Electronics - Note 9.15.3	2,185	2,185
437 (2013: 437) certificates of Rs. 5,000 each		
Mark up:	Average three months KIBOR + 275 basis points	
Redemption:	17 equal quarterly instalments	
Maturity:	May 15, 2011	
Rating:	Unrated	
Chief Executive:	Mr. Zeeshan Pervaiz Akhtar	

	2014	2013
	(Rupees in '000)	
Financial Receivables Securitization Company Limited	-	7,940
Nil (2013: 15,792) certificates of Rs. 5,000 each		
Flying Board & Paper Products - Note 9.15.3	6,990	21,500
1,500 (2013: 4,300) certificates of Rs. 5,000 each		
Mark up: 8% percent annum		
Redemption: Redemption will be made in six monthly instalments.		
Maturity: February 2015		
Rating: Unrated		
Chief Executive: Mr. Kamran Khan		
Fauji Akber Portia Marine Terminals Limited (FAP) - Note 19.15.4	51,034	-
513,042 (2013: nil) certificates of Rs. 100 each		
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		
	<u>1,210,035</u>	<u>1,092,433</u>

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.

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, 2014, this investment is fully provided.

9.15.3 The Bank received unlisted TFCs of Gharibwal Cement amounting to Rs 8.120 million and New Allied Electronics amounting to Rs. 2.185 million, and unlisted TFCs of Flying Board and Paper Products amounting to Rs. 21.5 million in the year 2012. These TFCs have been received in lieu of the unlisted TFCs of First Dawood Investment Bank previously held amounting to Rs. 30 million, which were fully provided for. The excess principal amount recovered was adjusted against outstanding mark-up receivable. TFC of new allied electronics are fully provided and TFCs of Gharibwal Cement have been settled during the year. Further, reversal of Rs. 21.5 million has been made in provision booked against TFCs of Flying Board and Paper Products due to restructuring agreement entered into during the year.

9.15.4 During the year, the Bank received zero rated TFCs of Fauji Akbar Portia Marine Terminal Limited (FAP) amounting to 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. The exposure in the TFCs is fully provided as at December 31, 2014.

9.16 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Number of Certificates	2014	2013
(Rupees in '000)					
Security Leasing Corporation Limited - II	September 2022	1 month KIBOR	35,000	52,350	55,906
Kohat Cement Company Limited	September 2016	3 months KIBOR plus 2.50 percent	20,000	-	11,042
Sitara Energy Limited (Note 9.16.1)	May 2015	3 months KIBOR plus 1.70 percent	-	3,155	15,852
BRR Guardian Modaraba	December 2016	1 months KIBOR	20,000	68,125	80,938
K.S. Sulemanji Esmailji & Sons (Private) Limited	June 2014	3 months KIBOR plus 1.40 percent	20,000	-	17,015
Sitara Peroxide (Private) Limited	February 2020	3 months KIBOR plus 1.00 percent	60,000	198,654	237,119
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00 percent	100,000	396,567	430,517
Amreli Steel (Private) Limited	December 2016	3 months KIBOR plus 2.50 percent	50,000	190,000	210,000
Security Leasing Corporation Limited - I	January 2022	3 percent cash + 3 percent accrual	5,000	6,418	6,841
Engro Corporation Limited	September 2015	6 months KIBOR plus 1.50 percent	69,545	336,670	336,670
Quetta Textile Mills Limited	June 2015	6 months KIBOR plus 1.50 percent	30,000	82,759	107,586
Pakistan Mobile Communication Limited (Note 9.16.2)	December 2019	3 months KIBOR plus 1.97 percent	-	739,130	-
Sui Southern Gas Company Limited	October 2019	3 months KIBOR plus 40 BPS	300,000	1,500,000	-
Ghani Glass Limited	December 2017	3 months KIBOR plus 1.75 percent	70,000	248,595	294,485
TF Varlik Kiralama AS	April 2019	4.9 percent	3,000	306,920	-
Kuveyt Turk Katilim Bankasi	June 2019	5.16 percent	5,000	502,416	-
Albaraka Turk Katilim Bankasi	June 2019	6.25 percent	17,000	1,708,214	-
				<u>6,339,973</u>	<u>1,803,971</u>

9.16.1 This represent advance payment to Sitara Energy Limited. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2014.

9.16.2 This represent advance payment to Pakistan Mobile Communication Limited. The Bank has committed to make further sukuk purchase amounting to Rs. 960.87 million. The relevant sukuks certificates will be issued to the Bank after disbursement of the full amount.

- 9.17 These represent overseas bonds amounting to BDT Nil (2013: BDT 60 million), US Dollar 15 million (2013: 15.038 million), US Dollar 12.15 million (2013: US Dollar nil) issued by Orascom Telecom, Abu Dhabi Commercial Bank and Qatar National Bank, TC ZIRRAT Bankasi A.S, Turkey Halk Bankasi, Syndicate Bank, RAK Funding Cayman Limited, Turkey IS Bankasi A.S and Turkiye Garanti Bankasi A.S respectively. These bonds carry interest Nil (2013: 13.50% per annum), 1.48% to 1.53% per annum (2013: 1.49% to 1.54% per annum) and ranging 3.25% to 5.00% per annum (2013: Nil) are due for maturity upto January 2017 (2013: March 2016) and June 2021 (2013: nil) respectively.

9.18 Particulars of investment in Alfalah Securities (Private) Limited

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

2014 (Number of shares / units)	2013 (Number of shares / units)		2014 (Rupees in '000)	2013 (Rupees in '000)
82,600,000	82,600,000	Alfalah Securities (Private) Limited Percentage of holding: 97.18% (2013: 97.18%) Break-up value per share: Rs. (0.3) (2013: Rs. (0.061)) Date of Audited financial statements: December 31, 2014 Chief Executive: Nasim Ahmed	826,000	826,000
			826,000	826,000

9.19 Particulars of investments in other subsidiaries / associates

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

2014 (Number of shares / units)	2013 (Number of shares / units)		2014 (Rupees in '000)	2013 (Rupees in '000)
8,998,695	8,998,695	Alfalah Insurance Limited Percentage of holding: 30% (2013: 30%) Break-up value per share: Rs. 23.67 (2013: Rs. 19.56) Date of Un-audited financial statements: December 31, 2014 Chief Executive: Mr. Nasar us Samad Qureshi	68,990	68,990
13,049,070	13,049,070	Alfalah GHP Investment Management Limited Percentage of holding: 40.22% (2013: 40.22%) Break-up value per share: Rs. 14.11 (2013: Rs. 11.63) Date of un-audited financial statements: December 31, 2014 Chief Executive: Ms. Maheen Rehman	130,493	130,493
2,889,739	2,889,739	Alfalah GHP Value Fund Percentage of holding: 34.67% (2013: 33.26%) NAV per unit: Rs. 60.38 (2013: Rs. 59.52) Date of reviewed financial statements: December 31, 2014 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	100,000	100,000
5,481,236	5,481,236	Alfalah GHP Income Multiplier Fund Percentage of holding: 13.81% (2013: 41.66%) NAV per unit: Rs. 51.60 (2013: Rs. 49.65) Date of reviewed financial statements: December 31, 2014 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	250,000
5,590,077	5,590,077	Alfalah GHP Islamic Fund Percentage of holding: 87.18% (2013: 99.37%) NAV per unit: Rs. 58.68 (2013: Rs. 64.83) Date of reviewed financial statements: December 31, 2014 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	250,000

2014 (Number of shares / units)	2013		2014 (Rupees in '000)	2013
2,000,739	2,000,739	Alfalsh GHP Cash Fund Percentage of holding: 43.99% (2013: 41.49%) NAV per unit: Rs. 524.12 (2013: Rs. 500.52) Date of reviewed financial statements: December 31, 2014 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 500)	1,000,390	1,000,390
1,978,187	-	Alfalsh GHP Sovereign Fund Percentage of holding: 6.24% (2013: nil) NAV per unit: Rs. 109.05 Date of reviewed financial statements: December 31, 2014 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	200,000	-
34,505,200	-	Sapphire Wind Power Company Limited Percentage of holding: 30% (2013: nil) Break-up value per share: Rs. 9.00 Date of audited financial statements: June 30, 2014 Chief Executive: Nadeem Abdullah	345,052	-
5,165,658	4,974,327	IGI Money Market Fund Percentage of holding: 16.18% (2013: 17.42%) NAV per unit: Rs. 105.31 (2013: 100.54) Date of reviewed financial statements: December 31, 2014 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	500,000	500,000
			<u>2,844,925</u>	<u>2,299,873</u>

9.20 An extract of the audited balance sheet of the Bank's subsidiary Alfalah Securities (Private) Limited as at December 31, 2014 and the profit and loss account for the year ended December 31, 2014 are as follows:

	2014 Audited (Rupees in '000)	2013 Audited (Rupees in '000)
BALANCE SHEET		
Non-current assets		
Property and equipment	515	895
Intangible assets	4,926	6,438
Investment in Karachi Stock Exchange Limited	40,074	40,074
	<u>45,515</u>	<u>47,407</u>
Current assets		
Trade debts - unsecured - considered good	4,518	6,714
Advances	141	267
Deposits and prepayments	8,833	9,834
Advance taxation - net	4,392	5,112
Cash and bank balances	814	6,644
	<u>18,698</u>	<u>28,571</u>
Total assets	<u>64,213</u>	<u>75,978</u>
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised capital: 100,000,000 (2013: 100,000,000) ordinary shares of Rs. 10 each	<u>1,000,000</u>	<u>1,000,000</u>

	2014 Audited (Rupees in '000)	2013 Audited (Rupees in '000)
Issued, subscribed and paid-up share capital	850,000	850,000
Accumulated losses	(887,953)	(867,679)
Unrealised gain on re-measurement of investment	12,467	12,467
	(25,486)	(5,212)
Surplus on revaluation of intangible assets	1,533	1,533
	(23,953)	(3,679)
Liabilities		
Non-current liabilities		
Long term loan from holding company	59,793	54,302
Rent payable to holding company	9,263	7,959
Deferred liability - gratuity	787	907
	69,843	63,168
Current liabilities		
Trade payables, accrued expenses and other liabilities	18,323	16,489
Total equity and liabilities	<u>64,213</u>	<u>75,978</u>

	For the year ended December 31, 2014 2013 (Rupees in '000)	
PROFIT AND LOSS ACCOUNT		
INCOME		
Brokerage revenue	1,584	5,420
Other operating income	1,272	9,356
	2,856	14,776
EXPENSES		
Operating and administrative expenses	(11,435)	(18,416)
(Charge) / reversal against provision for doubtful debts	(3,759)	222
Impairment against membership card	(1,511)	(4,500)
	(16,705)	(22,694)
Financial charges	(3,319)	(3,066)
Loss before taxation	(17,168)	(10,984)
Taxation	(937)	(589)
Loss after taxation	<u>(18,105)</u>	<u>(11,573)</u>
	(Rupees)	
Loss per share - basic and diluted	<u>(0.21)</u>	<u>(0.14)</u>

- 9.21 The financial statements of the subsidiary company as at December 31, 2014 were audited by its statutory auditors who have expressed an unqualified opinion thereon with emphasis of matter paragraphs drawing attention to the fact that the financial position of the Company indicates existence of material uncertainty that may cast significant doubts about the Company's ability to continue as a going concern.
- 9.22 The annual audited financial statements of the subsidiary are available for inspection at the registered office of the Bank, and would be available to the members on request without any cost.

9.23 Particulars of Assets and Liabilities of other Subsidiaries / Associates	2014 (Rupees in '000)	2013
Alfalah Insurance Limited		
Date of un-audited financial statements: December 31, 2014		
Assets	2,179,843	1,837,909
Liabilities	1,469,511	1,251,053
Revenue	150,547	126,637
Profit for the year	123,058	102,577
Alfalah GHP Value Fund		
Date of reviewed financial statements: December 31, 2014		
Assets	521,212	530,397
Liabilities	17,961	13,243
Revenue	54,149	62,880
Profit for the six months period	44,711	36,154
Alfalah GHP Income Multiplier Fund		
Date of reviewed financial statements: December 31, 2014		
Assets	2,066,981	659,906
Liabilities	19,510	6,666
Revenue	161,200	24,010
Profit for the six months period	141,228	14,132
Alfalah GHP Islamic Fund		
Date of reviewed financial statements: December 31, 2014		
Assets	389,317	375,047
Liabilities	13,086	10,353
Revenue	34,157	43,738
Profit for the six months period	27,562	31,538
Alfalah GHP Cash Fund		
Date of reviewed financial statements: December 31, 2014		
Assets	2,413,648	2,435,262
Liabilities	29,827	21,664
Revenue	127,951	136,755
Profit for the six months period	97,614	110,846
Alfalah GHP Sovereign Fund		
Date of reviewed financial statements: December 31, 2014		
Assets	3,473,259	-
Liabilities	15,756	-
Revenue	147,819	-
Profit for the six months period	270,622	-
Alfalah GHP Investment Management Limited - Un-audited		
Date of un-audited financial statements: December 31, 2014		
Assets	537,886	434,462
Liabilities	80,098	42,934
Revenue	195,046	93,624
Profit for the six months period	66,261	18,038
Sapphire Wind Power Company Limited		
Date of audited financial statements: June 30, 2014		
Assets	995,101	109,659
Liabilities	120,161	16,543
Pre Operating Expense	28,613	42,249
Loss for the year	28,613	42,249
IGI Money Market Fund		
Date of reviewed financial statements: December 31, 2014		
Assets	3,394,276	2,878,300
Liabilities	31,696	7,530
Revenue	159,631	117,380
Profit for the six months period	140,708	101,841

9.24 Quality of available for sale securities

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2014	2013	2014	2013		
	------(Rupees in '000)-----					
Market Treasury Bills	45,126,733	108,508,586	45,101,201	108,654,760	(Unrated - Government Securities)	
Pakistan Investment Bonds	120,129,862	17,386,796	115,155,312	17,680,342	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited	100,000	-	100,000	-	AA	JCR-VIS
Askari Bank Limited (3rd Issue)	440,451	455,977	449,100	449,280	AA-	PACRA
NIB Bank Limited (2nd Issue)	98,563	-	99,980	-	A+	PACRA
Allied Bank Limited	-	19,257	-	19,169	AA+	PACRA
Faysal Bank Limited	156,691	156,910	149,760	149,820	AA	PACRA
Bank Al-Habib Limited	343,528	322,818	299,580	299,760	AA+	PACRA
Gharibwal Cement Limited	-	Not Applicable	-	8,120	------(Unrated)-----	
Financial Receivables Securitisation Company Limited "A"	-	Not Applicable	-	3,847	------(Unrated)-----	
Financial Receivables Securitisation Company Limited "B"	-	Not Applicable	-	4,093	------(Unrated)-----	
Flying Board & Paper Products *	Not Applicable	Not Applicable	6,990	21,500	------(Unrated)-----	
New Allied Electronics *	Not Applicable	Not Applicable	2,185	2,185	------(Unrated)-----	
Fauji Akbar Portia Marine Terminals Limited *	Not Applicable	-	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)-----	
	1,139,233	954,962	1,234,849	1,033,994		

* 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	15,100	24,685	22,737	22,737	------(Unrated)-----	
Allied Bank Limited	57,926	-	56,100	-	AA+	PACRA
Attock Petroleum Limited	88,006	-	88,078	-	------(Unrated)-----	
Bank Al Habib Limited	375,665	94,526	304,288	71,662	AA+	PACRA
Engro Corporation Limited	155,057	57,017	134,075	50,124	AA-	PACRA
Engro Powergen Qadirpur Limited	90,683	-	66,283	-	------(Unrated)-----	
Fatima Fertilizer Limited	85,848	163,527	60,544	142,537	AA-	PACRA
Fauji Fertilizer Company Limited	60,745	204,808	59,514	208,681	------(Unrated)-----	
Kot Addu Power Company Limited	126,304	30,875	98,997	25,638	AA+	JCR-VIS
Fauji Bin Qasim Limited	29,793	13,143	27,629	12,508	------(Unrated)-----	
Lucky Cement Limited	500,280	254,890	381,839	195,892	------(Unrated)-----	
DG Khan Cement Limited	105,501	162,887	83,384	146,969	------(Unrated)-----	
Habib Bank Limited	122,446	-	115,992	-	AAA	JCR-VIS
MCB Bank Limited	133,172	112,468	121,068	106,542	AAA	PACRA
Meezan Balanced Fund	26,054	22,024	5,894	5,894	------(Unrated)-----	
Meezan Islamic Income Fund	50,757	49,405	50,000	50,000	A-(f)	JCR-VIS
NAFA Income Opportunity Fund	275,428	261,739	250,805	250,805	A-(f)	PACRA
Nishat (Chunian) Power Company Limited	285,755	142,038	190,480	126,245	A+	JCR-VIS
Nishat Mills Limited	96,792	87,121	97,493	68,528	AA	PACRA
Nishat Power Company Limited	247,266	30,063	164,780	23,778	A+	PACRA
Oil and Gas Development Corporation	251,800	330,250	311,966	290,492	AAA	JCR-VIS
Pak Oman Advantage Fund	148,500	112,500	150,000	150,000	A+(f)	PACRA
Pak Oman Advantage Islamic Income Fund	31,860	31,447	30,000	30,000	AA-(f)	PACRA
Pakistan Oilfields Limited	371,792	434,650	454,490	425,538	------(Unrated)-----	
Pakistan Petroleum Limited	384,637	292,351	465,706	264,736	------(Unrated)-----	
Pakistan State Oil Company Limited	349,463	132,888	363,591	119,539	AA+	PACRA
The Hub Power Company Limited	356,538	285,384	249,590	259,944	AA+	PACRA
United Bank Limited	302,174	159,060	274,133	137,134	AA+	JCR-VIS
Al-Ameen Islamic Income Fund (Formerly United Islamic Income Fund)	57,616	51,202	50,000	50,000	BBB+	JCR-VIS
Visa Shares	312,602	512,815	-	-	------(Unrated)-----	
	5,495,560	4,053,763	4,729,456	3,235,923		

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2014	2013	2014	2013		
------(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	15,000	------(Unrated)-----	
Trust Investment Bank Limited	Not Applicable		25,000	25,000	------(Unrated)-----	
			340,000	340,000		
Overseas Bonds						
Kingdom of Bahrain Bond	537,886	-	548,510	-	BBB	Fitch
Kazakistan Sovereign Bond	283,239	-	295,910	-	BBB+	Fitch
Qatar National Bank Finance Limited	507,004	-	503,238	-	A+	Fitch
Abu Dhabi Commercial Bank Cayman Limited	1,014,008	-	1,006,476	-	A+	Fitch
TC Zirrat Bankasi A.S	251,477	-	250,281	-	BBB	Fitch
Turkiye Halk Bankasi	50,846	-	50,212	-	BBB-	Fitch
Syndicate Bank	50,177	-	50,242	-	BBB-	S&P
RAK Funding Cayman Limited	203,307	-	199,650	-	BBB+	Fitch
Turkiye IS Bankasi A.S	304,831	-	297,742	-	BBB	Fitch
Turkiye Garanti Bankasi A.S	371,145	-	364,681	-	BBB-	Fitch
Corporate Euro Bonds	-	1,583,224	-	1,583,831	------(Unrated)-----	
	3,573,920	1,583,224	3,566,942	1,583,831		
Sukuk Bonds						
Pakistan Sukuk Bond 19	793,616	-	803,865	-	B-	S&P
Pakistan Sukuk Bond 20	69,441	-	68,940	-	B-	S&P
Ijarah Sukuk Bonds	908,538	-	906,479	-	------(Unrated)-----	
TF Varlik Kiralama AS	313,204	-	306,920	-	BBB	Fitch
Kuveyt Turk Katilim Bankasi	523,391	-	502,416	-	BBB	Fitch
Albaraka Turk Katilim Bankasi	1,722,287	-	1,708,213	-	BBB	Fitch
GoP - Ijarah Bonds VII	-	12,566,321	-	12,561,440	------(Unrated)-----	
GoP - Ijarah Bonds VIII	-	8,445,360	-	8,412,039	------(Unrated)-----	
GoP - Ijarah Bonds IX	5,006,500	479,513	5,004,139	475,000	------(Unrated)-----	
GoP - Ijara Sukuk X	4,006,800	3,538,850	4,003,362	3,502,210	------(Unrated)-----	
GoP - Ijara Sukuk XI	5,012,500	5,054,500	5,000,000	5,000,000	------(Unrated)-----	
GoP - Ijara Sukuk XII	9,823,520	9,910,740	9,804,356	9,808,898	------(Unrated)-----	
GoP - Ijara Sukuk XIII	4,108,610	4,150,431	4,099,501	4,098,952	------(Unrated)-----	
GoP - Ijara Sukuk XIV	7,481,323	7,543,282	7,466,230	7,467,302	------(Unrated)-----	
GoP - Sukuk	30,172	30,440	30,100	30,100	------(Unrated)-----	
Wapda Sukuk III	1,823,454	1,700,000	1,700,000	1,700,000	------(Unrated)-----	
Security Leasing Corporation Limited I	6,418	6,841	6,418	6,841	------(Unrated)-----	
Security Leasing Corporation Limited II	23,105	24,629	23,105	24,629	------(Unrated)-----	
Quetta Textile Mills limited	82,759	107,586	82,759	107,586	------(Unrated)-----	
	41,735,638	53,558,493	41,516,803	53,194,997		

	2014	2013
	(Rupees in `000)	
9.25 Particulars of provision for diminution in value of investments - net		
Opening balance	6,130,860	6,123,518
Charge for the year	130,043	392,366
Reversals during the year	(44,146)	(297,569)
	85,897	94,797
Provision written off during the year	-	(87,455)
Closing balance	<u>6,216,757</u>	<u>6,130,860</u>
9.26 Particulars of provision for diminution in value of investments by type and segment		
Available for sale securities		
Listed companies / mutual funds		
- Fully paid up ordinary shares		
- Agritech Limited	7,637	-
- Preference shares		
- Agritech Limited	108,835	108,835
Unlisted companies		
- Fully paid up ordinary shares of Rs. 10 each		
- Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
- Al-Hamra Hills (Private) Limited	-	-
- Al-Hamra Avenue (Private) Limited	50,000	32,500
- Warid Telecom (Private) Limited (Related party)	4,366,796	4,366,796
Unlisted securities		
- Term finance certificates / sukuk bonds		
- Azgard Nine Limited	76,220	76,220
- Flying Board & Paper Products	-	21,500
- Security Leasing Corporation Limited I	6,418	6,841
- Security Leasing Corporation Limited II	23,105	24,629
- Gharibwal Cement	-	8,120
- New Allied Electronics	2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited	51,034	-
- Preference shares		
- First Dawood Investment Bank Limited	15,000	15,000
- Trust Investment Bank Limited	25,000	25,000
Held to maturity securities		
Unlisted securities		
- Term finance certificates / sukuk bonds		
- Agritech Limited	465,000	465,000
- BRR Guardian Modaraba	20,234	20,234
- Security Leasing Corporation Limited	29,245	31,276
- Sitara Peroxide (Private) Limited	113,643	59,771
- Sitara Energy Limited	-	7,926
- Zulekha Textile Mills (formerly Khunja Textile Mills Limited)	24,680	27,302
Investment in subsidiary company		
Unlisted company		
- Fully paid up ordinary shares of Rs. 10 each		
- Alfalah Securities (Private) Limited	826,000	826,000
	<u>6,216,757</u>	<u>6,130,860</u>

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

	Unrealised gain / (loss)		Cost	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Market Treasury Bills	(1,531)	4,843	15,194,352	6,243,509
Pakistan Investment Bonds	54,186	-	2,905,528	-
Overseas Bonds	106,622	3,622	2,193,796	907,716
Sukuk Bonds	821	-	1,002,278	-
	<u>160,098</u>	<u>8,465</u>	<u>21,295,954</u>	<u>7,151,225</u>

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		272,433,191	237,699,611
Outside Pakistan		<u>12,957,433</u>	<u>13,900,374</u>
		285,390,624	251,599,985
Net investment in finance lease			
In Pakistan	10.2	<u>3,720,506</u>	<u>4,363,579</u>
Outside Pakistan		<u>-</u>	<u>-</u>
		3,720,506	4,363,579
Assets under Ijarah (IFAS-2)	10.3	5,474,603	4,760,623
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		<u>5,799,128</u>	<u>10,508,954</u>
Payable outside Pakistan		<u>4,463,186</u>	<u>2,594,156</u>
		10,262,314	13,103,110
	10.1	<u>304,848,047</u>	<u>273,827,297</u>
Provision against advances			
Specific provision against non-performing loans and advances	10.5	<u>(13,601,307)</u>	<u>(12,441,472)</u>
General provision against advances	10.5	<u>(649,503)</u>	<u>(605,975)</u>
		(14,250,810)	(13,047,447)
		<u>290,597,237</u>	<u>260,779,850</u>

10.1 Particulars of advances - gross of provisions

In local currency	269,311,559	245,502,627
In foreign currencies	<u>35,536,488</u>	<u>28,324,670</u>
	<u>304,848,047</u>	<u>273,827,297</u>
Short term (upto one year)	204,669,071	173,340,470
Long term (over one year)	<u>100,178,976</u>	<u>100,486,827</u>
	<u>304,848,047</u>	<u>273,827,297</u>

10.2 Net investment in finance lease

	2014				2013			
	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	1,334,355	1,400,490	-	2,734,845	1,599,326	1,585,347	-	3,184,673
Residual value	760,119	531,756	-	1,291,875	936,498	601,945	-	1,538,443
Minimum lease payments	2,094,474	1,932,246	-	4,026,720	2,535,824	2,187,292	-	4,723,116
Financial charges for future periods	(132,581)	(173,633)	-	(306,214)	(234,915)	(124,622)	-	(359,537)
Present value of minimum lease payments	<u>1,961,893</u>	<u>1,758,613</u>	-	<u>3,720,506</u>	<u>2,300,909</u>	<u>2,062,670</u>	-	<u>4,363,579</u>

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

	-----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
-----2013-----					
Asset categories					
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	----- (Rupees in '000) -----				
At January 1, 2013					
Cost	5,370,083	832,989	612,414	91,930	6,907,416
Accumulated depreciation	(1,364,696)	(399,621)	(278,208)	(72,772)	(2,115,297)
Net book value	4,005,387	433,368	334,206	19,158	4,792,119
Year ended December 31, 2013					
Opening net book value	4,005,387	433,368	334,206	19,158	4,792,119
Additions	1,889,986	213,864	185,376	-	2,289,226
Disposals					
Cost	(1,503,751)	(208,274)	(145,448)	-	(1,857,473)
Accumulated depreciation	493,987	135,562	121,514	-	751,063
	(1,009,764)	(72,712)	(23,934)	-	(1,106,410)
Depreciation	(900,246)	(164,814)	(143,908)	(5,344)	(1,214,312)
Closing net book value	3,985,363	409,706	351,740	13,814	4,760,623
At December 31, 2013					
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

c) Future Ijarah payments receivable

	2014	2013
	(Rupees in '000)	
Not later than one year	1,954,346	1,359,728
Later than one year and not later than five years	3,520,257	4,353,019
	5,474,603	5,712,747

10.4 Advances include Rs. 19,412 million (2013: Rs. 17,947 million) which have been placed under non-performing status as detailed below:

Category of Classification	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned (Agri Financing)	169,364	-	169,364	6,756	-	6,756	6,756	-	6,756
Substandard	4,043,560	-	4,043,560	987,640	-	987,640	987,640	-	987,640
Doubtful	1,877,474	1,325	1,878,799	885,009	662	885,671	885,009	662	885,671
Loss	12,607,501	713,039	13,320,540	11,155,119	566,121	11,721,240	11,155,119	566,121	11,721,240
	<u>18,697,899</u>	<u>714,364</u>	<u>19,412,263</u>	<u>13,034,524</u>	<u>566,783</u>	<u>13,601,307</u>	<u>13,034,524</u>	<u>566,783</u>	<u>13,601,307</u>

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

10.4.1 This includes exposure of Rs.765.136 million which includes term finance and current finance facility of Agritech Limited, against which a provision of Rs 657.118 has been carried till date. Further provision against this exposure has been deferred up till December 31, 2015 under a permission by State Bank of Pakistan vide its Letter No. BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 108 million and the profit before taxation would have been lower by the same amount.

10.5 Particulars of provisions against non-performing loans and advances

Note	2014			2013		
	Specific	General	Total	Specific	General	Total
Opening balance	12,441,472	605,975	13,047,447	13,871,515	541,119	14,412,634
Exchange adjustment and other movements	(25,754)	(5,212)	(30,966)	23,464	6,560	30,024
Charge for the year	3,281,110	48,740	3,329,850	3,329,405	58,296	3,387,701
Reversals / recoveries during the year	(1,881,919)	-	(1,881,919)	(2,433,138)	-	(2,433,138)
	1,399,191	48,740	1,447,931	896,267	58,296	954,563
Amounts written off	10.6.1	(213,602)	-	(213,602)	-	(2,349,774)
Closing balance	<u>13,601,307</u>	<u>649,503</u>	<u>14,250,810</u>	<u>12,441,472</u>	<u>605,975</u>	<u>13,047,447</u>

10.5.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2014 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 747.957 million (2013: Rs. 1,355.810 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

	2014			2013		
	Specific	General	Total	Specific	General	Total
In local currency	13,034,524	550,800	13,585,324	11,910,334	497,355	12,407,689
In foreign currencies	566,783	98,703	665,486	531,138	108,620	639,758
	<u>13,601,307</u>	<u>649,503</u>	<u>14,250,810</u>	<u>12,441,472</u>	<u>605,975</u>	<u>13,047,447</u>

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.

	2014	2013
	(Rupees in '000)	
10.6 Particulars of write-offs		
10.6.1 Against provisions	213,602	2,349,774
Directly charged to profit and loss account	5	4,288
	<u>213,607</u>	<u>2,354,062</u>
10.6.2 Write offs of Rs. 500,000 and above	98,869	651,560
Write offs of below Rs. 500,000	114,738	1,702,502
	<u>213,607</u>	<u>2,354,062</u>
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, 2014 is given in Annexure-I.

	Note	2014	2013
		(Rupees in '000)	
10.8 Particulars of loans and advances to directors, executives, associated companies, etc.			
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		4,848,070	4,597,155
- Loans granted during the year		1,834,479	1,611,831
- Repayments during the year		(1,543,494)	(1,360,916)
- Balance at end of the year		<u>5,139,055</u>	<u>4,848,070</u>
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		3,622,533	2,607,770
- Loans granted during the year		10,876,799	11,416,302
- Repayments during the year		(10,463,256)	(10,401,539)
- Balance at end of the year		<u>4,036,076</u>	<u>3,622,533</u>
Debts due by subsidiary company, controlled firms, managed modarabas and other related parties			
- Balance at beginning of the year		30,000	24,933
- Loans granted during the year		-	179,250
- Repayments during the year		-	(174,183)
- Balance at end of the year		<u>30,000</u>	<u>30,000</u>
Total		<u>9,205,131</u>	<u>8,500,603</u>
11 OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	1,134,085	1,017,886
Property and equipment	11.2	13,828,003	13,341,596
Intangible assets	11.3	778,012	475,718
		<u>15,740,100</u>	<u>14,835,200</u>

2014
(Rupees in '000)

11.1 Capital work-in-progress

Civil works	345,190	556,201
Equipment / intangibles	243,334	343,996
Advances to suppliers and contractors	541,206	235,006
Others	19,680	5,278
Provision against capital work-in-progress	(15,325)	(122,595)
	<u>1,134,085</u>	<u>1,017,886</u>

11.2 Property and equipment

Description	2014							Rate of depreciation %
	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	
------(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%
	<u>23,122,200</u>	<u>2,616,135</u> (601,057) * (66,608)	<u>25,070,670</u>	<u>9,780,604</u>	<u>1,636,518</u> (120,671) * (53,784)	<u>11,242,667</u>	<u>13,828,003</u>	

2013								
Description	Cost / revaluation as at January 1, 2013	Additions / (disposals) / *adjustments	Cost / Revaluation as at December 31, 2013	Accumulated depreciation as at January 1, 2013	Depreciation for the year / (on disposal) / *adjustments	Accumulated depreciation as at December 31, 2013	Net book value as at December 31, 2013	Rate of depreciation %
------(Rupees in `000)-----								per annum
Office premises	5,014,646	220,051 (39,031) * -	5,195,666	-	79,574 (917) * -	78,657	5,117,009	2.5%
Revaluation	3,956,580	- (6,498) * -	3,950,082	-	54,408 -	54,408	3,895,674	2.5% - 5%
	8,971,226	220,051 (45,529) * -	9,145,748	-	133,982 (917) * -	133,065	9,012,683	
Lease hold improvements	3,236,603	410,825 (50,119) * 11,853	3,609,162	2,163,161	224,422 (44,343) * 5,270	2,348,510	1,260,652	10% - 20%
Furniture and fixtures	1,790,433	142,008 (12,410) * 7,917	1,927,948	941,441	171,872 (7,472) * 4,232	1,110,073	817,875	10% - 25%
Office equipment	6,829,077	1,282,258 (68,831) * 25,686	8,068,190	5,259,607	798,965 (65,889) * 15,013	6,007,696	2,060,494	20% - 25%
Vehicles	284,623	121,937 (37,617) * 2,209	371,152	165,224	49,127 (37,512) * 4,421	181,260	189,892	25%
	21,111,962	2,177,079 (214,506) * 47,665	23,122,200	8,529,433	1,378,368 (156,133) * 28,936	9,780,604	13,341,596	

11.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 3,984 million (2013: Rs. 4,078 million)

11.2.2 Office premises were last revalued on December 30, 2012 on the basis of market values determined by MYK Associates (Private) Limited. Had there been no revaluation, the net book value of the office premises would have been Rs. 4,971.334 million (2013: Rs. 5,117.009 million).

11.3 Intangible assets

	2014							
	Cost			Accumulated Amortisation			Book value as at December 31, 2014	Rate of amortisation %
	As at January 1, 2014	Additions/ (deletions)/ *adjustment	As at December 31, 2014	As at January 1, 2014	Amortisation (deletions) / *adjustment	As at December 31, 2014		
	------(Rupees in '000)-----							per annum
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)			
	2013							
	Cost			Accumulated Amortisation			Book value as at December 31, 2013	Rate of amortisation %
	As at January 1, 2013	Additions/ (deletions)/ *adjustment	As at December 31, 2013	As at January 1, 2013	Amortisation (deletions) / *adjustment	As at December 31, 2013		

11.3.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 390.495 million (2013: Rs. 361.689 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)-----					
Land & Building						
Freehold Land	20,157	-	20,157	50,000	Negotiation	Mr. Bilal Hussain
Freehold Land	5,798	-	5,798	5,988	Under Land	Lahore Development Authority
	25,955	-	25,955	55,988	Acquisition Act	
Freehold Land & Building	89,865	116	89,749	150,700	Negotiation	M/s Engineering Concern, Lahore
Freehold Land & Building	357,373	1,140	356,233	415,000	Negotiation	M/s Fashion Square (Pvt.) Ltd.
	447,238	1,256	445,982	565,700		
Leasehold Improvements						
Civil & Electrical Works	3,031	3,031	-	-	Write Off	N/A
Civil & Electrical Works	3,105	3,105	-	-	Write Off	N/A
Civil & Electrical Works	1,268	1,268	-	-	Write Off	N/A
Civil & Electrical Works	1,814	1,814	-	-	Write Off	N/A
Civil & Electrical Works	8,673	8,673	-	-	Write Off	N/A
Civil & Electrical Works	1,534	1,534	-	-	Write Off	N/A
Civil & Electrical Works	6,968	6,968	-	-	Write Off	N/A
Civil & Electrical Works	3,293	2,943	350	350	Bid	M/s Sarhad Woods & Steel Works
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	2,968	2,701	267	251	Various	Various
	32,654	32,037	617	601		
Furniture and fixtures						
Furniture & Fixture	1,008	773	235	123	Bid	M/s Kareemi Traders
Furniture & Fixture	1,325	1,325	-	266	Bid	Mr. Muhammad Azam
Furniture & Fixture	1,129	883	246	266	Bid	Mr. Muhammad Azam
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	13,051	11,658	1,393	292	Various	Various
	16,513	14,639	1,874	947		
Computers						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	13,087	12,811	276	488	Various	Various
	13,087	12,811	276	488		
Office equipment						
Generator	1,524	1,183	341	443	Bid	M/s Karim Technologies
Generator	1,200	1,200	-	746	Bid	M/s Karim Technologies
Generator	1,145	1,145	-	535	Bid	M/s Master Century Ware
Generator	1,195	1,195	-	373	Bid	Mr. Rajab Ali
Generator	2,089	2,089	-	206	Bid	Rahim Rahimi Workshop
Generator	16,164	12,940	3,224	13,645	Bid	S.M Jaffer and Co.
Air Conditioner	1,767	1,767	-	88	Bid	Mr. Muhammad Azam
ATM	1,172	1,172	-	366	Bid	Mr. Rajab Ali
ATM	1,070	1,070	-	88	Bid	Mr. Muhammad Azam
ATM	1,270	1,270	-	88	Bid	Mr. Muhammad Azam
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	23,907	22,256	1,651	3,187	Various	Various
	52,503	47,287	5,216	19,765		
Vehicles						
Honda City - 2009	1,439	1,439	-	144	As per Policy	Mr. Haroon Khalid
Honda Civic - 2006	1,409	1,409	-	436	Bid	Mr. Jahanzaib Rana
Honda Civic - 2005	1,002	1,002	-	593	Bid	Mr. Muhammad Danish Iqbal
Honda Civic - 2003	1,195	1,195	-	704	Bid	Mr. Bashir Ahmed Janjua
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	8,062	7,596	466	5,546		
	13,107	12,641	466	7,423		
Total - December 31, 2014 (Note 11.2)	601,057	120,671	480,386	650,912		
Total - December 31, 2013	214,506	156,133	58,373	82,559		

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

12 DEFERRED TAX ASSETS / (LIABILITIES) - NET	Note	2014 (Rupees in '000)	2013
Deferred debits arising due to			
Provision for doubtful debts		1,106,413	1,362,466
Provision against off-balance sheet obligations		15,333	1,140
Impairment in the value of investments		2,202,709	2,172,645
Provision against other assets		215,401	85,429
		<u>3,539,856</u>	<u>3,621,680</u>
Deferred credits arising due to			
Accelerated tax depreciation		(1,482,114)	(1,377,230)
Gain on remeasurement of held for trading investments		(56,034)	(2,963)
Surplus on revaluation of available for sale investments		(2,114,157)	(272,280)
Surplus on revaluation of operating fixed assets		(740,882)	(765,207)
		<u>(4,393,187)</u>	<u>(2,417,680)</u>
		<u>(853,331)</u>	<u>1,204,000</u>
13 OTHER ASSETS			
Income / mark-up accrued in local currency		22,842,477	13,722,307
Income / mark-up accrued in foreign currencies		683,992	551,133
Advances, deposits, advance rent and other prepayments		2,959,857	1,159,794
Non-banking assets acquired in satisfaction of claims	13.1	528,135	646,593
Advances against future murabaha		5,273,422	2,042,596
Advances against future ijarah		439,019	51,094
Advances against diminishing musharakah		278,802	118,000
Advances against Istisna		667,250	-
Branch adjustment account		-	578,362
Tax recoverable		2,212,888	914,903
Dividend receivable		12,271	21,610
Unrealised gain on forward foreign exchange contracts	13.4	1,105,710	898,476
Unrealised gain on interest rate swaps		7,153	-
Receivable from brokers		6,143	494,271
Stationery and stamps on hand		111,653	133,907
Defined benefit plan	34.1.3	238,523	-
Balance held with bank	13.2	396,841	415,975
Others		545,332	437,517
		<u>38,309,468</u>	<u>22,186,538</u>
Less: Mark up held in suspense account		(6,468,335)	(5,576,557)
Less: Provision held against other assets	13.3	(530,472)	(182,503)
		<u>31,310,661</u>	<u>16,427,478</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims		<u>524,552</u>	<u>681,380</u>

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, the Bank has, as a matter of prudence, considered a provision to the extent of USD 1.975 million against the same in the current year.

	Note	2014 (Rupees in '000)	2013
13.3 Provision held against other assets			
Opening balance		182,503	435,124
Charge/ (reversal) for the year	13.3.1	382,625	(162,621)
Transferred to operating fixed assets		(26,139)	-
Payment out of provisions		(8,389)	(90,000)
Exchange adjustment		(128)	-
Closing balance		<u>530,472</u>	<u>182,503</u>

13.3.1 This includes impairment amounting to Rs. 13.323 million (2013: reversal of Rs. 89.368 million) recognised during the year relating to an impairment in the value of non-banking asset acquired in satisfaction of claims.

13.4 Comparitives have also been reclassified for comparison purposes.

	Note	2014 (Rupees in '000)	2013
14 BILLS PAYABLE			
In Pakistan		11,632,488	9,481,518
Outside Pakistan		125,667	61,962
		<u>11,758,155</u>	<u>9,543,480</u>
15 BORROWINGS			
In Pakistan		50,282,818	17,798,310
Outside Pakistan		4,950,098	5,316,792
		<u>55,232,916</u>	<u>23,115,102</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		50,191,363	17,798,310
In foreign currencies		5,041,553	5,316,792
		<u>55,232,916</u>	<u>23,115,102</u>
15.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	15.3	13,774,989	11,364,410
Long-Term Finance for Export Oriented Projects Scheme (LTF-EOP)	15.4	10,546	21,405
Long-Term Finance Facility	15.5	710,389	968,233
Modernisation of SMEs	15.6	2,324	4,650
Financing Facility for Storage of Agriculture produce (FFSAP)	15.7	178,697	147,980
Scheme for revival of SMEs & Agricultural activities in flood affected areas		-	13,000
Repurchase agreement borrowings	15.8	30,253,481	4,608,632
		44,930,426	17,128,310
Unsecured			
Call borrowings	15.9	6,648,098	5,911,304
Bai Muajjal	15.10	3,562,937	-
Overdrawn nostro accounts		91,455	75,488
		10,302,490	5,986,792
		<u>55,232,916</u>	<u>23,115,102</u>

- 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 5.50% to 7.50% per annum (2013: 8.40% 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 is 5.00% per annum (2013: 5.00% 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 ranges from 7.25% to 11.00% per annum (2013: 6.50% to 11.00% per annum) payable on a quarterly basis.
- 15.6** 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 6.50% per annum (2013: 6.50% per annum) payable on a quarterly basis.
- 15.7** 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 6.25% to 6.50% per annum (2013: 6.50% per annum) payable on a quarterly basis.
- 15.8** This represent repurchase agreement borrowing from SBP and other banks at the rate of 9.50% and 9.60% per annum (2013: 10.00% per annum) maturing by January 2015 and February 2015 (2013: nil and January 2014) respectively.
- 15.9** This represent borrowings from financial institutions at mark-up rates ranging from 1.00% to 9.50% per annum (2013: 0.1% to 10.00%) having maturities upto September 2015 (2013: April 2014).
- 15.10** This represent borrowings from financial institutions at mark-up rates ranging from 9.20% to 9.50% per annum (2013: nil) having maturities upto April 2015 (2013: nil).

16 DEPOSITS AND OTHER ACCOUNTS	2014	2013
	(Rupees in '000)	
Customers		
Fixed deposits	153,480,193	123,640,025
Savings deposits	196,118,387	172,885,325
Current accounts - non-remunerative	215,500,460	187,026,521
Others	6,728,458	5,418,931
	<u>571,827,498</u>	<u>488,970,802</u>
Financial institutions		
Remunerative deposits	33,534,156	35,656,441
Non-remunerative deposits	601,570	898,527
	<u>34,135,726</u>	<u>36,554,968</u>
	<u>605,963,224</u>	<u>525,525,770</u>
16.1 Particulars of deposits		
In local currency	521,123,983	439,404,749
In foreign currencies	84,839,241	86,121,021
	<u>605,963,224</u>	<u>525,525,770</u>

		2014	2013
		(Rupees in '000)	
17	SUB-ORDINATED LOANS		
	Term Finance Certificates IV - Private, Unsecured	4,990,000	4,992,000
Mark up	<p>Either of the following options with the holder:</p> <ul style="list-style-type: none"> - 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 indebtedness 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		
	Term Finance Certificates V - Quoted, Unsecured	4,997,000	4,999,000
Mark up	<p>Base Rate + 1.25 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)</p>		
Subordination	The TFCs are subordinated as to the payment of principal and profit to all other indebtedness 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		
		<u>9,987,000</u>	<u>9,991,000</u>

	Note	2014 (Rupees in '000)	2013
18 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		3,280,294	2,452,769
Mark-up / return / interest payable in foreign currencies		291,532	254,953
Unearned commission and income on bills discounted		436,091	441,499
Accrued expenses		3,150,313	2,658,791
Branch adjustment account		149,520	-
Payable against redemption of credit card reward points		117,336	115,687
Security deposits		4,241,542	3,837,156
Unclaimed dividend		49,029	38,702
Unrealised loss on forward foreign exchange contracts		1,416,275	813,333
Unrealised loss on interest rate swaps		24,821	-
Payable to brokers	18.1	2,995	1,190
Provision against off-balance sheet obligations	18.2	85,953	49,075
Workers' Welfare Fund	28.1	399,444	211,142
Defined benefit plan	34.1.3	-	118,522
Compensated Absences	18.3	225,720	106,203
Others		643,734	251,506
		<u>14,514,599</u>	<u>11,350,528</u>

18.1 This represents amount payable to brokers against purchase of shares.

18.2 Provision against off-balance sheet obligations

	2014 (Rupees in '000)	2013
Opening balance	49,075	43,701
Exchange adjustment	(1,575)	3,274
Charge for the year	38,453	2,100
Closing balance	<u>85,953</u>	<u>49,075</u>

18.3 During the year the management has appointed an actuary to carry out valuation for compensated absences. Major assumptions considered 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	9.50% p.a.

19 SHARE CAPITAL

19.1 Authorised capital

2014 (Number of shares)	2013 (Number of shares)		2014 (Rupees in '000)	2013 (Rupees in '000)
<u>2,300,000,000</u>	<u>2,300,000,000</u>	Ordinary shares of Rs. 10 each	<u>23,000,000</u>	<u>23,000,000</u>

19.2 Issued, subscribed and paid up capital

2014 (Number of shares)	2013 (Number of shares)	Ordinary shares of Rs. 10 each		
862,836,450	624,750,000	Fully paid in cash	8,628,364	6,247,500
724,406,250	724,406,250	Issued as bonus shares	7,244,063	7,244,063
<u>1,587,242,700</u>	<u>1,349,156,250</u>		<u>15,872,427</u>	<u>13,491,563</u>

During the year the Bank has issued 238,086,450 ordinary shares having face value of Rs. 10/- each, without issuance of right shares, to International Finance Corporation (IFC) at a subscription price of Rs. 28/- per share. The paid-up capital of the Bank before issuance of shares to IFC was Rs. 13,491,562,500 (divided into 1,349,156,250 shares of Rs. 10 each) and after issuance of shares to IFC has increased to Rs. 15,872,427,000. (divided into 1,587,242,700 shares of Rs. 10 each). The shares were issued after having all requisite approvals.

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation of:			
- Operating fixed assets	20.1	3,068,949	3,130,465
- Available for sale securities	20.2	3,926,292	505,663
		<u>6,995,241</u>	<u>3,636,128</u>
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of operating fixed assets at January 1	11.2	3,895,674	3,956,580
Transferred to retained earnings in respect of incremental depreciation charged during the year - net of tax		(34,813)	(35,365)
Related deferred tax liability in respect of incremental depreciation charged during the year		(18,745)	(19,043)
Reversal of surplus on account of disposal of property	11.2	(32,283)	(6,498)
		<u>(85,841)</u>	<u>(60,906)</u>
		3,809,833	3,895,674
Related deferred tax liability on surplus as at January 1		765,209	787,131
Deferred tax liability reversed		(5,580)	(2,879)
Deferred tax liability in respect of incremental depreciation charged during the year		(18,745)	(19,043)
		<u>(24,325)</u>	<u>(21,922)</u>
		740,884	765,209
		<u>3,068,949</u>	<u>3,130,465</u>

	2014	2013
	(Rupees in '000)	
20.2 Surplus / (deficit) on revaluation of available for sale securities		
Government securities	5,154,286	(439,720)
Quoted shares / units / certificates / sukuks / bonds	845,350	1,180,730
Term finance certificates	40,813	36,933
	<u>6,040,449</u>	<u>777,943</u>
Related deferred tax liability	(2,114,157)	(272,280)
	<u>3,926,292</u>	<u>505,663</u>
21 CONTINGENCIES AND COMMITMENTS		
21.1 Direct credit substitutes		
i) Government	937,508	1,782,434
ii) Banking companies & other financial institutions	2,606	29,749
iii) Others	1,756,948	594,730
	<u>2,697,062</u>	<u>2,406,913</u>
21.2 Transaction-related contingent liabilities		
i) Government	26,536,835	36,122,291
ii) Banking companies & other financial institutions	506,432	136,336
iii) Others	8,671,481	8,362,382
	<u>35,714,748</u>	<u>44,621,009</u>
21.3 Trade-related contingent liabilities		
Letters of credit	<u>48,045,564</u>	<u>68,682,365</u>
Acceptances	<u>12,774,108</u>	<u>12,848,836</u>
21.4 Other contingencies		
21.4.1 Claims against the Bank not acknowledged as debts	<u>9,521,537</u>	<u>7,996,863</u>

These mainly represents counter claims filed by the borrowers for restricting the Bank for 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 3,949,335 ("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 to the extent of USD 1,974,668 against the same, as referred to in note 13.3 to these financial statements.

The Bank has 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 0.52 million as compensation to the customer along with government/ court fee of AFS 5.268 million. The Bank has filed an appeal in the appellate court against the said judgment, which has been admitted for regular hearing. Based on advice of legal counsel of the Bank, the management is confident that the matter will be decided in Bank's favour in the appellate court and thus no provision for the said amounts has been considered in these financial statements.

	2014	2013
	(Rupees in '000)	
21.5 Commitments in respect of forward lendings		
Commitments to extend credit	8,609,125	4,329,818
Commitments in respect of investments	<u>1,615,818</u>	<u>1,000,000</u>
21.6 Commitments in respect of forward exchange contracts		
Purchase	69,435,889	54,097,511
Sale	<u>54,156,057</u>	<u>42,386,376</u>
21.7 Commitments in respect of forward foreign currency options		
Purchase	-	52,010
Sale	<u>-</u>	<u>52,010</u>
21.8 Commitments for the acquisition of fixed assets	<u>291,239</u>	<u>401,072</u>
21.9 Commitments in respect of repo transactions		
Repurchase	30,274,144	4,625,270
Resale	<u>-</u>	<u>-</u>
21.10 Other commitments		
Interest rate swaps	6,314,951	-
Donations	<u>41,500</u>	<u>61,000</u>
21.11 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
- Foreign Currency Options

During the year, Bank obtained approval of Board of Directors to enter into derivatives business which included a roadmap for the bank to become an authorised derivative dealer. With the requisite SBP approval, the bank entered into its first derivative transaction, in which it offered its client Foreign Exchange risk management solution through use of foreign currency options. The exposure was covered on a back-to-back basis as required by the SBP.

22.1 Product analysis

Counter Parties	Interest Rate Swaps				Foreign Currency Options			
	2014		2013		2014		2013	
	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal *	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal *
With Banks for								
Hedging	16	6,314,951	-	-	-	-	1	52,010
Market Making	-	-	-	-	-	-	-	-
With FIs other than banks								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
With other entities for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	1	52,010
Total								
Hedging	16	6,314,951	-	-	-	-	1	52,010
Market Making	-	-	-	-	-	-	1	52,010

* At the exchange rate prevailing at the year end

22.2 Unrealised gain / (loss) on derivatives financial instruments.

	Contractual / notional amount		Unrealised gain / (loss)	
	2014	2013	2014	2013
----- (Rupees in '000) -----				
Interest Rate Swaps	6,314,951	-	(17,668)	-
Foreign Currency Options	-	104,020	-	-

22.3 Maturity Analysis - Interest Rate Swaps

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	10	4,305,289	(5,604)	7,153	1,549
5 to 10 years	6	2,009,662	(19,217)	-	(19,217)
Above 10 years	-	-	-	-	-
	16	6,314,951	(24,821)	7,153	(17,668)

23 MARK-UP / RETURN / INTEREST EARNED	Note	2014	2013
		(Rupees in '000)	
a) On loans and advances to:			
i) customers		27,497,999	23,739,099
ii) financial institutions		342,835	273,689
b) On investments in:			
i) held for trading securities		992,063	356,434
ii) available for sale securities		17,826,937	15,619,854
iii) held to maturity securities		6,219,695	2,543,016
c) On deposits with financial institutions		1,528,138	657,984
d) On securities purchased under resale agreements		453,916	331,616
e) Profit earned on ijarah assets net of depreciation	23.1	516,894	439,368
		<u>55,378,477</u>	<u>43,961,060</u>

These include mark-up earned of Rs. 8,777.61 million (2013: Rs. 9,311.93 million) which pertains to the Bank's Islamic Banking Division.

23.1 Profit earned on ijarah assets	Note	2014	2013
		(Rupees in '000)	
Lease rentals earned		1,592,045	1,653,680
Depreciation for the year	10.3	<u>(1,075,151)</u>	<u>(1,214,312)</u>
		<u>516,894</u>	<u>439,368</u>

24 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		27,021,348	22,340,756
Securities sold under repurchase agreements		1,952,164	1,081,569
Other short term borrowings		3,033,843	2,183,381
Term finance certificates		1,249,709	1,247,017
Brokerage and commission		247,939	213,506
		<u>33,505,003</u>	<u>27,066,229</u>

	Note	2014 (Rupees in '000)	2013
25 GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
- Market Treasury Bills		28,334	159,436
- Pakistan Investment Bonds		112,329	299,110
Overseas Government Bonds		121,594	(13,717)
Shares - Listed		746,901	1,144,522
Sukuk Bonds		49,009	(456)
		<u>1,058,167</u>	<u>1,588,895</u>
26 OTHER INCOME			
Gain on sale of operating fixed assets	11.4	170,526	24,186
Postage, telex service charges etc.		1,992,310	1,838,312
		<u>2,162,836</u>	<u>1,862,498</u>
27 ADMINISTRATIVE EXPENSES			
Non executive directors fee & allowances		83,683	71,462
Salaries, allowances, etc.	27.1	8,776,226	7,990,798
Charge for defined benefit plan	34.1.4	283,117	253,608
Contribution to defined contribution plan	35	266,536	235,291
Charge for employee stock option scheme	34.2	53,663	-
Rent, taxes, insurance, electricity, etc.		3,637,860	3,196,640
Legal and professional charges		324,334	162,924
Communications		605,455	476,620
Repairs and maintenance		1,159,163	937,941
Stationery and printing		458,718	310,602
Advertisement and publicity		553,775	390,869
Capital work-in-progress written off		13,761	-
Donations	27.2	32,695	36,000
Auditors' remuneration	27.3	21,859	19,340
Depreciation	11.2	1,636,518	1,378,368
Amortisation of intangible assets	11.3	267,702	194,731
Travelling, conveyance and fuel expenses		520,202	444,720
Entertainment		255,504	207,510
Subscription		37,185	25,831
Security service charges		771,697	600,736
Others		501,562	354,788
		<u>20,261,215</u>	<u>17,288,779</u>

27.1 In addition to the remuneration as disclosed in note 36 and note 40.9, payment of Rs. 120 million (2013: Rs. 105 million) on account of performance bonus for the year 2013 was made to the Chief Executive Officer.

	2014 (Rupees in '000)	2013
27.2 Donations		
Acumen Fund Pakistan	4,208	-
Karachi Education Initiative	25,000	25,000
Institute of Business Administration	-	11,000
Network of Organizations Working for People with Disabilities - Pakistan	3,487	-
	<u>32,695</u>	<u>36,000</u>

The CEO of the Bank is one of the directors of the Karachi Education Initiative. Other than this none of the directors or their spouses had any interest in the donees.

27.3 Auditors' remuneration	Note	2014	2013
		(Rupees in '000)	
Audit fee		7,600	7,020
Half yearly review		1,700	1,500
Special certifications and sundry advisory services		6,106	3,825
Out-of-pocket expenses		812	900
		<u>16,218</u>	<u>13,245</u>
Fee for audit of foreign branches		5,641	6,095
		<u>21,859</u>	<u>19,340</u>

28 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan		17,690	44,545
Workers' Welfare Fund	28.1	<u>188,672</u>	<u>139,863</u>
		<u>206,362</u>	<u>184,408</u>

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	2014	2013
	(Rupees in '000)	
For the year		
Current	3,122,512	2,400,321
Deferred	(288,216)	(159,060)
For prior years		
Current	(470,833)	(29,033)
Deferred	509,252	(80,967)
	<u>38,419</u>	<u>(110,000)</u>
	<u>2,872,715</u>	<u>2,131,261</u>

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. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

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

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

29.2 Relationship between tax expense and accounting profit	Note	2014 (Rupees in '000)	2013
Profit before taxation		<u>8,513,566</u>	<u>6,807,211</u>
Tax at the applicable rate of 35% (2013: 35%)		2,979,748	2,382,524
Effect of:			
- income chargeable to tax at reduced rates		(198,015)	(218,304)
- permanent differences		6,192	15,591
- tax charge pertaining to overseas branches		84,799	37,765
- tax for prior years		38,419	(110,000)
- others		<u>(38,428)</u>	<u>23,685</u>
Tax expense for the year		<u>2,872,715</u>	<u>2,131,261</u>
30 EARNINGS PER SHARE			
30.1 BASIC EARNINGS PER SHARE			
Profit after taxation for the year		<u>5,640,851</u>	<u>4,675,950</u>
		(Number of shares in thousand)	
Weighted average number of ordinary shares		<u>1,377,805</u>	<u>1,371,906</u>
		(Rupees)	
Basic earnings per share		<u>4.09</u>	<u>3.41</u>
30.2 DILUTED EARNINGS PER SHARE			
		(Rupees in '000)	
Profit after taxation for the year		<u>5,640,851</u>	<u>4,675,950</u>
		(Number of shares in thousand)	
Weighted average number of ordinary shares	30.3	<u>1,382,415</u>	<u>1,371,906</u>
		(Rupees)	
Diluted earnings per share		<u>4.08</u>	<u>3.41</u>

30.3 Reconciliation of basic and diluted earning per share

	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,377,805	1,371,906
Plus: Employee stock option scheme	2,413	-
Shares under agreement with International Finance Corporation	2,197	-
Dilutive potential ordinary shares	<u>1,382,415</u>	<u>1,371,906</u>

31 CASH AND CASH EQUIVALENTS

	Note	2014 (Rupees in '000)	2013
Cash and balances with treasury banks	6	50,515,643	61,204,697
Balances with other banks		11,934,891	34,764,008
Call money lendings		3,521,485	2,513,357
Overdrawn nostro accounts	15.2	(91,455)	(75,488)
		<u>65,880,564</u>	<u>98,406,574</u>

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 2014 (2013: AA [Double A] for long term and A1+ [A one plus] for short term).

33 STAFF STRENGTH

	2014 (Number of employees)	2013
Permanent	7,509	6,853
Temporary / on contractual basis	276	400
Bank's own staff strength at the end of the year	<u>7,785</u>	<u>7,253</u>
Outsourced	3,885	3,345
Total staff strength	<u>11,670</u>	<u>10,598</u>

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:

	2014	2013
Discount factor used	11.25%	12.50%
Expected rate of return on plan assets	11.25%	12.50%
Expected rate of salary increase	11.25%	12.50%
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, 2014.

	Note	2014 (Rupees in '000)	2013
34.1.2 Reconciliation of (receivable from) / payable to defined benefit plan			
Present value of defined benefit obligations	34.1.6	1,770,352	1,547,856
Fair value of plan assets	34.1.7	(2,008,875)	(1,429,334)
		<u>(238,523)</u>	<u>118,522</u>
34.1.3 Movement in (receivable from) / payable to defined benefit plan			
Opening balance		118,522	189,359
Charge for the year - in profit and loss account	34.1.4	283,117	253,608
Other comprehensive Income		(357,045)	(74,576)
Adjustments		-	3,739
		(357,045)	(70,837)
Bank's contribution to fund made during the year		(283,117)	(253,608)
Closing balance		<u>(238,523)</u>	<u>118,522</u>
34.1.4 Charge for defined benefit plan			
Recognised in profit and loss account			
Current service cost		250,607	231,832
Net interest		32,510	21,776
		283,117	253,608
Recognised in other comprehensive income			
Actuarial gain or (loss) on obligations		267	(56,337)
Actuarial gain or (loss) on assets		356,778	127,173
		357,045	70,836
Total		<u>(73,928)</u>	<u>182,772</u>
34.1.5 Actual return on plan assets		<u>517,750</u>	<u>24 8,561</u>
34.1.6 Reconciliation of present value of obligation			
Present value of obligation as at January 1		1,547,856	1,372,290
Current service cost		250,607	231,832
Interest cost		193,482	143,163
Benefits paid		(221,326)	(255,766)
Remeasurement (gain) / loss on obligation		(267)	56,337
Present value of obligation as at December 31		<u>1,770,352</u>	<u>1,547,856</u>
34.1.7 Changes in the fair value of plan assets are as follows:			
Opening fair value of plan assets		1,429,334	1,182,931
Expected return		160,972	121,387
Contributions by the Bank		283,117	253,608
Benefits paid		(221,326)	(255,766)
Remeasurement gain / (loss)		356,778	127,174
Fair value at end of the year	34.1.8	<u>2,008,875</u>	<u>1,429,334</u>

34.1.8 Plan assets consist of the following:

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
Ordinary shares	427,280	21%	331,240	23%
Term Finance Certificates	45,727	2%	48,208	3%
Term Deposit Receipts	-	-	204,209	14%
Pakistan Investment Bonds	876,333	44%	248,325	17%
Units of mutual funds *	335,449	17%	137,098	10%
Certificate of Investment	-	-	24,975	2%
Cash and bank balances	324,086	16%	435,279	31%
	<u>2,008,875</u>	<u>100%</u>	<u>1,429,334</u>	<u>100%</u>

* This include amount invested in the units of Alfalah GHP Value Fund amounting to Rs. 65.633 million (2013: 54.741 million)

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:

	2014	2013	2012	2011	2010
	----- (Rupees in '000) -----				
Defined benefit obligation	1,770,352	1,547,856	1,372,290	1,208,509	1,002,268
Fair value of plan assets	2,008,875	1,429,334	1,182,931	964,669	677,430
Surplus / (deficit)	<u>238,523</u>	<u>(118,522)</u>	<u>(189,359)</u>	<u>(243,840)</u>	<u>(324,838)</u>
Experience adjustments on plan liabilities	267	(56,337)	56,038	(23,654)	(5,897)
Experience adjustments on plan assets	<u>356,778</u>	<u>127,174</u>	<u>(16,931)</u>	<u>(48,499)</u>	<u>(217,632)</u>

34.1.10 Expected gratuity expense for the next year

Expected gratuity expense for the year ending December 31, 2015, works out to Rs. 290.111 million.

34.1.11 Sensitivity Analysis

Particulars	Present Value of Defined Benefit Obligation (Amount in millions)	Percentage Change
Current Liability	1,770.35	
+1% Discount Rate	1,570.94	-11.26%
-1% Discount Rate	2,009.94	13.53%
+1% Salary Increase Rate	2,016.46	13.90%
-1% Salary Increase Rate	1,562.37	-11.75%
+10% Withdrawal Rates	1,768.52	-0.10%
-10% Withdrawal Rates	1,772.23	0.11%
1 Year Mortality age set back	1,772.23	0.00%
1 Year Mortality age set forward	1,768.52	0.00%

34.1.12 Maturity Profile

Particulars	Undiscounted Payments (Amounts in PKR)
Year 1	127,751,812
Year 2	111,103,875
Year 3	107,877,438
Year 4	90,605,323
Year 5	85,058,344
Year 6 to Year 10	512,843,480
Year 11 and above	10,398,325,023

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

During the year, the Bank granted share options to its employees under 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. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options. The details of share options granted during the year which remained outstanding as at December 31, 2014 are as follows:

- Number of options in issue 10.761 million (initially granted 11.330 million)
- Exercise price Rs. 16.32 per option
- Option discount Rs. 10.88 per option.

These options vest over a period of three year period with one third of the options vesting on completion of each year of service from April 1, 2014. The options not exercised on completion of first and second year of service 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.

In this respect, employee compensation reserve and the related deferred employee stock option cost amounting to Rs.117.083 million has been recognized out of which Rs. 53.663 million has been amortized and recognized as charge for the year in respect of related employees services received to the balance sheet date.

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. 266.536 million (2013: Rs. 235.291 million) in respect of this fund.

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	----- (Rupees in `000) -----					
Fee	-	-	83,683	71,462	-	-
Managerial remuneration - note 36.2	74,232	70,250	-	-	3,239,586	2,697,530
Post employment benefits	8,561	8,038	-	-	275,334	227,312
Rent and house maintenance	4,568	4,079	-	-	723,132	579,587
Utilities	5,138	4,824	-	-	186,080	136,460
	<u>92,499</u>	<u>87,191</u>	<u>83,683</u>	<u>71,462</u>	<u>4,424,132</u>	<u>3,640,889</u>
Number of persons	1	1	5	5	1,576	1,276

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

37.1 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices and is disclosed in the relevant note.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. Sub-ordinated loans are carried at redeemable face value as these are freely floating instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these unconsolidated financial statements.

The re-pricing profile, effective rates and maturity are stated in note 42 to these unconsolidated financial statements.

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 assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently re-priced.

	2014		2013	
	Book value	Fair value	Book value	Fair value
	----- (Rupees in '000) -----			
37.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange - net	69,435,889	68,045,295	54,097,511	53,419,643
Forward sale of foreign exchange - net	54,156,057	53,076,028	42,386,376	41,623,365

The notional amounts and unrealised gain / (loss) on foreign currency options are disclosed in note 22.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2014			
	Trading & sales	Retail banking	Corporate / commercial banking	Total
	----- (Rupees in '000) -----			
Total income	22,756,969	24,273,662	17,384,287	64,414,918
Total expenses	19,161,262	21,499,118	15,240,972	55,901,352
Net income	3,595,707	2,774,544	2,143,315	8,513,566
Segment assets	277,632,155	289,480,003	176,016,135	743,128,293
Segment non-performing loans	-	12,322,544	7,089,719	19,412,263
Segment provision required against loans and advances	-	9,292,646	4,958,164	14,250,810
Segment liabilities	40,910,798	536,460,540	120,937,887	698,309,225
Segment return on assets (ROA) (%)	9.97%	7.24%	9.65%	
Segment cost of funds (%)	9.12%	5.71%	8.77%	

	2013			
	Trading & sales	Retail banking	Corporate / commercial banking	Total
	----- (Rupees in '000) -----			
Total income	14,470,618	23,480,958	14,288,178	52,239,754
Total expenses	12,749,039	19,417,576	13,265,928	45,432,543
Net income	1,721,579	4,063,382	1,022,250	6,807,211
Segment assets	168,422,163	279,849,040	163,156,421	611,427,624
Segment non-performing loans	-	11,790,067	6,156,562	17,946,629
Segment provision required against loans and advances	-	8,890,308	4,157,139	13,047,447
Segment liabilities	6,305,195	461,027,650	112,193,035	579,525,880
Segment return on assets (ROA) (%)	9.39%	8.62%	9.85%	
Segment cost of funds (%)	8.29%	4.50%	7.67%	

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 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 elsewhere are as follows:

	2014					Total
	Directors	Key management personnel	Group / Associated companies / Others	Subsidiaries / Associates	Strategic investments	
40.1 Deposits	----- (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	<u>38,398</u>	<u>71,170</u>	<u>5,054,205</u>	<u>486,239</u>	<u>18</u>	<u>5,650,030</u>
	----- 2013 -----					
	----- (Rupees in '000) -----					
Balance at beginning of the year	31,400	53,987	1,785,252	490,427	18	2,361,084
Placements during the year	573,574	807,756	76,050,117	13,423,925	-	90,855,372
Withdrawals / adjustments during the year	(570,178)	(780,957)	(73,418,688)	(13,408,870)	-	(88,178,693)
Balance at end of the year	<u>34,796</u>	<u>80,786</u>	<u>4,416,681</u>	<u>505,482</u>	<u>18</u>	<u>5,037,763</u>
40.2 Advances	----- 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	<u>-</u>	<u>280,630</u>	<u>3,828,522</u>	<u>30,000</u>	<u>-</u>	<u>4,139,152</u>
	----- 2013 -----					
	----- (Rupees in '000) -----					
Balance at beginning of the year	-	132,220	2,607,770	24,933	-	2,764,923
Disbursements during the year	-	235,945	11,640,538	179,249	-	12,055,732
Repayments / adjustments during the year	-	(89,964)	(10,625,775)	(174,182)	-	(10,889,921)
Balance at end of the year	<u>-</u>	<u>278,201</u>	<u>3,622,533</u>	<u>30,000</u>	<u>-</u>	<u>3,930,734</u>

	2014					Total
	Directors	Key management personnel	Group / Associated companies / Others	Subsidiaries / Associates	Strategic investments	
40.3 Investments	----- (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
	----- (Rupees in '000) -----					
	2013					
Balance at beginning of the year	-	-	5,003,117	3,125,483	120,000	8,248,600
Investments during the year	-	-	185,732	500,000	-	685,732
(Redemptions) / adjustments during the year	-	-	(634,919)	(499,610)	(70,000)	(1,204,529)
Balance at end of the year	-	-	4,553,930	3,125,873	50,000	7,729,803
Provisions held against investments	-	-	4,366,796	826,000	32,500	5,225,296
	----- (Rupees in '000) -----					
	2014					
40.4 Call borrowings / Repo	----- (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	-	-	-	-	-	-
	----- (Rupees in '000) -----					
	2013					
Balance at beginning of the year	-	-	-	-	-	-
Borrowings during the year	-	-	8,500,000	-	-	8,500,000
Repayments during the year	-	-	(4,500,000)	-	-	(4,500,000)
Balance at end of the year	-	-	4,000,000	-	-	4,000,000
40.5 Advances					2014	2013
					(Rupees in '000)	
Running finance						
- Other related parties					2,698,691	2,553,226
Long term loans						
- Alfalah Securities (Private) Limited					30,000	30,000
- Other related parties					1,410,461	1,347,508

	2014	2013
	(Rupees in '000)	
40.6 Contingencies and commitments		
Letters of credit and acceptance outstanding	288,343	90,504
Guarantees outstanding	1,521,265	2,195,703
40.7 Customer accounts		
PLS accounts		
- Other related parties	3,612,686	3,977,123
Current accounts		
- Alfalah Securities (Private) Limited	3,005	17,210
- Other related parties	1,452,720	839,260
Fixed deposit accounts		
- Other related parties	581,619	204,170
40.8 With subsidiaries / associates		
Alfalah Securities (Private) Limited		
Mark-up income	-	2,141
Brokerage expense	535	1,369
Rent income	1,304	1,256
Bank charges recovered	1,930	100
Mark-up receivable on advances	33,423	29,824
Mark-up held in suspense	33,423	27,684
Provision held against investment	826,000	826,000
Rent receivable	9,147	7,844
Provision held against rent receivable	9,147	7,844
Deposit balance	3,006	17,210
Brokerage payable	12	175
Payment in respect of operating fixed assets acquired	-	4,500
Advisory expense paid by the Bank on behalf of subsidiary	-	1,098
In addition to these, remuneration to CEO and certain expenses of the subsidiary are paid by the Bank.		
Others		
Insurance premium paid to Alfalah Insurance Company Limited	460,811	455,905
Rent income from Alfalah Insurance Limited	1,997	1,897
Advance rent from Alfalah Insurance Company Limited	-	166
Capital loss on redemption of units of Alfalah GHP Cash Fund	-	390
Dividend income from Alfalah GHP Islamic Fund	83,800	44,553
Dividend income from Alfalah GHP Value Fund	28,738	15,951
Dividend income from Alfalah GHP Cash Fund	36,749	113,938
Dividend income from Alfalah GHP Income Multiplier Fund	27,650	21,158
Dividend income from Alfalah GHP Sovereign Fund	2,303	-
Revenue from Alfalah GHP against sale of units	58,835	-
Participation Fee - Sapphire Wind Power Company	10,285	-
Dividend paid to Alfalah Insurance Company Limited	1,000	19

	2014 (Rupees in '000)	2013
Mark-up income on advances	392,545	130,877
Mark-up expense on deposits	200,999	226,657
Mark-up suspended on advances to Wateen Telecom Limited	441,119	184,046
Mark-up suspended on advances to Warid Telecom Limited	22,300	17,530
Rent income from Warid Telecom (Private) Limited	17,522	22,655
Charge for security services to Security and Management Services (Private) Limited and Wackenhut Pakistan (Private) Limited	314,008	240,435
Payment to Wateen Telecom (Private) Limited for purchase of equipment and maintenance charges	110,969	224,598
Provision made during the year in respect of investment in Warid Telecom (Private) Limited	-	363,080
Capital Loss on sale of shares in Wateen Telecom Limited		41,747
Reversal of Provision made in respect of investment in Wateen Telecom Limited	-	287,223
Reversal of Provision made against rent receivable from Warid Telecom (Private) Limited	37,990	-
Provision made during the year in respect of strategic investments	17,500	14,500
Reversal of Provision made in respect of strategic investments	-	42,000
Contribution to employees provident fund	266,536	235,291
Contribution to Gratuity fund	283,117	253,608
Commission received from Warid Telecom (Private) Limited	8,756	42,399
Rent receivable from Warid Telecom (Private) Limited	-	37,990
Rent receivable from Wateen Telecom Limited	-	1,413
Advance rent from Wateen Telecom Limited	589	1,000
Advance rent from Warid Telecom (Private) Limited	9,005	-
Rent receivable from Alfalah GHP Investment Management Limited	-	2,353
Rent payable to Wateen Telecom Limited	950	5,090
Provision held against investments in Warid Telecom (Private) Limited	4,366,796	4,366,796
Provision held against investments in Wateen Telecom Limited	-	-
Provision held against rent receivable from Warid Telecom (Private) Limited	-	37,990
Rent income from Wateen Telecom Limited	13,064	10,151
Rent income from Alfalah GHP Investment Management Limited	324	3,724
Rent expense pertaining to Wateen Telecom Limited	11,400	12,650
Marketing commission from Alfalah GHP Investment Management Limited		-
TFCs held by Taavun Pvt Ltd	499,000	499,200
Mark up paid to Taavun Pvt Ltd	37,433	74,903
TFCs held by United Bank Limited	-	363,927
Mark up paid to United Bank Limited	-	19,296
TFCs held by IGI income fund	87,935	111,660
Mark up paid to IGI Income Fund	5,038	6,273
TFCs held by IGI Aggressive Income Fund	-	74,080
Mark up paid to IGI Aggressive Income Fund	-	3,996
TFCs held by Alfalah GHP Income Multiplier Fund	6,121	6,124
Mark up paid to Alfalah GHP Income Multiplier Fund	346	325
Payment to Monet (Pvt) Ltd for Branchless banking services	110,809	28,223
Payment of Underwriting Fee to United Bank Limited	-	4,350
Payment to Institute of Bankers Pakistan for Calendars & Diaries etc.	470	2,501
Dividend income from United Bank Limited	-	12,616

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

Salaries and allowances (also refer note 27.1)	1,062,321	1,058,130
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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 1 to these unconsolidated financial statements the Securities and Exchange Commission of Pakistan (SECP) has granted exemption to the Bank from the preparation of consolidated financial statements of the Bank and its subsidiary company namely Alfalah Securities (Pvt.) Limited for the year ended December 31, 2014. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, Basic Indicator Approach (BIA) up to the extent of 90% 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 by the financial year December 2013. The paid up capital of the Bank for the year ended December 31, 2014 stands at Rs. 15.872 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	2013	2014	2015	2016	2017	2018	31-Dec-19
1	CET 1	5.0%	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%	1.5%
3	Tier 1	6.5%	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%	10.0%
5	*CCB	0.0%	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10%	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), net 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 20% 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% 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.

41.3 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 & to meet new capital adequacy standards, the bank is now following controlled growth strategy. The new 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 the Business Growth and this would be monitored regularly.
- d. The Capital base forms the very basic foundation of Business Plans. The capital base is sufficient to support the envisaged the Business Growth and this would be monitored regularly.

e. 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

- f. As per the ICAAP exercise bank's CAR, with all shock incorporated falls below the required level of 10.25%. Despite of this figure we feel that the outlook of the bank is stable due to following mitigates:
- i. The probability of all shocks materializing at the same time is remote given the fact that BAL'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 of Capital Markets, BAL would always have the opportunity to tap fresh capital.
- g. The bank enjoys strong parental support of Abu Dhabi Group along with fresh significant holding of IFC. There has been a nearly 100% growth in stock price showing investor confidence and bank's reputation in the local market. Bank has issued new TFC of Rs. 5 billion. These all indicate the bank's capacity to raise capital if required.
- h. Presently there is no model for determining economic capital requirement. Bank follow 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, 2014

	2014	2013
	(Rupees in `000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	15,872,427	13,491,563
2 Balance in Share Premium Account	4,285,556	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	6,690,005	5,508,172
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	9,613,374	7,499,831
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	36,461,362	26,499,566
10 Total regulatory adjustments applied to CET1 (Note 41.4.1)	3,062,241	1,248,509
11 Common Equity Tier 1	33,399,121	25,251,057
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)	266,449	240,241
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)	33,399,121	25,251,057
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	4,991,000	4,993,000
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	1,330,027	2,394,481
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	685,997	636,459
27 Revaluation Reserves (net of taxes)	3,917,335	2,103,127
28 of which: Revaluation reserves on fixed assets	1,718,611	1,753,053
29 of which: Unrealized gains/losses on AFS	2,198,724	350,074
30 Foreign Exchange Translation Reserves	1,362,465	1,766,050
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	12,286,824	11,893,117
33 Total regulatory adjustment applied to T2 capital (Note 41.4.3)	1,196,309	1,059,027
34 Tier 2 capital (T2) after regulatory adjustments	11,090,515	10,834,090
35 Tier 2 capital recognized for capital adequacy	11,090,515	10,834,090

	2014 (Rupees in '000)	2013
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	11,090,515	10,834,090
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	<u>44,489,636</u>	<u>36,085,147</u>
39 Total Risk Weighted Assets (RWA) {for details refer Note 41.7}	<u>348,832,775</u>	<u>299,296,955</u>
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	9.57%	8.44%
41 Tier-1 capital to total RWA	9.57%	8.44%
42 Total capital to total RWA	12.75%	12.06%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	5.50%	5.00%
44 of which: capital conservation buffer requirement	-	-
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)	4.07%	3.44%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	5.50%	5.00%
49 Tier 1 minimum ratio	7.00%	6.50%
50 Total capital minimum ratio	10.00%	10.00%

Regulatory Adjustments and Additional Information	2014		2013	
	Amount	Amounts subject to Pre- Basel III treatment*	Amount	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)	1,138,633		637,258	
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)	707,971	2,831,884	-	1,204,000
5 Defined-benefit pension fund net assets	-		-	
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	629,534		162,078	
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)	-		-	

*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.

	2014		2013	
	Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
----- Rupees in '000-----				
14	-	-	-	-
15	-	-	-	-
16	-	-	-	-
17	-	-	-	-
18	-	-	208,932	-
19	-	-	-	-
20	-	-	208,932	-
21	266,449	-	240,241	-
22	3,062,241	-	1,248,509	-
41.4.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
23	166,708	-	140,500	-
24	-	-	-	-
25	-	-	-	-
26	-	-	-	-
27	-	-	-	-
28	99,741	(99,741)	99,741	(99,741)
29	-	-	-	-
30	266,449	-	240,241	-
41.4.3 Tier 2 Capital: regulatory adjustments				
31	99,741	(99,741)	99,741	(99,741)
32	1,065,736	-	923,387	-
33	30,832	-	35,899	-
34	-	-	-	-
35	-	-	-	-
36	1,196,309	-	1,059,027	-

*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.

41.4.4 Additional Information

	2014 (Rupees in '000)	2013 (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)	292,684,864	252,938,464
(i) of which: deferred tax assets	2,831,884	1,204,000
(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	766,359	581,800
(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	(199,483)	(199,483)
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	375,665	203,976
39 Significant investments in the common stock of financial entities	199,483	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)	685,997	636,459
42 Cap on inclusion of provisions in Tier 2 under standardized approach	4,360,410	3,181,560
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 2014 (Rupees in '000)	Under regulatory scope of consolidation
Assets		
Cash and balances with treasury banks	50,515,643	50,515,643
Balanced with other banks	12,331,713	12,331,713
Lending to financial institutions	18,313,485	18,313,485
Investments	324,319,454	324,319,454
Advances	290,597,237	290,597,237
Operating fixed assets	15,740,100	15,740,100
Deferred tax assets	-	-
Other assets	31,310,661	31,310,661
Total assets	743,128,293	743,128,293
Liabilities & Equity		
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
Sub-ordinated loans	9,987,000	9,987,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	853,331	853,331
Other liabilities	14,514,599	14,514,599
Total liabilities	698,309,225	698,309,225

Table: 41.5.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2014 (Rupees in '000)	
Share capital/ Head office capital account	15,872,427	15,872,427
Reserves	12,338,026	12,338,026
Unappropriated/ Unremitted profit/ (losses)	9,613,374	9,613,374
Minority Interest	-	-
Surplus on revaluation of assets	6,995,241	6,995,241
Total equity	44,819,068	44,819,068
Total liabilities & equity	743,128,293	743,128,293

Table: 41.5.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2014 (Rupees in '000)		
Assets			
Cash and balances with treasury banks	50,515,643	50,515,643	
Balanced with other banks	12,331,713	12,331,713	
Lending to financial institutions	18,313,485	18,313,485	
Investments	324,319,454	324,319,454	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	766,359	766,359	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	199,483	199,483	b
of which: Mutual Funds exceeding regulatory threshold	166,708	166,708	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	1,663,069	1,663,069	d
of which: others (mention details)	321,523,836	321,523,836	e
Advances	290,597,237	290,597,237	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	685,997	685,997	g
Fixed Assets	15,740,100	15,740,100	
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	3,539,855	3,539,855	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	31,310,661	31,310,661	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	743,128,293	743,128,293	

Table: 41.5.2

	Balance sheet as in published financial statements 2014 (Rupees in '000)	Under regulatory scope of consolidation	Reference
Liabilities & Equity			
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	
Sub-ordinated loans	9,987,000	9,987,000	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	6,321,027	6,321,027	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	853,331	853,331	
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	14,514,599	14,514,599	
Total liabilities	698,309,225	698,309,225	
Share capital			
of which: amount eligible for CET1	15,872,427	15,872,427	s
of which: amount eligible for AT1	-	-	t
Reserves	12,338,026	12,338,026	
of which: portion eligible for inclusion in CET1(provide breakup)	10,975,561	10,975,561	u
of which: portion eligible for inclusion in Tier 2	1,362,465	1,362,465	v
Unappropriated profit/ (losses)	9,613,374	9,613,374	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	6,995,241	6,995,241	
of which: Revaluation reserves on Fixed Assets	3,068,949	3,068,949	aa
of which: Unrealized Gains/Losses on AFS	3,926,292	3,926,292	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total equity	44,819,068	44,819,068	
Total liabilities & Equity	743,128,293	743,128,293	

Table: 41.5.3

	Component of regulatory capital reported by bank 2014 (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	15,872,427	(s)
2 Balance in Share Premium Account	4,285,556	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	6,690,005	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	9,613,374	(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	36,461,362	
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)	-	(k) - (p)
11 Shortfall of provisions against classified assets	1,138,633	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	707,971	{(h) - (r)} * 20%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * 20%
14 Reciprocal cross holdings in CET1 capital instruments	629,534	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	319,654	
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	266,449	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	3,062,241	
31 Common Equity Tier 1	33,399,121	

Table: 41.5.3

	Component of regulatory capital reported by bank 2014 (Rupees in '000)	Source based on reference number from step 2
Additional Tier 1 (AT 1) Capital		
32	-	
33	-	(t)
34	-	(m)
35	-	(y)
36	-	
37	-	
AT1 before regulatory adjustments		
Additional Tier 1 Capital: regulatory adjustments		
38	166,708	
39	-	
40	-	
41	-	(ac)
42	-	(ad)
43	99,741	
44	-	
45	266,449	
46	-	
47	-	
48	<u>33,399,121</u>	

Table: 41.5.3

	Component of regulatory capital reported by bank 2014 (Rupees in '000)	Source based on reference number from step 2
Tier 2 Capital		
49	4,991,000	(n)
50	1,330,027	
51	-	(z)
52	-	
53	685,997	(g)
54	3,917,335	
55	1,718,611	
56	2,198,724	portion of (aa)
57	1,362,465	(v)
58	-	
59	T2 before regulatory adjustments Tier 2 Capital: regulatory adjustments	
	12,286,824	
60	99,741	
61	1,065,736	
62	30,832	
63	-	(ae)
64	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	
66	1,196,309	
67	11,090,515	
68	11,090,515	
69	-	
69	Total Tier 2 capital admissible for capital adequacy	
	<u>11,090,515</u>	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	
	<u>44,489,636</u>	

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	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common 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)	15,872,427	1,330,027	4,991,000
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	No maturity	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	Fully discretionary	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	Non convertible	Non convertible	Convertible

Disclosure template for main features of regulatory capital instruments				
S. No.	Main Features	Common Shares	Instrument - 2	Instrument - 3
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		Risk Weighted Assets	
	2014	2013	2014	2013
	------(Rupees in '000)-----			
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	2,674,766	2,146,346	26,747,666	21,463,458
Public Sector entities	704,951	579,031	7,049,507	5,790,314
Banks	731,522	1,213,793	7,315,216	12,137,926
Corporate	14,492,390	11,631,337	144,923,900	116,313,366
Retail	2,713,698	2,830,785	27,136,983	28,307,850
Residential Mortgages	289,536	299,496	2,895,356	2,994,955
Past Due loans	615,311	597,682	6,153,105	5,976,823
Operating Fixed Assets	1,460,147	1,419,794	14,601,467	14,197,942
Other assets	1,376,581	670,524	13,765,814	6,705,241
	25,058,901	21,388,788	250,589,014	213,887,875
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees	1,247,267	776,332	12,472,665	7,763,325
Acceptances	925,566	1,020,093	9,255,660	10,200,930
Performance Related Contingencies	808,111	1,076,681	8,081,114	10,766,812
Trade Related Contingencies	724,375	722,831	7,243,755	7,228,308
	3,705,319	3,595,937	37,053,194	35,959,375
Market related				
Foreign Exchange contracts	110,542	75,285	1,105,419	752,845
Derivatives	2,692	227	26,917	2,269
	113,234	75,512	1,132,336	755,114
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	438,006	344,002	4,380,065	3,440,024
Unlisted Equity Investment	292,902	48,239	2,929,016	482,393
	730,908	392,241	7,309,081	3,922,417
Under Internal models approach				
	29,608,361	25,452,478	296,083,625	254,524,781
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	577,561	283,022	7,219,513	3,537,775
Equity position risk	15,104	23,454	188,800	293,170
Foreign Exchange risk	118,636	37,272	1,482,950	465,900
	711,301	343,748	8,891,263	4,296,845
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
Operational Risk (Restricted to 90% of Basic Indicator Approach)*				
<u>Capital Requirement for operational risks</u>	3,508,631	3,238,026	43,857,888	40,475,329
Total Risk Weighted Exposures	33,828,293	29,034,252	348,832,775	299,296,955

* 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	2014		2013	
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	9.57%	5.00%	8.44%
Tier-1 capital to total RWA	7.00%	9.57%	6.50%	8.44%
Total capital to total RWA	10.00%	12.75%	10.00%	12.06%

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. BRMC has further authorized management committees such as Central Management Committee (CMC), Central Credit Committee (CCC), Assets & Liabilities Committee (ALCO) and Investment Committee to supervise risk management activities within their respective scopes

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 credit 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. 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. Recently the system has been enhanced to generate the risk weighted assets required for supporting the credit facilities at the time of credit origination and efforts are under way to automate the quarterly credit risk related Basel submissions.

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 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 small and medium enterprises 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 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 10 - 12 for defaulters).

42.1.4 Segmental information

42.1.4.1 Segments by class of business

	2014					
	Advances (Gross)		Deposits		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%

	2014					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
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	23.99%	12,103,335	12.21%
	304,848,047	100.00%	605,963,224	100%	99,231,482	100.00%

	2013					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	23,710,094	8.66%	9,830,622	1.87%	1,355,892	1.05%
Automobile & Transportation Equipment	2,880,651	1.05%	5,623,010	1.07%	1,700,768	1.32%
Chemical and Pharmaceuticals	6,653,220	2.43%	6,354,373	1.21%	6,891,220	5.36%
Cement	1,507,985	0.55%	2,666,610	0.51%	728,651	0.57%
Communication	4,579,055	1.67%	11,631,056	2.21%	3,063,066	2.38%
Electronics and Electrical Appliances	3,280,350	1.20%	3,870,637	0.74%	2,278,805	1.77%
Educational Institutes	2,366,723	0.86%	10,186,157	1.94%	131,385	0.10%
Financial	6,820,049	2.49%	36,046,410	6.86%	28,734,009	22.35%
Fertilizers	8,199,215	2.99%	13,027,420	2.48%	2,091,664	1.63%
Food & Allied Products	15,038,369	5.49%	7,247,038	1.38%	1,893,852	1.47%
Glass & Ceramics	1,851,875	0.68%	1,423,521	0.27%	269,021	0.21%
Ghee & Edible Oil	3,701,136	1.35%	3,008,646	0.57%	4,044,408	3.15%
Housing Societies / Trusts	1,269,665	0.46%	7,577,435	1.44%	-	0.00%
Insurance	11,184	0.00%	2,708,859	0.52%	-	0.00%
Import & Export	2,537,574	0.93%	8,522,577	1.62%	1,094,001	0.85%
Iron / Steel	9,054,588	3.31%	7,795,733	1.48%	6,291,538	4.89%
Oil & Gas	17,775,528	6.49%	12,581,334	2.39%	11,876,626	9.24%
Paper & Board	3,418,350	1.25%	2,134,386	0.41%	950,318	0.74%
Production and Transmission of Energy	36,883,265	13.47%	13,403,742	2.55%	20,927,849	16.28%
Real Estate / Construction	4,093,434	1.49%	15,973,625	3.04%	2,876,576	2.24%
Retail / Wholesale Trade	6,800,979	2.48%	21,627,978	4.12%	2,002,215	1.56%
Rice Processing and Trading/ Wheat	11,076,533	4.05%	4,672,299	0.89%	123,885	0.10%

	2013					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Sugar	6,207,591	2.27%	3,336,698	0.63%	274,401	0.21%
Shoes and Leather garments	2,030,422	0.74%	2,048,841	0.39%	1,056,612	0.82%
Sports Goods	357,058	0.13%	834,139	0.16%	164,553	0.13%
Surgical Goods	564,521	0.21%	1,305,860	0.25%	81,519	0.06%
Textile Spinning	21,196,130	7.74%	3,167,669	0.60%	3,627,936	2.82%
Textile Weaving	8,031,724	2.93%	3,347,493	0.64%	1,076,489	0.84%
Textile Composite	17,643,812	6.44%	3,402,159	0.65%	3,641,813	2.83%
Welfare Institutions	269,474	0.10%	9,651,252	1.84%	4,019	0.00%
Individuals	22,925,035	8.37%	162,563,516	30.93%	3,598,565	2.80%
Others	21,091,708	7.70%	127,954,675	24.34%	15,707,467	12.23%
	<u>273,827,297</u>	<u>100.00%</u>	<u>525,525,770</u>	<u>100.00%</u>	<u>128,559,123</u>	<u>100.00%</u>

* 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

	2014					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(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%
	<u>304,848,047</u>	<u>100%</u>	<u>605,963,224</u>	<u>100%</u>	<u>99,231,482</u>	<u>100%</u>

	2013					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	60,354,229	22%	38,844,322	7%	27,185,711	21%
Private	213,473,068	78%	486,681,448	93%	101,373,412	79%
	<u>273,827,297</u>	<u>100%</u>	<u>525,525,770</u>	<u>100%</u>	<u>128,559,123</u>	<u>100%</u>

42.1.4.3 Details of non-performing advances and specific provisions by class of business segment

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Note 10.4) -----			
	----- (Rupees in '000) -----			
Agribusiness	333,839	56,047	344,003	63,947
Automobile & Transportation equipment	114,036	62,675	188,186	89,110
Chemical & Pharmaceuticals	285,028	125,168	161,152	65,067
Cement	30,974	15,487	-	-
Communication	342,335	340,674	363,335	361,674
Electronic & Electrical Appliances	397,910	394,942	397,421	391,625

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	------(Note 10.4)-----			
	------(Rupees in '000)-----			
Educational Institutes	-	-	1,358	970
Financial	118,909	118,909	122,538	122,538
Fertilizers	791,036	673,566	795,650	532,894
Food and allied products	185,085	118,054	219,586	118,572
Glass / Ceramics	41,943	36,845	45,497	20,804
Ghee & Edible Oil	475,897	473,851	428,975	368,043
Import & Export	663,999	620,895	760,937	701,088
Iron and steel	492,423	367,577	296,166	201,858
Oil and gas	2,814,894	1,204,274	2,704,200	1,301,151
Paper & Board	115,564	83,517	118,887	77,489
Production and transmission of energy	7,115	-	17,199	-
Real Estate / Construction	289,032	193,062	282,736	170,921
Retail Trade & Wholesale	923,624	658,500	748,677	425,345
Rice processing and trading / wheat	306,907	248,259	371,421	227,865
Sugar	-	-	190,742	120,732
Shoes & Leather garments	70,451	67,791	81,854	67,791
Sports	3,900	3,900	8,700	8,700
Surgical goods	17,047	17,047	21,015	14,724
Textile Spinning	722,890	589,158	390,691	366,421
Textile Weaving	328,686	247,559	370,480	252,070
Textile Composite	2,484,478	2,170,470	2,542,828	2,119,913
Individuals	1,203,287	677,850	1,357,022	605,223
Others	5,850,974	4,035,230	4,615,373	3,644,937
	19,412,263	13,601,307	17,946,629	12,441,472

42.1.4.4 Details of non-performing advances and specific provisions by sector

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	------(Note 10.4)-----			
	------(Rupees in '000)-----			
Public / Government	-	-	-	-
Private	19,412,263	13,601,307	17,946,629	12,441,472
	19,412,263	13,601,307	17,946,629	12,441,472

42.1.4.5 Geographical segment analysis

	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

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	------(Rupees in '000)-----			
Pakistan	6,165,226	561,825,482	29,401,170	120,684,411
Asia Pacific (including South Asia)	488,889	42,147,157	2,047,775	5,921,313
Middle East	153,096	7,454,985	452,799	1,953,399
	<u>6,807,211</u>	<u>611,427,624</u>	<u>31,901,744</u>	<u>128,559,123</u>

* 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 is the risk of losses due to on and off- balance sheet positions arising out of changes in market prices. Market risk mainly arises from trading activities undertaken by the Bank's treasury. It also includes investments and structural positions in the banking book of the Bank. To manage and control market risk, a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically.

The Bank's Asset and Liability Committee (ALCO) is 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 parallel shocks of changes in market yield on all the categories of T-Bills and Government securities.

42.2.1 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments.

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:

	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

	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----				
Pakistan Rupee	597,572,443	548,871,672	(16,445,424)	32,255,347
United States Dollar	12,700,363	24,474,025	11,327,412	(446,250)
Great Britain Pound	298,105	3,303,266	3,011,554	6,393
Japanese Yen	-	73,206	64,081	(9,125)
Euro	577,031	2,673,366	2,164,813	68,478
Other currencies	279,682	130,345	(122,436)	26,901
Total foreign currency exposure	13,855,181	30,654,208	16,445,424	(353,603)
Total currency exposure	611,427,624	579,525,880	-	31,901,744

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 book comprises of investments classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantages 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

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to changes in market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or are re-priced during a given period. Treasury & FI Group is primarily responsible for management of interest rate risk on a daily basis. The Bank's Asset and Liability Committee (ALCO) is responsible for the oversight of the interest rate risk. In order to ensure that this risk is managed within acceptable limits, Market Risk Management Unit of RMD monitors & reports various gap limits, 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

		2014										
		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%	50,515,643	6,779,042	-	-	-	-	-	-	-	-	43,736,601
Balances with other banks	0.85%	12,331,713	2,050,991	2,115,175	396,822	-	-	-	-	-	-	7,768,725
Lendings to financial institutions	9.04%	18,313,485	5,959,705	1,452,463	-	10,893,845	7,472	-	-	-	-	-
Investments	10.17%	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	10.21%	290,597,237	488,112	97,907,448	154,028,317	38,173,360	-	-	-	-	-	-
Other assets		28,457,990	-	-	-	-	-	-	-	-	-	28,457,990
		724,535,522	34,958,880	127,735,760	203,635,366	78,043,305	100,082,653	47,343,388	22,311,787	21,059,578	1,056,910	88,307,895
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%	605,963,224	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	12.49%	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		27,602,034	(244,464,527)	57,711,730	142,830,569	45,748,583	97,810,302	44,950,032	21,984,188	20,338,643	1,056,910	(160,364,396)
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	-	-	-	-	-	-
Repo transactions repurchase		30,274,144	30,166,199	107,945	-	-	-	-	-	-	-	-
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		(14,994,311)	(26,595,546)	16,589,639	(124,939)	1,451,486	-	-	(4,305,289)	(2,009,662)	-	-
Total yield / interest rate risk sensitivity gap			(271,060,073)	74,301,369	142,705,630	47,200,069	97,810,302	44,950,032	17,678,899	18,328,981	1,056,910	
Cumulative yield / interest rate risk sensitivity gap			(271,060,073)	(196,758,704)	(54,053,074)	(6,853,005)	90,957,297	135,907,329	153,586,228	171,915,209	172,972,119	

2013												
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	0.04%	61,204,697	8,618,497	-	-	-	-	-	-	-	52,586,200	
Balances with other banks	1.68%	34,764,008	11,786,467	1,892,683	-	526,623	-	-	-	-	20,558,235	
Lendings to financial institutions	7.39%	2,522,022	1,095,844	1,417,513	-	8,665	-	-	-	-	-	
Investments	8.82%	219,690,369	46,095,350	89,929,210	41,219,818	3,201,335	3,882,168	12,541,307	5,856,527	10,578,085	11,336	6,375,233
Advances	9.80%	260,779,850	458,603	108,621,939	125,876,636	25,822,672	-	-	-	-	-	-
Other assets		14,732,081	-	-	-	-	-	-	-	-	-	14,732,081
		593,693,027	68,054,761	201,861,345	167,096,454	29,032,672	4,408,791	12,541,307	5,856,527	10,578,085	11,336	94,251,749
Financial Liabilities												
Bills payable		9,543,480	-	-	-	-	-	-	-	-	-	9,543,480
Borrowings	7.49%	23,115,102	9,108,586	884,727	12,050,600	-	-	-	-	995,701	-	75,488
Deposits and other accounts	4.85%	525,525,770	87,929,311	59,535,595	160,189,769	22,298,160	1,521,689	562,829	144,438	-	-	193,343,979
Sub-ordinated loans	12.70%	9,991,000	4,999,000	-	2,619,777	475	951	790,581	1,580,216	-	-	-
Other liabilities		10,859,584	-	-	-	-	-	-	-	-	-	10,859,584
		579,034,936	102,036,897	60,420,322	174,860,146	22,298,635	1,522,640	1,353,410	1,724,654	995,701	-	213,822,531
On-balance sheet gap		14,658,091	(33,982,136)	141,441,023	(7,763,692)	6,734,037	2,886,151	11,187,897	4,131,873	9,582,384	11,336	(119,570,782)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		54,097,511	17,652,189	15,577,949	19,734,311	1,133,062	-	-	-	-	-	-
Forward exchange contracts - sale		42,386,376	9,829,823	17,420,467	14,928,118	207,968	-	-	-	-	-	-
Repo transactions repurchase		4,625,270	4,625,270	-	-	-	-	-	-	-	-	-
Foreign Currency Options - purchase		52,010	-	-	-	-	52,010	-	-	-	-	-
Foreign Currency Options - sale		52,010	-	-	-	-	52,010	-	-	-	-	-
Off-balance sheet gap		7,085,865	3,197,096	(1,842,518)	4,806,193	925,094	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			(30,785,040)	139,598,505	(2,957,499)	7,659,131	2,886,151	11,187,897	4,131,873	9,582,384	11,336	
Cumulative yield / interest rate risk sensitivity gap			(30,785,040)	108,813,466	105,855,967	113,515,098	116,401,249	127,589,146	131,721,019	141,303,403	141,314,739	

42.3.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

	2014	2013
	(Rupees in '000)	
Total financial assets as per note 42.3.1	724,535,522	593,693,027
Add: Non financial assets		
Operating fixed assets	15,740,100	14,835,200
Deferred tax assets	-	1,204,000
Other assets	2,852,671	1,695,397
Total assets as per statement of financial position	<u>743,128,293</u>	<u>611,427,624</u>
Total liabilities as per note 42.3.1	696,933,488	579,034,936
Add: Non financial liabilities		
Deferred tax liabilities	853,331	-
Other liabilities	522,406	490,944
Total liabilities as per statement of financial position	<u>698,309,225</u>	<u>579,525,880</u>

	2013									
	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	61,204,697	23,198,080	2,735,519	3,193,247	4,207,009	4,075,268	813,123	1,626,247	3,939,386	17,416,818
Balances with other banks	34,764,008	32,344,702	1,892,683	-	-	526,623	-	-	-	-
Lendings to financial institutions	2,522,022	1,095,844	1,417,513	-	8,665	-	-	-	-	-
Investments	219,690,369	41,357,928	73,732,635	24,044,169	4,127,760	30,560,260	22,115,862	7,912,030	13,525,579	2,314,146
Advances	260,779,850	24,315,171	29,554,868	53,451,539	57,637,573	19,263,303	18,237,449	38,630,588	16,746,174	2,943,185
Operating fixed assets	14,835,200	92,412	184,824	277,236	554,471	1,108,942	1,108,942	2,041,995	2,381,694	7,084,684
Deferred tax assets	1,204,000	-	-	-	-	-	-	1,204,000	-	-
Other assets	16,427,478	13,496,301	138,297	207,446	1,358,945	762,572	115,979	173,969	173,969	-
	611,427,624	135,900,438	109,656,339	81,173,637	67,894,423	56,296,968	42,391,355	51,588,829	36,766,802	29,758,833
Liabilities										
Bills payable	9,543,480	9,543,480	-	-	-	-	-	-	-	-
Borrowings	23,115,102	9,184,074	884,727	12,050,600	-	-	-	-	995,701	-
Deposits and other accounts	525,525,770	48,896,538	85,511,225	60,349,021	72,049,199	69,967,614	13,994,608	27,007,996	67,158,895	80,590,674
Sub-ordinated loans	9,991,000	-	1,000	1,000	2,000	4,000	1,665,330	3,328,670	4,989,000	-
Other liabilities	11,350,528	6,642,386	460,714	801,445	1,426,291	504,923	504,923	1,009,846	-	-
	579,525,880	74,266,478	86,857,666	73,202,066	73,477,490	70,476,537	16,164,861	31,346,512	73,143,596	80,590,674
Net assets	31,901,744	61,633,960	22,798,673	7,971,571	(5,583,067)	(14,179,569)	26,226,494	20,242,317	(36,376,794)	(50,831,841)
Share capital	13,491,563									
Reserves	7,274,222									
Unappropriated profit	7,499,831									
Surplus on revaluation of assets - net of tax	3,636,128									
	<u>31,901,744</u>									

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 deposits 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.

42.4.2 Maturities of assets and liabilities based on contractual maturities

		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
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									
		2013									
		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		61,204,697	35,887,635	2,735,519	3,193,247	4,207,009	4,075,268	813,123	1,626,247	3,939,386	4,727,263
Balances with other banks		34,764,008	32,344,702	1,892,683	-	-	526,623	-	-	-	-
Lendings to financial institutions		2,522,022	1,095,844	1,417,513	-	8,665	-	-	-	-	-
Investments		219,690,369	44,898,877	73,732,635	24,044,169	4,127,760	27,019,311	22,115,862	7,912,030	13,525,579	2,314,146
Advances		260,779,850	24,315,171	29,554,868	53,451,539	57,637,573	19,263,303	18,237,449	38,630,588	16,746,174	2,943,185
Operating fixed assets		14,835,200	92,412	184,824	277,236	554,471	1,108,942	1,108,942	2,041,995	2,381,694	7,084,684
Deferred Tax Assets		1,204,000	-	-	-	-	-	-	1,204,000	-	-
Other assets		16,427,478	13,496,301	138,297	207,446	1,358,945	762,572	115,979	173,969	173,969	-
		611,427,624	152,130,942	109,656,339	81,173,637	67,894,423	52,756,019	42,391,355	51,588,829	36,766,802	17,069,278
Liabilities											
Bills payable		9,543,480	9,543,480	-	-	-	-	-	-	-	-
Borrowings		23,115,102	9,184,074	884,727	12,050,600	-	-	-	-	995,701	-
Deposits and other accounts		525,525,770	415,253,349	59,535,595	26,209,710	22,298,160	1,521,689	562,829	144,438	-	-
Sub-ordinated loans		9,991,000	-	1,000	1,000	2,000	4,000	1,665,330	3,328,670	4,989,000	-
Other liabilities		11,350,528	6,642,386	460,714	801,445	1,426,291	504,923	504,923	1,009,846	-	-
		579,525,880	440,623,289	60,882,036	39,062,755	23,726,451	2,030,612	2,733,082	4,482,954	5,984,701	-
Net assets		31,901,744	(288,492,347)	48,774,303	42,110,882	44,167,972	50,725,407	39,658,273	47,105,875	30,782,101	17,069,278
Share capital		13,491,563									
Reserves		7,274,222									
Unappropriated profit		7,499,831									
Surplus on revaluation of investments		3,636,128									
		31,901,744									

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.

42.5 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.

42.5.1 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 calculated its capital charge for operational risk on ASA in its financials of 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. 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.

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

42.5.2 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 26, 2015 has announced cash dividend of 20% percent (2013: 20 percent cash dividend). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2014 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2015.

44 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 26, 2015 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.

ANNEXURE - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2014

(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, 2014				Principal written-off	Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1	Sowaba Shahzad, Address: 7-Km, Raiwind Road, Green Acre Scheme, Aminpura, Lahore	CNIC # 42301-1535061-4	Rana Tanveer	901.27	531.70	-	1,432.98	-	523.62	-	523.62
2	Umair Abbas Sheikh, Address: House # C-1, Street # 154, Shah Abdul Ghani, Baghbanpura, Lahore	CNIC # 35201-1557025-5	Sheikh M Omar	541.69	424.83	-	966.52	-	600.04	-	600.04
3	Nusrat Hussain Hashmi, Address: 92-HI, Wapda Town Housing Society, Lahore	CNIC # 35202-6306456-3	Mohd Nawaz	344.69	287.26	-	631.95	-	584.90	-	584.90
4	Muhammad Aqeel, Address: House # H-14, Flat # 2, 5 Star Complex, Block-2, Gulshan-E-Iqbal, Karachi	CNIC # 42201-7373599-7	Muhammad Jamil	55.24	1.38	-	56.62	563.16	350.80	-	913.96
5	Muhammad Younas, Address: 130-II, Block-D, Model Town, Lahore	CNIC # 35202-6559478-5	Ch Maula Buksh	-	-	-	-	556.72	283.32	-	840.04
6	Muhammad Fareedullah Qureshi, Address: 45-B-1, Gulberg-III, Lahore	CNIC # 35202-2969393-7	Muhd Atia Ullah Qureshi	547.31	206.46	-	753.77	34.43	510.06	-	544.49
7	Zahid Javed, Address: E-164/B, Lane # 12-A, Iqbal Park, Lahore Cantt, Lahore	CNIC # 35201-6652222-3	Ghulam Nabi Nasir	404.63	81.63	-	486.27	-	569.39	-	569.39
8	Haroon Rasheed Sheikh, Address: House # 224-U, Phase II, DHA, Lahore	CNIC # 35201-1126568-7	Rasheed Ahmad Sheikh	928.60	556.38	-	1,484.99	84.56	525.42	-	609.99
9	Liaqat Ali, Address: House # 318, Hamza Block, Green View Colony, Rajawala, Faisalabad	CNIC # 33100-4473440-7	Malik Nazar Muhammad	1,808.34	996.89	-	2,805.24	-	955.24	-	955.24
10	Yasir Javed Chaudhry, Address: F-1/13, Canal Cottages, New Muslim Town, Lahore	CNIC # 35202-0853969-7	Javed Akbar Chaudhry	322.02	224.69	-	546.71	335.84	229.99	-	565.83
11	Khurram Shahzad, Address: Kot Farid Road, H. # 7, Mohallah Akram Colony, Sargodha	CNIC # 38403-1867234-5	Manzoor Khan	263.56	242.48	-	506.04	272.33	248.49	-	520.82
12	Suhail Anjum, Address: 119-River View Housing Society, Raiwind Road, Lahore	CNIC # 35202-2905528-9	Ch M Ameen	484.51	485.17	-	969.68	480.52	474.16	-	954.68
13	Khadam Hussain Bhatti, Address: 5-A, 48-Family Suites, G-5/1, Islamabad	CNIC # 35201-9831583-9	Chaudry Ahmed Din Bhatti	445.40	374.92	-	820.32	463.82	386.07	-	849.89
14	Ayesha Ahad, Address: 30-B, Nisar Road, Lahore Cantt, Lahore	CNIC # 35202-0890229-4	Abdul Ahad Malik	1,693.46	1,038.21	-	2,731.66	1,745.83	985.83	-	2,731.66
15	Tahir Jamshaid, Address: H # 315, K-III, W.E.C.H.S., Inside Valencia, Lahore	CNIC # 35202-5349425-7	Jamshaid Ali Kanwer	788.79	505.09	-	1,293.88	798.71	495.18	-	1,293.88
16	Zia Ur Rehman, Address: H. # 154/1, Sector-5, Phase-II, DHA, Lahore Cantt, Lahore	CNIC # 35201-1326403-1	Abdur Rehman Sheikh	451.59	351.33	-	802.92	459.24	343.68	-	802.92
17	Mohammad Ali Qureshi, Address: H # 166-A, Block-3, Gulshan-E-Iqbal, Karachi	CNIC # 42201-3658673-9	Iftikhar Ali Qureshi	530.04	513.79	-	1,043.83	535.99	507.84	-	1,043.83
18	Imtiaz Ahmed Malik, Address: C-7, D.H.A., Lahore	CNIC # 35201-4277788-7	Malik Muhammad Akram	376.32	141.86	-	518.18	403.88	190.68	-	594.56
19	Mohammad Asif Ishtiaq, Address: 39/1, Street # 9, Phase-V, Khayaban-e-Shamsheer, D.H.A., Karachi	CNIC # 42301-4720920-9	S M Ishtiaq	351.86	154.25	-	506.11	268.08	277.62	-	545.69
20	Mohammad Sultan Ahmed, Address: D-65, N.H.S., Karsaz, Karachi	CNIC # 42301-6003411-9	Mohammad Saeed	519.58	96.38	-	615.95	527.19	322.99	-	850.18
21	Mansoor Shahanshah, Address: 3/C, Justice Inamullah Road, Hill Park, Near Fatah Puri Masjid, Karachi	CNIC # 42201-0371629-3	Shahanshah Hussain	483.96	58.95	-	542.91	489.86	240.66	-	730.53
22	Hassan Mahmood, Address: House # B-106, Block-P, Hussain Dsilva Town, North Nazimabad, Karachi	CNIC # 42101-6409677-7	Shahid Mahmood	511.53	126.73	-	638.25	490.19	229.29	-	719.48
23	Riaz Hussain, Address: AR-143, Dahki Namda Mali, Qissa Khawani, Peshawar	CNIC # 17301-4107322-7	Faqir Hussain	101.48	109.92	-	211.39	212.63	508.12	-	720.75
24	Muhammad Amjad Malik, Address: House # 42-K/48, Amjad Lodge, Street # 21, Usmanabad Colony, Bosan Road, Multan	CNIC # 36302-6967288-5	Malik Aashiq Muhammad	194.63	77.94	-	272.57	271.43	339.00	-	610.43
25	Muhammad Riaz Ul Haq, Address: 805/B Block, Phase V, D.H.A., Lahore	CNIC # 35201-1556073-1	Malik Ilam Ud Din	830.55	159.65	-	990.20	883.43	797.13	-	1,680.56
26	Amir Nisar, Address: Flat # J-302, Creek Vista, Dha, Phase-VIII, Karachi	CNIC # 42301-5455535-1	Nisar Ahmed	450.20	193.61	-	643.81	468.64	323.23	-	791.87
27	Nusrat Riaz, Address: H # 805, B-Block, Phase-5, D.H.A, Lahore	CNIC # 35201-1452598-6	Muhammad Riaz Ul Haq	474.73	149.78	-	624.51	516.68	491.67	-	1,008.34
28	Muhammad Ashraf Kausar, Address: 33-J/1, D.H.A., Lahore	CNIC # 35201-1360170-7	Sher Khan	435.91	77.15	-	513.05	356.36	354.79	-	711.15
29	Waseem Raza, Address: 83-A/2, Satellite Town, Rawalpindi	CNIC # 37405-4806637-9	Abdul Aziz	420.11	146.40	-	566.51	290.07	275.31	-	565.38
30	Imran Nawaz, Address: Rehmanabad Near Bypass Rehmanabad Near Bypass, Dina	CNIC # 17201-4322310-7	Umer Draz	258.38	279.02	-	537.41	1,019.94	311.54	-	1,331.48
31	Shaker Zia, Address: H # 649/A, Lahore	CNIC # 35202-6964832-7	Zia Ud Din	85.79	68.68	-	154.46	495.20	82.66	-	577.86
32	Riaz Ul Haq, Address: Chak No 671 Jb, Gojra	CNIC # 33301-4402230-9	Chaudhry Shah Muhammad	133.13	45.45	-	178.58	522.51	93.53	-	616.05
33	Khalid Mehmood, Address: H # 21-C, St # 33, Samanabad, Lahore	CNIC # 35202-1900576-5	Ghulam Muhammad	36.38	21.89	-	58.28	528.58	94.25	-	622.83
34	Aftab Gul, Address: H # 442-N, Rawalpindi	CNIC # 37405-0566263-5	Maqbool Elahi	198.54	90.58	-	289.11	544.81	93.51	-	638.33

(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, 2014				Principal written-off	Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
35	Zahida Rasool, Address: Flat # 5, 3rd Floor, Plot No:32-C, Street # 6, Badar Commercial Phase-V, D.H.A	CNIC # 41306-3398515-0	Ghulam Rasool	566.55	-	-	566.55	566.55	-	-	566.55
36	Samad Khan, Address: Flat # 1, 2nd Floor, Plot # NW-729, Saidpur Road, Rawalpindi	CNIC # 37405-4214794-1	Zarbat Khan	603.70	-	-	603.70	603.70	-	-	603.70
37	Muhammad Shahid Malik, Address: Madina Masjid, Near Kothee Noor Gujranwala	CNIC # 34101-2339639-1	Malik Muhammad Boota	194.39	98.73	-	293.12	653.56	151.87	-	805.44
38	Asif Javed Butt, Address: H # G-52, Machine Mohalah # 2, Jhelum	CNIC # 37301-8514841-3	Javed Akhtar Butt	85.98	46.74	-	132.71	710.29	136.62	-	846.92
39	Pir Amanullah Barat, Address: House # 5 Street # 113 Ward # 11, Qali Malaha N P.O Tehsil & Distt. Pachine	CNIC # 54303-2038338-3	Haji Kher Muhammad	143.59	114.97	-	258.56	767.86	158.02	-	925.88
40	Muhammad Ali, Address: Ashraf Boot House, Mohallah Akal Ghar, Ghazni Road Rawalpindi	CNIC # 42501-0968841-5	Khuda Yar	796.38	-	-	796.38	796.38	-	-	796.38
41	Karamat Ullah Zahid, Address: Faqiriya Wala P.O., Kasur	CNIC # 35102-0986236-5	Shahab Din	132.97	93.59	-	226.56	824.95	169.37	-	994.32
42	Arshad Iqbal, Address: 6/338, Liaquatabad, Gali 6, Karachi	CNIC # 42000-0208150-5	Haji Iqbal Ahmed	830.95	-	-	830.95	830.95	-	-	830.95
43	Aftab Hussain, Address: Basti Rehman, P.O. Khas, Dera Ghazi Khan	CNIC # 32102-4913378-7	Ghulam Hussain	178.78	116.06	-	294.85	837.49	211.61	-	1,049.10
44	Sher Bahadur, Address: House # ZA-421, Street # 12, Rawalpindi	CNIC # 37405-5591889-1	Saleem Khan	62.06	48.37	-	110.43	871.10	164.67	-	1,035.77
45	Mohammad Ilyas, Address: House # 498-F, Lahore	CNIC # 35202-8291925-5	Mushtaq Ahmed	152.93	84.36	-	237.29	924.26	170.44	-	1,094.70
46	Tariq Shabir, Address: House # 872, Sonerie Masjid, W # 10, Jakharpur, Multan	CNIC # 36302-0478995-7	Muhammad Shabir	53.43	27.79	-	81.23	988.63	159.17	-	1,147.80
47	Tahir Rehman, Address: House # 10, Sihala Bagh, Islamabad	CNIC # 37405-7544144-7	Abdul Rehman	1,057.02	-	-	1,057.02	1,057.02	-	-	1,057.02
48	Abdul Qayyum, Address: Near Bhaki, Chowk Chah Lundiwala Patti Ghulam Ali G Harbi Tehsil, Kot Addu	CNIC # 32303-4995943-5	Noor Ahmad	122.08	134.40	-	256.48	1,087.26	276.63	-	1,363.89
49	Ghulam Mustafa, Address: Moh Mustafabad, Gojra, Toba Tek Singh	CNIC # 38401-0357107-7	Muhammad Noor	73.78	59.90	-	133.67	1,095.08	183.48	-	1,278.56
50	Ahsan Shakeel, Address: Near Malik Hamza, Bakery Opp. Darbar Islamabad	CNIC # 37405-1764805-3	Shakeel Ahmad	57.28	63.50	-	120.78	1,103.74	218.25	-	1,321.99
51	Mian Shoaib Ashiq Daha, Address: Mouza Bakaini, P.O. Bakaini Sharif, Tehsil Jatoi, Distt. Muzaffargarh	CNIC # 32302-1733630-9	Mian Ashiq Hussain Daha	2,999	558	-	3,556.75	2,999	558	-	3,556.75
52	Mian Khizir Hayat Makwal Address: Mouza Bait Rai Ali, P.O. Miranpur, Tehsil & Distt. Muzaffargarh	CNIC # 32304-1629172-1	Saleem Abbas Makwal	2,500	1,342	-	3,841.84	2,500	1,342	-	3,841.84
53	Saleem Abbas Makwal, Address: Mouza Bait Rai Ali, P.O. Miranpur, Tehsil & Distt. Muzaffargarh	CNIC # 32304-1080245-9	Mian Ameer Muhammad	2,993	791	-	3,783.36	2,993	791	-	3,783.36
54	Abdul Jabbar / Zaheer Abbas/ Ghulam Mustafa, Address: Al-Mustafa Departmental Store, Ashraf Petroleum, K.L.P Road, Tehsil Sadiq Abad	CNIC # 31304-4952854-3	Muhamamd Afzal	600	140	-	740.06	600	140	-	740.06
55	Jam Ghulam Sarwar Wasa, Address: Basti Haji Muhammad Nawaz Wasa, Mauza Jam Wasa, P.O. Muhammad Pur, Sadiq Abad	CNIC # 31304-9876089-9	Haji Muhammad Nawaz Wasa	347	179	-	525.84	347	179	-	525.84
56	Muhammad Sarwar, Address: Chak # 217/E.B, Tehsil Burewala District Vehari	CNIC # 36601-6773307-5	Ghulam Haider	699	94	-	793.22	699	94	-	793.22
57	Muhammad Rafiq, Address: Chak # 247/E.B Tehsil Burewala District Vehari	CNIC # 36601-1591695-5	Fazal Din	774	142	-	915.54	774	142	-	915.54
58	Niaz Hussain, Address: Chak # 169/E.B, Tehsil Burewala, District Vehari	CNIC # 36601-0482361-5	Sahib Khan	542	192	-	734.67	542	192	-	734.67
59	Irshad Ahmad Address: Chak # 451/E.B Tehsil Burewala District Vehari	CNIC # 36601-1600310-7	Fazal Din	1,994	82	-	2,075.49	1,994	82	-	2,075.49
60	Muhammad Ikramullah, Address: Chak # 307, Tehsil Burewala Distt Vehari	CNIC # 36601-1968917-7	Habib Ali	531	172	-	702.53	531	172	-	702.53
61	Sultan Alam, Address: Chak # 185/7-R, P.O. Khichiwala, Tehsil Fortabbas, Distt. Bahawalnagar	CNIC # 31103-8758505-1	Abdul Malik	250	393	-	643.20	250	416	-	666.38
62	Manzoor Ahmed Malik Address: Basti & P.O. Ganwai, Tehsil Shujabad, District Multan	CNIC # 36304-0613888-3	Haji Ameer Buksh	750	43	-	793.09	750	129	-	879.57
63	Sohail Arif Chah Bagh Wala, Address: Saleh Mahay P.O. Bahauddin Zakariya University Multan	CNIC # 36303-8944857-3	Malik Muhammad Arif	800	281	-	1,081.03	800	327	-	1,127.39
64	Muhammad Abdullah Khan Tareen, Address: Mouza Mukhdoom Pur, Kharala Tehsil Mailsi District Vehari	CNIC # 36602-2911033-7	Haji Aman Ullah	2,800	748	-	3,547.61	2,800	748	-	3,547.61
65	Muhammad Usman, Address: Mouza Raqba Bani Shah, Indus Highway Rojhan Road Rajan Pur	CNIC # 32403-1139353-1	Muhammad Palwan	1,499	901	-	2,399.32	1,499	900	-	2,398.65
66	Abdul Gaffar Abdul Gaffar, Address: Model Zarai Farm Mouza Ghazia Abad Rajanpur	CNIC # 31303-2457985-9	Abdul Aziz	1,500	899	-	2,399.00	1,500	899	-	2,398.94
67	Muhammad Irshad Khan, Address: Haveli Naseer Khan Tehsil & District Lodhran	CNIC # 36203-1780728-5	Atta Muhammad	1,249	153	-	1,402.41	1,249	153	-	1,402.41

(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, 2014				Principal written-off	Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
68	Malik Muhammad Arif Address: 24-B Block X, C-1 Model Town C, Tehsil & District Bahawalpur	CNIC # 31202-2180839-3	Allah Bukhsh	947	41	-	988.16	947	41	-	988.16
69	Haji Malik Muhamamd Umar Address: Basti Lal Baig, Bahawal Garh, Tehsil Kahrore Pacca, District Lodhran	CNIC # 36202-0946456-7	Malik Mehmood Buksh	597	102	-	699.68	597	102	-	699.68
70	Allah Wassaya Address: Chah Khair Muhammad Saifpur, P.O. Dera Bakha, Tehsil & District Bahawalpur	CNIC # 31202-5060026-1	Khair Muhammad	599	29	-	627.84	599	29	-	627.84
71	Muhammad Kaleem Address: Basti Makwal, Ultra Sandela, Tehsil & Distt. Muzaffargarh	CNIC # 32304-0712507-7	Ghulam Sarwar	950	598	-	1,547.81	950	598	-	1,547.81
72	Malik Ghulam Mustafa Khar, Address: Khar House, Khursheed Abad, Jail Road, Tehsil & Distt. Muzaffargarh	CNIC # 32304-9614171-1	Muhammad Kareem Bakhsh Khar	1,230	776	-	2,005.95	1,230	-	-	1,229.61
73	Muhammad Ather, Address: Ward # 4 House # 31-E Muhallah Sardar Khan Garh Tehsil & Distt Muzaffargarh	CNIC # 32304-5872603-7	Sardar Muhammad Bashir	824	457	-	1,281.21	824	457	-	1,281.21
74	Umer Hayat, Address: Saib Langra, P.O. Srai Sidhu Tehsil Kabirwala Distt Khanewal.	CNIC # 36102-1854112-7	Allah Ditta	600	327	-	926.30	600	327	-	926.30
75	Qaswar Abbas, Address: Saib Langra, P.O. Srai Sidhu Tehsil Kabirwala Distt Khanewal	CNIC # 36102-1854120-3	Muhammad Ramzan	597	334	-	930.79	597	334	-	930.79
76	Ghulam Hussain, Zameer Hussain Address: VPO Shaikhen, Tehsil Lalian, Distt Chiniot	CNIC # 33201-3750109-1 & CNIC # 33201-4941926-5	Muhammad Ramzan	600	79	-	678.47	600	79	-	678.47
77	Muhammad Iqbal Khan Address: Mauza Mehran Sial, Tehsil & Distt Jhang	CNIC # 33202-1352282-3	Khan Baib	650	124	-	774.31	650	124	-	774.31
78	Muhammad Sarfraz Khan Address: Mauza Suleman, Tehsil Bhawana Distt Chiniot	CNIC # 33202-4260323-7	Mehr Haq Nawaz	933	141	-	1,073.71	933	141	-	1,073.71
79	Nisar Ahmad Address: Chak # 18, JB Tehsil Chak Jhumra, Distt Faisalabad	CNIC # 33101-8120694-7	Gulsher Khan	2,000	412	-	2,411.72	2,000	412	-	2,411.72
80	Zahid Hussain Shah & Aneela Zahid Address: Mauza Hassokay, Tehsil Tandlian Wala Distt Faisalabad	CNIC # 33106-4231993-5	Khadim Hussain & Zahid Hussain	1,168	-	-	1,168.05	1,168	-	-	1,168.05
81	Abad Ali, Address: Chak # 203, R.B Malik Pur Faisalabad	CNIC # 33100-0708313-5	Anayat Ullah	637	92	-	728.64	637	92	-	728.64
82	Kashan ur Rehman Raja, Address: Mudwala Khurd Tehsile And Distt, Sheikhpura	CNIC # 35404-1938274-3	Raja Khush Bakht Rehman	999	794	-	1,792.80	999	824	-	1,822.70
83	Imran ur Rehman Raja Address: Mudwala Khurd Tehsile, District Sheikhpura	CNIC # 35202-4248871-3	Raja Khush Bakht Rehman	997	804	-	1,800.36	997	834	-	1,830.21
84	Arayin Agriculture Farm, Sialkot	CNIC # 34603-2351611-1 & CNIC # 34603-2733803-9	Ch. Safdar Ali	498	119	-	616.80	498	119	-	616.70
85	Syed Muhammad Raza Shah Shah Address: Pur District Sargodha	CNIC # 38404-8236910-3	Syed Muhammad Ali Shah	499	293	-	792.26	499	293	-	792.26
86	Muhammad Azam, Address: Tulla Behak Mekan District Sargodha	CNIC # 38403-5248255-5	Ghulam Muhammad Tulla	665	51	-	716.54	665	51	-	716.54
87	Aadil Ameer Khan, Address: Village & P.O. Dhirkan wala Tehsil Sahiwal & Distt Sargodha	CNIC # 35201-3891290-3	Asad Ameer	1,500	1,906	-	3,406.55	1,500	1,906	-	3,406.55
88	Wali Muhammad Jhogian Loodhray, Address: P.O. Shamkay Bhatiyyan Tehsil & Distt Lahore	CNIC # 35202-7445101-3	Barkat Ali	2,500	320	-	2,820.47	2,500	320	-	2,820.47
89	Zahoor Ahmad Dhori, Address: P.O. Chakian, Phularwan, Teh Bhalwal, Distt Sargodha.	CNIC # 38401-0250352-7	Roshan Deen	399	172	-	571.17	399	207	-	606.06
90	Roshan Deen Dhori, Address: P.O. Chakian, Phularwan, Teh Bhalwal, Distt Sargodha.	CNIC # 38401-0280345-3	Sardar Ahmad	400	141	-	541.35	400	176	-	576.32
91	Muhammad Ameer Munwais, Address: P.O. Hadoorpur, Teh Bhalwal, Dist Sargodha	CNIC # 38401-8309044-7	Lal Khan	1,200	609	-	1,808.62	1,200	714	-	1,913.51
92	Malik Fateh Muhammad Khan, Address: Noon Village Fateh Abad Noon, P.O. Nabi Shah Bala, Teh Bhalwal, Distt Sargodha	CNIC # 38401-6150446-7	Malik Ahmad Khan Noon	900	390	-	1,289.80	900	471	-	1,370.71
93	Parvaiz Ahmad Jolpur Address: P.O. Bucha Kalan, Teh Kotmoman, Distt Sargodha	CNIC # 61101-6002366-9	Mian Ahmad Ali Ranjha	479	165	-	643.83	479	211	-	690.04
94	M. Sharif, Address: Kot Qasim Ali Post Office Mowkal	CNIC # 35101-2461006-1	Faiz Rasool	798	411	-	1,209.06	798	411	-	1,209.06
95	Ghazanfer Hedayat, Address: Qalai Sokal P.O. Usman Wala	CNIC # 35101-2462702-5	Hadayat Ullah	398	387	-	784.48	398	387	-	784.48
96	Abdul Majeed Khan, Address: P.O.Sultan Kot, Distt. Shikarpur	CNIC # 43304-7300585-7	Abdul Hamid Khan	2,000	447	-	2,447.00	2,000	447	-	2,447.00
97	Muhammad Sharif, Address: Warpal Kalan, P.O Khass, Tehsil Wazirabad, Distt: Gujranwala	CNIC # 34104-2495145-9	Rasool Bukh	765	486	-	1,251.10	765	486	-	1,251.10
98	Muhammad Manzoor ul Hassan, Address: Qamar Bohpalwala, Daska, Sialkot.	CNIC # 34601-6364290-1	Ch. M Hussain	923	871	-	1,793.19	923	871	-	1,793.19
99	Amir Zaman Address: New Civil Lines, Street # 1, Makki Mousque, Gujranwala	CNIC # 34101-0445174-7	Nasar Ullah Khan	700	375	-	1,074.54	700	375	-	1,074.54
100	Muhammad Younas, Address: Jani Mohallah, Rasool Road, Mandi Bahauddin.	CNIC # 34402-3751662-1	Muhammad Ramzan	2,694	777	-	3,471.41	2,694	777	-	3,471.41

(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, 2014				Principal written-off	Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total (5+6+7)				
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68	Malik Muhammad Arif Address: 24-B Block X, C-1 Model Town C, Tehsil & District Bahawalpur	CNIC # 31202-2180839-3	Allah Bukhsh	947	41	-	988.16	947	41	-	988.16
69	Haji Malik Muhamamd Umar Address: Basti Lal Baig, Bahawal Garh, Tehsil Kahrore Pacca, District Lodhran	CNIC # 36202-0946456-7	Malik Mehmood Buksh	597	102	-	699.68	597	102	-	699.68
70	Allah Wassaya Address: Chah Khair Muhammad Saifpur, P.O. Dera Bakha, Tehsil & District Bahawalpur	CNIC # 31202-5060026-1	Khair Muhammad	599	29	-	627.84	599	29	-	627.84
71	Muhammad Kaleem Address: Basti Makwal, Ultra Sandela, Tehsil & Distt. Muzaffargarh	CNIC # 32304-0712507-7	Ghulam Sarwar	950	598	-	1,547.81	950	598	-	1,547.81
72	Malik Ghulam Mustafa Khar, Address: Khar House, Khursheed Abad, Jail Road, Tehsil & Distt. Muzaffargarh	CNIC # 32304-9614171-1	Muhammad Kareem Bakhsh Khar	1,230	776	-	2,005.95	1,230	-	-	1,229.61
73	Muhammad Ather, Address: Ward # 4 House # 31-E Muhallah Sardar Khan Garh Tehsil & Distt Muzaffargarh	CNIC # 32304-5872603-7	Sardar Muhammad Bashir	824	457	-	1,281.21	824	457	-	1,281.21
74	Umer Hayat, Address: Saib Langra, P.O. Srai Sidhu Tehsil Kabirwala Distt Khanewal.	CNIC # 36102-1854112-7	Allah Ditta	600	327	-	926.30	600	327	-	926.30
75	Qaswar Abbas, Address: Saib Langra, P.O. Srai Sidhu Tehsil Kabirwala Distt Khanewal	CNIC # 36102-1854120-3	Muhammad Ramzan	597	334	-	930.79	597	334	-	930.79
76	Ghulam Hussain, Zameer Hussain Address: VPO Shaikhen, Tehsil Lalian, Distt Chiniot	CNIC # 33201-3750109-1 & CNIC # 33201-4941926-5	Muhammad Ramzan	600	79	-	678.47	600	79	-	678.47
77	Muhammad Iqbal Khan Address: Mauza Mehran Sial, Tehsil & Distt Jhang	CNIC # 33202-1352282-3	Khan Baib	650	124	-	774.31	650	124	-	774.31
78	Muhammad Sarfraz Khan Address: Mauza Suleman, Tehsil Bhawana Distt Chiniot	CNIC # 33202-4260323-7	Mehr Haq Nawaz	933	141	-	1,073.71	933	141	-	1,073.71
79	Nisar Ahmad Address: Chak # 18, JB Tehsil Chak Jhumra, Distt Faisalabad	CNIC # 33101-8120694-7	Gulsher Khan	2,000	412	-	2,411.72	2,000	412	-	2,411.72
80	Zahid Hussain Shah & Aneela Zahid Address: Mauza Hassokay, Tehsil Tandlian Wala Distt Faisalabad	CNIC # 33106-4231993-5	Khadim Hussain & Zahid Hussain	1,168	-	-	1,168.05	1,168	-	-	1,168.05
81	Abad Ali, Address: Chak # 203, R.B Malik Pur Faisalabad	CNIC # 33100-0708313-5	Anayat Ullah	637	92	-	728.64	637	92	-	728.64
82	Kashan ur Rehman Raja, Address: Mudwala Khurd Tehsile And Distt, Sheikhpura	CNIC # 35404-1938274-3	Raja Khush Bakht Rehman	999	794	-	1,792.80	999	824	-	1,822.70
83	Imran ur Rehman Raja Address: Mudwala Khurd Tehsile, District Sheikhpura	CNIC # 35202-4248871-3	Raja Khush Bakht Rehman	997	804	-	1,800.36	997	834	-	1,830.21
84	Arayin Agriculture Farm, Sialkot	CNIC # 34603-2351611-1 & CNIC # 34603-2733803-9	Ch. Safdar Ali	498	119	-	616.80	498	119	-	616.70
85	Syed Muhammad Raza Shah Shah Address: Pur District Sargodha	CNIC # 38404-8236910-3	Syed Muhammad Ali Shah	499	293	-	792.26	499	293	-	792.26
86	Muhammad Azam, Address: Tulla Behak Mekan District Sargodha	CNIC # 38403-5248255-5	Ghulam Muhammad Tulla	665	51	-	716.54	665	51	-	716.54
87	Aadil Ameer Khan, Address: Village & P.O. Dhirkan wala Tehsil Sahiwal & Distt Sargodha	CNIC # 35201-3891290-3	Asad Ameer	1,500	1,906	-	3,406.55	1,500	1,906	-	3,406.55
88	Wali Muhammad Jhogian Loodhray, Address: P.O. Shamkay Bhatiyyan Tehsil & Distt Lahore	CNIC # 35202-7445101-3	Barkat Ali	2,500	320	-	2,820.47	2,500	320	-	2,820.47
89	Zahoor Ahmad Dhori, Address: P.O. Chakian, Phularwan, Teh Bhalwal, Distt Sargodha.	CNIC # 38401-0250352-7	Roshan Deen	399	172	-	571.17	399	207	-	606.06
90	Roshan Deen Dhori, Address: P.O. Chakian, Phularwan, Teh Bhalwal, Distt Sargodha.	CNIC # 38401-0280345-3	Sardar Ahmad	400	141	-	541.35	400	176	-	576.32
91	Muhammad Ameer Munwais, Address: P.O. Hadoorpur, Teh Bhalwal, Dist Sargodha	CNIC # 38401-8309044-7	Lal Khan	1,200	609	-	1,808.62	1,200	714	-	1,913.51
92	Malik Fateh Muhammad Khan, Address: Noon Village Fateh Abad Noon, P.O. Nabi Shah Bala, Teh Bhalwal, Distt Sargodha	CNIC # 38401-6150446-7	Malik Ahmad Khan Noon	900	390	-	1,289.80	900	471	-	1,370.71
93	Parvaiz Ahmad Jolpur Address: P.O. Bucha Kalan, Teh Kotmoman, Distt Sargodha	CNIC # 61101-6002366-9	Mian Ahmad Ali Ranjha	479	165	-	643.83	479	211	-	690.04
94	M. Sharif, Address: Kot Qasim Ali Post Office Mowkal	CNIC # 35101-2461006-1	Faiz Rasool	798	411	-	1,209.06	798	411	-	1,209.06
95	Ghazanfer Hadayat, Address: Qalai Sokal P.O. Usman Wala	CNIC # 35101-2462702-5	Hadayat Ullah	398	387	-	784.48	398	387	-	784.48
96	Abdul Majeed Khan, Address: P.O.Sultan Kot, Distt. Shikarpur	CNIC # 43304-7300585-7	Abdul Hamid Khan	2,000	447	-	2,447.00	2,000	447	-	2,447.00
97	Muhammad Sharif, Address: Warpal Kalan, P.O Khass, Tehsil Wazirabad, Distt: Gujranwala	CNIC # 34104-2495145-9	Rasool Bukx	765	486	-	1,251.10	765	486	-	1,251.10
98	Muhammad Manzoor ul Hassan, Address: Qamar Bohpalwala, Daska, Sialkot.	CNIC # 34601-6364290-1	Ch. M Hussain	923	871	-	1,793.19	923	871	-	1,793.19
99	Amir Zaman Address: New Civil Lines, Street # 1, Makki Mousque, Gujranwala	CNIC # 34101-0445174-7	Nasar Ullah Khan	700	375	-	1,074.54	700	375	-	1,074.54
100	Muhammad Younas, Address: Jani Mohallah, Rasool Road, Mandi Bahauddin.	CNIC # 34402-3751662-1	Muhammad Ramzan	2,694	777	-	3,471.41	2,694	777	-	3,471.41

(Rupees in '000)

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				Principal	Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
101	Ghulam Hussain, Address: Chamanabad Chaprote P.O. Chalt, Tehsil Nager, District Gilgit	CNIC # 71503-0407044-1	Meherban	468	323	-	791.28	468	323	-	791.28
102	Ahmed Poultry Farm, Address: Hanzal Sharote Thingi Ghizer Road Gilgit	Mr. Farooq Ahmed, CNIC # 71501-9951445-9	Aman Ullah Khan	954	569	-	1,522.53	954	569	-	1,522.53
103	Aamer Ahmed, Address: H # P-55, Street # 1, Usman Colony Faisalabad.	CNIC # 33100-5974102-9	Wali Muhammad Sagar	550.48	8.23	44.89	603.60	550.48	-	-	550.48
104	Khalid Hussain Tahir, Address: P-79, St # 01, Santpura, Near Qadri Masjid, Faisalabad	CNIC # 33100-0987376-1	Ghulam Qadir	667.04	213.37	125.18	1,005.60	667.04	-	-	667.04
105	Muhammad Yousaf, Address: Chak # 119 JB, Muhammad Chowk, Samana, Faisalabad	CNIC # 33100-6129549-9	Muhammad Ilyas	547.42	181.72	122.67	851.82	547.42	-	-	547.42
106	Ghulam Nabi Shahid, Address: Chak # 420 GB, Tehsil Tandlianwala, Distt. Faisalabad	CNIC # 33106-2013848-7	Ch. Muhammad Deen	530.66	195.96	133.98	860.60	530.66	-	-	530.66
107	Basharat Mehmood Raja, Address: H # 201, Mohallah Ameer Ali Raja, Dhoke Gangal, Babar Colony Rawalpindi	CNIC # 37405-0282163-5	Khalik Dad Raja	504.69	77.77	65.17	647.63	504.69	-	-	504.69
108	Qadeer Ahmed Malik, Address: H # BV1-85, Kurri Road Muhammadi Colony Rawalpindi	CNIC # 37405-0475451-9	Malik Muhammad Azad	748.30	268.74	152.85	1,169.89	748.30	-	-	748.30
109	Usman Aslam, Address: House # 12-A, Block D, Soan Garden Islamabad.	CNIC # 61101-8797246-9	Muhammad Aslam	860.80	341.08	145.22	1,347.10	860.80	-	-	860.80
110	"Khuda Bux, Address: Chah Bharwala, Shershah Dakhan Khas, Multan										
"	CNIC # 36302-4784659-7	Muhammad Ramzan	679.74	128.58	116.86	925.17	679.74	-	-	679.74	
111	Fiasal Muhammad Yaar, Address: Khar Gharbi, Sinawan, Teh. Kot Addu	CNIC # 36302-1283880-5	Malik Ghulam Malidi Khar	830.22	271.90	197.86	1,299.97	830.22	-	-	830.22
112	Nadeem Afzal, Address: Ground Floor House # 95-C, Street # B-C, Feroz Colony, Near Taj Company, Outfall Road, Santnagar, Lahore	CNIC # 35202-2172406-5	Muhammad Afzal	517.07	187.89	116.06	821.02	517.07	-	-	517.07
113	"Muhammad Yousaf, Address: 113-B Gulsha-E-Ravi Lahore										
"	CNIC # 35202-7227873-1	Muhammad Yasin	1,048.65	-	85.72	1,134.36	1,048.65	-	-	1,048.65	
114	"Manzoor Ahmed, Address: House # 5, Street # 138-A, Rana Street Aziz Park Ichra, Lahore										
"	CNIC # 35202-2876259-7	Abdul Sattar	614.12	682.66	11.53	1,308.31	614.12	-	-	614.12	
115	Tariq Jamil Shamsi, Address: H-114-B, Abu Baker Block New Garden Town Lahore	CNIC # 35202-5262319-5	Jamil Ahmad Shamsi	617.01	123.55	96.93	837.49	617.01	-	-	617.01
116	Shahnaz Sharif, Address: H # 196/K-1, Wapda Town Lahore	CNIC # 35202-2510071-4	Nazar Hussain	962.33	1,108.13	6.80	2,077.26	962.33	-	-	962.33
117	Ch Faiz Ahmed, Address: H-E-319, Askari-10, Airport Road, Lahore Cantt	CNIC # 34603-6980146-9	Chaudhry Fazal Karim	1,122.73	1,543.65	14.28	2,680.65	1,122.73	-	-	1,122.73
118	Kanwal Sajid, Address: 69-B Gulberg II Lahore	CNIC # 35202-4865826-6	Sajid Nadeem	571.93	-	11.66	583.59	571.93	-	-	571.93
119	Muhammad Kamran Sidiq, Address: Chack # 192, Kalwan Faisalabad	CNIC # 33100-6900660-7	Ch. Muhammad Sadiq	551.78	90.59	106.48	748.85	551.78	-	-	551.78
120	Imtiaz Akhtar, Address: Main Patan Manara Road, House # 1, Muhalla Rashid Park, Teh & Distt Rahim Yar Khan	CNIC # 31303-2516944-5	Haji Muhammad Ishaq	515.16	66.27	69.35	650.78	515.16	-	-	515.16
121	Arshad Ali, Address: House # 23/12, A-1 Al-Badar Street, Near Al-Badar Mosque, Islam Nagar, Walton Road, Cantt, Lahore	CNIC # 35202-1366021-7	Muhammad Aslam Quersh	868.78	-	89.60	958.38	868.78	-	-	868.78
122	M. Zafar Iqbal, Address: House # P-363-C, Officer Colony # 2, Madina Town Faisalabad	CNIC # 33100-5297228-9	Chaudry Muhammad Yousaf	812.43	298.34	77.53	1,188.30	812.43	-	-	812.43
123	Siddiq Aslam Gondal, Address: H # 131-1/2, Warda Town Lahore	CNIC # 35202-6097017-5	Muhammad Aslam Gondal	515.06	157.72	111.48	784.26	515.06	-	-	515.06
124	Ch. Shoab Zafar, Address: H # 105-P Model Town Extension Lahore	CNIC # 3520221922013	Ch. M. Zafar Sahi	3,080.00	212.00	-	3,292.00	-	212.00	915.00	1,127.00
125	M.Sajid Hashmi, Address: KMS International, 13 KM, Multan Road Lahore	CNIC # 3520237432165	Inayat Shah Hashmi	1,260.00	852.00	157.00	2,269.00	-	566.00	70.00	636.00
126	Irfan Knitting, Address: House # 28/A, Batala Colony Faisalabad	CNIC # 3310090909357	Sh Muhammad Amin	1,600.00	98.00	2,691.00	4,389.00	-	-	2,691.00	2,691.00
127	Pak International Enterprises, Address: Office # 1, 1st Floor Hockey Stadium, Madina Town, Faisalabad	Mr. Azkar Shah CNIC # 33100-0737153-3, Mr. Zaman Bukhari CNIC # 33100-0737164-3, Mr. Abdul Hanan CNIC # 33100-0737164-1 Mr. Imran Bukhari CNIC # 33100-0737161-9"	Abdul Hameed Shah, Azkar Shah F/O all other three partners"	4,324.00	388.00	5,687.00	10,399.00	-	-	5,600.00	5,600.00

(Rupees in '000)

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				Principal	Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
128	City Graphics, Address: Empire Center, 1-Abbot Road, Lakshmi Chowk, Lahore.	Muhammad Saleem CNIC # 35202-9812424-9 Afshan Shoaib CNIC # 35202-6100740-2 Yaseen Muhammad Khan CNIC # 35201-1482012-1	Ch. Zaka ud Din, W/o Shoaib Bin Aziz, S/o Ahsan Muhammad Khan	946.00	29.00	-	975.00	-	-	519.00	519.00
129	Ghulam Rasool, Address: P-535, Street # 7, Mohallah Afghanistan # 1, Faisalabad	CNIC # 33100-8577094-3	Muhammad Sharif	8,208.00	5,041.00	-	13,249.00	-	-	5,632.00	5,632.00
130	Mohsin Mehboob, Address: Mahin (NZA) International, 867 Nizam Block, Allama Iqbal Town, Lahore	CNIC # 35202-8994277-9	Mehboob Alam	6,367.00	1,890.00	2,461.00	10,718.00	-	-	3,179.00	3,179.00
131	PDH Pharmaceuticals (Pvt) Ltd, Address: 19-KM Ferozpur road Lahore	Mr.Sheikh Aftab Altaf CNIC # 35202-3977191-7. Mr.Gohar Elahi CNIC # 35202-6003549-5"	Sheikh Muhammad Altaf	11,983.00	793.00	-	12,776.00	-	-	16,062.00	16,062.00
132	Abdul Ghafoor, Address: M/S Zaib Chicken Center, Shop 5, Main Bazar, Old Anarkali, Lahore	CNIC # 3520201079393	Sh. Rehmat Ullah	3,271.00	871.00	-	4,142.00	-	364.00	542.00	906.00
133	Sattar Fabric Industry, Address: Crescent Star Road, Near Shell Petrol Pump, Pindi Bypass, G.T.Road, Gujranwala	Abdul Qadir CNIC # 34101-4696957-9, Arif Mehmood CNIC # 34101-4278793-1, Affan Shehzad CNIC # 34101-2658087-7, Abdur Rehman CNIC # 34101-5797903-5"	Abdul Sattar	16,920.00	1,490.00	-	18,410.00	-	1,290.00	6,009.00	7,299.00
134	M.R.Food Industries, Address: 452-A Small Industrial Estate Faisalabad	Asim Mehmood CNIC # 33100-6771977-3, Qasim Mehmood CNIC # 33100-8467128-1, Hashim Mehmood CNIC # 33100-8552628-1, Nadeem Afzal CNIC # 33100-6511790-7"	Riaz Mehmood	2,167.00	139.00	-	2,306.00	-	-	2,037.00	2,037.00
135	M/s Rana Brothers, Address: 43-Circular Road, Lahore	Rana Ayub CNIC # 35202-9777387-5	Faqeer Muhammad Rana	165,384.00	31,574.00	-	196,958.00	-	-	29,585.00	29,585.00
136	M/s Muhammad Ali & Co., Address: Shop # 21-K, Alamgir Market, Behind Shah Alam Market, Lahore.	Muhammad Ali CNIC # 35202-4918766-9	Shaikh Rustan Ali	7,995.00	524.00	-	8,519.00	-	377.00	2,425.00	2,802.00
137	Faisal Fabric, Address: Factory Area, Rahim Center, Star Plaza, Faisalabad	Ms. Razia Bibi CNIC # 33100-0901035-4	W/o Haji Muhammad Yasin	10,000.00	1,238.00	-	11,238.00	-	1,238.00	1,053.00	2,291.00
138	Habib Fabric, Address: Factory Area, Rahim Center,Star Plaza, Faisalabad	Ms. Ayesha Bibi -33100-9340528-8	W/o Abdul Latif	10,000.00	1,227.00	-	11,227.00	-	1,227.00	1,053.00	2,280.00
139	Yasin Cut Piece Merchant, Address: Factory Area, Rahim Center, Star Plaza, Faisalabad	Haji Muhammad Yasin CNIC # 33100-1002995-9	Ch. Ilam Din	10,000.00	824.00	-	10,824.00	-	824.00	1,053.00	1,877.00
140	Latif Cut Piece Merchant, Address: Factory Area, Rahim Center, Star Plaza, Faisalabad	Mr. Abdul Latif CNIC # 33102-1776117-5	Ch. Ilam Din	10,000.00	1,239.00	-	11,239.00	-	1,239.00	1,053.00	2,292.00
141	M/s. Nayyab Chemical Company, Address K-78, First Floor Commercial Area Phase-I, DHA, Lahore Cantt	Javed Ahmed CNIC # 38403-1598905-7, Amjad Javed Burhan (Late) CNIC # 33100-0610330-1, Ghazabfar Ali CNIC # 35201-0807522-1, Basahrat Ali CNIC # 35201-1662302-9	Muhammad Shafi, Muhammad Munir Afzal, Muhammad Akram, Muhammad Akram	20,000.00	1,447.00	7,194.00	28,641.00	-	292.00	4,849.00	5,141.00
142	M/s. Klass Textile (Pvt) Limited, Address: Defence Road, 1-Km Off Bhoptian Chowk, Riawind Road, Lahore	Sadia Younas NIC # 35202-2483564-2, Mrs. Kalsoom Younas CNIC # 272-55-582789, Ch. Nazir Ahmed (Late) NIC # 335-42-263597	Muhammad Younas, Ali Muhammad	9,600.00	231.00	6,755.00	16,586.00	-	231.00	6,755.00	6,986.00
143	M/s. Al-Rehman Inr'l, Address: Office No. H-1279, Akbari Mandi, Near Circular Road, Lahore	Farhan Iftekhhar (late) CNIC # 35202-2863066-5	Iftekhhar Ahmed	4,797.00	1,112.00	1,808.00	7,717.00	-	589.00	1,728.00	2,317.00
144	Ali Saad Rice Mills, Address: Muhammad Pur Jagir Tehsil & District Pakpattan	Mr. Ghulam Mustafa CNIC # 36402-2943366-3	Mr. Muhammad Ali	7,048.00	1,382.00	-	8,430.00	-	-	2,474.00	2,474.00

(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, 2014				Principal written-off	Mark-up written-off/waived	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
145	Tech Ex-po Industries, Address: Halloki Road, Khana Kacha, Lahore	Mr. Abdul Wahab Khan CNIC # 35201-1834970-5, Mr. Naseer Ahmed Mian CNIC # 35202-1150642-5, Mr. Jahangir Ahmed Mian CNIC # 35202-2997310-1, Mr. Sohail Bashir CNIC # 35201-7921215-5	Mr. Abdul Aziz Khan Mr. Nazeer Ahmed Mr. Nazeer Ahmed Mr. Bashir Ahmed Zaidi "	10,365.00	854.00	-	11,219.00	-	-	1,128.00	1,128.00
146	Leader Brothers (PVT) Limited, Address: Plot No.25/C, Nishat Road, S/E, Shahabpura, Tehsil & District Sialkot	Mr. Sohail Saleem CNIC # 34603-4016667-1, Mrs. Saima Sohail CNIC # 34603-2223939-2	Mian Muhammad Saleem W/o Mr. Sohail Saleem	3,966.00	1,596.00	-	5,562.00	-	-	1,439.00	1,439.00
147	Rana Cold Storage, Address: Adam Ke Cheema, Tehsil Daska District Sialkot	Mr. Riaz Ahmed Rana, 34601-4413024-5	Wali Muhammad	1,978.00	413.00	-	2,391.00	-	-	768.00	768.00
148	Pakistan Sanitary Store, Address: Shope # 3704/174, Hassan Parwana, Dera Adda, Multan	Muhammad Ilyas CNIC # 36302-0450742-1	Muhammad Fayaz	7,526.00	369.00	353.00	8,248.00	-	1,298.00	71.00	1,369.00
149	Chaudhary Processing, Address: Maqbool Road, Faisalabad	Ch. Muhammad Asghar Ali CNIC # 33100-6320079-7	Allah Dita	17,935.00	1,784.00	-	19,719.00	-	905.00	-	905.00
150	Sheharyar Traders, Address: Opp GPO behind Nisar Street Talagang Road Chakwal	Aman Ullah Khan CNIC # 37201-1616844-9	Nisar Ahmed	1,618.00	306.00	-	1,924.00	-	396.00	131.00	527.00
151	Unitech Carpet Industries (Pvt) Ltd., Address: 4-A Siddique Plaza-10 Markaz Islamabad	Abdul Rauf Ch CNIC # 61101-7543107-5, Ch. Muhammad Fazal Khattana CNIC # 61101-17860526-1 Ms. Shazia Rafi CNIC # 34603-5365540-2, Shahid Khalid CNIC # 517-93-197015"	Abdul Rauf Ch S/o Ghulam Nabi Ch M Afzal Khattana S/o Ch Muhammad Noor Shazia Rafi W/o Abdul Rauf Ch."	4,910.00	596.00	-	5,506.00	-	931.00	-	931.00
152	Faiz Ahmed, Address: Habib Bank Street, H # 284, Muhallah Usmania Mandi Bahuddin	CNIC # 34402-5715418-5	Ghulam Ahmed	946.00	385.00	-	1,331.00	-	482.00	32.00	514.00
153	Majeed Sons, Address: 55-A, Civil Line Mayo Road Rawalpindi	Shahid Ahmed Khan CNIC # 37405-922345-7	Abdul Majeed han	6,003.00	614.00	-	6,617.00	-	465.00	104.00	569.00
154	M/s Imran & Brothers, Address: 7, Rachna Block, Allama Iqbal Town Lahore	Mr.Imran Ayub CNIC # 35201-2389386-9, Mr.Irfan CNIC # Ayub 35202-2764569-1, Mr.Kewar Ayub CNIC # 35202-2764546-1, Mrs.Naseem Firdous CNIC # 35202-2583808-6"	Ayub Roomani, W/o Ayub Roomani	-	-	-	-	-	-	517.00	517.00
155	Medical Promotions, Address: 51-C, 15th Commercial Street, Phase II Ext, DHA, Karachi	Perveen Ibrahim - CNIC 42201-4886510-2 (Proprietress)	W/o Muhammad Ibrahim Arain	7,999.00	1,380.00	-	9,379.00	-	1,380.00	1,550.00	2,930.00
156	Hasan Builders & Developers, Address: Office # 19, Plot # 7/8, Palm Beach Homes, Block - 2, Clifton, Karachi	Syed Mairaj Hassan - 42101-6708717-7 (Proprietor)	Syed Sibte Hassan	2,950.00	613.00	-	3,563.00	-	244.00	727.00	971.00
157	Muhammad Raheem, Address: Flat # A-3, 3rd Floor, Moosa Corner, Block - 2, Nazimabad, Karachi	Muhammad Raheem CNIC 42101-0292202-7 (Individual)	Abdul Hameed	1,870.00	378.00	-	2,248.00	-	378.00	239.00	617.00
158	Caracrete Pvt Ltd, Address: Plot no. 47/C, Khayabane Seher, Phase V Extn, DHA, Karachi	Maqbool Hassan Rizvi CNIC # 42101-1557973-7, Waheed Iqbal CNIC # 45504-8613289-9, Ishtiaq Hassan Rizvi CNIC # 42101-6812826-1	Syed Farzand Rizvi, Muhammad Hanif Arain, Syed Farzand Rizvi	13,983.00	1,844.00	-	15,827.00	-	1,187.00	-	1,187.00
159	Adnan Brothers, Address: Office # B-3, Ground Floor, Hamdard University Hospital, M A Jinnah Road, Karachi	Muhammad Fazal-ul-Qadeer CNIC # 42201-0465384-1	M. Fazul Bari	2,182.00	582.00	-	2,764.00	-	582.00	-	582.00
160	Pharma Link, Address: Suite # 6 - 8, Ground & Mezzanine Floor, Hamza Arcade, Plot no. 105/A SMCHS Karachi	Muhammad Humayoon Mirza CNIC # 42201-2287881-1	Muhammad Anwar Mirza	2,231.00	-	-	2,231.00	-	-	878.00	878.00
161	Hassan Farooq, Address: Flat # 3, 3rd Floor, Nishat Lane # 12, Phase VI, DHA, Karachi	CNIC # 42301-1934560-7	Farooq Ahmed	1,877.00	148.00	-	2,025.00	-	34.00	902.00	936.00
162	Haris Steel Traders, Address 202, SS Chambers Estat Avenue, SITE, Karachi	Muhammad Latif Choudhry CNIC 42201-0766976-7	Chaudhry Muhammad Ismail	19,991.00	4,887.00	-	24,878.00	-	3,387.00	1,735.00	5,122.00

(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, 2014				Principal written-off	Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
163	Steel Co, Address: Rafiq Manzil, Near CMA School, opposite Risala Thana, Nishtar Road, Karachi	Muhammad Ibrahim Arif CNIC # 42301-4808560-9, Yasmin Arif - CNIC # 42201-9363518-6	Muhammad Arif, W/o Muhammad Arif	6,067.00	1,030.00	-	7,097.00	-	865.00	-	865.00
164	Khoja's Capital Management Pvt Ltd, Address: Suite # 604, 6th Floor, Park Avenue, 24-A, Block # 6, PECHS, Shahrah-e-Faisal, Karachi	Mahmood Ahmed CNIC # 35201-4382021-3, Shakeel Ahmed CNIC # 35202-0106626-1, Noman Ahmed CNIC # 42201-0764821-5, Muhammad Sohail Arshad Sheikh CNIC # 42201-3983832-1	Shafayul Huda, Muhammad Aslam, Maqsood, Rashid Ahmed Sheikh	86,758.00	21,056.00	-	107,814.00	-	15,290.00	17,792.00	33,082.00
165	Moosa, Noor Muhammad, Shehzada & Company (Pvt) Ltd, Address: 46-47, 1st Floor, KSE Building Karachi	Irfan Moosa - CNIC # 42201-3558365-9, Zubair Noor Muhammad CNIC # 42301-2556302-9, Haq Nawaz Akhtar CNIC # 42301-8968741-7, Azmy Shehzada CNIC # 42201-9406779-5	Haji Moosa, Haji Noor Muhammad, Khan Baloch, Ghulam Kibria	1,778.00	2,602.00	-	4,380.00	-	900.00	-	900.00
166	Kailash Traders, Address: Shop # 34-A, Agha Qadir Dad Khan, Zarai Market Sukkur	Naresh Lal - CNIC 45504-3553203-5	Panju Mal	1,500.00	1,178.00	-	2,678.00	-	844.00	616.00	1,460.00
167	KAS Exports, 3rd Floor Al-Hammad Centre, St # 1, Yarn Market, Faisalabad	Muhammad Umer Khalid CNIC # 33100-6090390-7, Atiq ur Rehman CNIC # 33100-9376871-1, Shafique Hussain CNIC # 33100-0945714-7	Muhammad Khalid, Ch. Abdur Rehman, Ch. Muhammad Hussain	3,000.00	112.00	1,445.00	4,557.00	-	-	1,138.00	1,138.00
			Total	614,399	132,013	30,453	776,864	98,869	74,387	125,051	298,307

Note: The write-off of loans does not affect the bank's right to recover the outstanding loans from these customers, except for cases which have been written off as final settlement with the customers.

ANNEXURE - II

ISLAMIC BANKING BUSINESS

The bank is operating through 157 Islamic banking branches as at December 31, 2014 (December 31, 2013: 140 branches).

	Note	2014	2013
		------(Rupees in '000)-----	
ASSETS			
Cash and balances with treasury banks		9,424,644	9,043,361
Balances with and due from financial institutions		2,655,800	15,170,183
Lendings to financial institutions		17,286,944	526,623
Investments - net		42,725,945	56,005,446
Islamic Financing and Related Assets	A-II.1	36,314,148	28,088,654
Fixed assets		2,130,999	1,830,632
Other assets		4,571,148	4,532,464
		115,109,628	115,197,363
LIABILITIES			
Bills payable		1,348,263	1,541,559
Borrowings		9,756,894	2,140,329
Deposits and other accounts			
- Current Accounts		34,284,151	27,047,242
- Saving Accounts		44,024,101	45,050,093
- Term Deposits		11,428,821	17,656,272
- Others		807,927	702,463
Deposits from Financial Institutions - Remunerative deposits		214,559	8,226,392
Deposits from Financial Institutions - Non-remunerative deposits		1,319	1,136
Other liabilities		4,799,138	4,361,119
		106,665,173	106,726,605
		8,444,455	8,470,758
NET ASSETS			
REPRESENTED BY			
Islamic banking fund		1,800,000	1,800,000
Exchange equalisation reserve		10,786	12,908
Unappropriated / Unremitted profit		5,665,417	5,522,958
		7,476,203	7,335,866
Surplus on revaluation of assets - net of tax		968,252	1,134,892
		8,444,455	8,470,758
Remuneration to Shariah Advisor / Board		2,800	2,250
CHARITY FUND			
Opening balance		145,707	78,415
Additions during the year			
Received from customers on delayed payments & others		53,410	61,050
Dividend purification		-	4
Non-shariah compliant income		3,805	16,538
Profit on charity saving account		8,861	5,838
		66,076	83,430
Distribution of charity			
Welfare Works		(20,511)	(4,535)
Health		(43,425)	(3,000)
Education		(16,304)	(8,603)
Payments / Utilization during the year		(80,240)	(16,138)
Closing balance		131,543	145,707

ANNEXURE - II

ISLAMIC BANKING BUSINESS

The bank is operating through 157 Islamic banking branches as at December 31, 2014 (December 31, 2013: 140 branches).

	Note	2014 (Rupees in '000)	2013
Income / return earned		8,777,612	9,311,925
Income / return expensed		4,202,950	4,921,763
Net income / return before depreciation on asset given on lease		4,574,662	4,390,162
Depreciation on assets given on lease	10.3	1,075,151	1,214,312
Net income / return earned after depreciation		3,499,511	3,175,850
Provisions against loans and advances - net		338,743	199,390
Provision for diminution in value of investments - net		43,914	8,672
Bad debts written off directly		-	4,198
Net income / return earned after provisions		3,116,854	2,963,590
Other income			
Fee, commission and brokerage income		151,779	124,333
Dividend income		90,460	66,532
Income from dealing in foreign currencies		196,399	110,151
Gain on sale of securities - net		14,239	17,549
Unrealised gain on revaluation of investment classified as held for trading		857	-
Other income		432,283	468,699
Total other income		886,017	787,264
		4,002,871	3,750,854
Other expenses			
Administrative expenses		2,856,601	2,427,010
Provision against off-balance sheet obligations		3,831	4,900
Other charges		692	273
Total other expenses		2,861,124	2,432,183
Profit before taxation		1,141,747	1,318,671
Unappropriated profit brought forward		5,522,958	5,203,575
Transferred from surplus on revaluation of fixed assets - net of tax		712	712
Transfer to reserve		(1,000,000)	(1,000,000)
Profit available for appropriation / unremitted profit		5,665,417	5,522,958

ANNEXURE - II

ISLAMIC BANKING BUSINESS

Notes to the Annexure II For the year ended December 31, 2014

	Note	2014 (Rupees in '000)	2013
A-II.1 Islamic Financing and Related Assets			
Murabaha	A-II.1.1	17,194,729	13,564,052
Ijarah	A-II.1.2	5,862,184	5,025,385
Diminishing Musharakah	A-II.1.3	723,800	761,481
Musharakah	A-II.1.4	3,998,454	3,268,766
Salam	A-II.1.5	3,703,959	1,582,416
Istisna	A-II.1.6	1,986,254	816,002
SBP Islamic Export Refinance Scheme	A-II.1.7	2,099,949	2,439,185
Others	A-II.1.8	744,819	631,367
		<u>36,314,148</u>	<u>28,088,654</u>
A-II.1.1 Murabaha			
Financing/Investments/Receivables		12,339,071	11,759,288
Advances		5,273,422	2,042,595
Others (Provisions)		(417,764)	(237,831)
		<u>17,194,729</u>	<u>13,564,052</u>
A-II.1.2 Ijarah			
Financing/Investments/Receivables		234,342	412,253
Advances		433,614	49,283
Assets/Inventories		5,474,603	4,760,623
Others (Provisions)		(280,375)	(196,774)
		<u>5,862,184</u>	<u>5,025,385</u>
A-II.1.3 Diminishing Musharakah			
Financing / Investments / Receivables		735,076	888,900
Advances		172,513	8,500
Others (Provisions)		(183,789)	(135,919)
		<u>723,800</u>	<u>761,481</u>
A-II.1.4 Musharakah			
Financing / Investments / Receivables		3,964,844	3,204,431
Advances		52,150	84,106
Others (Provisions)		(18,540)	(19,771)
		<u>3,998,454</u>	<u>3,268,766</u>
A-II.1.5 Salam			
Financing / Investments / Receivables		3,707,935	1,584,516
Advances		-	-
Others (Provisions)		(3,976)	(2,100)
		<u>3,703,959</u>	<u>1,582,416</u>

ANNEXURE - II

ISLAMIC BANKING BUSINESS

Notes to the Annexure II For the year ended December 31, 2014

2014
2013
(Rupees in '000)

A-II.1.6 Istisna

Financing / Investments / Receivables	1,319,004	816,002
Advances	667,250	-
	<u>1,986,254</u>	<u>816,002</u>

A-II.1.7 SBP Islamic Export Refinance Scheme

Financing / Investments / Receivables	2,099,949	2,447,785
Advances	-	-
Others (Provisions)	-	(8,600)
	<u>2,099,949</u>	<u>2,439,185</u>

A-II.1.8 Others

Staff Loans	659,577	490,773
Advance Against Musharakah Staff	54,138	25,394
Advance Against Ijarah Staff	5,406	1,811
Overdue Acceptances and FBP	25,698	116,530
Others (Provisions)	-	(3,141)
	<u>744,819</u>	<u>631,367</u>

DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

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 IBG is managing following pools:

- 1) General Pool for LCY Depositors
- 2) FCY Pool for Foreign Currency (USD, GBP and EURO) depositors
- 3) Fls Pool for Treasury Purposes
- 4) IERS Pool for Islamic Export Refinance Scheme facilities
- 5) 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 comingled 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.

ANNEXURE - II

DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

2. Avenues/sectors where Mudaraba based deposits have been deployed.

	2014	2013
	(Rupees in '000)	
Agribusiness	1,800,205	535,702
Automobile and transportation equipment	930,811	1,026,938
Chemical and pharmaceuticals	1,104,313	1,027,105
Cement	-	231
Communication	26,783	28,305
Electronics and electrical appliances	20,625	622
Educational institutes	50,934	11,394
Financial	-	16,862
Fertilizers	153,775	6,648
Food and allied products	1,363,485	956,906
Glass and Ceramics	180,250	217,761
Ghee and Edible Oil	406,606	194,243
Housing Societies / Trusts	-	-
Import and Export	195,170	173,173
Iron / Steel	575,809	482,473
Oil and Gas	95,557	117,530
Paper and Board	372,241	364,609
Production and transmission of energy	8,419,556	2,549,831
Real Estate / Construction	83,484	114,508
Retail / wholesale trade	279,064	276,583
Rice processing and trading / wheat	276,080	319,542
Sugar	924,091	1,913,999
Shoes and leather garments	586,538	656,829
Sports goods	226,018	49,809
Surgical goods	5,549	7,071
Textile spinning	2,700,131	2,938,544
Textile weaving	383,246	1,091,289
Textile composite	4,936,177	657,814
Welfare institutions	199,894	199,894
Individuals	7,030,446	6,751,481
Others	3,891,754	6,005,094
Total Gross Financing and Related Assets	<u>37,218,592</u>	<u>28,692,790</u>
Total Gross Investments *	42,672,798	55,743,314
Total Islamic Placements	19,942,744	15,696,806
Total Invested Funds	<u>99,834,134</u>	<u>100,132,910</u>

* 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.

ANNEXURE - II

DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

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 (in '000)	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba (in '000)
			Mudarib Share/Fee	Rabbul Maal Share				
PKR Pool	Monthly	9.14%	35.00%	65.00%	1,747,198	6.92%	31.0%	541,044
USD Pool	Monthly	1.19%	50.00%	50.00%	14,811	0.82%	13.2%	1,952.8
GBP Pool	Monthly	0.27%	40.00%	60.00%	276	0.19%	11.1%	30.6
EUR Pool	Monthly	1.18%	40.00%	60.00%	772	0.65%	6.1%	47.2
Foreign Operation Pool (Afghanistan branch - USD)	Bi-Annually	1.07%	50.00%	50.00%	-	0.54%	-	-

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share (in '000)	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba (in '000)
			Bank Share	SBP Share				
Islamic Export Refinance (IERS) Pool	Monthly	11.40%	64.16%	35.84%	198,725,722	8.11%	2.63%	5,218,928

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2014

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
1596	1	-	100	54,291
2260	101	-	500	683,682
2108	501	-	1000	1,588,278
5145	1001	-	5000	14,786,416
1388	5001	-	10000	9,943,395
340	10001	-	15000	4,258,020
192	15001	-	20000	3,469,446
140	20001	-	25000	3,245,185
96	25001	-	30000	2,717,718
70	30001	-	35000	2,310,081
35	35001	-	40000	1,349,403
34	40001	-	45000	1,456,623
67	45001	-	50000	3,308,779
26	50001	-	55000	1,372,719
28	55001	-	60000	1,632,458
12	60001	-	65000	752,517
19	65001	-	70000	1,302,832
12	70001	-	75000	887,194
12	75001	-	80000	937,357
6	80001	-	85000	497,622
6	85001	-	90000	522,222
7	90001	-	95000	650,367
39	95001	-	100000	3,892,000
2	100001	-	105000	206,278
8	105001	-	110000	879,500
8	110001	-	115000	900,981
7	115001	-	120000	831,660
8	120001	-	125000	991,750
5	125001	-	130000	645,071
4	130001	-	135000	532,126
2	135001	-	140000	276,000
12	145001	-	150000	1,796,154
3	150001	-	155000	463,805
3	155001	-	160000	472,252
4	160001	-	165000	650,459
2	165001	-	170000	336,488
5	170001	-	175000	869,000
1	175001	-	180000	176,000
5	180001	-	185000	920,450
4	185001	-	190000	758,802
2	190001	-	195000	383,412

Number of Shareholders	Shareholding		Number of Shares Held	
	From	To		
15	195001	-	200000	2,993,125
5	205001	-	210000	1,047,112
1	215001	-	220000	218,000
2	220001	-	225000	449,500
2	225001	-	230000	457,675
2	230001	-	235000	467,374
5	235001	-	240000	1,185,261
7	245001	-	250000	1,748,664
3	250001	-	255000	759,078
2	255001	-	260000	519,411
4	260001	-	265000	1,047,092
1	265001	-	270000	267,000
1	270001	-	275000	274,873
3	275001	-	280000	830,625
1	280001	-	285000	284,959
2	285001	-	290000	573,750
1	290001	-	295000	291,875
7	295001	-	300000	2,094,369
1	315001	-	320000	317,500
3	320001	-	325000	967,000
2	330001	-	335000	665,500
3	335001	-	340000	1,014,654
2	345001	-	350000	695,933
1	355001	-	360000	360,000
2	370001	-	375000	748,195
2	375001	-	380000	754,000
2	385001	-	390000	776,000
6	395001	-	400000	2,399,250
1	420001	-	425000	425,000
1	440001	-	445000	441,973
1	445001	-	450000	450,000
2	450001	-	455000	906,998
1	465001	-	470000	467,346
1	470001	-	475000	471,000
2	475001	-	480000	955,312
1	480001	-	485000	480,744
1	485001	-	490000	487,500
9	495001	-	500000	4,500,000
1	540001	-	545000	541,450
1	580001	-	585000	585,000
1	590001	-	595000	591,532
1	595001	-	600000	600,000

Number of Shareholders	Shareholding		Number of Shares Held	
	From	To		
1	600001	-	605000	604,350
2	620001	-	625000	1,247,807
1	625001	-	630000	629,887
1	635001	-	640000	640,000
2	645001	-	650000	1,296,000
1	660001	-	665000	664,394
1	665001	-	670000	666,319
1	685001	-	690000	688,186
3	695001	-	700000	2,099,200
1	720001	-	725000	720,837
1	745001	-	750000	750,000
2	750001	-	755000	1,505,500
1	780001	-	785000	780,500
1	795001	-	800000	797,300
1	815001	-	820000	816,000
1	860001	-	865000	865,000
1	875001	-	880000	875,875
1	910001	-	915000	910,605
5	995001	-	1000000	4,997,500
1	1000001	-	1005000	1,001,187
1	1055001	-	1060000	1,059,000
1	1105001	-	1110000	1,110,000
1	1155001	-	1160000	1,159,800
1	1190001	-	1195000	1,190,250
2	1195001	-	1200000	2,400,000
2	1205001	-	1210000	2,418,792
1	1230001	-	1235000	1,233,500
1	1250001	-	1255000	1,251,188
1	1270001	-	1275000	1,274,199
1	1295001	-	1300000	1,300,000
2	1345001	-	1350000	2,700,000
1	1400001	-	1405000	1,403,122
1	1410001	-	1415000	1,414,538
1	1415001	-	1420000	1,415,734
1	1430001	-	1435000	1,432,247
1	1435001	-	1440000	1,438,000
1	1460001	-	1465000	1,461,495
1	1495001	-	1500000	1,500,000
1	1500001	-	1505000	1,505,000
1	1510001	-	1515000	1,512,000
1	1565001	-	1570000	1,567,000
1	1585001	-	1590000	1,588,610

Number of Shareholders	Shareholding		Number of Shares Held	
	From	To		
1	1605001	-	1610000	1,608,950
1	1610001	-	1615000	1,612,000
1	1615001	-	1620000	1,620,000
1	1635001	-	1640000	1,638,409
1	1695001	-	1700000	1,700,000
1	1750001	-	1755000	1,751,000
1	1760001	-	1765000	1,764,240
2	1770001	-	1775000	3,545,500
2	1795001	-	1800000	3,599,145
1	1875001	-	1880000	1,879,078
1	1905001	-	1910000	1,910,000
2	1995001	-	2000000	4,000,000
1	2095001	-	2100000	2,097,500
1	2135001	-	2140000	2,136,507
1	2155001	-	2160000	2,158,000
1	2230001	-	2235000	2,233,000
1	2255001	-	2260000	2,256,700
1	2305001	-	2310000	2,308,347
1	2400001	-	2405000	2,401,500
2	2410001	-	2415000	4,825,200
1	2485001	-	2490000	2,485,500
1	2495001	-	2500000	2,500,000
1	2550001	-	2555000	2,552,947
1	2690001	-	2695000	2,693,000
1	2975001	-	2980000	2,980,000
1	3090001	-	3095000	3,090,500
1	3095001	-	3100000	3,100,000
1	3195001	-	3200000	3,200,000
1	3350001	-	3355000	3,352,360
1	3385001	-	3390000	3,387,603
1	3395001	-	3400000	3,396,861
1	3530001	-	3535000	3,531,369
1	4055001	-	4060000	4,059,800
1	4355001	-	4360000	4,356,359
1	4590001	-	4595000	4,593,000
1	4750001	-	4755000	4,752,000
1	4840001	-	4845000	4,843,970
1	4995001	-	5000000	5,000,000
1	5080001	-	5085000	5,081,500
1	5355001	-	5360000	5,359,113
1	6095001	-	6100000	6,100,000
1	7130001	-	7135000	7,134,500

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
1	7225001	-	7230000	7,229,000
1	7795001	-	7800000	7,796,000
1	7825001	-	7830000	7,828,500
1	7995001	-	8000000	8,000,000
1	9075001	-	9080000	9,078,886
1	9495001	-	9500000	9,500,000
1	9875001	-	9880000	9,877,900
1	11575001	-	11580000	11,575,500
1	11825001	-	11830000	11,825,818
1	12245001	-	12250000	12,250,000
2	12515001	-	12520000	25,033,788
1	13495001	-	13500000	13,500,000
1	14350001	-	14355000	14,354,147
1	14650001	-	14655000	14,653,068
1	14720001	-	14725000	14,720,500
1	17500001	-	17505000	17,501,603
1	19095001	-	19100000	19,096,875
1	19125001	-	19130000	19,128,259
1	22210001	-	22215000	22,215,000
1	23310001	-	23315000	23,311,500
1	30685001	-	30690000	30,689,567
1	32145001	-	32150000	32,149,947
1	36690001	-	36695000	36,694,424
1	38565001	-	38570000	38,566,171
1	53090001	-	53095000	53,090,599
1	53965001	-	53970000	53,966,250
1	55040001	-	55045000	55,044,258
1	68805001	-	68810000	68,805,322
1	75685001	-	75690000	75,687,166
2	103205001	-	103210000	206,415,966
1	119260001	-	119265000	119,263,433
1	238085001	-	238090000	238,086,450
13969				1,587,242,700

CATEGORIES OF SHAREHOLDERS AS AT DECEMBER 31, 2014

S.No.	Shareholder's Category	Number of Shareholders	Number of Shares	Percentage
1	Directors, Chief Executive Officer their Spouse(s) & Minor Children.	7	230,380,595	14.51
2	Associated Companies, Undertakings & Related Parties.	7	70,071,886	4.41
3	NIT & ICP	3	6,997,770	0.44
4	Banks DFI & NBFIs.	25	56,651,896	3.57
5	Insurance Companies	15	11,421,038	0.72
6	Modarabas & Mutual Funds	36	68,347,933	4.31
7	Public Sector Companies & Corporations	6	61,322,666	3.86
8	General Public - Local	13,631	129,416,423	8.15
9	General Public - Foreign	23	459,264,911	28.93
10	Foreign Companies	44	429,809,343	27.08
11	Others	172	63,558,239	4.00
		13,969	1,587,242,700	100.00

PATTERN OF SHAREHOLDING UNDER CODE OF CORPORATE GOVERNANCE AS AT DECEMBER 31, 2014

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	7		70,071,886	4.41
	Dhabi One Investments Services LLC		38,566,171		2.43
	Wincom (Pvt) Limited		14,653,068		0.92
	MAB Investments Inc		14,354,147		0.90
	CDC - Trustee Alfalah GHP Alpha Fund		865,000		0.05
	Silk Bank Limited		646,000		0.04
	Alfalah Insurance Company Limited		500,000		0.03
	CDC - Trustee Alfalah GHP Value Fund		487,500		0.03
2-	Mutual Funds	40		85,935,755	5.41
	CDC - Trustee PICIC Growth Fund		23,311,500		1.47
	CDC - Trustee PICIC Investment Fund		11,575,500		0.73
	Everest Capital Frontier Markets Equity Fund L.P.		9,500,000		0.60
	CDC - Trustee UBL Stock Advantage Fund		7,134,500		0.45
	CDC - Trustee NIT-Equity Market Opportunity Fund		5,359,113		0.34
	MCFSL - Trustee JS Growth Fund		5,081,500		0.32
	CDC - Trustee NAFA Stock Fund		2,308,347		0.15
	CDC - Trustee Lakson Equity Fund		2,256,700		0.14
	CDC - Trustee Unit Trust Of Pakistan		1,910,000		0.12
	CDC - Trustee Atlas Stock Market Fund		1,700,000		0.11
	CDC - Trustee National Investment (Unit) Trust		1,638,409		0.10
	MCFSL - Trustee JS Value Fund		1,612,000		0.10
	CDC - Trustee ABL Stock Fund		1,567,000		0.10
	CDC - Trustee IGI Stock Fund		1,512,000		0.10
	CDC - Trustee JS Large Cap. Fund		1,350,000		0.09
	CDC-Trustee NAFA Asset Allocation Fund		1,233,500		0.08
	Polunin Funds [1500-0]		797,300		0.05
	CDC - Trustee NAFA Multi Asset Fund		780,500		0.05
	CDC - Trustee UBL Retirement Savings Fund		699,200		0.04
	CDC - Trustee UBL Asset Allocation Fund		585,000		0.04
	Safeway Fund Limited		500,000		0.03
	CDC - Trustee Atlas Income Fund - MT		451,998		0.03
	CDC-Trustee NAFA Savings Plus Fund - MT		373,500		0.02
	CDC - Trustee APF-Equity Sub Fund		340,000		0.02
	BMA Funds Limited [Pk1555-0]		300,000		0.02
	CDC - Trustee KASB Asset Allocation Fund		276,000		0.02
	CDC - Trustee Pak Strategic Alloc. Fund		263,344		0.02
	CDC - Trustee PICIC Stock Fund		239,000		0.02
	CDC - Trustee First Capital Mutual Fund		234,500		0.01
	CDC - Trustee Crosby Dragon Fund		218,000		0.01
	CDC - Trustee NAFA Income Opportunity Fund - MT		176,000		0.01
	CDC - Trustee AKD Index Tracker Fund		154,805		0.01
	CDC - Trustee PICIC Income Fund - MT		119,000		0.01
	CDC - Trustee PIML Strategic Multi Asset Fund		100,000		0.01
	CDC - Trustee AKD Aggressive Income Fund - MT		87,500		0.01
	CDC - Trustee Faysal Savings Growth Fund - MT		68,000		0.00
	CDC - Trustee ABL Pension Fund - Equity Sub Fund		49,500		0.00
	CDC - Trustee Lakson Income Fund - MT		44,000		0.00
	MCFSL - Trustee JS KSE-30 Index Fund		27,039		0.00
	CDC - Trustee IGI Income Fund - MT		1,500		0.00

S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Category Wise No. of Shares	Percentage %
3-	Directors their Spouse(s) and Minor Children	7		230,380,595	14.51
	H.H. Sheikh Hamdan Bin Mubarak Al Nahayan, Chairman		135,357,930		8.53
	Mr. Abdulla Nasser Hawaileel Al Mansoori, Director		88,203,414		5.56
	Mr. Abdulla Khalil Al Mutawa, Director		11,331		0.00
	Mr. Khalid Mana Saeed Al Otaiba, Director		67,457		0.00
	Mr. Ikram Ul Majeed Sehgal, Director		3,352,360		0.21
	Mr. Nadeem Iqbal Sheikh, Director		3,387,603		0.21
	Mr. Atif Bajwa, Director / CEO		500		0.00
4-	Executives	99		4,083,655	0.26
5-	Public Sector Companies and Corporations	6		61,322,666	3.86
6-	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas & Pension Funds.	85		400,220,754	25.21
	Shareholders holding 5% or more voting rights				
	Total Paid up Capital	1,587,242,700	Shares		
	5% of the Paid Up Capital	79,362,135	Shares		
	M/s. International Finance Corporation			238,086,450	15.00
	H.H. Sheikh Nahayan Mabararak Al Nahayan			172,354,032	10.86
	H.H. Sheikh Hamdan Bin Mubarak Al Nahayan , Chairman			135,357,930	8.53
	H.E. Sheikh Suroor Bin Mohammad Al Nahyan			115,033,801	7.25
	Mr. Abdulla Nasser Hawaileel Al Mansoori , Director			88,203,414	5.56
	M/s. Electro Mechanical Company LLC			87,933,581	5.54

**SALE/PURCHASE OF SHARES OF THE BANK
BY DIRECTORS/EXECUTIVES/SPOUSES/MINOR CHILDREN DURING THE YEAR 2014**

Sr. No.	Name	Date	No. of Shares		Rate
			Purchase	Sale	
1	Mr. Ahmed Nauman Anees, DGM & Head Learning and Development Division, HR-Learning Group	16-Jan-14	5,000	-	27.77
		18-Jun-14	8,500	-	27.51
		19-Jun-14	10,000	-	27.02
		22-Dec-14	-	13,500	31.10
		24-Dec-14	-	5,000	31.57
2	Mr. Azhar Sajjad Siddiqui, Head - Liabilities & Cross Sell, Retail, North	22-Jan-14	-	56,000	28.50
3	Spouse of Mr. Ali A Karimjee, Acting Group Head, ATO Group,	24-Mar-14	4,000	-	25.25
		30-Dec-14	1,000	-	33.95

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 during the year which remained outstanding as at December 31, 2014 are as follows:

Total Number of options in issue	10.761 million (initially granted 11.330 million)
Date of Grant	April 01, 2014
Number of Senior Managerial Personnel, including the CEO to whom options were granted and remain outstanding	31
Options granted and outstanding to Senior Managerial Personnel	7,347,366
Option Exercise Price	Rs. 16.32 per option
Option discount	Rs. 10.88 per option
Options vested as at December 31, 2014	NIL
Vesting period	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 year.

Furthermore, no employee was granted with options more than 1% of the issued / paid up capital of the Bank.

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

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

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
117	Khushab	0	1	1
118	Kot Abdul Malik	0	1	1
119	Kot Addu	0	1	1
120	Kot momin	1	0	1
121	Kotla	1	0	1
122	Kotli	1	0	1
123	Lala Musa	1	0	1
124	Larkana	1	0	1
125	Layyah	1	0	1
126	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	Kahrora 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
	Total	480	157	637

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

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 Annual General Meeting of the Bank to be held on March 27, 2015 and at any adjournment thereof.
As witness my/our hand this _____ day of _____, 2015

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.



Bank Alfalah

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