

The Way Forward

ANNUAL REPORT 2016



Bank Alfalah



CORPORATE BRANCH
11 CHUNDRIGAR ROAD KARACHI



At Bank Alfalah,
we are determined
to continuously
transform our
business ethos
into success.

Being a dynamic
bank with a young
spirited attitude,
it is crucial to put
our principles into
action. For us, this
is what defines
ambition; this is
the Alfalah Way.

OUR WAY



CUSTOMER CONNECT

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

LET'S INNOVATE

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

INSPIRING LEADERSHIP

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



Bank Alfalah is the fifth largest private Bank in Pakistan with a network of over 600 branches in more than 200 cities across Pakistan with an international presence in Afghanistan, Bangladesh, Bahrain and a representative office in the UAE. The Bank is owned and operated by the Abu Dhabi Group. The International Finance Corporation (IFC) of the World Bank partnered with the Bank in 2014, and holds a 15 percent stake in Bank Alfalah.

Incorporated as a public limited company on 21st June, 1992, under the Companies Ordinance, 1984, Bank Alfalah commenced banking operations from 1st 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.

JCR-VIS has assigned an entity rating of 'AA+' (double A plus) for the long-term and 'A1+' (A one plus) for the short-term, with a stable outlook. PACRA has assigned Bank Alfalah 'AA' (double A) entity rating for the long-term and 'A1+' (A one plus) for the short-term, with a positive outlook. The Bank is listed on the Pakistan Stock Exchange.

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

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 in the world of finance.

VALUES

YOU

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

YOUR NEEDS

We do all we can do 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.

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Board of Directors

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman

Abdulla Nasser Hawaileel Al-Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Kamran Y. Mirza
Director

Atif Bajwa
President/CEO and Director

Board Audit Committee

Kamran Y. Mirza
Chairman

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Tahir Khurshid
Secretary

Board Strategy and Finance Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Atif Bajwa
President/CEO and Director

M. Iftikhar Shabbir
Secretary

Board Risk Management Committee

Mr. Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Director

Khalid Qurashi
Director

Atif Bajwa
President/CEO and Director

Farhan Ali
Secretary

Board Human Resources and Nomination Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Kamran Y. Mirza
Director

Atif Bajwa
President/CEO and Director

Mian Ejaz Ahmad
Secretary

Central Management Committee

Atif Bajwa
Chairman

Suhail Yaqoob Khan
Member

Mirza Zafar Baig
Member

Faisal Farooq Khan
Member

Khurram Hussain
Member

Mehreen Ahmed
Member

Rizwan Ata
Member

Saad Ur Rahman Khan
Member

Aly Mustansir
Member

Syed Ali Sultan
Member

Aasim Wajid Jawad
Member

Imran Zafar
Member

Khawaja Muhammad Ahmad
Member

Mohib Hasan Khan
Member

Board Compensation Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Kamran Y. Mirza
Director

Mian Ejaz Ahmad
Secretary

Chief Financial Officer

Mirza Zafar Baig

Company Secretary

Mian Ejaz Ahmad

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Registered/Head Office

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

Share Registrar

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

DIRECTORS' PROFILE

HH Sheikh Nahayan Mabarak Al Nahayan

Chairman

His Highness Sheikh Nahayan Mabarak Al Nahayan is a prominent member of the ruling family of Abu Dhabi, United Arab Emirates. Currently, His Highness is UAE Cabinet Member and Minister of Culture and Knowledge Development. Prior to his current responsibility, he served as Minister of Culture, Youth, and Social Development and Minister of Higher Education and Scientific Research.

Besides his ministerial responsibilities, he is also Chairman of the General Authority of Youth and Sports Welfare. He has been playing a leading and distinguished part in the educational advancements, focusing on the role of education in achieving development and progress. His Highness owns substantial business interests, hotels and other investments in UAE, Pakistan, Africa, US and Central Asia. His Highness also holds various offices as Chairman and Director of Boards and Trusts along with Patronship of various local and foreign organisations and affiliates. His direct and indirect business interests spread throughout various industry sectors such as banking, telecom, insurance, hospitality, healthcare, construction, project financing and investment management. Moreover, he supports many charitable institutions and devotes special attention to the disabled children as the Honorary President of Abu Dhabi Future Center for Special Needs.

His Highness is also recipient of Pakistan's highest civilian award, the 'Hilal-e-Pakistan', which was conferred upon him in 2005 for his contribution to the economic growth of Pakistan. His Highness received his education from the British Midfield School until the higher secondary level before joining Magdalen College at Oxford University, UK.



Abdulla Nasser Hawaileel 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. Hawaileel 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 and Vice Chairman of General Industrial Corporation, Abu Dhabi. In addition, he held other Board positions and Chairmanship of Abu Dhabi Ship Building Co., PJSC.

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



Khalid Mana Saeed Al Otaiba

Director

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

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

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



Abdulla Khalil Al Mutawa

Director

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

He is a Board Member of the UAE Banks Federation. He is also a Director of the Abu Dhabi Commercial Bank Ltd, Director of Makhazen Investment Company in Abu Dhabi, and Director of 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. Degree in Business Administration from the University of North Carolina, USA.



Kamran Y. Mirza

Director

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

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

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



Efstratios Georgios Arapoglou

Director

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

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

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



Khalid Qurashi

Director

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

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

Mr. Qurashi has served on the Board of Directors of companies abroad and holds a Master's Degree in Administration from Karachi University.



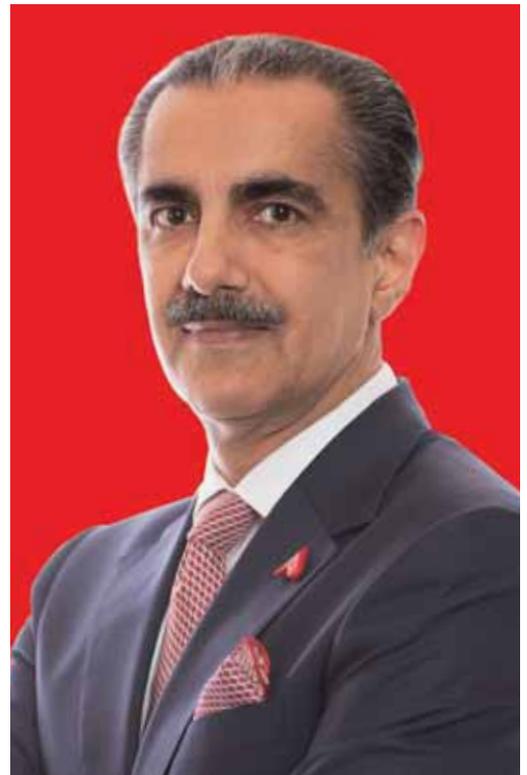
Atif Bajwa

President/CEO and Director

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

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

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



SENIOR MANAGEMENT



From Left to Right (front)

Faisal Farooq Khan (Group Head - HR and Learning)
Aly Mustansir (Chief Marketing Officer)
Aasim Wajid Jawad (Head - Strategy)
Khurram Hussain (Group Head - Retail Central and North and Consumer Banking)
Bashir Ahmed Sheikh (Group Head - Special Asset Management)

From Left to Right (back)

Tahir Khurshid (Group Head - Audit and Inspection)
Rizwan Ata (Group Head - Islamic Banking)
Riaz Hussain Hamdani (Chief Compliance Officer)
Mian Ejaz Ahmed (Head - Legal and Company Secretary)
Imran Zafar (Head - Merchant Banking)



From Left to Right (front)

Atif Bajwa (President and CEO)
Suhail Yaqoob Khan (Chief Risk Officer)
Mirza Zafar Baig (Chief Financial Officer)
Ali Sultan (Group Head - Treasury and FI)
Mohib Hasan Khan (Chief Information Officer)

From Left to Right (back)

Khawaja Muhammad Ahmad (Head - Operations)
Saad Ur Rahman Khan (Group Head - Corporate and Investment Banking)
Mehreen Ahmed (Group Head - Retail South and New Initiatives)
Dr. Mushtaq A. Khan (Chief Economist)

CHAIRMAN'S MESSAGE

Dear Shareholder,

I am pleased to be part of Bank Alfalah's Board of Directors. Bank Alfalah has emerged as one of the leading banks in Pakistan and we will continue to progress and will keep investing in its highly customer-centric strategies. On behalf of the Board, I would like to make clear our commitment to assisting the management as they build further on our shared successes.

Pakistan's macroeconomic outlook remains highly positive. GDP growth reached an 8-year high of 4.7 percent, on the back of several promising developments. The government's structural reform programmes, low fuel prices, a stable exchange rate, controlled inflation, improvements in the security situation and in energy supply, as well as a robust fiscal position, all contributed to strong growth. Economic activity spurred by CPEC is poised to be a windfall, as the industrial sector increased capacity in FY16 to accommodate this historic project, with large-scale manufacturing exhibiting vigorous growth in the process.

The Asian Development Bank forecasts growth of 5.2 percent for 2017, as Pakistan surpassed the previous ADB projection of 4.5 percent. Various positive trends are identifiable for FY17: low inflation, continuing fiscal consolidation and an uptick in industrial growth driven by CPEC. As a result, credit agencies have once more upgraded Pakistan's ratings, and international media is taking notice of Pakistan's economic resilience and potential.

The Pakistan Government is working to capitalise on these auspicious conditions, increasing spending on infrastructure and improving tax collection. The country has strong economic fundamentals and significant potential for growth, and Bank Alfalah will play its due role in the development.

Bank Alfalah begins the new year committed to remaining Pakistan's most innovative and progressive Bank. We trust that our new vision, together with products and services that better cater to our customers, will set a steady path for progress.

In the coming year, we find several promising opportunities at our disposal. Pakistan is at an important juncture, and a stronger banking system is necessary to its emergence as a major regional player. We will utilise technological innovation to extend our customer services and financial solutions to different segments of Pakistan's society. We believe that by understanding the particular needs of these various segments, we can offer customised services that will deepen the reach of the banking sector at this critical time and grow our business.

Furthermore, our partnership with the International Finance Corporation of the World Bank is a significant, long-term strategic collaboration, which will strengthen Bank Alfalah's ability to provide a wider range and better access to financial services, particularly for the unbanked masses, thereby bolstering economic growth within the country.

On behalf of the Board of Directors, I would like to extend our thanks to the State Bank of Pakistan for its continued support. As Pakistan enters a new phase of economic prosperity, Bank Alfalah stands prepared to help carve out 'The Way Forward'.

HH SHEIKH NAHAYAN MABARAK AL NAHAYAN



DIRECTORS' REPORT

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present the Directors' Report of the Bank along with the audited financial statements and Auditors' Report for the year ended 31st December, 2016.

Economic Review

The year 2016 proved significant in terms of the progress made by most macroeconomic indicators. The country's economy maintained its momentum towards a high growth trajectory over the course of FY16 with GDP growth reaching an 8-year high of 4.7 percent. Key elements that provided impetus to domestic demand included stability in the macroeconomic environment, substantial government spending on infrastructure, better energy supplies, an improved security situation, and a consistently low interest rate regime.

In the initial part of the year, FX inflows were observed to be higher than outflows, leading to an all-time high foreign exchange reserves level of US\$ 21 billion in May 2016. However, growing CPEC-related imports, declining exports, the absence of the Coalition Support Fund, and a slowdown in remittances have pushed the current account deficit to US\$ 3.6 billion in the first half of FY17, from US\$ 1.7 billion in the same period last year. This higher deficit was financed by an increase in bilateral and multilateral funding along with a pickup in investment flows. The overall surplus in the balance of payments stands at US\$ 0.2 billion at the end of the first half of FY17.

Year-on-year headline CPI inflation decelerated to 2.9 percent in FY16 from 4.5 percent in FY15. The average inflation clocked in at 3.9 percent during the first half of FY17, lower than the earlier projections due to a smooth supply of perishable items, a stable exchange rate, and the government's absorption of the impact of higher international oil prices. Current trends suggest that the actual inflation will be lower than the target rate of 6.0 percent in FY17.

With improvements to the security and energy supply situation, the industrial sector saw healthy



growth of 6.8 percent, surpassing the projection of 6.4 percent. Construction activity has a positive outlook; recording a growth of 13.1 percent. Additional support towards industrial sector growth has come from CPEC-related projects, which have created demand for construction and allied industries. The spillovers of such growth were particularly noticeable in the large-scale manufacturing (LSM) industries.

The agriculture sector has remained under considerable stress, mainly due to a decline in cotton production, unfavourable weather conditions, as well as depressed commodity prices. The livestock sector, which accounts for more than half the agriculture sector, grew by 3.6 percent in FY16, as compared to 4.0 percent last year. Despite this lower growth, the sector has witnessed a number of encouraging developments lately, with the corporate sector stepping up for the development of meat-processing facilities. The Pakistan Halal Authority has been established by the government, and customs duty on the import of meat-processing machinery has also been reduced, which is indicative of the government's focus on promoting trade and commerce in halal food products.

Reduction in the SBP's policy rate on two instances led to an eventual reduction in the banks' retail rates. This measure, accompanied by a favourable business environment, created demand for bank credit in FY16. Some of the expansion was aided by a decline in government borrowings from the banking system. Government borrowing stood at Rs. 787 billion in FY16 as compared to Rs. 888 billion in FY15. FY16 also saw the conclusion of the IMF programme, which accommodated the FX position and created room for lending through other IFIs and International Capital Markets.

Sound tax initiatives and curtailed current expenditures had a promising impact on fiscal consolidation as the budget deficit for FY16 (as a percent of the GDP) continued to fall for the fourth consecutive year and stood at a seven year low of 4.6 percent. FBR tax collection recorded strong growth of over 20 percent, and surpassed the target for the first time since FY10.

On the back of these developments, international agencies have upgraded the outlook for Pakistan's economy from stable to positive, which should further improve investor confidence. Pakistan's credit rating was also upgraded to B3 from Caa1 by Moody's in view of Pakistan's strengthening FX reserves and falling external deficit. S&P ratings stood at B with a stable outlook.

The macroeconomic outlook remains positive. However, the falling trend in exports needs to be addressed and further avenues for foreign direct investment need to be explored for a more sustainable external sector. The country seems to be well-positioned for such challenges, mainly due to the implementation of infrastructure development and energy projects under the China Pakistan Economic Corridor (CPEC), a low inflation outlook, and improving foreign exchange reserves. The resulting improvement in economic sentiments should boost credit uptake in 2017.

While the global growth outlook for 2017 remains subdued, uncertainty is pervasive. The expected interest rate hike by the US Fed, the economic slowdown in China, the likely changes in the political landscape in Western Europe, and the aftermath of Brexit, will continue to dominate sentiments in global financial and commodity markets.

Banking Sector Review

2016 provided some key challenges for the banking sector, primarily because of volatile global economic conditions, periodic fiscal measures, and changing business sentiments, which kept influencing the policy anchors.

The policy rates were further curtailed to 5.75 percent, resulting in stress on interest rate margins.

A sizeable net retirement of government borrowing to scheduled banks has helped increase private sector

credit. Benefiting from the low interest rates regime, private businesses have been borrowing from the banking sector to upgrade and expand their business processes. As per latest statistics, the private sector borrowed Rs. 375 billion in the first half of FY17, as compared to Rs. 282.6 billion in the corresponding period of last year. Also, loans for fixed investments increased by Rs. 134.1 billion in the first half of FY17, compared to an expansion of Rs. 83.8 billion witnessed in the same period last year. Furthermore, demand for consumer financing, especially for auto loans, also gathered pace during the first half of the year. The banking industry observed growth of 12.9 percent for its net domestic assets, as compared to 11.5 percent in 2015.

The country witnessed the highest growth in currency in circulation since FY03. A lower preference for deposits was predominately due to the imposition of a withholding tax of 0.4 percent on non-cash banking transactions (cross-cheques, demand drafts, pay orders, etc.) undertaken by non-filers. However, the overall sector deposit presented growth of 20.4 percent in 2016, as compared to growth of 11.2 percent in 2015.

On the asset quality front, non-performing loans for the sector remained flat at PKR 631 billion as at the quarter ended September 2016, as compared to PKR 630 billion for the same period last year. NPLs declined as a percentage of advances and remained at 11.3 percent in September 2016 as against 12.5 percent in 2015.

Auto financing and house financing dominated the consumer financing portfolio for commercial banks in 2016. Islamic Banking Institutions took the lead for house financing accounting for 54 percent of the total financing made.

With increased private sector lending, the Risk Weighted Capital Adequacy Ratio of the industry as a whole stood at 16.8 percent in September 2016, as against 18.2 percent in September 2015. Overall capital adequacy and liquidity indicators of the banking system have continued to show signs of improvement.

The Bank's Performance

The banking sector's margins remained under pressure due to the consistently low interest rate regime. Amidst this scenario, the Bank followed a focused approach on prudently managing its lending and investment strategy, with an objective of maximising shareholder returns. We remain focused on serving our customers' and clients' needs to the fullest, and providing an engine to help the economy grow.

Building on the momentum gathered over the last few years, the Bank has yet again delivered sound financial results, with profits before taxation surpassing the Rs. 13 billion mark for the year.

During the year 2016, aided by a sound credit evaluation process, the Bank continued its balanced growth in advances portfolio across all business segments and in all important economic sectors. The growth rate of 13 percent was in line with the Bank's 5-year CAGR (at 13.4 percent as compared to industry's 10 percent). With robust management of non-performing loans, NPL ratio further improved to 4.8 percent and is amongst the lowest in the industry. Moreover, the Bank also improved its provision coverage to 86 percent.

The Liquidity profile of the Bank has posted improvement as reflected by a diversified deposit mix and increase in liquid assets carried on the balance sheet. Over the course of the year, the market share of deposits of the Bank has strategically been adjusted downward temporarily, with a focus on improving deposit profile and managing spreads in a low interest rate environment, and in the backdrop of intense competition for lending rates.

Our proportion of non-remunerative current accounts in the deposit mix remains impressive, while depositor concentration levels are continuously improving. Capitalisation indicators have also strengthened over time with increase in equity base on account of retained profits; resultantly Tier-1 Capital stands increased.

The Bank's profit before taxation for the year was reported at Rs. 13.023 billion as against Rs. 12.604 billion last year, improving by 3 percent. Profit after tax was reported at Rs. 7.900 billion as against Rs. 7.523 billion last year, improving by 5 percent.

In line with the Bank's strategy of improving its loan book, our Net Advances (net) at the year-end have been reported at Rs. 378.720 billion. At the year end, our gross advances to deposits ratio stands at 62 percent, one of the best in the industry. Our focus remains on improving asset quality, along with increased Loan Loss Coverage.

Period end Deposits remained flat at Rs. 640.944 billion, mainly on account of the strategic reasons outlined above, but more importantly, the Bank's Current Deposits grew by an impressive 19 percent. At the year end, the CASA mix stands at an impressive 83 percent as against 75 percent last year.

With a significant maturity of PIBs as well as maturity of Bai Muajjal with the Government of Pakistan witnessed in the latter half of the year, the period end Investments (net) have been reported at Rs. 389.093 billion as against Rs. 423.100 billion reported last year.

Despite lower spreads, the Bank's net markup income remained at Rs. 28.770 billion for the year as against

Rs. 28.627 billion last year. Similarly, the Bank's non-markup income levels also remained intact. With lower net provisioning, the overall revenues after provisions improved by 3.6 percent from Rs. 35.202 billion last year to Rs. 36.455 billion for 2016.

During the course of the year, there was a stringent focus on cost initiatives. Resultantly, total non-markup expenses were curtailed to Rs. 23.432 billion as against Rs. 22.598 billion last year, restricted at 3.7 percent.

As at 31st December, 2016, the Bank remains adequately capitalised with a reported CAR of 13.18 percent.

Credit Rating

JCR-VIS Credit Rating Company Limited has recently assigned an improved entity rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term, with outlook assigned as 'Stable'. These ratings were assigned in February 2017, and are based on the position at September 2016.

Furthermore, PACRA has also rated the Bank 'AA' (Double A) for the long-term and 'A1+' (A-One Plus) for the short-term, and the outlook for the Bank remains 'Positive'.

The unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of AA- (Double A Minus). These ratings were assigned in June 2016.

The assigned ratings reflect the Bank's diversified operations, healthy financial risk profile, strong sponsors and existing market presence. 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.

Corporate Governance

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 Code of Corporate Governance forms part of the Rule Book of the Pakistan Stock Exchange Limited (PSX). The Bank has implemented significant requirements of the revised Code, relevant for the year ended 31st December, 2016. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed as part of the Annual Report.

Statement under Clause 5.9.11 (Corporate and Financial Reporting Framework) of Chapter 5 of the PSX Rule Book:

- a) The financial statements, prepared by the management of the Bank, present the Bank's state of affairs fairly, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Bank have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements, and any departures therefrom have been adequately disclosed and explained.
- e) The system of internal control is sound in design, and has been effectively implemented and monitored.
- f) There are no significant doubts about the Bank's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations duly adopted by the State Bank of Pakistan vide BSD Circular No. 5 dated 13th June, 2002.
- h) Summarised key operating and financial data of last six years have been presented as part of the Annual Report.
- i) Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund based on the respective audited accounts is:
Staff Provident Fund Rs. 3,780.720 million (Dec 2016)
Staff Gratuity Fund Rs. 1,794.265 million (Dec 2015)
- j) The number of Board and Board Committee meetings held during the year 2016 and the attendance by each director is as given below.
- k) As of date, Mr. Khalid Qurashi and Mr. Atif Bajwa have completed, the Corporate Governance Leadership Skills Programme offered by the Pakistan Institute of Corporate Governance under the Directors Training Programme. As at 31st December, 2016, 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.

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

Risk Management

With gradual improvement in several key macroeconomic indicators in the year 2016, overall business sentiment remained buoyant. This was evident in the rising stock market index that enabled investors to earn 46 percent return (PSE 100) on an annual basis.

Despite declining exports and a widening trade deficit as mentioned earlier, key developments such as revision in Pakistan's credit rating by Standard and Poor (S&P) from B- to B and MSCI's decision to upgrade PSX to Emerging Market status were instrumental in keeping the mood upbeat in business circles.

OPERATING RESULTS

Rupees in Millions

2016

2015

Balance Sheet

Shareholders' Equity	49,185	42,425
Total Deposits	640,944	640,189
Total Assets	917,457	902,608
Advances – net	378,720	334,159
Investments – net	389,093	423,100

Profit and Loss Account

Profit before Taxation	13,023	12,604
Taxation	(5,123)	(5,081)
Profit after Taxation	<u>7,900</u>	<u>7,523</u>
Basic earnings per share	Rs. 4.96	Rs. 4.73
Diluted earnings per share	Rs. 4.93	Rs. 4.73

Given the focus around CPEC and improving business confidence, fixed investment in the economy is poised to increase in 2017 and become the key catalyst for GDP growth in the years ahead. Cement and steel sectors are already beginning to reap CPEC's benefits. The recently announced textile package of Rs. 180 billion promises to help in halting the slump in textile exports, but efficient implementation will be key. Recently the World Bank also revised upwards the GDP growth estimate for Pakistan to 5.2 percent for fiscal 2017 and 5.5 percent for 2018, which augurs well for the country's economy.

However, there are some serious challenges to this positive outlook. As mentioned earlier, while the industrial sector grew by a healthy 6.8 percent during the year, the important textile industry has continued to struggle. Furthermore, the agricultural sector has largely remained subdued due to weak commodity prices. Public debt is still high and the tax-to-GDP ratio remains among the lowest in the region. Loss making state owned entities have not shown significant improvement and their privatisation plan does not seem a priority.

During the course of the year, Bank Alfalah's credit approval process was completely automated for country operations by rolling out the Bank's indigenous loan origination and risk rating system (CIIRS) in Islamic Banking and Agriculture Finance business segments. Corporate Banking and Retail

Banking were already using this functionality. Being a responsible corporate citizen, Bank Alfalah has integrated a sustainable finance approach in its lending activities. In this regard, the Environmental and Social Management System (ESMS) Framework is an integral part of the credit approval process and all relevant credit proposals require clearance of the E&S Officer prior to approval of the competent authority.

The Environmental and Social Risk Management Unit is responsible for identifying, vetting and approving projects from an ESRM perspective. This role also entails coordination with provincial Environmental Protection Agencies (EPA) to remove ambiguities related to the EPA approval requirements and to educate the clients. Bank Alfalah is also assisting SBP to promote ESRM practices across the banking industry. 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.

Other key developments included automation of various key functions and solutions; such as in-house Capital Adequacy Ratio (CAR) calculator for Risk Weighted Assets (RWAs) calculation across Pan Pakistan branches, automated monitoring of the annual credit plan, regulatory stress testing for credit risk, and rating model validation for various business segments. The Bank also made progress towards achieving greater sophistication and meeting Basel III advanced approaches standards by furthering infrastructural support for development of PD model.

Cyber security is a key risk for the banking industry, and during the year SBP issued a series of IT Security mandates for payment security on public-facing internet channels, payment card security and protection against cyber-attacks. In response, the Bank established an Internet Banking Security Framework along with a supporting action plan to meet the regulatory requirements with 6-monthly updates required to be provided to the Board to track progress against the action plan. Significant enhancements were also incorporated into the IT Security Risk Management policies and procedures.

The Bank also engaged a reputed external consultant who carried out comprehensive external and internal penetration testing and independent assessment of the Bank's information security controls environment.

The Operational Risk Unit continued to perform regular control assessment on loss/near-miss incidents and helping the Bank to fine tune the operational policies/procedures and product guidelines. Enhancements in the indigenously developed operational loss data base and KRI systems continued with the aim to improve timely capturing and reporting of incidents under the operational risk assessment framework. These initiatives would also help the Bank to meet the requirements of loss data reporting of the Regulator to be initiated after the end of 1st quarter 2017. Furthermore, the Bank has completed its third year under the Basel III operational risk's advanced approach namely Alternative Standardised Approach (ASA).

The Market risk and Liquidity risk functions continued their active vigilance of the Bank's balance sheet. Both these units operate under detailed Board approved guidelines, which are further complemented by management level limits. During 2016, a number of procedures were revamped and strengthened to better address the evolving market and/or liquidity risks. Moreover, the Bank is actively working on the implementation of SBP's Basel III guidelines on Liquidity risk.

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.

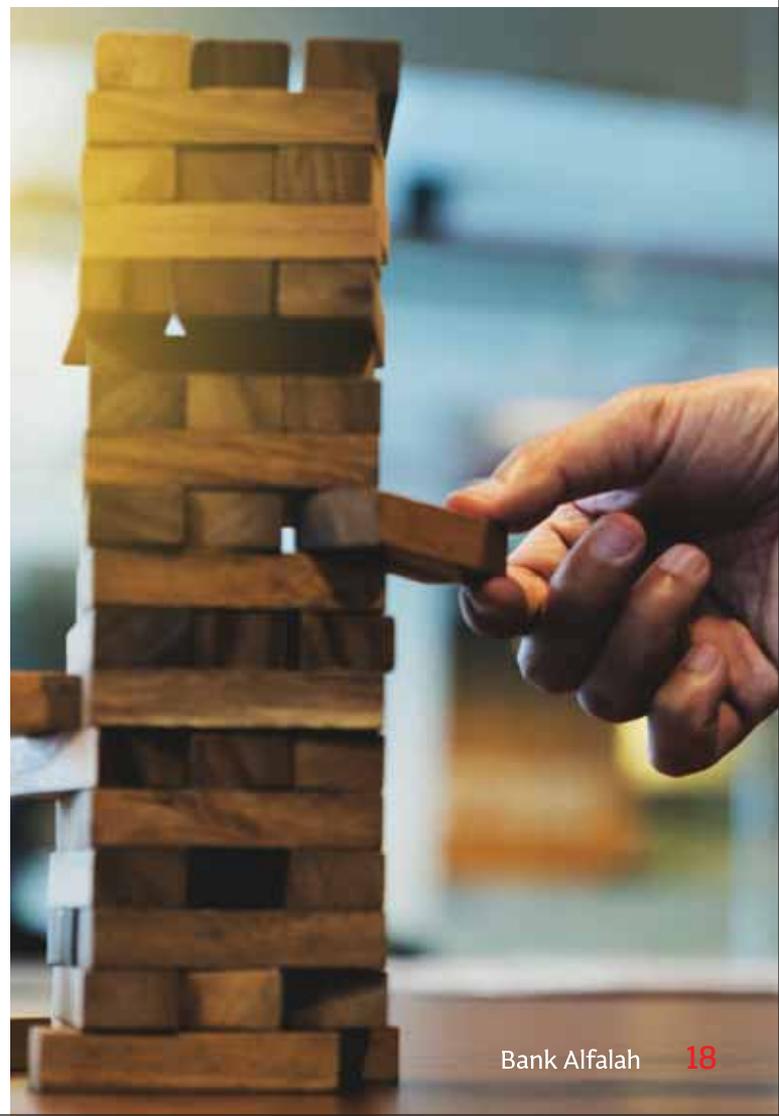
Existing policies and procedures are reviewed on a regular basis and improved from time to time, when required. The Board has constituted its subcommittees for oversight of the overall Risk Management Framework, Finance and Strategy, which meet at regular intervals to ensure adequacy of governance.

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 values for our customers, shareholders and communities, responsibly. For us, CSR is an instrument of positive change and continues to be one of the most important aspects of our business.

Our CSR programme is a magnification of our outreach to a multitude of individuals and households. We are firm in our commitment to operate within ethical framework and contribute to the socioeconomic development, and improve the quality of life of the local communities and society at large.





Over the years, Bank Alfalah has been active in giving back to the society. We are working to become a strategic asset for increasing industry competitiveness and a socially responsive corporate culture. We are an active participant in contributing towards the welfare of society and work with various partner organisations on a series of programmes in a range of sectors.

Subsidiary Companies

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

Dividend

The Bank remains committed to achieving its strategic goals. With continued investment in people, products and digital distribution, we are confident that the Bank will continue to participate in attractive growth opportunities

expected in the coming years. This will require the support of a robust operating platform backed by a strong capital base.

The Board, after due deliberations and with the above objectives in mind, has decided to recommend retention of earnings for the year. Accordingly, no dividend payout has been recommended for this year. With a stronger capital base, we firmly believe that the Bank shall be able to deliver greater returns to the shareholders over the medium to long-term.

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 Programme 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.

Future Outlook

The world is changing at a very fast pace, but this is what makes our jobs and lives more exciting. At Bank Alfalah, we saw opportunity in the change; we re-thought and re-shaped our business to become more agile and innovative.

Since inception, Bank Alfalah has emerged as one of the country's leading banks with a keen focus on entrepreneurship and innovation.

We always try to seek out new ways of enabling our customers to succeed and we deem it our responsibility to bring the local financial industry at par with the best of our global counterparts.

Acknowledgement

On behalf of the Bank, I would once again like to thank the State Bank of Pakistan, the Ministry of Finance and other regulatory authorities for their continuous guidance and support, our valued shareholders and customers for their counsel and continued patronage.

I deeply value, appreciate and acknowledge the commitment, dedication and hard work of our employees, both locally and overseas. It is your passion to do things differently, and your promise and determination to act with integrity and transparency in everything you do that has made it possible for us to live our values, and deliver on the promise made to our stakeholders. The Alfalah way, is the way forward!

Atif Bajwa
Director and Chief Executive Officer
23rd February, 2017
Abu Dhabi

بورڈ نے انٹرنل کنٹرول کی صلاحیت سے متعلق کی جانے والی منجمنٹ کی قدریمانی (ایولوشن) کی توثیق کی ہے، جس میں ICFR بھی شامل ہے، جس کی وضاحت اسٹیٹمنٹ آف انٹرنل کنٹرولز میں کی گئی ہے۔

کارپوریٹ سماجی ذمہ داریوں کی ادائیگی:

بینک الفلاح اس بات پر پختہ یقین رکھتا ہے کہ بینک کی کامیابی اس کے کسٹمرز کی کامیابی کے ساتھ جڑی ہوئی ہے۔ ہمارا مقصد اپنی مسابقتی صلاحیتوں کو کارپوریٹ سماجی ذمہ داریوں کے ساتھ منسلک کرتے ہوئے کسٹمرز، شیئرہولڈرز اور کمیونٹیز کے ساتھ گہرا تعلق استوار کر کے کاروبار کرنا ہے۔ ہمارے لیے کارپوریٹ سماجی ذمہ داریوں کی ادائیگی مثبت تبدیلی کے لیے ایک اہم آلہ ہے اور اسے ہمارے کاروبار میں واضح اہمیت حاصل ہے۔

ہمارا CSR پروگرام کثیرتعداد میں افراد اور گھرانوں تک ہماری وسیع پہنچ کو نمایاں کرتا ہے۔ ہم پختہ عزم کے ساتھ اخلاقی فریم ورک کے دائرے میں رہتے ہوئے سماجی و معاشی ترقی اور مقامی کمیونٹیز کی زندگیوں کو بہتر بنانے کے لیے اپنا بھرپور کردار ادا کر رہے ہیں۔

بینک الفلاح کئی سال سے معاشرے کو فائدہ پہنچانے کے لیے متحرک ہے۔ ہم انڈسٹری کی مسابقت کو بہتر بنانے اور سماجی طور پر ذمہ دار کارپوریٹ کلچر کی تشکیل کے لیے ترویجی اٹاٹھ بن کر ابھرنے کے لیے مصروف عمل ہیں۔ ہم معاشرے کی فلاح و بہبود کے کاموں میں بڑھ چڑھ کر حصہ لیتے ہیں اور مختلف شعبوں میں شریک اداروں کے ساتھ مل کر سلسلہ وار پروگرام پر کام کر رہے ہیں۔

ذیلی کمپنیاں:

بینک کی الفلاح سیکورٹیز (پرائیویٹ) لمیٹڈ میں 97.91 فیصد کی شیئرہولڈنگ ہے جو اسٹاک بروکر کیج، انویسٹمنٹ کونسلنگ اور فنڈ پلیسمنٹ کے کاروبار سے منسلک ہے۔ بینک کی الفلاح GHP انویسٹمنٹ منجمنٹ لمیٹڈ میں بھی 40.22 فیصد کی شیئرہولڈنگ ہے جو ایک ایسٹ منجمنٹ کمپنی اور انویسٹمنٹ ایڈوائز کے طور پر نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشن) رولز کے تحت رجسٹرڈ ہے۔

ڈیوڈنڈ:

بینک اپنے طویل المدتی اہداف کے حصول کے لیے پرعزم ہے۔ لوگوں، مصنوعات اور ڈیجیٹل ڈسٹری بیوشن میں مسلسل سرمایہ کاری کی بدولت ہم پرامید ہیں کہ بینک آنے والے سالوں میں مزید ترقی کے مواقع پیدا کرنے میں اپنا کردار ادا کرتا رہے گا۔ اس میں مضبوط کپیٹل کی بنیاد پر آپریٹنگ پلیٹ فارم میں مسلسل سرمایہ کاری درکار ہوگی۔

بورڈ نے تمام ضروری مشاورت کے بعد اور درج بالا مقاصد کے پیش نظر سال کی آمدن کو برقرار رکھنے کا فیصلہ کیا ہے۔ اسی طرح اس سال کے لیے کوئی ڈیوڈنڈ پے آؤٹ نہ رکھنے کا فیصلہ کیا گیا ہے۔ ہمیں یقین ہے کہ ایک مضبوط سرمایہ کاری کی بنیاد پر بینک اپنے شیئر ہولڈرز کو طویل مدتی بنیادوں پر بہتر ریٹرن دے سکے گا۔

ایکسٹرنل آڈٹ:

بینک کے موجودہ آڈیٹر چارٹرڈ اکاؤنٹنٹس M/s KPMG Taseer Hadi & Co. کی رضامندی سے آڈٹ کمیٹی نے انہیں آئندہ سال کے لیے ایکسٹرنل آڈیٹر مقرر کرنے کی تجویز دی ہے۔

ایکسٹرنل آڈیٹر نے اس بات کی تصدیق کی ہے کہ انہیں انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس کے کوالٹی کنٹرول ریویو پروگرام کے تحت اطمینان بخش ریٹنگ دی گئی ہے۔ آڈٹ فرم اور ان کے تمام پارٹنرز انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی کوڈ آف ایٹھکس سے متعلق ICAP کی اختیار کردہ گائیڈ لائنز پر عمل پیرا ہیں اور آڈیٹر مقرر ہونے سے متعلق تمام قابل اطلاق قوانین پر پورا اترتے ہیں۔

ایکسٹرنل آڈیٹر کی از سر نو تقرری آئندہ سالانہ اجلاس عام کی منظوری سے مشروط ہے۔

مستقبل کا منظر نامہ:

دنیا میں تبدیلیاں تیزی سے رونما ہو رہی ہیں تاہم یہ تبدیلیاں ہماری زندگیوں اور مصروفیات کو پرلطف بھی بنا رہی ہیں۔ بینک الفلاح ہر تبدیلی کو ایک موقع سمجھتا ہے۔ ہم اپنے کاروبار کو مزید مستعد اور جدت سے آراستہ کرنے کے لیے ازسرنو غور و فکر اور تشکیل نو کرتے ہیں۔ اپنے قیام سے اب تک بینک الفلاح انٹرنیویشنل اور جدت پر توجہ مرکوز رکھنے والا ملک کا سرفہرست بینک بن کر ابھرا ہے۔ ہم اپنے کسٹمرز کو کامیاب بنانے کے لیے نئے راستے تلاش کرنے کی کوششوں میں مصروف ہیں اور ہم مقامی فنانشل انڈسٹری کو ہم منصب عالمی اداروں کے برابر درجہ دلانا اپنی ذمہ داری سمجھتے ہیں۔

اظہار تشکر:

میں بورڈ آف ڈائریکٹرز کی جانب سے ایک بار پھر اسٹیٹ بینک آف پاکستان، وفاقی وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی مسلسل رہنمائی اور تعاون کی فراہمی کا شکریہ ادا کرتا ہوں۔ میں مشاورت اور سرپرستی کرنے والے اپنے معزز شیئرہولڈرز اور صارفین کا بھی تہ دل سے شکر گزار ہوں۔

میں بینک کے مقامی اور اوورسیز ملازمین کے عزم، لگن اور سخت محنت کی بھرپور قدر کرتے ہوئے انہیں خراج تحسین پیش کرتا ہوں۔ آپ خدمات کی منفرد انداز میں ادائیگی کے لیے پرجوش ہیں۔ دیانت اور شفافیت کے ساتھ خدمات کی فراہمی پر آپ کا یقین اور ثابت قدمی ہمیں اپنی اقدار پر کاربند رہنے میں معاون ہونے کے ساتھ شیئرہولڈرز سے کیے گئے وعدوں کی تکمیل ممکن بناتی ہے۔ فلاح کا طریقہ ہی مستقبل کا راستہ ہے۔

عاطف باجوہ

ڈائریکٹر اینڈ چیف ایگزیکٹو آفیسر

۲۳ فروری ۲۰۱۷ء

مقام: ابوظہبی

اعلان کردہ 180 ارب روپے کا پیکیج ٹیکسٹائل سیکٹر کی برآمدات بڑھانے میں معاون ثابت ہوگا تاہم اس پیکیج پر موثر انداز میں عمل درآمد ضروری ہوگا۔ حال ہی میں ورلڈ بینک کی جانب سے بھی پاکستان کے لیے مالی سال 2017 کے دوران جی ڈی پی کی متوقع شرح نمو 5.2 فیصد جبکہ مالی سال 2018 کے لیے 5.5 فیصد مقرر کی گئی ہے جو ملک کی معیشت میں بہتری کی دلیل ہے۔

دوسری جانب معیشت کے اس مثبت منظر نامے کو چند خدشات کا بھی سامنا ہے۔ جس طرح پہلے وضاحت کی گئی کہ صنعتی شعبے میں 6.8 فیصد کی نمایاں شرح نمو کے باوجود ٹیکسٹائل انڈسٹری جدوجہد میں مصروف ہے۔ اس کے ساتھ ہی کماڈیٹیز کی پست قیمتوں کی وجہ سے زراعت کا شعبہ بھی بڑی حد تک دباؤ کا شکار ہے۔ سرکاری قرضے اب بھی زیادہ ہیں اور جی ڈی پی کے مقابلے میں ٹیکسوں کا تناسب بھی خطے میں سب سے کم ہے۔ خسارے میں چلنے والے سرکاری اداروں کی حالت میں کوئی بہتر تبدیلی واقع نہ ہوسکی اور ان کی نج کاری کے منصوبے بھی ترجیحی بنیادوں پر مکمل ہوتے نظر نہیں آ رہے۔

اس عرصے کے دوران ملک میں بینک الفلاح کا قرضوں کی منظوری کا پورا نظام اسلامک بینکنگ اور ایگری کلچر فنانس بزنس کے لیے اور جینیٹک اینڈ رسک ریٹنگ سسٹم (CIIRS) کے ذریعے مکمل طور پر خود کار بنایا جا چکا ہے۔ کارپوریٹ بینکنگ اور ریٹیل بینکنگ پہلے ہی اس نظام سے استفادہ کر رہے ہیں۔

ایک سماجی ذمہ دار کارپوریٹ ادارے کی حیثیت سے بینک الفلاح نے قرضوں سے متعلق سرگرمیوں میں پائیدار بنیادوں پر فنانسنگ کی مربوط حکمت عملی اختیار کی ہے۔ اس سلسلے میں ماحولیاتی اور سوشل ڈیولپمنٹ سسٹم (ای ایس ایم ایس) فریم ورک قرضوں کی منظوری کے عمل کا اہم حصہ بنایا گیا ہے اور تمام متعلقہ قرضوں کی تجاویز کی مجاز اتھارٹی سے منظوری سے قبل E&S آفیسر کی کلیئرنس لازمی قرار دی گئی ہے۔ اس ضمن میں انوائرمینٹل اینڈ سوشل رسک منجمنٹ یونٹ ESRM کے لحاظ سے پراجیکٹس کی نشاندہی، جانچ پڑتال اور منظوری کا ذمہ دار ہے۔ صوبائی ماحولیاتی تحفظ کی ایجنسیوں (EPAs) کے ساتھ کوآرڈینیشن کی ذمہ داری بھی اسی شعبے کے سپرد ہے تاکہ EPA کی منظوری سے متعلق کسی قسم کی رکاوٹوں کو دور کرنے کے ساتھ کلائنٹس کو آگہی بھی فراہم کی جاسکے۔ بینک الفلاح بینکنگ انڈسٹری میں ESRM پریکٹس کے فروغ کے لیے اسٹیٹ بینک آف پاکستان کی معاونت بھی سرانجام دے رہا ہے۔ بینک اس بات پر پختہ یقین رکھتا ہے کہ فیصلہ سازی میں فنانشل، سوشل اور انوائرمینٹل امور کو باہم زیر غور لاتے ہوئے اسٹیک ہولڈرز کے لیے بھرپور اور پائیدار فوائد مہیا کیے جاسکتے ہیں۔

دیگر اہم تبدیلیوں میں متعدد بنیادی فنکشنز اور سلوشنز کی آٹو میشن جیسا کہ رسک ویڈیو ایسٹس (RWAs) کی کیلکولیشن کے لیے ملک بھر کی برانچوں میں ان ہاؤس کیپیٹل ایڈوکیسی ریشو (CAR) کیلکولیٹر کی دستیابی، سالانہ کریڈٹ پلان کی خود کار نگرانی، کریڈٹ رسک سے متعلق ریگولیٹری اسٹریٹجی کی پیمائش اور متعدد کاروباری شعبوں کے لیے ریٹنگ ماڈل ویلیڈیشن شامل ہیں۔ بینک نے بازل III کے ایڈوانس تصورات اور معیارات پر پورا اترنے کے لیے بھی کافی پیش رفت کی ہے اس مقصد کے لیے PD ماڈل کی ترقی کے لیے انٹراسٹرکچر سپورٹ میں مزید اضافہ کیا گیا ہے۔

سانبر سیکوریٹی بینکنگ سیکٹر کے لیے ایک اہم خدشہ ہے اور سال 2016 کے دوران اسٹیٹ بینک آف پاکستان کی جانب سے آئی ٹی سیکوریٹی کو بہتر بنانے کے لیے سلسلہ وار ہدایات جاری کی ہیں جن میں پبلک فینسنگ انٹرنیٹ چینلز کے ذریعے ادائیگیوں کو محفوظ بنانے اور پیمینٹ کارڈ سیکوریٹی اور سانبر حملوں سے

حفاظت کے بارے میں دی جانے والی ہدایات شامل ہیں۔ اسٹیٹ بینک کی ہدایات کی روشنی میں بینک نے انٹرنیٹ بینکنگ سیکوریٹی فریم ورک کے ساتھ معاون ایکشن پلان تشکیل دیا ہے تاکہ ریگولیٹری تقاضوں کو پورا کیا جاسکے ان تقاضوں کے مطابق بورڈ کو ششماہی بنیادوں پر اپ ڈیٹ کی فراہمی لازمی قرار دی گئی ہے تاکہ ایکشن پلان پر عمل درآمد کا جائزہ لیا جاسکے۔ آئی ٹی سیکوریٹی رسک منجمنٹ پالیسیوں اور پراسیجرز میں بھی نمایاں تبدیلیاں عمل میں لائی گئی ہیں۔ بینک نے ایک معروف ایکسٹرنل کنسلٹنٹ کی خدمات بھی حاصل کی ہیں جو بینک کے انفارمیشن سیکوریٹی کنٹرول انوائرنمنٹ کی آزادانہ قدر پیمانی اور اس میں اندرونی اور بیرونی مداخلت سے متعلق موثر جانچ پڑتال کرتا ہے۔

آپریشنل رسک یونٹ مستقل بنیادوں پر تقاضات یا کسی ممکنہ نقصان کے بارے میں کنٹرول اسسٹمنٹ میں مصروف عمل ہے اور آپریشنل پالیسیوں، پراسیجرز اور پرائڈنگ گائیڈ لائنز کو مزید بہتر بنانے کے لیے بینک کو معاونت فراہم کر رہا ہے۔ اپنے طور پر مرتب کی گئی آپریشنل تقاضات کی ڈیٹا بیس اور KRI سسٹم آپریشن رسک اسسٹمنٹ فریم ورک کے تحت واقعات کی رپورٹنگ اور بروقت نشاندہی کی صلاحیت کو بہتر بنانے میں اہم کردار ادا کر رہا ہے۔ یہ اقدامات بینک کو 2017 کی پہلی سہ ماہی کے اختتام کے بعد ریگولیٹری جانب سے اٹھائے گئے اقدام کے تحت تقاضات کی ڈیٹا رپورٹنگ سے متعلق تقاضوں کو پورا کرنے میں بھی بینک کی مدد کریں گے۔ اس کے علاوہ بینک نے Basel III کے آپریشنل رسک سے متعلق ایڈوانس تصور ”آلٹرنیٹ اسٹیٹڈ انڈرڈ اپروچ (ASA)“ کا تیسرا سال مکمل کر لیا ہے۔

مارکیٹ رسک اور لکویڈیٹی رسک فنکشنز بینک کی بیلنس شیٹ کو بہتر بنانے کے لیے مسلسل طور پر موثر نگرانی کا فریضہ انجام دے رہے ہیں۔ یہ دونوں یونٹس بورڈ کی منظور شدہ تفصیلی رہنما ہدایات کے تحت آپریٹ کر رہے ہیں جنہیں منجمنٹ کی سطح پر مقرر کی جانے والی حدود کے ذریعے مزید بہتر بنایا گیا ہے۔ سال 2016 کے دوران ابھرنے والے مارکیٹ اور لکویڈیٹی رسکس سے موثر انداز میں نمٹنے کے لیے متعدد پراسیجرز کو مزید بہتر بنایا گیا ہے۔ اس کے ساتھ ہی مرکزی بینک کی جانب سے لکویڈیٹی رسک کے بارے میں جاری کی جانے والی Basel III سے متعلق رہنما ہدایات پر عمل درآمد کے لیے بھی بینک فعال انداز میں کام کر رہا ہے۔

اندرونی کنٹرول:

بینک کی انتظامیہ آپریشنز کی کارکردگی بڑھانے اور انہیں موثر بنانے سمیت قانونی تقاضوں پر عمل درآمد اور ذمہ دارانہ فنانشل رپورٹنگ کو یقینی بنانے کے لیے ایک مضبوط انٹرنل کنٹرول سسٹم کو قائم رکھنے کی ذمہ دار ہے۔ بینک کے مجموعی اہداف حاصل کرنے کے لیے ناکامی کے خدشات کی نشاندہی اور ان سے نمٹنے کے لیے موزوں سسٹمز، پراسیجرز اور کنٹرولز نافذ کیے گئے ہیں۔ یہ کنٹرولز بورڈ آف ڈائریکٹرز کے منظور شدہ پراسیجرز اور پالیسیوں کا احاطہ کرتے ہوئے ان پراسیجرز اور پالیسیوں کو مؤثر بنانے اور ان پر بھرپور انداز سے عمل درآمد کو یقینی بناتے ہیں جس کی تصدیق آزاد انٹرنل آڈٹ ڈیپارٹمنٹ کے ذریعے کی جاتی ہے۔

بینک کی موجودہ پالیسیوں اور پراسیجرز کا باقاعدگی کے ساتھ جائزہ لیا جاتا ہے اور ضرورت پڑنے پر وقتاً فوقتاً انہیں بہتر بنایا جاتا ہے۔ بورڈ نے مجموعی رسک منجمنٹ فریم ورک، فنانس اینڈ اسٹریٹیجی کی نگرانی کے لیے خصوصی سب کمیٹیاں تشکیل دی ہیں جن کے اجلاس باقاعدگی کے ساتھ منعقد ہوتے ہیں تاکہ فعال گورننس کو یقینی بنایا جاسکے۔

11. جناب خالد قریشی اور جناب عاطف باجوہ پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس کے ڈائریکٹر ٹریننگ پروگرام کے تحت کارپوریٹ گورننس لیڈر شپ اسکول پروگرام مکمل کر چکے ہیں۔ اس طرح 31 دسمبر 2016 کی مدت کے اختتام پر بینک کوڈ آف کارپوریٹ گورننس کے تحت ڈائریکٹرز کی تربیت کا تقاضہ بھی پورا کر چکا ہے۔

12. شیئر ہولڈنگ کا پیٹرن اس رپورٹ کے ساتھ منسلک ہے۔

13. بینک کسی بھی قسم کے قرض، ٹی ایف سیز، سکوک یا دیگر قرضوں کے کسی دوسرے انسٹرومینٹ کا ناحبندہ نہیں ہے اور اس کی ناحبندگی کا کوئی خدشہ نہیں ہے۔

14. بینک میں ڈائریکٹرز، ایگزیکٹوز اور ان کی ازدواج اور کم سن بچوں کی شیئرز کا ٹریڈنگ پیٹرن سالانہ رپورٹ کے ساتھ جاری کیا گیا ہے۔

رسک منجمنٹ:

سال 2016 کے دوران متعدد اہم میکر و آکنامک اشاریوں کی بہتری کے ساتھ مجموعی کاروباری رجحان بدستور بہتر رہا جس کی ایک دلیل اسٹاک مارکیٹ کا بڑھتا ہوا انڈیکس ہے جس نے سرمایہ کاروں کو سالانہ بنیادوں پر 46 فیصد تک کا ریٹرن (PSE 100) فراہم کیا۔ جس طرح بالائی سطروں میں بیان کیا گیا کہ ایکسپورٹ میں کمی اور تجارتی خسارے میں اضافے کے باوجود اہم پیش رفت جیسا کہ اسٹیٹرزڈ اینڈ پورز کی جانب سے پاکستان کی نظر ثانی ریٹنگ B- سے B مقرر کیے جانے اور MSCI کی جانب سے پاکستان اسٹاک ایکس چینج کو ابھرتی ہوئی مارکیٹ کا درجہ دیے جانے کے فیصلے نے کاروباری حلقوں کا اعتماد بحال رکھنے میں اہم کردار ادا کیا۔

پاک چین اقتصادی راہداری منصوبوں کے آغاز اور کاروباری اعتماد بہتر ہونے سے معیشت میں فکسڈ انویسٹمنٹ کو فروغ ملا ہے جو آنے والے عرصے میں بھی جی ڈی پی کو بڑھانے میں عمل انگیز کا کردار ادا کرے گی۔ سیمنٹ سازی کی صنعت اور اسٹیل سیکٹر پہلے ہی پاک چین اقتصادی راہداری منصوبے کے ثمرات سے مستفید ہونا شروع ہو گئے ہیں۔ حال ہی میں حکومت کی جانب سے ٹیکسٹائل سیکٹر کے لیے

3. فنانشل اسٹیٹمنٹس مرتب کرنے میں متعلقہ اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے اسٹیٹمنٹس مناسب اور موثر فیصلوں پر مبنی ہیں۔

4. فنانشل اسٹیٹمنٹس کی تیاری میں پاکستان کے بینکوں پر لاگو ہونے والے عالمی فنانشل رپورٹنگ معیارات کی پاسداری کی گئی ہے اور ان سے کسی ڈپارچر کی موزوں انداز میں وضاحت کی گئی ہے۔

5. انٹرنل کنٹرول کا سسٹم ڈیزائن کے لحاظ سے مضبوط ہونے کے ساتھ موثر انداز میں نافذ اور مانیٹر کیا جا رہا ہے۔

6. اس بات میں کوئی شک نہیں ہے کہ بینک ایک منافع بخش ادارے کے طور پر اپنا سفر جاری رکھنے کی مکمل صلاحیت رکھتا ہے۔

7. اسٹیٹ بینک آف پاکستان کی جانب سے 13 جون 2002 کو جاری کردہ بی ایس ڈی سرکلر نمبر 5 کے ذریعے اختیار کردہ کارپوریٹ گورننس اصولوں سے انحراف نہیں کیا گیا۔

8. گزشتہ چھ سال کا اہم آپریشنل اور فنانشل ڈیٹا کا خلاصہ سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔

9. متعلقہ آڈٹ اکاؤنٹ کی بنیاد پر اسٹاف پراویڈنٹ فنڈ اور اسٹاف گریجویٹی فنڈ کے ذریعے کی جانے والی سرمایہ کاری اور پلیسمنٹ کی بک ویلیو:

اسٹاف پراویڈنٹ فنڈ Rs. 3,780.720 million (Dec 2016)
اسٹاف گریجویٹی فنڈ Rs. 1,794.265 million (Dec 2015)

10. سال 2016 کے دوران بورڈ اور بورڈ کمیٹی کے اجلاس اور ڈائریکٹرز کی شرکت کی انفرادی تفصیل درج ذیل ہے۔

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

آپریٹنگ نتائج:

بیلنس شیٹ

(روپے ملین میں)	
2015	2016
42,425	49,185
640,189	640,944
902,608	917,457
334,159	378,720
423,100	389,093
12,604	13,023
(5,081)	(5,123)
7,523	7,900
4.73 روپے	4.96 روپے
4.73 روپے	4.93 روپے

شینر ہولڈرز کی ایکویٹی
جمع شدہ رقم (ڈپازٹس) کی مجموعی مالیت
اثاثوں کی مجموعی مالیت
قرضہ جات - خالص
سرمایہ کاری - خالص

نفع و نقصان

قبل از ٹیکس منافع
ٹیکس
بعد از ٹیکس منافع

بنیادی فی حصص آمدن
ڈائیلوٹڈ فی حصص آمدن

کریڈٹ ریٹنگ کمپنی CR-VIS نے بھی حال ہی میں بینک الفلاح کو طویل / قلیل مدت کے لیے 'AA+/A-1+' (ڈبل اے پلس / اے ون پلس) ریٹنگ جاری کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ یہ ریٹنگ ستمبر 2016 تک کی پوزیشن کو مدنظر رکھتے ہوئے فروری 2017 میں جاری کی گئی ہے۔ مذکورہ کریڈٹ ریٹنگ بینک الفلاح کے متنوع آپریشنز، مستحکم مالیاتی رسک پروفائل، اسپانسرز کی مضبوطی اور مارکیٹ میں بینک کی مستحکم پوزیشن کی عکاسی کرتی ہے۔ یہ ریٹنگ بینک کے بہت کم کریڈٹ رسک کے ساتھ طویل مدت کے لیے اپنے مالیاتی وعدوں کی بروقت تکمیل کی بھرپور صلاحیت اور قلیل مدت کے لیے اپنے مالیاتی وعدوں کی تکمیل کی اعلیٰ تر صلاحیت کو ظاہر کرتی ہے۔

کارپوریٹ گورننس:

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے پبلک لسٹڈ کمپنیوں کے لیے نظر ثانی شدہ کوڈ آف کارپوریٹ گورننس اسٹاک ایکس چینج کی لسٹنگ ریگولیشن کے حصے کے طور پر 2012 میں نافذ کیا گیا۔ کوڈ آف کارپوریٹ گورننس پاکستان اسٹاک ایکسچینج لمیٹڈ (پی ایس ایکس) کی رول بک کا حصہ تشکیل دیتا ہے۔ بینک اس نظر ثانی شدہ کوڈ کے 31 دسمبر 2016 تک کے عرصے سے متعلق بیشتر تقاضوں کو پورا کرچکا ہے۔ اس بارے میں انتظامیہ کے تفصیلی بیان اور آڈیٹرز کی جائزہ رپورٹ کو سالانہ رپورٹ کا حصہ بنایا گیا ہے۔

پی ایس ایکس رول بک کے چیپٹر 5 کی شق 5.9.11 (کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک) کے تحت بیان:

1. بینک کی انتظامیہ کی جانب سے مرتب کردہ فنانشل اسٹیٹمنٹس، بینک کے معاملات کی درست عکاسی کرتے ہیں جن میں بینک کے آپریشنز، کیش فلو اور ایکویٹی میں ہونے والی تبدیلی سے متعلق تفصیلات بھی شامل ہیں۔
2. بینک کے اکاؤنٹس (حسابات) کی درست کتابیں مرتب کی گئی ہیں۔

اس عرصے کے اختتام پر ڈپازٹس کی مالیت 640.944 ارب روپے رہی جس کی اسٹریٹجک وجوہات کا احاطہ بالائی سطروں میں کیا جاچکا ہے تاہم بینک کے کرنٹ ڈپازٹ میں 19 فیصد کی متاثر کن شرح سے اضافہ اہمیت کا حامل ہے۔ سال کے اختتام پر CASA مکس کی شرح 83 فیصد کی متاثر کن سطح پر رہی جو گزشتہ سال کے اختتام پر 75 فیصد ریکارڈ کی گئی تھی۔

سال کی دوسری ششماہی کے دوران پاکستان انویسٹمنٹ بانڈز (بی آئی بی) اور حکومت پاکستان کے ساتھ Bai Muajjal کی میچورٹیٹی کی وجہ سے زیر تبصرہ عرصے کے اختتام پر خالص سرمایہ کاری کی مالیت 389.093 ارب روپے رہی جو گزشتہ سال کے اختتام پر 423.100 ارب روپے رہی تھی۔

بینک کا کل مارک اپ کم تر سپریڈ کے باوجود گزشتہ سال کے 28.627 ارب روپے کے مقابلے میں اس سال 28.770 ارب روپے پر برقرار رہا۔ اسی طرح بینک کی نان مارک اپ آمدن کی سطح بھی برقرار رہی۔ کل پراوڈننگ کی مد میں کمی کے باعث مجموعی آمدن پراوڈن کے بعد گزشتہ سال کے 35.202 ارب روپے کے مقابلے میں اس سال 3.6 فی صد کی بہتری کے ساتھ 36.455 ارب روپے رہی۔

ختم ہونے والے سال کے دوران اخراجات کو کم کرنے پر بھرپور توجہ دی گئی جس کے نتیجے میں مجموعی نان مارک اپ اخراجات میں اضافے کی شرح 3.7 فیصد تک محدود رہی اور مجموعی نان مارک اپ اخراجات کی مالیت 23.432 ارب روپے ریکارڈ کی گئی۔ گزشتہ سال کے دوران مجموعی نان مارک اپ اخراجات کی مالیت 22.598 ارب روپے رہی تھی۔ 31 دسمبر 2016 کو بینک کی CAR، 13.18 فیصد ریکارڈ کی گئی۔

کریڈٹ ریٹنگ:

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے 30 جون 2016 کو بینک کو طویل مدت کے لیے ڈبل اے (AA) جبکہ قلیل مدت کے لیے اے ون پلس (A1+) کریڈٹ ریٹنگ تفویض کی گئی۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ بینک کے ٹرم فنانس سرٹیفکیٹ کو ڈبل اے مائنس (AA-) ریٹنگ تفویض کی گئی ہے۔

شرح سود میں کمی کی وجہ سے بینکنگ سیکٹر کے مارجن بدستور دباؤ کا شکار ہیں۔ اس صورتحال کے پیش نظر بینک قرضوں اور انویسٹمنٹ کی حکمت عملی پر موثر انداز میں عمل درآمد کے ذریعے شیئر ہولڈرز کے ریٹرن میں اضافے کے لیے کوشاں ہے۔ ہماری توجہ کسٹمرز کی مالی ضرورتوں کو بھرپور طریقے سے پورا کرنے کے لیے بہترین خدمات کی فراہمی پر مرکوز ہے تاکہ معیشت کی بہتری میں معاونت انجام دی جاسکے۔

گزشتہ کئی سال سے جاری بہتر کارکردگی کا تسلسل برقرار رکھتے ہوئے بینک نے اس مرتبہ بھی بہترین مالیاتی نتائج ظاہر کیے ہیں، اور اس سال کا قبل از ٹیکس منافع 13 بلین روپے کی سطح عبور کر گیا۔

سال 2016 کے دوران موثر کریڈٹ ایلولویشن پراسیس کی مدد سے بینک نے تمام کاروباری شعبوں اور معیشت کے اہم سیکٹرز کے لیے ایڈوانسز پورٹ فولیو میں متوازن افزائش کا تسلسل برقرار رکھا۔ ایڈوانسز کے پورٹ فولیو میں شرح نمو 13 فیصد رہی جو بینک کی گزشتہ 5 سال کے 13.4 CAGR فیصد کے قریب اور بینکنگ انڈسٹری کے اوسط 10 فیصد سے زائد ہے۔ غیر فعال قرضوں کی موثر منجمنٹ کی وجہ سے این پی ایل کا تناسب مزید بہتر ہو کر 4.8 فیصد کی سطح پر آ گیا ہے جو انڈسٹری میں این پی ایل کی کم ترین سطح ہے۔ اس کے ساتھ ہی بینک نے اپنی پراویژن کوریج 86 فیصد تک بڑھادی ہے۔

بینک کا لکویڈیٹی پروفائل مزید مستحکم ہوا ہے جس کا اظہار بیلنس شیٹ میں متنوع ڈپازٹ مکس اور لکویڈ ایسٹ میں اضافے سے ہو رہا ہے۔ سال کے پورے عرصے کے دوران بینک المصلح کا مارکیٹ شیئر حکمت عملی کے تحت عارضی طور پر نیچے کی جانب ایڈجسٹ کیا گیا ہے تاکہ ڈپازٹ پروفائل کو بہتر بناتے ہوئے کم شرح سود اور سخت مسابقتی ماحول میں قرضوں اور ڈپازٹ کی شرح سود میں فرق کو متوازن کیا جاسکے۔ بینک کے ڈپازٹ مکس میں منافع جات سے عاری (non-remunerative) کرنٹ اکاؤنٹ کا تناسب متاثر کن رہا، اور کانسٹریکشن کی سطح میں بہتری آئی ہے۔ کیپیٹلائزیشن سے متعلق اشاریے وقت کے ساتھ مستحکم ہونے لگے ہیں، برقرار منافع (retained profit) بہتر ہونے سے ایکویٹی کی اساس مضبوط ہوئی ہے نتیجتاً Tier-1 Capital میں اضافہ ہوا ہے۔

سال کے لیے بینک کے قبل از ٹیکس منافع کی مالیت 13.023 ارب روپے ریکارڈ کی گئی جو گزشتہ سال 12.604 ارب روپے رہا تھا۔ بینک کا بعد از ٹیکس منافع 7.900 ارب روپے رہا جبکہ گزشتہ سال بعد از ٹیکس منافع 7.523 ارب روپے تھا۔

لون بک کو بہتر بنانے کے لیے بینک کی حکمت عملی کے مطابق سال کے اختتام پر قرضہ جات (خالص) کی مالیت 378.720 ارب روپے رہی۔ سال کے اختتام پر مجموعی قرضہ جات اور ڈپازٹ کا تناسب 62 فیصد ریکارڈ کیا گیا جو انڈسٹری میں ایک بہترین ریشو ہے۔ ہماری توجہ بدستور اثاثوں کا معیار بہتر بنانے اور قرضوں کے نقصان کو کم کرنے پر مرکوز ہے۔

سال 2016 کے دوران عالمی معیشت میں اتار چڑھاؤ کی صورتحال، معیادی مالیاتی اقدامات اور کاروباری رجحان میں تبدیلی کے سبب بینکنگ سیکٹر کو چند اہم چیلنجز کا سامنا کرنا پڑا، مذکورہ عوامل پالیسی سازی پر بھی غالب رہے۔

پالیسی ریٹ مزید کم ہو کر 5.75 فیصد کی سطح پر آ گیا، جس کے سبب مارجن پر دباؤ رہا۔

حکومت کی جانب سے شیڈول بینکوں کو قرضوں کی بھاری رقم کی واپسی نے نجی شعبے کو قرضوں کی فراہمی بڑھانے میں اہم کردار ادا کیا۔ کم شرح سود سے فائدہ اٹھاتے ہوئے نجی شعبے نے کاروبار میں بہتری اور توسیع کے لیے بینکنگ سیکٹر سے زیادہ قرضے حاصل کیے۔ تازہ ترین اعداد و شمار کے مطابق مالی سال 17 کی پہلی ششماہی کے دوران نجی شعبے نے 375 ارب روپے کے قرضے حاصل کیے ہیں جبکہ مالی سال 16 کے اسی عرصے میں 282.26 ارب روپے کے قرضے لیے گئے تھے۔ فکسڈ انویسٹمنٹس کے لیے قرضوں میں بھی 134.1 ارب روپے کا اضافہ ہوا مالی سال 15 کی پہلی ششماہی کے دوران اس مذ میں 83.8 ارب روپے کے قرضے جاری کیے گئے تھے۔ اس کے ساتھ ہی کنزیومر فنانسنگ کی طلب میں بھی اضافہ دیکھا گیا بالخصوص گاڑیوں کی خریداری کے لیے قرضوں میں پہلی ششماہی کے دوران نمایاں اضافہ عمل میں آیا۔ بینکنگ انڈسٹری کے مقامی اثاثوں کی مالیت میں 12.9 فیصد اضافہ ریکارڈ کیا گیا جبکہ 2015 کے دوران مقامی اثاثوں کی مالیت میں 11.5 فیصد اضافہ عمل میں آیا تھا۔

مالی سال 16 کے دوران ملک میں زیر گردش کرنسی کی مالیت میں غیر معمولی اضافہ ریکارڈ کیا گیا۔ اس سال زیر گردش کرنسی نوٹوں کی مالیت میں اضافے کی شرح مالی سال 03 کے بعد سب سے بلند شرح قرار پائی۔ نان فائلرز کے لیے نان کیش بینکنگ ٹرانزیکشنز (کراس چیک، ڈیمانڈ ڈرافٹ، پی آرڈرز و دیگر) پر 0.4 فیصد ود ہولڈنگ ٹیکس کے نفاذ کی وجہ سے کھاتوں میں رقم جمع کروانے کا رجحان قدرے کم رہا تاہم ڈپازٹس کی شرح نمو مالی سال 16 کے دوران 20.4 فیصد رہی جو مالی سال 15 کے دوران 11.2 فیصد رہی تھی۔

ستمبر 2016 کو سہ ماہی کے اختتام پر بینکنگ سیکٹر کے غیر فعال قرضوں کی مالیت 631 ارب روپے ریکارڈ کی گئی جو گزشتہ سال کی اسی مدت کے اختتام پر 630 ارب روپے رہی تھی۔ ایڈوانسز کے مقابلے میں غیر فعال قرضوں کا تناسب ستمبر 2016 کے اختتام پر 11.3 فیصد رہا جو ستمبر 2015 کے اختتام پر 12.5 فیصد تھا۔

سال 2016 کے دوران کمرشل بینکوں کے فنانسنگ پورٹ فولیو میں آٹو فنانسنگ اور ہاؤس فنانسنگ کا حصہ نمایاں رہا۔ ہاؤس فنانسنگ میں اسلامی بینکاری اداروں کا شیئر نمایاں رہا اور مجموعی ہاؤس فنانسنگ میں اسلامی بینکوں نے 54 فیصد قرضے جاری کیے۔

نجی شعبے کو قرضوں کے اجراء میں اضافے کے ساتھ بینکنگ انڈسٹری کا اوسط کیپیٹل ایڈوکیسی ریشو رسک ستمبر 2016 کے اختتام پر 16.8 فیصد رہا جو ستمبر 2015 کے اختتام پر 18.2 فیصد ریکارڈ کیا گیا تھا۔ بینکنگ سسٹم میں مجموعی طور پر مجموعی کیپیٹل ایڈوکیسی ریشو اور لکویڈیٹی اشاریے بدستور بہتری کا اظہار کر رہے ہیں۔

معزز شیئر ہولڈرز،

میں بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2016 کو ختم ہونے والے سال کے آڈٹ شدہ مالیاتی حسابات پیش کر رہا ہوں۔

معاشی جائزہ:

سال 2016 کے دوران بیشتر معاشی اشاریوں میں نمایاں بہتری کا رجحان رہا۔ مالی سال 2016 کے پورے عرصے میں ملک کی معیشت بھرپور ترقی کی جانب تسلسل کے ساتھ گامزن رہی اور مجموعی قومی پیداوار کی شرح نمو 8 سال کی بلند ترین سطح 4.7 فیصد ریکارڈ کی گئی۔ اس عرصے کے دوران جن عناصر نے مقامی طلب بڑھانے میں اہم کردار ادا کیا ان میں میکرواکنامک ماحول میں استحکام، انفراسٹرکچر کی تعمیر میں حکومتی اخراجات میں نمایاں اضافہ، توانائی کی فراہمی میں بہتری، امن و امان کی بہتر صورتحال اور شرح سود میں کمی کا تسلسل شامل ہیں۔

سال کے شروع میں زرمبادلہ کی آمد کا حجم انخلاء سے زائد رہا جس کی وجہ سے زرمبادلہ کے مجموعی ذخائر کی مالیت مئی 2016 کو 121 ارب ڈالر کی بلند ترین سطح تک پہنچ گئی۔ تاہم پاک چین اقتصادی راہداری منصوبہ سے متعلق درآمدات، برآمدات میں کمی، کولیشن سپورٹ فنڈ کی عدم ادائیگی اور ترسیلات زر کی آمد میں کمی کی وجہ سے مالی سال 2017 کی پہلی ششماہی میں کرنٹ اکاؤنٹ کو 3.6 ارب ڈالر خسارے کا سامنا کرنا پڑا جبکہ مالی سال 2016 کی اسی مدت میں کرنٹ اکاؤنٹ خسارے کی مالیت 1.7 ارب ڈالر رہی تھی۔ اس قدر بلند خسارے کو دو طرفہ اور کثیر طرفہ فنڈنگ سے پورا کیا گیا اس کے ساتھ ہی سرمایہ کاری کی مدد میں آنے والے زرمبادلہ سے بھی مدد حاصل ہوئی۔ مالی سال 2017 کی پہلی ششماہی کے اختتام پر توازن ادائیگی میں مجموعی سرپلس 0.2 ارب ڈالر ریکارڈ کیا گیا۔

جلد تلف ہونے والی اشیاء کی رسد میں اضافہ، مستحکم ایکسچینج ریٹ اور حکومت کی جانب سے خام تیل کی عالمی قیمتوں میں اضافے کا اثر عوام پر منتقل نہ کیے جانے کے سبب سال بہ سال کنزیومر پرائس انڈیکس افراط زر کی شرح سابقہ اندازوں سے کم ہو کر مالی سال 2015 کی 4.5 فیصد کی سطح کے مقابلے میں مالی سال 2016 میں 2.9 فیصد کی سطح پر آگئی۔ موجودہ صورتحال اس بات کی نشاندہی کرتی ہے کہ مالی سال 2017 کے لیے افراط زر کی حقیقی شرح 6.0 فیصد کے ہدف سے کم رہے گی۔

صنعتی شعبے کے لیے 6.4 فیصد کی شرح نمو کا اندازہ لگایا گیا تھا تاہم امن و امان اور توانائی کی صورتحال میں بہتری کے سبب 6.8 فیصد کی نمایاں افزائش دیکھی گئی۔ تعمیراتی سرگرمیوں میں بھی مثبت رجحان رہا اور تعمیراتی شعبے میں 13.1 فیصد کی نمو ریکارڈ کی گئی۔ صنعتی شعبے کو پاک چین اقتصادی راہداری منصوبے سے متعلق پراجیکٹس نے اضافی سپورٹ فراہم کی اور ان پراجیکٹس نے تعمیراتی صنعت کے ساتھ اس سے وابستہ دیگر صنعتوں کی طلب بڑھانے میں اہم کردار ادا کیا۔ صنعتی شعبے میں اس قدر نمو کا اثر بڑے پیمانے کی صنعتوں (ایل ایس ایم) میں نمایاں نظر آیا۔

زراعت کا شعبہ کپاس کی پیداوار میں کمی، غیر موزوں موسم اور کماڈٹیز کی اچھی قیمت نہ ہونے کی وجہ سے بدستور دباؤ کا شکار رہا۔ ایگری کلچر میں تقریباً نصف کا حصہ دار لانیو اسٹاک سیکٹر کی شرح نمو مالی سال 16 کے دوران 3.6 فیصد رہی

جبکہ مالی سال 15 کے دوران اس شعبے میں 4.0 فیصد کی افزائش ریکارڈ کی گئی تھی۔ شرح نمو میں کمی کے باوجود سال کے آخر میں اس شعبے میں حوصلہ افزاء پیش رفت سامنے آئی جو کارپوریٹ سیکٹر کی جانب سے میٹ پراسیسنگ کی سہولتوں میں سرمایہ کاری کے مہیوں منت ہے۔ حکومت کی جانب سے پاکستان حلال اتھارٹی قائم کردی گئی اس کے ساتھ میٹ پراسیسنگ مشینری کی درآمد پر امپورٹ ڈیوٹی اور کسٹم ڈیوٹی میں بھی کمی کی سہولت فراہم کی گئی۔ یہ اقدامات حلال فوڈ پراڈکٹس کی تجارت بڑھانے کے لیے حکومت کی دلچسپی کو ظاہر کرتے ہیں۔

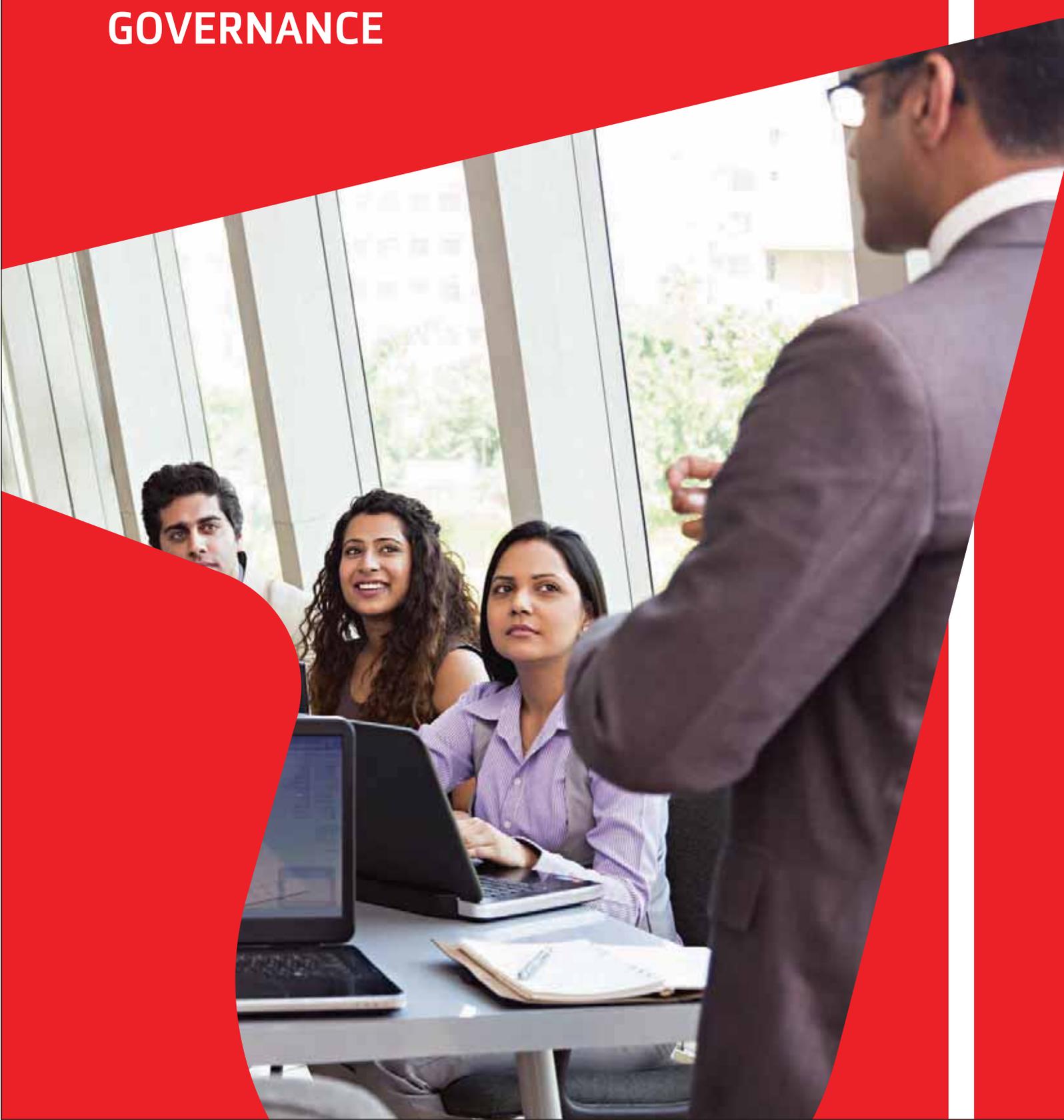
اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں دو مرتبہ کمی بینکوں کے ریٹیل ریٹ میں کمی کا سبب بنی۔ اس اقدام کے ساتھ سازگار کاروباری ماحول کی وجہ سے مالی سال 16 کے دوران بینکوں سے قرضوں کی طلب میں اضافے کا رجحان رہا۔ حکومت کی جانب سے بینکنگ سسٹم سے قرضوں کے حصول میں کمی نے بھی قرضوں کی طلب بڑھانے میں معاون کردار ادا کیا۔ مالی سال 16 میں حکومت کی قرض گیری 787 ارب روپے رہی جبکہ مالی سال 15 کے دوران حکومتی قرضوں کی مالیت 888 ارب روپے رہی تھی۔ مالی سال 16 میں آئی ایم ایف کا پروگرام بھی اختتام پذیر ہو گیا جس سے دیگر عالمی مالیاتی اداروں اور بین الاقوامی کیپیٹل مارکیٹس کے لیے فنڈنگ کی فراہمی اور فارن ایکس چینج کی پوزیشن میں مطابقت پیدا کرنے کا موقع فراہم کیا۔

ٹیکس وصولی بڑھانے کے لیے بھرپور اقدامات اور جاری اخراجات میں کمی کے مالیاتی استحکام پر مثبت اثرات مرتب ہونے اور مالی سال 16 کا بجٹ خسارہ جی ڈی پی کے تناسب کے لحاظ سے مسلسل چوتھے سال کم ہو کر 4.6 فیصد کی سطح پر آ گیا جو 7 سال میں بجٹ خسارے کی کم ترین مالیت ہے۔ ایف بی آر کی ٹیکس وصولیوں میں 20 فیصد کا نمایاں اضافہ ریکارڈ کیا گیا اور مالی سال 10 کے بعد پہلی مرتبہ ٹیکس وصولی کا ہدف پورا کیا گیا۔ اس کے ساتھ ہی انٹرنیشنل ایجنسیوں نے پاکستان کی معیشت کے منظر نامے کو اپ گریڈ کرتے ہوئے مستحکم سے مثبت قرار دیا جس سے سرمایہ کاروں کا اعتماد مزید بہتر ہوگا۔ کریڈٹ ریٹنگ ایجنسی Moody's کی جانب سے زرمبادلہ کے ذخائر مستحکم ہونے اور بیرونی خسارہ کم ہونے پر پاکستان کی کریڈٹ ریٹنگ بھی Caa1 سے اپ گریڈ کر کے B3 کر دی گئی جبکہ اسٹیٹرز اینڈ پورز (ایس اینڈ پی) کی پاکستان کے لیے ریٹنگ B مستحکم آؤٹ لک برقرار ہے۔

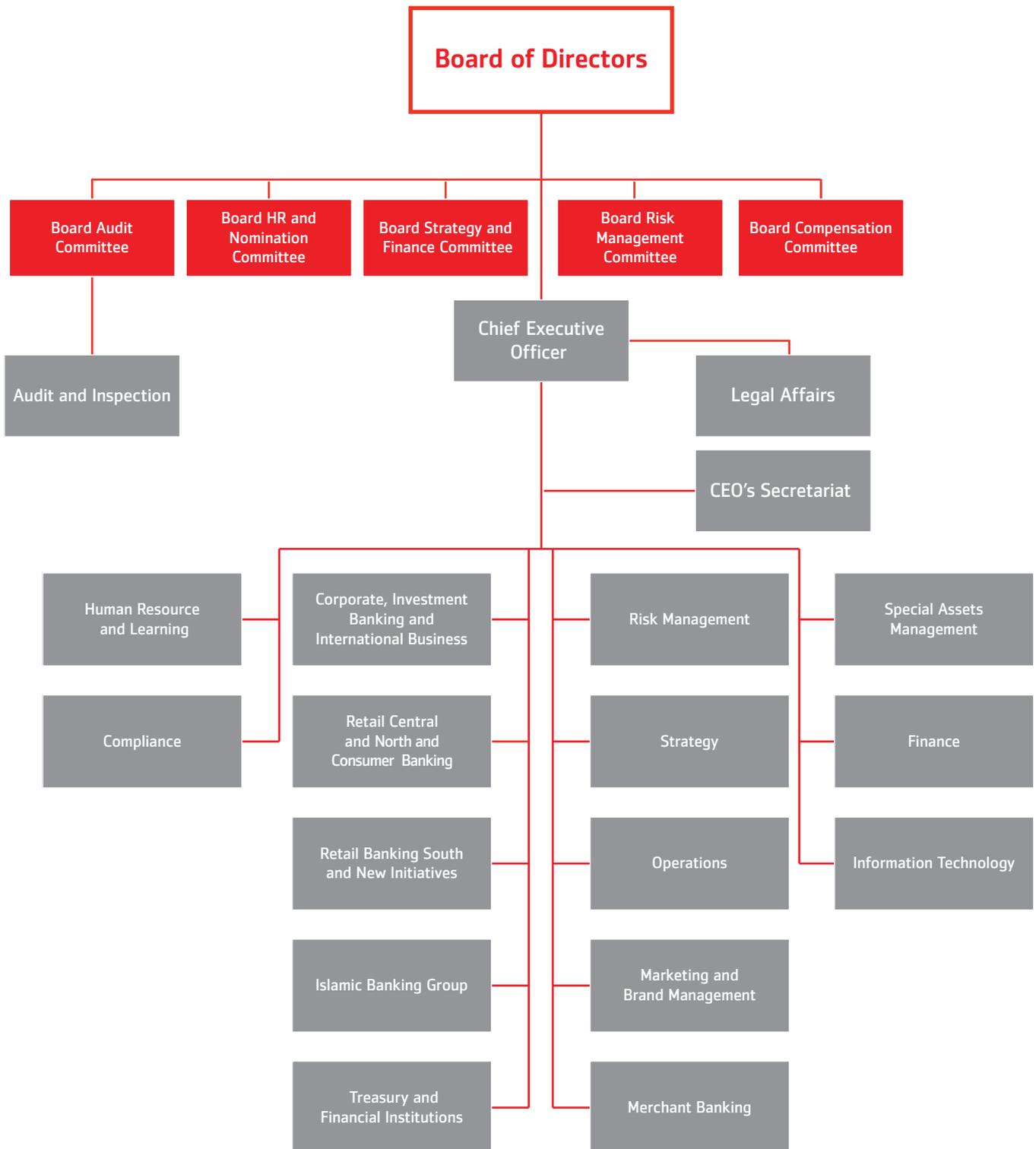
میکرواکنامک آؤٹ لک بدستور مثبت ہے۔ تاہم ایکسٹرنل سیکٹر کو مستحکم بنانے کے لیے برآمدات میں کمی پر توجہ دینے اور براہ راست غیر ملکی سرمایہ کاری بڑھانے کے نئے مواقع تلاش کرنے کی ضرورت ہے۔ پاک چین اقتصادی راہداری منصوبے کے تحت انفراسٹرکچر کے ترقیاتی منصوبوں اور توانائی کے منصوبوں پر پیش رفت کے ساتھ افراط زر کی کم شرح اور زرمبادلہ کے ذخائر میں بہتری جیسے عوامل کی وجہ سے پاکستان معاشی چیلنجز کا بخوبی سامنا کرنے کی پوزیشن میں ہے۔

عالمی معاشی شرح نمو 2017 میں بدستور کمزور رہنے اور غیر یقینی کی صورتحال قائم رہنے کی توقع ہے۔ امریکی فیڈرل ریزرو کی جانب سے شرح سود میں اضافہ متوقع ہے جبکہ چین میں معاشی سست روی کا امکان ہے۔ برطانیہ کی یورپی یونین سے علیحدگی کے بعد مغربی یورپ کے سیاسی منظر نامے میں تبدیلی جیسے عوامل عالمی فنانشل اور کماڈٹی مارکیٹ پر غالب رہے گی۔

CORPORATE GOVERNANCE



ORGANISATIONAL STRUCTURE



Dr. Mufti Khalil Ahmad Aazami, Chairperson

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

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

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

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

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

Mufti Mohib ul Haq Siddiqui, Member

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

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

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

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

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

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

Mufti Ovais Ahmed Qazi, Resident Member

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

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

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

BOARD COMMITTEES AND TERMS OF REFERENCE

Board Audit Committee

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

Committee Members

Kamran Y. Mirza
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Board Human Resources and Nomination Committee

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

Committee Members

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Kamran Y. Mirza
Member

Atif Bajwa
Member

Board Strategy and Finance Committee

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

Committee Members

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Khalid Qurashi
Member

Atif Bajwa
Member

Board Risk Management Committee

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

Committee Members

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Qurashi
Member

Atif Bajwa
Member

Board Compensation Committee

- To select eligible employees from time to time, to be granted options under the Scheme, as per the terms of the Public Companies (Employees Stock Option Scheme) Rules, 2001, and the Bank's approved Employee Stock Option Scheme
- To determine the share entitlement to be offered to each designated employee selected from time to time
- To determine the time when an option may be granted and any conditions that must be satisfied by eligible employees and/or designated employees before an option is offered
- To determine the exercise price, as per the terms of the scheme, and the share entitlement in respect of which option may be granted to designated employees
- To develop a suitable policy and system to ensure that there is no violation of the insider trading provisions of the Securities and Exchange Ordinance, 1969, and the Securities and Exchange Commission of Pakistan Act, 1997
- To oversee any other matters relating to Human Resource Management

Committee Members

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Kamran Y. Mirza
Member

Roles and Responsibilities of the Chairman

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

Other responsibilities include:

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

Roles and Responsibilities of the President/CEO

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

Key responsibilities include:

- Managing and administering the affairs of the Bank in accordance with laws, rules, regulations, and the Memorandum and Articles of Association of the Bank;
- Complying with and arranging for implementation and compliance within the Bank, of all policies, procedures and manuals approved by the Board of Directors and any directives given by the Board of Directors or Board Committee(s);
- Preparation of plans for growth and expansion of Bank's operations in Pakistan and abroad, and submitting the same for consideration and approval of the Board of Directors;
- To appoint, promote, transfer, suspend or dismiss employees of the Bank and fix their remuneration and other entitlements in accordance with the policies and procedures approved by the Board of Directors; and
- To deal with, represent and act on behalf of the Bank before the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Federal and Provincial Ministries, Government departments, local bodies, corporations, courts, stock exchanges and any other competent authority.

Annual Evaluation of Board's Performance

The Board of Directors at Bank Alfalah is responsible for devising strategies that help the Bank in reaching its desired goals, monitoring overall performance of the Bank, providing management with strategic direction, and ensuring management's compliance with the Code of Corporate Governance and Ethical Conduct.

In order to ensure that interests of stakeholders in the Bank are well-protected and timely achieved, the Board plays a pivotal role as a fiduciary to act and communicate with management on their behalf.

The roles and responsibilities as specified by regulatory ordinances like The Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and State Bank's Prudential Regulations are well-defined in the established Code of Corporate Governance.

To evaluate and monitor the performance of the Board, and to ensure that desired purpose is effectively achieved, a descriptive evaluation criteria has been established at Bank Alfalah, which takes into account numerous criteria to assess the functions and behaviours of the Board of Directors and Board Committees.

Key performance indicators or criteria that are in place to benchmark the Board's performance include:

Strategic Direction: To ensure that the Board is actively involved in setting and devising key strategies that provide the Bank with futuristic directions going forward, and all of the management proposals, challenges, assumptions and alternatives are duly considered prior to deciding such strategy.

Management's Performance: To ensure that the management's performance and its progress towards achieving its set targets is periodically monitored by the Board members.

Internal Controls: To oversee and ensure that appropriately designed internal control framework is in place and is routinely tested to address all types of key risks.

Audit and Compliance: To ensure that there is an active compliance function in the Bank, and to monitor its compliance with external laws and regulations and internal codes, and to monitor the organisation's abidance by audit principles.

Understanding of Corporate Governance and Conduct Code: To ensure that the Directors fully understand the Bank's agreed policies on Corporate Governance and Ethics.

Understanding of Roles and Responsibilities: To ensure that the Board has a clear understanding of the Bank's goals, vision and mission statements.

Committee Composition: To ensure that each of the Board Committees is appropriately structured to effectively achieve its underlying goals and objectives, and its key functions are also clear and well-defined.

The Board of Directors, along with numerous other functions and responsibilities, also holds a duty of care and duty of loyalty towards the Bank to act honestly in the interests of the Bank, and exercise its roles with complete integrity and care.

The evaluation framework established assesses the Board's performance on numerous criteria, including those described above. A well-founded scoring scale is used to rate the Board's performance.

Over the past years, the Board of Directors at Bank Alfalah has efficiently fulfilled their vested roles and responsibilities towards stakeholders and management to steer the Bank towards the right direction and ensure maximum shareholder value.

CUSTOMERS

Being customer-centric, drives us to continuously engage with our customers and deliver services that surpass their expectations. The customer is the focus of the Bank's core values. The reason for such an engagement is to inspire and help our customers to find their way in pursuing what they want. Developing a deeper understanding of their evolving needs and offering innovative products, insightful advice with a 'can do' attitude has contributed greatly in achieving this objective. Our SME Toolkit, Wealth Management Services and Islamic Banking operations, and Digital Banking platforms exhibit our commitment towards customer centricity and our determination to enhance financial inclusion.

We have always aimed to maintain continuous visibility of service performance across various product streams, branch network and other service touch points to ensure that we meet our service commitments towards our customers. Further, such engagements are not only limited to the interactions made through our branch network, but are extended across multiple channels like call centres, social media, surveys, awareness sessions, roadshows and various other advertising campaigns.

EMPLOYEES

We have always believed that investing in human capital is the key to achieving the Bank's strategic objectives. The Bank ensures that employees are kept motivated and committed through productive trainings, development programmes, appreciation via various platforms and engagement in activities other than the core business operations. Besides developing the professional skills of individuals, the Bank promotes an environment of learning and self-satisfying lifestyle through initiatives such as:

- Periodic Employee Engagement Surveys
- Adventure and Lifestyle Societies
- Recognition of Success Stories of individuals
- Learning and Development Programmes
- Trainings and Development
- Assistance Schemes for Professional Qualifications to Top Performers
- CEO's Club and Chevron Awards

The Bank acknowledges the contributions of female employees. The Bank takes pride in being an equal opportunity employer.

STAKEHOLDER ENGAGEMENT

SHAREHOLDERS/INSTITUTIONAL INVESTORS

One of our significant goals is to deliver long-term value to our shareholders. Shareholders' trust sets the strategic direction of any institution and their support further facilitates achievement of key objectives. Engagements through AGMs and EOGMs certify that the shareholders actively participate to ensure that the business is sustainable in the years to come. Press Releases and Annual Reports (quarterly, semi-annually and annually) are disseminated timely to ensure shareholder engagement at all times.

MEDIA

An influential media presence is key for stakeholder and public communication. Moreover, valuable customer feedback through social media platforms, workshops and seminars provides the Bank with guidance on areas where we can improve our reach and services for the customers.

Frequency of Engagement: Financial reports, press releases, social media platforms, advertisements, website, interviews, workshops and seminars held periodically promote a positive image of the Bank.

REGULATORY BODIES

To ensure sound business operations, regulatory compliance and a transparent legal environment, engagement at the regulators' level is carried out as per pre-determined and on-demand basis. Engagement channels include periodic reporting and meetings held with the regulators, both locally as well as overseas, or their authorised representatives. The Bank has always appreciated the support of the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange and other regulatory bodies.

ANALYSTS

Analysts are an important channel, as they play a significant role in directing the investments of investors based on information provided to them. Therefore, it is essential that the information communicated to them is transparent and authentic.

Frequency of Engagement: The Bank has over the years adopted a regular practice of engaging its investors and analysts over periodic briefings on the financial performance of the Bank, so as to enhance investors' confidence and to improve transparency.

Human Resources and Learning Group (HRLG)

Introduction

In 2016, Human Resources and Learning Group (HRLG) undertook initiatives aligned with the renewed Vision, Mission and Values of Bank Alfalah, primarily focusing on employee engagement, staff development and a high performance-oriented culture, integrating efficiency and innovation into our core processes.

Brand Catalyst Programme

HRLG successfully launched and executed the Brand Catalyst Programme in which brand catalysts conducted roadshows in different cities across Pakistan to communicate the new vision, mission, values and behaviours to Bank Alfalah employees.

Branch Outreach Programme

HRLG launched the Branch Outreach Programme, an initiative whereby our senior HR managers visited various Bank Alfalah branches across Pakistan to discuss and assess staff development and the work environment.

Employee Engagement Survey

Bank Alfalah launched an Employee Engagement Survey in 2016. This survey will help the Bank in further strengthening its performance by seeking direct feedback from all its employees.

Bank Alfalah Societies

Bank Alfalah Societies include Health and Lifestyle, Music and Talent, and Adventure and Photography Societies. The Bank Alfalah Masters League – a fun-filled cricket tournament – was successfully organised in Lahore, Karachi and Islamabad, which fostered employee well-being and received an overwhelming response. Through this platform, other initiatives such as the Music Talent Hunt and the Head Office Table Tennis Tournament also piqued a great deal of interest amongst employees.

Management Trainees Programme

To enrich Bank Alfalah's talent pool, the Management Trainee Batch of 2016 was taken onboard through participation in job fairs and recruitment drives. The Management Trainees of Batch 2016 are currently posted in their respective groups after completion of two project-based rotations and classroom trainings, whereas for the Batch of 2015, 3-year career paths have been formulated which aim at developing the mid-level leadership pipeline.

Succession Planning

Conforming to the revised policy of SBP, succession plans were prepared by identifying successors internally and externally to ensure strong bench strength at all levels.

Learning and Core Development

HR Learning team executed key learning initiatives during 2016 to map Bank Alfalah's competency framework through diverse delivery. In 2016, 1,138 content-rich learning opportunities spanning 1,805 plus training days were extended to employees at all levels. Experiential learning via Project and National Internship Programme under the PM's Youth Training Scheme to Specialised Business Units and branch networks, was also achieved.

To facilitate the learning chain, strategic linkages with the Australian Institute of Management, LUMS and IMS Peshawar were established, thereby extending international qualifications to high-potential staff. In line with our agenda of putting people first, we have incorporated a powerful portfolio of certification programmes for front-end staff and Islamic Banking (IB) Certification for IB RMs and BMs to broaden their capabilities, thus ensuring greater customer satisfaction.

All IB trainers are certified nationally and internationally with the content accredited by FAA and CIE. We are the first Bank in the market to achieve this feat. PSTD



awarded a Gold Medal to Bank Alfalah in recognition of our efforts to nurture and harness human performance through best practices.

Rewards and Recognition

In 2016, standardised balanced scorecards for Retail Banking were rolled out resulting in enhanced objectivity in performance evaluation.

In addition, Alfalah Sales Performance Incentives and Rewards (ASPIRe) was launched with an objective of bolstering sales across the branch network, and incentivising Branch Managers through variable quarterly payouts.

To recognise high performers, another successful event of the CEO Club 2016 was held, awarding employees from various functions across the Bank for exceptional performance over the years.

Integrated Human Capital Management Software

To make HR policies, processes and initiatives effective, an integrated Human Capital Management software was initiated enabling HRLG to connect all cross-functional processes and departments. This will result in improving business processes in line with the global best practices, ensure controls, and achieve efficiency and adherence to regulations and policies.

The first phase was successfully implemented with automation of all major processes, i.e., Recruitment, HR Operations (Enrolment, Confirmation, Exits, Promotions, Contract Renewals, etc.), Disciplinary Actions, Transfers and Rotations, Leaves Management, Work Structures (Organisational Management), Payroll and Self-Service.

HRLG Way Forward in 2017

In the year 2017, HRLG will continue to focus on productivity, innovation and efficiency-making strategic investments in our human capital platform, which is a fundamental pillar in contributing towards the Bank's performance, delivery and success.

IT Governance Policy

At Bank Alfalah, IT Governance Policy aims to ensure that Senior Management, with the approval of the Board, formulates and effectively implements the overall IT strategy to ensure strategic alignment between business needs and IT systems. Effective IT governance aims at transforming IT systems to fulfil the needs and expectations of the business and its customers.

The Bank realises the importance of efficient IT systems that support core competencies, increase overall

efficiency, and facilitate timely responsiveness to market developments. To ensure sound and cost-effective IT systems, a detailed and comprehensive IT management policy has been put in place, engineered by the IT team under the supervision of the IT Steering Committee.

IT management policy underlines working areas, including Strategic Alignment, Value Delivery, Resource Management, Risk Management and Performance Measures, in accordance with the Bank's financial and technological accountability.

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

All IT related functional units are managed by the Chief Information Officer, who reports directly to the Chief Executive Officer and works in close coordination with the IT Steering Committee.

The CIO oversees the entire IT framework, policies and controls, keeps the Bank abreast of all technological developments in the banking sector, and ensures that the Bank is equipped with innovative, world-class and robust IT solutions to outperform competition. The CIO is also responsible for monitoring, improving and strengthening the IT governance framework by providing guidance and valuable strategic insight.

In 2016, the IT Group was reorganised, realigned and reinforced to effectively spearhead the implementation of the Bank's IT strategy with special focus on customer service excellence, operational excellence and information security, enhanced through digitisation and the adoption of innovative technologies.

IT Steering Committee (ITSC)

The Bank's IT Steering Committee has been constituted as a sub-committee of the Central Management Committee to provide guidance, strategic direction and governance to the IT team in rolling out various IT-related initiatives and projects in the Bank.

The key objectives include:

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

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

Core functional responsibilities of the ITSC are:

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

Whistle Blowing Policy and Procedures

Integrity is amongst Bank Alfalah's most important core values. At Bank Alfalah, we encourage every employee to work with absolute honesty and professional integrity, creating an environment of trust and transparency within the Bank. Misconduct, malpractices and breach of trust endanger the Bank's reputation.

To create a culture based on integrity and openness, Bank Alfalah has developed a comprehensive Whistle Blowing Policy.

The core purpose of the Whistle Blowing Policy is to provide a secure platform to any person having genuine suspicions about any wrongdoings to reveal the facts without fear of any repercussions or retaliation. It is the responsibility of all Directors, Officers, Senior Management and Employees to comply with the Whistle Blowing Policy.

The scope includes complete disclosure about all types of unethical, fraudulent activities and misconducts that impact Bank's operations, financial performance and/or reputation.

Any person, who blows a whistle in good faith, shall not suffer harassment, retaliation or adverse consequences. It is the responsibility of the Bank's Management that he/she should be provided with complete protection.

An employee who retaliates against someone who has blown a whistle in good faith is subject to disciplinary action up to and including termination of employment.

A whistleblower may even be rewarded, if any significant/critical issue is raised by him. In exercise of

such discretion, the factors to be considered by the Bank shall include, without limitation, the seriousness of allegations, its credibility, and the extent to which the allegation can be confirmed or corroborated by relevant sources/evidences.

Process of Whistle Blowing

Any person with a complaint should promptly report it in writing to the Group Head, Audit and Inspection. The Board Audit Committee addresses reported concerns or complaints regarding corporate practices, internal controls or frauds, etc. through Group Head, Audit and Inspection. Complaints lodged by whistleblowers will be handled keeping in view the nature, materiality and seriousness of the allegations levied.

All the complaints are presented to the Board Audit Committee for a decision. However, considering the gravity and magnitude of the complaint, the Group Head, Audit and Inspection is authorised to initiate immediate investigation in the matter specified under the policy. The employees can access Whistle Blowing Policy through the Bank's Employee Portal.

Number of Instances Reported to Audit Committee

Ten whistles were blown during the year 2016 and details thereof were submitted to the Board Audit Committee.

Investors' Grievance Policy

Bank Alfalah Limited (BAFL) is a public limited bank listed on the Pakistan Stock Exchange (PSX) and ensures timely disclosure of all material information to its shareholders through the Exchange. The Bank also strives to remain proactive in providing its current and potential shareholders with quality services and access to information.

For this purpose, the Bank has a two-pronged strategy i.e. a fully functional Investor Relations (IR) department ensures that all material developments are communicated to investors via statutory announcements and quarterly result briefings.

The presentation material of these briefings is readily available on the website for investors to access. In addition, designated personnel in the IR department are available to address any queries or take meetings from investors to discuss in detail the impact of external and internal developments on the Bank's operations, profitability and/or share price.

The other part of the strategy pertains to the operational logistics where Bank's in-house staff and contracted third parties (Share Registrar etc.) strive for timely dissemination of dispatch material to shareholders. However, in the event of any grievances arising from



shareholders, there is dedicated staff in the Company Secretariat to address all such concerns. The contact details of the designated people are prominently displayed in the relevant section of the Bank's website. The shareholders can reach out with their complaints electronically, over the phone or in writing, and the same are addressed promptly by the Bank.

Policy for Safety of Records

Management at Bank Alfalah has implemented comprehensive and dedicated policies and controls for effectively managing, recording and controlling its massive database that includes valuable as well as confidential information like customer records, employee documents, business records, and legal and operational documents.

Core aspects of these policies include voucher management, physical document maintenance, electronic data, movement on record, retention of record on premises, destruction of records and data management.

Business Ethics and Code of Conduct

Integrity and honesty is at the heart of our business and brand. Our internal ethical standards and code of business conduct are the results of shared moral convictions.

The objectives of our underlying policies are to ensure that the Bank is recognised as a professionally run and successfully managed institution with high ethical standards.

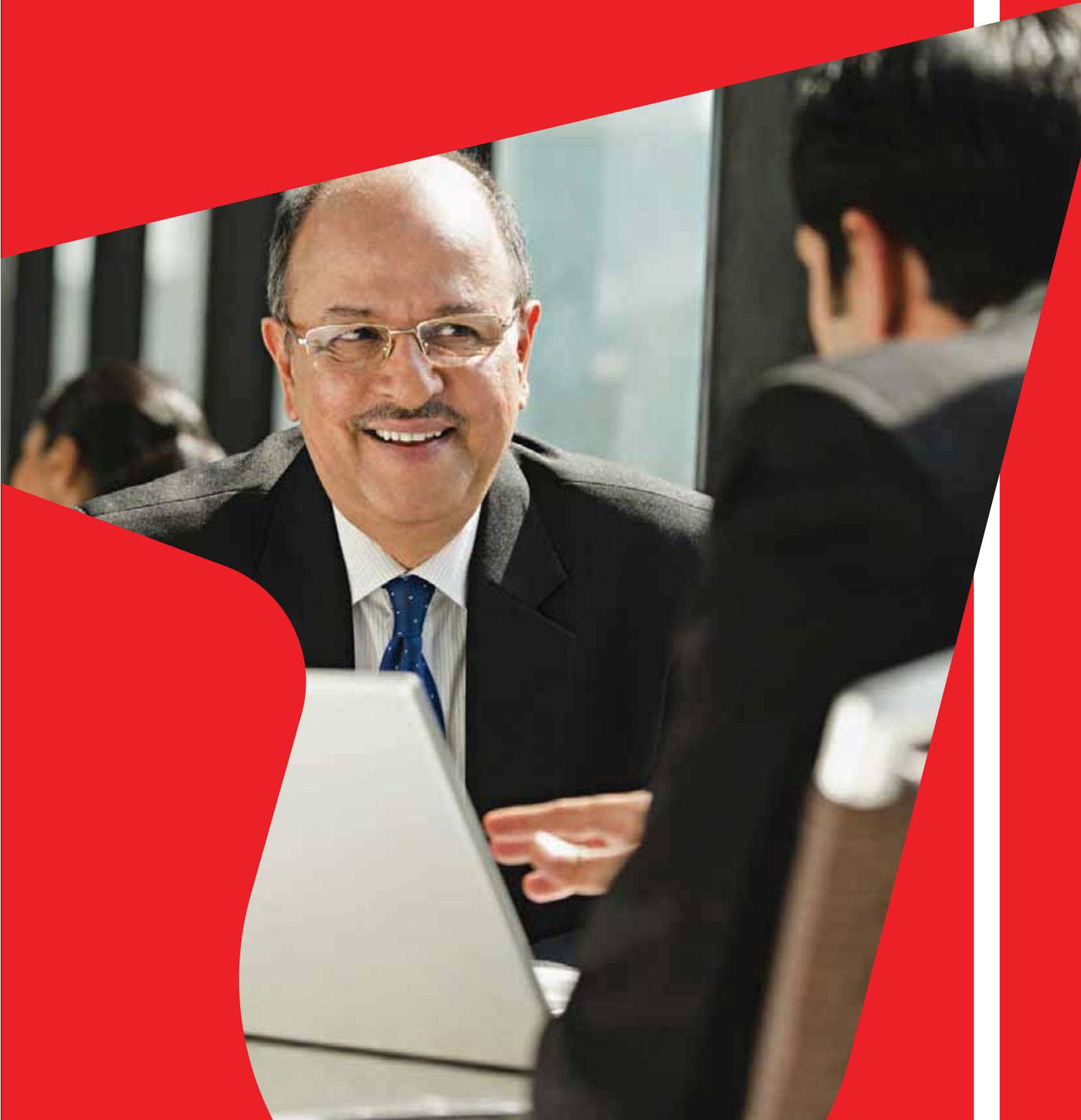
A detailed statement of Code of Ethics and Business Practices is in place and is signed off by every employee and submitted to the Bank's Human Resource and Learning Group on an annual basis. The Code of Ethics is also readily available on the Bank's website.

The Code contains detailed guidelines which aim to facilitate the Bank's employees to:

- Conduct business with honesty, transparency and integrity in a professional manner
- Understand and comply with the legal/regulatory requirements and internal policies and procedures of the Bank
- Exhibit exemplary personal conduct towards the Bank, its employees and customers and maintain the desired decorum both during office hours and at other times

Besides emphasising adherence to legal/regulatory requirements and internal policies and procedures of the Bank, the Code contains specific guidelines with reference to managing conflicts of interest, political affiliations, conduct, KYC, gifts and entertainment, corporate ethical policies, fraud, theft, illegal activities, etc.

OUR BUSINESS



Retail Banking

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

With a footprint of over 600 branches in over 200 cities and more than 650 ATMs covering 150 cities across the country, we are well within reach for our customers.

Bank at Work

Bank at Work is a broadly defined term that covers the aspect of providing convenience of banking products and services for clients from within the comfort of their offices.

Bank Alfalah's existing product menu offers a comprehensive offering through an electronic cash management suite, competitive trade and advances products, and a complete range of deposits, consumer finance, Bancassurance and payroll account services to meet the banking requirements for organisations and their employees.

Having a well-established footprint across the country, the Bank has made significant advancements in the branchless banking segment through its Mobile Wallet and Pension Cards.

Similarly, the Bank's investment in its Alternate Distribution Channel has given us a strong digital identity in the form of mobile app and internet banking, off-site ATMs and digital corners at branches. This has allowed us to present a complete suite of banking convenience to all segments of the economy; servicing public and private sector organisations and the general public at large.

The Bank at Work unit is a culmination of all banking services bundled into a comprehensive proposition for institutional clients; offering the Bank's complete product and service suite along with off-site deployments at client's premises for banking convenience.

Wealth Management

Investment Services run an open architecture model where funds from Alfalah Investments, UBL Fund Managers and NBP Fullerton Asset Management are currently part of our product suite. Conventional and Shari'ah compliant funds are offered at Bank Alfalah to cater to individual risk appetite and financial needs. Our product suite includes Income, Balanced and Equity based funds. Investment Services caters to all client segments, including individuals, educational

institutions, government organisations, NGOs and large corporates.

Launch of Bank Alfalah Premier: In 2016, Wealth Management embarked on a new journey and it marks the launch of Bank Alfalah Premier, which includes two physical touch points in the form of lounges within existing branches at Khayaban-e-Shahbaz in Karachi and Tufail Road in Lahore.

At Bank Alfalah Premier, our focus is on understanding the unique needs of the affluent client segment and creating innovative solutions tailored to meet these needs.

Our Premier Lounges offer unparalleled banking experience with dedicated Relationship Managers that help our clients prioritise their goals and create bespoke financial strategy in line with their sophisticated needs.

Key elements that make our value proposition unique and market leading include, but are not limited to, seamless onboarding experience with instant account opening and a personalised Alfalah Premier Visa Signature Debit Card, customised joining gifts, Espresso coffee counters within lounges along with top notch alliances created specifically for this segment. As a result of these, Bank Alfalah Premier has a powerful story to tell in the priority banking space.

We aim to continue this success in the future by focusing on innovation, maintaining strong alliances with our service providers and creating cross-functional synergies within the Bank.

Roadmap for 2017 also includes building scale by deployment of additional customer touch points in the form of Premier Lounges in major cities; Islamabad, Lahore and Karachi.

Customer Experience

At Bank Alfalah, we keep our customers at the heart of our business as depicted in our values.

Our priority is to deal with the customers in a fair and transparent manner, impart awareness to take informed decisions, and at the same time deliver upon our committed standards. Towards this end, Bank Alfalah continues to work upon several tangents, which are:

Consumer Protection Policy: We have a comprehensive Consumer Protection Policy that encompasses broad guidelines for management of customers throughout their lifecycle ranging from product development, sales practices, marketing activities, communication protocols and handling of customers.



Voice of Customer Programme: We have a robust Voice of Customer Programme (VOC) under which customer surveys are done to proactively understand our customer needs and their service experience.

Quality Assurance: The Bank has a comprehensive Quality Assurance Platform to monitor Key Service Indicators relevant to the various lifecycle elements of the customers. Our existing monitoring spectrum spreads across all products, channels and support units with dedicated concentration on Digital Channels, Branch Banking, Consumer Finance and Centralised Operations.

Knowledge Initiatives: We drive a robust knowledge enhancement programme focused towards increasing our staff awareness levels on products, processes and customer handling techniques.

Market Competition Scan: The Bank continuously carries out competitive scans on various aspects and explores global researches/reviews to understand the key drivers behind best market practices.

Process Re-engineering/Automation: Based on strategical inputs emanating from complaints and other programmes mentioned above, the Bank invests towards process re-engineering and automation initiatives, with a view towards making our delivery to our customers quick, convenient and reliable. One of the testament to our service commitment came in 2016 at the first 'Pakistan Banking Awards' when Bank Alfalah bagged the 'Best Customer Franchise Award'.

Complaint Management Unit: The Complaint Resolution at Bank Alfalah is to ensure due diligent complaint closures while maintaining high FTC (Fair Treatment of Customers) standards.

In 2016, the Bank directly received a total of 73,259 complaints which were resolved in an average of 5 working days. Furthermore, we at Bank Alfalah conduct robust root-cause analysis to facilitate/drive continuous improvement in tandem with the business and product management teams via various avenues as elaborated above.

Home Remittance

Based on the needs of our customers, Bank Alfalah is focusing on partnering with renowned brands to enhance our home remittance correspondent network, while further strengthening our existing relationships to maximise penetration of our value proposition for remitters. At the same time, technological advancement is the cornerstone of the Bank's core strategy, hence system integration and channelising remittances via secured VPN/API connectivity provides system access to our agents, even after business hours and during holidays. The surge in remittance partners and business arrangements in major send markets will give us a major boost in volumes to our Home Remittance business.

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.

Bank Alfalah's Bancassurance solutions are specially designed to help our customers protect and secure a stable future for their loved ones. Our Bancassurance bundle is available under Conventional and Islamic Banking umbrellas to cater to our diverse client base.

Branchless Banking

As a Bank, we are enthusiastic advocates of digital technology in Pakistan. Overtime, we have struck numerous deals within and outside the industry to digitise products and services infrastructure to introduce added ease and convenience to customers.

The Bank maintains a comprehensive ecosystem comprising of digital products and services meant to facilitate widespread financial inclusion in Pakistan.

2016 has been a game changing year for the Branchless Banking Division of Bank Alfalah. The year marked achievements that have brought Bank Alfalah a step closer to its goal of financial inclusion, and has led to forming of several strategic partnerships and creation of innovative solutions that are aimed at changing the digital payments landscape of Pakistan.

The EOBI Initiative

The year 2016 marked a change in the pension payment landscape of Pakistan as Bank Alfalah and EOBI joined hands to digitise the pension payment method and streamline the contribution collection mechanism for registered employers in Pakistan.

Bank Alfalah, after securing the mandate for disbursing pensions to EOBI pensioners, digitised the overall pension payment system and made it efficient, convenient and more accessible to pensioners. The Bank has introduced digital wallets, powered by a UnionPay International Debit Cards. The solution introduces convenience in the lives of pensioners as it allows them to withdraw their pensions from any of the 9,000+ ATMs located all across Pakistan.

Bank Alfalah has opened its entire branch network for pensioner registration across Pakistan since May 2016. To expand and expedite the pension disbursement process for EOBI pensioners, Bank Alfalah had also set up special camps in Thatta, Tando Mohammad Khan and Khewra to issue EOBI debit cards to pensioners of the far-flung areas of lower Sindh and the Salt Range, Punjab. Over 800 cards were issued in these camps. Going forward, the Bank has plans to set up camps in several areas to facilitate pensioners, including Sui and Azad Jammu & Kashmir.

So far, over 300,000+ debit cards have been issued by Bank Alfalah branches. Around 290,000 pensioners received pensions in their EOBI wallet accounts in the month of February 2017. Till date, Bank Alfalah has successfully disbursed Rs. 5.5 billion in these digital wallets.

The Bank has also facilitated in contribution collection for nearly 26,000 registered employers and till date has collected a sum of Rs. 4.29 billion.

Celebration of 1 million BISP Beneficiaries

In its milestone achievement, Bank Alfalah celebrated the registration of 1 million BISP beneficiaries with the Bank. The Government of Pakistan initiated the Benazir Income Support Programme (BISP) in order to provide basic financial assistance to the poorest families countrywide.

Bank Alfalah BISP operates through 37 camp sites spread all across Pakistan, including far-flung districts of Gilgit, Hunza, Skardu, Dir, FATA, Barkhan, Ghotki, Turbat and Azad Jammu & Kashmir.

- BISP Cards issued: 1,011,836
- Total Amount Disbursed: PKR 63.6 billion

The Payroll Carded Wallet

Bank Alfalah Branchless Banking rolled out the payroll solution around the end of 2015. The solution was targeted at the non-management staff of corporate companies, who were previously receiving their dues in the form of cash.

Having embarked on this journey to convert payouts in cash into digital means, Bank Alfalah Branchless Banking has successfully signed up 40 corporate companies and has issued over 15,000 payroll wallets for non-management staff in these companies during 2016. Till date, Bank Alfalah has successfully disbursed over Rs. 736 million in these wallets.

We have more than 50 payroll companies in the pipeline to be launched in 2017, comprising of over 200,000+ employees of various organisations.

Bank Alfalah and Punjab Beverages Company collaborate to digitise Supply Chain Payments

Bank Alfalah has signed an agreement with Punjab Beverages Company (PBC) to initiate a pilot to digitise the last mile retailer in the PBC supply chain. The main objective of the project is to digitise incentive payouts and expense reimbursements made by PBC to its distributors and retailers.

This collaboration has resulted in the introduction of a co-branded PBC and Bank Alfalah Debit Card, powered by UnionPay International.

Development of a digital payment ecosystem partnership with PBC will act as a catalyst to extend the financial outreach and convenience to retailers in the supply chain. This will make the payouts real-time and cashless as opposed to days and cash intensive management that it currently takes to reach the distributors and retailers.

This supply chain digitisation initiative has been supported by Karandaaz based on an agreement to provide digitise supply chain payments and conversion of cash transactions to mobile wallet based transactions in Pakistan.

Interoperability between Bank Alfalah and EasyPaisa to boost Financial Inclusion in Pakistan

In 2016, Bank Alfalah signed a historic deal with the country's first and largest branchless banking service provider, EasyPaisa to bring the unbanked population of the country within the fold of financial inclusion.

The agreement is the first of its kind in Pakistan's Branchless Banking industry and will pave the way for interoperability in this sector, thus further strengthening digital payments in the country.

In order to dispense top-of-the-line banking services, Bank Alfalah and EasyPaisa are collaborating to benefit from their shared expertise to promote financial inclusion and interoperability as well as to support all G2P initiatives, OTC and wallet transactions in Pakistan.

Bank Alfalah and EasyPaisa are the torchbearers of digital technology in the banking and financial sector. Both the institutions have launched comprehensive digital ecosystems featuring numerous products and services in order to promote digital banking for greater ease and access of their respective customer base.

They employ cutting-edge innovation to bring the best digital products and services to their customers for added convenience, ease and access in carrying out banking transactions.

Bank Alfalah and SCO to launch Branchless Banking Service in AJK and Gilgit-Baltistan

Bank Alfalah has joined hands with Special Communications Organisation (SCO) for the launch of its branchless banking service in Azad Jammu & Kashmir and Gilgit-Baltistan.

A brand envisioned as 'S-Paisa', Bank Alfalah's branchless banking offering is aimed to empower more than 6 million people of Azad Jammu & Kashmir and Gilgit-Baltistan through state-of-the-art, convenient and secure branchless banking services.

The partnership with SCO will put Bank Alfalah's branchless banking services at the forefront in these regions, and will financially empower the unbanked in these areas.

With the launch of S-Paisa, individuals across Azad Jammu & Kashmir and Gilgit-Baltistan will be able to engage in money transfers, payment of utility bills and performing mobile top-ups. Offering these basic over-the-counter services brings Bank Alfalah one step closer to financially empowering segments of the country where financial access was limited.

The SCO agreement will prove to be instrumental in opening multiple business avenues along CPEC and also in building deeper relationships with the armed forces. Going forward, this strategic alliance is likely to prove tremendously fruitful in offering Bank Alfalah with multiple opportunities to cross sell its existing portfolio.

Similarly, the initial experiences in these areas can draw our attention to the diverse financial needs of the population, and hence allow us to capitalise on these needs by designing specific products to target these areas.

Introduction of the co-branded wallet solution

Bank Alfalah has worked on a co-branded wallet solution in 2016, where the issuance of mobile wallets is done in partnership with various organisations that require a wallet solution for their client base. This one of a kind solution features a mobile wallet tagged to a co-branded debit card that is powered by UnionPay International.

Currently the space is dominated by closed-loop wallet solutions, which do not bring the funds in the financial net. Bank Alfalah has taken an initiative to provide a solution where closed-loop wallets are opened up with proper KYC of the customers and the ability to transact across networks.

In addition to functioning like regular mobile wallets, the co-branded proposition such as special discounts, loyalty programmes and other unique features. This exciting product has been well-received by several big names in the market, including Cinemax Cinemas, Lootlo.pk, Nestle, ISIC, Muller & Phipps and many other companies, who are set to rollout their co-branded wallets in partnership with Bank Alfalah in 2017.

Small and Medium Enterprises (SME) Business

We embarked upon a journey of transformation almost four years ago, a journey to change the landscape of SME Business in Pakistan. It was a well-deliberated and thought-out strategy to bank the unbanked, and start business relationships, which will stretch over the entire lifecycle of the business. Our business and service propositions revolved around a strong business model, a wide variety of products suite, and an effective advisory services programme.

The basic fundamentals were put in place and foundations were laid to spearhead the 'SME Banking' space in the banking industry of Pakistan. This was a tall and challenging task to surf against the tide, where most of the financial institutions were shy to lend to SMEs, Bank Alfalah introduced cash flow based lending products to the industry. Our products were focused on unique propositions, which were unheard of in the industry. Bank Alfalah was the first Bank to introduce unsecured products to its SME clients and lead the way towards easy access to credit for all SMEs.

2016 was an exciting and fruitful year; we have grown in the past consistently as well, but we had set ourselves a challenging budget and even more challenging aspiration, and we have exceeded the expectations across all segments. Our SME portfolio grew by an astounding 60% in 2016 with significant focus on new customer acquisition.



Value chain has always been the nucleus of our strategy and we onboarded some reputed anchors with sizeable deals in 2016. With the course set right, we are moving towards making a strong headway in Value Chain Financing solution. We have set our foot on an opportunity which has endless possibilities, from transactional banking to financing solutions. We will penetrate further in the preferred industries and clients to explore more solutions and services.

Our newly launched initiatives on collection and recovery for Small Enterprises customers also showed great promise and we were able to recover significant amount from our non-performing customers. Where we have strong thrust on growing our SME portfolio, we also have put in place strong controls and collection mechanisms to guard the health of our portfolio.

Non-Financial Advisory services form the backbone of our SME Strategy. We interacted with over 2,000 SMEs through our awareness and market storming sessions. We also ventured with Karachi University to form the first of its kind partnership to encourage entrepreneurs with startup businesses. This ensures strong foundation and helping entrepreneurs live their dreams. Our SME Toolkit continued to

receive strong acceptance from the businesses and the tool received over 160,000 online hits.

This year marks a new beginning for SME Banking at Bank Alfalah, where we leverage on the strong foundations set, and further strengthen the strong mark that we have made in the banking industry of Pakistan.

Consumer Finance

The core of Consumer Finance lies in our continuous efforts to identify, deeply understand and satiate our customers evolving personal financial needs. As the low interest rate regimen continued in 2016, a greater demand for consumer finance assets came into play. Therefore, we at Bank Alfalah, through careful research and planning, put together a customer focused strategy to capitalise on the opportunity for our consumers.

Built to Last

Our process-driven, 'Built to Last' consumer business model makes us strive towards service excellence and product innovation. During 2016, we enhanced our cards product suite, and introduced the country's first Signature Debit Card and Premier Platinum Card, offered Balance Transfer Funds facility to Personal Loan customers, and initiated large industry partnerships with a one bank, one client view. On the back of this model, our business continued its solid financial performance by showing double digit growth and maintaining its upward trajectory with a remarkable 29% overall compounded annual growth rate. The market widely acknowledged and recognised our focus and efforts.

Alfalah Cards

Alfalah Cards, our flagship business, maintained its position as a market leader, being the largest issuer and acquirer of credit cards in Pakistan. Credit cards acquisition showed a phenomenal growth of 43%. With a commitment towards enhancing customer value, Alfalah pursued various activation, spend and reward campaigns, forming exciting alliances and partnerships with the determination to cater to a diverse client base. American Express is another product in the pipeline, which will provide our customers with an opportunity to avail a globally recognised and accepted product. On the cards merchant acquiring side, Bank Alfalah continued to push boundaries, collaborating with the telecom sector to offer innovative payment services. The business line showed a 9.5% growth, upholding its position as the market leader. Our services show our commitment towards fulfilling our obligations and providing world-class services to our clients.

Alfalah Auto Loan

Alfalah Auto Loan business line continued to soar in 2016, achieving immense growth in volumes and a 27% year-on-year growth in balances. Additionally, the business continued to focus on customer turnaround time competitiveness through responding to customers'

needs and expectations, aligning product offerings and customising service solutions. Auto Loan business also successfully increased the product outreach for customers through expanding retail and corporate banking branch network, providing customised/tailored solutions for Institutional Sales. During the year, the business partnered with leading manufacturers and insurance companies to offer best in class proposition for its valued customers, which leveraged the Bank's vision for providing world-class experience. Overall, the business results manifest continuing commitment to exceed customers' expectations by providing value at the most affordable rates with distinguished services.

Home Finance

Home Finance business line has expanded from its controlled growth strategy, given the low interest rate environment and government's keenness towards growing the housing sector. Home Finance showed enormous growth of 38% in new acquisitions (year-on-year) with a shift from selective sales strategy to solicitation through cross-sell channels, and tremendous improvement in collection and recovery channels. Additionally, greater emphasis was placed in providing customers with bundled solutions whilst maintaining internal operational efficiency, risk management capabilities and control structure.

Personal Loan

Bank Alfalah Personal Loan is one of the latest additions to our comprehensive product suite. With its soft launch in June 2015, personal loans was made fully available to customers and became an integral part of consumer finance operations in 2016.

With a well-developed service architecture in place, Bank Alfalah expanded its sales footprint to 16 cities nationwide and emerged as the fourth largest player in market in terms of new acquisitions. Balance Transfer Funds facility was also made available to customers, allowing them to transfer and convert their outstanding loans into one loan at affordable rates with convenient payment options.

Moving forward, in 2017 we aim to strengthen our world-class consumer banking model through emphasis on product innovation, costs rationalisation and operational efficiency. Our strategic intent is to accomplish this through automation and digitisation, and providing superior product and value propositions that enhance customer experience.

Islamic Banking

Understanding that people are different, and so are their needs, our Islamic Banking operations cater to the unique needs of our customers by offering a complete range of innovative Shari'ah compliant products. With a network of 158 dedicated branches and more than 120



Islamic Banking Windows, we have one of the leading Islamic Banking offerings in Pakistan.

With a full range of Shari'ah Compliant Islamic Banking solutions for corporate and consumer banking customers, the Bank is geared towards exploring new markets with a view to diversify its client base and provide innovative financial solutions. During the year, few liability and asset products were restructured across segments to enhance the scope of our existing product portfolio, while new and innovative Islamic Banking products were launched.

New product launches included Alfalah Islamic Premium Term Deposit to cater to high net worth clients in line with SBP's pool management framework, Alfalah Islamic Wealth Management services enabling customers to manage their investment needs through investments in Alfalah GHP's Shari'ah compliant funds, and Alfalah Transact (Cash Management) to cater to the collection and payment needs of corporate clients.

Financial Markets

The Bank's treasury continued to be an active player in the financial market. We have an experienced and energetic team enabling us to be competitive and efficient in our dealing activities in the areas of Interbank Money Markets and FX Markets and Sales. Being a primary dealer, the treasury was also instrumental in providing liquidity and investment options to both interbank and corporate customers.

Foreign Exchange Markets

The Bank maintained a strong presence in the domestic spot and forward Foreign Exchange Markets. We actively traded in all major currencies, which allowed us to quote narrow bid offer spreads to our customers and to keep them updated about market developments.

Sales maintained its customer centric focus in 2016. Several product awareness sessions and roadshows were conducted across Pakistan. Numerous

interactive sessions were conducted on key issues faced by the economy and the opportunities available in the market.

Our team is committed to offering the Bank's clientele, diverse, flexible and innovative solutions to cater to their financial needs. Our in-house research and regular client calls have enabled us to keep our customers up to date with market developments, which in turn help them make timely and informed decisions.

Institutional Sales

Our Institutional Sales desk caters to the financing and trading needs of the Bank's diversified client base, particularly, in sectors like Asset Management Companies, Insurance Companies, DFIs, Microfinance Banks, Leasing Companies and Corporates.

Launch of Electronic Trading Platform of Government Securities

Bank Alfalah is the first Bank in Pakistan to launch Electronic Trading Portal 'EIPS' for the Bank's retail clientele, which allows individual investors to invest in Treasury Bills (T-Bills), Pakistan Investment Bonds (PIBs) and Ijara Sukuk issued by Government of Pakistan.

Strategic Alliance

The Bank continued to benefit from the opportunities arising out of China Pakistan Economic Corridor (CPEC) by onboarding several new clients and by signing a strategic Memorandum of Understanding 'MOU' with ICBC Pakistan.

Fixed Income Portfolio

2016 was an important year for the banking industry of Pakistan as around PKR 1.2 trillion of high yielding Pakistan Investment Bonds (PIBs) matured in the month of July. Bank Alfalah ran a significant short position throughout 2016 in view of declining interest rate scenario and replaced the maturing PIBs with fresh issues. Through this strategy, Bank Alfalah was able to limit the impact of shrinking spreads in declining interest rate environment.

The treasury also actively managed the interest rate and liquidity risk of foreign currencies in the countries where the Bank operates. Liquidity contingency planning and strong partnership with international institutions has enabled the treasury to build a diversified and cost-effective international bond portfolio with instruments that qualify for High Quality Liquid Assets generating attractive returns.

The fixed income activity has a broad spectrum that covers proprietary and client trading, repurchase relationships with on- and off-shore financial institutions, and custody arrangements. International investors make use of Special Convertible Rupee

Accounts to access investment opportunities in Pakistan and also use foreign exchange hedging facility to manage their foreign exchange exposures.

Asset Liabilities Management

The treasury is preparing its infrastructure that is designed to meet the challenges of Basel III implementation with specific emphasis on liquidity and interest rate risks. In this context, systems are being aligned to ensure that real time information is available to the treasury to reduce unremunerated Nostro balances, while at the same time Liquidity Coverage Ratios and Net Stable Funding Ratios are managed.

Islamic Treasury

Bank Alfalah-IBG registered a selective growth in its balance sheet during 2016 where the increase in the commercial assets largely corresponded with the growth in liabilities.

Islamic Treasury remained very active in the Islamic Treasury space as it mainly relied on the primary auctions for the acquisition of GoP Ijara Sukuks in the first half of 2016, whilst it deployed its maturing liquidity (from Bai-Muajjal with MoF) in interbank market at competitive rates in the absence of fresh issuance of Ijara Sukuks. Despite substantial maturity of SLR eligible Bai-Muajjal with MoF in 4Q '16, the Bank successfully complied with SBP's statutory liquidity requirements.

Merchant Banking

Our Merchant Banking Group enhances product propositions for our clients and captures opportunities in the areas of Public Markets Investing, Capital Markets, Principle Investments, Strategic Advisory, Structured Products, Special Situations and Islamic Solutions.

Corporate and Investment Banking

Our Corporate and Investment Banking business provides premier quality financial services to top-tier clients across the country. We aim to contribute towards the sustainable growth of our clients by providing them innovative, diverse and flexible banking solutions, tailor-made to their specific financing needs.

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

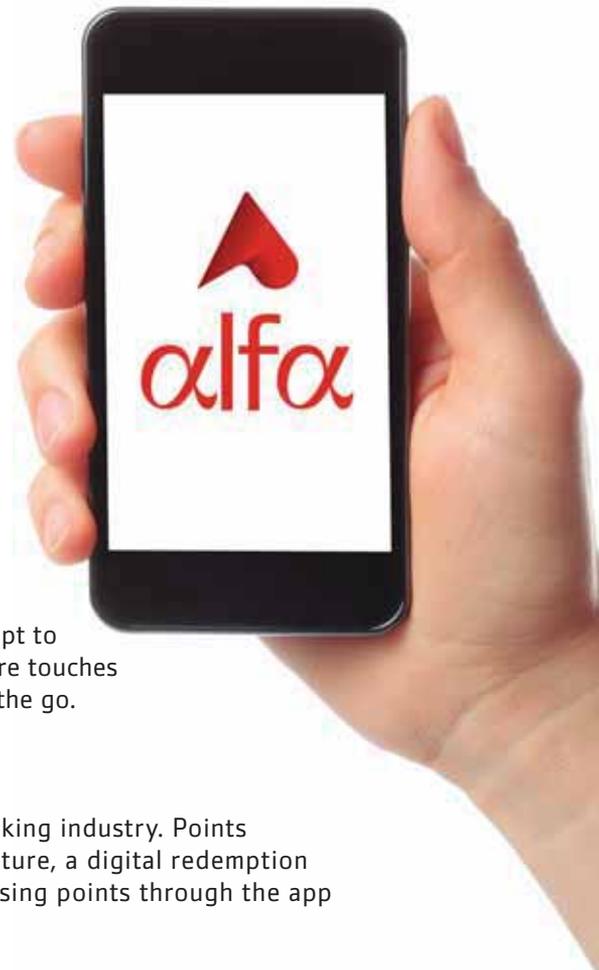
Innovation

Alfa

In line with its customer-centric approach, Bank Alfalah launched a state-of-the-art mobile banking app called Alfa. The app enables our customers to keep track of their accounts, transfer funds, locate branches and ATMs, and do a lot more, while on the move using their mobile phones.

Bank Alfalah continues to deliver high quality and a superior customer experience to all our customers. We are consistently working towards elevating the customer experience and the launch of Alfa is yet another testament to that commitment.

As we keep up with the changing trends and strive to make our banking adapt to our customers' evolving lifestyles, Alfa brings people's banking needs to mere touches and taps, allowing them to stay connected to their bank accounts, while on the go.



Alfalah Orbit Rewards

Alfalah Orbit Rewards is the first programme of its kind in Pakistan's banking industry. Points can be earned on product sign-ups and transactions, there is a tier structure, a digital redemption catalogue, and real-time purchase and transfer. Payments can be made using points through the app and Internet Banking.



Rising Talent Platform

Bank Alfalah has always supported entrepreneurs and individuals with the potential to contribute to the country's economic growth. Through the Rising Talent Platform, we encourage and provide meaningful opportunities to deserving and talented youth. This Platform also aims to enhance the image of Pakistan by showcasing stories of optimism and ingenuity.

This initiative is a true manifestation of Bank Alfalah's philosophy of looking forward. This Platform has been instrumental in recognising budding talent in the fields of fashion, film and innovation.



Awards and Achievements

The following awards and achievements highlight the outstanding banking and financial services by Bank Alfalah.

1. Bank Alfalah Most Popular Auto Financing Bank
2. Best Bank for Auto Finance Award
3. Global Islamic Finance Best Islamic Banking Window 2013, 2014 and 2015
4. Global Islamic Finance Shari'ah Authenticity Award 2015
5. Best Islamic Banking Window 2015 by CFA Society of Pakistan
6. Global Islamic Finance Best Research and Development 2015
7. Consumer Choice Awards Best Credit and Debit Card 2016
8. Consumer Choice Awards Best Corporate Credit Card 2016
9. International Finance Magazine Best Credit Cards Offerings 2016
10. Pakistan Society of Training and Development Best Corporate Credit Card 2016
11. Institute of Bankers Pakistan and Dawn Best Customer Franchise 2015 and 2016
12. CFA Society of Pakistan Best Investor Relations 2013, 2014 and 2016
13. CFA Society of Pakistan Corporate Finance House of the Year – Equity and Advisory 2015
14. People Choice Awards Most Popular Bank for Conventional Auto Finance 2015

SUSTAINABILITY



Corporate Social Responsibility

Over the years, Bank Alfalah has been active in giving back to the society. As we continue to build responsible business practices across the Bank, there is an opportunity to raise the impact of CSR and philanthropic programmes.

We believe in creating a more powerful business model, which supports programmes that solve societal problems, while also creating value for the Bank.

Building on our past philanthropic investments, the priority areas for Bank Alfalah include education, health, social welfare, environmental sustainability, leadership development, and promotion of sports, arts and culture.

KPSS Secondary School by Alif Noon Parents Foundation

Alif Noon Parents Foundation (ANPF) is a non-profit organisation. The first school of ANPF under the name of KPSS Secondary School has been serving the community since the beginning of the year 2015-16. It is a state-of-the-art school in Saigolabad, Chakwal.

Deaf Reach Schools and Training Centres

Family Educational Services Foundation's (FESF) Deaf Reach programme provides academic and vocational education to deaf children and youth, particularly in rural areas with little access to formal education or vocational training, and with focus on educational access for deaf female students.

Network of Organisations Working with People with Disabilities, Pakistan (NOWPDP)

Network of Organisations Working with People with Disabilities, Pakistan (NOWPDP) aims to provide a common platform for all disability organisations in Pakistan to come together and bring about an impactful change.

Karachi Vocational Training Centre (KVTC)

Karachi Vocational Training Centre (KVTC) is a rehabilitation centre for Intellectually Challenged (IC) persons, including children, teens and adults. It provides a comprehensive and goal-oriented rehabilitation programme for people with Special Educational Needs (SEN) in Pakistan, ensuring their gainful employment.

Energy Conservation

The people at Bank Alfalah firmly believe that minimising the unnecessary usage of energy at all levels across the organisation is fundamental for improved efficiency.

For this purpose, various campaigns and drills on 'energy conservation at workplace' are carried out. These include curtailed energy consumption and deploying solar powered ATMs to reduce the impact of carbon emissions from such sources.

Our approach towards energy conservation and the preservation of the environment is driven by a long-term strategy of adopting eco-friendly and cost-effective alternatives at all levels of operations.

Some of these environment-friendly measures are described below.

Installation of Solar Panels at ATMs

With an ongoing energy deficit and countrywide power shutdowns, it was essential to aid the ATMs with a power backup solution and like all peer banks, heavy duty generators were installed at the ATMs.

However, keeping in mind the harmful emissions from diesel operated generators, an initiative to adopt a more eco-friendly and cost-effective alternative has been in force since then.

This comprised of installing solar panels in 153 branches where the generators are shut down during non-banking hours. This not only reduced the consumption of scarce fuel, but ultimately contributed to the reduced carbon footprints.

Going forward, the Bank intends to include more branches within this scope. In case of power outages, solar systems can provide uninterrupted backup for about 5 to 6 hours, which adds to the reduced operating cost. This initiated Bank Alfalah's journey towards a healthier environment.

Right-sizing of Generator Units

Right-sizing of high capacity generators and replacing them with low capacity generators was valuable to the cause of energy conservation. This not only proved instrumental in minimising the hazardous impact of such generators, but also curtailed energy wastage, which was one of the drawbacks of such plants.

Conversion to LED Lights

Our commitment towards the eco-system was further realised when we installed LED lights at Bank Alfalah's Head Office. This led to a drastic reduction in electricity consumption by approximately 26%. In view of the encouraging results, LED lights were also installed in Shadin Manzil and select branches in Lahore.

Initiative to integrate Sustainable Finance Approach in Credit Evaluation and Approval Process

The Bank has integrated a sustainable finance approach in its lending activities. In this regard, an Environmental and Social Management System (ESMS), duly approved by the Board of Directors, has been put into place in close coordination with IFC.

The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated against:

- ✓ IFC Exclusion List
- ✓ Applicable national laws on environment, health, safety and social issues
- ✓ IFC Performance Standards

This Framework is an integral part of the credit approval process and all relevant credit proposals require clearance of E&S Officer prior to approval of the competent authority. The E&S Desk, part of Risk Management Division and headed by a Senior Risk Officer with environmental and social risk management qualifications, is responsible for identifying, vetting and approving projects from an ESRM perspective.

This role also entails coordination with provincial Environmental Protection Agencies (EPA) to remove ambiguities related to the EPA approval requirements and to educate the clients. Bank Alfalah is also assisting State Bank of Pakistan (SBP) to promote ESRM practices across the banking industry. 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.

Business Continuity and Disaster Recovery

Business Continuity Planning (BCP) is planning which identifies the organisation's exposure to internal and external threats, and synthesises hard and soft assets to provide effective prevention and recovery for the organisation, whilst maintaining competitive advantage and value system integrity.

The purpose of the Business Continuity Plan is to establish procedures whereby the critical business processes at the Bank can be restored in a timely and orderly manner and can be operated on an interim basis, thereby helping to ensure that all critical business functions continue in case of a disaster. The Business Continuity Plan is intended to be used by BCP teams and all concerned staff as an action guide in the event of a disruption, providing a pre-planned response to a disaster event.

Business continuity is meant to minimise the effects of a major incident affecting the operations of the Bank. These include chores such as Project Management, System Backups, Change Control and Helpdesk. BCP is an uninterrupted process which assures that the Bank remains fortified against all possible threats.

Business Impact Analysis (BIA) is key to Bank Alfalah's Business Continuity Plan (BCP). It includes risk

identification via potential threats and vulnerabilities as well as a mitigation strategy to address those identified risks. At Bank Alfalah, a thorough and comprehensive BCP has been placed which comprises of all the relevant measures that shall be taken to avoid adverse events. The document is periodically reviewed and aligned with the changing business environment that the Bank operates in.

The most important and noteworthy aspect of Business Continuity is testing; testing is the validation of documentation and processes given in the Business Continuity Process recovery procedures, manual workarounds, server build procedures, resource listings and call trees.

The disaster Recovery Framework incorporates three primary notions, namely:

Recovery Time Objective (RTO): The period of time within which the process should be recovered after an outage.

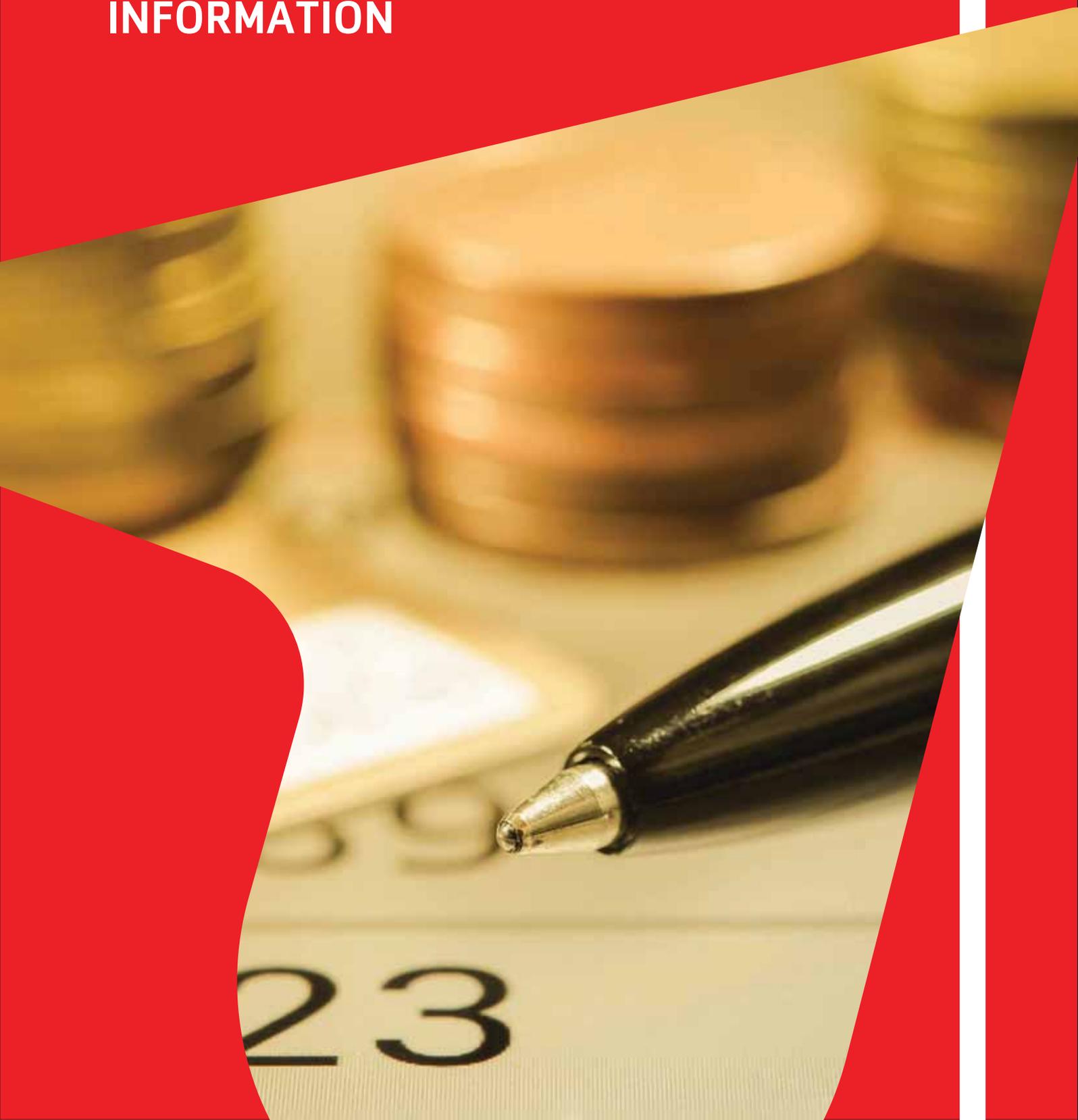
Recovery Point Objective (RPO): The point in time to which data must be restored in order to perform the process. RPO is the basis on which a data backup strategy is developed.

Maximum Tolerable Downtime (MTD): The period of time within which the process must be recovered after an outage.

The efforts to date constitute the development of a Comprehensive Business Continuity Management Framework through various BCP documents, including:

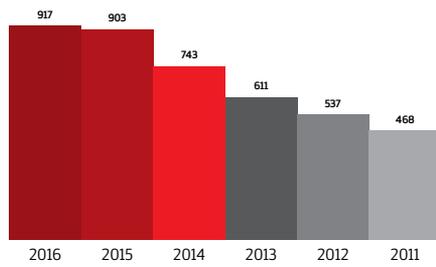
1. Business Continuity Policy Document
2. Business Continuity Plan Document
3. Disaster Recovery Plan
4. Recovery Strategy Document (for each Department)
5. Implementation Plan Document
6. Training Plan Document
7. Testing Plan Document

**FINANCIAL
INFORMATION**

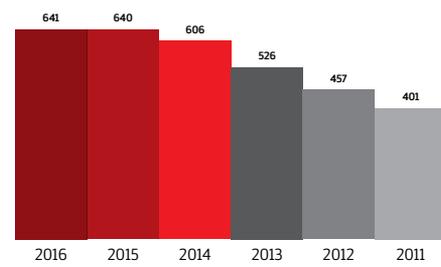


SIX YEARS FINANCIAL PERFORMANCE

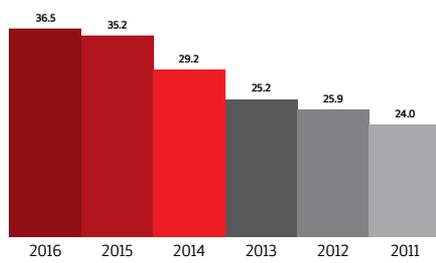
Total Assets (Rs. in Bn)
CAGR 14.40%



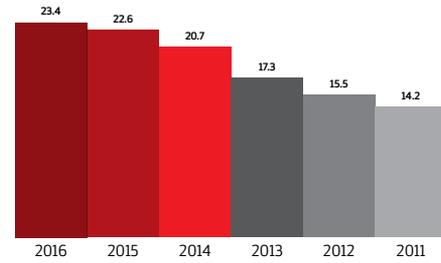
Deposits (Rs. in Bn)
CAGR 9.82%



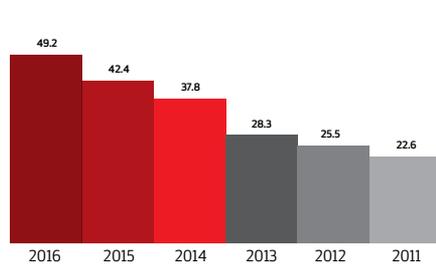
Total Net Income (Rs. in Bn)
CAGR 13.16%



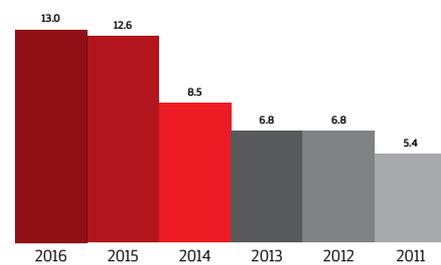
Expenses (Rs. in Bn)
CAGR 10.51%



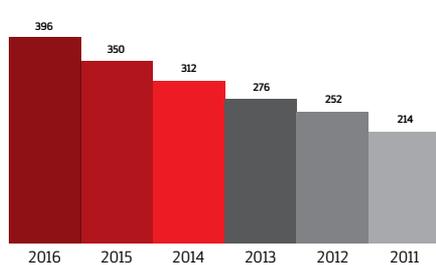
Shareholder' Equity (Rs. in Bn)
CAGR 16.81%



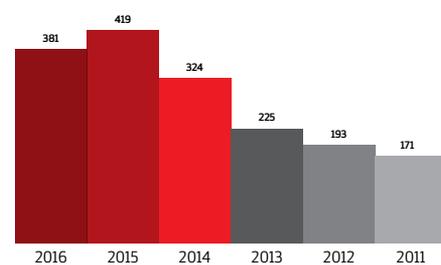
Profit Before Tax (Rs. in Bn)
CAGR 19.10%



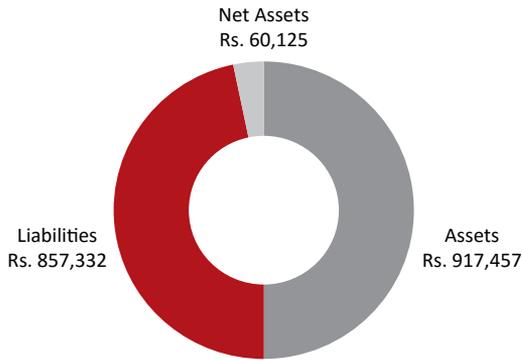
Advances - Gross (Rs. in Bn)
CAGR 13.13%



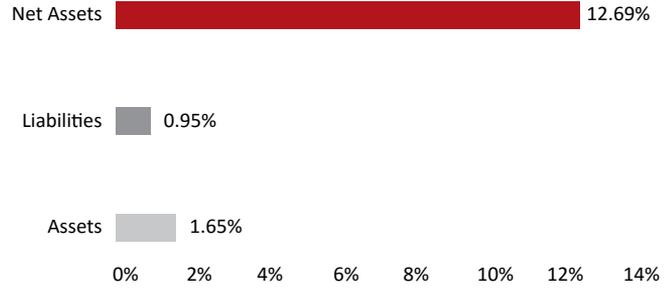
Investment at Cost (Rs. in Bn)
CAGR 17.43%



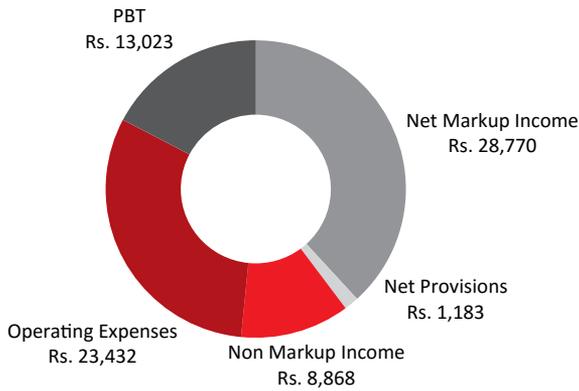
GRAPHICAL PRESENTATION



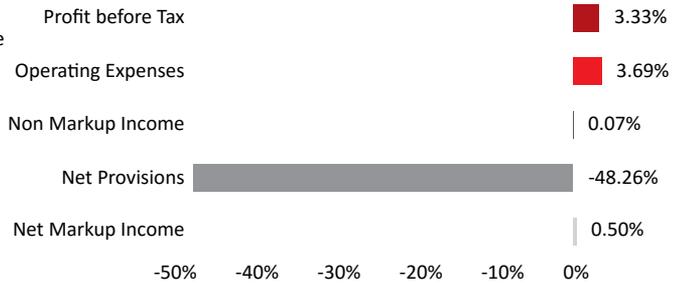
**Statement of Financial Position
(Rs. in Mn)**



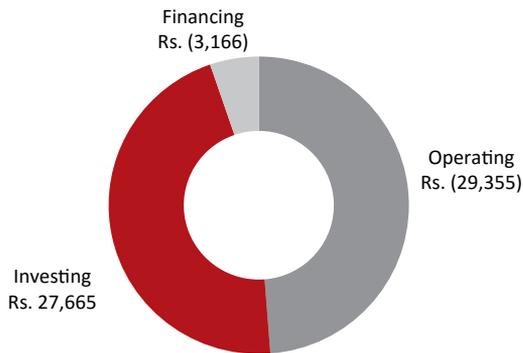
Variance from Prior Year



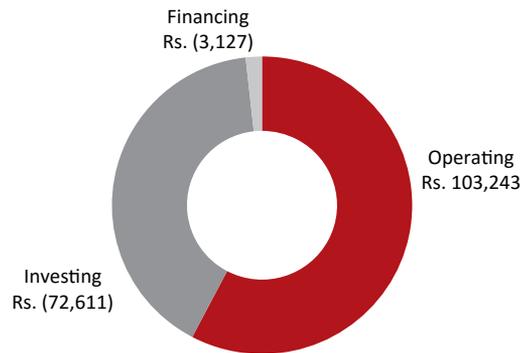
**Profit and Loss
(Rs. in Mn)**



Variance from Prior Year



**Cash Flows - 2016
(Rs. in Mn)**



**Cash Flows - 2015
(Rs. in Mn)**

SIX YEARS FINANCIAL SUMMARY

		2016	2015	2014	2013	2012	2011
Profit & Loss Account							
Mark-up / return / interest earned	Rs. Mn	57,245	61,438	55,378	43,961	46,080	44,298
Mark-up / return / interest expensed	Rs. Mn	28,474	32,811	33,505	27,066	27,500	25,687
Non Fund based income	Rs. Mn	8,868	8,862	8,876	8,279	7,281	5,368
Total Income	Rs. Mn	66,113	70,299	64,254	52,240	53,361	49,666
Operating Expenses	Rs. Mn	23,432	22,598	20,702	17,313	15,519	14,215
Operating Profit before tax and provision	Rs. Mn	14,206	14,891	10,048	7,861	10,342	9,764
Provisions / write-offs	Rs. Mn	1,183	2,287	1,534	1,054	3,559	4,330
Profit before taxation	Rs. Mn	13,023	12,604	8,514	6,807	6,783	5,434
Profit after taxation	Rs. Mn	7,900	7,523	5,641	4,676	4,556	3,503
Statement of Financial Position							
Authorised capital	Rs. Mn	23,000	23,000	23,000	23,000	23,000	23,000
Paid up Capital	Rs. Mn	15,952	15,898	15,872	13,492	13,492	13,492
Reserves	Rs. Mn	15,896	14,164	12,338	7,274	5,636	4,100
Unappropriated Profit	Rs. Mn	17,337	12,363	9,614	7,500	6,374	5,025
Shareholders' equity	Rs. Mn	49,185	42,425	37,824	28,266	25,502	22,617
Surplus on revaluation of assets - net of tax	Rs. Mn	10,940	10,928	6,995	3,636	4,558	2,937
Net Assets	Rs. Mn	60,125	53,353	44,819	31,902	30,060	25,554
Total Assets	Rs. Mn	917,457	902,607	743,128	611,427	536,569	468,294
Earning Assets	Rs. Mn	818,135	809,511	664,925	523,420	465,870	402,033
Gross Advances	Rs. Mn	395,863	350,351	311,507	276,039	252,173	213,640
Advances - net of Provision	Rs. Mn	378,720	334,159	297,256	262,992	237,760	200,712
Non Performing Loans	Rs. Mn	19,019	18,455	19,412	17,947	22,182	19,097
Investments at cost	Rs. Mn	381,458	419,329	324,336	225,035	193,473	170,850
Investments - Net	Rs. Mn	389,093	423,100	324,319	219,690	189,487	166,532
Total Liabilities	Rs. Mn	857,332	849,254	698,309	579,526	506,509	442,740
Deposits & Other Accounts	Rs. Mn	640,944	640,189	605,963	525,526	457,044	401,233
Borrowings	Rs. Mn	178,311	172,393	55,233	23,115	21,228	18,169
Profitability Ratios:							
Profit before tax ratio	%	22.75	20.52	15.37	15.48	14.72	12.27
Gross Yield on Average Earning Assets	%	7.03	8.33	9.32	8.89	10.62	11.69
Gross Spread	%	50.26	46.60	39.50	38.43	40.32	42.01
Non Interest income to total income	%	13.41	12.61	13.81	15.85	13.65	10.81
Return on equity (ROE)	%	17.35	19.14	18.86	18.04	19.46	16.37
Return on average assets (ROA)	%	0.89	0.95	0.85	0.83	0.92	0.81
Cost to income ratio	%	62.26	60.28	67.32	68.77	60.01	59.28
Investment Ratios:							
Earnings per share	Rs.	4.96	4.73	4.09	3.41	3.38	2.60
Diluted EPS	Rs.	4.93	4.73	4.09	3.41	3.38	2.60
Breakup value per share (excl. surplus on rev.)	Rs.	30.83	26.69	23.83	20.95	18.90	16.76
Net assets per share	Rs.	37.69	33.56	28.24	23.65	22.28	18.94
Market Ratios:							
Cash Dividend	%	-	10	20	20	20	18
Dividend Yield ratio (based on cash dividend)	%	-	3.47	5.73	7.40	11.89	15.56
Dividend Payout ratio	%	-	21.14	48.90	58.65	59.17	67.31
Price to book value ratio	Times	1.01	0.86	1.24	1.14	0.76	0.60
Price to earning ratio	Times	7.65	6.09	8.53	7.93	4.98	4.33
Dividend cover ratio	Times	-	4.73	2.05	1.71	1.69	1.49

		2016	2015	2014	2013	2012	2011
Share Information							
Market value per share - Dec 31 (Closing Rate)	Rs.	37.96	28.82	34.88	27.04	16.82	11.25
High - during the year	Rs.	38.00	35.05	35.10	28.39	19.12	12.31
Low - during the year	Rs.	23.90	23.82	24.91	14.75	11.14	8.75
Market Capitalisation	Rs. Mn	60,554	45,818	55,363	36,481	22,693	15,178
No. of Shares outstanding		1,595	1,590	1,587	1,349	1,349	1,349
Assets Quality and Liquidity Ratios:							
Gross Advances to deposits ratio	%	61.76	54.73	51.41	52.53	55.17	53.25
Net Advances to Deposits ratio	%	59.09	52.20	49.06	50.04	52.02	50.02
Net Investments to Deposits ratio	%	60.71	66.09	53.52	41.80	41.46	41.50
Weighted Average Cost of Deposits	%	2.91	3.76	4.91	4.64	5.43	5.85
NPLs to Gross Advances ratio	%	4.80	5.27	6.23	6.50	8.80	8.94
Coverage ratio (specific provision / NPLs)	%	86.06	83.73	70.07	69.32	62.54	64.57
Earnings assets to total assets ratio	%	89.17	89.69	89.48	85.61	86.82	85.85
Deposits to Shareholders equity	Times	13.03	15.09	16.02	18.59	17.92	17.74
Assets to Equity	Times	18.65	21.28	19.65	21.63	21.04	20.71
Capital Adequacy							
Tier 1 Capital	Rs. Mn	42,550	36,850	33,399	25,251	23,813	21,640
Total Eligible Capital	Rs. Mn	56,902	50,957	44,490	36,085	35,499	29,117
Risk Weighted Assets (RWA)	Rs. Mn	431,628	384,122	348,833	299,297	281,662	250,933
Tier 1 to RWA	%	9.86	9.59	9.57	8.44	8.45	8.62
RWA to Total Assets	%	47.05	42.56	46.94	48.95	52.49	53.58
Capital Adequacy ratio	%	13.18	13.27	12.75	12.06	12.60	11.60
Cash Flow Summary							
Cash and cash equivalents at the beginning of the year	Rs. Mn	93,596	65,880	97,880	85,556	69,927	62,151
Cash flow from operating activities	Rs. Mn	(29,355)	103,243	51,772	44,162	46,195	54,273
Cash flow from investing activities	Rs. Mn	27,665	(72,611)	(87,293)	(30,172)	(31,306)	(45,660)
Cash flow from financing activities	Rs. Mn	(3,166)	(3,127)	3,925	(2,368)	115	(418)
Exchange difference on translation of the net investment in foreign branches	Rs. Mn	11	211	(404)	702	625	(419)
Increase in cash and cash equivalents	Rs. Mn	(4,845)	27,716	(32,000)	12,324	15,629	7,776
Cash and cash equivalents at the end of the year	Rs. Mn	88,751	93,596	65,880	97,880	85,556	69,927
Trade							
Imports - Volume	Rs. Mn	415,187	400,879	374,901	370,556	322,633	286,550
Exports - Volume	Rs. Mn	199,230	211,785	202,369	212,871	192,132	191,820
Others							
No. of Branches		639	653	648	574	471	406
No. of Permanent Employees		7,615	7,565	7,509	6,853	6,666	6,931

SIX YEARS VERTICAL ANALYSIS

Statement of Financial Position / Profit & Loss

	2016		2015		2014		2013		2012		2011	
	Rs in Mn	%										
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury banks	74,071	8%	62,369	7%	50,516	7%	61,205	10%	58,044	11%	50,883	11%
Balances with other banks	9,373	1%	16,552	2%	12,332	2%	34,764	6%	26,721	5%	17,424	4%
Lendings to financial institutions	30,149	3%	27,626	3%	18,313	2%	2,522	0%	877	0%	7,765	2%
Investments - net	389,093	42%	423,100	47%	324,319	44%	219,690	36%	189,487	35%	166,532	36%
Advances - net	378,720	41%	334,159	37%	297,256	40%	262,992	43%	237,760	44%	200,712	43%
Fixed assets	18,133	2%	17,242	2%	15,740	2%	14,835	2%	13,748	3%	13,389	3%
Deferred tax assets	-	0%	-	0%	-	0%	1,204	0%	486	0%	542	0%
Other assets	17,917	2%	21,559	2%	24,652	3%	14,215	2%	9,446	2%	11,047	2%
	917,457	100%	902,607	100%	743,128	100%	611,427	100%	536,569	100%	468,294	100%
LIABILITIES												
Bills Payable	12,887	1%	9,734	1%	11,758	2%	9,543	2%	8,431	2%	5,403	1%
Borrowings	178,311	19%	172,393	19%	55,233	7%	23,115	4%	21,228	4%	18,169	4%
Deposits & other accounts	640,944	70%	640,189	71%	605,963	82%	525,526	86%	457,044	85%	401,233	86%
Subordinated loans	8,318	1%	9,983	1%	9,987	1%	9,991	2%	5,875	1%	7,149	2%
Deferred tax liabilities	2,650	0%	1,824	0%	853	0%	-	0%	-	0%	-	0%
Other Liabilities	14,222	2%	15,131	2%	14,515	2%	11,350	2%	13,931	3%	10,786	2%
	857,332	93%	849,254	94%	698,309	94%	579,526	95%	506,509	94%	442,740	95%
NET ASSETS	60,125	7%	53,353	6%	44,819	6%	31,902	5%	30,060	6%	25,554	5%
REPRESENTED BY :												
Share capital	15,952	2%	15,898	2%	15,872	2%	13,492	2%	13,492	3%	13,492	3%
Reserves	15,896	2%	14,164	2%	12,338	2%	7,274	1%	5,636	1%	4,100	1%
Unappropriated profit	17,337	2%	12,363	1%	9,614	1%	7,500	1%	6,374	1%	5,025	1%
Share Holder's Equity	49,185	5%	42,425	5%	37,824	5%	28,266	5%	25,502	5%	22,617	5%
Surplus on revaluation of fixed assets - net of tax	10,940	1%	10,928	1%	6,995	1%	3,636	1%	4,558	1%	2,937	1%
Net Assets	60,125	7%	53,353	6%	44,819	6%	31,902	5%	30,060	6%	25,554	5%
PROFIT & LOSS ACCOUNT												
Mark-up / return / interest earned	57,245	87%	61,438	87%	55,378	86%	43,961	84%	46,080	86%	44,298	89%
Mark-up / return / interest expensed	(28,474)	-43%	(32,811)	-47%	(33,505)	-52%	(27,066)	-52%	(27,500)	-52%	(25,687)	-52%
Net mark-up / interest income	28,770	44%	28,627	41%	21,873	34%	16,895	32%	18,580	35%	18,611	37%
Provision and Write-offs	(1,183)	-2%	(2,287)	-3%	(1,534)	-2%	(1,054)	-2%	(3,559)	-7%	(4,330)	-9%
Net mark-up / interest income after provisions	27,587	42%	26,340	37%	20,340	32%	15,841	30%	15,021	28%	14,281	29%
Non mark-up/interest Income	8,868	13%	8,862	13%	8,876	14%	8,279	16%	7,281	14%	5,368	11%
Non mark-up/interest expenses	(23,432)	-35%	(22,598)	-32%	(20,702)	-32%	(17,313)	-33%	(15,519)	-29%	(14,215)	-29%
Profit Before Taxation	13,023	20%	12,604	18%	8,514	13%	6,807	13%	6,783	13%	5,434	11%
Taxation	(5,123)	-8%	(5,081)	-7%	(2,873)	-4%	(2,131)	-4%	(2,227)	-4%	(1,931)	-4%
Profit After Taxation	7,900	12%	7,523	11%	5,641	9%	4,676	9%	4,556	9%	3,503	7%

SIX YEARS HORIZONTAL ANALYSIS

Statement of Financial Position / Profit & Loss

	2016	16 vs 15	2015	15 vs 14	2014	14 vs 13	2013	13 vs 12	2012	12 vs 11	2011	11 vs 10
	Rs in Mn	%										
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury banks	74,071	19%	62,369	23%	50,516	-17%	61,205	5%	58,044	14%	50,883	24%
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Deferred tax assets	-	-	-	-	-	-100%	1,204	148%	486	-10%	542	0%
Other assets	17,917	-17%	21,559	-13%	24,652	73%	14,215	50%	9,446	-14.49%	11,047	-1%
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Deferred tax liabilities	2,650	45%	1,824	114%	853	0%	-	0%	-	0%	-	-100%
Other Liabilities	14,222	-6%	15,131	4%	14,515	28%	11,350	-19%	13,931	29%	10,786	17%
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Taxation	(5,123)	1%	(5,081)	77%	(2,873)	35%	(2,131)	-4%	(2,227)	15%	(1,931)	383%
Profit After Taxation	7,900	5%	7,523	33%	5,641	21%	4,676	3%	4,556	30%	3,503	262%

REVIEW OF SIX YEARS' PERFORMANCE

Statement of Financial Position

Total Assets

The asset base of the bank witnessed yet another year of progressive growth, with a CAGR of 14.4 percent (2011 to 2016). The total assets of the bank were reported at Rs. 917.457 Billion at December 31, 2016 as compared to Rs. 468.294 Billion at December 31, 2011. The growth resulted from effective management of the bank's asset mix. Significant contributors to this growth within the asset mix were investments and advances with a CAGR of 17.43 percent and 13.13 percent respectively.

Deposits

Bank Alfalah's deposit base has grown at a CAGR of 9.82 percent. Customized offerings facilitate the Bank to cater to varying customer needs. Strategically, in the recent past, high cost deposits have been narrowed down further, which has helped improve the NII. The Bank's focus remains on maintaining service excellence and providing adequate returns to our depositors together with transactional convenience through our alternate delivery channels as well as through our widespread branch network.

Advances

Bank Alfalah continues to maintain a healthy ADR ratio. A prudent risk management framework along with an aggressive provisioning approach has enabled the Bank to continuously review the quality of its assets. The Bank's NPL coverage has substantially improved from 64 percent in 2011 to 86 percent in 2016, whereas the NPL ratio has come down to 4.8 percent in 2016 from 8.94 percent in 2011. Also, the recoveries trend over the last few years indicates our focus and the efforts that have been made in this regard.

Investments

The investment portfolio remains mainly dominated by government securities. This was witnessed mainly due to an absence of diversified investment avenues and lack of credit appetite that prevailed in the market. Investments at cost have registered a CAGR of 17.43 percent.

Equity and Dividend

The paid up capital of the bank has been further strengthened from 2011 to 2016. The Bank's total equity was reported at Rs. 49.185 Billion at December 31, 2016. In the year 2014, IFC had acquired a stake of 15 percent, which represented a key strategic alliance in the Bank's history. The Bank's CAR stands at 13.18 percent at December 2016.

Going forward, the Bank intends to further strengthen its capital base in order to deliver superior results to its stakeholders over the medium to long term.

Profit & Loss Account

Income

The composition of markup income earned has seen a shift in recent years on the back of concentration shift in the Bank's earning asset base. The contribution from markup income earned on advances has reduced from 60 percent in 2011 to 42 percent in 2016 while markup income from investments has increased from 38 percent in 2011 to 53 percent in 2016. The reduction in policy rates and regulatory revisions covering minimum deposit rates over the recent past has adversely affected the sector's net interest margins. The Bank continues to manage its asset and liability positions to maximize returns.

During the last six years, fee, commission income, foreign exchange income and capital gains have been the major drivers behind non-fund income. Our fee and commission income has been supplemented by our branchless banking and G2P initiatives, while capital gains continue to be tapped at the right times.

With key changes to our technology platform, and cross sell initiatives undertaken, the Bank remains focused on delivering enhanced transactional convenience to customers.

Operating Expenses

The growth in administrative costs has been mainly on account of costs attributable to additional branches under the Bank's expansion plan, rising rentals and utility costs, and costs relating to infrastructural improvements to systems and technology. The Bank has undertaken various initiatives such as centralization of expenses and revisits to expenditure approval authorities in order to control costs. The management remains focused on bringing in further cost savings through cost rationalization measures.

Bank's Significant Resources

Deposits

Deposits are the core resource for any commercial banking unit to conduct its core business operations. Core Deposits comprise of current accounts and savings accounts (CASA). Deposits, like any other source, have an attached cost, which include competitive returns to depositors, remuneration for deposit gathering teams and additional services to facilitate the customers.

Capital Employed

Shareholders' Equity represents capital commitments of shareholders and investors. Such funding constitutes of diversified sources and types, each entitling investors with unique income distribution, liquidation and voting privileges. Several regulatory ratios and requirements such as CAR are based on the shareholders' capital. However, equity capital is an expensive source and is therefore raised in case of strategic decisions like expansion, acquisitions and mergers, and in some cases to restore the capital position of an entity. Long-Term Debt instruments include Term Finance Certificates repayable over a defined term. The Bank has had five successful Term Finance Certificate issues till date.

Human Capital

At Bank Alfalah, we place great emphasis on the quality of our leadership and employees. The Bank has always invested in its people and will continue to do so in the future. Learning objectives at the organization are clearly defined to nurture, reward and retain the best talent pool.

Technology

Technology has indeed revolutionized the banking industry in the past decade or so. The integration of technology into the banking sector has witnessed significant breakthroughs like paperless operations, branchless banking through digital channels and on the go 'single-platform but multi-purpose solutions'. Bank Alfalah's vision to be the premier digital bank in Pakistan has seen us deploy cutting-edge technology to equip our customers with end to end solutions. The Alfa app, has been a major milestone that the bank has recently achieved. The bank sees such technological advancements as vital in terms of attaining long-term growth and sustainability.

Capital Structure & Ratios

Bank Alfalah's planned capital structure is designed to meet regulatory and market expectations. Our targeted capital structure enables us to invest in and grow our business, satisfy our customers' financial needs in varying environments, access markets, and maintain flexibility to offer returns to our shareholders. The targeted capital structure also considers levels sufficient to meet Basel III capital requirements.

Our capital targets are subject to change based on various factors, including changes to the regulatory capital framework and expectations for large banks promulgated by bank regulatory agencies, planned capital actions, changes in our risk profile and other factors.

The capital structure is a key driver of exposure limits available to the entity under applicable Prudential Regulations. Furthermore, the Bank has raised Term Finance Certificates successfully in the past to supplement its Capital Base from time to time.

Prospects of the Entity Including Financial and Nonfinancial Measures

Over the past five years, Bank Alfalah had demonstrated considerable growth, with an expansion of its deposits base as well as advances. Going forward, the Bank aims to extend its performance through a broader distribution footprint, digitized front-end channels and back-end processes. A regular review of the Bank's significant resources, as mentioned earlier, is conducted while considering forecast and projections.

Financial Measures

The bank incorporates various financial measures while arriving at future projections. The Bank's management duly ensures that all efforts are directed towards accomplishing the targets defined.

- **Deposits:** The bank periodically reviews the quality of its deposit mix with focus towards CASA. Apart from the deposit mix, it is essential that the cost of deposits is kept at such a level that the Bank remains competitive within the industry.
- **Advances:** Sustainable growth in advances is the key behind profitability, as advances remain the prime revenue source for the institution. The Bank places great emphasis on credit quality and segmental diversification of its advances portfolio. Growth in advances is managed effectively, as this has a direct impact on earnings if resources are not adequately deployed. A robust Risk Assessment mechanism is essential to maintain quality of the advances portfolio. The Bank focuses on maintaining a healthy gross ADR.
- **Business Volume:** Business volume refers to the application of a Bank's resources to cater to customers' demands. This incorporates New-to-Business customer advances, trade business volumes, advisory services, over the counter services and services channeled through digital platforms. One-shop solutions and cross sell initiatives have been a breakthrough in terms of escalating business volumes.
- **Cost to Income Ratio:** The Bank is in the phase of substantially prioritizing cost efficiency across all levels of its operations. Centralization of expenses remains a key initiative towards cost control.
- **Returns on Earning Assets (ROEA):** The ROEA depicts the ability of a bank's earning assets to generate income. This is often the result of sound management policies as well as the company's ability to garner a larger share of the market.
- **Net Spread:** Net spread is a key financial measure in evaluating the core profitability of the Bank. Interest earned on advances and other interest bearing assets, interest paid out on deposits and borrowings is prudently managed for all sources and uses of funds.
- **Return on Equity:** The ROE remains a key measure to assess returns for our shareholders.

Non-Financial Measures

For any dynamic institution, Non-financial measures are of equal significance when setting the path for the future. Projections outlined against such measures confirm that the Bank is not only sound and transparent in terms of business operations, but also recognizes its due role as a responsible corporate citizen. Although such standards are qualitative in nature, their value to the business has been decisive in recent years. Non-financial measures mainly consist of:

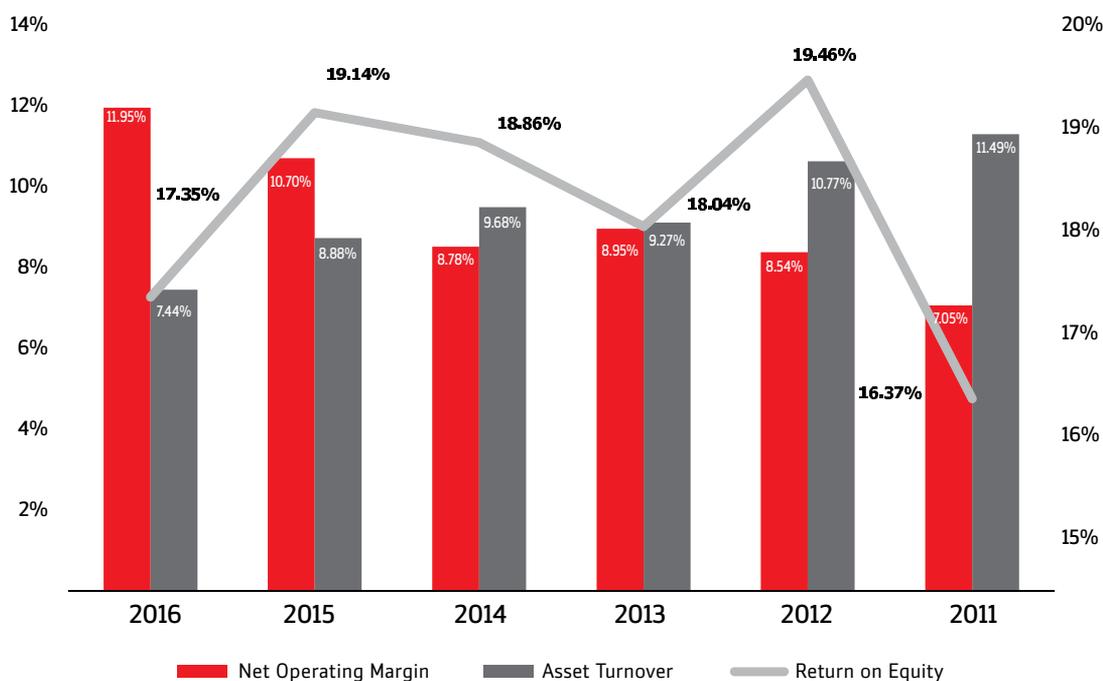
- Compliance with the regulatory frameworks
- Corporate image
- Stakeholders' engagement
- Relationships with customers and business partners
- Responsibility towards the society
- Environmental protection

STATEMENT OF VALUE ADDED

	2016 Rs in Mn		2015 Rs in Mn	
Value Added				
Net Interest Income	28,770		28,627	
Non Interest Income	8,868		8,862	
Operating Expenses excluding Staff costs depreciation, amortization and WWF	(11,829)		(10,854)	
Provision against advances, Investments & Others	(1,073)		(2,599)	
Value added available for distribution	24,736		24,036	
Distribution of Value Added				
		%		%
To Employees				
Remuneration, provident fund and other benefits	9,520	38%	9,006	37%
To Government				
Worker Welfare Fund	113	0.5%	287	1%
Income Tax	5,123	21%	5,081	21%
	5,236	21%	5,368	22%
To providers of capital				
Cash dividends to shareholders	-	0%	1,590	7%
Bonus Shares	-	0%	-	0%
	-	0%	1,590	7%
To Society				
Donations	32	0.1%	58	0.24%
To Expansion and growth				
Depreciation	1,691	7%	1,809	8%
Amortization	357	1%	272	1%
Retained Earnings	7,900	32%	5,933	25%
	9,948	40%	8,014	33%
	24,736	100%	24,036	100%

DUPONT ANALYSIS

Ratio	Formula			2016	2015	2014	2013	2012	2011
Net Operating Margin	(PAT/Total Income)	A	%	11.95	10.70	8.78	8.95	8.54	7.05
Asset Turnover	(Total Income/Average Assets)	B	%	7.44	8.88	9.68	9.27	10.77	11.49
Return on Assets	(PAT/Average Assets)	C = A x B	%	0.89	0.95	0.85	0.83	0.92	0.81
Leverage Ratio / Equity Multiplier	(Average Assets/Average Equity)	D	Times	19.49	20.15	22.19	21.73	21.15	20.21
Return on Equity	(PAT/Average Equity)	E = C x D	%	17.35	19.14	18.86	18.04	19.46	16.37



Summary

Net operating margin continued to depict signs of improvement mainly on account of growth realized via core revenue streams. However, asset turnover for the past few years witnessed a declining trend, which was primarily attributable to reduction in interest rates. Return on Equity was relatively on the lowside as compared to previous years. This is reflective of the lower percentage of dividend payout considered in 2015, as compared to prior years.

SHARE PRICE SENSITIVITY ANALYSIS

Below is a list of some key factors that can influence the share price of Bank Alfalah Limited. The list is not exhaustive by any means and intends to cover the major areas:

- **Regulatory / Policy Changes**

Any regulatory or policy changes that directly impact the banking landscape and cost and / or revenue drivers are likely to exert the biggest influence on the Bank's stock price. For example, a change in the discount rate which directly impacts yields on government securities and advances and to a certain extent on funding costs can materially impact profitability and hence the share price as well.

Similarly any regulatory changes such as a change in the minimum rate of deposit payable on certain types of deposits can have a significant impact on the cost of funds, profitability and most likely the stock price.

- **Investor and Market Sentiment**

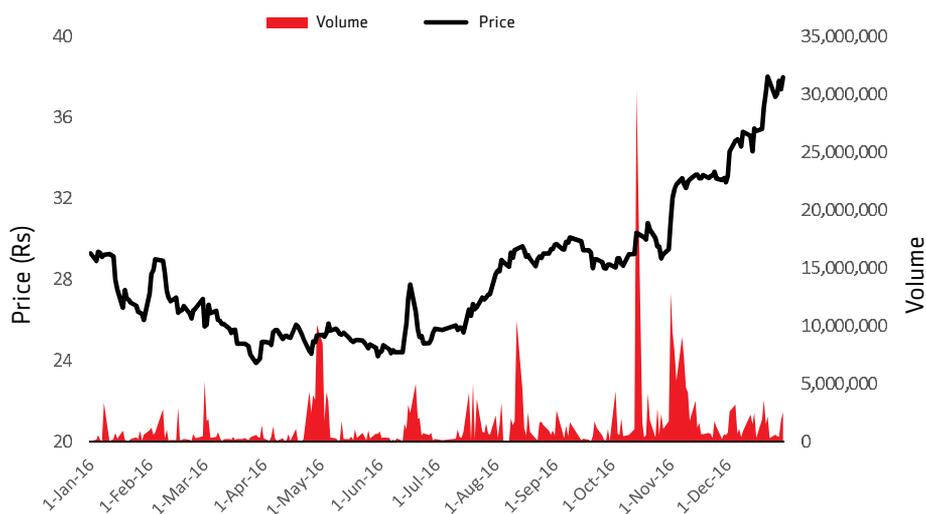
While difficult to quantify in numeric terms, but a change in sentiments regarding the investment climate in general or the stock market in particular can have an impact on the Bank's stock price, even if there is no fundamental development or change in the Bank's investment or business case.

- **Change in Macro Environment**

Any changes in the macro environment, such as political, law and order, inflation and / or currency pressures could see the stock price of the Bank move alongside as market preempts the developments and extrapolates the impact of these development on policy / regulatory changes in the Bank's share price. Hence, there could be a situation where the stock price of the Bank moves well in advance of the regulatory / policy change actually happening.

Share Price Information (Year 2016)

High Price	Rs. 38.0
Low Price	Rs. 23.9
Average Volume	1,437,218
No. of trading Days	248
Days Traded	248
% of days traded	100%



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2016

This statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No. 19 of Chapter 5 (Listing of Companies and Securities Regulations) of the Rule Book of Pakistan Stock Exchange Limited ("PSX"), for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Non-Executive Directors (5)	H.H. Sheikh Nahayan Mabarak Al Nahayan* (Coopted/appointed w.e.f. 15th January 2017) H. H. Sheikh Hamdan Bin Mubarak Al Nahayan* (Resigned w.e.f. 15th January 2017) Mr. Abdulla Nasser Hawaileel Al Mansoori Mr. Abdulla Khalil Al Mutawa Mr. Khalid Mana Saeed Al Otaiba Mr. Efstratios Georgios Arapoglou
Independent Directors** (2)	Mr. Khalid Qurashi Mr. Kamran Y. Mirza
Executive Director (1)	Mr. Atif Bajwa (Chief Executive Officer)

- * The Board of Directors of the Bank, in its meeting held on 15th January 2017 at Karachi, accepted the resignation of H.H. Sheikh Hamdan Bin Mubarak Al Nahayan, Director/ Chairman of the Board ("the outgoing Director"), with effect from 15th January 2017.

The Board has coopted/appointed His Highness Sheikh Nahayan Mabarak Al Nahayan, as Director of the Bank, subject to SBP's clearance/no objection, effective from 15th January 2017, in place and for the remainder of the term of the outgoing Director. The No Objection / Clearance Certificate from the State Bank of Pakistan, has been obtained by the Bank in this regard.

Furthermore, the Board of Directors has also elected His Highness Sheikh Nahayan Mabarak Al Nahayan as the new Chairman of the Board of Directors of the Bank in place of H.H. Sheikh Hamdan Bin Mubarak Al Nahayan, with effect from 15th January 2017.

- ** The independent directors meet the criteria of independence under clause 5.19.1.(b) of the CCG.
2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
 3. All the resident Directors of the Bank are registered as taxpayers and none of them, in their personal capacity, have defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, have been declared as a defaulter by that stock exchange.
 4. A casual vacancy occurring on the Board on January 15th 2017, subsequent to the year end, was filled up by the Directors on the same day.
 5. The Bank has prepared a "Code of Conduct - Ethics and Business Practices" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
 6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, non-executive and independent directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Bank is compliant with the requirements of the Directors' Training program under Clause 5.19.7 of the Rule Book.
10. The board has approved the appointment of Mr. Tahir Khurshid as the Head of Internal Audit, including his remuneration and terms and conditions of employment, whereas there was no new appointment of the CFO or Company Secretary during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding. The shares issued by the Bank to its eligible employees (executives) as a result of exercise of options granted to them under the Bank's approved Employees Stock Option Scheme (ESOS) are included in the said pattern under the category "Executives". During the year, the Bank has issued further option letters to selected senior staff members including the CEO under the Bank's ESOS, as decided by the Board Compensation Committee. All options issued under the scheme have a defined vesting period and are exercisable over the period specified in the scheme. This information has been disclosed as part of the annual report.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of 4 members, all being non-executive Directors and the Chairman of the Committee is an independent Director.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resources and Nomination Committee. It comprises of 4 members, of whom 3 members are non-executive Directors including the Chairman of the Committee. The Board has also constituted a Compensation Committee comprised of 3 non-executive Directors, for the administration and superintendence of the Bank's Employees Stock Options Scheme ("ESOS").
18. The Board has set up an effective internal audit function conversant with the policies and procedures of the Bank.
19. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Bank's securities, was determined and intimated to Directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

Atif Bajwa

Director and Chief Executive Officer
February 23, 2017
Abu Dhabi

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, 2016 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange ("PSX") where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2016.

February 23, 2017
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

REPORT OF SHARIAH BOARD

FOR THE YEAR ENDED DECEMBER 31, 2016

By the grace of Almighty Allah, the year under review was the 13th year of Islamic commercial banking for Bank Alfalah Limited Islamic Banking Group. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank Alfalah Limited Islamic Banking Group are conducted in a manner that complies with Shari'ah principles at all times, we the Shari'ah Board are required to submit a report on the overall Shari'ah compliance environment of Bank Alfalah Limited - Islamic Banking Group.

During this year, the Bank mainly developed and executed liability and fee based Islamic Banking products after due approval from Shari'ah Board. Moreover, the Shari'ah Board supervised and analyzed various products, concepts, transactions, processes and their Shari'ah Compliance as an ongoing practice to ensure that the transactions continue to be valid as per Shari'ah.

The main modes of financing used for the bank's financing activities during the year consist of Murabaha, Ijarah, Diminishing Musharakah, Istisna, Running Musharakah, Salam and Tijarah. The gradual shift towards diversification of the modes of finance used, i.e. from Trade based modes to Participative modes, is an encouraging development beneficial towards the growth of Islamic Banking industry at large.

Shari'ah Audit Department plays a pivotal role in achieving complete Shari'ah compliance in all matters of the bank. The Internal Shari'ah Audit Department evaluates the adherence to Shari'ah guidelines in each and every activity undertaken by the Bank. During the year Shari'ah Audit of almost all of the IBG branches was conducted, this allowed the Bank to reinforce the internal Shari'ah control mechanism. Internal Shari'ah Audit department also evaluated the Shari'ah knowledge of the staff in the branches during the audit process in order to assess the ability of the staff to correctly carry out the transactions from Shari'ah perspective. However, audit of the Centralized Units was not conducted at the desired level which is hopefully addressed in coming year.

To strengthen and broaden the functions of Shari'ah control, the Shari'ah Compliance Department of the bank goes the extra mile to facilitate the customers by formulating customized process flows after assessment of the customers' business models and determining the most suitable product.

Over the course of the year, the Shari'ah Compliance Department sought approvals from the Shari'ah Board of product structures and process flows for its clients. Additionally, to maintain the high level of compliance the department performed random physical inspections and verified the purchases, evidences, and invoices of financing transactions. Physical inspections were conducted at the time of delivery of goods to ensure Shari'ah compliance in Istisna, Salam, and Tijarah transactions. As a part of the department's responsibilities Shari'ah Compliance also oversaw the process of profit distribution to the depositors on monthly basis.

It is encouraging to note that IBG has aligned various staff facilities according to Shari'ah principles. However matters pertaining to employment benefits were pending for the last few years despite repeated recommendations by the former Shari'ah Advisor/Shari'ah Board. Now these matters have been resolved and it is being ensured that the investment of provident fund for IBG staff is in accordance with Shari'ah. Similarly, the bank is arranging takaful coverage for staff related matters from this year onwards.

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

- i) Business affairs of Bank Alfalah Islamic Banking Group, especially with reference to transactions, relevant documentation and procedures performed and executed by the Bank during the year 2016 are, by and large, in conformity with the principles and guidelines of Shari'ah and other guidelines issued by Shari'ah Board and State Bank of Pakistan.
- ii) Bank has a well-defined system in place in form of Internal Shari'ah Audit and Shari'ah Compliance Review to ensure that earnings realized from sources or means prohibited by Shari'ah will be credited to the Charity account to warrant that the income distributed among stakeholders generally remains Halal and pure. In year 2016, an income of Rs. 9.524 Million has been transferred to the charity account as per Shari'ah Board's instructions due to the violations of Shari'ah guidelines observed and highlighted during Internal Shari'ah Audit Reviews.
- iii) The allocation of Profit and charging of Losses to Mudarabah based remunerative deposits, which was reviewed and approved on monthly basis, is generally in conformity with Shari'ah Rules & Principles and Pool Management guidelines of State Bank of Pakistan.

- iv) Bank has, by and large, complied with the fataawa/opinions/advices issued by Shari'ah Board from 01 Jan 2016 to 31 Dec 2016.
- v) Bank is continuously focused towards enhancing the Islamic Banking skills of the staff. Learning & Development Department of the Bank has provided Basic Islamic Banking training to almost the entire staff of the Group. Moreover, specific Islamic Banking certification courses and Shari'ah documentation courses were also conducted. These initiatives taken by Learning & Development of the Bank clearly distinguishes Bank Alfalah-IBG in Islamic Banking industry.
- vi) Bank has also increased its focus on Customers' Awareness regarding Islamic Banking and conducted significant number of programs at different cities.
- vii) During the year, an amount of Rs. 40.182 Million was recovered from the customers as charity on account of delay in payments. A substantial amount of Rs. 84.906 Million has been granted to various charitable institutions against current collection and previous years' balances.
- viii) Management is gradually providing resources in Shari'ah Compliance Department as per Shari'ah Board requirements.

May Almighty Allah grant us success in this world and the next, and on the Day of Judgment, and forgive our mistakes that we may have committed willingly or unwillingly.

Dr. Khalil Ahmad Aazami
Chairperson Shari'ah Board

Mohib ul Haq Siddiqui
Member Shari'ah Board

Ovais Ahmed Qazi
Member Shari'ah Board

February 14, 2017 / Jamadi-ul-Awal 16, 1438 A.H

- 4- بینک نے شریعہ بورڈ کی طرف سے یکم جنوری 2016 تا 31 دسمبر 2016 کے دوران جاری ہونے والے فتاویٰ/آراء/ہدایات کی مجموعی طور پر پابندی کی۔
- 5- بینک مسلسل اسلامی بینکاری سے متعلق عملہ کی صلاحیتوں کی بہتری کی طرف متوجہ ہے۔ بینک کے شعبہ تعلیم و تربیت (Learning & Development Department) نے تقریباً بینک کے تمام عملہ کو اسلامی بینکاری کے بنیادی تربیتی کورسز کرائے۔ نیز اسلامی بینکاری سے متعلق خصوصی موضوعات اور شریعت کے مطابق معاہدات کی تنفیذ کے بارے میں بھی کورسز کا انعقاد کیا گیا۔ شعبہ تعلیم و تربیت کی طرف سے اٹھائے جانے والے یہ اقدامات بینک الفلاح-اسلامک بینکنگ گروپ کو اسلامی بینکاری کے میدان میں دیگر بینکوں سے واضح طور پر نمایاں کرتے ہیں۔
- 6- بینک نے عوام اور گاہکوں کے اندر اسلامی بینکاری سے متعلق آگاہی پیدا کرنے پر بھی خاص توجہ دی اور ملک کے مختلف شہروں میں بڑی تعداد میں معلوماتی و تربیتی مجالس اور پروگراموں کا انعقاد کیا۔
- 7- سال کے دوران 40.182 ملین روپے گاہکوں کی جانب سے ادائیگی میں تاخیر کی وجہ سے صدقہ کی مد میں وصول کیے گئے۔ اب تک گذشتہ اور رواں سال کے دوران حاصل شدہ رقم سے 84.906 ملین روپے کی خطیر رقم مختلف فلاحی اداروں میں تقسیم کی جا چکی ہے۔
- 8- شریعہ بورڈ کی ہدایات کے مطابق انتظامیہ شریعہ کمپلائنس ڈیپارٹمنٹ کو رفتہ رفتہ مزید وسائل فراہم کر رہی ہے۔
- اللہ تعالیٰ سے دعا ہے کہ وہ ہمیں دنیا و آخرت کی کامیابی سے نوازیں اور بروز قیامت دیکھ کر فرمائیں۔ اور دعا ہے کہ اللہ تعالیٰ ہمارے اختیاری اور غیر اختیاری گناہوں اور لغزشوں سے درگزر فرمائیں۔

مفتی اویس احمد قاضی
ممبر شریعہ بورڈ

مفتی محبت الحق صدیقی
ممبر شریعہ بورڈ

ڈاکٹر مفتی خلیل احمد اعظمی
چیئر پرسن شریعہ بورڈ

۱۴ فروری ۲۰۱۷ء
۱۶ جمادی الاول ۱۴۳۸ھ

شریعی بورڈ کی رپورٹ

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

اللہ تعالیٰ کے فضل و کرم سے بینک الفلاح - اسلامک بینکنگ گروپ کے تیرہویں سال کی سالانہ رپورٹ پیش خدمت ہے۔ جہاں ایک طرف بینک الفلاح - اسلامک بینکنگ گروپ کے تمام معاملات کی شریعت کے عین مطابق انجام دہی کی مکمل ذمہ داری بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ (Management Executive) پر ہے، بینک کا شریعی بورڈ بینک الفلاح - اسلامک بینکنگ گروپ کے مجموعی معاملات کی شریعت سے مطابقت کے بارے میں رپورٹ پیش کرنے کا ذمہ دار ہے۔

دوران سال بینک نے شریعی بورڈ کی باضابطہ منظوری کے بعد ڈیپازٹ اور فیس پر مبنی اسلامی بینکاری کی مختلف پراڈکٹس تیار کیں اور ان پر عمل بھی شروع کر دیا گیا۔ نیز اپنے فرائض منصبی کی انجام دہی کے دوران شریعی بورڈ نے موجودہ اور نئے پراڈکٹس، عقود، اور معاملات کی شریعت سے مطابقت کو برقرار رکھنے کے لیے نگرانی کا عمل مسلسل جاری رکھا تا کہ تمام معاملات شریعت کے مطابق سرانجام پاتے رہیں۔

سال کے دوران بینک کی تمویلی سرگرمیوں کے لیے عام طور سے 'مراہجہ'، 'اجارہ'، 'شرکت متناقصہ' (Diminishing Musharaka)، 'استھناع'، 'ارتنگ مشارکہ'، 'اسلم'، اور 'تجارہ' کے طریقے متبادل اختیار کئے گئے۔ مالیاتی طریقوں میں تنوع پیدا کرنے کا رجحان بالعموم اسلامی بینکاری کے فروغ کی طرف ایک قابل تحسین قدم ہے۔

نیز بینک کا شریعی بورڈ ڈیپارٹمنٹ بینک کی تمام سرگرمیوں میں شریعت سے مطابقت کے حوالہ سے کلیدی کردار ادا کرتا ہے۔ شریعی بورڈ ڈیپارٹمنٹ بینک کے ہر معاملہ میں شرعی اصول کی پابندی کو جانچتا ہے۔ اس سال کے دوران بینک کی تقریباً تمام شاخوں کا آڈٹ کیا گیا، جس کے نتیجے میں بینک کے شریعت کی خلاف ورزی کی روک تھام کے داخلی نظام کو تقویت ملی۔ شریعی بورڈ ڈیپارٹمنٹ نے آڈٹ کے دوران بینک کے عمل کی اسلامی بینکاری کے بارے میں معلومات کا بھی جائزہ لیا تا کہ ان کی شریعت کے مطابق معاملات سرانجام دینے کی استعداد کو پرکھا جاسکے۔ تاہم جو شعبے سینٹرلائزڈ (Centralized) ہیں ان کے شریعی بورڈ کے حوالہ سے متوقع اہداف کے حصول میں کچھ کمی رہی جس کا تدارک آئندہ سال متوقع ہے۔

شریعت کی خلاف ورزی کی روک تھام کے داخلی نظام کی تقویت اور وسعت کے لیے بینک کا شریعی کمپلائنس ڈیپارٹمنٹ بینک کے ہر گاہک کے کاروباری نظام کے معائنہ اور گاہک کی ضرورت کو پیش نظر رکھتے ہوئے مناسب ترین پراڈکٹ کی تعیین کے بعد پراسفلوز ترتیب دیتا ہے۔

اس سال کے دوران بھی شریعی کمپلائنس ڈیپارٹمنٹ نے بینک کے گاہکوں کے لیے شریعی بورڈ سے مختلف پراڈکٹس کے پراسفلوز کی منظوری حاصل کی۔ شعبہ نے دوران سال بلا اطلاع معائنوں، خریداری کی تصدیق، ثبوت، اور رسیدوں کی جانچ پڑتال کا خاص اہتمام کیا تا کہ بینک کے معاملات شریعی مطابقت کے اعلیٰ معیار پر انجام پائیں۔ مذکورہ معائنے اجناس پر قبضہ کے وقت عمل میں آئے تا کہ استھناع، اسلم، اور تجارہ کے معاملات شریعت کے مطابق انجام پائیں۔ شعبہ کی دیگر ذمہ داریوں میں سے کھاتہ داروں کو نفع کی تقسیم کی نگرانی بھی ہے جس کو اس سال بھی شعبہ نے تندہی کے ساتھ سرانجام دیا۔

یہ بات قابل تحسین ہے کہ اسلامک بینکنگ گروپ نے ملازمین کو فراہم کی جانے والی مختلف سہولیات کو اس سال شریعت کے مطابق ڈھال لیا ہے۔ تاہم سابقہ شرعی مشیر اور حالیہ شریعی بورڈ کی بارہا تلقین کے باوجود ملازمت سے متعلق دیگر سہولیات کا معاملہ کچھ عرصہ سے زیر التواء تھا جو الحمد للہ حل ہو گیا ہے اور اب اس بات کی پابندی کی جارہی ہے کہ اسلامک بینکنگ گروپ کے ملازمین کے پراویڈنٹ فنڈ کی سرمایہ کاری شرعی اصول کے مطابق کی جائے۔ اسی طرح ملازمین سے متعلقہ امور میں بینک اس سال سے انشورنس کی بجائے تکافل کا انتظام کر رہا ہے۔

شریعی بورڈ کی رائے شریعی کمپلائنس ڈیپارٹمنٹ، داخلی شریعی بورڈ اور ریزرویشن شریعی بورڈ ممبر کی جانب سے مختلف عقود کے جائزے اور پیش کی گئی رپورٹس پر مبنی ہے۔ مذکورہ معلومات کی بنا پر مجلس شرعی کی رائے یہ ہے کہ:

1- بینک الفلاح - اسلامک بینکنگ گروپ کے معاملات، بالخصوص عقود، متعلقہ معاہدات، طریقہ کار اور ان پر عمل درآمد مجموعی طور پر 2016 کے دوران شریعت کے اصول کے مطابق رہے، نیز اسٹیٹ بینک آف پاکستان اور شریعی بورڈ کی طرف سے جاری کردہ ہدایات پر عمل درآمد بھی اطمینان بخش رہا۔

2- بینک میں داخلی شریعی بورڈ اور شریعی کمپلائنس جائزے (Shari'ah Compliance Review) کی شکل میں ایک منظم طریقہ کار موجود ہے جو اس بات کو یقینی بناتا ہے کہ بینک کو حاصل ہونے والی آمدنی صرف جائز ذرائع سے ہے اور شرعی اعتبار سے غیر اطمینان بخش آمدنی صدقہ کردی جائے تا کہ حصہ داروں کو حاصل ہونے والی آمدنی حلال ہو۔ سال 2016 کے دوران داخلی شریعی بورڈ کے دوران مشاہدہ میں آنے والی شرعی اصولوں کی خلاف ورزی کی بنا پر شریعی بورڈ کی ہدایات کے مطابق 9.524 ملین روپے کی آمدنی صدقہ کی مد میں جمع کرائی گئی۔

3- نفع کی تقسیم اور مضاربہ پر مبنی کھاتوں میں نقصان کے تعیین کا ماہانہ بنیادوں پر جائزہ لیا گیا اور اسے مجموعی طور پر شرعی اصول و ضوابط اور اسٹیٹ بینک کی (Pool Management Guidelines) کے مطابق پایا گیا۔

MANAGEMENT STATEMENT OF COMPLIANCE WITH EMPLOYEES STOCK OPTION SCHEME

Bank Alfalah Limited as of December 31, 2016 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 35.2 to the financial statements. A summary of the scheme is described in the annexure attached with this statement.

Atif Bajwa
Director and Chief Executive Officer
February 23, 2017
Abu Dhabi

INDEPENDENT ASSURANCE REPORT TO THE MEMBERS ON MANAGEMENT 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 (the Scheme) approved by the shareholders in their Annual General Meeting held on March 29, 2013 and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules), as set out in the Statement of Compliance with Employees Stock Options Scheme (the Statement) prepared by the Bank as of December 31, 2016, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Bank's compliance with the Scheme and the Rules.

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of the Scheme and the Rules.

Responsibilities of the Management

The Bank's management is responsible for preparation and presentation of the Statement in accordance with the applicable criteria. This responsibility includes designing, implementing and maintaining internal control relevant to compliance with the terms and conditions of the Scheme and the Rules and preparation of the Statement that is free from material misstatement whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly, in all material respects, 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. Reasonable assurance is less than absolute assurance.

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, 2016.

February 23, 2017
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

STATEMENT ON INTERNAL CONTROLS

This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the bank's policies, aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended December 31, 2016.

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

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

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

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

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

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

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

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

Management's Evaluation on Effectiveness of ICFR:

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

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

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

For and behalf of the Board,

Atif Bajwa
Director and Chief Executive Officer
February 23, 2017
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 2016 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for fifty eight branches which have been audited by us and two branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, except for the change in accounting policies as disclosed in note 5.1 to the accompanying financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2016 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 23, 2017
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	Note	2016	2015 (Restated) (Rupees in `000)	January 01, 2015 (Restated)
ASSETS				
Cash and balances with treasury banks	6	74,071,384	62,368,790	50,515,643
Balances with other banks	7	9,373,123	16,552,207	12,331,713
Lendings to financial institutions	8	30,149,029	27,626,350	18,313,485
Investments - net	9	389,092,637	423,099,734	324,319,454
Advances - net	10	378,720,349	334,158,739	297,255,730
Operating fixed assets	11	18,133,267	17,241,968	15,740,100
Deferred tax assets	12	-	-	-
Other assets	13	17,917,264	21,559,733	24,652,168
		917,457,053	902,607,521	743,128,293
LIABILITIES				
Bills payable	14	12,886,990	9,733,929	11,758,155
Borrowings	15	178,311,035	172,393,198	55,232,916
Deposits and other accounts	16	640,944,254	640,188,735	605,963,224
Sub-ordinated loans	17	8,317,670	9,983,000	9,987,000
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities	12	2,650,428	1,824,054	853,331
Other liabilities	18	14,221,914	15,131,430	14,514,599
		857,332,291	849,254,346	698,309,225
NET ASSETS		<u>60,124,762</u>	<u>53,353,175</u>	<u>44,819,068</u>
REPRESENTED BY				
Share capital	19	15,952,076	15,898,062	15,872,427
Reserves		15,895,652	14,164,120	12,338,026
Unappropriated profit		17,337,458	12,362,596	9,613,374
		49,185,186	42,424,778	37,823,827
Surplus on revaluation of assets - net of tax	20	10,939,576	10,928,397	6,995,241
		<u>60,124,762</u>	<u>53,353,175</u>	<u>44,819,068</u>
CONTINGENCIES AND COMMITMENTS	21			

The annexed notes 1 to 46 and Annexures I and II form an integral part of these unconsolidated financial statements.

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 (Rupees in '000)	2015
Mark-up / return / interest earned	23	57,244,690	61,437,872
Mark-up / return / interest expensed	24	28,474,468	32,810,722
Net mark-up / interest income		<u>28,770,222</u>	<u>28,627,150</u>
Provision against non-performing loans and advances - net	10.5	1,082,506	2,150,209
Provision for diminution in the value of investments - net	9.26	100,766	136,691
Bad debts written off directly	10.6.1	-	-
		<u>1,183,272</u>	<u>2,286,900</u>
Net mark-up / interest income after provisions		<u>27,586,950</u>	<u>26,340,250</u>
Non mark-up / interest income			
Fee, commission and brokerage income		4,667,987	4,384,496
Dividend income		584,805	514,401
Income from dealing in foreign currencies	25	1,120,736	1,379,097
Gain on sale of securities - net	26	1,681,621	1,606,751
Unrealised gain on revaluation of investments classified as held for trading - net	9.28	109	229,063
Other income	27	812,755	747,747
Total non mark-up / interest income		<u>8,868,013</u>	<u>8,861,555</u>
		<u>36,454,963</u>	<u>35,201,805</u>
Non mark-up / interest expenses			
Administrative expenses	28	23,423,218	21,956,115
(Reversal) / provision against off-balance sheet obligations	18.1	(7,508)	1,066
(Reversal) / provision against other assets	13.3	(102,305)	310,765
Other charges	29	118,399	329,789
Total non mark-up / interest expenses		<u>23,431,804</u>	<u>22,597,735</u>
		<u>13,023,159</u>	<u>12,604,070</u>
Extra ordinary / unusual items		-	-
Profit before taxation		<u>13,023,159</u>	<u>12,604,070</u>
Taxation	30		
- Current		4,689,525	5,008,992
- Deferred		871,038	(495,545)
- Prior years		(437,312)	567,813
		<u>5,123,251</u>	<u>5,081,260</u>
Profit after taxation		<u><u>7,899,908</u></u>	<u><u>7,522,810</u></u>
			(Rupees)
Basic earnings per share	31.1	<u>4.96</u>	<u>4.73</u>
Diluted earnings per share	31.2	<u>4.93</u>	<u>4.73</u>

The annexed notes 1 to 46 and Annexures I and II form an integral part of these unconsolidated financial statements.

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 (Rupees in '000)	2015
Profit after taxation		7,899,908	7,522,810
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		11,054	210,501
Items that will never be reclassified to profit and loss account			
Remeasurement of defined benefit plan	35.1.4	309,314	(198,962)
Related tax on remeasurement of defined benefit plan		(108,260)	69,637
		201,054	(129,325)
Comprehensive income - transferred to statement of changes in equity		8,112,016	7,603,986
Components of comprehensive income not reflected in equity			
Items that are or may be reclassified subsequently to profit and loss account			
(Deficit) / surplus on revaluation of available for sale securities		(88,251)	3,791,058
Related deferred tax liability		60,736	(1,346,452)
		(27,515)	2,444,606

The annexed notes 1 to 46 and Annexures I and II form an integral part of these unconsolidated financial statements.

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 (Rupees in `000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		13,023,159	12,604,070
Dividend income		(584,805)	(514,401)
		<u>12,438,354</u>	<u>12,089,669</u>
Adjustments			
Depreciation	28	1,691,261	1,809,454
Amortisation	28	357,473	272,179
Provision against non-performing loans and advances - net	10.5	1,082,506	2,150,209
Provision for diminution in value of investments - net	9.26	100,766	136,691
(Reversal) / provision against off-balance sheet obligations	18.1	(7,508)	1,066
(Reversal) / provision against other assets	13.3	(102,305)	310,765
Unrealised gain on revaluation of investments classified as held for trading - net	9.28	(109)	(229,063)
Gain on sale of operating fixed assets - net	27	(53,226)	(11,519)
Charge for defined benefit plan	35.1.4	260,795	290,111
		<u>3,329,653</u>	<u>4,729,893</u>
		<u>15,768,007</u>	<u>16,819,562</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(11,944,621)	(23,711,516)
Held for trading securities		3,891,325	2,363,062
Advances		(45,644,116)	(38,850,793)
Other assets (excluding advance taxation)		4,223,462	142,188
		<u>(49,473,950)</u>	<u>(60,057,059)</u>
Increase / (decrease) in operating liabilities			
Bills payable		3,153,061	(2,024,226)
Borrowings		5,971,645	117,197,929
Deposits and other accounts		755,519	34,225,511
Other liabilities		(576,087)	410,446
		<u>9,304,138</u>	<u>149,809,660</u>
		<u>(24,401,805)</u>	<u>106,572,163</u>
Gratuity paid	35.1.4	(260,795)	(290,111)
Income tax paid		(4,692,207)	(3,039,444)
Net cash (used) in / generated from operating activities		<u>(29,354,807)</u>	<u>103,242,608</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(28,968,156)	(71,390,574)
Net investments in held to maturity securities		57,927,823	984,355
Investment in subsidiaries / associated companies		(8,481)	(1,723,471)
Disposal of investment in subsidiaries / associated companies		890,400	928,244
Dividend income received		549,605	519,569
Investments in operating fixed assets		(2,837,372)	(1,951,174)
Sale proceeds of property and equipments disposed-off	11.4	111,326	22,342
Net cash generated from / (used) in investing activities		<u>27,665,145</u>	<u>(72,610,709)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		84,895	41,836
Redemption of sub-ordinated loans		(1,665,330)	(4,000)
Dividend paid		(1,585,581)	(3,165,079)
Net cash used in financing activities		<u>(3,166,016)</u>	<u>(3,127,243)</u>
Exchange difference on translation of net investments in foreign branches		11,054	210,501
		<u>(4,844,624)</u>	<u>27,715,157</u>
(Decrease) / increase in cash and cash equivalents		<u>93,351,641</u>	<u>65,536,606</u>
Cash and cash equivalents at beginning of the year		244,080	343,958
Effects of exchange rate changes on cash and cash equivalents		93,595,721	65,880,564
Cash and cash equivalents at end of the year	32	<u>88,751,097</u>	<u>93,595,721</u>

The annexed notes 1 to 46 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, 2016

	Capital Reserves			Revenue Reserves		Total	
	Share capital	Share premium	Statutory reserve*	Exchange translation reserve (Rupees in '000)	Employee share option compensation reserve		Unappropriated profit
Balance as at January 1, 2015	15,872,427	4,285,556	6,636,342	1,362,465	53,663	9,613,374	37,823,827
Changes in equity for 2015							
Total comprehensive income							
Profit after taxation	-	-	-	-	-	7,522,810	7,522,810
Other comprehensive income							
Exchange difference on translation of net investment in foreign branches	-	-	-	210,501	-	-	210,501
Remeasurement of defined benefit plan (Note 35.1.4)	-	-	-	-	-	(198,962)	(198,962)
Related tax charge	-	-	-	-	-	69,637	69,637
	-	-	-	210,501	-	7,393,485	7,603,986
Transfer to statutory reserve	-	-	1,504,562	-	-	(1,504,562)	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	34,784	34,784
Transactions with owners recorded directly in equity							
Shares issued during the year	25,635	16,201	-	-	-	-	41,836
Final cash dividend for the year ended December 31, 2014 @ 20%	-	-	-	-	-	(3,174,485)	(3,174,485)
Recognition of fair value of share based payments on grant date (Note 35.2)	-	-	-	-	119,250	-	119,250
Unamortised portion of deferred employee compensation expense	-	-	-	-	(24,420)	-	(24,420)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	27,891	-	-	(27,891)	-	-
Balance as at December 31, 2015	<u>15,898,062</u>	<u>4,329,648</u>	<u>8,140,904</u>	<u>1,572,966</u>	<u>120,602</u>	<u>12,362,596</u>	<u>42,424,778</u>
Changes in equity for 2016							
Total comprehensive income							
Profit after taxation	-	-	-	-	-	7,899,908	7,899,908
Other comprehensive income							
Exchange difference on translation of net investment in foreign branches	-	-	-	11,054	-	-	11,054
Remeasurement of defined benefit plan (Note 35.1.4)	-	-	-	-	-	309,314	309,314
Related tax charge	-	-	-	-	-	(108,260)	(108,260)
	-	-	-	11,054	-	8,100,962	8,112,016
Transfer to statutory reserve	-	-	1,579,982	-	-	(1,579,982)	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	43,688	43,688
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)
Shares issued during the year	54,014	30,881	-	-	-	-	84,895
Recognition of fair value of share based payments on grant date (Note 35.2)	-	-	-	-	132,026	-	132,026
Unamortised portion of deferred employee compensation expense	-	-	-	-	(22,411)	-	(22,411)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-
Balance as at December 31, 2016	<u>15,952,076</u>	<u>4,417,126</u>	<u>9,720,886</u>	<u>1,584,020</u>	<u>173,620</u>	<u>17,337,458</u>	<u>49,185,186</u>

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

The annexed notes 1 to 46 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, 2016

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchanges). The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 475 conventional banking branches including 18 sub branches (2015: 484 branches including 12 sub branches), 10 overseas branches (2015: 10 branches), 153 Islamic banking branches (2015: 158 branches) and 1 offshore banking unit (2015: 1 unit). The credit rating of the Bank is disclosed in note 33 of the unconsolidated financial statements.

2 BASIS OF PRESENTATION

- 2.1 These unconsolidated financial statements represent separate financial statements of Bank Alfalah Limited in which investments in subsidiaries and associates are accounted on the basis of direct equity interest rather than on the basis of reported results.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.
- 2.3 Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

3 STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by SECP and SBP shall prevail.
- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

3.4 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, 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the existence of a deductible temporary differences depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Bank's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 01, 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Bank's financial statements.
 - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 01, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank's financial statements.
 - IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining

the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Bank's financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and Presentation Currency

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

4.3 Critical accounting estimates and judgements

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

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

- i) classification and provisioning against investments (notes 5.4 and 9)
- ii) classification and provisioning against non-performing loans and advances (notes 5.5 and 10)
- iii) income taxes (notes 5.11 and 30)
- iv) accounting for defined benefit plan and compensated absences (notes 5.12 and 35)
- v) depreciation / amortisation of operating fixed assets (notes 5.6 and 11)
- vi) impairment of assets (notes 5.9 and 5.10)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These have been consistently applied to all years presented, unless otherwise specified except for changes mentioned in note 5.1 to these unconsolidated financial statements. In addition certain reclassification have been made as required by SBP Circular No. 05 of 2016 (refer note 44.1).

- 5.1** On January 01, 2016, the State Bank of Pakistan (SBP) wide BPRD Circular No. 01 of 2016 issued 'Regulations for Debt Property Swaps'. In line with these regulations, the Bank, effective January 1, 2016 has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims. Prior to this change in accounting policy, non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non-banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs. 36.94 million, surplus on revaluation of assets and deferred tax liabilities would have been lower by Rs. 23.95 million and Rs. 12.99 million respectively, and profit after tax would have been higher by Rs. 1.34 million.

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial institutions

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

Sale of securities under repurchase agreements

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

Purchase of securities under resale agreements

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

5.4 Investments

5.4.1 Classification

The Bank classifies its investments as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

Associates

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

Subsidiaries

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

5.4.2 Regular way contracts

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

5.4.3 Initial recognition and measurement

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

5.4.4 Subsequent measurement

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

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

5.4.5 Impairment

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

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

5.5 Advances

Loans and advances

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

Islamic Financing and Related Assets

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

Net investment in Finance Lease

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

5.6 Operating Fixed assets

Tangible assets

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

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

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

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

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

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

Intangible assets

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

5.7 Capital work in progress

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

5.8 Non-current assets held for sale

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

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

5.9 Impairment

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

5.10 Ijarah Assets (IFAS 2)

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

Depreciation

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

Ijarah Rentals

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

Impairment

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

5.11 Taxation

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

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebate, 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 differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.12 Employee benefits

a) Defined benefit plan

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

b) Defined contribution plan

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

c) Compensated absences

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

d) Employees Stock Option Scheme

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

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

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

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

5.13 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the 'surplus on revaluation of fixed assets' account, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account. Furthermore, revaluation surplus on such assets shall not be admissible for calculating bank's Capital Adequacy Ratio (CAR) and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

5.14 Borrowings / deposits and their cost

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

5.15 Deposits - Islamic Banking

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

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

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

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

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

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

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

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

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

5.16 Provisions

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

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

5.17 Acceptances

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

5.18 Revenue recognition

Advances and investments

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

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

Lease financing

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

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

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

Murabaha income is recognised on deferred income basis.

Fee, commission and brokerage

Fee, commission and brokerage income except income from guarantees and bancaassurance business are accounted for on receipt basis.

Other income is recognised on accrual basis.

5.19 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Commitments

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

Foreign operations

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

5.20 Derivative financial instruments

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

5.21 Off-setting

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

5.22 Dividend and appropriation to reserves

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

5.23 Earnings per share

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

5.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure of the Bank. Segmented performance is reported to the senior management of the Bank on monthly basis for the purpose of strategic decision making and performance management.

a) Business segments

Retail banking

This includes loans, deposits, trading activity, wealth management and other banking transactions with retail and middle market customers of the Bank.

Corporate banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities with Bank's corporate and public sector customers.

Treasury

This segment includes liquidity management activities carried out through borrowing, lending and money market operations. The investments of the Bank primarily towards government securities and risk management activities via use of forward contracts & derivatives are reported here.

Consumer banking

This segment primarily constitutes consumer financing activities with individual customers of the Bank. Product suite offered to these customers include credit cards, auto loans, housing finance and personal loans.

Islamic banking

This segment pertains to full scale Islamic Banking operations of the Bank.

International operations

This segment includes amounts related to Bank's overseas operations, namely, commercial banking activities in Bangladesh and Afghanistan, and wholesale banking activities in the Kingdom of Bahrain.

Others

This includes the Bank's merchant banking and head office related activities, and all other activities not readily tagged to the segments above.

b) Geographical segments

The Bank operates in three geographical regions being:

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

	Note	2016 (Rupees in '000)	2015
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (Including in transit 2016: Rs. 12.122 million, 2015: Rs. 6 million)		10,187,393	8,971,966
Foreign currencies (Including in transit 2016: Rs. 4.189 million, 2015: Rs. 7 million)		2,579,051	2,377,778
With State Bank of Pakistan in			
Local currency current accounts	6.1	28,662,461	20,593,524
Foreign currency current accounts	6.2	2,553,016	3,232,623
Foreign currency deposit accounts	6.3	5,972,553	7,224,768
With other central banks in			
Foreign currency current accounts	6.4	4,117,412	5,933,513
Foreign currency deposit accounts	6.4	678,906	656,196
With National Bank of Pakistan in			
Local currency current account		19,292,758	13,305,048
National Prize Bonds		27,834	73,374
		<u>74,071,384</u>	<u>62,368,790</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	2016 (Rupees in '000)	2015
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		306,450	616,187
On deposit accounts	7.1	1,000,555	540
Outside Pakistan			
On current accounts	7.2	4,375,099	10,956,696
On deposit accounts	7.3	3,691,019	4,978,784
		<u>9,373,123</u>	<u>16,552,207</u>

- 7.1** This represents funds deposited with various banks at profit rates ranging from 3.00% to 6.00% per annum (2015: 3.00% to 4.50% per annum).
- 7.2** This includes amount held in Automated Investment Plans. The balance is current in nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.
- 7.3** This includes placement of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.00% to 5.50% per annum (2015: 1.00% to 6.00% per annum) having maturities upto March 2017 (2015: March 2016).

	Note	2016	2015 (Restated)
(Rupees in '000)			
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	5,306,590	15,265,899
Bai Muajjal	8.2	24,497,227	12,360,451
Repurchase agreement lendings	8.3	345,212	-
		<u>30,149,029</u>	<u>27,626,350</u>

- 8.1** These represent lendings to financial institutions at interest rates ranging from 0.25% to 9.00% per annum (2015: 0.40% to 12.00% per annum) having maturities upto March 2017 (2015: November 2016).
- 8.2** This represents Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) / other commercial banks, whereby the Bank sold Sukuks having carrying value of Rs. 24,497 million on deferred payment basis. The rates of return range from 5.62% to 5.97% per annum (December 2015: 6.94% to 8.26%), and these are due to mature by June 2017 (2015: March 2016).
- 8.3** These represent short term lending to financial institutions against investement securities. These carry markup rates upto 6.15% per annum (2015: Nil) with maturities upto January 2017 (2015: Nil).

8.3.1 Securities held as collateral against lending to financial institutions

	2016			2015		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	------(Rupees in '000)-----					
Market Treasury Bills	345,212	-	345,212	-	-	-

	2016	2015
(Rupees in '000)		
8.4 Particulars of lendings to financial institutions		
In local currency	28,842,439	12,610,451
In foreign currencies	1,306,590	15,015,899
	<u>30,149,029</u>	<u>27,626,350</u>

9 INVESTMENTS - NET

9.1 Investments by types

Note	2016			2015 (Restated)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
------(Rupees in '000)-----						
Held for trading securities						
Market Treasury Bills	14,120,130	-	14,120,130	13,480,197	-	13,480,197
Pakistan Investment Bonds	20,207	-	20,207	2,423,862	-	2,423,862
Overseas Bonds	549,615	-	549,615	2,990,933	-	2,990,933
Fully paid up ordinary shares / units - Listed	740,776	-	740,776	197,998	-	197,998
	15,430,728	-	15,430,728	19,092,990	-	19,092,990
Available for sale securities						
Market Treasury Bills	38,584,821	-	38,584,821	78,391,879	494,563	78,886,442
Pakistan Investment Bonds	78,936,759	128,150,711	207,087,470	28,914,704	128,577,363	157,492,067
Fully paid up ordinary shares / units - Listed	6,223,937	-	6,223,937	5,000,753	-	5,000,753
Fully paid up ordinary shares / units - Unlisted	82,056	-	82,056	4,426,617	-	4,426,617
Term Finance Certificates	514,483	-	514,483	829,594	-	829,594
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	25,000	-	25,000	325,000	-	325,000
Redeemable Participating Certificates	501,938	-	501,938	-	-	-
Pakistan Euro Bonds	2,688,770	-	2,688,770	2,409,043	-	2,409,043
Overseas Bonds	7,819,677	4,839,993	12,659,670	4,804,159	-	4,804,159
Sukuk Bonds	38,663,395	5,023,937	43,687,332	33,280,442	-	33,280,442
	174,149,671	138,014,641	312,164,312	158,491,026	129,071,926	287,562,952
Held to maturity securities						
Market Treasury Bills	1,995,857	-	1,995,857	-	-	-
Pakistan Investment Bonds	31,793,773	-	31,793,773	66,180,991	-	66,180,991
Other Federal Government Securities - Bai Muajjal	-	-	-	26,002,520	-	26,002,520
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds	706,255	-	706,255	3,347,785	-	3,347,785
Commercial Papers	661,557	-	661,557	266,822	-	266,822
Overseas Bonds	9,714,052	1,036,079	10,750,131	7,653,735	-	7,653,735
Sukuk Bonds	3,847,273	-	3,847,273	4,230,816	-	4,230,816
	49,243,033	1,036,079	50,279,112	108,206,935	-	108,206,935
Subsidiaries						
Alfalah Securities (Private) Limited	1,126,000	-	1,126,000	1,126,000	-	1,126,000
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
Alfalah GHP Value Fund	-	-	-	100,000	-	100,000
Alfalah GHP Cash Fund	525,474	-	525,474	525,474	-	525,474
	1,781,967	-	1,781,967	1,881,967	-	1,881,967
Associates						
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited	978,123	-	978,123	978,123	-	978,123
Alfalah GHP Money Market Fund	55,153	-	55,153	46,672	-	46,672
Alfalah GHP Income Multiplier Fund	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Sovereign Fund	200,000	-	200,000	200,000	-	200,000
Alfalah GHP Islamic Stock Fund	250,000	-	250,000	250,000	-	250,000
Appollo Pharma Limited	-	-	-	790,400	-	790,400
	1,802,266	-	1,802,266	2,584,185	-	2,584,185
Investments at cost	242,407,665	139,050,720	381,458,385	290,257,103	129,071,926	419,329,029
Provision for diminution in the value of investments	9.26	(2,079,781)	(2,079,781)	(6,345,811)	-	(6,345,811)
Investments (net of provisions)		240,327,884	379,378,604	283,911,292	129,071,926	412,983,218
Surplus on revaluation of held for trading securities - net	9.28	109	109	229,063	-	229,063
Surplus on revaluation of available for sale securities - net	20.2	7,636,113	9,713,924	9,365,358	522,095	9,887,453
Total investments		247,964,106	389,092,637	293,505,713	129,594,021	423,099,734

9.1.1 Market value of held to maturity securities is Rs. 48,528 million (2015: Rs. 83,866 million) excluding non-government overseas bonds.

9.2 Strategic Investments	Note	2016 (Rupees in '000)	2015
Available for sale			
Fully paid up ordinary shares - Unlisted			
Al Hamra Avenue (Private) Limited (Percentage of holding: 3.12% (2015: 3.12%))	9.13	50,000	50,000
Warid Telecom (Private) Limited (Related Party)	9.13	-	4,366,796
Subsidiaries			
Alfalah Securities (Private) Limited (Percentage of holding: 97.91% (2015: 97.91%))	9.22	1,126,000	1,126,000
Alfalah GHP Investment Management Limited (Percentage of holding: 40.22% (2015: 40.22%))	9.22	130,493	130,493
Alfalah GHP Value Fund (Percentage of holding: Nil (2015: 27%))	9.22	-	100,000
Associates			
Alfalah Insurance Limited (Percentage of holding: 30% (2015: 30%))	9.23	68,990	68,990
Alfalah GHP Income Multiplier Fund (Percentage of holding: 13.17% (2015: 10.68%))	9.23	250,000	250,000
Sapphire Wind Power Company Limited (Percentage of holding: 30% (2015: 30%))	9.23	978,123	978,123
Alfalah GHP Islamic Stock Fund (Percentage of holding: 6.45% (2015: 52.92%))	9.23	250,000	250,000
		2,853,606	7,320,402
Provision for diminution in the value of investments		(876,000)	(5,242,796)
		1,977,606	2,077,606

9.2.1 Strategic investments are those which the Bank makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to the fulfilment of the requirements prescribed by the SBP. Further, as per the SBP instructions in BPRD 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	2016	2015 (Restated) (Rupees in '000)
Federal Government Securities			
- Market Treasury Bills	9.5	54,700,808	92,366,639
- Pakistan Investment Bonds	9.6	238,901,450	226,096,920
- Overseas Government Bonds	9.7	18,042,785	11,799,149
- Sukuk Bonds	9.8	41,567,768	31,096,239
- Pakistan Euro Bonds	9.9	3,395,025	5,756,828
- Commercial Papers	9.10	132,277	-
- Other Federal Government Securities - Bai Muajjal	9.11	-	26,002,520
		356,740,113	393,118,295
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.12	6,964,713	5,198,751
- Un-listed companies	9.13	82,056	4,426,617
- Preference Shares - Listed	9.14	108,835	108,835
- Preference Shares - Unlisted	9.15	25,000	325,000
		7,180,604	10,059,203
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.16	99,900	99,940
- Un-listed TFCs	9.17	938,849	1,253,920
- Sukuk Bonds	9.18	5,966,837	6,415,019
- Commercial Papers	9.19	529,280	266,822
- Overseas Bonds	9.20	5,916,631	3,649,678
- Redeemable Participating Certificates	9.21	501,938	-
		13,953,435	11,685,379
Investment in Subsidiaries	9.22	1,781,967	1,881,967
Investment in Associates	9.23	1,802,266	2,584,185
Total investments at cost		381,458,385	419,329,029
Provision for diminution in the value of investments	9.26	(2,079,781)	(6,345,811)
Investments (net of provisions)		379,378,604	412,983,218
Surplus on revaluation of held for trading securities - net	9.28	109	229,063
Surplus on revaluation of available for sale securities - net	20.2	9,713,924	9,887,453
Total investments		389,092,637	423,099,734

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 5.85% to 6.21% per annum (2015: 6.26% to 7.99% per annum) with maturities upto September 2017 (2015: October 2016).

- 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 6.21% to 12.73% per annum (2015: 8.75% to 12% per annum) with maturities from July 2017 to July 2022 (2015: May 2016 to July 2022). These also include PIBs having face value of Nil (2015: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.
- 9.7** These represent Overseas Government Bonds issued by the Government of Bahrain, the Government of Kazakhstan, the Government of Afghanistan, the Government of Bangladesh, the Government of Mexico, the Government of Indonesia, the Government of Sri Lanka, the Government of Qatar, the Government of Saudi Arabia and the Government of Oman amounting to USD 5 million (2015: USD 5 million), USD 3 million (2015: USD 3 million), AFN 2,338 million (2015: AFN 1,214 million), BDT 4,208 million (2015: BDT 6,605 million), EUR 0.5 million (2015: EUR 0.5 million), USD 2 million (2015: USD 2 million) and EUR 2.5 million (2015: Nil), USD 1.5 million (2015: Nil), USD 22 million (2015: Nil), USD 19 million (2015: Nil) and USD 22 million (2015: Nil) respectively. The rate of profit on Government of Bahrain bond is 5.50% (2015: 5.50%), Government of Kazakhstan bond is 3.88% (2015: 3.88%) and Government of Afghanistan bond ranging from 1.80% to 6.67% per annum (2015: 1.80% to 6.70% per annum), Government of Bangladesh bonds carry profit rate ranging from 6.62% to 12.55% per annum (2015: 8.50% to 12.48% per annum), Government of Mexico bonds is 1.63% (2015: 1.63%), Government of Indonesia bonds ranging from 2.63% to 4.35% (2015: 3.38%), Government of Sri Lanka bond is 5.75% (2015: Nil), Government of Qatar bond ranging from 2.38% to 3.28% (2015: Nil), Government of Saudi Arabia bonds ranging from 2.38% to 3.25% (2015: Nil) and Government of Oman bond is 4.75% (2015: Nil). The bonds are due to mature by March 2020 (2015: March 2020), October 2024 (2015: October 2024), December 2017 (2015: December 2016), November 2034 (2015: November 2034), March 2024 (2015: March 2024), January 2027 (2015: July 2025), January 2022 (2015: Nil), June 2026 (2015: Nil), October 2026 (2015: Nil), and June 2026 (2015: Nil) respectively.
- 9.8** These represent sukuk bonds of Rs. 1,381 million (2015: Rs. 1,790 million) issued by Water and Power Development Authority (WAPDA) for a period of eight and ten years, ijarah sukuk of Rs. 30,126 million (2015: Rs. 27,451 million) issued by the State Bank of Pakistan for a period of three years, sukuk bond issued of Rs. 2,600 million by Neelum Jhelum Power Project and ijarah sukuk of USD 71.33 million (2015: USD 17.70 million) issued by the Government of Indonesia, the Government of South Africa, the Government of Pakistan, Government of Turkey and Bahrain. The rates of profit on these bonds range between 5.81% to 7.06% per annum (2015: 6.78% to 7.59% per annum), between 5.45% to 6.10% per annum (2015: 5.89% to 6.15% per annum) and between 7.19% to 7.28% per annum (2015: Nil) and 3.90% to 6.75% per annum respectively. These sukuk bonds are due to mature by October 2021, March 2019, October 2026, and September 2024 respectively.
- 9.9** These represent Pakistan Euro Bonds of US Dollar 33.14 million (2015: US Dollar 55.05 million) issued by the Government of Pakistan. These bonds carry interest between 7.25% to 8.25% per annum (2015: 7.13% to 8.25% per annum) with maturities upto September 2025 (2015: September 2025).
- 9.10** These represent Commercial papers amounting to BDT 99.94 million (2015: Nil), Interest rate on these commercial papers is 2.97% per annum (2015: Nil) and are due for maturity on January 2017 (2015: Nil).
- 9.11** This represents Bai Muajjal agreements entered into with Ministry of Finance (MoF), whereby the Bank sold Sukuks having carrying value of Rs. 26,002 million were sold on deferred payment basis.

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

2016 (Number of shares / certificates / units)	2015		2016 (Rupees in '000)	2015
		OIL AND GAS		
2,275,000	800,000	Oil and Gas Development Corporation Limited	324,333	110,368
475,000	655,200	Pakistan Oilfields Limited	147,629	203,635
591,800	1,125,000	Pakistan Petroleum Limited	75,012	142,597
560,100	955,000	Pakistan State Oil Company Limited	209,845	350,923
140,000	213,000	Attock Petroleum Limited	74,552	113,732
200,000	-	Hi-Tech Lubricants Limited	22,898	-
		AGRIBUSINESS		
592,200	-	Agriauto Industries Limited	139,293	-
		CHEMICALS AND PHARMACEUTICAL		
1,773,800	1,144,600	Engro Corporation Limited	497,166	296,555
3,745,500	-	Engro Fertilizer Limited	277,450	-
1,200,000	540,500	Fatima Fertilizer Company Limited	37,184	14,290
1,875,000	1,250,000	Fauji Fertilizer Company Limited	232,121	162,897
4,429,500	2,000,000	Fauji Bin Qasim Limited	232,669	111,594
300,000	-	Abbot Laboratories (Pakistan) Limited	255,055	-
2,273,531	1,948,333	Agritech Limited	17,909	15,100
		CONSTRUCTION AND MATERIALS		
-	750,000	Attock Cement Company Limited	-	138,493
1,200,000	-	Fauji Cement Company Limited	44,363	-
2,191,400	2,250,000	D G Khan Cement Limited	322,308	285,827
997,700	828,500	Lucky Cement Limited	532,555	356,351
1,300,000	1,750,000	Amreli Steels Limited	69,969	89,250
550,000	-	Avanceon Limited	19,416	-
851,300	-	Cherat Cement Company Limited	128,283	-
128,900	-	Cherat Packaging Limited	48,034	-
124,000	-	Mughal Iron and Steel Industries Limited	11,810	-
2,722,000	-	Pioneer Cement Limited	330,591	-
200,000	-	Thal Limited	83,906	-
		Real Estate		
41,622,117	71,003,617	Dolmen City Real Estate Investment Trust (REIT)	457,843	781,040
		PERSONAL GOODS		
-	1,090,100	Nishat Mills Limited	-	119,233
100,250	153,750	Al Shaheer Corporation Limited	5,432	9,593
624,500	-	Gul Ahmed Textile Mills Limited	34,007	-
250,000	-	Nishat (Chunian) Limited	14,434	-
250,000	-	Pak Elektron Limited	17,480	-
		ELECTRICITY		
6,116,700	5,391,000	The Hub Power Company Limited	553,530	424,458
1,942,500	2,325,000	Kot Addu Power Company Limited	148,452	175,968
4,000,000	4,475,000	Nishat (Chunian) Power Company Limited	132,117	147,806
2,500,000	2,650,000	Nishat Power Company Limited	106,994	111,650
-	3,703,706	Engro Powergen Qadirpur Limited	-	126,735
5,540,000	-	K-Electric Limited	51,055	-
221,000	-	Altern Energy Limited	7,949	-
		TELECOMMUNICATION		
-	250,000	Pakistan Telecommunication Company Limited	-	4,008
		BANKS		
891,700	841,700	Allied Bank Limited	88,485	83,782
5,500,000	5,449,000	Bank Al Habib Limited	226,069	220,770
1,227,200	925,000	MCB Bank Limited	301,077	230,466
1,800,000	1,300,000	United Bank Limited	299,826	210,949
1,775,000	700,000	Habib Bank Limited	331,519	145,681
1,800,720	1,800,720	First Dawood Investment Bank Limited	15,000	15,000
525,000	-	National Bank of Pakistan Limited	39,093	-
		Financial Services		
47,460	47,460	Visa Inc.	-	-
			<u>6,964,713</u>	<u>5,198,751</u>

9.13 Investments in unlisted companies

2016 (Number of shares)	2015		2016 (Rupees in '000)	2015
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	Warid Telecom (Private) Limited (Related party) note 9.13.1	-	4,366,796
2,223,452	-	Pakistan Mobile Communication Limited (Related party) note 9.13.1 Chief Executive: Mr. Aamir Ibrahim Break-up value per share: Rs. 15.52 (2015: Rs. 8.23) Date of financial statements: September 30, 2016 (unaudited)	22,235	-
			82,056	4,426,617

9.13.1 During the year, the existing shareholders of Warid Telecom (Private) Limited including the Bank transferred their holding in Warid Telecom (Private) Limited to Pakistan Mobile Communications Limited (PMCL), in lieu of acquiring an overall stake of 15 percent in PMCL. This development was in furtherance of the Acquisition Agreement dated November 26, 2015.

Pursuant to the said transfer, the Bank has received 2,223,452 shares of Rs. 10 each in PMCL in lieu of its holding in Warid Telecom (Private) Limited (pre-acquisition). As a result of this share exchange, the Bank has recorded the shares acquired in PMCL while its investment in Warid Telecom (Private) Limited and the related provision held thereagainst stands de-recognised.

The merger of PMCL and Warid Telecom (Private) Limited was approved by Islamabad High Court in December 2016.

9.14 Investments in preference shares - Listed

2016 (Number of shares)	2015		2016 (Rupees in '000)	2015
10,883,486	10,883,486	AgriTech Limited Chief Executive: Mr. Faisal Muzammil Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 12.51 (2014: Rs. 17.96) Date of financial statements: December 31, 2015 (Audited)	108,835	108,835
			108,835	108,835

9.15 Investments in preference shares - Unlisted

2016 (Number of shares)	2015		2016 (Rupees in '000)	2015
-	120,000,000	Silk Bank Preference Shares	-	300,000
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. (17.60) (2015: Rs. (17.96)) Date of financial statements: June 30, 2016 (Audited)	25,000	25,000
			<u>25,000</u>	<u>325,000</u>

9.16 Particulars of Term Finance Certificates - Listed

	2016 (Rupees in '000)	2015
NIB Bank Limited - (2nd Issue)	99,900	99,940
20,000 (2015: 20,000) certificates of Rs. 5,000 each Mark up: Average six months KIBOR + 115 basis points per annum with no floor and cap Redemption: The TFC is structured to redeem 0.3 percent of principal semi-annually in the first ninety months followed by remaining 99.70% 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: AA- (PACRA) Chief Executive: Mr. Yameen Karai	<u>99,900</u>	<u>99,940</u>

9.17 Particulars of Term Finance Certificates - Unlisted

Askari Bank Limited	99,920	99,960
20,000 (2015: 20,000) certificates of Rs. 5,000 each Mark up: Average six months KIBOR plus 120 basis points per annum Redemption: TFC is structured to redeem 0.36% of the issue amount during the tenor of the issue with 99.64% of the issue amount in year ten in 2 equal semi annual instalments of 49.82% each. The TFCs shall be sub-ordinated to the payment of the principal and profit to all other 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+ (PACRA) Chief Executive: Mr. Syed Majeedullah Hussaini		
Faysal Bank Limited	74,850	149,700
30,000 (2015: 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 (PACRA) Chief Executive: Mr. Nauman Ansari		
Bank AL Habib Limited	-	299,520

	2016	2015
	(Rupees in '000)	
Agritech Limited	499,586	499,586
100,000 (2015: 100,000) certificates of Rs. 5,000 each		
Mark up: Average six months KIBOR (Ask Side) + 175 basis point per annum (no floor & no cap)		
Redemption: Repayment will be made in stepped up instalments where 35 percent of principal amount will be paid in the years 3 to 5 and remaining 65 percent will be paid in years 6 to 8.		
Maturity: July 2017		
Rating: Unrated		
Chief Executive: Mr. Muhammad Faisal Muzammil		
Zulekha Textile Mills Limited	24,680	24,680
300 (2015: 300) certificates of Rs. 100,000 each		
Mark-up: Average Six Months KIBOR + 300 basis points per annum		
Redemption: 10 equal semi-annual instalments commencing from the 24th months from first draw down.		
Maturity: October 2019		
Rating: Unrated		
Chief Executive: Shanzae Amjad		
Azgard Nine Limited - Note 9.17.1	43,350	43,350
20,000 (2015: 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 9.17.2	32,870	32,870
6,574 (2015: 6,574) certificates of Rs.5,000 each		
Mark-up: Zero Rated		
Redemption: Principal to be repaid in 7 semi annual instalments starting from March 2014		
Maturity: March 2017		
Rating: Unrated		
Chief Executive: Mr. Ahmed H. Shaikh		
New Allied Electronics - Note 9.17.3	2,185	2,185
437 (2015: 437) certificates of Rs. 5,000 each		
Mark up: Average three months KIBOR plus 275 basis points		
Redemption: 17 equal quarterly instalments		
Maturity: May 2011		
Rating: Unrated		
Chief Executive: Mr. Zeeshan Pervaiz Akhtar		
Fauji Akber Portia Marine Terminals Limited (FAP) - Note 9.17.4	161,408	102,069
6 certificates of various PKR denominations (2015: 4 certificates of various PKR denominations)		
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: Commodore (Retd) Pervaiz Ahmed Khan		
	938,849	1,253,920

9.17.1 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 9.17). This exposure in TFC is fully provided while investment in shares has been held at fair value.

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

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

9.17.2 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, 2016, this investment is fully provided.

9.17.3 These represent TFCs of New Allied Electronics amounting to Rs. 2.185 million, received partially in lieu of the fully impaired unlisted TFCs of First Dawood Investment Bank previously held by the Bank. As at December 31, 2016, this investment is fully provided.

9.17.4 During the year 2016, the Bank received zero rated TFCs of Fauji Akbar Portia Marine Terminal Limited (FAP) amounting to Rs. 59.339 million (2015: Rs. 51.034 million). These TFCs were received in settlement of overdue mark-up instalments on reduced STF facility of FAP. The Bank will continue to receive TFCs in settlement of mark-up to be accrued on semi-annual basis till May 2021. As at December 31, 2016, the exposure in the TFCs amounts to Rs. 161.408 million which stands fully provided.

9.18 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Number of Certificates	2016 (Rupees in '000)	2015
Security Leasing Corporation Limited - II	September 2022	6 months KIBOR plus 1.95%	35,000	52,350	52,350
BRR Guardian Modaraba	December 2016	1 months KIBOR	20,000	36,177	58,750
Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.00%	60,000	118,052	157,813
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00%	100,000	297,132	356,674
Amreli Steel (Private) Limited	December 2016	3 months KIBOR plus 2.5 %	-	-	95,000
Security Leasing Corporation Limited - I	January 2022	3% Cash + 3% accrual	5,000	6,418	6,418
Quetta Textile Mills Limited	September 2019	6 months KIBOR plus 1.50%	30,000	72,619	74,483
Pakistan Mobile Communication Limited	December 2019	3 months KIBOR plus 0.88 %	340,000	1,700,000	1,700,000
Sui Southern Gas Company Limited	October 2019	3 months KIBOR plus 0.4%	300,000	1,500,000	1,500,000
TF Varlik Kiralama AS	April 2019	5.38%	317,005	317,005	318,711
Kuveyt Turk Katilim Bankasi	June 2019	5.16%	522,993	522,993	523,705
Albaraka Turk Katilim Bankasi	June 2019	6.25%	925,697	925,697	-
Sharjah International Bank	May 2021	3.08%	418,394	418,394	1,571,115
				<u>5,966,837</u>	<u>6,415,019</u>

- 9.19** These represent Commercial papers amounting to BDT 400 million (2015: BDT 200 million), Interest rates on these commercial papers range between 7.75% to 9.50% per annum (2015: 10.25% per annum), and are due for maturity upto April 2017 (2015: March 2016).
- 9.20** These represent overseas bonds amounting to US Dollar 52 million (2015: USD 30 million) and EUR 5 million (2015: EUR 5 million) issued by TC ZIRRAT Bankasi A.S, Qatar National Bank, Turkey Halk Bankasi, RAK Funding Cayman Limited, Turkey IS Bankasi A.S, African Finance Corporation, Abu Dhabi Commercial Bank, Turkiye Sinai Kalkinma Bankasi AS, Burgan Senior SPC Limited, Union National Bank African Import Export, Turkiye Garanti Bankasi A.S and Deutsche Bank respectively. Interest rates on these bonds range between, 2.18% to 5.00% per annum (2015: 1.57% to 5.00% per annum) and 1.13% to 3.38% per annum (2015: 1.13% to 3.38% per annum) and are due for maturity upto, December 2021 (2015: June 2021), and March 2025 (2015: March 2025) respectively.
- 9.21** These represents redeemable participating certificates amounting to USD 4.8 million (2015: Nil) issued by Baltoro Growth Fund, registered in Mauritius. The fund has a life of ten years and distributions would be made at the end of the life.

9.22 Particulars of investment in subsidiaries

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

2016 (Number of shares / units)	2015		2016 (Rupees in '000)	2015
112,600,000	112,600,000	Alfalah Securities (Private) Limited Percentage of holding: 97.91% (2015: 97.91%) Break-up value per share: Rs. 1.98 (2015: Rs. 2.10) Date of audited financial statements: December 31, 2016 Chief Executive: Atif Mohammed Khan	1,126,000	1,126,000
13,049,070	13,049,070	Alfalah GHP Investment Management Limited Percentage of holding: 40.22% (2015: 40.22%) Break-up value per share: Rs. 16.24 (2015: Rs. 13.87) Date of audited financial statements: December 31, 2016 Chief Executive: Ms. Maheen Rehman	130,493	130,493
-	2,889,739	Alfalah GHP Value Fund	-	100,000
1,050,926	1,050,926	Alfalah GHP Cash Fund Percentage of holding: 38.85 % (2015: 70.09%) NAV per unit: Rs. 508.37 (2015: Rs. 514.71) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 500)	525,474	525,474
			1,781,967	1,881,967

9.23 Particulars of investments in associates

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

2016 (Number of shares / units)	2015		2016 (Rupees in '000)	2015
14,997,825	14,997,825	Alfalah Insurance Limited Percentage of holding: 30% (2015: 30%) Break-up value per share: Rs. 18.61 (2015: Rs. 16.07) Date of un-audited financial statements: December 31, 2016 Chief Executive: Mr. Nasar us Samad Qureshi	68,990	68,990
97,812,317	97,812,317	Sapphire Wind Power Company Limited Percentage of holding: 30% (2015: 30%) Break-up value per share: Rs. 12.19 (2015: Rs. 11.14) Date of un-audited financial statements: December 31, 2016 Chief Executive: Mr. Nadeem Abdullah	978,123	978,123
567,660	524,771	Alfalah GHP Money Market Fund Percentage of holding: 4.16% (2015: 2.71%) NAV per unit: Rs. 100.92 (2015: 103.69) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	55,153	46,672
5,481,236	5,481,236	Alfalah GHP Income Multiplier Fund Percentage of holding: 13.17% (2015: 10.68%) NAV per unit: Rs. 54.45 (2015: Rs. 52.58) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	250,000
1,978,187	1,978,187	Alfalah GHP Sovereign Fund Percentage of holding: 9.01 % (2015:2.59%) NAV per unit: Rs.108.29 (2015: Rs. 106.48) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	200,000	200,000
5,590,077	5,590,077	Alfalah GHP Islamic Stock Fund Percentage of holding: 6.45% (2015: 52.92%) NAV per unit: Rs. 78.62 (2015: Rs. 64.39) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	250,000
-	20,800,000	Appollo Pharma Limited	-	790,400
			<u>1,802,266</u>	<u>2,584,185</u>

9.24 Particulars of Assets and Liabilities of Subsidiaries and Associates	2016	2015
	(Rupees in '000)	
Subsidiaries		
Alfalah Securities (Private) Limited		
Date of audited financial statements: December 31, 2016		
Assets	1,150,647	274,978
Liabilities	922,533	32,413
Revenue	92,430	12,030
Loss for the year	36,811	29,577
Alfalah GHP Investment Management Limited		
Date of audited financial statements: December 31, 2016		
Assets	760,053	602,972
Liabilities	225,661	158,764
Revenue	394,273	278,278
Profit for the year	90,184	20,554
Alfalah GHP Cash Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	1,406,671	801,763
Liabilities	31,510	30,004
Revenue	28,077	33,271
Profit for the six months period	34,543	20,604
Associates		
Alfalah Insurance Limited		
Date of un-audited financial statements: December 31, 2016		
Assets	2,781,815	2,358,908
Liabilities	1,851,276	1,553,592
Revenue	173,803	180,158
Profit for the year	126,723	115,214
Sapphire Wind Power Company Limited		
Date of un-audited financial statements: December 31, 2016		
Assets	13,634,295	13,041,994
Liabilities	9,658,325	9,408,801
Revenue	873,864	285,310
Profit for the year	155,593	116,553
Alfalah GHP Money Market Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	1,399,008	2,028,461
Liabilities	20,981	18,783
Revenue	48,073	66,801
Profit for the six months period	36,852	55,933

Alfalah GHP Income Multiplier Fund	2016	2015
	(Rupees in '000)	
Date of reviewed financial statements: December 31, 2016		
Assets	2,306,511	2,731,883
Liabilities	39,851	32,415
Revenue	83,746	120,263
Profit for the six months period	60,141	95,698

Alfalah GHP Sovereign Fund

Date of reviewed financial statements: December 31, 2016		
Assets	2,440,650	8,181,233
Liabilities	64,362	63,938
Revenue	133,688	332,892
Profit for the six months period	54,916	280,920

Alfalah GHP Islamic Stock Fund

Date of reviewed financial statements: December 31, 2016		
Assets	7,032,923	699,117
Liabilities	217,862	18,867
Revenue	1,190,543	56,222
Profit for the six months period	1,280,850	46,241

9.25 Quality of available for sale securities

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2016	2015	2016	2015		
	------(Rupees in '000)-----					
Market Treasury Bills	38,574,968	78,961,247	38,584,821	78,886,442	(Unrated - Government Securities)	
Pakistan Investment Bonds	213,763,528	166,465,955	207,087,470	157,492,067	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited	101,769	99,741	99,920	99,960	AA+	PACRA
NIB Bank Limited (2nd Issue)	101,034	98,941	99,900	99,940	AA-	PACRA
Faysal Bank Limited	75,457	153,068	74,850	149,700	AA	PACRA
Bank Al-Habib Limited	-	330,930	-	299,520	AA+	PACRA
New Allied Electronics *	Not Applicable	Not Applicable	2,185	2,185	------(Unrated)-----	
Fauji Akbar Portia Marine Terminals Limited *	Not Applicable	Not Applicable	161,408	102,069	------(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)-----	
	278,260	682,680	514,483	829,594		

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

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2016	2015	2016	2015		
------(Rupees in '000)-----						
Shares in Listed Companies / Certificates / Units						
Agritech Limited	28,828	18,217	17,909	15,100	------(Unrated)-----	
Allied Bank Limited	106,300	79,339	88,485	83,782	AA+	PACRA
Amreli Steels Limited	86,567	105,123	69,969	89,250	A	PACRA
Attock Cement Pakistan Limited	-	125,813	-	138,493	A+	JCR-VIS
Altern Energy Limited	9,116	-	7,949	-	------(Unrated)-----	
Abbot Laboratories (Pakistan) Limited	287,127	-	255,055	-	------(Unrated)-----	
Agriauto Industries Limited	212,002	-	139,293	-	------(Unrated)-----	
Attock Petroleum Limited	95,847	107,591	74,552	113,732	------(Unrated)-----	
Bank Al Habib Limited	324,445	226,678	226,069	220,770	AA+	PACRA
Cherat Cement Company Limited	121,828	-	103,254	-	A	PACRA
Cherat Packaging Limited	43,566	-	48,034	-	------(Unrated)-----	
Dolmen City Real Estate Investment Trust (REIT)	452,432	761,869	457,843	781,040	RR1	JCR-VIS
Engro Fertilizer Limited	254,619	-	277,450	-	AA-	PACRA
Engro Corporation Limited	458,330	279,390	397,140	256,728	AA	PACRA
Engro Powergen Qadirpur Limited	-	126,593	-	126,735	------(Unrated)-----	
Fatima Fertilizer Limited	44,268	22,365	37,184	12,613	AA-	PACRA
Fauji Bin Qasim Limited	226,835	86,922	232,669	93,215	------(Unrated)-----	
Fauji Cement Company Limited	49,588	-	40,218	-	------(Unrated)-----	
Fauji Fertilizer Company Limited	195,694	147,475	232,121	162,897	AA	PACRA
First Dawood Investment Bank Limited	6,501	2,394	15,000	15,000	------(Unrated)-----	
Kot Addu Power Company Limited	153,069	188,325	148,452	175,968	AA+	JCR-VIS
Lucky Cement Limited	779,634	358,904	452,197	306,277	------(Unrated)-----	
DG Khan Cement Limited	443,460	332,078	281,352	285,827	------(Unrated)-----	
Habib Bank Limited	485,019	140,084	331,519	145,681	AAA	JCR-VIS
MCB Bank Limited	219,984	200,586	230,466	230,466	AAA	PACRA
Nishat (Chunian) Power Company Limited	221,920	246,349	132,117	147,806	------(Unrated)-----	
Nishat Mills Limited	-	103,418	-	119,233	AA	PACRA
Nishat Power Company Limited	160,225	142,252	106,994	111,650	A+	PACRA
Oil and Gas Development Corporation Limited	330,700	93,872	279,433	110,368	AAA	PACRA
Pakistan Oilfields Limited	253,945	175,607	147,629	203,635	------(Unrated)-----	
Pioneer Cement Limited	351,673	-	300,277	-	A	PACRA
Pakistan Petroleum Limited	111,365	137,036	75,012	142,597	------(Unrated)-----	
Thal Limited	101,706	-	83,906	-	------(Unrated)-----	
Pakistan State Oil Company Limited	217,105	311,110	185,526	350,923	AA	PACRA
The Hub Power Company Limited	648,269	478,732	449,037	350,018	AA+	PACRA
United Bank Limited	430,020	201,435	299,826	210,949	AAA	JCR-VIS
Visa Shares	387,310	385,502	-	-	------(Unrated)-----	
	8,299,297	5,585,059	6,223,937	5,000,753		

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2016	2015	2016	2015		
------(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	------(Unrated)-----	
Pakistan Mobile Communication Limited	Not Applicable		22,235	-	AA-	PACRA
			82,056	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	------(Unrated)-----	
Trust Investment Bank Limited	Not Applicable		25,000	25,000	------(Unrated)-----	
			25,000	325,000		
Overseas Bonds						
Kingdom of Bahrain Bond	545,314	533,639	553,251	563,025	BB+	Fitch
Kazakistan Sovereign Bond	315,076	296,774	309,038	308,943	BBB	Fitch
Qatar National Bank Finance Limited	-	524,634	-	524,114	A+	S&P
State of Qatar 2026	1,010,354	-	1,035,677	-	AA	Fitch
Oman International Bond 2021	1,045,906	-	1,044,923	-	BBB-	S&P
Oman International Bond 2026	504,363	-	521,073	-	BBB-	S&P
Republic of Sri Lanka	152,043	-	156,898	-	B+	Fitch
Republic of Indonesia (2027)	156,959	-	156,261	-	BBB-	Fitch
Republic of Indonesia (2022)	52,536	-	52,179	-	BBB-	Fitch
Saudi International Bond	1,028,153	-	1,032,378	-	AA-	Fitch
Abu Dhabi Commercial Bank Cayman Limited	1,047,062	1,049,268	1,045,995	1,048,228	A+	Fitch
United Mexican State	53,781	44,572	55,069	53,922	BBB+	Fitch
Indonesia Government Bond	226,902	226,503	218,302	228,590	BBB-	Fitch
Republic of Indonesia 2023 (Euro)	55,712	-	54,825	-	BB+	S&P
Kingdom of Saudi Arabia	913,644	-	932,332	-	AA-	Fitch
Oman International Bond 2026	706,087	-	724,341	-	BBB-	S&P
Qatar 21	512,815	-	517,972	-	AA	Fitch
Qatar 26	202,221	-	207,291	-	AA	Fitch
TC Zirrat Bankasi A.S	257,677	258,114	260,908	261,087	BBB-	Fitch
Turkiye Halk Bankasi	51,493	51,865	52,281	52,346	BBB-	Fitch
Syndicate Bank	-	53,557	-	52,371	-	-
RAK Funding Cayman Limited	209,189	206,566	208,412	208,398	BBB+	Fitch
Turkiye IS Bankasi A.S	298,865	306,129	310,991	310,874	BBB-	Fitch
Turkiye Garanti Bankasi A.S	330,617	344,622	326,014	342,365	BBB	Fitch
Africa Finance Corporation	644,304	630,010	623,370	623,004	A3	Moody's
Deutsche Bank	207,408	213,449	216,011	226,892	BBB+	S&P
Turkey Sanai	48,965	-	51,945	-	BBB-	Fitch
Halk Bank 21	514,499	-	521,933	-	BBB-	Fitch
Burgan Senior SPC Limited	412,850	-	415,625	-	A+	Fitch
Qatar National Bank	497,486	-	502,176	-	A+	S&P
Union National Bank	540,718	-	552,199	-	A+	Fitch
Pakistan Euro Bonds	2,790,198	2,482,952	2,688,770	2,409,043	B	Fitch
	15,333,197	7,222,654	15,348,440	7,213,202		

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2016	2015	2016	2015		
------(Rupees in '000)-----						
Redeemable Participating Certificates						
Baltoro Growth Fund	501,938	-	501,938	-	------(Unrated)-----	
Sukuk Bonds						
Pakistan Sukuk Bond 19	964,535	927,157	909,084	910,044	B	Fitch
Pakistan Sukuk Bond 21	4,273,644	-	4,183,940	-	B	Fitch
Ijarah Sukuk Bonds	-	905,742	-	944,663	------(Unrated)-----	
TF Varlik Kiralama AS	321,644	322,437	317,005	318,711	BBB	Fitch
Kuveyt Turk Katilim Bankasi	534,917	539,254	522,992	523,705	BBB	Fitch
Albaraka Turk Katilim Bankasi	923,623	1,562,521	925,697	1,571,115	BB-	S&P
Sharjah International Bank	414,984	-	418,394	-	A3	Moody's
Pakistan International Sukuk	534,173	-	535,094	-	B	Fitch
Indonesia Sovereign	524,687	-	524,754	-	BBB-	Fitch
South Africa Sovereign	424,448	-	418,394	-	BBB-	Fitch
Turkey Sukuk	355,372	-	366,095	-	BBB-	Fitch
Kingdom of Bahrain	536,643	-	522,993	-	BB+	Fitch
GoP - Ijara Sukuk XIV	-	7,462,130	-	7,432,655	------(Unrated)-----	
GoP - Ijara Sukuk XVI	21,021,100	20,244,608	20,519,468	20,018,400	------(Unrated)-----	
GoP - Ijara Sukuk XVII	5,782,560	-	5,606,994	-	------(Unrated)-----	
GoP - Ijara Sukuk XVIII	4,080,400	-	4,000,000	-	------(Unrated)-----	
Neelam Jehlum Hydel Power Company	2,600,000	-	2,600,000	-	AAA	JCR-VIS
Wapda Sukuk III	1,267,973	1,411,426	1,214,286	1,457,143	------(Unrated)-----	
Security Leasing Corporation Limited I	Not Applicable	Not Applicable	6,418	6,418	------(Unrated)-----	
Security Leasing Corporation Limited II	Not Applicable	Not Applicable	23,105	23,105	------(Unrated)-----	
Quetta Textile Mills limited	Not Applicable	Not Applicable	72,619	74,483	------(Unrated)-----	
	44,560,703	33,375,275	43,687,332	33,280,442		

9.26 Particulars of provision for diminution in value of investments - net	2016 (Rupees in '000)	2015
Opening balance	6,345,811	6,216,757
Charge for the year	100,766	136,691
Reversals during the year	-	-
	100,766	136,691
Provision adjusted / written off during the year	(4,366,796)	(7,637)
Closing balance	<u>2,079,781</u>	<u>6,345,811</u>
9.27 Particulars of provision for diminution in value of investments by type and segment		
Available for sale securities		
Listed companies / mutual funds		
- Fully paid up ordinary shares / units		
- First Dawood Investment Bank Limited	15,000	15,000
- Preference shares		
- Agritech Limited	108,835	108,835
Unlisted companies		
- Fully paid up ordinary shares of Rs. 10 each		
- Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
- Al-Hamra Avenue (Private) Limited	50,000	50,000
- Warid Telecom (Private) Limited (Related party)	-	4,366,796
- Pakistan Mobile Communications Limited (Related party)	3,936	-
Unlisted securities		
- Term finance certificates / sukus		
- Azgard Nine Limited	76,220	76,220
- Security Leasing Corporation Limited I	6,418	6,418
- Security Leasing Corporation Limited II	23,105	23,105
- New Allied Electronics	2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited	161,407	102,069
- Quetta Textile Mills Limited	72,619	37,242
- Preference shares		
- Trust Investment Bank Limited	25,000	25,000
Held to maturity securities		
Unlisted securities		
- Term finance certificates / sukuk bonds		
- Agritech Limited	499,586	499,586
- BRR Guardian Modaraba	36,177	34,062
- Security Leasing Corporation Limited	29,245	29,245
- Sitara Peroxide (Private) Limited	113,643	113,643
- Zulekha Textile Mills	24,680	24,680
Investment in subsidiaries		
Unlisted company		
- Fully paid up ordinary shares of Rs. 10 each		
- Alfalah Securities (Private) Limited	826,000	826,000
	<u>2,079,781</u>	<u>6,345,811</u>

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

	Unrealised gain / (loss)		Cost	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Market Treasury Bills	(3,790)	(6,414)	14,120,130	13,480,197
Pakistan Investment Bonds	(441)	4,060	20,207	2,423,862
Overseas Bonds	(16,137)	229,460	549,615	2,990,933
Fully paid up ordinary shares / units - Listed	20,477	1,957	740,776	197,998
	109	229,063	15,430,728	19,092,990

	Note	2016	2015 (Restated)
		(Rupees in '000)	
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		309,121,955	278,764,277
Outside Pakistan		13,181,132	11,007,287
		<u>322,303,087</u>	<u>289,771,564</u>
Net investment in finance lease			
In Pakistan	10.2	4,181,047	3,638,627
Outside Pakistan		-	-
		4,181,047	3,638,627
Islamic financing and related assets (gross)	10.3	57,908,118	43,062,240
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		5,033,339	6,186,509
Payable outside Pakistan		6,437,718	7,692,258
		11,471,057	13,878,767
	10.1	<u>395,863,309</u>	<u>350,351,198</u>
Provision against advances			
Specific provision against non-performing loans and advances	10.5	(16,366,993)	(15,452,555)
General provision against advances	10.5	(775,967)	(739,904)
		(17,142,960)	(16,192,459)
		<u>378,720,349</u>	<u>334,158,739</u>
10.1 Particulars of advances - gross of provisions			
In local currency		362,259,686	307,318,819
In foreign currencies		33,603,623	43,032,379
		<u>395,863,309</u>	<u>350,351,198</u>
Short term (upto one year)		249,579,074	240,473,933
Long term (over one year)		146,284,235	109,877,265
		<u>395,863,309</u>	<u>350,351,198</u>

10.2 Net investment in finance lease

	2016				2015			
	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	501,660	2,568,669	55,185	3,125,514	361,008	2,399,850	-	2,760,858
Residual value	146,820	1,237,330	-	1,384,150	63,767	1,109,316	-	1,173,083
Minimum lease payments	648,480	3,805,999	55,185	4,509,664	424,775	3,509,166	-	3,933,941
Financial charges for future periods	(48,731)	(276,485)	(3,401)	(328,617)	(90,913)	(204,401)	-	(295,314)
Present value of minimum lease payments	599,749	3,529,514	51,784	4,181,047	333,862	3,304,765	-	3,638,627

10.3 These represents financing and related assets placed under shariah permissible modes and presented in note A-II.1 and A-II.2

10.4 Advances include Rs. 19,019 million (2015: Rs. 18,455 million) which have been placed under non-performing status as detailed below:

Category of Classification	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially									
Mentioned (Agri Financing)	149,224	-	149,224	4,318	-	4,318	4,318	-	4,318
Substandard	2,336,995	-	2,336,995	577,634	-	577,634	577,634	-	577,634
Doubtful	1,990,208	-	1,990,208	1,483,906	-	1,483,906	1,483,906	-	1,483,906
Loss	14,223,167	318,921	14,542,088	14,061,997	239,138	14,301,135	14,061,997	239,138	14,301,135
	<u>18,699,594</u>	<u>318,921</u>	<u>19,018,515</u>	<u>16,127,855</u>	<u>239,138</u>	<u>16,366,993</u>	<u>16,127,855</u>	<u>239,138</u>	<u>16,366,993</u>
----- (Rupees in '000) -----									
Category of Classification	2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially									
Mentioned (Agri Financing)	115,219	-	115,219	2,547	-	2,547	2,547	-	2,547
Substandard	2,052,587	54,595	2,107,182	524,432	70,795	595,227	524,432	70,795	595,227
Doubtful	2,554,443	5,506	2,559,949	1,502,617	1,587	1,504,204	1,502,617	1,587	1,504,204
Loss	13,110,724	562,325	13,673,049	12,936,185	414,392	13,350,577	12,936,185	414,392	13,350,577
	<u>17,832,973</u>	<u>622,426</u>	<u>18,455,399</u>	<u>14,965,781</u>	<u>486,774</u>	<u>15,452,555</u>	<u>14,965,781</u>	<u>486,774</u>	<u>15,452,555</u>

10.5 Particulars of provisions against non-performing loans and advances

	Note	2016			2015		
		Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----							
Opening balance		15,452,555	739,904	16,192,459	13,601,307	649,503	14,250,810
Exchange adjustment and other movements		347	(1,135)	(788)	31,406	3,300	34,706
Charge for the year		3,408,125	157,643	3,565,768	3,921,493	146,652	4,068,145
Reversals / recoveries during the year		(2,362,817)	(120,445)	(2,483,262)	(1,858,385)	(59,551)	(1,917,936)
		1,045,308	37,198	1,082,506	2,063,108	87,101	2,150,209
Amounts written off	10.6.1	(131,217)	-	(131,217)	(243,266)	-	(243,266)
Closing balance		<u>16,366,993</u>	<u>775,967</u>	<u>17,142,960</u>	<u>15,452,555</u>	<u>739,904</u>	<u>16,192,459</u>

10.5.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2016 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 95.817 million (2015: Rs. 110.774 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 reserve of at least equivalent to 1% of the secured and performing SE portfolio and 2% of the unsecured and performing SE portfolio is also maintained as required under Prudential Regulations for Small and Medium Enterprise Financing.

10.5.3 Particulars of provisions against advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	16,127,855	655,224	16,783,079	14,965,781	639,433	15,605,214
In foreign currencies	239,138	120,743	359,881	486,774	100,471	587,245
	<u>16,366,993</u>	<u>775,967</u>	<u>17,142,960</u>	<u>15,452,555</u>	<u>739,904</u>	<u>16,192,459</u>

10.5.4 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.

	2016 (Rupees in '000)	2015
10.6 Particulars of write-offs		
10.6.1 Against provisions	131,217	243,266
Directly charged to profit and loss account	-	-
	<u>131,217</u>	<u>243,266</u>
10.6.2 Write offs of Rs. 500,000 and above	75,143	172,501
Write offs of below Rs. 500,000	56,074	70,765
	<u>131,217</u>	<u>243,266</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, 2016 is given in Annexure-I.

10.8 Particulars of loans and advances to directors, executives, associated companies, etc.	Note	2016 (Rupees in `000)	2015
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
- Balance at beginning of the year		5,735,039	5,139,055
- Loans granted during the year		2,722,298	1,867,232
- Repayments during the year		(2,183,888)	(1,271,248)
- Balance at end of the year		<u>6,273,449</u>	<u>5,735,039</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		1,499,410	901,426
- Loans granted during the year		5,374,930	3,099,590
- Repayments during the year		(3,565,509)	(2,501,606)
- Balance at end of the year		<u>3,308,831</u>	<u>1,499,410</u>
Debts due by subsidiary company, controlled firms, managed modarabas and other related parties			
- Balance at beginning of the year		4,840,040	2,957,096
- Loans granted during the year		16,687,444	19,070,202
- Repayments during the year		(16,796,079)	(17,187,258)
- Balance at end of the year		<u>4,731,405</u>	<u>4,840,040</u>
Total		<u>14,313,685</u>	<u>12,074,489</u>
11 OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	775,408	704,981
Property and equipment	11.2	16,098,712	15,497,616
Intangible assets	11.3	1,259,147	1,039,371
		<u>18,133,267</u>	<u>17,241,968</u>
11.1 Capital work-in-progress			
Civil works		292,809	286,041
Equipment / intangibles		432,288	412,113
Advances to suppliers and contractors		54,015	18,239
Others		1,496	3,913
Provision against capital work-in-progress		(5,200)	(15,325)
		<u>775,408</u>	<u>704,981</u>

11.2 Property and equipment

Description	2016											
	Cost / revaluation as at January 1, 2016	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost / Revaluation as at December 31, 2016	Accumulated depreciation as at January 1, 2016	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Depreciation on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation as at December 31, 2016	Net book value as at December 31, 2016	Rate of depreciation %
(Rupees in '000)												
Office premises	4,893,362	751,091 (36,519) *124,390	-	-	5,732,324	-	75,982 - *6,611	- - -	- - -	82,593	5,649,731	2.5%
Revaluation	5,399,467	- (11,191) *47,562	-	-	5,435,838	-	- - -	49,995 - -	- - -	49,995	5,385,843	2.5%
	10,292,829	751,091 (47,710) *171,952	-	-	11,168,162	-	75,982 - *6,611	49,995 - -	- - -	132,588	11,035,574	
Lease hold improvements	4,777,757	160,912 (1,516) *(6,760)	-	-	4,802,297	2,909,432	336,691 (1,471) *(6,363)	- - -	- (37,390) -	3,200,899	1,601,398	10% - 20%
Furniture and fixtures	1,944,494	62,931 (32,408) *231	-	-	1,975,248	1,291,442	158,338 (26,332) *192	- - -	- - -	1,423,640	551,608	10% - 25%
Office equipment	9,422,103	1,155,990 (207,925) *(5,628)	-	-	10,364,540	6,834,037	1,006,830 (203,656) *(6,394)	- - -	- - -	7,630,817	2,733,723	20% - 25%
Vehicles	347,956	144,518 (78,646) *67	-	-	413,895	252,612	63,425 (78,646) *95	- - -	- - -	237,486	176,409	25%
	26,785,139	2,275,442 (368,205) *159,862	-	-	28,724,142	11,287,523	1,641,266 (310,105) *(5,859)	49,995 - -	- (37,390) -	12,625,430	16,098,712	

* This includes cost and surplus of two properties transferred from non-banking assets acquired in satisfaction of claims

Description	2015											
	Cost / revaluation as at January 1, 2015	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost / Revaluation as at December 31, 2015	Accumulated depreciation as at January 1, 2015	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Accumulated Depreciation Reversed on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation as at December 31, 2015	Net book value as at December 31, 2015	Rate of depreciation %
	(Rupees in '000)											
Office premises	5,158,963	11,157	-	-	4,893,362	187,629	86,278	(272,715)	-	-	4,893,362	2.5%
		-	(272,715)	-			-	-	-			
		*(4,043)	-	-			*(1,192)	-	-			
Revaluation	3,917,799	-	1,643,150	-	5,399,467	107,966	53,516	(161,482)	-	-	5,399,467	2.5%
		-	(161,482)	-			-	-	-			
		-	-	-			-	-	-			
	9,076,762	11,157	1,643,150		10,292,829	295,595	139,794	(434,197)	-	-	10,292,829	
		-	(434,197)				-	-	-			
		*(4,043)	-				*(1,192)	-	-			
Lease hold improvements	4,214,355	591,081	-	(16,922)	4,777,517	2,573,351	360,878	-	(16,922)	2,909,432	1,868,325	10% - 20%
		-					-					
		*(10,757)					*(7,875)					
Furniture and fixtures	2,077,740	62,894	-	(176,145)	1,944,494	1,274,163	204,332	-	(176,145)	1,291,442	653,052	10% - 25%
		(1,490)					(1,268)					
		*(18,505)					*(9,640)					
Office equipment	9,319,066	1,145,482	-	(1,011,440)	9,422,103	6,873,578	1,017,359	-	(1,011,440)	6,834,037	2,588,066	20% - 25%
		(57,013)					(53,049)					
		*(26,008)					*(7,589)					
Vehicles	382,747	31,710	-	(28,939)	347,956	225,980	87,091	-	(28,939)	252,612	95,344	25%
		(34,521)					(27,884)					
		*(3,041)					*(3,636)					
	25,070,670	1,842,324	1,643,150	(1,233,446)	26,785,139	11,242,667	1,809,454	(434,197)	(1,233,446)	11,287,523	15,497,616	
		(93,024)	(434,197)				(82,201)					
		*(10,338)					*(14,754)					

11.2.1 Included in cost of property and equipment are fully depreciated items still in use have cost of Rs. 7,611.24 million (2015: Rs. 6,365.40 million).

11.2.2 Office premises were last revalued on December 31, 2015 on the basis of market values determined by independent valuer M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Asif Associates (Private) Limited. Had there been no revaluation, the net book value of the office premises would have been Rs. 5,649.731 million (2015: Rs. 4,893.362 million).

11.3 Intangible assets

Description	2016									
	Cost			Accumulated Amortisation				Book value as at December 31, 2016	Rate of amortisation %	
	As at January 1, 2016	Additions/(deletions)/ *adjustment	Write Off Cost	As at December 31, 2016	As at January 1, 2016	Amortisation (deletions) / *adjustment	Write Off accumulated depreciation			As at December 31, 2016
----- (Rupees in '000) -----									per annum	
Computer software	2,341,848	578,813		2,918,660	1,302,477	357,473		1,659,513	1,259,147	20%
		-				-				
		*(2,001)				*(437)				
Goodwill	56,031	-	-	56,031	56,031	-		56,031	-	-
	2,397,879	578,813	-	2,974,691	1,358,508	357,473	-	1,715,544	1,259,147	
		-				-				
		*(2,001)				*(437)				

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

11.3.1 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 836.84 million (2015: Rs. 772.44 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	4,710	-	4,710	18,906	Negotiation	Government of Punjab
Freehold Land	43,000	-	43,000	50,000	Negotiation	Mr. Afzaal
	47,710	-	47,710	68,906		
Leasehold Improvements						
Civil & Electrical Works	1,174	1,155	19	38	Bid	M/s Shahbaz Haider
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	342	316	26	17	Various	Various
	1,516	1,471	45	55		
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	32,408	26,332	6,076	4,521	Various	Various
	32,408	26,332	6,076	4,521		
Computers						
Server Machine	1,885	1,885	-	-	Insurance Claim	M/s Alfalah Insurance
Server Machine	1,482	1,482	-	121	Bid	M/s Ahsan & Brothers
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	24,834	23,926	908	2,225	Various	Various
	28,201	27,293	908	2,346		
Office equipment						
ATM	1,625	1,625	-	3	Bid	M/s Star Network
ATM	3,637	3,637	-	6	Bid	M/s Star Network
ATM	1,270	1,270	-	2	Bid	M/s Star Network
ATM	1,138	1,136	2	447	Insurance Claim	M/s Alfalah Insurance
Generator	2,050	2,050	-	659	Bid	M/s Arsalan Brothers
Generator	1,243	696	547	290	Bid	M/s Abdul Rasheed
Generator	2,455	2,455	-	740	Bid	M/s F.F Trading Company
Generator	2,150	2,150	-	440	Bid	M/s Pak Power Moves
Generator	1,192	1,192	-	153	Bid	M/s Bismillah Insaf Scrap
Generator	1,145	1,145	-	282	Bid	M/s Arsalan Brothers
Generator	1,013	1,013	-	273	Bid	M/s Arsalan Brothers
Generator	1,013	1,013	-	273	Bid	M/s Arsalan Brothers
Generator	1,200	1,200	-	631	Bid	M/s Mars Engineering
Generator	1,200	1,200	-	631	Bid	M/s Mars Engineering
Generator	1,180	1,180	-	309	Bid	M/s Mars Engineering
Generator	1,200	1,200	-	631	Bid	M/s Mars Engineering
Generator	1,070	1,070	-	309	Bid	M/s Mars Engineering
Generator	1,112	1,022	90	690	Insurance Claim	M/s Alfalah Insurance
Generator	1,195	1,195	-	257	Bid	M/s Haji Muhammad Azam & Sons
Generator	2,713	2,713	-	794	Bid	M/s MTS Garments Limited
POS Terminals	28,901	28,901	-	-	Trade In	M/s Marshal Engg. & Electronics
Card Printer	1,800	1,800	-	-	Trade In	M/s Crest Technologies
DVR	1,034	1,034	-	33	Bid	M/s Shahbaz Haider
Electrical Panel	9,902	9,902	-	321	Bid	M/s Shahbaz Haider
HVAC	63,980	63,980	-	2,037	Bid	M/s Shahbaz Haider
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	43,306	40,584	2,722	6,304	Various	Various
	179,724	176,363	3,361	16,515		

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----						
Vehicles						
Honda Civic	1,178	1,178	-	698	Bid	Mr. M. Kamran Khan
Honda Civic	1,382	1,382	-	906	Bid	Mr. Usman Shahid
Honda Civic	1,506	1,506	-	917	Bid	Mr. Muhammad Ansar Khan
Honda Civic	1,422	1,422	-	677	Bid	Mr. Muhammad Ansar Khan
Honda Civic	1,523	1,523	-	1,081	Bid	Mr. Sajid Hussain
Honda Accord	5,866	5,866	-	587	As per Policy	Mr. Yasir Rashid
Honda Accord	6,617	6,617	-	662	As per Policy	Mr. Faisal Farooq Khan
Honda Accord	7,017	7,017	-	702	As per Policy	Mr. Ali Sultan
Honda City	1,376	1,376	-	1,001	Bid	Mr. Muhammad Hanif
Honda City	1,376	1,376	-	906	Bid	Mr. Usman Shahid
Honda City	1,490	1,490	-	149	As per Policy	Mr. Riaz Hamdani
Mercedes-Benz	8,427	8,427	-	843	As per Policy	Mr. Saad Ur Rehman
Mercedes-Benz	8,427	8,427	-	843	As per Policy	Mr. Mirza Zafar Baig
Mercedes-Benz	8,462	8,462	-	846	As per Policy	Mr. Khurram Hussain
Mercedes-Benz	8,500	8,500	-	850	As per Policy	Ms. Mehreen Ahmed
Toyota Yaris	2,138	2,138	-	787	As per Policy	Mr. Zeeshan Khan
Toyota Yaris	2,138	2,138	-	808	As per Policy	Mr. Md. Nurul Islam Dewan
Toyota Corolla	1,691	1,691	-	169	As per Policy	Mr. Sharif Khawar
Toyota Corolla	1,608	1,608	-	161	As per Policy	Mr. Mian Ejaz
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,502	6,502	-	5,390	Various	Various
	78,646	78,646	-	18,983		
Total - December 31, 2016 (Note 11.2)	368,205	310,105	58,100	111,326		
Total - December 31, 2015	93,024	82,201	10,823	22,342		

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

12 DEFERRED TAX LIABILITIES - NET	2016	2015
	(Rupees in '000)	
Deferred debits arising due to		
Provision for doubtful debts	392,066	1,434,609
Provision against off-balance sheet obligations	13,078	15,706
Impairment in the value of investments	2,264,329	2,247,184
Provision against other assets	309,218	334,501
	<u>2,978,691</u>	<u>4,032,000</u>
Deferred credits arising due to		
Accelerated tax depreciation	(1,388,669)	(1,473,306)
Gain on remeasurement of held for trading investments	(38)	(80,172)
Surplus on revaluation of available for sale investments	(3,399,873)	(3,460,609)
Surplus on revaluation of operating fixed assets	(840,539)	(841,967)
	<u>(5,629,119)</u>	<u>(5,856,054)</u>
	<u>(2,650,428)</u>	<u>(1,824,054)</u>

12.1 Reconciliation of deferred tax assets/ liabilities

	January 01, 2015	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2015	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2016
----- (Rupees in '000) -----							
Deferred debits arising due to							
Provision for doubtful debts	1,106,413	328,196	-	1,434,609	(1,042,543)	-	392,066
Provision against off-balance sheet obligations	15,333	373	-	15,706	(2,628)	-	13,078
Impairment in the value of investments	2,202,709	44,475	-	2,247,184	17,145	-	2,264,329
Provision against other assets	215,401	119,100	-	334,501	(25,283)	-	309,218
	<u>3,539,856</u>	<u>492,144</u>	<u>-</u>	<u>4,032,000</u>	<u>(1,053,309)</u>	<u>-</u>	<u>2,978,691</u>
Deferred credits arising due to							
Accelerated tax depreciation	1,482,114	(8,808)	-	1,473,306	(84,637)	-	1,388,669
Gain on remeasurement of held for trading investments	56,034	24,138	-	80,172	(80,134)	-	38
Surplus on revaluation of available for sale investments	2,114,157	-	1,346,452	3,460,609	-	(60,736)	3,399,873
Surplus on revaluation of operating fixed assets	740,882	(18,731)	119,816	841,967	(17,500)	16,072	840,539
	<u>4,393,187</u>	<u>(3,401)</u>	<u>1,466,268</u>	<u>5,856,054</u>	<u>(182,271)</u>	<u>(44,664)</u>	<u>5,629,119</u>
Net deferred tax liabilities	<u>(853,331)</u>	<u>495,545</u>	<u>(1,466,268)</u>	<u>(1,824,054)</u>	<u>(871,038)</u>	<u>44,664</u>	<u>(2,650,428)</u>

	Note	2016	2015 (Restated)
(Rupees in '000)			
13 OTHER ASSETS			
Income / mark-up accrued in local currency		13,797,059	16,770,774
Income / mark-up accrued in foreign currencies		661,808	754,640
Advances, deposits, advance rent and other prepayments		2,116,356	2,663,543
Non-banking assets acquired in satisfaction of claims	13.1	471,365	675,325
Dividend receivable		42,303	7,103
Unrealised gain on forward foreign exchange contracts		320,749	739,757
Unrealised gain on interest rate swaps		55,336	1,888
Receivable from brokers		-	6,143
Stationery and stamps on hand		95,569	82,833
Defined benefit plan	35.1.3	349,317	40,003
Balance held with bank	13.2	413,074	413,657
Others	13.4	218,206	178,223
		<u>18,541,142</u>	<u>22,333,889</u>
Provision held against other assets	13.3	<u>(623,878)</u>	<u>(774,156)</u>
		<u>17,917,264</u>	<u>21,559,733</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims		<u>519,570</u>	<u>761,755</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.

Based on the fact that the said amount is not readily available for use of the Bank, the amount has been reclassified from Balances with Other banks to Other Assets. Although the management is confident that the matter will be decided in the Bank's favour, as at December 31, 2016, the Bank has maintained full provision against the same (December 31, 2015: USD 3.949 million).

13.3 Provision held against other assets	2016	2015
	(Rupees in '000)	
Opening balance	774,156	530,472
(Reversal) / charge for the year	(102,305)	310,765
Payment out of provisions	-	(22,097)
Amount written off	(35,304)	(22,322)
Exchange and other adjustments	(12,669)	(22,662)
Closing balance	<u>623,878</u>	<u>774,156</u>

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

14 BILLS PAYABLE	Note	2016	2015
		(Rupees in '000)	
In Pakistan		12,743,285	9,592,804
Outside Pakistan		143,705	141,125
		<u>12,886,990</u>	<u>9,733,929</u>
15 BORROWINGS			
In Pakistan		161,138,463	164,187,489
Outside Pakistan		17,172,572	8,205,709
		<u>178,311,035</u>	<u>172,393,198</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		161,138,463	164,187,489
In foreign currencies		17,172,572	8,205,709
		<u>178,311,035</u>	<u>172,393,198</u>
15.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	15.3	18,725,467	16,889,852
Long-Term Finance for Export Oriented Projects Scheme (LTF-EOP)		-	-
Long-Term Finance Facility	15.4	2,851,400	394,024
Modernisation of SMEs		-	-
Financing Facility for Storage of Agriculture Produce (FFSAP)	15.5	92,049	146,235
Repurchase agreement borrowings	15.6	136,763,030	129,071,926
Borrowings from other central banks		198,418	-
		158,630,364	146,502,037
Unsecured			
Call borrowings	15.7	13,461,835	17,901,900
Bai Muajjal	15.8	6,218,836	7,935,453
Overdrawn nostro accounts		-	53,808
		19,680,671	25,891,161
		<u>178,311,035</u>	<u>172,393,198</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 1.00% to 2.00% per annum (2015: 2.50% to 4.50% per annum) payable on a quarterly basis.
- 15.4** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2015: 3.00% to 4.50% 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 3.25% to 6.50% per annum (2015: 6.25% per annum) payable on a quarterly basis.
- 15.6** This represents repurchase agreement borrowing from SBP and other banks at the rate of 1.10% and 5.95% per annum respectively (2015: 6.04% and 6.50% per annum) having maturities upto February 2017 (2015: January 2016).
- 15.7** This represents borrowings from financial institutions at mark-up rates ranging from 0.55% to 5.80% per annum (2015: 0.50% to 6.08% per annum) having maturities upto March 2017 (2015: March 2016).
- 15.8** This represents borrowings from financial institutions at mark-up rates ranging from 5.60% to 5.70% per annum (2015: 6.35% to 7.45%) having maturities upto May 2017 (2015: April 2016).

16 DEPOSITS AND OTHER ACCOUNTS	2016	2015 (Restated)
	(Rupees in '000)	
Customers		
Fixed deposits	94,268,250	137,604,333
Savings deposits	229,010,684	210,368,288
Current accounts - non-remunerative *	283,711,087	238,121,421
Others *	4,721,828	3,522,762
	<u>611,711,849</u>	<u>589,616,804</u>
Financial institutions		
Remunerative deposits	27,435,848	48,877,152
Non-remunerative deposits	1,796,557	1,694,779
	<u>29,232,405</u>	<u>50,571,931</u>
	<u>640,944,254</u>	<u>640,188,735</u>
16.1 Particulars of deposits		
In local currency	557,824,338	539,929,934
In foreign currencies	83,119,916	100,258,801
	<u>640,944,254</u>	<u>640,188,735</u>

*Call deposits amounting to Rs. 6,205 million (2015: Rs. 3,326 million) have been reclassified from Others to Current accounts - non-remunerative for better presentation.

		2016	2015
		(Rupees in '000)	
17	SUB-ORDINATED LOANS		
	Term Finance Certificates IV - Private, Unsecured	3,324,670	4,988,000
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 <p>(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> <ul style="list-style-type: none"> - 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	4,993,000	4,995,000
Mark up	<p>Base Rate + 1.25 percent</p> <p>(Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period).</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		
		8,317,670	9,983,000

	Note	2016 (Rupees in '000)	2015
18 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,549,223	1,969,052
Mark-up / return / interest payable in foreign currencies		175,609	280,118
Unearned commission and income on bills discounted		238,539	437,666
Accrued expenses		3,393,977	3,831,161
Branch adjustment account		816,333	947,438
Payable against redemption of credit card reward points		142,453	122,804
Taxation payable		257,212	463,980
Security deposits		5,225,935	4,790,001
Unclaimed dividend		62,660	58,435
Unrealised loss on forward foreign exchange contracts		555,131	729,875
Unrealised loss on interest rate swaps		37,078	88,804
Provision against off-balance sheet obligations	18.1	69,708	77,590
Workers' Welfare Fund	29.1	588,278	475,569
Compensated absences	18.2	401,644	313,930
Others		708,134	545,007
		<u>14,221,914</u>	<u>15,131,430</u>

18.1 Provision against off-balance sheet obligations

Opening balance	77,590	85,953
(Reversal) / charge for the year	(7,508)	1,066
Exchange and other adjustments	(374)	(9,429)
Closing balance	<u>69,708</u>	<u>77,590</u>

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

Mortality Rate	SLIC 2001-2005
Withdrawal Rate	Age dependant withdrawal table; the average turnover rate over next one year is around 20.37%.
Salary Increase rate	8.0% p.a.

19 SHARE CAPITAL

19.1 Authorised capital

2016 (Number of shares)	2015 (Number of shares)		2016 (Rupees in '000)	2015 (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

2016 (Number of shares)	2015 (Number of shares)	Ordinary shares of Rs. 10 each	2016 (Rupees in '000)	2015 (Rupees in '000)
870,801,304	865,399,937	Fully paid in cash	8,708,013	8,653,999
724,406,250	724,406,250	Issued as bonus shares	7,244,063	7,244,063
<u>1,595,207,554</u>	<u>1,589,806,187</u>		<u>15,952,076</u>	<u>15,898,062</u>

During the year the Bank has issued 5,401,367 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS) (note 35.2). The paid-up capital of the Bank before issuance of shares to employees was Rs. 15,898,061,870 (divided into 1,589,806,187 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 15,952,075,540 (divided into 1,595,207,554 shares of Rs. 10 each).

	Note	2016 (Rupees in `000)	2015
20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation of:			
- Operating fixed assets	20.1	4,559,251	4,557,499
- Non-banking assets acquired in satisfaction of claims	20.1	36,942	-
		4,596,193	4,557,499
- Available for sale securities	20.2	6,343,383	6,370,898
		<u>10,939,576</u>	<u>10,928,397</u>
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of operating fixed assets at January 01	11.2	5,399,467	3,809,833
Transferred to retained earnings in respect of incremental depreciation charged during the year - net of tax		(32,497)	(34,784)
Revaluation of fixed assets / non-banking assets during the year		50,890	-
Surplus on revaluation of fixed assets recognized during the year		47,562	1,643,150
Related deferred tax liability in respect of incremental depreciation charged during the year		(17,498)	(18,732)
Reversal of surplus on account of disposal of property	11.2	(11,191)	-
		<u>37,266</u>	<u>1,589,634</u>
		5,436,733	5,399,467
Related deferred tax liability on surplus as at January 01		841,968	740,884
Deferred tax liability charge / (reversal)		16,070	119,816
Deferred tax liability in respect of incremental depreciation charged during the year		(17,498)	(18,732)
		<u>(1,428)</u>	<u>101,084</u>
		840,540	841,968
		<u>4,596,193</u>	<u>4,557,499</u>
20.2 Surplus on revaluation of available for sale securities			
Government securities		7,642,123	9,257,769
Quoted shares / units / certificates / sukuks / bonds		2,068,211	596,124
Term finance certificates		3,590	33,560
Interest rate swaps		29,332	(55,946)
		<u>9,743,256</u>	<u>9,831,507</u>
Related deferred tax liability		(3,399,873)	(3,460,609)
		<u>6,343,383</u>	<u>6,370,898</u>

	2016 (Rupees in '000)	2015 (Rupees in '000)
21 CONTINGENCIES AND COMMITMENTS		
21.1 Direct credit substitutes		
i) Government	1,632,063	743,580
ii) Banking companies & other financial institutions	-	311,835
iii) Others	53,167	2,094,645
	<u>1,685,230</u>	<u>3,150,060</u>
21.2 Transaction-related contingent liabilities		
i) Government	32,243,564	27,412,625
ii) Banking companies & other financial institutions	544,762	163,826
iii) Others	11,725,088	12,719,286
	<u>44,513,414</u>	<u>40,295,737</u>
21.3 Trade-related contingent liabilities		
Letters of credit	73,061,529	52,107,916
Acceptances	12,188,691	15,797,161
	<u>85,250,220</u>	<u>67,905,077</u>
21.4 Other contingencies		
21.4.1 Claims against the Bank not acknowledged as debts	<u>13,847,649</u>	<u>14,861,738</u>
<p>These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.</p>		
	2016	2015
	(Rupees in '000)	
21.5 Commitments in respect of forward lendings		
Commitments to extend credit	28,450,269	5,222,555
Commitments in respect of investments	3,596,186	-
	<u>32,046,455</u>	<u>5,222,555</u>
21.6 Commitments in respect of forward exchange contracts		
Purchase	53,992,848	98,261,212
Sale	41,084,440	106,520,120
	<u>95,077,288</u>	<u>204,781,332</u>
21.7 Commitments for the acquisition of fixed assets	<u>336,774</u>	<u>291,237</u>
21.8 Commitments in respect of repo transactions		
Repurchase	136,912,078	129,226,010
Resale	349,222	-
	<u>137,261,300</u>	<u>129,226,010</u>
21.9 Other commitments		
Interest rate swaps	7,622,307	6,962,920
Donations	22,000	22,000
	<u>7,644,307</u>	<u>7,014,920</u>
21.10 Contingency for tax payable (note 30.1)		

22 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

At present the bank deals in the following instruments:

- Forward Exchange Contracts
- Interest Rate Swaps
- Share Options (note 9.17.1)

22.1 Product analysis

Counter Parties	Interest Rate Swaps				Forward Rate Agreements			
	2016		2015		2016		2015	
	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal *	No. of Contracts	Notional Principal *	No. of Contracts	Notional Principal *
With Banks for								
Hedging	20	7,622,307	18	6,962,920	-	-	-	-
Market Making	-	-	-	-	179	80,299,452	215	191,003,452
With FIs other than banks								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
With other entities for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	620	14,777,835	730	13,777,880
Total								
Hedging	20	7,622,307	18	6,962,920	-	-	-	-
Market Making	-	-	-	-	799	95,077,287	945	204,781,332

* At the exchange rate prevailing at the year end

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

	Contractual / notional amount		Unrealised gain / (loss)	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Interest Rate Swaps	7,622,307	6,962,920	18,258	(17,668)
Forward Exchange Contract Purchase	53,992,848	98,261,212	(513,325)	(523,544)
Forward Exchange Contract Sale	41,084,440	106,520,120	278,942	533,426

22.3 Maturity Analysis - Forward Exchange Contract Purchase Forward Exchange Contract Sale and Interest Rate Swap (Fixed Rate)

Remaining Maturity	Number of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
	----- (Rupees in '000) -----				
Upto 1 month	226	47,296,545	(195,790)	143,932	(51,858)
1 to 3 months	225	30,873,282	(169,046)	82,595	(86,451)
3 to 6 months	219	12,695,144	(153,658)	65,939	(87,719)
6 months to 1 year	129	4,212,317	(36,637)	28,282	(8,355)
1 to 2 years	-	-	-	-	-
2 to 3 years	11	4,222,856	(15,058)	942	(14,116)
3 to 5 years	5	2,039,671	(9,118)	9,715	597
5 to 10 years	4	1,359,780	(12,902)	44,679	31,777
Above 10 years	-	-	-	-	-
	819	102,699,595	(592,209)	376,084	(216,125)

23 MARK-UP / RETURN / INTEREST EARNED	2016	2015
	(Rupees in '000)	
a) On loans and advances to:		
i) customers	23,828,088	25,474,230
ii) financial institutions	106,941	272,510
b) On investments in:		
i) held for trading securities	969,854	1,140,627
ii) available for sale securities	22,420,671	22,521,676
iii) held to maturity securities	6,962,638	9,105,351
c) On deposits with financial institutions	2,703,457	2,634,590
d) On securities purchased under resale agreements	253,041	288,888
	<u>57,244,690</u>	<u>61,437,872</u>

24 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	18,553,408	22,653,547
Securities sold under repurchase agreements	7,189,657	6,755,279
Other short term borrowings	1,557,026	2,039,750
Term finance certificates	953,301	1,102,752
Brokerage and commission	221,076	259,394
	<u>28,474,468</u>	<u>32,810,722</u>

25 INCOME FROM DEALING IN FOREIGN CURRENCIES

This includes Rs. 405.4 million (2015: Rs. 783.6 million) being income on account of interest on cross currency swap transactions, which corresponds to the cost included under 'Mark-up / return / interest expensed' in this regard.

26 GAIN ON SALE OF SECURITIES - NET	2016	2015
	(Rupees in '000)	
Federal Government Securities		
- Market Treasury Bills	41,607	350,718
- Pakistan Investment Bonds	748,725	774,197
Overseas Bonds	65,553	170,371
Shares / Mutual Funds	772,690	257,113
Sukuk Bonds	53,046	54,352
	<u>1,681,621</u>	<u>1,606,751</u>

	Note	2016 (Rupees in `000)	2015
27 OTHER INCOME			
Gain on sale of operating fixed assets	11.4	53,226	11,519
Gain on exchange of assets		22,235	-
Postage, telex service charges etc.		737,294	736,228
		<u>812,755</u>	<u>747,747</u>
28 ADMINISTRATIVE EXPENSES			
Non executive directors fee & allowances		110,609	91,967
Salaries, allowances, etc.	28.1	8,734,492	8,236,493
Charge for defined benefit plan	35.1.4	260,795	290,111
Contribution to defined contribution plan	36	326,341	295,929
Charge for employee stock option scheme	35.2	109,615	94,830
Charge for staff compensated absences		87,714	88,210
Staff training expenses		226,702	172,315
Rent, taxes, insurance, electricity, etc.		3,526,417	3,378,650
Legal and professional charges		664,892	415,550
Communications		883,922	734,923
Repairs and maintenance		1,564,255	1,526,509
Stationery and printing		420,001	404,747
Advertisement and publicity		801,164	831,635
Donations	28.2	31,960	57,638
Auditors' remuneration	28.3	30,704	21,874
Depreciation	11.2	1,691,261	1,809,454
Amortisation of intangible assets	11.3	357,473	272,179
Travelling, conveyance and fuel expenses		473,354	490,067
Entertainment		185,592	200,281
Subscription		32,499	31,120
Charge for outsourced services		1,198,399	1,164,174
Security service charges		984,093	837,761
Others		720,964	509,698
		<u>23,423,218</u>	<u>21,956,115</u>

28.1 The Bank operates a short term employee benefit scheme which includes cash awards/ performance bonus for all eligible employees. Under this scheme, the bonus for all executives, including the CEO is determined on the basis of employees' evaluation and Bank's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to the Key Management Personnel of the Bank and for Other Executives amounted to Rs. 423.464 million (2015: Rs. 396.718 million) and Rs. 549.710 million (2015: Rs. 476.717 million) respectively.

28.2 Donations	Note	2016	2015
		(Rupees in `000)	
Alif Noon Parents Foundation		20,000	-
Network of Organizations Working for People with Disabilities - Pakistan		3,000	-
Karachi Vocational Training Centre		2,460	-
Family Education Services Foundation		6,500	-
Institute of Business Administration		-	22,000
Jaipur Foot		-	5,638
Karachi Education Initiative (KEI)		-	25,000
The Aga Khan University		-	5,000
		<u>31,960</u>	<u>57,638</u>

28.3 Auditors' remuneration

Audit fee	9,010	7,900
Half yearly review	2,268	1,900
Special certifications and sundry advisory services	10,360	5,328
Out-of-pocket expenses	1,947	1,051
	<u>23,585</u>	<u>16,179</u>
Fee for audit of foreign branches	7,119	5,695
	<u>30,704</u>	<u>21,874</u>

29 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan		5,690	42,892
Workers' Welfare Fund	29.1	<u>112,709</u>	<u>286,897</u>
		<u>118,399</u>	<u>329,789</u>

29.1 Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Supreme Court.

During the current year, the Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against the above judgment. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for Workers Welfare Fund since 2008 has not been reversed.

30 TAXATION	2016	2015
	(Rupees in `000)	
For the year		
Current	4,689,525	5,008,992
Deferred	(157,060)	(495,545)
For prior years		
Current	(437,312)	567,813
Deferred	1,028,098	-
	<u>590,786</u>	<u>567,813</u>
	<u>5,123,251</u>	<u>5,081,260</u>

30.1 The income tax assessments of the Bank have been finalized upto and including tax year 2016. 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.

In respect of tax years 2008, 2011, 2012, 2013, 2015 and 2016, the tax authorities have raised certain issues including disallowance of expenditure on account of non-deduction of withholding tax, default in payment of WWF, allocation of expenses to dividend and capital gains and dividend income from mutual funds not being taken under income from business, resulting in additional demand of Rs. 1,467.175 million. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 1,023.719 million whereas appeal effect orders are pending. The management's appeals on certain issues are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

The Bank has received amended assessment orders for Tax Years from 2010 to 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 990.423 million. As a result of appeal filed before Commissioner Appeal, relief is provided to the Bank. Accordingly tax amount is reduced to Rs. 96.160 million. The Bank has filed appeal before Appellate Tribunal. The Bank has not made any provision against these orders and the management is of the view that the matter will be settled in Bank's favour through appellate process.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs. 433.377 million against tax demand for tax years 2009, 2011, 2015 and 2016. The Bank intends to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

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

30.2 Relationship between tax expense and accounting profit	2016	2015
	(Rupees in `000)	
Profit before taxation	<u>13,023,159</u>	<u>12,604,070</u>
Tax at the applicable rate of 35% (2015: 35%)	4,558,106	4,411,425
Effect of:		
- permanent differences	1,992	15,012
- tax charge pertaining to overseas branches	60,628	88,715
- adjustment of prior years	590,786	567,813
- others	<u>(88,261)</u>	<u>(1,705)</u>
Tax expense for the year	<u>5,123,251</u>	<u>5,081,260</u>
31 EARNINGS PER SHARE		
31.1 BASIC EARNINGS PER SHARE	(Rupees in `000)	
Profit after taxation for the year	<u>7,899,908</u>	<u>7,522,810</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,593,898</u>	<u>1,590,888</u>
	(Rupees)	
Basic earnings per share	<u>4.96</u>	<u>4.73</u>
31.2 DILUTED EARNINGS PER SHARE	(Rupees in `000)	
Profit after taxation for the year	<u>7,899,908</u>	<u>7,522,810</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,602,937</u>	<u>1,590,888</u>
	(Rupees)	
Diluted earnings per share	<u>4.93</u>	<u>4.73</u>
31.3 Reconciliation of basic and diluted earning per share	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,593,898	1,590,888
Plus: Employee stock option scheme	9,039	-
Dilutive potential ordinary shares	<u>1,602,937</u>	<u>1,590,888</u>

32 CASH AND CASH EQUIVALENTS		2016	2015
		(Rupees in `000)	
Cash and balances with treasury banks	6	74,071,384	62,368,790
Balances with other banks	7	9,373,123	16,552,207
Call money lendings		5,306,590	14,728,532
Overdrawn nostro accounts	15.2	-	(53,808)
		<u>88,751,097</u>	<u>93,595,721</u>

33 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 2016 with a positive outlook (2015: AA [Double A] for long term and A1+ [A one plus] for short term with a stable outlook).

Subsequent to the year end JCR-VIS has assigned a long term credit rating of AA+ [Double A plus] and a short term credit rating of A1+ [A one plus] with a stable outlook to the Bank.

34 STAFF STRENGTH		2016	2015
		(Number of employees)	
Permanent		7,615	7,565
Temporary / on contractual basis		193	233
Total staff strength		<u>7,808</u>	<u>7,798</u>

35 EMPLOYEE BENEFITS

35.1 DEFINED BENEFIT PLAN

35.1.1 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:

	2016	2015
Valuation discount rate (p.a)	9.50%	10.00%
Salary increase rate (p.a) - Short term (3 years)	7.50%	10.00%
Salary increase rate (p.a) - Long term	9.50%	10.00%
Expected rate of return on plan assets	9.50%	10.00%
Normal retirement age	60 Years	60 Years
Duration	10.46 Years	13.63 Years

The disclosures made in notes 35.1 to 35.1.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2016.

35.1.2 Reconciliation of receivable from defined benefit plan

Note	2016	2015
	(Rupees in `000)	
Present value of defined benefit obligation	35.1.6 1,920,065	1,743,133
Fair value of plan assets	35.1.7 (2,269,382)	(1,783,136)
	<u>(349,317)</u>	<u>(40,003)</u>

35.1.3 Movement in (receivable) / payable from defined benefit plan

Opening balance		(40,003)	(238,523)
Charge for the year - in profit and loss account	35.1.4	260,795	290,111
Other comprehensive Income	35.1.4	(309,314)	198,962
Adjustments		-	(442)
Bank's contribution to fund made during the year		(260,795)	(290,111)
Closing balance		<u>(349,317)</u>	<u>(40,003)</u>

35.1.4 Charge for defined benefit plan

	2016 (Rupees in '000)	2015 (Rupees in '000)
Recognised in profit and loss account		
Current service cost	277,835	332,822
Net interest	(17,040)	(42,711)
	<u>260,795</u>	<u>290,111</u>
Recognised in other comprehensive income		
Actuarial gain on obligations	55,216	252,372
Actuarial (loss) / gain on Assets	254,098	(451,334)
	<u>309,314</u>	<u>(198,962)</u>
Total	<u>(48,519)</u>	<u>489,073</u>
35.1.5 Actual return on plan assets	<u>434,975</u>	<u>225,357</u>

35.1.6 Reconciliation of present value of obligation

Present value of obligation as at January 1	1,743,133	1,770,352
Current service cost	277,835	332,822
Interest cost	163,837	182,824
Benefits paid	(209,524)	(290,493)
Remeasurement gain on obligation	(55,216)	(252,372)
Present value of obligation as at December 31	<u>1,920,065</u>	<u>1,743,133</u>

35.1.7 Changes in the fair value of plan assets are as follows:

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
Opening fair value of plan assets		1,783,136	2,008,875
Expected return		180,877	225,977
Contributions by the Bank		260,795	290,111
Benefits paid		(209,524)	(290,493)
Remeasurement (loss) / gain		254,098	(451,334)
Fair value at end of the year	35.1.8	<u>2,269,382</u>	<u>1,783,136</u>

35.1.8 Plan assets consist of the following:

	2016		2015	
	(Rupees in '000)	%	(Rupees in '000)	%
Ordinary shares	1,047,132	46%	366,896	21%
Term Finance Certificates	-	0%	27,572	1%
Pakistan Investment Bonds	536,864	24%	562,446	32%
Units of mutual funds	283,810	12%	301,916	17%
Cash and bank balances	401,576	18%	524,306	29%
	<u>2,269,382</u>	<u>100%</u>	<u>1,783,136</u>	<u>100%</u>

35.1.9 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:

	2016	2015	2014	2013	2012
	----- (Rupees in '000) -----				
Defined benefit obligation	1,920,065	1,743,133	1,770,352	1,547,856	1,372,290
Fair value of plan assets	2,269,382	1,783,136	2,008,875	1,429,334	1,182,931
Surplus / (deficit)	349,317	40,003	238,523	(118,522)	(189,359)
Experience adjustments on plan liabilities	55,216	252,372	267	(56,337)	56,038
Experience adjustments on plan assets	254,098	(451,334)	356,778	127,174	(16,931)

35.1.10 Expected gratuity expense for the next year

Expected gratuity expense for the year ending December 31, 2017, works out to Rs. 250.153 million.

35.1.11 Sensitivity Analysis

Particulars	Present Value of Defined Benefit Obligation (Rupees in '000)	Percentage Change
Current Liability	1,864,585	
+1% Discount Rate	1,683,534	-9.71%
-1% Discount Rate	2,077,893	11.44%
+1% Salary Increase Rate	2,086,284	11.89%
-1% Salary Increase Rate	1,673,465	-10.25%
+10% Withdrawal Rates	1,864,585	0.00%
-10% Withdrawal Rates	1,864,585	0.00%
1 Year Mortality age set back	1,864,585	0.00%
1 Year Mortality age set forward	1,864,585	0.00%

35.1.12 Maturity Profile

Particulars	Undiscounted Payments (Rupees in '000)
Year 1	137,138
Year 2	156,103
Year 3	119,610
Year 4	132,377
Year 5	124,023
Year 6 to Year 10	687,012
Year 11 and above	5,484,788

35.1.13 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.

35.2 EMPLOYEES STOCK OPTION SCHEME

The Bank grants share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP vide its letter No. SMD/CIW/ESOS/02/2013 dated 27 December 2013.

Under the Scheme, the Bank has granted options to certain critical employees selected by the Board Compensation Committee to subscribe to new ordinary shares over a period from 2014 to 2016 as detailed below. As per the Scheme, the entitlement and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

The grant dates and the vesting period for the options are laid down under the scheme. The options vest over a three year period with one third of the options vesting on completion of each year of service from the date of grant. The options not exercised on completion of first and second year of vesting may be carried forward to be exercised on completion of three year period. After the expiry of the third exercise period, the option holder will lose all the rights of exercise for any remaining options not exercised.

The details of the options under the scheme as at December 31, 2016 were as follows:

	Granted in the year 2016	Granted in the year 2015 (Rupees in '000)	Granted in the year 2014
Options issued	13,737	12,614	11,331
Options no longer in issue	492	1,010	1,594
Options vested	N/A	4,063	6,837
Options exercised	N/A	2,782	5,183
Vested Options cumulatively carried forward	N/A	1,191	1,470
Shares issued under ESOS grants	N/A	2,782	5,183
Exercise price per share	Rs. 14.95	Rs. 15.15	Rs. 16.32
Option discount per share	Rs. 9.96	Rs. 10.10	Rs. 10.88

36 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. 326.341 million (2015: Rs. 295.929 million) in respect of this fund.

37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	----- (Rupees in '000) -----					
Fee	-	-	110,609	91,967	-	-
Managerial remuneration - note 37.2	82,669	77,707	-	-	3,293,386	2,894,032
Post employment benefits	9,481	8,989	-	-	384,712	326,605
Rent and house maintenance	3,840	5,024	-	-	974,851	838,145
Utilities	5,691	5,394	-	-	244,947	214,084
	<u>101,681</u>	<u>97,114</u>	<u>110,609</u>	<u>91,967</u>	<u>4,897,896</u>	<u>4,272,866</u>
Number of persons*	<u>1</u>	<u>1</u>	<u>6</u>	<u>8</u>	<u>2,128</u>	<u>1,836</u>

*As a result of Election of Directors held during the year 2015, three new non-executive directors were appointed on the Board who replaced two of the outgoing non-executive directors.

- 37.1** The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per Bank's policy.
- 37.2** All executives, including the CEO are entitled to certain short term employee benefits which are disclosed in note 28.1 to these financial statements. In addition, the Bank has also granted share options to certain key employees - refer note 35.2.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

- 38.1** The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

2016

	Carrying Amount							Fair value				
	HFT	AFS	HTM	Loans and Receivables	Subsidiaries & Associates	Derivative Instrument Held for Risk Management	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----												
On balance sheet financial instruments												
Financial assets measured at fair value												
- Other assets	320,749	-	-	-	-	-	-	320,749		320,749		320,749
Forward foreign exchange contracts	55,336	-	-	-	-	-	-	55,336		55,336		55,336
Interest rate swaps												
- Investments												
Government Securities (Tbills, PIBs, GoP Sukuks,												
Overseas Govt. Sukkuk, Overseas and Euro bonds)	14,371,242	304,976,096	-	-	-	-	-	319,347,338		319,347,338		319,347,338
Overseas Bonds - others	298,341	5,061,134	-	-	-	-	-	5,359,475		5,359,475		5,359,475
Ordinary shares of listed companies	761,255	8,292,796	-	-	-	-	-	9,054,051	9,054,051			9,054,051
Debt securities (TFCs)	-	278,260	-	-	-	-	-	278,260		278,260		278,260
Sukuk-Other than Govt	-	2,195,167	-	-	-	-	-	2,195,167		2,195,167		2,195,167
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	-	-	-	74,071,384	-	-	-	74,071,384				
- Balances with other banks	-	-	-	9,373,123	-	-	-	9,373,123				
- Lending to financial institutions	-	-	-	30,149,029	-	-	-	30,149,029				
- Advances	-	-	-	378,720,349	-	-	-	378,720,349				
- Other assets	-	-	-	16,974,249	-	-	-	16,974,249				
- Investments												
Government Securities (PIBs, WAPDA Sukuks,												
Overseas, Euro bonds and Commercial Paper)	-	-	45,026,708	-	-	-	-	45,026,708		45,937,908		45,937,908
Overseas Bonds - Others	-	-	518,251	-	-	-	-	518,251				
Unlisted shares (Ordinary & Preference)	-	22,395	-	-	-	-	-	22,395				
Redeemable Participating Certificate	-	501,938	-	-	-	-	-	501,938				
Commercial Paper	-	-	529,280	-	-	-	-	529,280				
Sukuk-Other than Govt	-	-	3,501,541	-	-	-	-	3,501,541				
Associates												
- Mutual Funds	-	-	-	-	755,153	-	-	755,153		1,009,483		1,009,483
- Ordinary shares of unlisted companies	-	-	-	-	1,047,113	-	-	1,047,113				
Subsidiaries												
- Mutual Funds	-	-	-	-	525,474	-	-	525,474		534,264		534,264
- Ordinary shares of unlisted companies	-	-	-	-	430,493	-	-	430,493				
	<u>15,806,923</u>	<u>321,327,786</u>	<u>49,575,780</u>	<u>509,288,134</u>	<u>2,758,233</u>	<u>-</u>	<u>-</u>	<u>898,756,856</u>				
Financial liabilities measured at fair value												
- Other liabilities												
Forward foreign exchange contracts	555,131	-	-	-	-	-	-	555,131		555,131		555,131
Interest rate swaps	37,078	-	-	-	-	-	-	37,078		37,078		37,078
Financial liabilities not measured at fair value												
- Bills Payable	-	-	-	-	-	-	12,886,990	12,886,990				
- Borrowings	-	-	-	-	-	-	178,311,035	178,311,035				
- Deposits and other accounts	-	-	-	-	-	-	640,944,254	640,944,254				
- Subordinated loans	-	-	-	-	-	-	8,317,670	8,317,670				
- Other liabilities	-	-	-	-	-	-	12,475,968	12,475,968				
	<u>592,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>852,935,917</u>	<u>853,528,126</u>				
Off balance sheet financial instruments												
- Forward Exchange Contracts Purchase	-	-	-	-	-	53,992,848	-	53,992,848		53,479,523		53,479,523
- Forward Exchange Contracts Sale	-	-	-	-	-	41,084,440	-	41,084,440		40,805,498		40,805,498
- Interest Rate Swaps	-	-	-	-	-	7,622,307	-	7,622,307		7,640,565		7,640,565

2015

	Carrying Amount							Fair value				
	HFT	AFS	HTM	Loans and Receivables	Subsidiaries & Associates	Derivative Instrument Held for Risk Management	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----												
On balance sheet financial instruments												
Financial assets measured at fair value												
- Other assets												
Forward foreign exchange contracts	739,757	-	-	-	-	-	-	739,757		739,757		739,757
Interest rate swaps	1,888	-	-	-	-	-	-	1,888		1,888		1,888
- Investments												
Government Securities (TBills, PIBs, GoP Sukus, Overseas Govt. Sukuk, Overseas and Euro bonds)	19,122,097	279,962,706	-	-	-	-	-	299,084,803		299,084,803		299,084,803
Overseas Bonds - others	-	3,638,213	-	-	-	-	-	3,638,213		3,638,213		3,638,213
Ordinary shares of listed companies	199,954	5,582,663	-	-	-	-	-	5,782,617	5,782,617			5,782,617
Debt securities (TFCs)	-	682,680	-	-	-	-	-	682,680		682,680		682,680
Sukuk-Other than Govt	-	2,424,212	-	-	-	-	-	2,424,212		2,424,212		2,424,212
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	-	-	-	62,368,790	-	-	-	62,368,790				
- Balances with other banks	-	-	-	16,552,207	-	-	-	16,552,207				
- Lending to financial institutions	-	-	-	27,626,350	-	-	-	27,626,350				
- Advances	-	-	-	334,158,739	-	-	-	334,158,739				
- Other assets	-	-	-	20,059,942	-	-	-	20,059,942				
- Investments												
Government Securities (PIBs, WAPDA Sukus, Overseas and Euro bonds)	-	-	77,515,845	-	-	-	-	77,515,845		80,144,714		80,144,714
Other Federal Government Securities - Bai Muajjal	-	-	26,002,520	-	-	-	-	26,002,520		26,002,520		26,002,520
Overseas Bonds - others	-	-	266,822	-	-	-	-	266,822				
Unlisted shares (Ordinary & Preference)	-	304,096	-	-	-	-	-	304,096				
Sukuk-Other than Govt	-	37,242	3,720,532	-	-	-	-	3,757,774		3,720,532		3,720,532
Associates												
- Mutual Funds	-	-	-	-	496,672	-	-	496,672		553,269		553,269
- Ordinary shares of unlisted companies	-	-	-	-	1,837,513	-	-	1,837,513				
Subsidiaries												
- Mutual Funds	-	-	-	-	875,474	-	-	875,474		1,088,561		1,088,561
- Ordinary shares of unlisted companies	-	-	-	-	430,493	-	-	430,493				
	20,063,696	292,631,812	107,505,719	460,766,028	3,640,152	-	-	884,607,407				
Financial liabilities measured at fair value												
- Other liabilities												
Forward foreign exchange contracts	729,875	-	-	-	-	-	-	729,875		729,875		729,875
Interest rate swaps	88,804	-	-	-	-	-	-	88,804		88,804		88,804
Financial liabilities not measured at fair value												
- Bills Payable	-	-	-	-	-	-	9,733,929	9,733,929				
- Borrowings	-	-	-	-	-	-	172,393,198	172,393,198				
- Deposits and other accounts	-	-	-	-	-	-	640,188,735	640,188,735				
- Subordinated loans	-	-	-	-	-	-	9,983,000	9,983,000				
- Other liabilities	-	-	-	-	-	-	13,333,516	13,333,516				
	818,679	-	-	-	-	-	845,632,378	846,451,057				
Off balance sheet financial instruments												
- Forward Exchange Contracts Purchase	-	-	-	-	-	98,261,212	-	98,261,212	97,746,522			97,746,522
- Forward Exchange Contracts Sale	-	-	-	-	-	106,520,120	-	106,520,120	105,986,695			105,986,695
- Interest Rate Swaps	-	-	-	-	-	6,962,920	-	6,962,920	6,876,004			6,876,004

38.2 Fixed assets have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 11. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

39 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016							Total
	Retail Banking	Corporate Banking	Treasury	Consumer Banking	Islamic Banking	International Operations	Others*	
	----- (Rupees in '000) -----							
Segment income	7,298,058	13,531,759	28,638,451	4,112,573	8,341,049	3,574,977	615,836	66,112,703
Inter-segment income / (expense)	16,118,158	(5,651,265)	(10,352,823)	(953,836)	-	-	839,766	-
Segment expenses	19,221,682	6,209,065	8,041,695	1,847,509	6,682,172	1,919,015	9,168,406	53,089,544
Profit before tax	4,194,534	1,671,429	10,243,933	1,311,228	1,658,877	1,655,962	(7,712,804)	13,023,159
Segment assets	140,271,845	205,760,792	312,980,625	21,723,442	138,753,216	68,423,352	29,543,781	917,457,053
Segment non-performing loans	8,620,164	7,771,668	-	435,243	1,785,331	318,921	87,188	19,018,515
Segment provision required against loans and advances	7,959,603	6,703,930	-	909,939	1,187,405	361,707	20,376	17,142,960
Segment liabilities	428,263,389	80,352,604	143,261,894	1,490,927	127,051,522	59,363,853	17,548,102	857,332,291
Segment return on assets (ROA) (%)	0.87%	0.60%	1.57%	6.17%	1.24%	2.78%	-7.51%	1.49%
Segment cost of funds (%)	3.25%	5.07%	5.56%	5.46%	2.98%	2.10%	3.44%	3.63%
	----- (Rupees in '000) -----							
	2015							Total
	Retail Banking	Corporate Banking	Treasury	Consumer Banking	Islamic Banking	International Operations	Others*	Total
	----- (Rupees in '000) -----							
Segment income	7,280,467	15,435,240	30,913,732	3,806,283	8,447,458	4,031,911	384,336	70,299,427
Inter-segment income / (expense)	19,346,496	(6,412,101)	(12,799,878)	(998,213)	-	-	863,696	-
Segment expenses	22,719,223	6,760,000	8,079,909	1,829,767	6,632,459	2,396,077	9,277,922	57,695,357
Profit before tax	3,907,740	2,263,139	10,033,945	978,303	1,814,999	1,635,834	(8,029,890)	12,604,070
Segment assets - net	106,129,202	205,820,951	358,426,849	17,482,403	129,872,172	59,007,149	25,868,795	902,607,521
Segment non-performing loans	8,977,326	7,204,259	-	463,094	1,089,699	622,426	98,595	18,455,399
Segment provision required against loans and advances	8,414,604	5,245,658	-	829,809	1,006,092	587,245	109,051	16,192,459
Segment liabilities	407,407,312	116,827,306	144,255,333	1,356,670	120,561,328	49,349,369	9,497,028	849,254,346
Segment return on assets (ROA) (%)	0.87%	0.82%	1.62%	5.30%	0.67%	3.26%	-8.92%	1.60%
Segment cost of funds (%)	4.22%	6.49%	6.89%	6.62%	3.76%	2.60%	4.46%	4.63%

* Profit before tax of this segment includes head office related expenses

40 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the Bank is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

41 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:

2016					
	Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----					
41.1 Deposits					
Balance at beginning of the year	14,825	120,281	6,095,049	402,093	6,632,248
Placements during the year	306,363	1,257,912	117,678,110	47,045,141	166,287,526
Withdrawals / adjustments* during the year	(310,987)	(1,213,687)	(115,084,595)	(46,325,345)	(162,934,614)
Balance at end of the year	10,201	164,506	8,688,564	1,121,889	9,985,160
2015					
	Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----					
Balance at beginning of the year	38,398	71,170	5,054,223	486,239	5,650,030
Placements during the year	168,409	1,271,256	81,788,021	31,744,672	114,972,358
Withdrawals / adjustments* during the year	(191,982)	(1,222,145)	(80,747,195)	(31,828,818)	(113,990,140)
Balance at end of the year	14,825	120,281	6,095,049	402,093	6,632,248
2016					
	Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----					
41.2 Advances					
Balance at beginning of the year	89,000	328,280	6,339,450	-	6,756,730
Disbursements during the year	-	287,570	22,062,374	-	22,349,944
Repayments / adjustments* during the year	(9,870)	(264,515)	(20,361,588)	-	(20,635,973)
Balance at end of the year	79,130	351,335	8,040,236	-	8,470,701
Provisions held against advances	-	-	1,543,054	-	1,543,054
2015 (Restated)					
	Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----					
Balance at beginning of the year	-	280,630	3,828,522	30,000	4,139,152
Disbursements during the year	90,000	324,922	22,147,792	22,000	22,584,714
Repayments / adjustments* during the year	(1,000)	(277,272)	(19,636,864)	(52,000)	(19,967,136)
Balance at end of the year	89,000	328,280	6,339,450	-	6,756,730
Provisions held against advances	-	-	185,627	-	185,627
2016					
	Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----					
41.3 Investments					
Balance at beginning of the year	-	-	4,716,796	4,466,152	9,182,948
Investments during the year	-	-	1,977,290	258,481	2,235,771
(Redemptions) / adjustments* during the year	-	-	(4,666,796)	(1,140,400)	(5,807,196)
Balance at end of the year	-	-	2,027,290	3,584,233	5,611,523
Provisions held against investments	-	-	53,936	826,000	879,936

2015				
Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----				
Balance at beginning of the year	-	4,416,796	3,670,925	8,087,721
Investments during the year	-	-	1,723,471	1,723,471
(Redemptions) / adjustments* during the year	-	300,000	(928,244)	(628,244)
Balance at end of the year	-	4,716,796	4,466,152	9,182,948
Provisions held against investments	-	4,416,796	826,000	5,242,796

* Adjustments include changes on account of retirement / appointment of Directors, changes in Key Management Personnel and Sponsor shareholders.

2016				
Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----				
Balance at beginning of the year	-	-	-	-
Borrowings during the year	-	2,200,000	-	2,200,000
Repayments during the year	-	(2,200,000)	-	(2,200,000)
Balance at end of the year	-	-	-	-

41.4 Call borrowings / Repo

2015				
Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----				
Balance at beginning of the year	-	-	-	-
Borrowings during the year	-	1,300,000	-	1,300,000
Repayments during the year	-	(1,300,000)	-	(1,300,000)
Balance at end of the year	-	-	-	-

41.5 Call lendings / Reverse Repo

2016				
Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----				
Balance at beginning of the year	-	-	-	-
Placements during the year	-	17,250,000	-	17,250,000
Withdrawals during the year	-	(17,250,000)	-	(17,250,000)
Balance at end of the year	-	-	-	-

2015				
Directors	Key management personnel	Group companies / Others / Strategic	Subsidiaries / Associates	Total
----- (Rupees in '000) -----				
Balance at beginning of the year	-	-	-	-
Placements during the year	-	17,825,000	-	17,825,000
Withdrawals during the year	-	(17,825,000)	-	(17,825,000)
Balance at end of the year	-	-	-	-

	2016	2015
	(Rupees in '000)	
41.6 Advances		
Running finance	753,858	760,958
Long term loans	7,716,843	5,995,772
41.7 Contingencies and commitments		
Letters of credit, acceptance & guarantees outstanding	1,724,344	3,134,931
41.8 Customer accounts		
PLS accounts	5,957,992	3,304,579
Current accounts	1,212,614	1,059,518
Fixed deposit accounts	2,814,554	2,268,151
41.9 Transactions with Subsidiaries / Associates and Others		
Subsidiaries / Associates		
Mark-up expense on deposits	48,509	46,283
Mark-up income on advances	-	36,254
Mark-up paid to Alfalah GHP Income Multiplier Fund on TFCs Issued	488	648
Mark-up paid to Alfalah GHP Income fund on TFCs issued	5,509	9,316
Brokerage Expense pertaining to Alfalah Securities (Private) Limited	943	680
Rent Income from Alfalah Insurance Limited	1,955	1,997
Rent Income from Alfalah Securities (Private) Limited	115	1,368
Insurance premium paid to Alfalah Insurance Company Limited	544,525	533,948
Insurance claims received from Alfalah insurance Company Limited against operating fixed assets	1,137	2,614
Dividend paid to Alfalah Insurance Company Limited	500	1,000
Dividend income from Alfalah Insurance Company Limited	-	5,311
Dividend income from Alfalah GHP Money Market Fund	8,481	-
Dividend income from Alfalah GHP Sovereign Fund	9,253	26,944
Dividend income from Alfalah GHP Islamic Stock Fund	45,320	40,867
Dividend income from Alfalah GHP Cash Fund	32,926	47,082
Dividend income from Alfalah GHP Income Multiplier Fund	10,270	23,284
Dividend income from Alfalah GHP Income Value Fund	-	22,434
Revenue from Alfalah GHP Investment Management Limited against sale of units	111,090	68,739
Capital Gain on sale of units of Alfalah GHP Money Market Fund	-	46,672
Capital Gain on sale of units of Alfalah GHP Value Fund	104,800	-
Capital Gain on sale of units of Alfalah GHP Cash Fund	-	25,085
Capital Gain on sale of shares of Apollo Pharma Limited	57,486	-
Other Income from Sapphire Wind Power Company Limited	7,905	-
Reversal of provision against rent receivable from Alfalah Securities (Private) Limited	-	9,147
Purchase of miscellaneous items from Alfalah GHP Investment Management Limited	-	170
Others		
Mark-up income	624,937	421,942
Mark-up expense on deposits	269,117	261,949
Dividend income from Pakistan Mobile Communication Limited	2,454	-
Rent income from Wateen Telecom Limited	-	1,766
Rent income from Warid Telecom (Private) Limited / Pakistan Mobile Communication Limited	17,096	16,937
Rent expense paid pertaining to Wateen Telecom Limited	3,304	11,200
Interest received on placements with Silk Bank	3,350	5,061
Mark-up paid to Taavun (Private) Limited on TFCs Issued	74,813	74,845
Mark-up paid to Key Management Personnel on TFCs Issued	29,407	26,108
Mark-up received on Sukuk from Pakistan Mobile Communication Limited	29,249	-

	2016	2015
	(Rupees in '000)	
Amount received on Redemption of Silk Bank Preference Shares	439,200	-
Interest paid on Borrowings from Silk Bank	362	372
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	2,900	464
Payment to Wateen Telecom Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	142,723	143,993
Provision against advances on Wateen Telecom (Private) Limited	1,357,594	-
Provision against advances on Wateen Wimax (Private) Limited	185,460	185,627
Provision against investment in Warid Telecom (Private) Limited	-	4,366,796
Provision against investment in Pakistan Mobile Communication Limited	3,936	-
Gain on exchange of shares of Warid Telecom (Private) Limited	22,235	-
Commission received from Warid Telecom (Private) Limited	1,828	9,656
Payment to Monet (Private) Limited for Branchless banking services	166,452	197,588
Payment to Al-Qudees & Co	10,263	27,505
Payment to Intelligens Financials	-	3,407
Payment to Locker Smiths (Private) Limited	10,675	-
Payment to Sundar Interiors & Architects	4,525	57,412
Payment to Timber Links	2,850	10,428
Payment to Expressive Safety & Security Solutions	10,201	7,540
Payment to Olive International (Private) Limited	1,652	6,590
Payment to Computer Marketing Co. (Private) Limited.	23,407	11,396
Payment to K-Tabs	16,112	19,345
Payment to MEC Engineer	10,885	2,894
Payment to Printeria	-	40,321
Payment to Tahiri Printers	8,671	-
Payment to Bawany Traders	4,102	-
Payment to MEK Steel Furniture	100	-
Payment to S-TECH	4,215	-
Payment to The Pakistan Business Council	1,500	1,500
Charges for Security Services to Wackenhut Pakistan (Private) Limited	-	136,393
Contribution to employees provident fund	326,341	295,929
Contribution to gratuity fund	260,795	290,111

41.10 Balances with Subsidiaries / Associates and Others

Subsidiaries / Associates

Advance against issuance of Shares - Sapphire Wind Power Company Limited	112,350	112,350
Advance Rent from Alfalah Insurance Company Limited	-	1,955
Rent receivable from Alfalah Insurance Company Limited	416	-
Rent receivable from Alfalah Securities (Private) Limited	-	577
Brokerage payable to Alfalah Securities (Private) Limited	296	46
TFCs held by Alfalah GHP Income Multiplier Fund	6,116	6,119
TFCs held by Alfalah GHP Income Fund	72,887	87,899

Others

Mark-up suspended on advances to Warid Telecom (Private) Limited	61,267	42,582
Mark-up suspended on advances to Wateen Telecom (Private) Limited	808,508	644,122
Mark-up suspended on advances to Wateen Wimax	16,808	5,587
Mark-up receivable on Sukuk from Pakistan Mobile Communication Limited	3,247	-
Advance Rent from Warid Telecom Limited	9,164	8,206
Rent payable to Wateen Telecom Limited	-	750
TFCs held by Taavun (Private) Limited	332,467	498,800
TFCs held by Key Management Personnel	132,348	186,591

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

Salaries and allowances (also refer note 28.1)	1,263,958	1,152,532
Fair value charge against employee stock option scheme	109,615	94,830

In addition, the Chief Executive and certain Executives are provided with Bank maintained cars and other benefits.

42 CAPITAL ASSESSMENT AND ADEQUACY

42.1 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 and associates) and also on a stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method whereas associates in which the Bank has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, higher of Alternate Standardized Approach (ASA) or 70% of Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

42.2 Capital Management

42.2.1 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.

42.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated Banks to be raised to Rs. 10 billion in a phased manner from the financial year December 2013. The paid up capital of the Bank for the year ended December 31, 2016 stands at Rs. 15.952 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	2015	2016	2017	2018	As of December 31, 2019
1	CET 1	6.0%	6.0%	6.0%	6.0%	6.0%
2	ADT 1	1.5%	1.5%	1.5%	1.5%	1.5%
3	Tier 1	7.5%	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%	10.0%
5	*CCB	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.25%	10.65%	11.28%	11.90%	12.50%

* Capital conservation buffer

42.2.3 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 42.4).

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 42.4).

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 60% 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 42.4).

The required capital adequacy ratio (10.65% 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.

42.2.4 Leverage Ratio

The leverage ratio of the Bank as at December 31, 2016 is 3.45% (2015: 3.41%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2016; Total Tier 1 capital of the Bank amounts to Rs. 42,549,933 thousand (2015: Rs. 36,850,340 thousand) whereas the total exposure measure amounts to Rs. 1,231,632,253 thousand (2015: Rs. 1,079,543,383 thousand).

Favourable shift in leverage ratio is mainly due to an increase in Bank's Tier 1 capital and a decrease in unconditionally cancellable commitment.

42.3 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 plays key consideration for not only arriving at the business projections / plans but is religiously monitored while undertaking transactions.
- b. Bank has demonstrated the capability to comfortably meet new and enhanced capital adequacy standards, therefore it is now following controlled growth strategy. The TFC was issued to support the growth but gradually the Bank is enriching the Tier 1 capital while ensuring regular dividend to share holders.
- c. The capital base forms the very basic foundation of business plans. The capital base is sufficient to support the envisaged business growth and this would be monitored regularly.

d. Current and potential risk exposures across all the major risk types are:

Risk Type	Materiality Level for Bank– High/Medium/Low	Adequacy of controls (Adequate / Partially adequate/ Not adequate)
Credit	High	Adequate
Market	High	Adequate
Operational	High	Adequate
Model	Low	Adequate
Concentration	Medium	Adequate
Interest rate risk in Banking Book	High	Adequate
Liquidity	High	Adequate
Country	Medium	Adequate
Reputation	Medium	Adequate
Strategic / Business	Medium	Adequate
Legal Risk	Medium	Adequate

e. As per the ICAAP exercise Bank's CAR, with all shocks incorporated stays around 12.40%. Despite of this figure we feel that the outlook of the Bank is stable due to following mitigants:

- i. The probability of all shocks materializing at the same time is remote given that fact that Banks' risk management is activities are more prudent.
- ii. Increasing CASA deposits in line with branch network.
- iii. Better recoveries of existing NPLs and more controlled lending.
- iv. Increasing returns on advances.
- v. With improvements in capital markets, Bank would always have the opportunity to tap fresh capital.

f. The Bank enjoys strong sponsor support from Abu Dhabi Group and IFC, leading to increased investor confidence. Moreover, the Bank has been issuing TFCs successfully on a regular basis, demonstrating Bank's capacity to raise capital when required.

g. Bank follows Standardised Approach for Credit and Market Risk, and Alternative Standardized Approach for Operational Risk. The assessment of capital adequacy is based on regulatory requirements.

42.3.1 Stress Testing

Stress testing and scenario analysis examines the sensitivity of Bank's Capital for Regulatory capital as well as Economic capital under a number of scenarios and ensures that emerging risks stemming into its portfolio are appropriately accounted. The exercise is submitted to the regulator at regular intervals as per the requirements. The scope of this exercise has been expanded to incorporate internally developed scenarios based on macroeconomic situation and portfolio composition as well.

42.4 Capital Adequacy Ratio as at December 31, 2016

	2016	2015 (Restated)
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	15,952,076	15,898,062
2 Balance in Share Premium Account	4,417,126	4,329,648
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	9,894,506	8,261,506
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	17,337,458	12,362,596
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	47,601,166	40,851,812
10 Total regulatory adjustments applied to CET1 (Note 42.4.1)	5,051,233	4,001,472
11 Common Equity Tier 1	42,549,933	36,850,340
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 42.4.2)	203,991	410,987
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)	42,549,933	36,850,340
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,990,400	4,989,000
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel III rules	-	465,454
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	820,775	780,744
27 Revaluation Reserves (net of taxes)	8,504,055	7,322,026
28 of which: Revaluation reserves on fixed assets	3,556,216	3,053,524
29 of which: Unrealized gains/losses on AFS	4,947,839	4,268,502
30 Foreign Exchange Translation Reserves	1,584,020	1,572,966
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	14,899,250	15,130,190
33 Total regulatory adjustment applied to T2 capital (Note 42.4.3)	546,938	1,023,572
34 Tier 2 capital (T2) after regulatory adjustments	14,352,312	14,106,618
35 Tier 2 capital recognized for capital adequacy	14,352,312	14,106,618
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	14,352,312	14,106,618
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	56,902,245	50,956,958
39 Total Risk Weighted Assets (RWA) (for details refer Note 42.7)	431,627,955	384,122,010
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	9.86%	9.59%
41 Tier 1 capital to total RWA	9.86%	9.59%
42 Total capital to total RWA	13.18%	13.27%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.65%	6.25%
44 of which: capital conservation buffer requirement	0.65%	0.25%
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	3.86%	3.59%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.50%
50 Total capital minimum ratio (Inclusive of 0.65% CCB for 2016 (2015: 0.25%))	10.65%	10.25%

Regulatory Adjustments and Additional Information	2016		2015	
	Amount	Amounts subject to Pre- Basel III treatment* (Rupees in '000)	Amount	Amounts subject to Pre- Basel III treatment*
42.4.1 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)	1,723,207	-	1,331,250	-
3 Shortfall in provisions against classified assets	-	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,787,215	1,191,477	1,612,800	2,419,201
5 Defined-benefit pension fund net assets	209,590	-	16,001	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	1,026,250	-	630,434	-
7 Cash flow hedge reserve	-	-	-	-
8 Investment in own shares/ CET1 instruments	100,980	-	-	-
9 Securitization gain on sale	-	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
15 Amount exceeding 15% threshold	-	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	203,991	-	410,987	-
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	5,051,233		4,001,472	
42.4.2 Additional Tier 1 & Tier 1 Capital: regulatory adjustments				
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
24 Investment in own AT1 capital instruments	-	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
28 Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier 1 capital	203,991	(203,991)	410,987	(410,987)
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	203,991		410,987	
42.4.3 Tier 2 Capital: regulatory adjustments				
31 Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	203,991	(203,991)	410,987	(410,987)
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	342,120	-	611,920	-
33 Investment in own Tier 2 capital instrument	827	-	665	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	546,938		1,023,572	

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

42.4.4 Additional Information		2016	2015 (Restated)
		(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)	368,934,296	316,946,373
(i)	of which: deferred tax assets	1,191,477	2,419,201
(ii)	of which: Defined-benefit pension fund net assets	139,727	24,002
(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	171,571	222,688
(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	407,983	821,974
Amounts below the thresholds for deduction (before risk weighting)			
38	Non-significant investments in the capital of other financial entities	171,571	222,688
39	Significant investments in the common stock of financial entities	611,974	547,983
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)	820,775	780,744
42	Cap on inclusion of provisions in Tier 2 under standardized approach	4,635,563	4,005,128
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	-	-
42.5 Capital Structure Reconciliation			
Table: 42.5.1		Balance sheet as in published financial statements	Under regulatory scope of consolidation
		2016 (Rupees in '000)	
Assets			
	Cash and balances with treasury banks	74,071,384	74,071,384
	Balances with other banks	9,373,123	9,373,123
	Lending to financial institutions	30,149,029	30,149,029
	Investments	389,092,637	389,092,637
	Advances	378,720,349	378,720,349
	Operating fixed assets	18,133,267	18,133,267
	Deferred tax assets	-	-
	Other assets	17,917,264	17,917,264
	Total assets	917,457,053	917,457,053
Liabilities & Equity			
	Bills payable	12,886,990	12,886,990
	Borrowings	178,311,035	178,311,035
	Deposits and other accounts	640,944,254	640,944,254
	Sub-ordinated loans	8,317,670	8,317,670
	Liabilities against assets subject to finance lease	-	-
	Deferred tax liabilities	2,650,428	2,650,428
	Other liabilities	14,221,914	14,221,914
	Total liabilities	857,332,291	857,332,291
	Share capital/ Head office capital account	15,952,076	15,952,076
	Reserves	15,895,652	15,895,652
	Unappropriated/ Unremitted profit/ (losses)	17,337,458	17,337,458
	Minority Interest	-	-
	Surplus on revaluation of assets	10,939,576	10,939,576
	Total equity	60,124,762	60,124,762
	Total liabilities & equity	917,457,053	917,457,053

Table: 42.5.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2016 (Rupees in '000)		
Assets			
Cash and balances with treasury banks	74,071,384	74,071,384	
Balances with other banks	9,373,123	9,373,123	
Lending to financial institutions	30,149,029	30,149,029	
Investments	389,092,637	389,092,637	
- of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
- of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
- of which: Mutual Funds exceeding regulatory threshold	-	-	c
- of which: reciprocal crossholding of capital instrument	-	-	
CET1	1,026,250	1,026,250	d
AT1	-	-	
T2	276,726	276,726	e
- of which: others (mention details)	-	-	
Advances	378,720,349	378,720,349	
- shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
- general provisions reflected in Tier 2 capital	775,967	775,967	g
Fixed Assets	18,133,267	18,133,267	
of which: Intangibles	1,723,207	1,723,207	h
Deferred Tax Assets	-	-	
- of which: DTAs that rely on future profitability excluding those arising from temporary differences	2,978,692	2,978,692	i
- of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	j
Other assets	17,917,264	17,917,264	
- of which: Goodwill	-	-	k
- of which: Defined-benefit pension fund net assets	349,317	349,317	l
Total assets	917,457,053	917,457,053	
Liabilities & Equity			
Bills payable	12,886,990	12,886,990	
Borrowings	178,311,035	178,311,035	
Deposits and other accounts	640,944,254	640,944,254	
Sub-ordinated loans	8,317,670	8,317,670	
- of which: eligible for inclusion in AT1	-	-	m
- of which: eligible for inclusion in Tier 2	3,990,400	3,990,400	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	2,650,428	2,650,428	
- 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	14,221,914	14,221,914	
Total liabilities	857,332,291	857,332,291	
Share capital	15,952,076	15,952,076	
- of which: amount eligible for CET1	15,952,076	15,952,076	s
- of which: amount eligible for AT1	-	-	t
Reserves	15,895,652	15,895,652	
- of which: portion eligible for inclusion in CET1	14,311,632	14,311,632	
General Reserve	9,894,506	9,894,506	u
Share Premium	4,417,126	4,417,126	
- of which: portion eligible for inclusion in Tier 2	1,584,020	1,584,020	v
Unappropriated profit/ (losses)	17,337,458	17,337,458	w
Minority Interest	-	-	
- of which: portion eligible for inclusion in CET1	-	-	x
- of which: portion eligible for inclusion in AT1	-	-	y
- of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	10,939,576	10,939,576	
- of which: Revaluation reserves on Fixed Assets	4,559,251	4,559,251	
- of which: Non-banking assets acquired in satisfaction of claims	36,942	36,942	aa
- of which: Unrealized Gains/Losses on AFS	6,343,383	6,343,383	
- In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total equity	60,124,762	60,124,762	
Total liabilities & equity	917,457,053	917,457,053	

Table: 42.5.3

	Component of regulatory capital reported by bank 2016 (Rupees in '000)	Reference
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	15,952,076	
2 Balance in Share Premium Account	4,417,126	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	9,894,506	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	17,337,458	(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	47,601,166	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(k) - (o)
10 All other intangibles (net of any associated deferred tax liability)	1,723,207	(h) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,787,215	{(i) - (r)} * 60%
13 Defined-benefit pension fund net assets	209,590	{(l) - (q)} * 60%
14 Reciprocal cross holdings in CET1 capital instruments	1,026,250	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	100,980	
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)	-	(j)
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	203,991	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	5,051,233	
31 Common Equity Tier 1	42,549,933	
Additional Tier 1 (AT 1) Capital		
32 Qualifying Additional Tier 1 instruments plus any related share premium	-	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier 1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
37 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based onpre-Baseel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	203,991	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 43)	203,991	
46 Additional Tier 1 capital	-	
47 Additional Tier 1 capital recognized for capital adequacy	-	
48 Tier 1 Capital (CET1 + admissible AT1) (31+47)	42,549,933	

Table: 42.5.3

	Component of regulatory capital reported by bank 2016 (Rupees in '000)	Reference
Tier 2 Capital		
49	3,990,400	(n)
50		
51	-	(z)
52	-	
53	820,775	(g)
54	8,504,055	
55	3,556,216	portion of (aa)
56	4,947,839	
57	1,584,020	(v)
58	-	
59	14,899,250	
Tier 2 Capital: regulatory adjustments		
60	203,991	
61	342,120	
62	827	
63	-	(ae)
64	-	(af)
65	546,938	
66	14,352,312	
67	14,352,312	
68	-	
69	14,352,312	
70	56,902,245	

42.6 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 TFC 5
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)	Rs. 15,952,076	Nil	Rs. 3,990,400
9	Par value of instrument	Rs. 10	Rs. 5,000	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability	Liability
11	Original date of issuance	21-Jun-92	Dec 2009	Feb 19 & 20, 2013
12	Perpetual or dated	NA	Dated	Dated
13	Original maturity date	NA	Dec 2017	Feb 2021
14	Issuer call subject to prior supervisory approval	NA	NA	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend/ coupon	NA	Fixed to floating	Floating
18	Coupon rate and any related index/ benchmark	NA	Option 1: Fixed at 15.50% per annum Option 2: 6 Months KIBOR plus 250 basis points per annum	Floating at 6 Months KIBOR*(Base Rate) plus 125 basis points per annum without any floor or CAP
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No	No
22	Noncumulative or cumulative	NA	Cumulative	Cumulative
23	Convertible or non-convertible	NA	Non convertible	Convertible
24	If convertible, conversion trigger (s)	NA	NA	At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
25	If convertible, fully or partially	NA	NA	May convert fully or partially
26	If convertible, conversion rate	NA	NA	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	NA	NA	Optional
28	If convertible, specify instrument type convertible into	NA	NA	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	NA	NA	Bank Alfalah Limited
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

42.7 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	
	2016	2015 (Restated)	2016	2015 (Restated)
	(Rupees in '000)			
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	3,038,749	2,969,180	28,532,859	28,967,616
Public Sector entities	485,776	986,853	4,561,275	9,627,832
Banks	1,531,628	1,124,334	14,381,486	10,969,116
Corporate	20,516,468	15,706,091	192,642,891	153,230,159
Retail	4,049,701	3,220,789	38,025,363	31,422,330
Residential Mortgages	348,457	313,969	3,271,896	3,063,114
Past Due loans	271,911	266,037	2,553,152	2,595,479
Operating Fixed Assets	1,747,671	1,630,849	16,410,061	15,910,718
Other assets	601,669	1,427,685	5,649,474	13,928,637
	32,592,030	27,645,787	306,028,457	269,715,001
<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	2,767,404	936,061	25,985,017	9,132,300
Acceptances	120,141	1,143,764	1,128,089	11,158,670
Performance Related Contingencies	1,235,126	825,039	11,597,424	8,049,163
Trade Related Contingencies	1,197,543	830,617	11,244,536	8,103,584
	5,320,214	3,735,481	49,955,066	36,443,717
Market related				
Foreign Exchange contracts	52,978	57,548	497,446	561,441
Derivatives	5,225	2,770	49,064	27,026
	58,203	60,318	546,510	588,467
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	774,420	516,131	7,271,546	5,035,426
Unlisted Equity Investment	750,130	886,792	7,043,475	8,651,626
	1,524,550	1,402,923	14,315,021	13,687,052
Under Internal models approach				
	39,494,997	32,844,509	370,845,054	320,434,237
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	181,139	297,976	2,264,238	3,724,700
Equity position risk	156,890	31,993	1,961,125	399,913
Foreign Exchange risk	10,455	886,466	130,688	11,080,825
	348,484	1,216,435	4,356,051	15,205,438
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
Operational Risk [70% of BIA or ASA whichever is higher is taken as capital charge (2015: 80%)]*				
<u>Capital Requirement for operational risks</u>	4,514,148	3,878,587	56,426,850	48,482,335
Total Risk Weighted Exposures	44,357,629	37,939,531	431,627,955	384,122,010

* 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	2016		2015	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	9.86%	6.00%	9.59%
Tier-1 capital to total RWA	7.50%	9.86%	7.50%	9.59%
Total capital to total RWA	10.65%	13.18%	10.25%	13.27%

43 RISK MANAGEMENT

The variety of business activities undertaken by the Bank requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To complement CMC and to supervise risk management activities within their respective scopes, CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee, Principal Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies and 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 and social risk.

43.1 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 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 is in place, which is capable of quantifying counter-party & transaction risk in accordance with the best practices. The risk rating system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates internal ratings at Obligor and Facility levels. The facility rating system, developed in line with SBP's guidelines, also provides 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, Islamic Banking and Retail & Middle Market segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Bank has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, ME, SE & Agri rating models. It covers both discrimination & calibration statistical tests as per best international practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to generate the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Operations Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD. Credit Monitoring, under CAD, keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authority with a view to arrest deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/ settlement of the Bank's non-performing exposure and protect the interests of the bank's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of Bank's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

43.1.1 Credit Risk - General Disclosures Basel Specific

Bank Alfalah Limited is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, 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.

43.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

43.1.2.1 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.

43.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

43.1.3.1 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.

43.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II / 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 II / 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.

43.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

43.1.3.4 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 (Government of Pakistan, Banks etc.) under substitution effect of Basel 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.

43.1.3.5 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, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industries. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category).

43.1.4 Segmental information

43.1.4.1 Segments by class of business

	2016					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	25,146,203	6.35%	4,512,814	0.70%	676,226	0.51%
Automobile & Transportation Equipment	6,716,530	1.70%	6,896,102	1.08%	4,942,532	3.76%
Chemical and Pharmaceuticals	4,074,952	1.03%	4,367,174	0.68%	4,036,635	3.07%
Cement	6,310,583	1.59%	998,229	0.16%	4,105,149	3.12%
Communication	6,316,495	1.60%	5,688,168	0.89%	2,894,449	2.20%
Electronics and Electrical Appliances	4,299,732	1.09%	2,686,895	0.42%	4,467,410	3.40%
Educational Institutes	1,915,871	0.48%	7,980,970	1.25%	267,878	0.20%
Financial	8,621,617	2.18%	26,319,240	4.11%	16,187,989	12.32%
Fertilizers	10,855,791	2.74%	418,538	0.07%	130,998	0.10%
Food & Allied Products	16,426,146	4.15%	8,758,225	1.37%	2,755,962	2.10%
Glass & Ceramics	361,281	0.09%	401,428	0.06%	349,719	0.27%
Ghee & Edible Oil	9,421,674	2.38%	3,419,859	0.53%	5,259,148	4.00%
Housing Societies / Trusts	2,535,735	0.64%	23,360,992	3.64%	54,801	0.04%
Insurance	-	0.00%	3,497,192	0.55%	-	0.00%
Import & Export	6,645,776	1.68%	3,618,472	0.56%	8,483	0.01%
Iron / Steel	9,725,608	2.46%	4,467,572	0.70%	6,357,746	4.84%
Oil & Gas	18,578,938	4.69%	20,598,300	3.21%	17,873,323	13.60%
Paper & Board	3,652,792	0.92%	495,440	0.08%	1,361,049	1.04%
Production and Transmission of Energy	58,281,948	14.72%	19,430,454	3.03%	5,256,974	4.00%
Real Estate / Construction	10,281,339	2.60%	31,372,965	4.89%	5,653,556	4.30%
Retail / Wholesale Trade	14,605,147	3.69%	28,724,702	4.48%	12,486,802	9.50%
Rice Processing and Trading/ Wheat	9,470,043	2.39%	2,189,755	0.34%	67,897	0.05%
Sugar	8,501,559	2.15%	1,635,158	0.26%	733,111	0.56%
Shoes and Leather garments	2,373,883	0.60%	2,173,422	0.34%	342,355	0.26%
Sports Goods	402,310	0.10%	443,678	0.07%	126,329	0.10%
Surgical Goods	490,108	0.12%	521,150	0.08%	25,256	0.02%
Textile Spinning	31,099,133	7.86%	2,747,373	0.43%	6,469,700	4.92%
Textile Weaving	14,184,418	3.58%	3,147,400	0.49%	2,783,776	2.12%
Textile Composite	21,445,047	5.42%	4,963,715	0.77%	5,202,455	3.96%
Welfare Institutions	1,000,000	0.25%	17,551,301	2.74%	-	0.00%
Individuals	36,637,139	9.25%	241,987,139	37.75%	684,330	0.52%
Others	45,485,511	11.50%	155,570,432	24.27%	19,886,826	15.11%
	395,863,309	100.00%	640,944,254	100.00%	131,448,864	100.00%

*Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

	2015					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	25,426,115	7.26%	9,268,099	1.45%	403,097	0.36%
Automobile & Transportation Equipment	3,621,759	1.03%	12,494,496	1.95%	2,310,736	2.08%
Chemical and Pharmaceuticals	6,569,859	1.88%	6,943,315	1.08%	4,826,490	4.33%
Cement	5,050,929	1.44%	3,012,779	0.47%	1,679,342	1.51%
Communication	6,795,506	1.94%	7,408,672	1.16%	2,033,797	1.83%
Electronics and Electrical Appliances	5,450,802	1.56%	3,981,446	0.62%	1,463,169	1.31%
Educational Institutes	1,579,472	0.45%	10,393,163	1.62%	166,705	0.15%
Financial	6,012,279	1.72%	43,479,479	6.79%	16,388,180	14.72%
Fertilizers	10,761,359	3.07%	13,237,190	2.07%	2,243,982	2.02%
Food & Allied Products	10,422,249	2.97%	9,009,487	1.41%	2,366,516	2.13%
Glass & Ceramics	400,958	0.11%	1,858,994	0.29%	136,529	0.12%
Ghee & Edible Oil	7,625,148	2.18%	4,018,647	0.63%	3,314,775	2.98%
Housing Societies / Trusts	1,011,819	0.29%	10,340,871	1.62%	62,421	0.06%
Insurance	1,247	0.00%	1,774,999	0.28%	-	0.00%
Import & Export	3,679,806	1.05%	14,074,053	2.20%	448,922	0.40%
Iron / Steel	10,082,093	2.88%	7,888,480	1.23%	5,970,084	5.36%
Oil & Gas	32,560,786	9.29%	41,076,943	6.42%	13,674,007	12.28%
Paper & Board	3,107,556	0.89%	2,399,688	0.37%	669,425	0.60%
Production and Transmission of Energy	55,783,228	15.92%	12,261,946	1.92%	10,895,232	9.78%
Real Estate / Construction	9,589,567	2.74%	20,256,601	3.16%	6,593,492	5.92%
Retail / Wholesale Trade	8,153,916	2.33%	28,219,596	4.41%	5,239,175	4.71%
Rice Processing and Trading/ Wheat	9,290,979	2.65%	6,134,412	0.96%	8,572	0.01%
Sugar	6,787,255	1.94%	3,522,207	0.55%	143,569	0.13%
Shoes and Leather garments	2,301,645	0.66%	5,307,073	0.83%	448,764	0.40%
Sports Goods	104,205	0.03%	964,705	0.15%	37,579	0.03%
Surgical Goods	404,717	0.12%	928,481	0.15%	71,983	0.06%
Textile Spinning	25,064,417	7.15%	2,963,234	0.46%	4,204,188	3.78%
Textile Weaving	10,375,119	2.96%	3,086,072	0.48%	876,232	0.79%
Textile Composite	16,144,130	4.61%	4,578,195	0.72%	5,493,318	4.93%
Welfare Institutions	73,341	0.02%	8,209,978	1.28%	3,050	0.00%
Individuals	32,871,599	9.38%	194,754,585	30.42%	1,547,964	1.39%
Others	33,247,338	9.48%	146,340,849	22.85%	17,629,579	15.83%
	350,351,198	100.00%	640,188,735	100.00%	111,350,874	100.00%

43.14.2 Segment by sector

	2016					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	86,223,360	21.78%	18,982,770	2.96%	22,410,079	17.05%
Private	309,639,949	78.22%	621,961,484	97.04%	109,038,785	82.95%
	395,863,309	100.00%	640,944,254	100.00%	131,448,864	100.00%

	2015					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	94,312,609	26.92%	36,469,841	5.70%	16,132,091	14.49%
Private	256,038,589	73.08%	603,718,894	94.30%	95,218,783	85.51%
	350,351,198	100.00%	640,188,735	100.00%	111,350,874	100.00%

*Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

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

	2016		2015	
	Classified advances	Specific provision held	Classified advances	Specific provision held
------(Note 10.4)-----				
------(Rupees in `000)-----				
Agribusiness	378,541	216,924	293,088	150,383
Automobile & Transportation equipment	1,131,004	417,619	141,121	87,666
Chemical & Pharmaceuticals	225,513	225,513	110,231	98,165
Communication	1,870,813	1,870,813	519,376	519,376
Educational Institutes	52,322	45,972	-	-
Electronic & Electrical Appliances	-	-	413,838	411,590
Financial	1,302,880	1,288,470	78,970	78,970
Fertilizers	765,136	765,136	790,636	794,048
Food and allied products	257,302	175,802	273,119	202,843
Glass / Ceramics	17,133	17,133	26,559	26,559
Ghee & Edible Oil	457,638	457,638	392,526	454,547
Import & Export	885,121	829,730	626,525	603,525
Iron and steel	227,394	187,622	246,643	213,770
Oil and gas	1,701,406	1,356,224	2,271,267	1,368,285
Paper & Board	90,892	90,892	133,651	133,551
Production and transmission of energy	148,839	148,839	1,948	1,948
Real Estate / Construction	557,536	534,411	655,948	348,688
Retail Trade & Wholesale	2,002,294	1,400,352	895,584	824,676
Rice processing and trading / wheat	1,092,534	1,048,501	521,589	501,232
Sugar	7,322	6,737	-	-
Shoes & Leather garments	94,654	94,654	95,251	94,301
Sports	30,990	30,990	3,900	3,900
Surgical goods	32,153	32,153	15,047	15,047
Textile Spinning	1,398,435	1,391,135	628,397	644,892
Textile Weaving	1,104,051	1,024,229	316,201	309,064
Textile Composite	1,051,420	937,481	3,090,643	2,899,945
Individuals	982,412	790,055	1,119,034	918,437
Others	1,152,780	981,968	4,794,307	3,747,147
	<u>19,018,515</u>	<u>16,366,993</u>	<u>18,455,399</u>	<u>15,452,555</u>

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

	2016		2015	
	Classified advances	Specific provision held	Classified advances	Specific provision held
------(Rupees in `000)-----				
Public / Government	-	-	-	-
Private	19,018,515	16,366,993	18,455,399	15,452,555
	<u>19,018,515</u>	<u>16,366,993</u>	<u>18,455,399</u>	<u>15,452,555</u>

43.1.4.5 Geographical segment analysis

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	------(Rupees in '000)-----			
Pakistan	11,367,197	849,033,701	51,065,263	125,163,263
Asia Pacific (including South Asia)	1,107,779	48,111,705	8,201,003	4,665,616
Middle East	548,183	20,311,647	858,496	1,619,985
	<u>13,023,159</u>	<u>917,457,053</u>	<u>60,124,762</u>	<u>131,448,864</u>
	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	------(Rupees in '000)-----			
Pakistan	10,968,236	843,600,372	43,695,395	97,080,642
Asia Pacific (including South Asia)	1,355,228	46,078,322	8,741,448	5,081,365
Middle East	280,606	12,928,827	916,332	9,188,867
	<u>12,604,070</u>	<u>902,607,521</u>	<u>53,353,175</u>	<u>111,350,874</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.

43.2 Market risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a well-defined risk management structure, under Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines methods to measure and control market risk which are carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

The Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Management Unit of Risk Management Division (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 regular basis. Moreover, the Bank also carries out stress testing on regular intervals by applying shocks on fixed income, equity and foreign exchange positions.

43.2.1 Foreign exchange risk

Foreign exchange (FX) risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer and currency-wise limits.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps. VaR analysis are conducted on regular basis to measure and monitor the FX risk.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	904,257,255	833,137,544	(10,905,418)	60,214,293
United States Dollar	11,742,423	16,364,610	4,491,512	(130,675)
Great Britain Pound	1,344,791	4,904,811	3,574,955	14,935
Arab Emirates Dirham	16,408	1,343	-	15,065
Euro	72,409	2,917,512	2,850,232	5,129
Other currencies	23,767	6,471	(11,281)	6,015
Total foreign currency exposure	<u>13,199,798</u>	<u>24,194,747</u>	<u>10,905,418</u>	<u>(89,531)</u>
Total currency exposure	<u>917,457,053</u>	<u>857,332,291</u>	<u>-</u>	<u>60,124,762</u>

	2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	867,586,751	811,623,017	8,236,601	64,200,335
United States Dollar	33,991,224	29,601,732	(15,445,404)	(11,055,912)
Great Britain Pound	293,051	4,988,182	4,706,822	11,691
Japanese Yen	151,675	2,998	(152,303)	(3,626)
Euro	216,986	2,984,674	2,774,062	6,374
Other currencies	367,834	53,743	(119,778)	194,313
Total foreign currency exposure	<u>35,020,770</u>	<u>37,631,329</u>	<u>(8,236,601)</u>	<u>(10,847,160)</u>
Total currency exposure	<u>902,607,521</u>	<u>849,254,346</u>	<u>-</u>	<u>53,353,175</u>

43.2.2 Equity investment risk

Equity investment risk arises due to the risk of changes in the prices of individual stocks held by the bank. The Bank's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD monitors and reports portfolio and scrip level internal and external limits.

43.3 Interest rate risk

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets and liabilities and off-balance sheet instruments within a certain range of maturity due to re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management (IRRM) framework which establishes aggregate and tenor-wise balance sheet level PV01 (Price Value of 1bps) limits to manage interest rate risk within the Board approved risk appetite. Treasury and FI Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Management Unit of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

43.3.1 Mismatch of interest rate sensitive assets and liabilities

		2016									
		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	-	74,071,384	6,651,459	-	-	-	-	-	-	-	67,419,925
Balances with other banks	0.78%	9,373,123	3,256,176	1,435,399	-	-	-	-	-	-	4,681,548
Lendings to financial institutions	4.90%	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-
Investments	7.61%	389,092,637	29,919,376	27,023,435	1,542,424	58,458,677	88,541,189	97,689,618	46,175,864	27,259,389	647,989
Advances	7.27%	378,720,349	29,811,582	128,342,849	186,754,816	28,899,125	63,943	154,176	266,316	195,322	4,232,220
Other assets	-	17,350,334	-	-	-	-	-	-	-	-	17,350,334
		898,756,856	73,496,476	168,694,183	202,695,886	87,357,802	88,605,132	97,843,794	46,442,180	27,454,711	4,880,209
											101,286,483
Financial Liabilities											
Bills payable	-	12,886,990	-	-	-	-	-	-	-	-	12,886,990
Borrowings	5.12%	178,311,035	147,557,104	8,014,324	19,796,157	-	-	-	-	2,943,450	-
Deposits and other accounts	3.04%	640,944,254	290,491,729	20,059,108	23,733,050	15,172,690	753,186	477,159	27,860	-	290,229,472
Sub-ordinated loans	9.68%	8,317,670	-	4,993,000	2,524,154	800,516	-	-	-	-	-
Other liabilities	-	13,068,177	-	-	-	-	-	-	-	-	13,068,177
		853,528,126	438,048,833	33,066,432	46,053,361	15,973,206	753,186	477,159	27,860	2,943,450	316,184,639
On-balance sheet gap		45,228,730	(364,552,357)	135,627,751	156,642,525	71,384,596	87,851,946	97,366,635	46,414,320	24,511,261	4,880,209
											(214,898,156)
Off-balance sheet financial instruments											
Forward exchange contracts - purchase	-	53,992,848	26,259,608	15,818,226	8,080,646	3,834,368	-	-	-	-	-
Forward exchange contracts - sale	-	41,084,440	21,036,937	15,055,056	4,614,498	377,949	-	-	-	-	-
Repo transaction - resale	-	349,222	349,222	-	-	-	-	-	-	-	-
Repo transaction - repurchase	-	136,912,078	135,683,547	1,228,531	-	-	-	-	-	-	-
Interest Rate Swaps - receipts	-	7,622,307	1,586,974	6,035,333	-	-	-	-	-	-	-
Interest Rate Swaps - payments	-	7,622,307	-	-	-	-	-	4,222,855	2,039,671	1,359,781	-
Off-balance sheet gap		(123,654,448)	(128,524,680)	5,569,972	3,466,148	3,456,419	-	(4,222,855)	(2,039,671)	(1,359,781)	-
Total yield / interest rate risk sensitivity gap			(493,077,037)	141,197,723	160,108,673	74,841,015	87,851,946	93,143,780	44,374,649	23,151,480	4,880,209
Cumulative yield / interest rate risk sensitivity gap			(493,077,037)	(351,879,314)	(191,770,641)	(116,929,626)	(29,077,680)	64,066,100	108,440,749	131,592,229	136,472,438

		2015									
		Exposed to yield / interest rate risk									
Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
----- (Rupees in '000) -----											
On-balance sheet financial instruments											
Financial Assets											
Cash and balances with treasury banks	-	62,368,790	7,880,964	-	-	-	-	-	-	-	54,487,826
Balances with other banks	0.82%	16,552,207	2,904,940	2,074,384	-	-	-	-	-	-	11,572,883
Lendings to financial institutions	8.03%	27,626,350	13,895,000	13,193,983	533,644	3,723	-	-	-	-	-
Investments	9.14%	423,099,734	2,592,749	52,449,451	38,355,780	146,346,231	56,712,435	64,174,242	27,040,219	25,706,276	295,487
Advances	8.66%	334,158,739	46,954,706	94,165,043	139,457,496	49,457,007	95,146	123,260	287,372	434,434	3,184,275
Other assets	-	20,801,587	-	-	-	-	-	-	-	-	20,801,587
		884,607,407	74,228,359	161,882,861	178,346,920	195,806,961	56,807,581	64,297,502	27,327,591	26,140,710	3,479,762
											96,289,160
Financial Liabilities											
Bills payable	-	9,733,929	-	-	-	-	-	-	-	-	9,733,929
Borrowings	6.22%	172,393,198	143,210,497	4,381,324	24,580,883	-	-	-	-	166,686	53,808
Deposits and other accounts	4.00%	640,188,735	289,527,760	47,840,572	33,572,157	22,311,911	1,874,012	966,744	199,291	-	243,896,288
Sub-ordinated loans	11.04%	9,983,000	-	4,995,000	2,588,455	799,847	1,599,698	-	-	-	-
Other liabilities	-	14,152,195	-	-	-	-	-	-	-	-	14,152,195
		846,451,057	432,738,257	57,216,896	60,741,495	23,111,758	3,473,710	966,744	199,291	166,686	267,836,220
On-balance sheet gap		38,156,350	(358,509,898)	104,665,965	117,605,425	172,695,203	53,333,871	63,330,758	27,128,300	25,974,024	3,479,762
											(171,547,060)
Off-balance sheet financial instruments											
Forward exchange contracts - purchase	-	98,261,212	48,466,074	38,285,002	10,163,560	1,346,576	-	-	-	-	-
Forward exchange contracts - sale	-	106,520,120	29,830,025	72,780,665	3,850,461	58,969	-	-	-	-	-
Repo transactions - repurchase	-	129,226,010	129,226,010	-	-	-	-	-	-	-	-
Interest Rate Swaps - receipts	-	6,962,920	1,600,180	5,100,887	261,853	-	-	-	-	-	-
Interest Rate Swaps - payments	-	6,962,920	-	-	-	-	-	-	5,287,064	1,675,856	-
Off-balance sheet gap		(137,484,918)	(108,989,781)	(29,394,776)	6,574,952	1,287,607	-	-	(5,287,064)	(1,675,856)	-
Total yield / interest rate risk sensitivity gap			(467,499,679)	75,271,189	124,180,377	173,982,810	53,333,871	63,330,758	21,841,236	24,298,168	3,479,762
Cumulative yield / interest rate risk sensitivity gap			(467,499,679)	(392,228,490)	(268,048,113)	(94,065,303)	(40,731,432)	22,599,326	44,440,562	68,738,730	72,218,492

43.3.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities	2016	2015
	(Rupees in '000)	
Total financial assets as per note 43.3.1	898,756,856	884,607,407
Add: Non financial assets		
Operating fixed assets	18,133,267	17,241,968
Other assets	566,930	758,146
Total assets as per statement of financial position	<u>917,457,053</u>	<u>902,607,521</u>
Total liabilities as per note 43.3.1	853,528,126	846,451,057
Add: Non financial liabilities		
Deferred tax liabilities	2,650,428	1,824,054
Other liabilities	1,153,737	979,235
Total liabilities as per statement of financial position	<u>857,332,291</u>	<u>849,254,346</u>

43.4 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Bank's exposure in that country. For the Bank, country risk arises as a result of the Bank's foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to monitor and mitigate the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of relative certainty of payment of foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and controlled at head office level and country risk exposures are reported to Central Credit Committee at a defined frequency.

43.5 Liquidity risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The Bank's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function including liquidity management. The BOD has approved a comprehensive Market & Liquidity Risk Management Policy which stipulates the various parameters to monitor and control liquidity risk including maintenance of various liquidity ratios. Liquidity Risk Management Unit of RMD is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and BoD approved Risk Framework. It also monitors & reports the maintenance of liquidity buffer in form of excess Government securities over regulatory requirement, liquidity ratios and depositors' concentration both in terms of the overall funding mix and avoidance of undue reliance on large volume deposits. As core retail deposits form a considerable part of the Bank's overall funding mix, significant importance is being given to the stability and growth of these deposits. Maturity gaps and sources of funding are also reviewed in order to ensure diversification in terms of tenor, currency and geography. Moreover, Bank also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in times of stress / crisis situations containing early warning indicators to pre-empt unforeseen liquidity crisis. In addition to this, the Bank has designed different scenarios of cash outflows to stress test adequacy of its liquid assets.

43.5.1 Maturities of assets and liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank

		2016									
		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		74,071,384	36,846,823	1,772,930	2,425,381	3,867,441	6,757,184	1,307,969	2,639,200	6,211,747	12,242,709
Balances with other banks		9,373,123	7,937,724	1,435,399	-	-	-	-	-	-	-
Lendings to financial institutions		30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-
Investments		389,092,637	29,567,940	26,624,534	1,365,933	66,439,619	88,541,189	97,689,618	47,972,996	27,484,586	3,406,222
Advances		378,720,349	60,429,570	74,260,351	74,376,411	40,512,742	10,088,682	19,127,442	55,801,997	28,726,245	15,396,909
Operating fixed assets		18,133,267	122,842	245,687	368,530	737,060	1,474,120	1,474,120	2,708,214	2,509,407	8,493,287
Other assets		17,917,264	15,453,573	227,564	341,346	365,238	683,001	211,636	317,453	317,453	-
		917,457,053	154,216,355	116,458,965	93,276,247	111,922,100	107,544,176	119,810,785	109,439,860	65,249,438	39,539,127
Liabilities											
Bills payable		12,886,990	12,886,990	-	-	-	-	-	-	-	-
Borrowings		178,311,035	147,557,104	8,014,324	19,796,157	-	-	-	-	2,943,450	-
Deposits and other accounts		640,944,254	43,065,961	42,459,849	50,339,554	77,053,235	119,366,260	23,555,005	47,285,340	108,170,442	129,648,608
Sub-ordinated loans		8,317,670	-	1,000	1,662,330	1,663,340	2,000	2,000	4,987,000	-	-
Deferred tax liabilities		2,650,428	-	-	-	2,650,428	-	-	-	-	-
Other liabilities		14,221,914	7,323,211	572,313	918,104	2,586,282	705,501	705,501	1,411,002	-	-
		857,332,291	210,833,266	51,047,486	72,716,145	83,953,285	120,073,761	24,262,506	53,683,342	111,113,892	129,648,608
Net assets		60,124,762	(56,616,911)	65,411,479	20,560,102	27,968,815	(12,529,585)	95,548,279	55,756,518	(45,864,454)	(90,109,481)
Share capital		15,952,076									
Reserves		15,895,652									
Unappropriated profit		17,337,458									
Surplus on revaluation of assets - net of tax		10,939,576									
		<u>60,124,762</u>									
		2015									
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks		62,368,790	24,957,532	4,141,354	4,768,934	6,095,093	188,315	1,156,125	2,286,746	5,538,959	13,235,732
Balances with other banks		16,552,207	14,477,823	2,074,384	-	-	-	-	-	-	-
Lendings to financial institutions		27,626,350	13,895,000	13,193,983	533,644	3,723	-	-	-	-	-
Investments		423,099,734	2,520,871	48,493,577	15,046,677	152,167,038	58,248,104	84,418,850	30,240,219	28,028,759	3,935,639
Advances		334,158,739	50,086,876	95,441,109	62,922,984	27,554,695	12,149,602	18,789,835	45,449,363	10,238,566	11,525,709
Operating fixed assets		17,241,968	115,298	230,595	345,892	691,785	1,383,570	1,383,570	2,587,670	2,577,930	7,925,658
Other assets		21,559,733	18,411,290	280,160	420,240	440,948	941,679	266,354	399,531	399,531	-
		902,607,521	124,464,690	163,855,162	84,038,371	186,953,282	72,911,270	106,014,734	80,963,529	46,783,745	36,622,738
Liabilities											
Bills payable		9,733,929	9,733,929	-	-	-	-	-	-	-	-
Borrowings		172,393,198	143,264,305	4,381,324	24,580,883	-	-	-	-	166,686	-
Deposits and other accounts		640,188,735	92,791,698	89,134,029	95,309,296	104,357,745	3,455,393	19,121,615	36,484,643	90,701,673	108,832,643
Sub-ordinated loans		9,983,000	-	1,000	1,000	1,663,330	3,326,670	2,000	4,000	4,985,000	-
Deferred tax liabilities		1,824,054	-	-	-	1,824,054	-	-	-	-	-
Other liabilities		15,131,430	8,974,374	536,962	914,860	2,118,634	646,650	646,650	1,293,300	-	-
		849,254,346	254,764,306	94,053,315	120,806,039	109,963,763	7,428,713	19,770,265	37,781,943	95,853,359	108,832,643
Net assets		53,353,175	(130,299,616)	69,801,847	(36,767,668)	76,989,519	65,482,557	86,244,469	43,181,586	(49,069,614)	(72,209,905)
Share capital		15,898,062									
Reserves		14,164,120									
Unappropriated profit		12,362,596									
Surplus on revaluation of assets - net of tax		10,928,397									
		<u>53,353,175</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 deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

43.5.2 Maturities of assets and liabilities based on contractual maturities

2016										
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	74,071,384	66,265,750	564,904	804,133	919,594	1,515,407	284,447	584,019	1,426,447	1,706,683
Balances with other banks	9,373,123	7,937,724	1,435,399	-	-	-	-	-	-	-
Lendings to financial institutions	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-
Investments	389,092,637	37,473,425	26,624,534	1,365,933	58,534,134	88,541,189	97,689,618	47,972,996	27,484,586	3,406,222
Advances	378,720,349	60,366,612	74,274,799	74,391,313	40,520,383	10,090,379	19,131,335	55,813,309	28,732,123	15,400,096
Operating fixed assets	18,133,267	122,842	245,687	368,530	737,060	1,474,120	1,474,120	2,708,214	2,509,407	8,493,287
Other assets	17,917,264	15,453,573	227,564	341,346	365,238	683,001	211,636	317,453	317,453	-
	917,457,053	191,477,809	115,265,387	91,669,901	101,076,409	102,304,096	118,791,156	107,395,991	60,470,016	29,006,288
Liabilities										
Bills payable	12,886,990	12,886,990	-	-	-	-	-	-	-	-
Borrowings	178,311,035	147,557,104	8,014,324	19,796,157	-	-	-	-	2,943,450	-
Deposits and other accounts	640,944,254	570,522,872	22,893,797	20,990,475	18,355,077	1,969,944	1,951,626	4,078,582	153,547	28,334
Sub-ordinated loans	8,317,670	-	1,000	1,662,330	1,663,340	2,000	2,000	4,987,000	-	-
Deferred tax liabilities	2,650,428	-	-	-	2,650,428	-	-	-	-	-
Other liabilities	14,221,914	7,323,211	572,313	918,104	2,586,282	705,501	705,501	1,411,002	-	-
	857,332,291	738,290,177	31,481,434	43,367,066	25,255,127	2,677,445	2,659,127	10,476,584	3,096,997	28,334
Net assets	60,124,762	(546,812,368)	83,783,953	48,302,835	75,821,282	99,626,651	116,132,029	96,919,407	57,373,019	28,977,954
Share capital	15,952,076									
Reserves	15,895,652									
Unappropriated profit	17,337,458									
Surplus on revaluation of investments	10,939,576									
	60,124,762									
----- (Rupees in '000) -----										
2015										
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	62,368,790	52,140,763	2,212,246	1,375,203	1,931,132	48,645	333,150	665,974	1,664,542	1,997,135
Balances with other banks	16,552,207	14,477,823	2,074,384	-	-	-	-	-	-	-
Lendings to financial institutions	27,626,350	13,895,000	13,193,983	533,644	3,723	-	-	-	-	-
Investments	423,099,734	7,718,031	48,493,577	15,046,677	146,969,878	58,248,104	84,418,850	30,240,219	28,028,759	3,935,639
Advances	334,158,739	50,086,876	95,441,109	62,922,984	27,554,695	12,149,602	18,789,835	45,449,363	10,238,566	11,525,709
Operating fixed assets	17,241,968	115,298	230,595	345,892	691,785	1,383,570	2,587,670	2,577,930	2,577,930	7,925,658
Other assets	21,559,733	18,411,290	280,160	420,240	440,948	941,679	266,354	399,531	399,531	-
	902,607,521	156,845,081	161,926,054	80,644,640	177,592,161	72,771,600	105,191,759	79,342,757	42,909,328	25,384,141
Liabilities										
Bills payable	9,733,929	9,733,929	-	-	-	-	-	-	-	-
Borrowings	172,393,198	143,264,305	4,381,324	24,580,883	-	-	-	-	166,686	-
Deposits and other accounts	640,188,735	538,262,834	47,840,572	28,733,371	22,311,911	1,874,012	966,744	199,291	-	-
Sub-ordinated loans	9,983,000	-	1,000	1,000	1,663,330	3,326,670	2,000	4,000	4,985,000	-
Deferred tax liabilities	1,824,054	-	-	-	1,824,054	-	-	-	-	-
Other liabilities	15,131,430	8,974,374	536,962	914,860	2,118,634	646,650	646,650	1,293,300	-	-
	849,254,346	700,235,442	52,759,858	54,230,114	27,917,929	5,847,332	1,615,394	1,496,591	5,151,686	-
Net assets	53,353,175	(543,390,361)	109,166,196	26,414,526	149,674,232	66,924,268	103,576,365	77,846,166	37,757,642	25,384,141
Share capital	15,898,062									
Reserves	14,164,120									
Unappropriated profit	12,362,596									
Surplus on revaluation of investments	10,928,397									
	53,353,175									

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.

43.6 Operational risk

Basel II defines Operational risk as, “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

43.6.1 Operational Risk Disclosures - Basel II Specific

Bank was given approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013. The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors are 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. Bank Alfalah is one of the first few banks in Pakistan to achieve this milestone. As per SBP requirements, Bank’s operational risk assessment systems have also been reviewed by the external auditors during 2014.

The Bank’s ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank’s business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies and procedures of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems introduced in 2010 have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. From April 2017 loss data base reports shall also be shared with the regulator on its prescribed format.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

43.6.2 IT Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank’s technology assets by developing IT security baselines for IT solutions that support products and services, monitoring of threats and vulnerabilities, investigation of reported information security incidents, reinforcement of IT security risk awareness to employees via periodic communications, following up on due dates with stakeholders responsible for remediation of open issues, and reporting the status of IT security risk to the management and BRMC/Board.

43.7 Environmental & Social Risk Management Unit

Initiative to integrate sustainable finance approach in credit evaluation and approval process.

Being a responsible corporate citizen wherever BAFL operates, the Bank has integrated sustainable finance approach in its lending activities. In this regard, an Environmental & Social Management System (ESMS), duly approved by the Board of Directors, has been put in place in close coordination with IFC. The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated against;

- IFC Exclusion List
- Applicable national laws on environment, health, safety and social issues
- IFC Performance Standards.

This Framework is an integral part of the credit approval process and all relevant credit proposals require clearance of E&S Officer prior to approval of the competent authority. The Environmental & Social Risk Management Unit, part of RMD and headed by a senior risk officer with environmental and social risk management qualifications, is responsible for identifying, vetting and approving projects from an ESRM perspective. This role also entails coordination with provincial Environmental Protection Agencies (EPA) to remove ambiguities related to the EPA approval requirements and to educate the clients. BAFL is also assisting SBP to promote ESRM practices across the banking industry. The Bank firmly believes that the integration of financial, social and environmental considerations into its decision making would enable higher & sustainable gains for all stakeholders.

44 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison.

44.1 During the year, the State Bank of Pakistan (SBP), vide BPRD Circular Letter No. 05 of 2016 dated February 29, 2016 has issued instructions on revised forms of annual financial statements, which further supplements the requirements laid down earlier, vide SBP's BSD Circular No. 4 of 2006 and BSD Circular Letter No. 03 of 2013 on the matter.

In order to standardize the financial statements and to bring comparability, banks having IBBs have been advised to show Islamic Financing and Related Assets under the head of "Advances" in their financial statements. In addition, banks have also been advised to show Bai Muajjal of Government of Pakistan Ijara Sukuk with State Bank of Pakistan and other Financial Institutions under the head "Lendings to Financial Institutions", whereas Bai Muajjal transactions with Government of Pakistan are required to be reported under investment category as other Federal Government securities.

The effect of re-classification on comparative information presented for the year ended December 31, 2015 as part of the Statement of Financial Position is as follows:

	As at December 31, 2015 (Rupees in '000)		
	As previously reported	Effect of Re-classification	As restated
Lending to Financial Institutions	53,628,870	(26,002,520)	27,626,350
Investments - net	397,097,214	26,002,520	423,099,734
Advances - net	327,297,821	6,860,918	334,158,739
Other assets	28,420,651	(6,860,918)	21,559,733

44.2 In addition to the aforementioned, no significant reclassification has been made except as follows:

Description	Rupees in '000	Reclassified	
		From	To
Insurance expenses on Ijarah assets	(294,962)	Other Income	Mark-up / return / interest earned
Registration expenses on Ijarah assets	(68,243)	Other Income	Mark-up / return / interest earned
Rental income on Ijarah assets	342,671	Other Income	Mark-up / return / interest earned

45 NON-ADJUSTING EVENT AFTER THE YEAR END REPORTING DATE

There were no appropriation or distribution made after the reporting date.

46 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 23, 2017 by the Board of Directors of the Bank.

ANNEXURE - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2016

(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, 2016				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
1	SCI-TEK Pakistan, Address: Suite # 14th Floor Intiaz Plaza, Lahore.	Adnan Moid, CNIC # 35201-5370418-1 & Sameera Junaid, CNIC # 42201-9669251-2	Abdul Moid & W/O Mohammad Junaid	5,680	2,000	4,493	12,173	-	-	3,241	3,241	Cash Finance Hypo
2	Syed Abdul Wahid Jan Japan Motors, Address: Plot # 42/43, Scheme 33, Quetta Town, Super Highway, Karachi.	Syed Abdul Wahid, CNIC # 54400-0439115-3	Syed Muhammad Ibrahim Agha	1,127	553	-	1,680	-	759	-	759	TOD
3	Sitara Corporation, Address: Suite # 07, Contonment Shopping Center, Korangi Creek, 75190, Karachi.	M Akram Butt Proprietor, CNIC # 42501-5408558-5	Meharuddin	7,490	1,408	-	8,898	-	1,118	2,399	3,516	Cash Finance
4	Imari Courts, Address: House # 282, Block B-II, MA Johar Town, Lahore.	Imrana Ijaz, CNIC # 35202-4579084-8	Ijaz Ahmed	500	1,099	-	1,599	-	399	1,513	1,912	Term Finance
5	Click trade Pvt Ltd, CEO: Hanif Peerani, Address: Business Address: Suit # 102, 1st floor, The Plaza, Khayaban-E-Iqbal Kehkashan, Block 9, Clifton, Karachi.	Muhammad Imran, CNIC # 42301-2480772-3 Umair, CNIC # 42301-2674318-9 Hanif Peerani, CEO, CNIC # 509-56-136717	Muhammad Hanif Peerani Of 1 & 2	12,787	16,583	-	29,370	-	14,404	9,138	23,542	Current Finance
6	Ghazanfar Traders, Address: New Ghalla Mandi, Kamoke.	Ghazanfar Ali Rana, CNIC # 35202-2757045-7	Rehmat Ali Rana	-	3,989	708	4,697	-	498	985	1,483	Current Finance - Hypo
7	Saleem Paint, Address: House Vehari Bazar Burewala.	Sajid Saleem, CNIC # 36601-0778142-1	Muhammad Saleem	1,494	325	-	1,819	-	185	319	504	Cash Finance Hypo
8	Faheem Nisar Traders, Address: Faheem Nisar Traders Grain Market Gojra, Toba Tek Singh.	Faheem Nisar, CNIC # 33301-0231042-7	Nisar Ahmad	-	2,326	342	2,668	-	-	617	617	Current Finance - Hypo
9	The Habib Enterprises, Address: SD 39, Falcon Complex, Gulberg III, Lahore.	Habib Ullah Rana, CNIC # 35202-2168800-1	Fazal Din Rana	-	2,092	167	2,259	-	167	1,018	1,185	Current Finance - Hypo
10	Chaudhary CNG Station Address: Khokhar Ki, Sialkot Road, Gujranwala.	Attiq Ur Rehman, CNIC # 34101-4771522-3 Ch Muhammad Saeed, CNIC # 34101-7800989-1	Ch Muhammad Saeed / Noor Hussain	-	2,388	814	3,202	-	790	-	790	Current Finance - Hypo
11	Shaheen CNG Filling Station, Address: 106, District Courts, Sahiwal.	Ch.Mazhar Saleem, CNIC # 36502-1316702-5	Ch Muhammad Saleem Akhtar	-	3,975	1,055	5,030	-	511	328	839	TOD
12	Universal Tobacco Company (Pvt) Ltd, Address: Zamindara Chambers, Par Hoti Mardan.	Abdul Aziz, CNIC # 16101-4706638-7	Ghulam Sarwar Khan	1,712	957	844	3,513	-	442	71	513	Lease Finance
13	Kamran Agro Services, Address: Mauza Faizpur, Bahawalpur Road, Multan.	Maratab Ali Sheikh, CNIC # 36302-0406060-7	Muhammad Ikram Sheikh	8,500	4,117	-	12,617	-	-	3,017	3,017	Cash Finance Hypo
14	Feroze Enterprises, Address: Chak # 54, K.L.P. Road, Chani Goth, Ahmed Pur East.	Imran Feroze, CNIC # 31301-4725771-1	Ikram Ur Rehman	8,375	6,401	-	14,776	-	433	5,185	5,619	Cash Finance Hypo & Pledge
15	Salman Zia, Address: 41-R, DHA Lahore.	Salman Zia, CNIC # 35201-0976436-7	Muhammad Zia-Ul-Haq	14,499	3,196	-	17,695	-	1,402	-	1,402	Cash Finance
16	Insaf Timber & Iron Supply, Address: Kutchehry Road Near Daska Chowk, Pasrur.	Mirza Waheed Ahmad, CNIC # 34602-6507285-9	Mirza Bashir Ahmed	1,040	857	-	1,898	-	857	-	857	CURRENT FINANCE
17	Ali Raza Embroidery Address: Property # NE-XVI -139-S-4, Near Talab Wali Masjid, Bano Bazar, Baghbanpura, Lahore.	Muhammad Shahzad, CNIC # 35201-2120538-3	Tufail Bhatti	2,237	833	75	3,145	-	780	-	780	CURRENT FINANCE
18	Eehab Latif, Address: Eehabs Engineering Company Pvt Ltd-2-Km Defence Road, Off 24th KM Multan Road, Mohalajwal, Chung, Lahore.	Eehab Latif, CNIC # 35202-2639210-5	Muhammad Latif	1,592	156	1,466	3,214	-	156	1,466	1,622	LEASE FINANCE
19	Rana Muhammad Ijaz Khan Rice Mills, Address: 3.5 Km Saharan Ke Phoolgagar, Tehsil Patoki, District Kasur.	Rana Muhammad Idress Khan, CNIC # 35103-1360739-7	Munshi Khan	64,691	3,467	-	68,158	-	3,467	-	3,467	Cash Finance
20	Rasool Traders, Address: 413-D, Satellite Town, Rahim Yar Khan.	Ghulam Rasool, CNIC # 31303-2451997-3	Chaudhry Ameer Uddin	2,407	1,692	59	4,157	-	1,655	2	1,657	Current Finance - Hypo
21	Ashrafi Electric Store, Address: 302, Rafi Mention, Arambagh, Shahrah-e-Liaquat, Karachi.	Adeel Ahmed Khan, CNIC # 42301-7470197-9	Ikhtar Uddin Khan	4,786	1,512	-	6,298	-	1,492	-	1,492	Alfalsh Kamayb Karobar
22	Arshad Plastic, Address: Chak # 203 Rb, Near Muhammad Dawkhana 204, Chak Road, Manawala, Faisalabad.	Muhammad Arshad, CNIC # 33100-5779938-1	Fazal Muhammad	2,493	1,627	55	4,176	-	1,376	-	1,376	SME / R&MM
23	Variety Builders, Address: Saeed Centre, Kutchehry Road, Multan.	M Zulaid Khan, CNIC # 36302-9638836-7 Khawar, CNIC # 36302-1638426-1 Kulsoom, CNIC # 36302-2635584-0	Muhammad Sharif Khan Khakwani	4,374	261	1,653	6,287	-	-	1,887	1,887	Cash Finance Hypo
24	Zamwa Pvt Ltd, Address: Office # 2, 2nd Floor, Arshad Sharif Plaza, G-11 Markaz Islamabad.	Zahid Waheed Butt, CNIC # 61101-1881391-5 Waseem Zafar, CNIC # 61101-1874082-9 Naveed Kausar Khan, CNIC # 35201-1352290-5	Abdul Waheed Butt Zafar Mohammad Abdul Qayyum Khan	1,966	1,199	-	3,165	-	-	1,022	1,022	Current Finance
25	Hafiz Saleem Allahwalla Jewellers, Address: Al Bina Mohalla Kharadian, House No 14-S-188, Koocha Kashmirian, Wazirabad.	Hassan, CNIC # 34104-2350410-3	Ch Abdul Wahid	1,399	845	-	2,244	-	844	-	844	SME / R&MM
26	Dostsons Cotton Mills Pvt Ltd, Address: Plot # 222, Sector 39, Korangi Kreek Industrial Area, Karachi.	Jamal Iftikhar, CNIC # 42301-0932772-3	Iftikhar Ahmed	35,606	-	23,157	58,763	-	11,157	-	11,157	Cash Finance
27	Mudassar Motors, Address: House # 2-B, Cycle Market Colony, Haroonabad.	Mudassar Latif, CNIC # 31104-3567826-3	Muhammad Latif	5,000	1,262	1,414	7,676	-	1,212	1,414	2,626	Cash Finance Hypo
28	Gulshan Traders, Address: Gulshan Traders, Ferozewattoan.	Muhammad Nawaz, CNIC # 35404-1675914-7	Muhammad Younas Bajwa	1,025	904	125	2,055	-	900	125	1,025	Term Finance
29	Kashmir Plastic, Address: Khasra No. 198, Abu Bakar Siddique Colony, St # 5, Ghulshan-e-Ravi Stop, Bund Road Lahore.	Muhammad Nazir, CNIC # 35202-9088476-7	Khusi Muhammad	2,999	608	-	3,607	-	507	-	507	Cash Finance Hypo
30	Green Crop Pvt Ltd, Address: 1st Floor, 105-GCL Centre, Main Liaquat Pura Road, Vehari.	Hafiz Mahmood Ahmad Shad, CNIC # 36603-4386596-3	Muhammad Ahmad Shad	7,975	2,564	209	10,748	-	-	2,402	2,402	Cash Finance Hypo
31	Dewan Syed Muhammad Abbas Bukhari, Address: Shop # 4-5 Shuja Shopping Centre, Old Multan Road Near Taxi Stand, Shujabad.	Dewan Syed Muhammad Abbas Bukhari, CNIC # 35201-1065247-3	Dewan Ashiq Hussain Bukhari	3,886	2,052	38	5,976	-	1,245	38	1,283	BAL Musalsal Zarie Sahulat
32	Sikandar Hayat Goraya, Address: Mouza Bhartaan Wala Tehsil Daska, Disst. Sialkot.	Sikandar Hayat Gotaya, CNIC # 34601-8341286-1	Ch. Muraad Ali	3,235	2,569	69	5,873	-	-	1,023	1,023	BAL Musalsal Zarie Sahulat
33	Abdul Majeed Khan Pathan, Address: Mohalla Babur Sultan Kot Taluka & Disst. Shikarpur.	Abdul Majeed Khan Pathan, CNIC # 43304-7300585-7	Abdul Hameed Khan Patthan	2,000	1,638	-	3,638	-	1,091	-	1,091	BAL Musalsal Zarie Sahulat
34	Allah Bux Khan Pathan, Address: Mohalla Babur Sultan Kot Taluka & Disst. Shikarpur.	Allah Bux Khan Pathan, CNIC # 43304-3818440-9	Abdul Hameed Khan Patthan	-	1,130	-	1,130	-	673	-	673	BAL Musalsal Zarie Sahulat
35	Muhammad Aslam Dahir, Address: Mouza Bhutta Wahin, Post Office Same, Tehsil Sadiqabad, Dist. Rahim Yar Khan.	Muhammad Aslam Dahir, CNIC # 35202-8964255-5	Ghulam Muhammad Dahir	1,488	1,916	37	3,441	-	1,422	20	1,441	BAL Musalsal Zarie Sahulat
36	Sheikh Abdul Jalil, Address: House # 30/333, Mohalla Shah Syedan, Sialkot.	Sheikh Abdul Jalil, CNIC # 34603-0450222-9	Sheikh Abdull Rasheed	1,298	869	108	2,275	-	517	108	625	AGRI

(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, 2016				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total					
							(5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
37	Iltaf Hussain & Najam Iltaf, Address: Bucha Road Rawana, Tehsil, Kotmomen, Distt. Sargodha.	Iltaf Hussain, CNIC # 38401-5272055-3 Najam Iltaf, CNIC # 38403-2248127-3	Muhammad Roshan/Altaf Hussain	3,499	5,874	219	9,592	-	4,992	-	4,992	AGRI
38	Muhammad Sharif, Address: Chak # 147/RB, Chorri P.O Same, Tehsil Chak Jumra Distt, Faisalabad.	Muhammad Sharif, CNIC # 33101-1207933-1	Shah Muhammad	1,480	865	55	2,400	-	850	-	850	BAL Musalsal Zarie Sahulat
39	Ghulam Nabi Mouza Tabkra, Address: PO, Mandi Sadiq Ganj, Tehsil Minchanabad, Distt Bahawalnagar.	Ghulam Nabi, CNIC # 31105-0303894-9	Manzoor Ahmad	1,048	871	-	1,919	-	564	-	564	BAL Musalsal Zarie Sahulat
40	Muhammad Ali Raza Khan Khakwani, Address: Chak # 307 Eb Dakhana Khas, Burewala Distt, Vehari.	Muhammad Ali Raza Khan, CNIC # 36302-5729110-3	Ghulam Akbar Khan Khakwani	2,926	914	38	3,878	-	840	-	840	BAL Musalsal Zarie Sahulat
41	Shamas Ali Shah, Address: House # P-30, Sq # 42, Khasra # 25/12, Chak # 207/Rb Mohallah, Nazar Niaz Jhumara Road, Faisalabad.	Shamas Ali Shah, CNIC # 33100-8657818-9	Muratab Ali Shah	1,500	939	3,387	5,825	-	811	3,387	4,197	MURABAHA
42	Shafique Hussain, Address: House # 239-A, Ghulam Muhammad Abad, Faisalabad.	Shafique Hussain, CNIC # 33100-6290955-5	Muhammad Bashir	7,425	6,198	7,888	21,511	2,403	2,378	8,630	13,411	Home Musharaka
43	Riffat Tariq, Address: P-387/A-3, St-16, Mahmoodabad, Faisalabad.	Riffat Tariq, CNIC # 33100-0877999-2	Tariq Mehmood	1,051	550	552	2,153	-	768	485	1,253	Home Musharaka
44	Abdur Rauf, Address: House # 663 Nizam Block, Allama Iqbal Town, Lahore.	Abdur Rauf, CNIC # 35202-0619041-1	Malik Rehmat Ali	1,814	-	85	1,899	929	-	85	1,014	Car Ijarah
45	Khalid Ameer, Address: House # 362 Jahanzaib Block, Allama Iqbal Town, Lahore.	Khalid Ameer, CNIC # 38402-1580613-3	Muhammad Hayyat	1,636	-	65	1,700	741	-	65	806	Car Ijarah
46	Muhammad Asghar, Address: House # 25-C, Sardar Street College Road, Samanabad Lahore.	Muhammad Asghar, CNIC # 35201-1315329-3	Muhammad Ismaeel	1,540	-	76	1,615	726	-	76	801	Car Ijarah
47	Shabbir Ahmad, Address: House # 12/A, Street # 2, Captain Jamal Road, Sanda, Lahore.	Shabbir Ahmad, CNIC # 36302-7970532-3	Faqeer Muhammad	1,529	-	68	1,597	768	-	68	836	Car Ijarah
48	Muhammad Naveed, Address: House-20, Street-1, Haji Yunus Pura, Baghban Pura Lahore.	Muhammad Naveed, CNIC # 35201-7246123-5	Muhammad Saeed	1,692	-	65	1,757	763	-	65	828	Car Ijarah
49	Rehan Sohail, Address: House # 121-A, Nishtar Block, Allama Iqbal Town, Lahore.	Rehan Sohail, CNIC # 35200-4377808-1	Muhamma Tufail	1,417	-	99	1,515	567	-	99	666	Car Ijarah
50	Muhammad Shahzad, Address: House # 10, Block-C, St # 7, Mohni Road, Lahore.	Muhammad Shahzad, CNIC # 35102-0688191-9	Muhammad Sarwar	1,711	-	66	1,777	874	-	66	940	Car Ijarah
51	Rao Muhammad Javid Iqbal, Address: House # 401, St. No. 09, outfall Road, Sanat Nagar, Lahore.	Rao Muhammad Javid Iqbal, CNIC # 35202-9248672-7	Rao Ronaq Ali	1,815	-	77	1,892	1,009	-	77	1,086	Car Ijarah
52	Tayyaba, Address: House # D-5, Street # 10-A, Muslim Colony, Sohrawi, Lahore.	Tayyaba, CNIC # 35202-9259954-0	Khlid Hussain	1,151	-	59	1,209	487	-	59	546	Car Ijarah
53	Faisal Ali, Address: House # 24, College Street, Marzi Pura, Ravi Road, Lahore.	Faisal Ali, CNIC # 35202-9642785-7	Khlid Hussain	1,713	-	77	1,789	807	-	77	883	Car Ijarah
54	Farah Amin, Address: House # 3, St # 11, Main Bazar, Dhoop Sari, Sanda, Lahore.	Farah Amin, CNIC # 35202-0932781-6	Muhammad Amin	1,604	-	67	1,671	794	-	67	861	Car Ijarah
55	Azeem, Address: Mohallah Band Road, Khokar Road, Badami Bagh, Lahore.	Azeem, CNIC # 35202-2446902-5	Malik Muhammad Latif	2,261	-	120	2,381	1,047	-	120	1,166	Car Ijarah
56	Shahid Ali, Address: House # 486-B, Kocha Kakim Deen Androon, Moori Gate, Lahore.	Shahid Ali, CNIC # 35202-2534815-1	Khushi Muhammad	1,668	-	83	1,750	809	-	83	891	Car Ijarah
57	Muhammad Saleem, Address: House # 09 Mohallah Tibbah Baba Farid, Lahore.	Shahid Ali, CNIC # 35202-0859231-1	Muhammad Hanif	1,688	-	68	1,756	788	-	68	856	Car Ijarah
58	Khurram Sharif, Address: House # 14, Street # 174, Collage Park, Baghbanpura, Lahore.	Khurram Sharif, CNIC # 352010-467485-3	Muhammad Sharif Khaliq	1,644	-	64	1,708	749	-	64	813	Car Ijarah
59	Khalid Latif, Address: House # 1, Larex Scheme, Canal Bank, Mughalpora, Lahore.	Khalid Latif, CNIC # 31102-0596296-1	Abdul Latif Javed	1,566	-	64	1,630	687	-	64	751	Car Ijarah
60	Muhammad Yasin, Address: House # 13, Block-C Ahmad Housing Scheme, Near Taqwa Masjid, Lahore.	Muhammad Yasin, CNIC # 36401-3277759-3	Mehmood Ahmed	1,482	-	64	1,546	651	-	64	715	Car Ijarah
61	Liaqat Ali, Address: House # 14, Muslim Park Allama Iqbal Road, Ghari Shahu, Lahore.	Liaqat Ali, CNIC # 36601-2117091-7	Habib Ahmad	2,229	-	90	2,320	1,026	-	90	1,117	Car Ijarah
62	Farrukh Bashir, Address: Abu Bakar Block, House # 1, St-5, Meraj Park Begum Kot, Shahdra, Lahore.	Farrukh Bashir, CNIC # 17201-7842413-9	Bashir Ullah Khan	1,485	-	78	1,562	703	-	78	781	Car Ijarah
63	Faisal Altaf, Address: House # 55-H, Al-Hafiz Town, Near Margzar Colony, Lahore.	Faisal Altaf, CNIC # 36302-0172000-3	Altaf Hussain	2,503	-	190	2,692	552	-	190	742	Car Ijarah
64	Muhammad Kashif Siddique, Address: House # 04, Khalid Street, Near MCB Bank, Sanda Road, Lahore.	Muhammad Kashif Siddique, CNIC # 35202-2787579-3	Sheikh Muhammad Siddique	1,767	-	122	1,889	619	-	122	741	Car Ijarah
65	Ali Ahmed Siddiqui, Address: House # 5-5, St No. 11, Muslim Colony, Baghbanpura, Lahore.	Ali Ahmed Siddiqui, CNIC # 35201-2719072-3	Zahoor Ahmad Siddique	2,820	-	135	2,955	1,176	-	135	1,311	Car Ijarah
66	Adil Maqsood, Address: H # 1, St # 5, Ram Garh, Mughalpora, Lahore.	Adil Maqsood, CNIC # 35201-7930812-7	Maqsood Ahmad	2,244	-	85	2,329	1,060	-	85	1,146	Car Ijarah
67	Muhammad Zaman, Address: House # 13-C, Mohallah Taj Road, Usman Gunjh Badami Bagh, Lahore.	Muhammad Zaman, CNIC # 35202-6504261-7	Muhammad Aslam	1,566	-	71	1,637	707	-	71	778	Car Ijarah
68	Muhammad Saeed Gull, Address: House # 698, Neelam Block, Allam Iqbal Town, Lahore.	Muhammad Saeed Gull, CNIC # 35202-2571955-1	Gull Muhammad	2,264	-	142	2,406	843	-	142	985	Car Ijarah
69	Qaiser Abbas, Address: House # 04, Street # 15, Chaudry Park, Rashid Road, Lahore.	Qaiser Abbas, CNIC # 35202-7446465-3	Muhammad Anwar Jaffery	3,016	-	168	3,184	1,209	-	168	1,377	Car Ijarah
70	Ammad Mehmood ul Hassan Butt, Address: House # 118, Block-H, Sabzazar, Lahore.	Ammad Mehmood Ul Hassan Butt, CNIC # 35202-2036781-3	Mehmood Ul Hassan Butt	3,045	-	191	3,236	1,278	-	191	1,469	Car Ijarah
71	Muhammad Arshad, Address: House # 74, St # 1, New Shadbagh, Jahangir Park, Lahore.	Muhammad Arshad, CNIC # 35200-1569928-5	Muhammad Bashir	2,272	-	100	2,372	1,362	-	100	1,462	Car Ijarah
72	Muhammad Usman, Address: House # 192-2C2, Irfan Chowk Near Butt Chowk, Township, Lahore.	Muhammad Usman, CNIC # 35202-9588157-5	Tariq Mehmood	3,018	-	172	3,189	1,098	-	172	1,270	Car Ijarah
73	Muhammad Raza, Address: House # 4/7A, St #4, Dilshad Street Shalamar Town, Lahore.	Muhammad Raza, CNIC # 35201-8464103-1	Hafeez Nazeer	2,953	-	111	3,064	1,182	-	111	1,294	Car Ijarah

(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, 2016				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total					
							(5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
74	Muhammad Mukhtar, Address: 392-F, Gulshan-e-Ravi, Lahore.	Muhammad Mukhtar, CNIC # 35102-9099151-5	Hakim Ali	1,431	-	84	1,515	634	-	84	719	Car Ijarah
75	Syed Tashkeel Haider Rizvi, Address: House -303 Zenat Block, Allama Iqbal Town, Lahore.	Syed Tashkeel Haider Rizvi, CNIC # 17301-2498932-5	Syed Zaheer Mustafa Rizvi	1,579	-	58	1,637	701	-	58	759	Car Ijarah
76	Shafakat Ali, Address: H # 14-F, St.No.174, College Park, Baghbanpura, Lahore.	Shafakat Ali, CNIC # 35201-1556622-7	Muhammad Rafi	2,053	-	129	2,182	795	-	129	924	Car Ijarah
77	Abdul Razzaq, Address: House # 373 Block-B Sabzar Scheme Multan Road, Lahore.	Abdul Razzaq, CNIC # 35202-4236731-7	Muhammad Idrees	1,980	-	93	2,073	849	-	93	943	Car Ijarah
78	Sufyan Ali, Address: House # 12, Street # 32, Muslim Abad Noori Darbar Road, Fathe Garh, Lahore.	Sufyan Ali, CNIC # 35201-0384999-5	Malik Muhammad Bukhsh	1,476	-	76	1,552	687	-	76	763	Car Ijarah
79	Tahir Naveed, Address: House # B-B Ghousia Street # 48, Muhalla Amratsari, Shalimar Town, Lahore.	Tahir Naveed, CNIC # 35201-9288576-3	Muhammad Shafi	4,588	-	393	4,981	1,292	-	393	1,685	Car Ijarah
80	Muhammad Farooq, Address: House # 202 Haydayat Ullah Block Mustafa Town, Lahore.	Muhammad Farooq, CNIC # 36502-4638062-7	Muhammad Sadiq	2,972	-	178	3,150	1,168	-	178	1,346	
82	Mahjuba Corporation, Address: House # 40, S.M. Maleh Road, (2nd Floor), Tanbazar, Narayangang, Bangladesh.	Al-Haj Md. Nazimuddin Khan NIC # N/A	Hafez Abu Syed Khan, Amena Begum	24,690	973	-	25,663	24,690	17,162	-	41,852	MLPO
83	Galaxy Enterprise, Address: 27, Bijoynagar, Suite C1 (1st Floor), Dhaka, Bangladesh.	Al-Mamun Sikder, CNIC # 26916-4942010-5	Abul Qasem Sikder, Rowshan Ara Begum	3,688	-	-	3,688	-	1,150	2,055	3,205	MLPO
84	TuaHa Textile Limited, Address: Kabirpur Savar, Dhaka, Bangladesh.	Md. Sorwar Hossain, CNIC # 26916-4945828-3 Reheha Sorwar, CNIC # 26916-4945863-7 Afroza Alam, CNIC # 26926-2066940-3 Shahidul Alam, CNIC # 26926-2066940-2 Abu Bakar Siddique, CNIC # 47985-2028715-2 Negar Sultana, CNIC # 26916-4946103-8	Late Sultan Hossain Md. Sorwar Hossain (Father) Mr. Shahidul Alam (Husband) Late Abdul Bari Late Sultan Hossain Akon Ehsanul Haq Mazumder (Husband)	304,350	52,652	-	357,002	-	43,394	96,017	139,411	MLPO Long Term
85	Valentine Sweaters Ltd, Address: House # 315 (Ground Floor), Road # 04 (East Side) DdHS Baridhara, Dhaka-1206, Bangladesh.	Kalilur Rahman Bhuiyan, CNIC # 19227-0602879-2 Sultana Akhter, CNIC # 19227-0685597-2	Ali Miah Bhuiyan and Abul Basher respectively	3,515	533	-	4,048	-	1,184	2,292	3,476	MLPO Short Term
86	Abdul Matin Sarker, Address: House # 07, Flat-C-1, Road # 51, Gulshan, Dhaka, Bangladesh. Address II: VIII-Markun, P.O-Monnonagar, Tongi, Station Road, Tongi, Gazipur, Bangladesh.	Md. Abdul Matin Sarker, CNIC # 19523323019469309	Late Abdul Majid Sarker	3,705	217	-	3,922	-	688	-	688	MLPO Short Term
87	Raja Safdar Mehmood, Address: House # 1-A, St # 38, I-8/2, Islamabad.	Raja Safdar Mehmood, CNIC # 37405-0636197-3	Haji Muhammad Arif	469	197	-	666	78	583	-	661	Credit Card
88	Natasha Sami, Address: House # 4-B, Old Firing Range Road, Main Bani Galla Road, Bani Galla, Islamabad.	Natasha Sami, CNIC # 17301-4946784-2	Abdus Sami Khan	285	169	-	454	347	174	-	521	Credit Card
89	Sarfraz Ahmed Malik, Address: House # 19-C, New Muslim Town, Lahore.	Sarfraz Ahmed Malik, CNIC # 35202-7416717-1	Malik Shah Din	383	194	-	577	386	253	-	639	Credit Card
90	Adnan Haider Zaidi, Address: House # 4-A, Street # 05, 17-Mile, Bara Kahu, Al-Wadi Society, Islamabad.	Adnan Haider Zaidi, CNIC # 91509-0153735-7	Riaz Hussain Zaidi	517	362	-	879	517	362	-	879	Credit Card
91	Saqib Rafay, Address: House # B-69, KDA Scheme-1, Near Intelligence Office, Karachi.	Saqib Rafay, CNIC # 42201-5529933-9	Abdur Rafay	460	563	-	1,023	148	563	-	711	Credit Card
92	Sheikh Mohammad Shafi, Address: House # 5-Canal Park, Gulberg II, Lahore.	Sheikh Mohammad Shafi, CNIC # 35202-1783443-5	Abdul Ghani	510	299	-	809	510	317	-	826	Credit Card
93	Mudassar Attique, Address: House # B-III/218, Street Mai Malangi, Mohallah Charaghpora, Lalamsusa.	Mudassar Attique, CNIC # 34202-0238023-1	Muzaffar Hussain	513	179	-	692	521	321	-	842	Credit Card
94	Karim Hassan Ali Chatoor, Address: House # 132, Block-A, Phase-I, DHA, Lahore.	Karim Hassan Ali Chatoor, CNIC # 35200-6742103-9	Hassan Ali Chatoor	457	115	-	572	457	285	-	742	Credit Card
95	Cornelius, Address: House # 150, Near The Little Delisht Montessori School, New Iqbal Town, Islamabad.	Cornelius, CNIC # 33301-4150156-5	Yousaf Masih	318	44	-	362	318	227	-	544	Credit Card
96	Pervez Shamsuddin Daredia, Address: House # Grand Residency-II, 3rd Floor, B-7, Suite 303, Street # 2, Bath Island, Near French Embassy, Karachi.	Pervez Shamsuddin Daredia, CNIC # 91509-0127060-9	Shamsuddin Haji Daredia	417	29	-	446	417	271	-	688	Credit Card
97	Ehsan Ali, Address: House # 653, Block-G-4, Johar Town, Lahore.	Ehsan Ali, CNIC # 35404-1782920-7	Nasr Ullah Khan	260	32	-	292	437	367	-	804	Credit Card
98	Muhammad Rashad Latif, Address: House # 68-A, Askari Housing Complex, Gulberg-III, Lahore.	Muhammad Rashad Latif, CNIC # 35202-8617884-3	Abdul Latif Piracha	355	212	-	567	463	224	-	687	Credit Card
99	Syed Muhammad Zain Zaidi, Address: House # D-T-95, Block-12, F.B. Area, Near Noorani Masjid, Karachi.	Syed Muhammad Zain Zaidi, CNIC # 42101-9791513-3	Syed Muhammad Salim Zaidi	207	14	-	221	260	404	-	664	Credit Card
100	Muhammad Akbar, Address: House # 282, St # 1, Gobindpura, National Children School, Faisalabad.	Muhammad Akbar, CNIC # 33100-0815803-7	M.Salamat Ali	349	0	-	349	384	251	-	635	Credit Card
101	Rafiq Hussain Khokhar, Address: House # L-3, Street # 5, Block -2, Gulistan-e-Johar, Near Saddin Gramar School, Karachi.	Rafiq Hussain Khokhar, CNIC # 42401-1053236-9	Muhammed Nazir	278	10	-	287	396	373	-	770	Credit Card
102	Liaqat Ali, Address: Bhatti Manzil, Nathay Khan general Store, Mohalla Haji Nurpura, College Road Daska.	Liaqat Ali, CNIC # 34601-0721520-7	Nastey Khan	337	0	-	337	399	242	-	640	Credit Card
103	Atif Mustafa, Address: House # 5-E-8/21, Nazimabad # 5, Near Abbasi Shaheed Hospital, Karachi.	Atif Mustafa, CNIC # 42101-774573-5	Ghulam Mustafa	230	-	-	230	402	233	-	635	Credit Card
104	Mahmood Ahmed, Address: House # 2, St. # 10, New Mozang, Opp Oxford School, Lahore.	Mahmood Ahmed, CNIC # 35202-1196217-9	Mian Zahoor	394	2	-	396	443	195	-	638	Credit Card
105	Naveed Ahmad Khokhar, Address: House # B-1-B-S-47, Allama Iqbal Road, Ghalla Mandi, Kamonke, Near Science Foundation School, Gujranwala.	Naveed Ahmad Khokhar, CNIC # 34102-0459039-5	Manzoor Ahmad Khokhar	545	12	-	557	530	308	-	838	Credit Card

(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, 2016				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
106	Asmat Ullah Address: Flat # 02, Opposite Muhammad Masjid, Near Liaqat Bazar, Quetta.	Asmat Ullah, CNIC # 54303-3288966-7	Firdost Khan	406	90	-	497	982	109	-	1,092	Auto Finance
107	Asia Begum, Address: House # 1-5.P.Wasa Way Wala, P/O Haveli Lakha, Tehsil Depalpur Distt Okara.	Asia Begum, CNIC # 35301-2586690-4	Zulfiqar	239	159	-	398	1,252	194	-	1,446	Auto Finance
108	Adnan Arshad, Address: House # 12/264 Bhatti Streetmohallah Charghpura, Lalamusa	Adnan Arshad, CNIC # 34202-0925884-3	Arshad Ali	314	76	-	390	1,073	97	-	1,170	Auto Finance
109	Muhammad Asghar Shaheen Address: Ward # 4, Bahawal Nagar Road, Dunga Bunga, Bahawal Nagar.	Muhammad Asghar Shaheen, CNIC # 31101-7465406-3	Muhammad Idrees	597	31	-	629	598	75	-	674	Credit Card
110	Sheikh Muhammad Tariq Ali, Address: House # Main Road, Madina Town, Near Mobile Tower, Near Mobile Tower.	Sheikh Muhammad Tariq Ali, CNIC # 31101-1656899-9	Sheikh Muhammad Aslam	24	13	-	37	619	-	-	619	Credit Card
111	Muhammad Aleem, Address: House # 105, Street # 31 Bank Colony, Samanabad bank Colony, Samanabad.	Muhammad Aleem, CNIC # 35202-5366145-9	Muhamamd Ibrahim	57	38	-	95	1,119	139	-	1,258	Credit Card
112	Shafaqat Ali Address: House # 14-F, Street # 174, College Park, Near Shalimar College, Baghbanpuranear Shalimar College, Baghbanpura.	Shafaqat Ali, CNIC # 35201-1556622-7	Muhammad Rafi	62	63	-	125	1,399	191	-	1,591	Credit Card
113	Muhammad Qasim, Address: House # 269-E/2, Johar Town.	Muhammad Qasim, CNIC # 54400-0524761-5	Ghulam Sarwar	113	87	-	200	1,459	282	-	1,742	Credit Card
			Total	656,821	152,949	52,957	862,727	75,143	132,283	154,135	361,561	

ANNEXURE - II
ISLAMIC BANKING BUSINESS

The bank is operating through 153 Islamic banking branches as at December 31, 2016 (December 31, 2015: 158 branches).

STATEMENT OF FINANCIAL POSITION	Note	2016	2015
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		10,191,942	9,516,305
Balances with and due from financial institutions		1,672,323	2,938,812
Lendings to financial institutions		27,997,227	12,610,451
Investments - net		38,670,241	59,424,549
Islamic financing and related assets	A-II.1 & A-II.2	56,720,714	42,056,149
Operating fixed assets		2,128,031	2,285,906
Other assets		2,317,048	2,664,563
		<u>139,697,526</u>	<u>131,496,735</u>
LIABILITIES			
Bills payable		1,862,656	1,428,720
Borrowings		3,833,240	9,984,637
Deposits and other accounts			
- Current Accounts		43,990,411	38,196,882
- Saving Accounts		53,988,674	51,824,143
- Term Deposits		18,038,671	14,714,498
- Others		428,262	429,421
Deposits from financial institutions - remunerative deposits		1,113,125	240,392
Deposits from financial institutions - non-remunerative deposits		1,867	1,946
Other liabilities		6,302,957	5,303,877
		<u>129,559,863</u>	<u>122,124,516</u>
		<u>10,137,663</u>	<u>9,372,219</u>
NET ASSETS			
REPRESENTED BY			
Islamic banking fund		1,800,000	1,800,000
Exchange equalisation reserve		878	(56)
Unappropriated / Unremitted profit (Head Office Current Account)		6,626,936	6,463,950
		<u>8,427,814</u>	<u>8,263,894</u>
Surplus on revaluation of assets - net of tax		1,709,849	1,108,325
		<u>10,137,663</u>	<u>9,372,219</u>
Remuneration to Shariah Advisor / Board		<u>6,720</u>	<u>4,605</u>
CHARITY FUND			
Opening balance		176,557	131,543
Additions during the year			
Received from customers on delayed payments & others		40,182	80,933
Non-shariah compliant income		9,524	1,295
Profit on charity saving account		6,958	8,527
		<u>56,664</u>	<u>90,755</u>
Distribution of charity			
Welfare Works		(38,357)	(16,397)
Health		(38,850)	(24,163)
Education		(7,700)	(5,181)
Payments / Utilization during the year		<u>(84,907)</u>	<u>(45,741)</u>
Closing balance		<u>148,314</u>	<u>176,557</u>

ANNEXURE - II
ISLAMIC BANKING BUSINESS

PROFIT & LOSS ACCOUNT

	2016	2015
	(Rupees in '000)	
Income / return earned	7,332,961	7,808,779
Income / return expensed	3,476,563	3,725,082
Net income / return earned after depreciation	<u>3,856,398</u>	<u>4,083,697</u>
Provisions against non-performing loans and advances - net	216,554	109,353
Provision for diminution in the value of investments - net	2,114	13,828
Bad debts written off directly	-	-
	<u>218,668</u>	<u>123,181</u>
Net income / return earned after provisions	<u>3,637,730</u>	<u>3,960,516</u>
Other income		
Fee, commission and brokerage income	313,488	253,125
Dividend income	45,320	40,867
Income from dealing in foreign currencies	139,742	133,190
Gain on sale of securities - net	2,054	83,649
Unrealised gain on revaluation of investment classified as held for trading	-	-
Other income	87,370	91,983
Total other income	<u>587,974</u>	<u>602,814</u>
	<u>4,225,704</u>	<u>4,563,330</u>
Other expenses		
Administrative expenses	3,061,824	2,764,172
Provision against off-balance sheet obligations	304	-
Other charges	1,088	1,088
Total other expenses	<u>3,063,216</u>	<u>2,765,260</u>
Profit before taxation	<u><u>1,162,488</u></u>	<u><u>1,798,070</u></u>

ANNEXURE - II

ISLAMIC BANKING BUSINESS

Notes to the Annexure II For the year ended December 31, 2016

	Note	2016 (Rupees in '000)	2015
A-II.1 Islamic Financing and Related Assets			
Murabaha	A-II.1.1	10,002,211	10,173,925
Ijarah	A-II.1.2	7,912,045	7,220,136
Diminishing Musharakah	A-II.1.3	709,981	506,584
Musharakah	A-II.1.4	9,893,714	9,902,071
Running Musharakah	A-II.1.5	10,424,504	3,153,938
Salam	A-II.1.6	11,888,467	5,016,961
Istisna	A-II.1.7	1,934,468	1,833,420
Falah Tijarah	A-II.1.8	100,000	-
SBP Islamic Export Refinance Scheme	A-II.1.9	2,889,840	3,410,839
Others	A-II.1.10	965,484	838,275
		<u>56,720,714</u>	<u>42,056,149</u>
A-II.1.1 Murabaha			
Financing / Investments / Receivables		6,793,602	6,374,831
Advances		2,869,333	3,652,705
Inventory		867,834	716,596
Others (Provisions)		(528,558)	(570,207)
		<u>10,002,211</u>	<u>10,173,925</u>
A-II.1.2 Ijarah			
Financing / Investments / Receivables		152,401	176,280
Advances		614,708	408,452
Assets		7,414,547	6,875,617
Others (Provisions)		(269,611)	(240,213)
		<u>7,912,045</u>	<u>7,220,136</u>
A-II.1.3 Diminishing Musharakah			
Financing / Investments / Receivables		747,673	614,441
Advances		100,077	45,053
Others (Provisions)		(137,769)	(152,910)
		<u>709,981</u>	<u>506,584</u>
A-II.1.4 Musharakah			
Financing / Investments / Receivables		8,978,617	8,258,035
Advances		1,096,318	1,653,089
Others (Provisions)		(181,221)	(9,053)
		<u>9,893,714</u>	<u>9,902,071</u>
A-II.1.5 Runnig Musharakah			
Financing / Investments / Receivables		10,424,504	3,153,938
Advances		-	-
Others (Provisions)		-	-
		<u>10,424,504</u>	<u>3,153,938</u>

	2016	2015
	(Rupees in '000)	
A-II.1.6 Salam		
Financing / Investments / Receivables	11,927,367	4,989,061
Advances	-	30,000
Inventory	8,000	-
Others (Provisions)	(46,900)	(2,100)
	<u>11,888,467</u>	<u>5,016,961</u>
A-II.1.7 Istisna		
Financing / Investments / Receivables	221,340	810,830
Advances	1,469,378	1,022,590
Inventory	243,750	-
	<u>1,934,468</u>	<u>1,833,420</u>
A-II.1.8 Falah Tijarah		
Financing / Investments / Receivables	50,000	-
Inventory	50,000	-
	<u>100,000</u>	<u>-</u>
A-II.1.9 SBP Islamic Export Refinance Scheme		
Financing / Investments / Receivables	2,889,840	3,410,839
Advances	-	-
Others (Provisions)	-	-
	<u>2,889,840</u>	<u>3,410,839</u>
A-II.1.10 Others		
Staff Loans	915,094	808,194
Staff Loans Inventory	48	208
Advance Against Musharakah Staff	63,415	46,320
Advance Against Ijarah Staff	8,472	2,709
Overdue Acceptances and FBP	1,802	12,452
Others (Provisions)	(23,347)	(31,608)
	<u>965,484</u>	<u>838,275</u>

ANNEXURE - II

ISLAMIC BANKING BUSINESS

Notes to the Annexure II For the year ended December 31, 2016

A-II.2 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

	2016				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	(Rupees in `000)				
At January 1, 2016					
Cost	8,557,297	977,866	321,746	4,185	9,861,094
Accumulated depreciation	(2,510,200)	(314,461)	(157,529)	(3,287)	(2,985,477)
Net book value	6,047,097	663,405	164,217	898	6,875,617
Year ended December 31, 2016					
Opening net book value	6,047,097	663,405	164,217	898	6,875,617
Additions	1,130,853	491,971	373,043	-	1,995,867
Disposals					
Cost	(1,033,177)	(23,238)	(21,642)	-	(1,078,057)
Accumulated depreciation	967,859	93,294	43,752	-	1,104,905
Depreciation	(65,318)	70,056	22,110	-	26,848
Depreciation	(1,201,642)	(207,184)	(74,959)	-	(1,483,785)
Closing net book value	5,910,990	1,018,248	484,411	898	7,414,547
At December 31, 2016					
Cost	8,654,973	1,446,599	673,147	4,185	10,778,904
Accumulated depreciation	(2,743,983)	(428,351)	(188,736)	(3,287)	(3,364,357)
Net book value	5,910,990	1,018,248	484,411	898	7,414,547

	2015				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
----- (Rupees in '000) -----					
At January 1, 2015					
Cost	6,908,417	678,140	517,928	13,634	8,118,119
Accumulated depreciation	(1,958,688)	(372,301)	(300,668)	(11,859)	(2,643,516)
Net book value	<u>4,949,729</u>	<u>305,839</u>	<u>217,260</u>	<u>1,775</u>	<u>5,474,603</u>
Year ended December 31, 2015					
Opening net book value	4,949,729	305,839	217,260	1,775	5,474,603
Additions	3,043,051	593,396	78,256	-	3,714,703
Disposals					
Cost	(1,394,171)	(293,670)	(274,438)	(9,449)	(1,971,728)
Accumulated depreciation	735,275	166,450	188,863	8,437	1,099,025
	(658,896)	(127,220)	(85,575)	(1,012)	(872,703)
Depreciation	(1,286,787)	(108,610)	(45,724)	135	(1,440,986)
Closing net book value	<u>6,047,097</u>	<u>663,405</u>	<u>164,217</u>	<u>898</u>	<u>6,875,617</u>
At December 31, 2015					
Cost	8,557,297	977,866	321,746	4,185	9,861,094
Accumulated depreciation	(2,510,200)	(314,461)	(157,529)	(3,287)	(2,985,477)
Net book value	<u>6,047,097</u>	<u>663,405</u>	<u>164,217</u>	<u>898</u>	<u>6,875,617</u>

c) Future Ijarah payments receivable	2016	2015
	(Rupees in '000)	
Not later than one year	1,485,310	1,377,350
Later than one year and not later than five years	5,929,237	5,498,267
	<u>7,414,547</u>	<u>6,875,617</u>

A-II.3 1. The pools, their key features and risk and reward characteristics.

The profit and loss sharing between the Rabbul Maal (depositor) and Mudarib (Bank - Islamic Banking Group) is based upon the underlying principles of Mudaraba, where Bank also contributes its equity to general pool of funds, and becomes the capital provider.

Currently Islamic Banking Group is managing following pools:

- a) General Pool for Local Currency Depositors
- b) FCY Pool for Foreign Currency (USD, GBP and EURO) depositors
- c) Fls Pool for Treasury Purposes
- d) IERS Pool for Islamic Export Refinance Scheme facilities
- e) Islamic Banking Afghanistan Operations Pool

All the Mudaraba based Remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBG's own share of equity, which is also commingled in the pool. The applications of these funds are on Advances, Investments, and Placements for generating profits to be shared among the depositors as per the Weightage system.

The IERS pool is maintained as per the guideline under SBP IERS Scheme.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

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

	2016	2015
	(Rupees in '000)	
Agribusiness	700,000	4,012,938
Automobile and transportation equipment	736,167	519,761
Chemical and pharmaceuticals	808,926	1,233,566
Cement	3,088,934	3,097,895
Communication	1,158,982	1,100,176
Electronics and electrical appliances	594,871	1,097,774
Educational institutes	94,826	24,102
Financial	657,104	-
Food and allied products	1,813,881	1,128,938
Glass and Ceramics	6,378	716
Ghee and Edible Oil	496,405	-
Iron / Steel	2,278,980	4,085,334
Paper and Board	40,152	-
Production and transmission of energy	6,920,701	6,409,509
Real Estate / Construction	24,053	116,311
Retail / wholesale trade	2,805,726	-
Rice processing and trading / wheat	1,073,060	1,982,075
Sugar	823,867	1,211,792
Shoes and leather garments	674,948	717,954
Sports goods	8,696	4,900
Surgical goods	8,877	9,755
Textile spinning	4,922,689	2,721,054
Textile weaving	1,356,453	1,406,655
Textile composite	4,250,640	3,156,685
Individuals	8,357,982	3,873,804
Others	14,204,821	5,150,546
Total Gross Islamic Financing and Related Assets	57,908,119	43,062,240
Total Gross Investments*	38,038,021	59,391,533
Total Islamic Placements	29,669,550	15,549,263
Total Invested Funds	125,615,690	118,003,036

* Mainly invested in GOP Ijarah Sukuks.

3. The major components of Profit distribution and charging of the expenses.

Profit is distributed among the Mudaraba deposits on the basis of underlying principles of weightage mechanism which are announced before the beginning of the concerned period. Only direct attributable expenses such as depreciation on ijarah assets, brokerage, CIB Charges, bad debts write off on advances and loss on sale of investments etc are charged to the pool. Expenses of pool(s) do not include general and specific provisioning created against non-performing financings and diminution in the value of investments.

4. The Bank managed the following general and specific pools during the year:

General Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
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			Mudarib Share/Fee	Rabbul Maal Share	(Rupees in '000)			(Rupees in '000)
PKR Pool	Monthly	6.20%	38.33%	61.67%	1,638,065	2.97%	28.07%	441,994
USD Pool	Monthly	0.73%	80.00%	20.00%	16,189	0.15%	4.32%	699
GBP Pool	Monthly	-	80.00%	20.00%	339	0.02%	15.66%	53
EUR Pool	Monthly	0.25%	80.00%	20.00%	1,493	0.08%	0.04%	1
Foreign Operation Pool (Afghanistan branch - USD)	Bi-Annually	-	50.00%	50.00%	-	-	-	-

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
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			Bank Share	SBP Share	(Rupees in '000)			(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	2.93%	76.84%	23.16%	229,289	Nil	1.52%	3,485

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Bank Alfalah Limited and its subsidiary companies (the Group) as at 31 December 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Bank Alfalah Limited and its subsidiary companies namely Alfalah Securities (Private) Limited and Alfalah GHP Investment Management Limited. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Bank Alfalah Limited and its subsidiary companies as at 31 December 2016 and the results of their operations for the year then ended.

February 23, 2017
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	Note	2016	2015 (Restated) (Rupees in `000)	January 01, 2015 (Restated)
ASSETS				
Cash and balances with treasury banks	6	74,071,394	62,368,827	50,515,645
Balances with other banks	7	9,498,787	16,583,138	12,334,368
Lendings to financial institutions	8	30,149,029	27,626,350	18,313,485
Investments - net	9	389,666,922	423,518,968	324,960,872
Advances - net	10	378,724,300	334,160,478	297,226,872
Operating fixed assets	11	18,216,937	17,317,691	15,796,592
Deferred tax assets	12	-	-	-
Other assets	13	19,115,471	21,840,305	24,810,965
		919,442,840	903,415,757	743,958,799
LIABILITIES				
Bills payable	14	12,886,990	9,733,929	11,758,155
Borrowings	15	178,710,629	172,393,198	55,232,916
Deposits and other accounts	16	640,854,225	640,137,161	605,956,904
Sub-ordinated loans	17	8,317,670	9,983,000	9,987,000
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities	12	2,911,531	1,826,270	821,038
Other liabilities	18	14,836,925	15,249,463	14,635,222
		858,517,970	849,323,021	698,391,235
NET ASSETS		<u>60,924,870</u>	<u>54,092,736</u>	<u>45,567,564</u>
REPRESENTED BY				
Share capital	19	15,952,076	15,898,062	15,872,427
Reserves		15,895,652	14,164,120	12,338,026
Unappropriated profit		17,777,737	12,813,488	10,091,872
Total equity attributable to the equity holders of the Bank		49,625,465	42,875,670	38,302,325
Non-controlling interest		323,466	274,134	255,999
Surplus on revaluation of assets - net of tax	20	10,975,939	10,942,932	7,009,240
		<u>60,924,870</u>	<u>54,092,736</u>	<u>45,567,564</u>
CONTINGENCIES AND COMMITMENTS	21			

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 (Rupees in '000)	2015
Mark-up / return / interest earned	23	57,245,259	61,404,178
Mark-up / return / interest expensed	24	28,474,583	32,810,469
Net mark-up / interest income		<u>28,770,676</u>	<u>28,593,709</u>
Provision against non-performing loans and advances - net	10.5	1,082,506	2,150,209
Provision for diminution in the value of investments - net	9.25	100,766	136,691
Bad debts written off directly	10.6.1	-	-
		<u>1,183,272</u>	<u>2,286,900</u>
Net mark-up / interest income after provisions		<u>27,587,404</u>	<u>26,306,809</u>
Non mark-up / interest income			
Fee, commission and brokerage income		5,121,885	4,570,382
Dividend income		479,251	349,963
Income from dealing in foreign currencies	25	1,120,736	1,379,097
Gain on sale of securities - net	26	1,519,335	1,534,994
Unrealised gain on revaluation of investments classified as held for trading - net	9.27	109	229,063
Share of profit from associates	9.23.1	531,852	309,017
Other income	27	706,680	750,833
Total non mark-up / interest income		<u>9,479,848</u>	<u>9,123,349</u>
		<u>37,067,252</u>	<u>35,430,158</u>
Non mark-up / interest expenses			
Administrative expenses	28	23,708,444	22,119,740
(Reversal) / provision against off-balance sheet obligations	18.1	(7,508)	1,066
(Reversal) / provision against other assets	13.3	(106,138)	322,391
Other charges	29	118,399	329,789
Total non mark-up / interest expenses		<u>23,713,197</u>	<u>22,772,986</u>
		<u>13,354,055</u>	<u>12,657,172</u>
Extra ordinary / unusual items		-	-
Profit before taxation		<u><u>13,354,055</u></u>	<u><u>12,657,172</u></u>
Taxation	30		
- Current		4,729,131	5,036,065
- Deferred		1,123,431	(461,035)
- Prior years		(437,633)	567,813
		<u>5,414,929</u>	<u>5,142,843</u>
Profit after taxation		<u><u>7,939,126</u></u>	<u><u>7,514,329</u></u>
Profit attributable to:			
Equity holders of the Bank		7,889,794	7,502,660
Non-controlling interest		49,332	11,669
		<u>7,939,126</u>	<u>7,514,329</u>
			(Rupees)
Basic earnings per share	31.1	<u>4.95</u>	<u>4.72</u>
Diluted earnings per share	31.2	<u>4.92</u>	<u>4.72</u>

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 (Rupees in '000)	2015
Profit after taxation		7,939,126	7,514,329
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		11,054	210,501
Items that will never be reclassified to profit and loss account			
Remeasurement of defined benefit plans	35.1.4	309,314	(199,200)
Related tax on remeasurement of defined benefit plans		(108,260)	69,637
		201,054	(129,563)
Share of Remeasurement of defined benefit plans of associate		(499)	(752)
Comprehensive income - transferred to statement of changes in equity		8,150,735	7,594,515
Attributable to:			
Equity holders of the Bank		8,101,403	7,576,380
Non-controlling interest		49,332	18,135
Comprehensive income - transferred to statement of changes in equity		8,150,735	7,594,515
Components of comprehensive income not reflected in equity			
Items that are or may be reclassified subsequently to profit and loss account			
Surplus on revaluation of available for sale securities		(59,396)	3,791,058
Related deferred tax liability		54,245	(1,346,452)
		(5,151)	2,444,606
Share of surplus on revaluation on associates' available for sale securities		-	536
		(5,151)	2,445,142

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		13,354,055	12,657,172
Dividend income		(479,251)	(349,963)
Share of profit from associates - net of tax	9.23.1	(531,852)	(309,017)
		<u>12,342,952</u>	<u>11,998,192</u>
Adjustments			
Depreciation	28	1,701,175	1,816,229
Amortisation	28	361,118	275,439
Provision against non-performing loans and advances - net	10.5	1,082,506	2,150,209
Provision for diminution in value of investments - net	9.25	100,766	136,691
(Reversal) / provision against off-balance sheet obligations	18.1	(7,508)	1,066
(Reversal) / provision against other assets	13.3	(106,138)	322,391
Unrealised gain on revaluation of investments classified as held for trading - net	9.27	(109)	(229,063)
Bad debts written-off directly	10.6.1	-	-
Gain on sale of operating fixed assets - net	27	(55,294)	(13,975)
Charge for defined benefit plan	35.1.4	260,795	290,282
		<u>3,337,311</u>	<u>4,749,269</u>
		<u>15,680,263</u>	<u>16,747,461</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(11,944,621)	(23,711,516)
Held for trading securities		3,891,325	2,363,062
Advances		(45,646,328)	(38,881,390)
Other assets (excluding advance taxation)		<u>3,527,232</u>	<u>(56,111)</u>
		<u>(50,172,392)</u>	<u>(60,285,955)</u>
Increase / (decrease) in operating liabilities			
Bills payable		3,153,061	(2,024,226)
Borrowings		6,371,239	117,197,929
Deposits and other accounts		717,064	34,180,257
Other liabilities		<u>(146,734)</u>	<u>565,200</u>
		<u>10,094,630</u>	<u>149,919,160</u>
		<u>(24,397,499)</u>	<u>106,380,666</u>
Gratuity paid	35.1.4	(260,795)	(290,282)
Income tax paid		<u>(4,738,347)</u>	<u>(3,066,039)</u>
Net cash (used in) / generated from operating activities		<u>(29,396,641)</u>	<u>103,024,345</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(28,968,156)	(71,390,574)
Net investments in held to maturity securities		57,927,823	984,355
Investment in associated companies		(8,481)	(1,960,874)
Disposal of investment in associated companies		1,052,685	1,434,580
Proceed from disposal of investment in associated companies		106,249	168,887
Dividend income received		443,356	355,131
Investments in operating fixed assets		(2,865,184)	(1,981,066)
Sale proceeds of property and equipment disposed-off	11.4	113,393	25,424
Net cash generated from / (used in) investing activities		<u>27,801,685</u>	<u>(72,364,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		84,895	41,836
Redemption of sub-ordinated loans		(1,665,330)	(4,000)
Dividend paid		<u>(1,585,581)</u>	<u>(3,165,079)</u>
Net cash used in financing activities		<u>(3,166,016)</u>	<u>(3,127,243)</u>
Exchange difference on translation of the net investments in foreign branches		11,054	210,501
		<u>(4,749,918)</u>	<u>27,743,466</u>
(Decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		93,382,609	65,539,265
Effects of exchange rate changes on cash and cash equivalents		<u>244,080</u>	<u>343,958</u>
		<u>93,626,689</u>	<u>65,883,223</u>
Cash and cash equivalents at end of the year	32	<u><u>88,876,771</u></u>	<u><u>93,626,689</u></u>

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	Capital Reserves				Revenue Reserves		Sub-total	Non Controlling Interest	Total
	Share capital	Share premium	Statutory reserve*	Exchange translation reserve	Employee share option compensation reserve	Unappropriated profit			
	------(Rupees in '000)-----								
Balance as at January 1, 2015	15,872,427	4,285,556	6,636,342	1,362,465	53,663	10,091,872	38,302,325	255,999	38,558,324
Changes in equity for 2015									
Total comprehensive income									
Profit after taxation	-	-	-	-	-	7,502,660	7,502,660	11,669	7,514,329
Effect of change in minority interest	-	-	-	-	-	(6,466)	(6,466)	6,466	-
Other comprehensive income									
Exchange difference on translation of net investment in foreign branches	-	-	-	210,501	-	-	210,501	-	210,501
Remeasurement of defined benefit plans	-	-	-	-	-	(199,200)	(199,200)	-	(199,200)
Related tax charge	-	-	-	-	-	69,637	69,637	-	69,637
Share of Remeasurement of defined benefit plans of associate	-	-	-	-	-	(752)	(752)	-	(752)
	-	-	-	210,501	-	7,365,879	7,576,380	18,135	7,594,515
Transfer to statutory reserve	-	-	1,504,562	-	-	(1,504,562)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	34,784	34,784	-	34,784
Transactions with owners recorded directly in equity									
Shares issued during the year	25,635	16,201	-	-	-	-	41,836	-	41,836
Final cash dividend for the year ended December 31, 2014 @ 20%	-	-	-	-	-	(3,174,485)	(3,174,485)	-	(3,174,485)
Recognition of fair value of share based payments on grant date (note 35.2)	-	-	-	-	119,250	-	119,250	-	119,250
Unamortised portion of deferred employee compensation expense	-	-	-	-	(24,420)	-	(24,420)	-	(24,420)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	27,891	-	-	(27,891)	-	-	-	-
Balance as at December 31, 2015	<u>15,898,062</u>	<u>4,329,648</u>	<u>8,140,904</u>	<u>1,572,966</u>	<u>120,602</u>	<u>12,813,488</u>	<u>42,875,670</u>	<u>274,134</u>	<u>43,149,804</u>
Changes in equity for 2016									
Total comprehensive income									
Profit after taxation	-	-	-	-	-	7,889,794	7,889,794	49,332	7,939,126
Effect of change in minority interest	-	-	-	-	-	-	-	-	-
Other comprehensive income									
Exchange difference on translation of net investment in foreign branches	-	-	-	11,054	-	-	11,054	-	11,054
Remeasurement of defined benefit plans (note 35.1.4)	-	-	-	-	-	309,314	309,314	-	309,314
Related tax charge	-	-	-	-	-	(108,260)	(108,260)	-	(108,260)
Share of Remeasurement of defined benefit plans of associate	-	-	-	-	-	(499)	(499)	-	(499)
	-	-	-	11,054	-	8,090,349	8,101,403	49,332	8,150,735
Transfer to statutory reserve	-	-	1,579,982	-	-	(1,579,982)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	43,688	43,688	-	43,688
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)	-	(1,589,806)
Shares issued during the year	54,014	30,881	-	-	-	-	84,895	-	84,895
Recognition of fair value of share based payments on grant date (note 35.2)	-	-	-	-	132,026	-	132,026	-	132,026
Unamortised portion of deferred employee compensation expense	-	-	-	-	(22,411)	-	(22,411)	-	(22,411)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-	-	-
Balance as at December 31, 2016	<u>15,952,076</u>	<u>4,417,126</u>	<u>9,720,886</u>	<u>1,584,020</u>	<u>173,620</u>	<u>17,777,737</u>	<u>49,625,465</u>	<u>323,466</u>	<u>49,948,931</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHAIRMAN

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company

Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchanges). The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 475 conventional banking branches including 18 sub branches (2015: 484 branches including 12 sub branches), 10 overseas branches (2015: 10 branches), 153 Islamic banking branches (2015: 158 branches) and 1 offshore banking unit (2015: 1 unit). The credit rating of the Bank is disclosed in note 33 of the consolidated financial statements.

	Percentage of Holding	
	2016	2015
Subsidiaries		
Alfalah Securities (Private) Limited, Pakistan	97.91 percent	97.91 percent
Alfalah GHP Investment Management Limited, Pakistan	40.22 percent	40.22 percent

1.2 In addition the Group maintains investments in the following:

Investment in mutual funds established under trust structure not consolidated as subsidiaries - Note 1.2.1

Alfalah GHP Value Fund	Nil	27 percent
Alfalah GHP Cash Fund	38.85 percent	70.09 percent
Alfalah GHP Islamic Income Fund	0.14 percent	84.1 percent

Associates

Alfalah Insurance Limited	30 percent	30 percent
Sapphire Wind Power Company Limited	30 percent	30 percent
Alfalah GHP Money Market Fund	4.16 percent	2.71 percent
Alfalah GHP Income Multiplier Fund	13.17 percent	10.68 percent
Alfalah GHP Sovereign Fund	9.01 percent	5.22 percent
Alfalah GHP Income Fund	Nil	0.43 percent
Alfalah GHP Islamic Stock Fund	6.45 percent	52.92 percent
Appollo Pharma Limited	Nil	7.4 percent

1.2.1 These represent the Bank's investment in mutual funds established under Trust structure, which are subsidiaries of the Group under IFRS 10, but have not been considered for the purposes of consolidation in accordance with the directives issued by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O 56(I) /2016 dated January 28, 2016. The said SRO states that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, for the purposes of Consolidated Financial Statements of the Group, the investments in these funds have been accounted for as associates as explained in note 2.4 to these consolidated financial statements.

2 BASIS OF PRESENTATION

- 2.1** These consolidated financial statements represent financial statements of holding company - Bank Alfalah Limited and its subsidiaries. The assets and liabilities of subsidiaries have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.
- 2.2** 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 consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.
- 2.3** Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.
- 2.4 Basis of consolidation**

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee.

These consolidated financial statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates as well as investment in mutual funds established under trust structure (not consolidated as subsidiaries) are accounted for using the equity method.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interest which are not owned by the holding company. Material intra-group balances and transactions are eliminated.

3 STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by SECP and SBP shall prevail.
- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International

Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

3.4 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, 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Group's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Group's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 01, 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Group's financial statements.
 - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 01, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Bank's financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and Presentation Currency

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

4.3 Critical accounting estimates and judgements

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

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

- i) classification and provisioning against investments (notes 5.4 and 9)
- ii) classification and provisioning against non-performing loans and advances (notes 5.5 and 10)
- iii) income taxes (notes 5.11 and 30)
- iv) accounting for defined benefit plan and compensated absences (notes 5.12 and 35)
- v) depreciation / amortisation of operating fixed assets (notes 5.6 and 11)
- vi) impairment of assets (notes 5.9 and 5.10)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to all years presented, unless otherwise specified except for changes mentioned in note 5.1 to these consolidated financial statements. In addition certain reclassification have been made as required by SBP Circular No. 05 of 2016 (refer note 44.1).

5.1 On January 01, 2016, the State Bank of Pakistan (SBP) wide BPRD Circular No. 01 of 2016 issued 'Regulations for Debt Property Swaps'. In line with these regulations, the Bank, effective January 01, 2016 has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims. Prior to this change in accounting policy, non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non-banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs. 36.94 million, surplus on revaluation of assets and deferred tax liabilities would have been lower by Rs. 23.95 million and Rs. 12.99 million respectively, and profit after tax would have been higher by Rs. 1.34 million.

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial institutions

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

Sale of securities under repurchase agreements

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

Purchase of securities under resale agreements

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

5.4 Investments

5.4.1 Classification

The Group classifies its investments as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

Associates

Associates are all entities over which the Group has significant influence but not control. These are accounted for using the equity method of accounting. The investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves.

Investments in mutual funds established under trust structure not consolidated as subsidiaries - Note 1.2.1

For the purposes of presentation, such investments have been disclosed as part of associates, and accounted for at par with associates using the equity method of accounting.

5.4.2 Regular way contracts

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

5.4.3 Initial recognition and measurement

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

5.4.4 Subsequent measurement

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

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

5.4.5 Impairment

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

equity is removed there from and recognised in the profit and loss account. For investments classified as held to maturity and investment in associates, the impairment loss is recognised in the profit and loss account.

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

5.5 Advances

Loans and advances

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

Islamic Financing and Related Assets

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

Net investment in Finance Lease

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

5.6 Operating Fixed assets

Tangible assets

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

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

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

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

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

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

Intangible assets

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

Goodwill

Goodwill arising on the acquisition represents the excess of the consideration transferred over interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGU, that is expected to benefit from the synergies of the combination. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

5.7 Capital work in progress

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

5.8 Non-current assets held for sale

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

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

5.9 Impairment

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

5.10 Ijarah Assets (IFAS 2)

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

Depreciation

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

Ijarah Rentals

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

Impairment

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

5.11 Taxation

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

Current

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

Deferred

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

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

5.12 Employee benefits

a) Defined benefit plan

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

The subsidiary - Alfalah Securities operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The cost of providing benefits under the defined benefit scheme is determined using the "Projected Unit Credit Method". Actuarial (remeasurement) gains and losses are recognised as income or expense in full in the year in which they occur in other comprehensive income.

b) Defined contribution plan

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

The subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary.

c) Compensated absences

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

d) Employees Stock Option Scheme

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

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

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

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

5.13 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the 'surplus on revaluation of fixed assets' account, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account. Furthermore, revaluation surplus on such assets shall not be admissible for calculating bank's Capital Adequacy Ratio (CAR) and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

5.14 Borrowings / deposits and their cost

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

5.15 Deposits - Islamic Banking

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

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

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

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

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

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

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

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

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

5.16 Provisions

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

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

5.17 Acceptances

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

5.18 Revenue recognition

Advances and investments

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

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

Lease financing

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

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

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

Morabaha income is recognised on deferred income basis.

Fee, commission and brokerage

Fee, commission and brokerage income except income from guarantees and bancaassurance business are accounted for on receipt basis. Other income is recognised on accrual basis.

5.19 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Commitments

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

Foreign operations

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

5.20 Derivative financial instruments

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

5.21 Off-setting

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

5.22 Dividend and appropriation to reserves

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

5.23 Earnings per share

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

5.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure of the Bank. Segmented performance is reported to the senior management of the Bank on monthly basis for the purpose of strategic decision making and performance management.

a) Business segments

Retail banking

This includes loans, deposits, trading activity, wealth management and other banking transactions with retail and middle market customers of the Bank.

Corporate banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities with Bank's corporate and public sector customers.

Treasury

This segment includes liquidity management activities carried out through borrowing, lending and money market operations. The investments of the Bank primarily towards government securities and risk management activities via use of forward contracts & derivatives are reported here.

Consumer banking

This segment primarily constitutes consumer financing activities with individual customers of the Bank. Product suite offered to these customers include credit cards, auto loans, housing finance and personal loans.

Islamic banking

This segment pertains to full scale Islamic Banking operations of the Bank.

International operations

This segment includes amounts related to Bank's overseas operations, namely, commercial banking activities in Bangladesh and Afghanistan, and wholesale banking activities in the Kingdom of Bahrain.

Retail Brokerage

It includes asset management activities mainly through the subsidiary Alfalah Securities (Private) Limited.

Asset Management

It includes asset management activities mainly through the subsidiary Alfalah GHP Investment Management Limited.

Others

This includes the Bank's merchant banking and head office related activities, and all other activities not readily tagged to the segments above.

b) Geographical segments

The group operates in three geographical regions being:

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

	Note	2016 (Rupees in '000)	2015
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit 2016: Rs. 12.122 million, 2015: Rs. 6 million)		10,187,403	8,972,003
Foreign currencies (including in transit 2016: Rs. 4.189 million, 2015: Rs. 7 million)		2,579,051	2,377,778
With State Bank of Pakistan in			
Local currency current accounts	6.1	28,662,461	20,593,524
Foreign currency current accounts	6.2	2,553,016	3,232,623
Foreign currency deposit accounts	6.3	5,972,553	7,224,768
With other central banks in			
Foreign currency current accounts	6.4	4,117,412	5,933,513
Foreign currency deposit accounts	6.4	678,906	656,196
With National Bank of Pakistan in			
Local currency current account		19,292,758	13,305,048
National Prize Bonds		27,834	73,374
		<u>74,071,394</u>	<u>62,368,827</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 Holding Company.

	Note	2016 (Rupees in `000)	2015
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		352,952	618,033
On deposit accounts	7.1	1,079,717	29,625
Outside Pakistan			
On current accounts	7.2	4,375,099	10,956,696
On deposit accounts	7.3	3,691,019	4,978,784
		<u>9,498,787</u>	<u>16,583,138</u>

- 7.1** This represents funds deposited with various banks at profit rates ranging from 3.00% to 6.00% per annum (2015: 3.00% to 5.75% per annum).
- 7.2** This includes amount held in Automated Investment Plans. The balance is current in nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.
- 7.3** This includes placement of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.00% to 5.50% per annum (2015: 1.00% to 6.00% per annum) having maturities upto March 2017 (2015: March 2016).

	Note	2016	2015 (Restated) (Rupees in `000)
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	5,306,590	15,265,899
Bai Muajjal	8.2	24,497,227	12,360,451
Repurchase agreement lendings	8.3	345,212	-
		<u>30,149,029</u>	<u>27,626,350</u>

- 8.1** These represent lendings to financial institutions at interest rates ranging from 0.25% to 9.00% per annum (2015: 0.40% to 12.00% per annum) having maturities upto March 2017 (2015: November 2016).

8.2 This represents Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) / other commercial banks, whereby the Bank sold Sukuks having carrying value of Rs. 24,497 million on deferred payment basis. The rates of return range from 5.62% to 5.97% per annum (December 2015: 6.94% to 8.26%), and these are due to mature by June 2017 (2015: March 2016).

8.3 These represent short term lending to financial institutions against investment securities. These carry markup rates upto 6.15% per annum (2015: Nil) with maturities upto January 2017 (2015: Nil).

8.3.1 Securities held as collateral against lending to financial institutions

	2016			2015		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	345,212	-	345,212	-	-	-

8.4 Particulars of lendings to financial institutions

	2016	2015 (Restated)
	(Rupees in '000)	
In local currency	28,842,439	12,610,451
In foreign currencies	<u>1,306,590</u>	<u>15,015,899</u>
	<u>30,149,029</u>	<u>27,626,350</u>

9 INVESTMENTS - NET

9.1 Investments by types

Note	2016			2015 (Restated)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
------(Rupees in '000)-----						
Held for trading securities						
Market Treasury Bills	14,120,130	-	14,120,130	13,480,197	-	13,480,197
Pakistan Investment Bonds	20,207	-	20,207	2,423,862	-	2,423,862
Overseas Bonds	549,615	-	549,615	2,990,933	-	2,990,933
Sukuk Bonds	-	-	-	-	-	-
Fully paid up ordinary shares / units - Listed	740,776	-	740,776	197,998	-	197,998
	15,430,728	-	15,430,728	19,092,990	-	19,092,990
Available for sale securities						
Market Treasury Bills	38,584,821	-	38,584,821	78,391,879	494,563	78,886,442
Pakistan Investment Bonds	78,936,759	128,150,711	207,087,470	28,914,704	128,577,363	157,492,067
Fully paid up ordinary shares / units - Listed	6,223,937	-	6,223,937	5,000,753	-	5,000,753
Fully paid up ordinary shares / units - Unlisted	109,662	-	109,662	4,454,223	-	4,454,223
Term Finance Certificates	514,483	-	514,483	829,594	-	829,594
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	25,000	-	25,000	325,000	-	325,000
Redeemable Participating Certificates	501,938	-	501,938	-	-	-
Pakistan Euro Bonds	2,688,770	-	2,688,770	2,409,043	-	2,409,043
Overseas Bonds	7,819,677	4,839,993	12,659,670	4,804,159	-	4,804,159
Sukuk Bonds	38,663,395	5,023,937	43,687,332	33,280,442	-	33,280,442
	174,177,277	138,014,641	312,191,918	158,518,632	129,071,926	287,590,558
Held to maturity securities						
Market Treasury Bills	1,995,857	-	1,995,857	-	-	-
Pakistan Investment Bonds	31,793,773	-	31,793,773	66,180,991	-	66,180,991
Other Federal Government Securities - Bai Muajjal	-	-	-	26,002,520	-	26,002,520
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds	706,255	-	706,255	3,347,785	-	3,347,785
Commercial Papers	661,557	-	661,557	266,822	-	266,822
Overseas Bonds	9,714,052	1,036,079	10,750,131	7,653,735	-	7,653,735
Sukuk Bonds	3,847,273	-	3,847,273	4,230,816	-	4,230,816
	49,243,033	1,036,079	50,279,112	108,206,935	-	108,206,935
Investments in Associates and Mutual Funds established under Trust Structure not considered for consolidation						
Alfalsh Insurance Limited	282,909	-	282,909	241,560	-	241,560
Sapphire Wind Power Company Limited	1,221,237	-	1,221,237	1,006,054	-	1,006,054
Alfalsh GHP Money Market Fund	57,287	-	57,287	54,415	-	54,415
Alfalsh GHP Income Multiplier Fund	298,473	-	298,473	283,699	-	283,699
Alfalsh GHP Sovereign Fund	253,490	-	253,490	423,475	-	423,475
Appollo Pharma Limited	-	-	-	802,130	-	802,130
Alfalsh GHP Income Fund	169,745	-	169,745	113,036	-	113,036
Alfalsh GHP Islamic Income Fund	6,683	-	6,683	6,384	-	6,384
Alfalsh GHP Value Fund	-	-	-	187,684	-	187,684
Alfalsh GHP Islamic Stock Fund	439,502	-	439,502	359,958	-	359,958
Alfalsh GHP Cash Fund	534,264	-	534,264	540,918	-	540,918
	3,263,590	-	3,263,590	4,019,313	-	4,019,313
Investments	242,114,628	139,050,720	381,165,348	289,837,870	129,071,926	418,909,796
Provision for diminution in the value of investments	9.25	(1,253,781)	(1,253,781)	(5,519,811)	-	(5,519,811)
Investments (net of provisions)						
	240,860,847	139,050,720	379,911,567	284,318,059	129,071,926	413,389,985
Surplus on revaluation of held for trading securities - net	9.27	109	109	229,063	-	229,063
Surplus on revaluation of available for sale securities - net	20.2	7,677,435	2,077,811	9,377,825	522,095	9,899,920
Total investments						
	248,538,391	141,128,531	389,666,922	293,924,947	129,594,021	423,518,968

9.1.1 Market value of held to maturity securities is Rs. 48,528 million (2015: Rs. 83,866 million) excluding non-government overseas bonds.

9.2 Strategic Investments

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

Strategic Investments are restricted to and the same as those reflected in the Bank's separate financial statements and do not include investments resulting by way of consolidation of holding through subsidiaries.

	Note	2016	2015 (Restated)
		(Rupees in `000)	
9.3 Investments by segments			
Federal Government Securities			
- Market Treasury Bills	9.5	54,700,808	92,366,639
- Pakistan Investment Bonds	9.6	238,901,450	226,096,920
- Overseas Government Bonds	9.7	18,042,785	11,799,149
- Sukuk Bonds	9.8	41,567,768	31,096,239
- Pakistan Euro Bonds	9.9	3,395,025	5,756,828
- Commercial Papers	9.10	132,277	-
- Other Federal Government Securities - Bai Muajjal	9.11	-	26,002,520
		356,740,113	393,118,295
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.12	6,964,713	5,198,751
- Un-listed companies	9.13	109,662	4,454,223
- Preference Shares - Listed	9.14	108,835	108,835
- Preference Shares - Unlisted	9.15	25,000	325,000
		7,208,210	10,086,809
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.16	99,900	99,940
- Un-listed TFCs	9.17	938,849	1,253,920
- Sukuk Bonds	9.18	5,966,837	6,415,019
- Commercial Papers	9.19	529,280	266,822
- Overseas Bonds	9.20	5,916,631	3,649,678
- Redeemable Participating Certificates	9.21	501,938	-
		13,953,435	11,685,379
Investments in Associates and Mutual Funds established under trust structure not considered for consolidation	9.22	3,263,590	4,019,313
Total investments		381,165,348	418,909,796
Provision for diminution in the value of investments	9.25	(1,253,781)	(5,519,811)
Investments (net of provisions)		379,911,567	413,389,985
Surplus on revaluation of held for trading securities - net	9.27	109	229,063
Surplus on revaluation of available for sale securities - net	20.2	9,755,246	9,899,920
Total investments		389,666,922	423,518,968

- 9.4** Investments include certain approved / government securities which are held by the Holding Company to comply with the Statutory Liquidity Requirement determined on the basis of the Holding Company's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.
- 9.5** Market Treasury Bills are for the periods of three months, six months and one year. The effective rates of profit on Market Treasury Bills range between 5.85% to 6.21% per annum (2015: 6.26% to 7.99% per annum) with maturities upto September 2017 (2015: October 2016).
- 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 6.21% to 12.73% per annum (2015: 8.75% to 12% per annum) with maturities from July 2017 to July 2022 (2015: May 2016 to July 2022). These also include PIBs having face value of Nil (2015: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.
- 9.7** These represent Overseas Government Bonds issued by the Government of Bahrain, the Government of Kazakhstan, the Government of Afghanistan, the Government of Bangladesh, the Government of Mexico, the Government of Indonesia, the Government of Sri Lanka, the Government of Qatar, the Government of Saudi Arabia and the Government of Oman amounting to USD 5 million (2015: USD 5 million), USD 3 million (2015: USD 3 million), AFN 2,338 million (2015: AFN 1,214 million), BDT 4,208 million (2015: BDT 6,605 million), EUR 0.5 million (2015: EUR 0.5 million), USD 2 million (2015: USD 2 million) and EUR 2.5 million (2015: Nil), USD 1.5 million (2015: Nil), USD 22 million (2015: Nil), USD 19 million (2015: Nil) and USD 22 million (2015: Nil) respectively. The rate of profit on Government of Bahrain bond is 5.50% (2015: 5.50%), Government of Kazakhstan bond is 3.88% (2015: 3.88%) and Government of Afghanistan bond ranging from 1.80% to 6.67% per annum (2015: 1.80% to 6.70% per annum), Government of Bangladesh bonds carry profit rate ranging from 6.62% to 12.55% per annum (2015: 8.50% to 12.48% per annum), Government of Mexico bonds is 1.63% (2015: 1.63%), Government of Indonesia bonds ranging from 2.63% to 4.35% (2015: 3.38%), Government of Sri Lanka bond is 5.75% (2015: Nil), Government of Qatar bond ranging from 2.38% to 3.28% (2015: Nil), Government of Saudi Arabia bonds ranging from 2.38% to 3.25% (2015: Nil) and Government of Oman bond is 4.75% (2015: Nil). The bonds are due to mature by March 2020 (2015: March 2020), October 2024 (2015: October 2024), December 2017 (2015: December 2016), November 2034 (2015: November 2034), March 2024 (2015: March 2024), January 2027 (2015: July 2025), January 2022 (2015: Nil), June 2026 (2015: Nil), October 2026 (2015: Nil), and June 2026 (2015: Nil) respectively.
- 9.8** These represent sukuk bonds of Rs. 1,381 million (2015: Rs. 1,790 million) issued by Water and Power Development Authority (WAPDA) for a period of eight and ten years, ijarah sukuk of Rs. 30,126 million (2015: Rs. 27,451 million) issued by the State Bank of Pakistan for a period of three years, sukuk bond issued of Rs. 2,600 million by Neelum Jhelum Power Project and ijarah sukuk of USD 71.33 million (2015: USD 17.70 million) issued by the Government of Indonesia, the Government of South Africa, the Government of Pakistan, Government of Turkey and Bahrain. The rates of profit on these bonds range between 5.81% to 7.06% per annum (2015: 6.78% to 7.59% per annum), between 5.45% to 6.10% per annum (2015: 5.89% to 6.15% per annum) and between 7.19% to 7.28% per annum (2015: Nil) and 3.90% to 6.75% per annum respectively. These sukuk bonds are due to mature by October 2021, March 2019, October 2026, and September 2024 respectively.
- 9.9** These represent Pakistan Euro Bonds of US Dollar 33.14 million (2015: US Dollar 55.05 million) issued by the Government of Pakistan. These bonds carry interest between 7.25% to 8.25% per annum (2015: 7.13% to 8.25% per annum) with maturities upto September 2025 (2015: September 2025).
- 9.10** These represent Commercial papers amounting to BDT 99.94 million (2015: Nil), Interest rate on these commercial papers is 2.97% per annum (2015: Nil) and are due for maturity on January 2017 (2015: Nil).
- 9.11** This represents Bai Muajjal agreements entered into with Ministry of Finance (MoF), whereby the Bank sold Sukuks having carrying value of Rs. 26,002 million were sold on deferred payment basis.

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

2016 (Number of shares / certificates / units)	2015		2016 (Rupees in '000)	2015
		OIL AND GAS		
2,275,000	800,000	Oil and Gas Development Corporation Limited	324,333	110,368
475,000	655,200	Pakistan Oilfields Limited	147,629	203,635
591,800	1,125,000	Pakistan Petroleum Limited	75,012	142,597
560,100	955,000	Pakistan State Oil Company Limited	209,845	350,923
140,000	213,000	Attock Petroleum Limited	74,552	113,732
200,000	-	Hi-Tech Lubricants Limited	22,898	-
		AGRIBUSINESS		
592,200	-	Agriauto Industries Limited	139,293	-
		CHEMICALS AND PHARMACEUTICAL		
1,773,800	1,144,600	Engro Corporation Limited	497,166	296,555
3,745,500	-	Engro Fertilizer Limited	277,450	-
1,200,000	540,500	Fatima Fertilizer Company Limited	37,184	14,290
1,875,000	1,250,000	Fauji Fertilizer Company Limited	232,121	162,897
4,429,500	2,000,000	Fauji Bin Qasim Limited	232,669	111,594
300,000	-	Abbot Laboratories (Pakistan) Limited	255,055	-
2,273,531	1,948,333	Agritech Limited	17,909	15,100
		CONSTRUCTION AND MATERIALS		
-	750,000	Attock Cement Company Limited	-	138,493
1,200,000	-	Fauji Cement Company Limited	44,363	-
2,191,400	2,250,000	D G Khan Cement Limited	322,308	285,827
997,700	828,500	Lucky Cement Limited	532,555	356,351
1,300,000	1,750,000	Amreli Steels Limited	69,969	89,250
550,000	-	Avanceon Limited	19,416	-
851,300	-	Cherat Cement Company Limited	128,283	-
128,900	-	Cherat Packaging Limited	48,034	-
124,000	-	Mughal Iron and Steel Industries Limited	11,810	-
2,722,000	-	Pioneer Cement Limited	330,591	-
200,000	-	Thal Limited	83,906	-
		REAL ESTATE		
41,622,117	71,003,617	Dolmen City Real Estate Investment Trust (REIT)	457,843	781,040
		PERSONAL GOODS		
-	1,090,100	Nishat Mills Limited	-	119,233
100,250	153,750	Al Shaheer Corporation Limited	5,432	9,593
624,500	-	Gul Ahmed Textile Mills Limited	34,007	-
250,000	-	Nishat (Chunian) Limited	14,434	-
250,000	-	Pak Elektron Limited	17,480	-
		ELECTRICITY		
6,116,700	5,391,000	The Hub Power Company Limited	553,530	424,458
1,942,500	2,325,000	Kot Addu Power Company Limited	148,452	175,968
4,000,000	4,475,000	Nishat (Chunian) Power Company Limited	132,117	147,806
2,500,000	2,650,000	Nishat Power Company Limited	106,994	111,650
-	3,703,706	Engro Powergen Qadirpur Limited	-	126,735
5,540,000	-	K-Electric Limited	51,055	-
221,000	-	Altern Energy Limited	7,949	-
		TELECOMMUNICATION		
-	250,000	Pakistan Telecommunication Company Limited	-	4,008
		BANKS		
891,700	841,700	Allied Bank Limited	88,485	83,782
5,500,000	5,449,000	Bank Al Habib Limited	226,069	220,770
1,227,200	925,000	MCB Bank Limited	301,077	230,466
1,800,000	1,300,000	United Bank Limited	299,826	210,949
1,775,000	700,000	Habib Bank Limited	331,519	145,681
1,800,720	1,800,720	First Dawood Investment Bank Limited	15,000	15,000
525,000	-	National Bank of Pakistan Limited	39,093	-
		FINANCIAL SERVICES		
47,460	47,460	Visa Inc.	-	-
			6,964,713	5,198,751

9.13 Investments in unlisted companies

2016 (Number of shares)	2015		2016 (Rupees in '000)	2015
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	Warid Telecom (Private) Limited (Related party) note 9.13.1	-	4,366,796
2,223,452	-	Pakistan Mobile Communication Limited (Related party) note 9.13.1 Chief Executive: Mr. Aamir Ibrahim Break-up value per share: Rs. 15.52 (2015: Rs. 8.23) Date of financial statements: September 30, 2016 (unaudited)	22,235	-
4,007,383	4,007,383	Pakistan Stock Exchange Limited (PSX) (note 9.13.2) Managing Director: Mr. Nadeem Naqvi Break-up value per share: Rs. 9.98 (2015: Rs. 10.17) Date of financial statements: June 30, 2016 (Audited)	27,606	27,606
			109,662	4,454,223

9.13.1 During the year, the existing shareholders of Warid Telecom (Private) Limited including the Bank transferred their holding in Warid Telecom (Private) Limited to Pakistan Mobile Communications Limited (PMCL), in lieu of acquiring an overall stake of 15 percent in PMCL. This development was in furtherance of the Acquisition Agreement dated November 26, 2015.

Pursuant to the said transfer, the Bank has received 2,223,452 shares of Rs. 10 each in PMCL in lieu of its holding in Warid Telecom (Private) Limited (pre-acquisition). As a result of this share exchange, the Bank has recorded the shares acquired in PMCL while its investment in Warid Telecom (Private) Limited and the related provision held thereagainst stands de-recognised.

The merger of PMCL and Warid Telecom (Private) Limited was approved by Islamabad High Court in December 2016.

9.13.2 This represents shares of Pakistan Stock Exchange Limited (PSX) held by Alfalah Securities (Private) Limited acquired in pursuance of corporatisation and demutualization of PSX as a public company limited by shares. As per the arrangements, the authorized and paid-up capital of PSX is Rs. 10 billion and Rs. 8.015 billion respectively with a par value of Rs. 10 each. The paid-up capital of PSX is equally distributed among 200 members (termed as initial shareholders of exchange after corporatization) of PSX by issuance of 4,007,383 to each initial shareholders in the following manner:

- 40 % of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account of Central Depository Company of Pakistan Limited (CDC) to each initial shareholder.
- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under PSX's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

In the current year, the Securities and Exchange Commission of Pakistan (SECP) accorded its approval to Pakistan Stock Exchange Limited (PSX) for issuing letter of acceptance to a Chinese Consortium for the strategic sale of 40% of these blocked shares.

PSX vide their letter dated 29 December 2016 has informed Alfalah Securities (Private) Limited that 40% shares (out of 60% of total shareholding in PSX), which were held in blocked form, have been sold to Chinese Consortium by the Divestment Committee at an offer price of Rs. 28 per share. Subsequently, a formal signing ceremony was held on 20 January 2017 to mark the signing of the Share Purchase Agreement between the Chinese Consortium and the equity sale committee of PSX.

9.14 Investments in preference shares - Listed

2016 (Number of shares)	2015 (Number of shares)		2016 (Rupees in '000)	2015 (Rupees in '000)
10,883,486	10,883,486	Agritech Limited Chief Executive: Mr. Faisal Muzammil Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 12.51 (2014: Rs. 17.96) Date of financial statements: December 31, 2015 (Audited)	108,835	108,835
			108,835	108,835

9.15 Investments in preference shares - Unlisted

2016 (Number of shares)	2015 (Number of shares)		2016 (Rupees in '000)	2015 (Rupees in '000)
-	120,000,000	Silk Bank Preference Shares	-	300,000
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. (17.60) (2015: Rs. (17.96)) Date of financial statements: June 30, 2016 (Audited)	25,000	25,000
			25,000	325,000

9.16 Particulars of Term Finance Certificates - Listed

	2016 (Rupees in '000)	2015
NIB Bank Limited - (2nd Issue)	99,900	99,940
20,000 (2015: 20,000) certificates of Rs. 5,000 each		
Mark up:	Average six months KIBOR + 115 basis points per annum with no floor.	
Redemption:	The TFC is structured to redeem 0.3 percent of principal semi-annually in the first ninety months followed by remaining 99.70% 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:	AA- (PACRA)	
Chief Executive:	Mr. Yameen Karai	
	99,900	99,940

9.17 Particulars of Term Finance Certificates - Unlisted

Askari Bank Limited	99,920	99,960
20,000 (2015: 20,000) certificates of Rs. 5,000 each		
Mark up:	Average six months KIBOR plus 120 basis points per annum	
Redemption:	TFC is structured to redeem 0.36% of the issue amount during the tenor of the issue with 99.64% of the issue amount in year ten in 2 equal semi annual instalments of 49.82% each. The TFCs shall be sub-ordinated to the payment of the principal and profit to all other 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+ (PACRA)	
Chief Executive:	Mr. Syed Majeedullah Hussaini	
Faysal Bank Limited	74,850	149,700
30,000 (2015: 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 (PACRA)	
Chief Executive:	Mr. Nauman Ansari	

	2016 (Rupees in '000)	2015
Bank AL Habib Limited	-	299,520
Agritech Limited	499,586	499,586
100,000 (2015: 100,000) certificates of Rs. 5,000 each		
Mark up:	Average six months KIBOR (Ask Side) + 175 basis point per annum (no floor & no cap)	
Redemption:	Repayment will be made in stepped up instalments where 35 percent of principal amount will be paid in the years 3 to 5 and remaining 65 percent will be paid in years 6 to 8.	
Maturity:	July 2017	
Rating:	Unrated	
Chief Executive:	Mr. Muhammad Faisal Muzammil	
Zulekha Textile Mills Limited	24,680	24,680
300 (2015: 300) certificates of Rs. 100,000 each		
Mark-up:	Average Six Months KIBOR + 300 basis points per annum	
Redemption:	10 equal semi-annual instalments commencing from the 24th months from first draw down.	
Maturity:	October 2019	
Rating:	Unrated	
Chief Executive:	Shanzae Amjad	
Azgard Nine Limited - Note 9.17.1	43,350	43,350
20,000 (2015: 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 9.17.2	32,870	32,870
6,574 (2015: 6,574) certificates of Rs.5,000 each		
Mark-up:	Zero Rated	
Redemption:	Principal to be repaid in 7 semi annual instalments starting from March 2014	
Maturity:	March 2017	
Rating:	Unrated	
Chief Executive:	Mr. Ahmed H. Shaikh	

	2016 (Rupees in '000)	2015
New Allied Electronics - Note 9.17.3	2,185	2,185
437 (2015: 437) certificates of Rs. 5,000 each		
Mark up: Average three months KIBOR plus 275 basis points		
Redemption: 17 equal quarterly instalments		
Maturity: May 2011		
Rating: Unrated		
Chief Executive: Mr. Zeeshan Pervaiz Akhtar		
Fauji Akber Portia Marine Terminals Limited (FAP) - Note 9.17.4	161,408	102,069
6 certificates of various PKR denominations (2015: 4 certificates of various PKR denominations)		
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: Commodore (Retd) Pervaiz Ahmed Khan		
	938,849	1,253,920

9.17.1 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 9.17). This exposure in TFC is fully provided while investment in shares has been held at fair value.

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

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

9.17.2 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, 2016, this investment is fully provided.

9.17.3 These represent TFCs of New Allied Electronics amounting to Rs. 2.185 million, received partially in lieu of the fully impaired unlisted TFCs of First Dawood Investment Bank previously held by the Bank. As at December 31, 2016, this investment is fully provided.

9.17.4 During the year 2016, the Bank received zero rated TFCs of Fauji Akbar Portia Marine Terminal Limited (FAP) amounting to Rs. 59.339 million (2015: Rs. 51.034 million). These TFCs were received in settlement of overdue mark-up instalments on reduced STF facility of FAP. The Bank will continue to receive TFCs in settlement of mark-up to be accrued on semi-annual basis till May 2021. As at December 31, 2016, the exposure in the TFCs amounts to Rs. 161.408 million which stands fully provided.

9.18 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Number of Certificates	2016	2015
(Rupees in '000)					
Security Leasing Corporation Limited - II	September 2022	6 months KIBOR plus 1.95%	35,000	52,350	52,350
BRR Guardian Modaraba	December 2016	1 months KIBOR	20,000	36,177	58,750
Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.00%	60,000	118,052	157,813
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00%	100,000	297,132	356,674
Amreli Steel (Private) Limited	December 2016	3 months KIBOR plus 2.5 %	-	-	95,000
Security Leasing Corporation Limited - I	January 2022	3% Cash + 3% accrual	5,000	6,418	6,418
Quetta Textile Mills Limited	September 2019	6 months KIBOR plus 1.50%	30,000	72,619	74,483
Pakistan Mobile Communication Limited	December 2019	3 months KIBOR plus 0.88 %	340,000	1,700,000	1,700,000
Sui Southern Gas Company Limited	October 2019	3 months KIBOR plus 0.4%	300,000	1,500,000	1,500,000
TF Varlik Kiralama AS	April 2019	5.38%	317,005	317,005	318,711
Kuveyt Turk Katilim Bankasi	June 2019	5.16%	522,993	522,993	523,705
Albaraka Turk Katilim Bankasi	June 2019	6.25%	925,697	925,697	-
Sharjah International Bank	May 2021	3.08%	418,394	418,394	1,571,115
				5,966,837	6,415,019

9.19 These represent Commercial papers amounting to BDT 400 million (2015: BDT 200 million), Interest rates on these commercial papers ranges between 7.75% to 9.50% per annum (2015: 10.25% per annum), and are due for maturity upto April 2017 (2015: March 2016).

9.20 These represent overseas bonds amounting to US Dollar 52 million (2015: USD 30 million) and EUR 5 million (2015: EUR 5 million) issued by TC ZIRRAT Bankasi A.S, Qatar National Bank, Turkey Halk Bankasi, RAK Funding Cayman Limited, Turkey IS Bankasi A.S, African Finance Corporation, Abu Dhabi Commercial Bank, Turkiye Sinai Kalkinma Bankasi AS, Burgan Senior SPC Limited, Union National Bank African Import Export, Turkiye Garanti Bankasi A.S and Deutsche Bank respectively. Interest rates on these bonds range between, 2.18% to 5.00% per annum (2015: 1.57% to 5.00% per annum) and 1.13% to 3.38% per annum (2015: 1.13% to 3.38% per annum) and are due for maturity upto, December 2021 (2015: June 2021), and March 2025 (2015: March 2025) respectively.

9.21 These represents redeemable participating certificates amounting to USD 4.8 million (2015: Nil) issued by Baltoro Growth Fund, registered in Mauritius. The fund has a life of ten years and distributions would be made at the end of the life.

9.22 Particulars of investments in associates and mutual funds established under trust structure not considered for consolidation.

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

2016 (Number of shares / units)	2015 (Number of shares / units)		2016 (Rupees in '000)	2015 (Rupees in '000)
14,997,825	14,997,825	Alfalsh Insurance Limited Percentage of holding: 30% (2015: 30%) Break-up value per share: Rs. 18.61 (2015: Rs. 16.07) Date of un-audited financial statements: December 31, 2016 Chief Executive: Mr. Nasar us Samad Qureshi	282,909	241,560
97,812,317	97,812,317	Sapphire Wind Power Company Limited Percentage of holding: 30% (2015: 30%) Break-up value per share: Rs. 12.19 (2015: Rs. 11.14) Date of un-audited financial statements: December 31, 2016 Chief Executive: Mr. Nadeem Abdullah	1,221,237	1,006,054
567,660	524,771	Alfalsh GHP Money Market Fund Percentage of holding: 4.16% (2015: 2.71%) NAV per unit: Rs. 100.92 (2015: 103.69) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	57,287	54,415
5,481,236	5,481,236	Alfalsh GHP Income Multiplier Fund Percentage of holding: 13.17% (2015: 10.68%) NAV per unit: Rs. 54.45 (2015: Rs. 52.58) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	298,473	283,699
2,340,809	3,976,926	Alfalsh GHP Sovereign Fund Percentage of holding: 10.67 % (2015: 5.22%) NAV per unit: Rs.108.29 (2015: Rs. 106.48) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	253,490	423,475
-	20,800,000	Appollo Pharma Limited	-	802,130
1,496,542	1,034,037	Alfalsh GHP Income Fund Percentage of holding: 12.88% (2015: 7.18%) NAV per unit: Rs. 113.42 (2014: Rs. 109.32) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	169,745	113,036
64,663	62,274	Alfalsh GHP Islamic Income Fund Percentage of holding: 0.14 % (2015: 84.1%) NAV per unit: Rs. 103.35 (2015: Rs. 104.35) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	6,683	6,384
-	2,889,739	Alfalsh GHP Value Fund	-	187,684
5,590,077	5,590,077	Alfalsh GHP Islamic Stock Fund Percentage of holding: 6.45% (2015: 52.92%) NAV per unit: Rs. 78.62 (2015: Rs. 64.39) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	439,502	359,958
1,050,926	1,050,926	Alfalsh GHP Cash Fund Percentage of holding: 38.85 % (2015: 70.09%) NAV per unit: Rs. 508.37 (2015: Rs. 514.71) Date of reviewed financial statements: December 31, 2016 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 500)	534,264	540,918
			3,263,590	4,019,313

	2016 (Rupees in '000)	2015
9.23 Particulars of assets and liabilities of associates and mutual funds established under trust structure not considered for consolidation.		
Alfalah Insurance Limited		
Date of un-audited financial statements: December 31, 2016		
Assets	2,781,815	2,358,908
Liabilities	1,851,276	1,553,592
Revenue	173,803	180,158
Profit for the year	126,723	115,214
Sapphire Wind Power Company Limited		
Date of un-audited financial statements: December 31, 2016		
Assets	13,634,295	13,041,994
Liabilities	9,658,325	9,408,801
Revenue	873,864	285,310
Profit for the year	155,593	116,553
Alfalah GHP Money Market Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	1,399,008	2,028,461
Liabilities	20,981	18,783
Revenue	48,073	66,801
Profit for the six months period	36,852	55,933
Alfalah GHP Income Multiplier Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	2,306,511	2,731,883
Liabilities	39,851	32,415
Revenue	83,746	120,263
Profit for the six months period	60,141	95,698
Alfalah GHP Sovereign Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	2,440,650	8,181,233
Liabilities	64,362	63,938
Revenue	133,688	332,892
Profit for the six months period	54,916	280,920
Alfalah GHP Income Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	1,340,145	1,623,353
Liabilities	22,087	48,363
Revenue	50,141	60,603
Profit for the six months period	31,455	57,313
Alfalah GHP Islamic Income Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	4,850,249	127,877
Liabilities	11,356	1,837
Revenue	100,574	4,160
Profit for the six months period	128,231	2,481
Alfalah GHP Islamic Stock Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	7,032,923	699,117
Liabilities	217,862	18,867
Revenue	1,190,543	56,222
Profit for the six months period	1,280,850	46,241

	2016 (Rupees in '000)	2015
Alfalah GHP Cash Fund		
Date of reviewed financial statements: December 31, 2016		
Assets	1,406,671	801,763
Liabilities	31,510	30,004
Revenue	28,077	33,271
Profit for the six months period	34,543	20,604

9.23.1 Movement in values of investments accounted for under equity method of accounting

The details of investments accounted for under equity method of accounting is as follows.

Alfalah Insurance Company Limited

Investment as at January 1	241,560	213,069
Remeasurement of defined benefit plan	(499)	(752)
Dividend received during the year	-	(5,311)
Share of profit	41,848	34,554
Balance as at December 31	<u>282,909</u>	<u>241,560</u>

Sapphire Wind Power Company Limited

Investment as at January 1	1,006,054	342,216
Investments made during the year	-	633,071
Dividend received during the year	-	-
Share of profit	215,183	30,767
Balance as at December 31	<u>1,221,237</u>	<u>1,006,054</u>

Alfalah GHP Money Market Fund

Investment as at January 1	54,415	543,985
Purchased during the year	8,480	-
Dividend received during the year	(8,480)	-
Redeemed during the year	-	(500,000)
Share of profit	2,872	10,430
Balance as at December 31	<u>57,287</u>	<u>54,415</u>

Alfalah GHP Income Multiplier Fund

Investment as at January 1	283,699	386,907
Investment made during the year	-	109,500
Redeemed during the year	-	(220,191)
Dividend received during the year	(10,271)	(23,284)
Share in reserves of associate	(536)	536
Share of profit	25,581	30,231
Balance as at December 31	<u>298,473</u>	<u>283,699</u>

Alfalah GHP Sovereign Fund

Investment as at January 1	423,475	270,828
Purchased during the year	7,012	-
Investments made during the year	-	220,529
Redeemed during the year	(181,237)	(76,228)
Dividend received during the year	(18,602)	(26,944)
Share of profit	22,842	35,290
Balance as at December 31	<u>253,490</u>	<u>423,475</u>

	2016	2015
	(Rupees in '000)	
Appollo Pharma Limited		
Investment as at January 1	802,130	-
Investments made during the year	-	790,400
Dividend received during the year	-	-
Divestment during the year	(847,886)	-
Share of profit	45,756	11,730
Balance as at December 31	<u>-</u>	<u>802,130</u>
Alfalah GHP Income Fund		
Investment as at January 1	113,036	93,164
Investment made during the year	52,030	110,000
Redeemed during the year	-	(96,175)
Dividend received during the year	(2,706)	-
Share of profit	7,385	6,047
Balance as at December 31	<u>169,745</u>	<u>113,036</u>
Alfalah GHP Islamic Income Fund		
Investment as at January 1	6,384	44,992
Investment made during the year	8,225	4,210
Redeemed during the year	(8,051)	(41,985)
Dividend received during the year	(300)	(2,966)
Share of profit	425	2,133
Balance as at December 31	<u>6,683</u>	<u>6,384</u>
Alfalah GHP Value Fund		
Investment as at January 1	187,684	174,470
Dividend received during the year	-	(22,434)
Redeemed during the year	(204,799)	-
Share of profit	17,115	35,648
Balance as at December 31	<u>-</u>	<u>187,684</u>
Alfalah GHP Islamic Stock Fund		
Investment as at January 1	359,958	328,011
Investment made during the year	-	-
Redeemed during the year	-	-
Dividend received during the year	(45,320)	(40,867)
Share of profit	124,864	72,814
Balance as at December 31	<u>439,502</u>	<u>359,958</u>
Alfalah GHP Cash Fund		
Investment as at January 1	540,918	1,048,628
Investment made during the year	-	-
Dividend received during the year	(32,925)	(47,081)
Redeemed during the year	-	(500,001)
Share of profit	26,271	39,372
Balance as at December 31	<u>534,264</u>	<u>540,918</u>
Total	<u>3,263,590</u>	<u>4,019,313</u>

9.24 Quality of available for sale securities

	Market value / Fair value		Cost		Long / Medium Term Credit Rating	Rated by
	2016	2015	2016	2015		
	-----Rupees in '000)-----					
Market Treasury Bills	38,574,968	78,961,247	38,584,821	78,886,442	(Unrated - Government Securities)	
Pakistan Investment Bonds	213,763,528	166,465,955	207,087,470	157,492,067	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited	101,769	99,741	99,920	99,960	AA+	PACRA
NIB Bank Limited (2nd Issue)	101,034	98,941	99,900	99,940	AA-	PACRA
Faysal Bank Limited	75,457	153,068	74,850	149,700	AA	PACRA
Bank Al-Habib Limited	-	330,930	-	299,520	AAA+	PACRA
New Allied Electronics *	Not Applicable	Not Applicable	2,185	2,185	-----	(Unrated)-----
Fauji Akbar Portia Marine Terminals Limited	Not Applicable	Not Applicable	161,408	102,069	-----	(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)-----
	278,260	682,680	514,483	829,594		

*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	28,828	18,217	17,909	15,100	-----	(Unrated)-----
Allied Bank Limited	106,300	79,339	88,485	83,782	AA+	PACRA
Amreli Steels Limited	86,567	105,123	69,969	89,250	A	PACRA
Attock Cement Pakistan Limited	-	125,813	-	138,493	A+	JCR-VIS
Altern Energy Limited	9,116	-	7,949	-	-----	(Unrated)-----
Abbot Laboratories (Pakistan) Limited	287,127	-	255,055	-	-----	(Unrated)-----
Agriauto Industries Limited	212,002	-	139,293	-	-----	(Unrated)-----
Attock Petroleum Limited	95,847	107,591	74,552	113,732	-----	(Unrated)-----
Bank Al Habib Limited	324,445	226,678	226,069	220,770	AA+	PACRA
Cherat Cement Company Limited	121,828	-	103,254	-	A	PACRA
Cherat Packaging Limited	43,566	-	48,034	-	-----	(Unrated)-----
Dolmen City Real Estate Investment Trust (REIT)	452,432	761,869	457,843	781,040	RR1	JCR-VIS
Engro Fertilizer Limited	254,619	-	277,450	-	AA-	PACRA
Engro Corporation Limited	458,330	279,390	397,140	256,728	AA	PACRA
Engro Powergen Qadirpur Limited	-	126,593	-	126,735	-----	(Unrated)-----
Fatima Fertilizer Limited	44,268	22,365	37,184	12,613	AA-	PACRA
Fauji Bin Qasim Limited	226,835	86,922	232,669	93,215	-----	(Unrated)-----
Fauji Cement Company Limited	49,588	-	40,218	-	-----	(Unrated)-----
Fauji Fertilizer Company Limited	195,694	147,475	232,121	162,897	AA	PACRA
First Dawood Investment Bank Limited	6,501	2,394	15,000	15,000	-----	(Unrated)-----
Kot Addu Power Company Limited	153,069	188,325	148,452	175,968	AA+	JCR-VIS
Lucky Cement Limited	779,634	358,904	452,197	306,277	-----	(Unrated)-----
DG Khan Cement Limited	443,460	332,078	281,352	285,827	-----	(Unrated)-----
Habib Bank Limited	485,019	140,084	331,519	145,681	AAA	JCR-VIS
MCB Bank Limited	219,984	200,586	230,466	230,466	AAA	PACRA
Nishat (Chunian) Power Company Limited	221,920	246,349	132,117	147,806	-----	(Unrated)-----
Nishat Mills Limited	-	103,418	-	119,233	AA	PACRA
Nishat Power Company Limited	160,225	142,252	106,994	111,650	A+	PACRA
Oil and Gas Development Corporation Limited	330,700	93,872	279,433	110,368	AAA	PACRA
Pakistan Oilfields Limited	253,945	175,607	147,629	203,635	-----	(Unrated)-----
Pioneer Cement Limited	351,673	-	300,277	-	A	PACRA
Pakistan Petroleum Limited	111,365	137,036	75,012	142,597	-----	(Unrated)-----
Thal Limited	101,706	-	83,906	-	-----	(Unrated)-----
Pakistan State Oil Company Limited	217,105	311,110	185,526	350,923	AA	PACRA
The Hub Power Company Limited	648,269	478,732	449,037	350,018	AA+	PACRA
United Bank Limited	430,020	201,435	299,826	210,949	AAA	JCR-VIS
Visa Shares	387,310	385,502	-	-	-----	(Unrated)-----
	8,299,297	5,585,059	6,223,937	5,000,753		

	Market value / Fair value		Cost		Long / Medium Term Credit Rating	Rated by
	2016	2015	2016	2015		
-----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	----- (Unrated) -----	
Pakistan Stock Exchange (PSX) formerly Karachi Stock Exchange	68,927	40,073	27,606	27,606	----- (Unrated) -----	
Pakistan Mobile Communication Limited	Not Applicable		22,235	-	AA-	PACRA
			109,662	4,454,223		
Preference Shares in Listed Companies						
Agritech Limited	Not Applicable		108,835	108,835	----- (Unrated) -----	
Preference Shares in Un-listed Companies						
Silk Bank Preference Shares	Not Applicable		-	300,000	----- (Unrated) -----	
Trust Investment Bank Limited	Not Applicable		25,000	25,000	----- (Unrated) -----	
			25,000	325,000		
Overseas Bonds						
Kingdom of Bahrain Bond	545,314	533,639	553,251	563,025	BB+	Fitch
Kazakhstan Sovereign Bond	315,076	296,774	309,038	308,943	BBB	Fitch
Qatar National Bank Finance Limited	-	524,634	-	524,114	A+	S&P
State of Qatar 2026	1,010,354	-	1,035,677	-	AA	Fitch
Oman International Bond 2021	1,045,906	-	1,044,923	-	BBB-	S&P
Oman International Bond 2026	504,363	-	521,073	-	BBB-	S&P
Republic of Sri Lanka	152,043	-	156,898	-	B+	Fitch
Republic of Indonesia (2027)	156,959	-	156,261	-	BBB-	Fitch
Republic of Indonesia (2022)	52,536	-	52,179	-	BBB-	Fitch
Saudi International Bond	1,028,153	-	1,032,378	-	AA-	Fitch
Abu Dhabi Commercial Bank Cayman Limited	1,047,062	1,049,268	1,045,995	1,048,228	A+	Fitch
United Mexican State	53,781	44,572	55,069	53,922	BBB+	Fitch
Indonesia Government Bond	226,902	226,503	218,302	228,590	BBB-	Fitch
Republic of Indonesia 2023 (Euro)	55,712	-	54,825	-	BB+	S&P
Kingdom of Saudi Arabia	913,644	-	932,332	-	AA-	Fitch
Oman International Bond 2026	706,087	-	724,341	-	BBB-	S&P
Qatar 21	512,815	-	517,972	-	AA	Fitch
Qatar 26	202,221	-	207,291	-	AA	Fitch
TC Zirrat Bankasi A.S	257,677	258,114	260,908	261,087	BBB-	Fitch
Turkiye Halk Bankasi	51,493	51,865	52,281	52,346	BBB-	Fitch
Syndicate Bank	-	53,557	-	52,371	-	-
RAK Funding Cayman Limited	209,189	206,566	208,412	208,398	BBB+	Fitch
Turkiye IS Bankasi A.S	298,865	306,129	310,991	310,874	BBB-	Fitch
Turkiye Garanti Bankasi A.S	330,617	344,622	326,014	342,365	BBB	Fitch
Africa Finance Corporation	644,304	630,010	623,370	623,004	A3	Moody's
Deutsche Bank	207,408	213,449	216,011	226,892	BBB+	S&P
Turkey Sanai	48,965	-	51,945	-	BBB-	Fitch
Halk Bank 21	514,499	-	521,933	-	BBB-	Fitch
Burgan Senior SPC Limited	412,850	-	415,625	-	A+	Fitch
Qatar National Bank	497,486	-	502,176	-	A+	S&P
Union National Bank	540,718	-	552,199	-	A+	Fitch
Pakistan Euro Bonds	2,790,198	2,482,952	2,688,770	2,409,043	B	Fitch
	15,333,197	7,222,654	15,348,440	7,213,202		
Redeemable Participating Certificates						
Baltoro Growth Fund	501,938	-	501,938	-	----- (Unrated) -----	

	Market value / Fair value		Cost		Long / Medium Term Credit Rating	Rated by
	2016	2015	2016	2015		
	-----Rupees in '000)-----					
Sukuk Bonds						
Pakistan Sukuk Bond 19	964,535	927,157	909,084	910,044	B	Fitch
Pakistan Sukuk Bond 21	4,273,644	-	4,183,940	-	B	Fitch
Ijarah Sukuk Bonds	-	905,742	-	944,663	-----	(Unrated)-----
TF Varlik Kiralama AS	321,644	322,437	317,005	318,711	BBB	Fitch
Kuveyt Turk Katilim Bankasi	534,917	539,254	522,992	523,705	BBB	Fitch
Albaraka Turk Katilim Bankasi	923,623	1,562,521	925,697	1,571,115	BB-	S&P
Sharjah International Bank	414,984	-	418,394	-	A3	Moody's
Pakistan International Sukuk	534,173	-	535,094	-	B	Fitch
Indonesia Sovereign	524,687	-	524,754	-	BBB-	Fitch
South Africa Sovereign	424,448	-	418,394	-	BBB-	Fitch
Turkey Sukuk	355,372	-	366,095	-	BBB-	Fitch
Kingdom of Bahrain	536,643	-	522,993	-	BB+	Fitch
GoP - Ijara Sukuk XIV	-	7,462,130	-	7,432,655	-----	(Unrated)-----
GoP - Ijara Sukuk XVI	21,021,100	20,244,608	20,519,468	20,018,400	-----	(Unrated)-----
GoP - Ijara Sukuk XVII	5,782,560	-	5,606,994	-	-----	(Unrated)-----
GoP - Ijara Sukuk XVIII	4,080,400	-	4,000,000	-	-----	(Unrated)-----
Neelam Jehlum Hydrel Power Company	2,600,000	-	2,600,000	-	AAA	JCR-VIS
Wapda Sukuk III	1,267,973	1,411,426	1,214,286	1,457,143	-----	(Unrated)-----
Security Leasing Corporation Limited I	Not Applicable	Not Applicable	6,418	6,418	-----	(Unrated)-----
Security Leasing Corporation Limited II	Not Applicable	Not Applicable	23,105	23,105	-----	(Unrated)-----
Quetta Textile Mills limited	Not Applicable	Not Applicable	72,619	74,483	-----	(Unrated)-----
	44,560,703	33,375,275	43,687,332	33,280,442		

9.25 Particulars of provision for diminution in value of investments - net

	2016 (Rupees in '000)	2015 (Rupees in '000)
Opening balance	5,519,811	5,390,757
Charge for the year	100,766	136,691
Reversals during the year	-	-
	100,766	136,691
Provision written off during the year	(4,366,796)	(7,637)
Closing balance	1,253,781	5,519,811

	2016 (Rupees in '000)	2015
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 / units		
- First Dawood Investment Bank Limited	15,000	15,000
- Preference shares		
- Agritech Limited	108,835	108,835
Unlisted companies		
- Fully paid up ordinary shares of Rs. 10 each		
- Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
- Al-Hamra Avenue (Private) Limited	50,000	50,000
- Warid Telecom (Private) Limited (Related party)	-	4,366,796
- Pakistan Mobile Communications Limited (Related party)	3,936	-
Unlisted securities		
- Term finance certificates / sukuk bonds		
- Azgard Nine Limited	76,220	76,220
- Security Leasing Corporation Limited I	6,418	6,418
- Security Leasing Corporation Limited II	23,105	23,105
- New Allied Electronics	2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited	161,407	102,069
- Quetta Textile Mills Limited	72,619	37,242
- Preference shares		
- Trust Investment Bank Limited	25,000	25,000
Held to maturity securities		
Unlisted securities		
- Term finance certificates / sukuk bonds		
- Agritech Limited	499,586	499,586
- BRR Guardian Modaraba	36,177	34,062
- Security Leasing Corporation Limited	29,245	29,245
- Sitara Peroxide (Private) Limited	113,643	113,643
- Zulekha Textile Mills (formerly Khunja Textile Mills Limited)	24,680	24,680
	<u>1,253,781</u>	<u>5,519,811</u>

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

	Unrealised gain / (loss)		Cost	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Market Treasury Bills	(3,790)	(6,414)	14,120,130	13,480,197
Pakistan Investment Bonds	(441)	4,060	20,207	2,423,862
Overseas Bonds	(16,137)	229,460	549,615	2,990,933
Fully paid up ordinary shares / units - Listed	20,477	1,957	740,776	197,998
	<u>109</u>	<u>229,063</u>	<u>15,430,728</u>	<u>19,092,990</u>

	Note	2016	2015 (Restated)
		(Rupees in '000)	
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		309,127,177	278,766,376
Outside Pakistan		<u>13,181,132</u>	<u>11,007,287</u>
		<u>322,308,309</u>	<u>289,773,663</u>
Net investment in finance lease			
In Pakistan	10.2	<u>4,181,047</u>	<u>3,638,627</u>
Outside Pakistan		<u>-</u>	<u>-</u>
		<u>4,181,047</u>	<u>3,638,627</u>
Islamic financing and related assets (gross)	10.3	57,908,118	43,062,240
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		<u>5,033,339</u>	<u>6,186,509</u>
Payable outside Pakistan		<u>6,437,718</u>	<u>7,692,258</u>
		<u>11,471,057</u>	<u>13,878,767</u>
	10.1	<u>395,868,531</u>	<u>350,353,297</u>
Provision against advances			
Specific provision against non-performing loans and advances	10.5	<u>(16,368,263)</u>	<u>(15,452,915)</u>
General provision against advances	10.5	<u>(775,968)</u>	<u>(739,904)</u>
		<u>(17,144,231)</u>	<u>(16,192,819)</u>
		<u><u>378,724,300</u></u>	<u><u>334,160,478</u></u>

10.1 Particulars of advances - gross of provisions

In local currency	362,264,908	307,320,918
In foreign currencies	<u>33,603,623</u>	<u>43,032,379</u>
	<u><u>395,868,531</u></u>	<u><u>350,353,297</u></u>
Short term (upto one year)	249,583,708	204,669,071
Long term (over one year)	<u>146,284,823</u>	<u>145,684,226</u>
	<u><u>395,868,531</u></u>	<u><u>350,353,297</u></u>

10.5 Particulars of provisions against non-performing loans and advances

Note	2016			2015		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
Opening balance	15,452,915	739,904	16,192,819	13,601,667	649,503	14,251,170
Exchange adjustment and other movements	1,258	(1,135)	123	31,406	3,300	34,706
Charge for the year	3,408,124	157,644	3,565,768	3,921,493	146,652	4,068,145
Reversals / recoveries during the year	(2,362,817)	(120,445)	(2,483,262)	(1,858,385)	(59,551)	(1,917,936)
	1,045,307	37,199	1,082,506	2,063,108	87,101	2,150,209
Amounts written off	10.6.1 (131,217)	-	(131,217)	(243,266)	-	(243,266)
Closing balance	<u>16,368,263</u>	<u>775,968</u>	<u>17,144,231</u>	<u>15,452,915</u>	<u>739,904</u>	<u>16,192,819</u>

10.5.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2016 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 95.817 million (2015: Rs. 110.774 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 reserve of at least equivalent to 1% of the secured and performing SE portfolio and 2% of the unsecured and performing SE portfolio is also maintained as required under Prudential Regulations for Small and Medium Enterprise Financing.

10.5.3 Particulars of provisions against advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
In local currency	16,129,125	655,225	16,784,350	14,966,141	639,433	15,605,574
In foreign currencies	239,138	120,743	359,881	486,774	100,471	587,245
	<u>16,368,263</u>	<u>775,968</u>	<u>17,144,231</u>	<u>15,452,915</u>	<u>739,904</u>	<u>16,192,819</u>

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

10.6 Particulars of write-offs

	2016	2015
	(Rupees in '000)	
10.6.1 Against provisions	131,217	243,266
Directly charged to profit and loss account	-	-
	<u>131,217</u>	<u>243,266</u>
10.6.2 Write offs of Rs. 500,000 and above	75,143	172,501
Write offs of below Rs. 500,000	56,074	70,765
	<u>131,217</u>	<u>243,266</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, 2015 is given in Annexure-I to the unconsolidated financial statements.

10.8 Particulars of loans and advances to directors, executives, associated companies, etc.	Note	2016 (Rupees in `000)	2015
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
- Balance at beginning of the year		5,735,039	5,139,055
- Loans granted during the year		2,722,298	1,867,232
- Repayments during the year		(2,183,888)	(1,271,248)
- Balance at end of the year		<u>6,273,449</u>	<u>5,735,039</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		1,499,410	901,426
- Loans granted during the year		5,374,930	3,099,590
- Repayments during the year		(3,565,509)	(2,501,606)
- Balance at end of the year		<u>3,308,831</u>	<u>1,499,410</u>
Debts due by other related parties			
- Balance at beginning of the year		4,840,040	2,927,096
- Loans granted during the year		16,687,444	19,048,202
- Repayments during the year		(16,796,079)	(17,135,258)
- Balance at end of the year		<u>4,731,405</u>	<u>4,840,040</u>
Total		<u>14,313,685</u>	<u>12,074,489</u>

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	775,408	704,981
Property and equipment	11.2	16,144,219	15,532,465
Intangible assets	11.3	1,297,310	1,080,245
		<u>18,216,937</u>	<u>17,317,691</u>

11.1 Capital work-in-progress

Civil works	292,809	286,041
Equipment / intangibles	432,288	412,113
Advances to suppliers and contractors	54,015	18,239
Others	1,496	3,913
Provision against capital work-in-progress	(5,200)	(15,325)
	<u>775,408</u>	<u>704,981</u>

11.2 Property and equipment

Description	2016											
	Cost / revaluation as at January 1, 2016	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost / Revaluation as at December 31, 2016	Accumulated depreciation as at January 1, 2016	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Accumulated Depreciation Reversed on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation as at December 31, 2016	Net book value as at December 31, 2016	Rate of depreciation %
(Rupees in '000)												
per annum												
Office premises	4,893,362	751,091 (36,519) *124,390	-	-	5,732,324	-	75,982 -	-	-	82,593	5,649,731	2.5% - 5.5%
Revaluation	5,399,467	- (11,191) *47,562	-	-	5,435,838	-	-	49,995	-	49,995	5,385,843	2.5% - 5.5%
	10,292,829	751,091 (47,710) *171,952	-	-	11,168,162	-	75,982 -	49,995	-	132,588	11,035,574	
Lease hold improvements	4,777,757	160,912 (1,516) *(6,760)	-	(128,096)	4,802,297	2,909,432	336,691 (1,471) *(6,363)	-	(37,390)	3,200,899	1,601,398	10% - 20%
Furniture and fixtures	1,961,330	69,700 (32,408) *231	-	-	1,998,853	1,292,140	160,287 (26,332) *192	-	-	1,426,287	572,566	10% - 25%
Office equipment	9,468,732	1,169,792 (209,961) *(5,628)	-	-	10,422,935	6,870,097	1,012,334 (205,693) *(6,394)	-	-	7,670,344	2,752,591	10% - 33%
Vehicles	360,402	144,518 (81,501) *67	-	-	423,486	256,916	65,886 (81,501) *95	-	-	241,396	182,090	25%
	26,861,050	2,296,013 (373,096) *159,862	-	(128,096)	28,815,733	11,328,585	1,651,180 (314,997) *(5,859)	49,995	(37,390)	12,671,514	16,144,219	

Description	2015											
	Cost / revaluation as at January 1, 2015	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost / Revaluation as at December 31, 2015	Accumulated depreciation as at January 1, 2015	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Accumulated Depreciation Reversed on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation as at December 31, 2015	Net book value as at December 31, 2015	Rate of depreciation %
(Rupees in '000)												
per annum												
Office premises	5,158,963	11,157 - *(4,043)	- (272,715) -	-	4,893,362	187,629	86,278 -	(272,715)	-	-	4,893,362	2.5% - 5.5%
Revaluation	3,917,799	- -	1,643,150 (161,482)	-	5,399,467	107,966	53,516 -	(161,482)	-	-	5,399,467	2.5% - 5.5%
	9,076,762	11,157 - *(4,043)	1,643,150 (434,197)	-	10,292,829	295,595	139,794 -	(434,197)	-	-	10,292,829	
Lease hold improvements	4,214,355	591,081 -	-	(16,922)	4,777,757	2,573,351	360,878 -	-	(16,922)	2,909,432	1,868,325	10% - 20%
Furniture and fixtures	2,094,569	75,649 (14,238) *(18,505)	-	(176,145)	1,961,330	1,285,070	206,277 (13,422) *(9,640)	-	(176,145)	1,292,140	669,190	10% - 25%
Office equipment	9,368,429	1,153,764 (68,029) *26,008	-	(1,011,440)	9,468,732	6,916,993	1,020,988 (64,033) *7,589	-	(1,011,440)	6,870,097	2,598,635	10% - 33%
Vehicles	395,307	36,957 (39,882) *(3,041)	-	(28,939)	360,402	234,444	88,292 (33,245) *(3,636)	-	(28,939)	256,916	103,486	25%
	25,149,422	1,868,608 (122,149) *(10,338)	1,643,150 (434,197)	(1,233,446)	26,861,050	11,305,453	1,816,229 (110,700) *(14,754)	(434,197)	(1,233,446)	11,328,585	15,532,465	

* This includes cost and surplus of two properties transferred from non-banking assets acquired in satisfaction of claims

11.2.1 Include in cost of property and equipment are fully depreciated items still in use having cost of Rs. 7,648.44 million (2015: 6,094 million)

11.2.2 Office premises were last revalued on December 31, 2015 on the basis of market values determined by independent valuer M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Asif Associates (Private) Limited. Had there been no revaluation, the net book value of the office premises would have been Rs. 5,649.731 million (2015: Rs. 4,893.362 million).

11.3 Intangible assets

Description	2016									
	Cost				Accumulated Amortisation					
	As at January 1, 2016	Additions/ (deletions)/ *adjustment	Write Off Cost	As at December 31, 2016	As at January 1, 2016	Amortisation (deletions) / *adjustment	Write Off accumulated depreciation	As at December 31, 2016	Book value as at December 31, 2016	Rate of amortisation %
------(Rupees in '000)-----										
Computer software	2,366,634	579,747 - *(2,001)	-	2,944,380	1,320,995	361,118 - *(437)	-	1,681,676	1,262,704	20% - 33%
Goodwill	85,711	-	-	85,711	56,031	-	-	56,031	29,680	
Membership Card / DGCEX (Note 11.3.2)	6,011	-	(6,011)	-	6,011	-	(6,011)	-	-	
Membership Card PSX TRE	4,926	-	-	4,926	-	-	-	-	4,926	
	2,463,282	579,747 - *(2,001)	(6,011)	3,035,017	1,383,037	361,118 - *(437)	(6,011)	1,737,707	1,297,310	

Description	2015									
	Cost				Accumulated Amortisation					
	As at January 1, 2015	Additions/ (deletions)/ *adjustment	Write Off Cost	As at December 31, 2015	As at January 1, 2015	Amortisation (deletions) / *adjustment	Write Off accumulated depreciation	As at December 31, 2015	Book value as at December 31, 2015	Rate of amortisation %
------(Rupees in '000)-----										
Computer software	1,982,322	536,650 (1,802) *1,154	(151,690)	2,366,634	1,198,390	275,439 (1,802) *658	(151,690)	1,320,995	1,045,639	20% - 33%
Goodwill	85,711	-	-	85,711	56,031	-	-	56,031	29,680	
Membership Card / DGCEX (Note 11.3.2)	6,011	-	-	6,011	6,011	-	-	6,011	-	
Membership Card PSX TRE	4,926	-	-	4,926	-	-	-	-	4,926	
	2,078,970	536,650 (1,802) *1,154	(151,690)	2,463,282	1,260,432	275,439 (1,802) *658	(151,690)	1,383,037	1,080,245	

11.3.1 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 856.61 million (2015: Rs. 1,057 million)

11.3.2 The membership of Dubai Gold and Commodities Exchange has been terminated by the Board due to the non-payment of annual membership fee and therefore this has been written off in the current year.

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) -----						
Lease hold Land & Building						
Freehold Land	4,710	-	4,710	18,906	Negotiation	Government of Punjab
Freehold Land	43,000	-	43,000	50,000	Negotiation	Mr. Afzaal
	47,710	-	47,710	68,906		
Leasehold Improvements						
Civil & Electrical Works	1,174	1,155	19	38	Bid	M/s Shahbaz Haider
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	342	316	26	17	Various	Various
	1,516	1,471	45	55		
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	32,408	26,332	6,076	4,521	Various	Various
	32,408	26,332	6,076	4,521		
Computers						
Server Machine	1,885	1,885	-	-	Insurance Claim	M/s Alfalah Insurance
Server Machine	1,482	1,482	-	121	Bid	M/s Ahsan & Brothers
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	26,187	25,280	907	2,250	Various	Various
	29,554	28,647	907	2,371		
Office equipment						
ATM	1,625	1,625	-	3	Bid	M/s Star Network
ATM	3,637	3,637	-	6	Bid	M/s Star Network
ATM	1,270	1,270	-	2	Bid	M/s Star Network
ATM	1,138	1,136	2	447	Insurance Claim	M/s Alfalah Insurance
Generator	2,050	2,050	-	659	Bid	M/s Arsalan Brothers
Generator	1,243	696	547	290	Bid	M/s Abdul Rasheed
Generator	2,455	2,455	-	740	Bid	M/s F.F Trading Company
Generator	2,150	2,150	-	440	Bid	M/s Pak Power Moves
Generator	1,192	1,192	-	153	Bid	M/s Bismillah Insaf Scrap
Generator	1,145	1,145	-	282	Bid	M/s Arsalan Brothers
Generator	1,013	1,013	-	273	Bid	M/s Arsalan Brothers
Generator	1,013	1,013	-	273	Bid	M/s Arsalan Brothers
Generator	1,200	1,200	-	631	Bid	M/s Mars Engineering
Generator	1,200	1,200	-	631	Bid	M/s Mars Engineering
Generator	1,180	1,180	-	309	Bid	M/s Mars Engineering
Generator	1,200	1,200	-	631	Bid	M/s Mars Engineering
Generator	1,070	1,070	-	309	Bid	M/s Mars Engineering
Generator	1,112	1,022	90	690	Insurance Claim	M/s Alfalah Insurance
Generator	1,195	1,195	-	257	Bid	M/s Haji Muhammad Azam & Sons
Generator	2,713	2,713	-	794	Bid	M/s MTS Garments Limited
POS Terminals	28,901	28,901	-	-	Trade In	M/s Marshal Engg. & Electronics
Card Printer	1,800	1,800	-	-	Trade In	M/s Crest Technologies
DVR	1,034	1,034	-	33	Bid	M/s Shahbaz Haider
Electrical Panel	9,902	9,902	-	321	Bid	M/s Shahbaz Haider
HVAC	63,980	63,980	-	2,037	Bid	M/s Shahbaz Haider
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	43,989	41,267	2,722	6,330	Various	Various
	180,407	177,046	3,361	16,541		

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees in `000) -----						
Vehicles						
Honda Civic	1,178	1,178	-	698	Bid	Mr. M. Kamran Khan
Honda Civic	1,382	1,382	-	906	Bid	Mr. Usman Shahid
Honda Civic	1,506	1,506	-	917	Bid	Mr. Muhammad Ansar Khan
Honda Civic	1,422	1,422	-	677	Bid	Mr. Muhammad Ansar Khan
Honda Civic	1,523	1,523	-	1,081	Bid	Mr. Sajid Hussain
Honda Accord	5,866	5,866	-	587	As per Policy	Mr. Yasir Rashid
Honda Accord	6,617	6,617	-	662	As per Policy	Mr. Faisal Farooq Khan
Honda Accord	7,017	7,017	-	702	As per Policy	Mr. Ali Sultan
Honda City	1,376	1,376	-	1,001	Bid	Mr. Muhammad Hanif
Honda City	1,376	1,376	-	906	Bid	Mr. Usman Shahid
Honda City	1,490	1,490	-	149	As per Policy	Mr. Riaz Hamdani
Mercedes-Benz	8,427	8,427	-	843	As per Policy	Mr. Saad Ur Rehman
Mercedes-Benz	8,427	8,427	-	843	As per Policy	Mr. Mirza Zafar Baig
Mercedes-Benz	8,462	8,462	-	846	As per Policy	Mr. Khurram Hussain
Mercedes-Benz	8,500	8,500	-	850	As per Policy	Ms. Mehreen Ahmed
Toyota Yaris	2,138	2,138	-	787	As per Policy	Mr. Zeeshan Khan
Toyota Yaris	2,138	2,138	-	808	As per Policy	Mr. Md. Nurul Islam Dewan
Toyota Corolla	1,691	1,691	-	169	As per Policy	Mr. Sharif Khawar
Toyota Corolla	1,608	1,608	-	161	As per Policy	Mr. Mian Ejaz
Honda Civic	1,506	1,506	-	962	Bid	Mr. Iqbal Ahmed Khan
Honda Civic	1,309	1,309	-	1,050	Bid	Mr. Ather H. Medina
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,542	6,542	-	5,394	Various	Various
	81,501	81,501	-	20,999		
Total - December 31, 2016 (Note 11.2)	373,096	314,997	58,099	113,393		
Total - December 31, 2015	122,149	110,700	11,449	25,424		

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

12 DEFERRED TAX LIABILITIES - NET	2016 (Rupees in `000)	2015 (Rupees in `000)
Deferred debits arising due to		
Provision for doubtful debts	392,066	1,434,609
Provision against off-balance sheet obligations	13,078	15,706
Impairment in the value of investments	2,264,329	2,247,184
Provision against other assets	309,218	334,501
	<u>2,978,691</u>	<u>4,032,000</u>
Deferred credits arising due to		
Accelerated tax depreciation	(1,390,407)	(1,474,060)
Share of profit from associates	(252,053)	-
Gain on remeasurement of held for trading investments	(858)	(80,172)
Surplus on revaluation of available for sale investments	(3,406,365)	(3,462,071)
Surplus on revaluation of operating fixed assets	(840,539)	(841,967)
	<u>(5,890,222)</u>	<u>(5,858,270)</u>
	<u>(2,911,531)</u>	<u>(1,826,270)</u>

12.1 Reconciliation of deferred tax assets/ liabilities

	January 01, 2015	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2015	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2016
------(Rupees in '000)-----							
Deferred debits arising due to							
Provision for doubtful debts	1,106,413	328,196	-	1,434,609	(1,042,543)	-	392,066
Provision against off-balance sheet obligations	15,333	373	-	15,706	(2,628)	-	13,078
Impairment in the value of investments	2,202,709	44,475	-	2,247,184	17,145	-	2,264,329
Provision against other assets	215,401	119,100	-	334,501	(25,283)	-	309,218
Unabsorbed tax losses	36,244	(36,244)	-	-	-	-	-
	3,576,100	455,900	-	4,032,000	(1,053,309)	-	2,978,691
Deferred credits arising due to							
Accelerated tax depreciation	1,482,713	(8,653)	-	1,474,060	(83,653)	-	1,390,407
Share of profit from associates	-	-	-	-	252,053	-	252,053
Gain on remeasurement of held for trading investments	59,386	20,786	-	80,172	(79,314)	-	858
Surplus on revaluation of available for sale investments	2,114,157	-	1,347,914	3,462,071	-	(55,706)	3,406,365
Surplus on revaluation of operating fixed assets	740,882	(18,731)	119,816	841,967	(17,500)	16,072	840,539
	4,397,138	(6,598)	1,467,730	5,858,270	71,586	(39,634)	5,890,222
Net deferred tax assets / liabilities	(821,038)	462,498	(1,467,730)	(1,826,270)	(1,124,895)	39,634	(2,911,531)

Note **2016** **2015**
(Restated)
(Rupees in '000)

13 OTHER ASSETS

Income / mark-up accrued in local currency		13,797,563	16,770,774
Income / mark-up accrued in foreign currencies		661,808	754,640
Advances, deposits, advance rent and other prepayments	13.5	3,593,670	3,499,927
Non-banking assets acquired in satisfaction of claims	13.1	471,365	675,325
Dividend receivable		42,303	7,103
Unrealised gain on forward foreign exchange contracts		320,749	739,757
Unrealised gain on interest rate swaps		55,336	1,888
Receivable from brokers		-	6,143
Stationery and stamps on hand		95,569	82,833
Defined benefit plan	35.1.3	349,317	40,003
Balance held with bank	13.2	413,074	413,657
Others	13.4	477,847	166,406
		20,278,601	23,158,456
Provision held against other assets	13.3	(1,163,130)	(1,318,151)
		<u>19,115,471</u>	<u>21,840,305</u>

13.1 Market value of non-banking assets acquired in satisfaction of claims

519,570 761,755

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.

Based on the fact that the said amount is not readily available for use of the Bank, the amount has been reclassified from Balances with Other banks to Other Assets. Although the management is confident that the matter will be decided in the Bank's favour, as at December 31, 2016, the Bank has maintained full provision against the same (December 31, 2015: USD 3.949 million).

13.3 Provision held against other assets	2016	2015
	(Rupees in '000)	
Opening balance	1,318,151	1,062,842
Charge for the year	(106,138)	322,391
Payment out of provisions	-	(22,097)
Amount written off	(35,304)	(22,322)
Exchange and other adjustments	(13,579)	(22,663)
Closing balance	<u>1,163,130</u>	<u>1,318,151</u>

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

13.5 This includes advance against seed capital amounting to Rs. 180 million for pension funds managed by Alfalah GHP Investment Management. The seed capital shall not be redeemable / transferable or tradable for a period of 3 years from the date of issue or as may be determined by the SECP.

14 BILLS PAYABLE	Note	2016	2015
		(Rupees in '000)	
In Pakistan		12,743,285	9,592,804
Outside Pakistan		143,705	141,125
		<u>12,886,990</u>	<u>9,733,929</u>
15 BORROWINGS			
In Pakistan		161,538,057	164,187,489
Outside Pakistan		17,172,572	8,205,709
		<u>178,710,629</u>	<u>172,393,198</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		161,538,057	164,187,489
In foreign currencies		17,172,572	8,205,709
		<u>178,710,629</u>	<u>172,393,198</u>
15.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	15.3	18,725,467	16,889,852
Long-Term Finance for Export Oriented Projects Scheme (LTF-EOP)		-	-
Long-Term Finance Facility	15.4	2,851,400	394,024
Modernisation of SMEs		-	-
Financing Facility for Storage of Agriculture produce (FFSAP)	15.5	92,049	146,235
Repurchase agreement borrowings	15.6	136,763,030	129,071,926
Borrowings from other central banks		198,418	-
Other short term borrowings		399,594	-
		<u>159,029,958</u>	<u>146,502,037</u>
Unsecured			
Call borrowings	15.7	13,461,835	17,901,900
Bai Muajjal	15.8	6,218,836	7,935,453
Overdrawn nostro accounts		-	53,808
		<u>19,680,671</u>	<u>25,891,161</u>
		<u>178,710,629</u>	<u>172,393,198</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 1.00% to 2.00% per annum (2015: 2.50% to 4.50% per annum) payable on a quarterly basis.
- 15.4** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2015: 3.00% to 4.50% 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 from 3.25% to 6.50% per annum (2015: 6.25% per annum) payable on a quarterly basis.
- 15.6** This represents repurchase agreement borrowing from SBP and other banks at the rate of 1.10% and 5.95% per annum respectively (2015: 6.04% and 6.50% per annum) having maturities upto February 2017 (2015: January 2016).
- 15.7** This represents borrowings from financial institutions at mark-up rates ranging from 0.50% to 5.80% per annum (2015: 0.50% to 6.08% per annum) having maturities upto March 2017 (2015: March 2016).
- 15.8** This represents borrowings from financial institutions at mark-up rates ranging from 5.60% to 5.70% per annum (2015: 6.35% to 7.45%) having maturities upto May 2017 (2015: April 2016).

16 DEPOSITS AND OTHER ACCOUNTS	2016	2015 (Restated)
	(Rupees in `000)	
Customers		
Fixed deposits	94,268,250	137,604,333
Savings deposits	229,010,684	210,368,288
Current accounts - non-remunerative	283,711,087	238,069,847
Others	4,721,828	3,522,762
	<u>611,711,849</u>	<u>589,565,230</u>
Financial institutions		
Remunerative deposits	27,347,009	48,877,152
Non-remunerative deposits	1,795,367	1,694,779
	<u>29,142,376</u>	<u>50,571,931</u>
	<u>640,854,225</u>	<u>640,137,161</u>
16.1 Particulars of deposits		
In local currency	557,734,309	539,878,360
In foreign currencies	83,119,916	100,258,801
	<u>640,854,225</u>	<u>640,137,161</u>

*Call deposits amounting to Rs. 6,205 million (2015: Rs. 3,326 million) have been reclassified from Others to Current accounts - non-remunerative for better presentation.

		2016	2015
		(Rupees in '000)	
17 SUB-ORDINATED LOANS			
Term Finance Certificates IV - Private, Unsecured		3,324,670	4,988,000
Mark up	Either of the following options with the holder: <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		4,993,000	4,995,000
Mark up	Base Rate + 1.25 percent (Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period).		
Subordination	The TFCs are subordinated as to the payment of principal and profit to all other 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>8,317,670</u>	<u>9,983,000</u>

	Note	2016 (Rupees in '000)	2015
18 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,551,758	1,969,052
Mark-up / return / interest payable in foreign currencies		175,609	280,118
Unearned commission and income on bills discounted		238,539	437,666
Accrued expenses	18.3	3,955,913	3,881,060
Branch adjustment account		816,333	947,438
Payable against redemption of credit card reward points		142,453	122,804
Taxation payable		185,936	399,559
Security deposits		5,225,935	4,790,001
Unclaimed dividend		62,660	58,435
Unrealised loss on forward foreign exchange contracts		555,131	729,875
Unrealised loss on interest rate swaps		37,078	88,804
Provision against off-balance sheet obligations	18.1	69,708	77,590
Workers' Welfare Fund	29.1	595,245	475,569
Compensated Absences	18.2	401,644	313,930
Others		822,983	677,562
		<u>14,836,925</u>	<u>15,249,463</u>

18.1 Provision against off-balance sheet obligations

Opening balance	77,590	85,953
Charge for the year	(7,508)	1,066
Exchange and other adjustments	(374)	(9,429)
Closing balance	<u>69,708</u>	<u>77,590</u>

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

Mortality Rate	SLIC 2001-2005
Withdrawal Rate	Age dependant withdrawal table; the average turnover rate over next one year is around 20.37%.
Salary Increase rate	8.0% p.a.

18.3 This includes defined benefit obligation of Alfalah Securities (Private) Limited amounting to Rs. 3.998 million (2015: Rs. 1.196 million).

19 SHARE CAPITAL

19.1 Authorised capital

2016 (Number of shares)	2015		2016 (Rupees in '000)	2015
<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

2016 (Number of shares)	2015	Ordinary shares of Rs. 10 each	2016 (Rupees in '000)	2015
870,801,304	865,399,937	Fully paid in cash	8,708,013	8,653,999
724,406,250	724,406,250	Issued as bonus shares	7,244,063	7,244,063
<u>1,595,207,554</u>	<u>1,589,806,187</u>		<u>15,952,076</u>	<u>15,898,062</u>

During the year the Bank has issued 5,401,367 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS) (note 35.2). The paid-up capital of the Bank before issuance of shares to employees was Rs. 15,898,061,870 (divided into 1,589,806,187 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 15,952,075,540 (divided into 1,595,207,554 shares of Rs. 10 each).

19.3 Material non-controlling interests

19.3.1 Below are details of subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by the non-controlling interests		Proportion of ownership interests and voting rights held by the non-controlling interests		Accumulated non-controlling interests	
	2016	2015	2016 (Rupees in '000)	2015 (Rupees in '000)	2016 (Rupees in '000)	2015 (Rupees in '000)
Alfalah GHP Investment Management Limited	59.78%	59.78%	<u>50,395</u>	<u>12,287</u>	<u>319,460</u>	<u>269,065</u>

Summarised financial information of material non-controlling interests before intragroup elimination is as follows:

	2016 (Rupees in '000)	2015 (Rupees in '000)
Alfalah GHP Investment Management Limited		
Statement of financial position		
Total assets	760,053	602,972
Total liabilities	225,661	158,764
Equity	534,392	444,208
Statement of comprehensive income		
Total income	395,410	278,278
Total expenses	266,533	203,544
Net profit after tax	90,184	14,669
Other comprehensive income	-	-
Statement of cash flows		
Net cash flows generated from / (used in) operating activities	93,511	25,381
Net cash flows generated from investing activities	(70,799)	(32,134)
Net cash flows during the year	22,712	(6,753)

	Note	2016 (Rupees in '000)	2015
20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation of:			
- Operating fixed assets	20.1	4,559,251	4,557,499
- Non-banking assets acquired in satisfaction of claims	20.1	36,942	-
		<u>4,596,193</u>	<u>4,557,499</u>
- Pakistan Stock Exchange Membership Card		1,532	1,532
- Available for sale securities	20.2	6,378,214	6,383,901
		<u>10,975,939</u>	<u>10,942,932</u>
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of operating fixed assets at January 01,	11.2	5,399,467	3,809,833
Transferred to retained earnings in respect of incremental depreciation charged during the year - net of tax		(32,497)	(34,784)
Revaluation of fixed assets / non-banking assets during the year		50,890	-
Surplus on revaluation of fixed assets recognized during the year		47,562	1,643,150
Related deferred tax liability in respect of incremental depreciation charged during the year		(17,498)	(18,732)
Reversal of surplus on account of disposal of property	11.2	(11,191)	-
		<u>37,266</u>	<u>1,589,634</u>
		<u>5,436,733</u>	<u>5,399,467</u>
Related deferred tax liability on surplus as at January 01,		841,968	740,884
Deferred tax liability charge / (reversal)		16,070	119,816
Deferred tax liability in respect of incremental depreciation charged during the year		(17,498)	(18,732)
		<u>(1,428)</u>	<u>101,084</u>
		<u>840,540</u>	<u>841,968</u>
		<u>4,596,193</u>	<u>4,557,499</u>
20.2 Surplus on revaluation of available for sale securities and derivative financial instruments			
Government securities		7,642,123	9,257,769
Shares / units / certificates / sukuks / bonds		2,109,533	608,591
Term finance certificates		3,590	33,560
Interest rate swaps		29,332	(55,946)
		<u>9,784,578</u>	<u>9,843,974</u>
Related deferred tax liability		(3,406,364)	(3,460,609)
Share of surplus on revaluation on associates' available for sale securities		-	536
		<u>6,378,214</u>	<u>6,383,901</u>

2016 **2015**
(Rupees in '000)

21 CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

i) Government	1,632,063	743,580
ii) Banking companies & other financial institutions	-	311,835
iii) Others	53,167	2,094,645
	<u>1,685,230</u>	<u>3,150,060</u>

21.2 Transaction-related contingent liabilities

i) Government	32,243,564	27,412,625
ii) Banking companies & other financial institutions	544,762	163,826
iii) Others	11,725,088	12,719,286
	<u>44,513,414</u>	<u>40,295,737</u>

21.3 Trade-related contingent liabilities

Letters of credit	73,061,529	52,107,916
Acceptances	<u>12,188,691</u>	<u>15,797,161</u>

21.4 Other contingencies

21.4.1 Claims against the Bank not acknowledged as debts	<u>13,847,649</u>	<u>14,861,738</u>
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These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

2016 **2015**
(Rupees in '000)

21.5 Commitments in respect of forward lendings

Commitments to extend credit	<u>28,450,269</u>	<u>5,222,555</u>
Commitments in respect of investments	<u>3,596,186</u>	<u>-</u>

21.6 Commitments in respect of forward exchange contracts

Purchase	<u>53,992,848</u>	<u>98,261,212</u>
Sale	<u>41,084,440</u>	<u>106,520,120</u>

21.7 Commitments for the acquisition of fixed assets

	<u>336,774</u>	<u>291,237</u>
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21.8 Commitments in respect of repo transactions

Repurchase	<u>136,912,078</u>	<u>129,226,010</u>
Resale	<u>349,222</u>	<u>-</u>

21.9 Other commitments

Interest rate swaps	<u>7,622,307</u>	<u>6,962,920</u>
Donations	<u>22,000</u>	<u>22,000</u>

21.10 Contingency for tax payable (note 30.1)

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 Group deals in the following instruments:

- Forward Exchange Contracts
- Interest Rate Swaps
- Share Options (note 9.17.1)

22.1 Product analysis

Counter Parties	Interest Rate Swaps				Forward Rate Agreements			
	2016		2015		2016		2015	
	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
With Banks for								
Hedging	20	7,622,307	18	6,962,920	-	-	-	-
Market Making	-	-	-	-	179	80,299,452	215	191,003,452
With FIs other than banks								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
With other entities for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	620	14,777,835	730	13,777,880
Total								
Hedging	20	7,622,307	18	6,962,920	-	-	-	-
Market Making	-	-	-	-	799	95,077,287	945	204,781,332

* At the exchange rate prevailing at the year end

22.2 Unrealised (loss) on derivatives financial instruments.

	Contractual / notional amount		Unrealised gain / (loss)	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Interest Rate Swaps	7,622,307	6,962,920	18,258	(17,668)
Forward Exchange Contract Purchase	53,992,848	98,261,212	(513,325)	(523,544)
Forward Exchange Contract Sale	41,084,440	106,520,120	278,942	533,426

**22.3 Maturity Analysis - Forward Exchange Contract Purchase
Forward Exchange Contract Sale and Interest Rate Swap (Fixed Rate)**

Remaining Maturity	Number of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
----- (Rupees in '000) -----					
Upto 1 month	226	47,296,545	(195,790)	143,932	(51,858)
1 to 3 months	225	30,873,282	(169,046)	82,595	(86,451)
3 to 6 months	219	12,695,144	(153,658)	65,939	(87,719)
6 months to 1 year	129	4,212,317	(36,637)	28,282	(8,355)
1 to 2 years	-	-	-	-	-
2 to 3 years	11	4,222,856	(15,058)	942	(14,116)
3 to 5 years	5	2,039,671	(9,118)	9,715	597
5 to 10 years	4	1,359,780	(12,902)	44,679	31,777
Above 10 years	-	-	-	-	-
	<u>819</u>	<u>102,699,595</u>	<u>(592,209)</u>	<u>376,084</u>	<u>(216,125)</u>

23 MARK-UP / RETURN / INTEREST EARNED

	2016 (Rupees in '000)	2015
a) On loans and advances to:		
i) customers	23,827,434	25,438,492
ii) financial institutions	106,941	272,510
b) On investments in:		
i) held for trading securities	969,854	1,140,627
ii) available for sale securities	22,420,671	22,521,676
iii) held to maturity securities	6,962,638	9,105,351
c) On deposits with financial institutions	2,704,680	2,636,634
d) On securities purchased under resale agreements	253,041	288,888
	<u>57,245,259</u>	<u>61,404,178</u>

24 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	18,552,709	22,651,179
Securities sold under repurchase agreements	7,189,657	6,755,279
Other short term borrowings	1,558,522	2,042,429
Term finance certificates	953,301	1,102,752
Brokerage and commission	220,394	258,830
	<u>28,474,583</u>	<u>32,810,469</u>

25 INCOME FROM DEALING IN FOREIGN CURRENCIES

This includes Rs. 405.4 million (2015: Rs. 783.6 million) being income on account of interest on cross currency swap transactions, which corresponds to the cost included under 'Mark-up / return / interest expensed' in this regard.

26 GAIN ON SALE OF SECURITIES - NET	Note	2016	2015
		(Rupees in '000)	
Federal Government Securities			
- Market Treasury Bills		41,607	350,718
- Pakistan Investment Bonds		748,725	774,197
Overseas Government Bonds		65,553	170,371
Shares / Mutual Funds		610,404	185,356
Sukuk Bonds		53,046	54,352
		<u>1,519,335</u>	<u>1,534,994</u>
27 OTHER INCOME			
Gain on sale of operating fixed assets	11.4	55,294	13,975
Gain on exchange of assets		22,235	-
Postage, telex service charges etc.		629,151	736,858
		<u>706,680</u>	<u>750,833</u>
28 ADMINISTRATIVE EXPENSES			
Non executive directors fee & allowances		110,609	91,967
Salaries, allowances, etc.	28.1	8,905,981	8,330,547
Charge for defined benefit plan	28.2 & 35.1.4	260,795	290,282
Contribution to defined contribution plan	36	326,341	302,691
Charge for employee stock option scheme	35.2	109,615	94,830
Charge for staff compensated absences		87,714	88,210
Staff training expenses		226,702	172,315
Rent, taxes, insurance, electricity, etc.		3,552,107	3,392,584
Legal and professional charges		669,844	431,737
Communications		898,551	744,093
Repairs and maintenance		1,571,879	1,530,904
Stationery and printing		422,326	406,288
Advertisement and publicity		910,097	842,370
Donations	28.3	31,960	57,638
Auditors' remuneration	28.4	32,264	23,449
Depreciation	11.2	1,701,175	1,816,229
Amortisation of intangible assets	11.3	361,118	275,439
Travelling, conveyance and fuel expenses		473,354	496,615
Entertainment		207,405	200,281
Subscription		32,499	37,178
Charge for outsourced services		1,198,399	1,164,174
Security service charges		984,093	838,223
Others		633,616	491,696
		<u>23,708,444</u>	<u>22,119,740</u>

28.1 The Bank operates a short term employee benefit scheme which includes cash awards/ performance bonus for all eligible employees. Under this scheme, the bonus for all executives, including the CEO is determined on the basis of employees' evaluation and Bank's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to the Key Management Personnel of the Bank and for Other Executives amounted to Rs. 423.464 million (2015: Rs. 396.718 million) and Rs. 549.710 million (2015: Rs. 476.717 million) respectively.

28.2 This includes an amount of Rs. 2,999 thousand (2015: Rs. 171 thousand) being charge considered by the subsidiary against its unfunded gratuity scheme.

28.3 Donations	2016	2015
	(Rupees in '000)	
Alif Noon Parents Foundation	20,000	-
Network of Organizations Working for People with Disabilities - Pakistan	3,000	-
Karachi Vocational Training Centre	2,460	-
Family Education Services Foundation	6,500	-
Institute of Business Administration	-	22,000
Jaipur Foot	-	5,638
Karachi Education Initiative (KEI)	-	25,000
The Aga Khan University	-	5,000
	<u>31,960</u>	<u>57,638</u>

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

28.4 Auditors' remuneration	Note	2016	2015
		(Rupees in '000)	
Audit fee		9,660	8,836
Half yearly review		2,368	2,000
Special certifications and sundry advisory services		10,858	5,358
Tax Services		222	372
Out-of-pocket expenses		<u>2,037</u>	<u>1,188</u>
		25,145	17,754
Fee for audit of foreign branches		<u>7,119</u>	<u>5,695</u>
		<u>32,264</u>	<u>23,449</u>

29 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan		5,690	42,892
Workers' Welfare Fund	29.1	<u>112,709</u>	<u>286,897</u>
		<u>118,399</u>	<u>329,789</u>

29.1 Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Supreme Court.

During the current year, the Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against the above judgment. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for Workers Welfare Fund since 2008 has not been reversed.

30 TAXATION	2016	2015
	(Rupees in '000)	
For the year		
Current	4,729,131	5,036,065
Deferred	95,333	(461,035)
For prior years		
Current	(437,633)	567,813
Deferred	1,028,098	-
	<u>590,465</u>	<u>567,813</u>
	<u>5,414,929</u>	<u>5,142,843</u>

30.1 The income tax assessments of the Bank have been finalized upto and including tax year 2016. 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.

In respect of tax years 2008, 2011, 2012, 2013, 2015 and 2016, the tax authorities have raised certain issues including disallowance of expenditure on account of non-deduction of withholding tax, default in payment of WWF, allocation of expenses to dividend and capital gains and dividend income from mutual funds not being taken under income from business, resulting in additional demand of Rs.1,467.175 million. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.1,023.719 million whereas appeal effect orders are pending. The management's appeals on certain issues are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

The Bank has received amended assessment orders for Tax Years from 2010 to 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 990.423 million. As a result of appeal filed before Commissioner Appeal, relief is provided to the Bank. Accordingly tax amount is reduced to Rs. 96.160 million. The Bank has filed appeal before Appellate Tribunal. The Bank has not made any provision against these orders and the management is of the view that the matter will be settled in Bank's favour through appellate process.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs. 433.377 million against tax demand for tax years 2009, 2011, 2015 and 2016. The Bank intends to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

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

30.2 Relationship between tax expense and accounting profit	2016	2015
	(Rupees in '000)	
Profit before taxation	<u>13,354,055</u>	<u>12,657,172</u>
Tax at the applicable rate of 35% (2015: 35%)	4,673,919	4,430,010
Effect of:		
- income chargeable to tax at reduced rates	(1,955)	(6,631)
- permanent differences	2,775	15,525
- tax charge pertaining to overseas branches	60,628	88,715
- tax for prior years	590,786	567,813
- others	(163,277)	47,411
Tax expense for the year	<u>5,162,876</u>	<u>5,142,843</u>
31 EARNINGS PER SHARE		
31.1 BASIC EARNINGS PER SHARE		
Profit after taxation for the year attributable to equity holders of the Bank	<u>7,889,794</u>	<u>7,502,660</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,593,898</u>	<u>1,590,888</u>
	(Rupees)	
Basic earnings per share	<u>4.95</u>	<u>4.72</u>
31.2 DILUTED EARNINGS PER SHARE		
	(Rupees in '000)	
Profit after taxation for the year attributable to equity holders of the Bank	<u>7,889,794</u>	<u>7,502,660</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,602,937</u>	<u>1,590,888</u>
	(Rupees)	
Diluted earnings per share	<u>4.92</u>	<u>4.72</u>
31.3 Reconciliation of basic and diluted earning per share		
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,593,898	1,590,888
Plus: Employee stock option scheme	9,039	-
Shares under agreement with International Finance Corporation	-	-
Dilutive potential ordinary shares	<u>1,602,937</u>	<u>1,590,888</u>

32 CASH AND CASH EQUIVALENTS	Note	2016	2015
		(Rupees in '000)	
Cash and balances with treasury banks	6	74,071,394	62,368,827
Balances with other banks	7	9,498,787	16,583,138
Call money lendings	8.1	5,306,590	14,728,532
Overdrawn nostro accounts	15.2	-	(53,808)
		<u>88,876,771</u>	<u>93,626,689</u>

33 CREDIT RATING

PACRA has assigned a long term credit rating of AA [Double A] and a short term credit rating of A1+ [A one plus] to the holding company as at June 2016 with a positive outlook (2015: AA [Double A] for long term and A1+ [A one plus] for short term with a stable outlook).

Subsequent to the year end JCR-VIS has assigned a long term credit rating of AA+ [Double A plus] and a short term credit rating of A1+ [A one plus] with a stable outlook to the holding company.

34 STAFF STRENGTH	2016	2015
	(Number of employees)	
Permanent	7,709	7,642
Temporary / on contractual basis	193	233
Total staff strength	<u>7,902</u>	<u>7,875</u>

35 EMPLOYEE BENEFITS

35.1 DEFINED BENEFIT PLAN

35.1.1 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:

	2016	2015
Valuation discount rate (p.a)	9.50%	10.00%
Salary increase rate (p.a) - Short term (3 years)	7.50%	10.00%
Salary increase rate (p.a) - Long term	9.50%	10.00%
Expected rate of return on plan assets	0.095	10.00%
Normal retirement age	60 Years	60 Years
Duration	10.46 Years	13.63 Years

The disclosures made in notes 35.1 to 35.1.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2016.

35.1.2 Reconciliation of receivable from defined benefit plan	Note	2016	2015
		(Rupees in '000)	
Present value of defined benefit obligations	35.1.6	1,920,065	1,743,133
Fair value of plan assets	35.1.7	(2,269,382)	(1,783,136)
		<u>(349,317)</u>	<u>(40,003)</u>

Note 2016 2015
(Rupees in '000)

35.1.3 Movement in (receivable) / payable from defined benefit plan

Opening balance		(40,003)	(238,523)
Charge for the year - in profit and loss account	35.1.4	260,795	290,111
Other comprehensive Income		(309,314)	198,962
Adjustments		-	(442)
Bank's contribution to fund made during the year		(260,795)	(290,111)
Closing balance		<u>(349,317)</u>	<u>(40,003)</u>

35.1.4 Charge for defined benefit plan

Recognised in profit and loss account

Current service cost		277,835	332,822
Net interest		(17,040)	(42,711)
		260,795	290,111

Recognised in other comprehensive income

Actuarial gain on obligations		55,216	252,372
Actuarial (loss) / gain on Assets		254,098	(451,334)
		309,314	(198,962)

Total		<u>(48,519)</u>	<u>489,073</u>
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35.1.5 Actual return on plan assets

	<u>434,975</u>	<u>225,357</u>
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35.1.6 Reconciliation of present value of obligation

Present value of obligation as at January 1		1,743,133	1,770,352
Current service cost		277,835	332,822
Interest cost		163,837	182,824
Benefits paid		(209,524)	(290,493)
Remeasurement gain on obligation		(55,216)	(252,372)
Present value of obligation as at December 31		<u>1,920,065</u>	<u>1,743,133</u>

35.1.7 Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets		1,783,136	2,008,875
Expected return		180,877	225,977
Contributions by the Bank		260,795	290,111
Benefits paid		(209,524)	(290,493)
Remeasurement (loss) / gain		254,098	(451,334)
Fair value at end of the year	35.1.8	<u>2,269,382</u>	<u>1,783,136</u>

35.1.8 Plan assets consist of the following:

	2016		2015	
	(Rupees in '000)	%	(Rupees in '000)	%
Ordinary shares	1,047,132	46%	366,896	21%
Term Finance Certificates	-	0%	27,572	1%
Pakistan Investment Bonds	536,864	24%	562,446	32%
Units of mutual funds	283,810	12%	301,916	17%
Cash and bank balances	401,576	18%	524,306	29%
	<u>2,269,382</u>	<u>100%</u>	<u>1,783,136</u>	<u>100%</u>

35.1.9 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:

	2016	2015	2014	2013	2012
	----- (Rupees in '000) -----				
Defined benefit obligation	1,920,065	1,743,133	1,770,352	1,547,856	1,372,290
Fair value of plan assets	2,269,382	1,783,136	2,008,875	1,429,334	1,182,931
Surplus / (deficit)	349,317	40,003	238,523	(118,522)	(189,359)
Experience adjustments on plan liabilities	55,216	252,372	267	(56,337)	56,038
Experience adjustments on plan assets	254,098	(451,334)	356,778	127,174	(16,931)

35.1.10 Expected gratuity expense for the next year

Expected gratuity expense for the year ending December 31, 2017, works out to Rs. 250.153 million.

35.1.11 Sensitivity Analysis

Particulars	Present Value of Defined Benefit Obligation (Rupees in '000)	Percentage Change
Current Liability	1,864,585	
+1% Discount Rate	1,683,534	-9.71%
-1% Discount Rate	2,077,893	11.44%
+1% Salary Increase Rate	2,086,284	11.89%
-1% Salary Increase Rate	1,673,465	-10.25%
+10% Withdrawal Rates	1,864,585	0.00%
-10% Withdrawal Rates	1,864,585	0.00%
1 Year Mortality age set back	1,864,585	0.00%
1 Year Mortality age set forward	1,864,585	0.00%

35.1.12 Maturity Profile

Particulars	Undiscounted Payments (Rupees in '000)
Year 1	137,138
Year 2	156,103
Year 3	119,610
Year 4	132,377
Year 5	124,023
Year 6 to Year 10	687,012
Year 11 and above	5,484,788

35.1.13 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.

35.2 EMPLOYEES STOCK OPTION SCHEME

The holding company grants share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP vide its letter No. SMD/CIW/ESOS/02/2013 dated 27 December 2013.

Under the Scheme, the holding company has granted options to certain critical employees selected by the Board Compensation Committee to subscribe to new ordinary shares over a period from 2014 to 2016 as detailed below. As per the Scheme, the entitlement and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

The grant dates and the vesting period for the options are laid down under the scheme. The options vest over a three year period with one third of the options vesting on completion of each year of service from the date of grant. The options not exercised on completion of first and second year of vesting may be carried forward to be exercised on completion of three year period. After the expiry of the third exercise period, the option holder will lose all the rights of exercise for any remaining options not exercised.

The details of the options under the scheme as at December 31, 2016 were as follows:

	Granted in the year 2016	Granted in the year 2015 (Rupees in '000)	Granted in the year 2014
Options issued	13,737	12,614	11,331
Options no longer in issue	492	1,010	1,594
Options vested	N/A	4,063	6,837
Options exercised	N/A	2,782	5,183
Vested Options cumulatively carried forward	N/A	1,191	1,470
Shares issued under ESOS grants	N/A	2,782	5,183
Exercise price per share	Rs. 14.95	Rs. 15.15	Rs. 16.32
Option discount per share	Rs. 9.96	Rs. 10.10	Rs. 10.88

36 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute @ 8.33% of basic salary in equal monthly contributions. The subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary.

Contribution made during the year by the Bank amounted to Rs. 326.341 million (2015: Rs. 295.929 million), whereas the contribution made by the subsidiary - Alfalah GHP Investment Management Limited amounted to Rs. 2.582 million (2015: Rs. 3.381 million) in their respective funds.

37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015 (Restated)
	----- (Rupees in '000) -----					
Fee	-	-	110,609	91,967	345	720
Managerial remuneration - note 37.2	82,669	77,707	-	-	3,384,648	2,951,089
Post employment benefits	9,481	8,989	-	-	387,415	329,255
Rent and house maintenance	3,840	5,024	-	-	990,893	850,205
Utilities	5,691	5,394	-	-	254,404	221,135
	<u>101,681</u>	<u>97,114</u>	<u>110,609</u>	<u>91,967</u>	<u>5,017,705</u>	<u>4,352,404</u>
Number of persons*	<u>1</u>	<u>1</u>	<u>6</u>	<u>8</u>	<u>2,166</u>	<u>1,871</u>

*As a result of Election of Directors held during the year, three new non executive directors were appointed on the Board who replaced two of the outgoing non executive directors.

37.1 The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per Bank's policy.

37.2 All executives, including the CEO are entitled to certain short term employee benefits which are disclosed in note 28.1 to these financial statements. In addition, the Bank has also granted share options to certain key employees - refer note 35.2.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

38.1 The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2016											
	Carrying Amount							Fair value				
	HFT	AFS	HTM	Loans and Receivables	Associates	Derivative Instrument Held for Risk Management	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	------(Rupees in '000)-----											
Financial assets measured at fair value												
- Other assets												
Forward foreign exchange contracts	320,749	-	-	-	-	-	-	320,749		320,749		320,749
Interest rate swaps	55,336	-	-	-	-	-	-	55,336		55,336		55,336
- Investments												
Government Securities (Tbills, PIBs, GoP Sukus, Overseas Govt. Sukuk, Overseas and Euro bonds)	14,371,242	304,976,096	-	-	-	-	-	319,347,338		319,347,338		319,347,338
Overseas Bonds - others	298,341	5,061,134	-	-	-	-	-	5,359,475		5,359,475		5,359,475
Ordinary shares of listed companies	761,255	8,292,796	-	-	-	-	-	9,054,051	9,054,051			9,054,051
Ordinary shares of unlisted companies	-	68,927	-	-	-	-	-	68,927			68,927	68,927
Debt securities (TFCs)	-	278,260	-	-	-	-	-	278,260		278,260		278,260
Sukuk-Other than Govt	-	2,195,167	-	-	-	-	-	2,195,167		2,195,167		2,195,167
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	-	-	-	74,071,394	-	-	-	74,071,394				
- Balances with other banks	-	-	-	9,498,787	-	-	-	9,498,787				
- Lending to financial institutions	-	-	-	30,149,029	-	-	-	30,149,029				
- Advances	-	-	-	378,724,300	-	-	-	378,724,300				
- Other assets	-	-	-	18,172,457	-	-	-	18,172,457				
- Investments												
Government Securities (PIBs, WAPDA Sukus, Overseas and Euro bonds)	-	-	45,026,708	-	-	-	-	45,026,708		45,937,908		45,937,908
Overseas Bonds - Others	-	-	518,251	-	-	-	-	518,251				
Unlisted Shares (Ordinary & Preference)	-	22,396	-	-	-	-	-	22,396				
Redeemable Participating Certificate	-	501,938	-	-	-	-	-	501,938				
Commercial Paper	-	-	529,280	-	-	-	-	529,280				
Sukuk-Other than Govt	-	-	3,501,541	-	-	-	-	3,501,541				
Associates												
- Mutual Funds	-	-	-	-	1,759,443	-	-	1,759,443		1,759,443		1,759,443
- Ordinary shares of unlisted companies	-	-	-	-	1,504,147	-	-	1,504,147				
	15,806,923	321,396,714	49,575,780	510,615,967	3,263,590	-	-	900,658,974				
Financial liabilities measured at fair value												
- Other liabilities												
Forward foreign exchange contracts	555,131	-	-	-	-	-	-	555,131		555,131		555,131
Interest rate swaps	37,078	-	-	-	-	-	-	37,078		37,078		37,078
Financial liabilities not measured at fair value												
- Bills Payable	-	-	-	-	-	-	12,886,990	12,886,990				
- Borrowings	-	-	-	-	-	-	178,710,629	178,710,629				
- Deposits and other accounts	-	-	-	-	-	-	640,854,225	640,854,225				
- Subordinated Loans	-	-	-	-	-	-	8,317,670	8,317,670				
- Other liabilities	-	-	-	-	-	-	13,155,288	13,155,288				
	592,209	-	-	-	-	-	853,924,802	854,517,011				
Off balance sheet financial instruments												
- Forward Exchange Contracts Purchase	-	-	-	-	-	53,992,848	-	53,992,848		53,479,523		53,479,523
- Forward Exchange Contracts Sale	-	-	-	-	-	41,084,440	-	41,084,440		40,805,498		40,805,498
- Interest Rate Swaps	-	-	-	-	-	7,622,307	-	7,622,307		7,640,565		7,640,565

	2015											
	Carrying Amount							Fair value				
	HFT	AFS	HTM	Loans and Receivables	Associates	Derivative Instrument Held for Risk Management	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----												
On balance sheet financial instruments												
Financial assets measured at fair value												
- Other assets												
Forward foreign exchange contracts	739,757	-	-	-	-	-	-	739,757		739,757		739,757
Interest rate swaps	1,888	-	-	-	-	-	-	1,888		1,888		1,888
- Investments												
Government Securities (Tbills, PIBs, GoP Sukuks, Overseas Govt. Sukuk, Overseas and Euro bonds)	19,122,097	279,962,706	-	-	-	-	-	299,084,803		299,084,803		299,084,803
Overseas Bonds - others	-	3,638,213	-	-	-	-	-	3,638,213		3,638,216		3,638,216
Ordinary shares of listed companies	199,954	5,582,663	-	-	-	-	-	5,782,617	5,782,612			5,782,612
Ordinary shares of unlisted company	-	40,073	-	-	-	-	-	40,073			40,073	40,073
Debt securities (TFCs)	-	682,680	-	-	-	-	-	682,680		682,680		682,680
Sukuk-Other than Govt	-	2,424,212	-	-	-	-	-	2,424,212		2,424,212		2,424,212
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	-	-	-	62,368,827	-	-	-	62,368,827				
- Balances with other banks	-	-	-	16,583,138	-	-	-	16,583,138				
- Lending to financial institutions	-	-	-	27,626,350	-	-	-	27,626,350				
- Advances	-	-	-	334,160,478	-	-	-	334,160,478				
- Other assets	-	-	-	20,340,513	-	-	-	20,340,513				
- Investments												
Government Securities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)	-	-	77,515,845	-	-	-	-	77,515,845		80,144,714		80,144,714
Other Federal Government Securities - Bai Muajjal	-	-	26,002,520	-	-	-	-	26,002,520		26,002,520		26,002,520
Commercial Papers	-	-	266,822	-	-	-	-	266,822				
Unlisted Shares (Ordinary & Preference)	-	304,096	-	-	-	-	-	304,096				
Sukuk-Other than Govt	-	37,242	3,720,532	-	-	-	-	3,757,774				
Debt securities (TFCs)	-	-	-	-	-	-	-	-				
Ordinary and preference shares	-	-	-	-	-	-	-	-				
Associates												
- Mutual Funds	-	-	-	-	1,969,571	-	-	1,969,571		1,969,571		1,969,571
- Ordinary shares of unlisted companies	-	-	-	-	2,049,742	-	-	2,049,742				
	20,063,696	292,671,885	107,505,719	461,079,306	4,019,313	-	-	885,339,919				
Financial liabilities measured at fair value												
Forward foreign exchange contracts	729,875	-	-	-	-	-	-	729,875		729,875		729,875
Interest rate swaps	88,804	-	-	-	-	-	-	88,804		88,804		88,804
Financial liabilities not measured at fair value												
- Bills Payable	-	-	-	-	-	-	9,733,929	9,733,929				
- Borrowings	-	-	-	-	-	-	172,393,198	172,393,198				
- Deposits and other accounts	-	-	-	-	-	-	640,137,161	640,137,161				
- Subordinated Loans	-	-	-	-	-	-	9,983,000	9,983,000				
- Other liabilities	-	-	-	-	-	-	13,515,970	13,515,970				
	818,679	-	-	-	-	-	845,763,258	846,581,937				
Off balance sheet financial instruments												
- Forward Exchange Contracts Purchase	-	-	-	-	-	98,261,212	-	98,261,212		97,746,522		97,746,522
- Forward Exchange Contracts Sale	-	-	-	-	-	106,520,120	-	106,520,120		105,986,695		105,986,695
- Interest Rate Swaps	-	-	-	-	-	6,962,920	-	6,962,920		6,876,004		6,876,004

38.2 Fixed assets have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 11. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

39 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016									Total
	Retail Banking	Corporate Banking	Treasury	Consumer Banking	Islamic Banking	International Operations	Retail Brokerage	Asset Management	Others*	
----- (Rupees in '000) -----										
Segment income	7,184,495	13,531,759	28,638,451	4,112,573	8,341,049	3,574,977	106,472	375,860	859,471	66,725,107
Inter-segment income	16,118,158	(5,651,265)	(10,352,823)	(953,836)	-	-	-	-	839,766	-
Segment expenses	19,221,682	6,209,065	8,041,695	1,847,509	6,682,172	1,919,015	124,309	158,852	9,166,753	53,371,052
Profit before tax	4,080,971	1,671,429	10,243,933	1,311,228	1,658,877	1,655,962	(17,837)	217,008	(7,467,516)	13,354,055
Segment assets	140,225,720	205,760,792	312,980,625	21,723,442	138,753,216	68,423,352	1,114,783	627,471	29,833,439	919,442,840
Segment non-performing loans	8,620,164	7,771,668	-	435,243	1,785,331	318,921	1,270	-	87,188	19,019,785
Segment provision required against loans and advances	7,959,603	6,703,930	-	909,939	1,187,405	361,707	1,270	-	20,377	17,144,231
Segment liabilities	428,263,389	80,262,575	143,261,894	1,490,927	127,051,522	59,363,853	906,963	116,691	17,800,156	858,517,970
Segment return on assets (ROA) (%)*	0.87%	0.60%	1.57%	6.17%	1.24%	2.78%	-	-	-7.51%	0.79%
Segment cost of funds (%)*	3.25%	5.07%	5.56%	5.46%	2.98%	2.10%	-	-	3.44%	6.12%

	2015									Total
	Retail Banking	Corporate Banking	Treasury	Consumer Banking	Islamic Banking	International Operations	Retail Brokerage	Asset Management	Others*	
----- (Rupees in '000) -----										
Segment income	7,280,467	15,410,965	30,913,732	3,806,283	8,447,458	4,031,911	10,662	279,532	346,517	70,527,527
Inter-segment income	19,346,496	(6,412,101)	(12,799,878)	(998,213)	-	-	-	-	863,696	-
Segment expenses	22,719,223	6,760,000	8,079,909	1,829,767	6,632,459	2,396,077	41,344	128,921	9,282,655	57,870,355
Profit before tax	3,907,740	2,238,864	10,033,945	978,303	1,814,999	1,635,834	(30,682)	150,611	(8,072,442)	12,657,172
Segment assets - net	106,129,202	205,820,951	358,426,849	17,482,403	129,872,172	59,007,149	229,125	529,985	25,917,921	903,415,757
Segment non-performing loans	8,977,326	7,204,259	-	463,094	1,089,699	622,426	360	-	98,595	18,455,759
Segment provision required against loans and advances	8,414,604	5,245,658	-	829,809	1,006,092	587,245	360	-	109,051	16,192,819
Segment liabilities	407,407,312	116,775,732	144,255,333	1,356,670	120,561,328	49,349,369	27,467	91,188	9,498,622	849,323,021
Segment return on assets (ROA) (%)*	0.87%	0.82%	1.62%	5.30%	0.67%	3.26%	-	-	-8.92%	1.60%
Segment cost of funds (%)*	4.22%	6.49%	6.89%	6.62%	3.76%	2.60%	-	-	4.46%	4.63%

* Profit before tax of this segment includes head office related expenses

40 TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the holding company is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

41 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to executives is determined in accordance with the terms of their appointment.

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

	2016				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	----- (Rupees in '000) -----				
41.1 Deposits					
Balance at beginning of the year	14,825	120,281	6,095,252	350,316	6,580,674
Placements during the year	306,363	1,257,912	117,678,110	44,962,231	164,204,616
Withdrawals / adjustments* during the year	(310,987)	(1,213,687)	(115,084,595)	(44,280,890)	(160,890,159)
Balance at end of the year	10,201	164,506	8,688,767	1,031,657	9,895,131
	2015				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	----- (Rupees in '000) -----				
Balance at beginning of the year	38,398	71,170	5,054,223	453,398	5,617,189
Placements during the year	168,409	1,271,256	81,661,921	29,668,778	112,770,364
Withdrawals / adjustments* during the year	(191,982)	(1,222,145)	(80,620,892)	(29,771,860)	(111,806,879)
Balance at end of the year	14,825	120,281	6,095,252	350,316	6,580,674
	2016				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	----- (Rupees in '000) -----				
41.2 Advances					
Balance at beginning of the year	89,000	328,280	6,339,450	-	6,756,730
Disbursements during the year	-	287,570	22,062,374	-	22,349,944
Repayments / adjustments* during the year	(9,870)	(264,515)	(20,361,588)	-	(20,635,973)
Balance at end of the year	79,130	351,335	8,040,236	-	8,470,701
Provisions held against advances	-	-	1,543,054	-	1,543,054
	2015 (Restated)				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	----- (Rupees in '000) -----				
Balance at beginning of the year	-	280,630	3,828,522	-	4,109,152
Disbursements during the year	90,000	324,922	22,147,792	-	22,562,714
Repayments / adjustments* during the year	(1,000)	(277,272)	(19,636,864)	-	(19,915,136)
Balance at end of the year	89,000	328,280	6,339,450	-	6,756,730
Provisions held against advances	-	-	185,627	-	185,627
	2016				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	----- (Rupees in '000) -----				
41.3 Investments					
Balance at beginning of the year	-	-	4,716,796	4,019,314	8,736,110
Investments during the year	-	-	1,977,290	67,267	2,044,557
(Redemptions) / adjustments* during the year	-	-	(4,666,796)	(822,991)	(5,489,787)
Balance at end of the year	-	-	2,027,290	3,263,590	5,290,880
Provisions held against investments	-	-	53,936	-	53,936

	2015				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	(Rupees in '000)				
Balance at beginning of the year	-	-	4,416,796	3,446,271	7,863,067
Investments during the year	-	-	-	1,867,710	1,867,710
(Redemptions) / adjustments* during the year	-	-	300,000	(1,294,667)	(994,667)
Balance at end of the year	-	-	4,716,796	4,019,314	8,736,110
Provisions held against investments	-	-	4,416,796	-	4,416,796

	2016				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	(Rupees in '000)				
41.4 Call borrowings / Repo					
Balance at beginning of the year	-	-	-	-	-
Borrowings during the year	-	-	2,200,000	-	2,200,000
Repayments during the year	-	-	(2,200,000)	-	(2,200,000)
Balance at end of the year	-	-	-	-	-

	2015				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	(Rupees in '000)				
Balance at beginning of the year	-	-	-	-	-
Borrowings during the year	-	-	1,300,000	-	1,300,000
Repayments during the year	-	-	(1,300,000)	-	(1,300,000)
Balance at end of the year	-	-	-	-	-

	2016				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	(Rupees in '000)				
41.5 Call lendings / Reverse Repo					
Balance at beginning of the year	-	-	-	-	-
Placements during the year	-	-	17,250,000	-	17,250,000
Withdrawals during the year	-	-	(17,250,000)	-	(17,250,000)
Balance at end of the year	-	-	-	-	-

	2015				
	Directors	Key management personnel	Group companies / Others	Associates	Total
	(Rupees in '000)				
Balance at beginning of the year	-	-	-	-	-
Placements during the year	-	-	17,825,000	-	17,825,000
Withdrawals during the year	-	-	(17,825,000)	-	(17,825,000)
Balance at end of the year	-	-	-	-	-

*Adjustments include changes on account of retirement / appointment of Directors, changes in Key Management Personnel and Sponsor shareholders.

	2016	2015
	(Rupees in '000)	
41.6 Advances		
Running finance	753,858	760,958
Long term loans	7,716,843	5,995,772
41.7 Contingencies and commitments		
Letters of credit, acceptance & guarantees outstanding	1,724,344	3,134,931
41.8 Customer accounts		
PLS accounts	5,869,154	3,264,885
Current accounts	1,211,423	1,047,644
Fixed deposit accounts	2,814,554	2,268,145
41.9 Transactions with Associates and Others		
Associates and Funds not considered for consolidation		
Mark-up expense on deposits / TFCs	51,335	53,878
Rent Income from Alfalah Insurance Company Limited	1,955	1,997
Insurance premium paid to Alfalah Insurance Company Limited	546,837	534,335
Insurance claims received from Alfalah Insurance Company Limited against operating fixed assets	1,137	2,614
Dividend paid to Alfalah Insurance Company Limited	500	1,000
Dividend income from Alfalah Insurance Company Limited	-	5,311
Capital Gain on sale of shares of Apollo Pharma Limited	57,486	-
Other Income from Sapphire Wind Power Company Limited	7,905	-
Dividend income from fund	106,250	160,611
Management fee earned from fund	292,999	90,303
Other fee income from fund	24,554	-
Sales load earned from fund	57,676	7,583
Realized gain on redemption in investment from fund	106,561	71,757
Realized loss on redemption in investment from fund	(51)	-
Dividend income from fund	12,356	-
Purchase of units of from fund	67,267	-
Redemption of units of from fund	189,289	-
Advisory income from fund	866	-

	2016	2015
	(Rupees in '000)	
Others		
Mark-up income	624,937	421,942
Mark-up expense on deposits	269,117	362,903
Dividend income from Pakistan Mobile Communication Limited	2,454	-
Rent income from Wateen Telecom (Private) Limited	-	1,766
Rent income from Warid Telecom (Private) Limited / Pakistan Mobile Communication Limited	17,096	16,937
Rent expense paid pertaining to Wateen Telecom (Private) Limited	3,304	11,200
Interest received on placements with Silk Bank	3,350	5,061
Interest paid on Borrowings from Silk Bank	362	372
Mark-up paid to Taavun (Private) Limited on TFCs Issued	74,813	74,845
Mark-up paid to Key Management Personnel on TFCs Issued	29,407	26,108
Mark-up received on Sukuk from Pakistan Mobile Communication Limited	29,249	-
Amount received on Redemptption of Silk Bank Preference Shares	439,200	-
Interest paid on Borrowings from Silk Bank	362	372
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	2,900	464
Payment to Wateen Telecom Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	142,723	143,993
Provision against advances on Wateen Telecom (Private) Limited	1,357,594	-
Provision against advances on Wateen Wimax (Private) Limited	185,460	185,627
Provision against investment in Warid Telecom (Private) Limited	-	4,366,796
Provision against investment in Pakistan Mobile Communication Limited	3,936	-
Gain on exchange of shares of Warid Telecom (Private) Limited	22,235	-
Commission received from Warid Telecom (Private) Limited	1,828	9,656
Payment to Monet (Private) Limited for Branchless banking services	166,452	197,588
Payment to Al-Qudees & Co	10,263	27,505
Payment to Intelligens Financials	-	3,407
Payment to Locker Smiths (Private) Limited	10,675	-
Payment to Sundar Interiors & Architects	4,525	57,412
Payment to Timber Links	2,850	10,428
Payment to Expressive Safety & Security Solutions	10,201	7,540
Payment to Olive International (Private) Limited	1,652	6,590
Payment to Computer Marketing Co. (Private) Limited.	23,407	11,396
Payment to K-Tabs	16,112	19,345
Payment to MEC Engineer	10,885	2,894
Payment to Printeria	-	40,321
Payment to Tahiri Printers	8,671	-
Payment to Bawany Traders	4,102	-
Payment to MEK Steel Furniture	100	-
Payment to S-TECH	4,215	-
Payment to The Pakistan Business Council	1,500	1,500
Charges for Security Services to Wackenhut Pakistan (Private) Limited	-	136,393
Contribution to employees provident fund	326,341	302,691
Contribution to gratuity fund	260,795	290,282

2016 **2015**
(Rupees in '000)

41.10 Balances with Associates and Others

Associates and Funds not considered for consolidation

Advance against issuance of Shares - Sapphire Wind Power Company Limited	112,350	112,350
Advance Rent from Alfalah Insurance Company Limited	-	1,955
Rent receivable from Alfalah Insurance Company Limited	416	-
TFCs held by Alfalah GHP Income Multiplier Fund	6,116	6,119
TFCs held by Alfalah GHP Income Fund	72,887	87,899
Management fee receivable from fund	137,853	102,998
Sales load receivable from fund	14,982	8,477
Receivable against formation for fund	2,647	7,901
Insurance payable for general and health	480	183
Receivable against allocation of expenses from fund	13,127	-
Seed Capital in fund	180,000	-
Advisory income receivable from fund	976	-

Others

Mark-up suspended on advances to Warid Telecom (Private) Limited	61,267	42,582
Mark-up suspended on advances to Wateen Telecom (Private) Limited	808,508	644,122
Mark-up suspended on advances to Wateen Wimax	16,808	5,587
Mark-up receivable on Sukuk from Pakistan Mobile Communication Limited	3,247	-
Advance Rent from Warid Telecom (Private) Limited	9,164	8,206
Rent payable to Wateen Telecom (Private) Limited	-	750
TFCs held by Taavun (Private) Limited	332,467	498,800
TFCs held by Key Management Personnel	132,348	186,591

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

Salaries and Allowances (also refer note 28.1)	1,297,506	1,170,228
Fair value charge against employee stock option scheme	109,615	94,830

In addition, the Chief Executive and certain Executives are provided with Bank maintained cars and other benefits.

42 CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

Amounts subject to Pre - Basel III treatment

The Basel-III Framework is applicable to the Group at the consolidated level (comprising of wholly/partially owned subsidiaries and associates). Subsidiaries are included while calculating Consolidated Capital Adequacy for the Group using full consolidation method whereas associates in which the Group has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, higher of Alternate Standardized Approach (ASA) or 70% of Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

42.2 Capital Management

42.2.1 Objectives and goals of managing capital

The Group 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.

42.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated Banks to be raised to Rs. 10 billion in a phased manner from the financial year December 2013. The paid up capital of the Bank for the year ended December 31, 2016 stands at Rs. 15.952 billion and is in compliance with the SBP requirement for the said year.

The capital adequacy ratio of the Group is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines 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	2015	2016	2017	2018	As of December 31, 2019
1	CET 1	6.0%	6.0%	6.0%	6.0%	6.0%
2	ADT 1	1.5%	1.5%	1.5%	1.5%	1.5%
3	Tier 1	7.5%	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%	10.0%
5	*CCB	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.25%	10.65%	11.28%	11.90%	12.50%

* Capital conservation buffer

42.2.3 Group's regulatory capital is analysed into three tiers

Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 42.4).

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 42.4).

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 60% 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 42.4).

The required capital adequacy ratio (10.65% of the risk-weighted assets) is achieved by the Group through improvement in the capital base, asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or Banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Group. As the Group 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 Group to particular operations. The Group remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Group's management of capital during the year.

42.2.4 Leverage Ratio

The leverage ratio of the Group as at December 31, 2016 is 3.51 % (2015: 3.47%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2016; Total Tier 1 capital of the Group amounts to Rs. 43,167,583 thousand (2015: Rs. 37,445,383 thousand) whereas the total exposure measure amounts to Rs. 1,230,215,639 thousand (2015: Rs. 1,080,351,619 thousand).

Favourable shift in leverage ratio is mainly due to an increase in Bank's Tier 1 capital and a decrease in unconditionally cancellable commitment.

42.3 Capital Adequacy

Group's approach for assessing the adequacy of the capital to support current and future business operations based on the following:

- a. Capital Adequacy plays key consideration for not only arriving at the business projections / plans but is religiously monitored while undertaking transactions.
- b. The Group has demonstrated the capability to comfortably meet new & enhanced capital adequacy standards, therefore it is now following controlled growth strategy. The TFC was issued by the Bank to support the growth but gradually the Bank is enriching the Tier 1 capital while ensuring regular dividend to share holders.
- c. The capital base forms the very basic foundation of business plans. The capital base is sufficient to support the envisaged business growth and this would be monitored regularly.
- d. Current and potential risk exposures across all the major risk types are:

Risk Type	Materiality Level for Bank– High/Medium/Low	Adequacy of controls (Adequate / Partially adequate/ Not adequate)
Credit	High	Adequate
Market	High	Adequate
Operational	High	Adequate
Model	Low	Adequate
Concentration	Medium	Adequate
Interest rate risk in Banking Book	High	Adequate
Liquidity	High	Adequate
Country	Medium	Adequate
Reputation	Medium	Adequate
Strategic / Business	Medium	Adequate
Legal Risk	Medium	Adequate

- e. The Group enjoys strong sponsor support from Abu Dhabi Group, and more recently, IFC has acquired a 15% stake in the Bank. This alliance has further solidified the Group's position and indicates increased investor confidence. The Bank has successfully managed five TFCs issues in the past, two of which are currently in issue. These are indicative of the Group's capacity to raise capital where required.
- f. The Group follows Standardised Approach for Credit and Market Risk, and Alternative Standardized Approach for Operational Risk. The assessment of capital adequacy is based on regulatory requirements.

42.4 Capital Adequacy Ratio as at December 31, 2016

	2016	2015 (Restated)
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	15,952,076	15,898,062
2 Balance in Share Premium Account	4,417,126	4,329,648
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	9,894,506	8,261,506
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	17,777,737	12,813,488
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)	168,183	170,969
9 CET 1 before Regulatory Adjustments	48,209,628	41,473,673
10 Total regulatory adjustments applied to CET1 (Note 42.4.1)	5,042,045	4,028,290
11 Common Equity Tier 1	43,167,583	37,445,383
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)	6,795	1,521
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	6,795	1,521
18 Total regulatory adjustment applied to AT1 capital (Note 42.4.2)	163,435	399,036
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)	43,167,583	37,445,383
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,990,400	4,989,000
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Base 3 rules	-	465,454
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group Tier 2)	11,337	2,554
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	820,776	780,744
27 Revaluation Reserves (net of taxes)	8,532,418	7,331,765
28 of which: Revaluation reserves on fixed assets	3,556,216	3,054,551
29 of which: Unrealized gains/losses on AFS	4,976,202	4,277,214
30 Foreign Exchange Translation Reserves	1,584,020	1,572,966
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	14,938,951	15,142,483
33 Total regulatory adjustment applied to T2 capital (Note 42.4.3)	506,382	1,011,621
34 Tier 2 capital (T2) after regulatory adjustments	14,432,569	14,130,862
35 Tier 2 capital recognized for capital adequacy	14,432,569	14,130,862
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	14,432,569	14,130,862
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	57,600,152	51,576,245
39 Total Risk Weighted Assets (RWA) (for details refer Note 42.7)	433,975,024	384,907,258

	2016	2015 (Restated)
	(Rupees in '000)	
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	9.95%	9.73%
41 Tier-1 capital to total RWA	9.95%	9.73%
42 Total capital to total RWA	13.27%	13.40%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.65%	6.25%
44 of which: capital conservation buffer requirement	0.65%	0.25%
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	3.95%	4.23%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.50%
50 Total capital minimum ratio (Inclusive of 0.65% CCB for 2016 (2015: 0.25%))	10.65%	10.25%

Regulatory Adjustments and Additional Information	2016		2015	
	Amount	Amounts subject to Pre-Basel III treatment*	Amount	Amounts subject to Pre-Basel III treatment*
	(Rupees in '000)			
42.4.1 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)	1,761,370	-	1,372,124	-
3 Shortfall in provisions against classified assets	-	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,787,215	1,191,476	1,612,215	2,418,323
5 Defined-benefit pension fund net assets	209,590	-	16,001	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	1,026,250	-	630,434	-
7 Cash flow hedge reserve	-	-	-	-
8 Investment in own shares/ CET1 instruments	100,980	-	-	-
9 Securitization gain on sale	-	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
15 Amount exceeding 15% threshold	-	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	156,640	-	397,516	-
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	5,042,045	-	4,028,290	-

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

Regulatory Adjustments and Additional Information	2016		2015	
	Amount	Amounts subject to Pre-Basel III treatment*	Amount	Amounts subject to Pre-Basel III treatment*
			(Restated)	
	(Rupees in '000)			
42.4.2 Additional Tier 1 & Tier 1 Capital: regulatory adjustments				
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]				-
24 Investment in own AT1 capital instruments	-		-	
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-	
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	
28 Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier 1 capital	163,435	(163,435)	399,036	(399,036)
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-	
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	163,435		399,036	
42.4.3 Tier 2 Capital: regulatory adjustments				
31 Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	163,435	(163,435)	399,036	(399,036)
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	342,120		611,920	
33 Investment in own Tier 2 capital instrument	827		665	
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	506,382		1,011,621	

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

42.4.4 Additional Information	2016		2015	
	(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)		370,547,972		317,366,911
(i) of which: deferred tax assets		1,191,476		2,418,323
(ii) of which: Defined-benefit pension fund net assets		139,727		24,002
(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		105,041		222,688
(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		326,869		798,072
Amounts below the thresholds for deduction (before risk weighting)				
38 Non-significant investments in the capital of other financial entities		105,041		222,688
39 Significant investments in the common stock of financial entities		490,304		532,048
40 Deferred tax assets arising from temporary differences (net of related tax liability)		-		-

2016
2015
(Restated)
(Rupees in '000)

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)	820,776	780,744
42	Cap on inclusion of provisions in Tier 2 under standardized approach	4,653,889	4,010,375
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	-	-

42.5 Capital Structure Reconciliation

Table: 42.5.1

Balance sheet as in published financial statements
2016
(Rupees in '000)

Assets

Cash and balances with treasury banks	74,071,394	74,071,394
Balances with other banks	9,498,787	9,498,787
Lending to financial institutions	30,149,029	30,149,029
Investments	389,666,922	389,666,922
Advances	378,724,300	378,724,300
Operating fixed assets	18,216,937	18,216,937
Deferred tax assets	-	-
Other assets	19,115,471	19,115,471
Total assets	919,442,840	919,442,840

Liabilities & Equity

Bills payable	12,886,990	12,886,990
Borrowings	178,710,629	178,710,629
Deposits and other accounts	640,854,225	640,854,225
Sub-ordinated loans	8,317,670	8,317,670
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	2,911,531	2,911,531
Other liabilities	14,836,925	14,836,925
Total liabilities	858,517,970	858,517,970

Share capital/ Head office capital account	15,952,076	15,952,076
Reserves	15,895,652	15,895,652
Unappropriated/ Unremitted profit/ (losses)	17,777,737	17,777,737
Minority Interest	323,466	323,466
Surplus on revaluation of assets	10,975,939	10,975,939
Total equity	60,924,870	60,924,870

Table: 42.5.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2016		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	74,071,394	74,071,394	
Balances with other banks	9,498,787	9,498,787	
Lending to financial institutions	30,149,029	30,149,029	
Investments	389,666,922	389,666,922	
- of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
- of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
- of which: Mutual Funds exceeding regulatory threshold	-	-	c
- of which: reciprocal crossholding of capital instrument	-	-	
CET1	1,026,250	1,026,250	d
AT1	-	-	
T2	276,726	276,726	
- of which: others (mention details)	-	-	e
Advances	378,724,300	378,724,300	
- shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
- general provisions reflected in Tier 2 capital	775,968	775,968	g
Fixed Assets	18,216,937	18,216,937	
of which: Intangibles	1,761,370	1,761,370	h
Deferred Tax Assets	-	-	
- of which: DTAs that rely on future profitability excluding those arising from temporary differences	2,978,691	2,978,691	i
- of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	j
Other assets	19,115,471	19,115,471	
- of which: Goodwill	-	-	k
- of which: Defined-benefit pension fund net assets	349,317	349,317	l
Total assets	919,442,840	919,442,840	
Liabilities & Equity			
Bills payable	12,886,990	12,886,990	
Borrowings	178,710,629	178,710,629	
Deposits and other accounts	640,854,225	640,854,225	
Sub-ordinated loans	8,317,670	8,317,670	
- of which: eligible for inclusion in AT1	-	-	m
- of which: eligible for inclusion in Tier 2	3,990,400	3,990,400	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	2,911,531	2,911,531	
- 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	14,836,925	14,836,925	
Total liabilities	858,517,970	858,517,970	
Share capital	15,952,076	15,952,076	
- of which: amount eligible for CET1	15,952,076	15,952,076	s
- of which: amount eligible for AT1	-	-	t
Reserves	15,895,652	15,895,652	
- of which: portion eligible for inclusion in CET1	14,311,632	14,311,632	u
General Reserve	9,894,506	9,894,506	
Share Premium	4,417,126	4,417,126	
- of which: portion eligible for inclusion in Tier 2	1,584,020	1,584,020	v
Unappropriated profit/ (losses)	17,777,737	17,777,737	w
Minority Interest	323,466	323,466	
- of which: portion eligible for inclusion in CET1	168,183	168,183	x
- of which: portion eligible for inclusion in AT1	6,795	6,795	y
- of which: portion eligible for inclusion in Tier 2	11,337	11,337	z
Surplus on revaluation of assets	10,975,939	10,975,939	
- of which: Revaluation reserves on Fixed Assets	4,559,251	4,559,251	
- of which: Non-banking assets acquired in satisfaction of claims	36,942	36,942	aa
- of which: Unrealized Gains/Losses on AFS	6,379,746	6,379,746	
- In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total equity	60,924,870	60,924,870	
Total liabilities & equity	919,442,840	919,442,840	

Table: 42.5.3

	Component of regulatory capital reported by bank 2016 (Rupees in '000)	Reference
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	15,952,076	
2 Balance in Share Premium Account	4,417,126	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	9,894,506	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(w)
6 Unappropriated/unremitted profits/ (losses)	17,777,737	(x)
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)	168,183	
8 CET 1 before Regulatory Adjustments	48,209,628	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(k) - (o)
10 All other intangibles (net of any associated deferred tax liability)	1,761,370	(h) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,787,215	{(i) - (r) * 60%
13 Defined-benefit pension fund net assets	209,590	{(l) - (q)} * 60%
14 Reciprocal cross holdings in CET1 capital instruments	1,026,250	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	100,980	
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)	-	(j)
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	156,640	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	5,042,045	
31 Common Equity Tier 1	43,167,583	
Additional Tier 1 (AT 1) Capital		
32 Qualifying Additional Tier 1 instruments plus any related share premium	-	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier 1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	6,795	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
37 AT1 before regulatory adjustments	6,795	
Additional Tier 1 Capital: regulatory adjustments		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	163,435	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 43)	163,435	
46 Additional Tier 1 capital	-	
47 Additional Tier 1 capital recognized for capital adequacy	-	
48 Tier 1 Capital (CET1 + admissible AT1) (31+47)	43,167,583	

Table: 42.5.3

	Component of regulatory capital reported by bank 2016 (Rupees in '000)	Reference
Tier 2 Capital		
49	3,990,400	
50	-	(n)
51	11,337	(z)
52	-	
53	820,776	(g)
54	8,532,418	
55	3,556,216	portion of (aa)
56	4,976,202	
57	1,584,020	(v)
58	-	
59	14,938,951	
Tier 2 Capital: regulatory adjustments		
60	163,435	
61	342,120	
62	827	
63	-	(ae)
64	-	(af)
65	506,382	
66	14,432,569	
67	14,432,569	
68	-	
69	<u>14,432,569</u>	
70	<u>57,600,152</u>	

42.6 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 (e.g. KSE Symbol or Bloomberg identifier etc.)	BAFL	BAFL	BAFL TFC 5
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)	Rs. 15,952,076	Nil	Rs. 3,990,400
9	Par value of instrument	Rs. 10	Rs. 5,000	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability	Liability
11	Original date of issuance	21-Jun-92	Dec 2009	Feb 19 & 20, 2013
12	Perpetual or dated	NA	Dated	Dated
13	Original maturity date	NA	Dec 2017	Feb 2021
14	Issuer call subject to prior supervisory approval	NA	NA	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend/ coupon	NA	Fixed to floating	Floating
18	Coupon rate and any related index/ benchmark	NA	Option 1: Fixed at 15.50% per annum Option 2: 6 Months KIBOR plus 250 basis points per annum	Floating at 6 Months KIBOR*(Base Rate) plus 125 basis points per annum without any floor or CAP
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No	No
22	Noncumulative or cumulative	NA	Cumulative	Cumulative
23	Convertible or non-convertible	NA	Non convertible	Convertible
24	If convertible, conversion trigger (s)	NA	NA	At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
25	If convertible, fully or partially	NA	NA	May convert fully or partially
26	If convertible, conversion rate	NA	NA	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	NA	NA	Optional
28	If convertible, specify instrument type convertible into	NA	NA	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	NA	NA	Bank Alfalah Limited
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

42.7 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	
	2016	2015 (Restated)	2016	2015 (Restated)
	(Rupees in '000)			
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	3,038,749	2,969,181	28,532,859	28,967,616
Public Sector entities	485,776	986,853	4,561,275	9,627,832
Banks	1,534,305	1,125,068	14,406,619	10,976,271
Corporate	20,651,590	15,731,681	193,911,644	153,479,814
Retail	4,050,033	3,220,951	38,028,482	31,423,916
Residential Mortgages	348,457	313,969	3,271,896	3,063,114
Past Due loans	271,911	266,037	2,553,152	2,595,479
Operating Fixed Assets	1,752,518	1,634,421	16,455,568	15,945,566
Other assets	603,813	1,432,032	5,669,603	13,971,041
	32,737,152	27,680,193	307,391,098	270,050,649
<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	2,767,404	936,061	25,985,017	9,132,300
Acceptances	120,141	1,143,764	1,128,089	11,158,670
Performance Related Contingencies	1,235,126	825,039	11,597,424	8,049,163
Trade Related Contingencies	1,197,543	830,617	11,244,536	8,103,584
	5,320,214	3,735,481	49,955,066	36,443,717
Market related				
Foreign Exchange contracts	52,978	57,548	497,446	561,441
Derivatives	5,225	2,770	49,064	27,026
	58,203	60,318	546,510	588,467
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	774,420	516,131	7,271,546	5,035,426
Unlisted Equity Investment	761,141	892,953	7,146,865	8,711,737
	1,535,561	1,409,084	14,418,411	13,747,163
Under Internal models approach	-	-	-	-
	39,651,130	32,885,076	372,311,085	320,829,996
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	207,250	307,488	2,590,625	3,843,600
Equity position risk	161,175	31,993	2,014,688	399,913
Foreign Exchange risk	10,455	886,466	130,688	11,080,825
	378,880	1,225,947	4,736,001	15,324,338
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
Operational Risk [70% of BIA or ASA whichever is higher is taken as capital charge (2015-80%)]*				
Capital Requirement for operational risks	4,554,235	3,900,234	56,927,938	48,752,924
Total Risk Weighted Exposures	44,584,245	38,011,257	433,975,024	384,907,258

* 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	2016		2015	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	9.95%	6.00%	9.73%
Tier-1 capital to total RWA	7.50%	9.95%	7.50%	9.73%
Total capital to total RWA	10.65%	13.27%	10.25%	13.40%

43 RISK MANAGEMENT

The variety of business activities undertaken by the Group requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To complement CMC and to supervise risk management activities within their respective scopes, CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee, Principal Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Group's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, IT security risk and environment and social risk.

43.1 Credit risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Group due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Group's exposure to credit risk. The Group's credit risk management philosophy is based on Group's overall business strategy / direction as established by the Board. The Group is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately rated, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Group has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate banking, Islamic banking, commercial & SME banking, agricultural financing, and overseas operations.

The Group manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Risk Management Division.

A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party & transaction risk in accordance with the best practices. The risk rating system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates internal ratings at Obligor and Facility levels. The facility rating system, developed in line with SBP's guidelines, also provides 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, Islamic Banking and Retail & Middle Market segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Group has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, ME, SE & Agri rating models. It covers both discrimination & calibration statistical tests as per best international practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to generate the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

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 Group's non-performing exposure and protect the interests of the Bank's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of Bank's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

43.1.1 Credit Risk - General Disclosures Basel Specific

Bank Alfalah Limited is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, 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.

43.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

43.1.2.1 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.

43.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

43.1.3.1 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.

43.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II / 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 II / 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.

43.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

43.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Group considers all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution

effect of Basel 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.

43.1.3.5 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, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industries. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category).

43.1.4 Segmental information

43.1.4.1 Segments by class of business

	2016					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	25,146,203	6.35%	4,512,814	0.70%	676,226	0.51%
Automobile & Transportation Equipment	6,716,530	1.70%	6,896,102	1.08%	4,942,532	3.76%
Chemical and Pharmaceuticals	4,074,952	1.03%	4,367,174	0.68%	4,036,635	3.07%
Cement	6,310,583	1.59%	998,229	0.16%	4,105,149	3.12%
Communication	6,316,495	1.60%	5,688,168	0.89%	2,894,449	2.20%
Electronics and Electrical Appliances	4,299,732	1.09%	2,686,895	0.42%	4,467,410	3.40%
Educational Institutes	1,915,871	0.48%	7,980,970	1.25%	267,878	0.20%
Financial	8,621,617	2.18%	26,229,211	4.09%	16,187,989	12.32%
Fertilizers	10,855,791	2.74%	418,538	0.07%	130,998	0.10%
Food & Allied Products	16,426,146	4.15%	8,758,225	1.37%	2,755,962	2.10%
Glass & Ceramics	361,281	0.09%	401,428	0.06%	349,719	0.27%
Ghee & Edible Oil	9,421,674	2.38%	3,419,859	0.53%	5,259,148	4.00%
Housing Societies / Trusts	2,535,735	0.64%	23,360,992	3.65%	54,801	0.04%
Insurance	-	0.00%	3,497,192	0.55%	-	0.00%
Import & Export	6,645,776	1.68%	3,618,472	0.56%	8,483	0.01%
Iron / Steel	9,725,608	2.46%	4,467,572	0.70%	6,357,746	4.84%
Oil & Gas	18,578,938	4.69%	20,598,300	3.21%	17,873,323	13.60%
Paper & Board	3,652,792	0.92%	495,440	0.08%	1,361,049	1.04%
Production and Transmission of Energy	58,281,948	14.72%	19,430,454	3.03%	5,256,974	4.00%
Real Estate / Construction	10,281,339	2.60%	31,372,965	4.90%	5,653,556	4.30%
Retail / Wholesale Trade	14,605,147	3.69%	28,724,702	4.48%	12,486,802	9.50%
Rice Processing and Trading/ Wheat	9,470,043	2.39%	2,189,755	0.34%	67,897	0.05%
Sugar	8,501,559	2.15%	1,635,158	0.26%	733,111	0.56%
Shoes and Leather garments	2,373,883	0.60%	2,173,422	0.34%	342,355	0.26%
Sports Goods	402,310	0.10%	443,678	0.07%	126,329	0.10%
Surgical Goods	490,108	0.12%	521,150	0.08%	25,256	0.02%
Textile Spinning	31,099,133	7.86%	2,747,373	0.43%	6,469,700	4.92%
Textile Weaving	14,184,418	3.58%	3,147,400	0.49%	2,783,776	2.12%
Textile Composite	21,445,047	5.42%	4,963,715	0.77%	5,202,455	3.96%
Welfare Institutions	1,000,000	0.25%	17,551,301	2.74%	-	0.00%
Individuals	36,642,361	9.26%	241,987,139	37.76%	684,330	0.52%
Others	45,485,511	11.49%	155,570,432	24.26%	19,886,826	15.11%
	395,868,531	100.00%	640,854,225	100.00%	131,448,864	100.00%

	2015					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	25,426,115	7.26%	9,268,099	1.45%	403,097	0.36%
Automobile & Transportation Equipment	3,621,759	1.03%	12,494,496	1.95%	2,310,736	2.08%
Chemical and Pharmaceuticals	6,569,859	1.88%	6,943,315	1.08%	4,826,490	4.33%
Cement	5,050,929	1.44%	3,012,779	0.47%	1,679,342	1.51%
Communication	6,795,506	1.94%	7,408,672	1.16%	2,033,797	1.83%
Electronics and Electrical Appliances	5,450,802	1.56%	3,981,446	0.62%	1,463,169	1.31%
Educational Institutes	1,579,472	0.45%	10,393,163	1.62%	166,705	0.15%
Financial	6,012,279	1.72%	43,427,905	6.78%	16,388,180	14.72%
Fertilizers	10,761,359	3.07%	13,237,190	2.07%	2,243,982	2.02%
Food & Allied Products	10,422,249	2.97%	9,009,487	1.41%	2,366,516	2.13%
Glass & Ceramics	400,958	0.11%	1,858,994	0.29%	136,529	0.12%
Ghee & Edible Oil	7,625,148	2.18%	4,018,647	0.63%	3,314,775	2.98%
Housing Societies / Trusts	1,011,819	0.29%	10,340,871	1.62%	62,421	0.06%
Insurance	1,247	0.00%	1,774,999	0.28%	-	0.00%
Import & Export	3,679,806	1.05%	14,074,053	2.20%	448,922	0.40%
Iron / Steel	10,082,093	2.88%	7,888,480	1.23%	5,970,084	5.36%
Oil & Gas	32,560,786	9.29%	41,076,943	6.42%	13,674,007	12.28%
Paper & Board	3,107,556	0.89%	2,399,688	0.37%	669,425	0.60%
Production and Transmission of Energy	55,783,228	15.92%	12,261,946	1.92%	10,895,232	9.78%
Real Estate / Construction	9,589,567	2.74%	20,256,601	3.16%	6,593,492	5.92%
Retail / Wholesale Trade	8,153,916	2.33%	28,219,596	4.41%	5,239,175	4.71%
Rice Processing and Trading/ Wheat	9,290,979	2.65%	6,134,412	0.96%	8,572	0.01%
Sugar	6,787,255	1.94%	3,522,207	0.55%	143,569	0.13%
Shoes and Leather garments	2,301,645	0.66%	5,307,073	0.83%	448,764	0.40%
Sports Goods	104,205	0.03%	964,705	0.15%	37,579	0.03%
Surgical Goods	404,717	0.12%	928,481	0.15%	71,983	0.06%
Textile Spinning	25,064,417	7.15%	2,963,234	0.46%	4,204,188	3.78%
Textile Weaving	10,375,119	2.96%	3,086,072	0.48%	876,232	0.79%
Textile Composite	16,144,130	4.61%	4,578,195	0.72%	5,493,318	4.93%
Welfare Institutions	73,341	0.02%	8,209,978	1.28%	3,050	0.00%
Individuals	32,873,698	9.38%	194,754,585	30.42%	1,547,964	1.39%
Others	33,247,338	9.48%	146,340,849	22.86%	17,629,579	15.83%
	350,353,297	100.00%	640,137,161	100.00%	111,350,874	100.00%

43.1.4.2 Segment by sector

	2016					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 16)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	86,223,360	22%	18,982,770	3%	22,410,079	17%
Private	309,645,171	78%	621,871,455	97%	109,038,785	83%
	395,868,531	100%	640,854,225	100%	131,448,864	100%

*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.

	2015					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	94,312,609	27%	36,469,841	6%	16,132,091	14%
Private	256,040,688	73%	603,667,320	94%	95,218,783	86%
	350,353,297	100%	640,137,161	100%	111,350,874	100%

*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.

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

	2016		2015	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Note 10.4) ----- ----- (Rupees in '000) -----			
Agribusiness	378,541	216,924	293,088	150,383
Automobile & Transportation equipment	1,131,004	417,619	141,121	87,666
Chemical & Pharmaceuticals	225,513	225,513	110,231	98,165
Communication	1,870,813	1,870,813	519,376	519,376
Educational Institutes	52,322	45,972	-	-
Electronic & Electrical Appliances	-	-	413,838	411,590
Financial	1,302,880	1,288,470	79,330	79,330
Fertilizers	765,136	765,136	790,636	794,048
Food and allied products	257,302	175,802	273,119	202,843
Glass / Ceramics	17,133	17,133	26,559	26,559
Ghee & Edible Oil	457,638	457,638	392,526	454,547
Import & Export	885,121	829,730	626,525	603,525
Iron and steel	227,394	187,622	246,643	213,770
Oil and gas	1,701,406	1,356,224	2,271,267	1,368,285
Paper & Board	90,892	90,892	133,651	133,551
Production and transmission of energy	148,839	148,839	1,948	1,948
Real Estate / Construction	557,536	534,411	655,948	348,688
Retail Trade & Wholesale	2,002,294	1,400,352	895,584	824,676
Rice processing and trading / wheat	1,092,534	1,048,501	521,589	501,232
Sugar	7,322	6,737	-	-
Shoes & Leather garments	94,654	94,654	95,251	94,301
Sports	30,990	30,990	3,900	3,900
Surgical goods	32,153	32,153	15,047	15,047
Textile Spinning	1,398,435	1,391,135	628,397	644,892
Textile Weaving	1,104,051	1,024,229	316,201	309,064
Textile Composite	1,051,420	937,481	3,090,643	2,899,945
Individuals	983,682	791,325	1,119,034	918,437
Others	1,152,780	981,968	4,794,307	3,747,147
	19,019,785	16,368,263	18,455,759	15,452,915

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

	2016		2015	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	------(Rupees in '000)-----			
Public / Government	-	-	-	-
Private	19,019,785	16,368,263	18,455,759	15,452,915
	<u>19,019,785</u>	<u>16,368,263</u>	<u>18,455,759</u>	<u>15,452,915</u>

43.1.4.5 Geographical segment analysis

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	------(Rupees in '000)-----			
Pakistan	11,698,093	851,019,488	51,865,371	125,163,263
Asia Pacific (including South Asia)	1,107,779	48,111,705	8,201,003	4,665,616
Middle East	548,183	20,311,647	858,496	1,619,985
	<u>13,354,055</u>	<u>919,442,840</u>	<u>60,924,870</u>	<u>131,448,864</u>

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	------(Rupees in '000)-----			
Pakistan	11,021,338	844,408,608	44,434,956	97,080,642
Asia Pacific (including South Asia)	1,355,228	46,078,322	8,741,448	5,081,365
Middle East	280,606	12,928,827	916,332	9,188,867
	<u>12,657,172</u>	<u>903,415,757</u>	<u>54,092,736</u>	<u>111,350,874</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.

43.2 Market risk

Market risk exposes the Group to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a well-defined risk management structure, under Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines methods to measure and control market risk which are carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

The Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Management Unit of Risk Management Division (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 regular basis. Moreover, the Bank also carries out stress testing on regular intervals by applying shocks on fixed income, equity and foreign exchange positions.

43.2.1 Foreign exchange risk

Foreign exchange (FX) risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer and currency-wise limits.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps. VaR analysis are conducted on regular basis to measure and monitor the FX risk.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Group's foreign currency risk for on and off balance sheet financial instruments:

	2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	906,243,042	834,323,223	(10,905,418)	61,014,401
United States Dollar	11,742,423	16,364,610	4,491,512	(130,675)
Great Britain Pound	1,344,791	4,904,811	3,574,955	14,935
Arab Emirates Dirham	16,408	1,343	-	15,065
Euro	72,409	2,917,512	2,850,232	5,129
Other currencies	23,767	6,471	(11,281)	6,015
Total foreign currency exposure	13,199,798	24,194,747	10,905,418	(89,531)
Total currency exposure	<u>919,442,840</u>	<u>858,517,970</u>	<u>-</u>	<u>60,924,870</u>
	2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	868,394,987	811,691,692	8,236,601	64,939,896
United States Dollar	33,991,224	29,601,732	(15,445,404)	(11,055,912)
Great Britain Pound	293,051	4,988,182	4,706,822	11,691
Japanese Yen	151,675	2,998	(152,303)	(3,626)
Euro	216,986	2,984,674	2,774,062	6,374
Other currencies	367,834	53,743	(119,778)	194,313
Total foreign currency exposure	35,020,770	37,631,329	(8,236,601)	(10,847,160)
Total currency exposure	<u>903,415,757</u>	<u>849,323,021</u>	<u>-</u>	<u>54,092,736</u>

43.2.2 Equity investment risk

Equity investment risk arises due to the risk of changes in the prices of individual stocks held by the bank. The Group's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD monitors and reports portfolio and scrip level internal and external limits.

43.3 Interest rate risk

Interest Rate Risk is the adverse impact on the Bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets and liabilities and off-balance sheet instruments within a certain range of maturity due to re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management (IRRM) framework which establishes aggregate and tenor-wise balance sheet level PVO1 (Price Value of 1bps) limits to manage interest rate risk within the Board approved risk appetite. Treasury and FI Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Management Unit of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

43.3.1 Mismatch of interest rate sensitive assets and liabilities

2016

	Effective yield/ interest rate	Exposed to yield / interest rate risk										Non-interest bearing finan- cial instruments
		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) -----												
On-balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	-	74,071,394	6,651,460	-	-	-	-	-	-	-	-	67,419,934
Balances with other banks	0.78%	9,498,787	3,335,337	1,435,399	-	-	-	-	-	-	-	4,728,051
Lendings to financial institutions	4.90%	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-	-
Investments	7.61%	389,666,922	29,919,378	27,023,435	1,542,424	58,458,677	88,541,189	97,689,618	46,175,864	27,259,389	647,989	12,408,959
Advances	7.27%	378,724,300	29,811,581	128,342,849	186,756,558	28,900,748	63,943	154,176	266,903	195,322	4,232,220	-
Other assets		18,548,542	-	-	-	-	-	-	-	-	-	18,548,542
		900,658,974	73,575,639	168,694,183	202,697,628	87,359,425	88,605,132	97,843,794	46,442,767	27,454,711	4,880,209	103,105,486
Financial Liabilities												
Bills payable		12,886,990	-	-	-	-	-	-	-	-	-	12,886,990
Borrowings	5.12%	178,710,629	147,956,698	8,014,324	19,796,157	-	-	-	-	2,943,450	-	-
Deposits and other accounts	3.04%	640,854,225	290,491,729	20,059,108	23,733,050	15,172,690	753,186	477,159	27,860	-	-	290,139,443
Sub-ordinated loans	9.68%	8,317,670	-	4,983,000	2,524,154	800,516	-	-	-	-	-	-
Other liabilities		13,747,497	-	-	-	-	-	-	-	-	-	13,747,497
		854,517,011	438,448,427	33,066,432	46,053,361	15,973,206	753,186	477,159	27,860	2,943,450	-	316,773,930
On-balance sheet gap		46,141,963	(36,487,788)	135,627,751	156,644,267	71,386,219	87,851,946	97,366,635	46,414,907	24,511,261	4,880,209	(713,668,444)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		53,992,848	26,259,608	15,818,226	8,080,646	3,834,368	-	-	-	-	-	-
Forward exchange contracts - sale		41,084,440	21,036,937	15,055,056	4,614,498	377,949	-	-	-	-	-	-
Repo transaction - resale		349,222	349,222	-	-	-	-	-	-	-	-	-
Repo transaction - repurchase		136,912,078	135,683,547	1,228,531	-	-	-	-	-	-	-	-
Interest Rate Swaps - receipts		7,622,307	1,586,974	6,035,333	-	-	-	-	-	-	-	-
Interest Rate Swaps - payments		7,622,307	-	-	-	-	-	4,222,855	2,039,671	1,359,781	-	-
Off-balance sheet gap		(123,654,448)	(128,524,680)	5,569,972	3,466,148	3,456,419	-	(4,222,855)	(2,039,671)	(1,359,781)	-	-
Total yield / interest rate risk sensitivity gap		(493,397,468)	(493,397,468)	(493,397,468)	(493,397,468)	(493,397,468)	(493,397,468)	(493,397,468)	(493,397,468)	(493,397,468)	(493,397,468)	(493,397,468)
Cumulative yield / interest rate risk sensitivity gap		(493,397,468)	(52,099,745)	(92,089,330)	(117,246,692)	(29,394,746)	63,749,034	108,124,270	131,275,750	136,155,959	136,155,959	136,155,959

Effective yield/ interest rate	Exposed to yield / interest rate risk										Non-interest bearing finan- cial instruments	
	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) -----												
On-balance sheet financial instruments												
Financial Assets												
-	62,368,827	7,880,965	-	-	-	-	-	-	-	-	-	54,487,862
0.81%	16,583,138	2,934,025	2,074,384	-	-	-	-	-	-	-	-	11,574,729
7.58%	27,626,350	13,895,000	13,193,983	533,644	3,723	-	-	-	-	-	-	-
9.19%	423,318,968	2,592,747	52,449,451	38,355,780	146,346,231	56,712,435	27,040,219	25,706,276	295,487	9,846,100	-	-
8.66%	334,160,478	46,954,707	94,165,043	139,459,234	49,457,007	95,146	287,372	434,434	3,184,275	-	-	-
	21,082,158	-	-	-	-	-	-	-	-	-	-	21,082,158
	885,339,919	74,257,444	161,882,861	178,348,658	195,806,961	56,807,581	27,327,591	26,140,710	3,479,762	96,990,849	-	-
Financial Liabilities												
	9,733,929	-	-	-	-	-	-	-	-	-	-	9,733,929
6.22%	172,393,198	143,210,497	4,381,324	24,580,883	-	-	-	-	166,686	-	-	53,808
4.00%	640,137,161	289,527,760	47,840,572	33,572,157	22,311,911	1,874,012	199,291	-	-	-	-	243,844,714
11.04%	9,983,000	-	4,995,000	2,588,455	7,993,847	1,599,698	-	-	-	-	-	-
	14,334,649	-	-	-	-	-	-	-	-	-	-	14,334,649
	846,581,937	432,738,257	57,216,896	60,741,495	23,111,758	3,473,710	199,291	166,686	-	267,967,100	-	-
On-balance sheet gap	38,757,982	(35,848,081)	104,665,965	117,607,163	172,695,203	53,333,871	27,128,300	25,974,024	3,479,762	(170,976,251)	-	-
Off-balance sheet financial instruments												
	98,261,212	48,466,074	38,285,002	10,163,560	1,346,576	-	-	-	-	-	-	-
	106,520,120	29,830,025	72,780,665	3,850,461	58,969	-	-	-	-	-	-	-
	129,226,010	129,226,010	-	-	-	-	-	-	-	-	-	-
	6,962,920	1,600,180	5,100,887	26,1853	-	-	-	-	-	-	-	-
	6,962,920	-	-	-	-	-	-	5,287,064	1,675,856	-	-	-
Off-balance sheet gap	(137,484,918)	(108,989,781)	(29,394,776)	6,574,952	1,287,607	-	(5,287,064)	(1,675,856)	-	-	-	-
Total yield / interest rate risk sensitivity gap	(467,470,594)	75,271,189	124,182,115	173,982,810	53,333,871	63,330,758	21,841,236	24,298,168	3,479,762	68,769,553	72,249,315	-
Cumulative yield / interest rate risk sensitivity gap	(467,470,594)	(392,199,405)	(268,017,290)	(94,034,480)	(40,700,609)	22,630,149	44,471,385	68,769,553	72,249,315	-	-	-
43.3.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities												
----- (Rupees in '000) -----												
Total financial assets as per note 43.3.1	900,658,974											
Add: Non financial assets	885,339,919											
Operating fixed assets	18,216,937											
Deferred tax assets	-											
Other assets	758,147											
Total assets as per statement of financial position	903,415,757											
Total liabilities as per note 43.3.1	854,517,011											
Add: Non financial liabilities	846,581,937											
Deferred tax liabilities	2,911,531											
Other liabilities	1,089,428											
Total liabilities as per statement of financial position	849,323,021											

43.4 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Group's exposure in that country. For the Group, country risk arises as a result of the Bank's foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to monitor and mitigate the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of relative certainty of payment of foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and controlled at head office level and country risk exposures are reported to Central Credit Committee at a defined frequency.

43.5 Liquidity risk

Liquidity risk is the potential for loss to the Group arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The Bank's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function including liquidity management. The BOD has approved a comprehensive Market & Liquidity Risk Management Policy which stipulates the various parameters to monitor and control liquidity risk including maintenance of various liquidity ratios. Liquidity Risk Management Unit of RMD is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and BoD approved Risk Framework. It also monitors & reports the maintenance of liquidity buffer in form of excess Government securities over regulatory requirement, liquidity ratios and depositors' concentration both in terms of the overall funding mix and avoidance of undue reliance on large volume deposits. As core retail deposits form a considerable part of the Bank's overall funding mix, significant importance is being given to the stability and growth of these deposits. Maturity gaps and sources of funding are also reviewed in order to ensure diversification in terms of tenor, currency and geography. Moreover, Bank also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in times of stress / crisis situations containing early warning indicators to pre-empt unforeseen liquidity crisis. In addition to this, the Bank has designed different scenarios of cash outflows to stress test adequacy of its liquid assets.

43.5.1 Maturities of assets and liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Holding Company

	2016										
	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	74,071,394	36,846,833	1,772,930	2,425,381	3,867,441	6,757,184	1,307,969	2,639,200	6,211,747	-	12,242,709
Balances with other banks	9,498,787	8,063,388	1,435,399	-	-	-	-	-	-	-	-
Lendings to financial institutions	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-	-
Investments	389,666,922	29,609,263	26,624,534	1,365,933	66,439,619	88,541,189	97,689,618	47,972,996	27,512,192	3,911,578	-
Advances	378,724,300	60,429,569	74,260,351	74,378,153	40,514,365	10,088,682	19,127,442	55,801,997	28,726,832	15,396,909	-
Operating fixed assets	18,216,937	124,129	248,257	372,386	744,772	1,489,544	1,489,544	2,735,072	2,519,946	8,493,287	-
Other assets	19,115,471	15,322,197	375,295	562,943	586,835	830,732	359,367	539,051	539,051	-	-
	919,442,840	154,253,262	116,609,266	93,503,442	112,153,032	107,707,331	119,973,940	109,688,316	65,509,768	40,044,483	-
Liabilities											
Bills payable	12,886,990	12,886,990	-	-	-	-	-	-	-	-	-
Borrowings	178,710,629	147,956,698	8,014,324	19,796,157	-	-	-	-	2,943,450	-	-
Deposits and other accounts	640,854,225	43,064,153	42,456,232	50,334,127	77,042,382	119,344,554	23,551,675	47,278,680	108,153,793	129,628,629	-
Sub-ordinated loans	8,317,670	-	1,000	1,662,350	1,663,340	2,000	2,000	4,987,000	-	-	-
Deferred tax liabilities	2,911,531	-	-	-	2,911,531	-	-	-	-	-	-
Other liabilities	14,836,925	7,897,252	591,454	946,816	2,579,399	705,501	705,501	1,411,002	-	-	-
	858,517,970	211,805,093	51,063,010	72,739,430	84,196,652	120,052,055	24,259,176	53,676,682	111,097,243	129,628,629	-
Net assets	60,924,870	(57,551,831)	65,546,256	20,764,012	27,956,380	(12,344,724)	95,714,764	56,011,634	(45,587,475)	(89,584,146)	-
Share capital	15,952,076	-	-	-	-	-	-	-	-	-	-
Reserves	15,895,652	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	17,777,737	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	323,466	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	10,975,939	-	-	-	-	-	-	-	-	-	-
	60,924,870	-	-	-	-	-	-	-	-	-	-

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	62,368,827	24,957,569	4,141,354	4,768,934	6,095,093	188,315	1,156,125	2,286,746	5,538,959	13,235,732
Balances with other banks	16,583,138	14,508,754	2,074,384	-	-	-	-	-	-	-
Lendings to financial institutions	27,626,350	13,895,000	13,193,983	533,644	3,723	-	-	-	-	-
Investments	423,518,968	2,520,869	48,493,577	15,046,677	152,167,038	58,248,104	84,418,850	30,240,219	28,068,833	4,314,801
Advances	334,160,478	50,087,461	95,441,110	62,922,984	27,555,564	12,149,602	18,790,119	45,449,363	10,238,566	11,525,709
Operating fixed assets	17,317,691	116,487	232,965	349,447	698,894	1,397,787	1,397,787	2,612,653	2,586,013	7,925,658
Other assets	21,840,305	17,939,116	363,798	545,697	566,406	1,025,317	349,993	524,989	524,989	-
	903,415,757	124,025,256	163,941,171	84,167,383	187,086,718	73,009,125	106,112,874	81,113,970	46,957,360	37,001,900
Liabilities										
Bills payable	9,733,929	9,733,929	-	-	-	-	-	-	-	-
Borrowings	172,393,198	143,264,305	4,381,324	24,580,883	-	-	-	-	166,686	-
Deposits and other accounts	640,137,161	92,787,084	89,129,568	95,301,606	104,349,741	3,455,351	19,119,701	36,480,821	90,692,116	108,821,173
Sub-ordinated loans	9,983,000	-	1,000	1,000	1,663,330	3,326,670	2,000	4,000	4,985,000	-
Deferred tax liabilities	1,826,270	-	-	-	1,826,270	-	-	-	-	-
Other liabilities	15,249,463	9,035,319	559,055	947,999	2,120,490	646,650	646,650	1,293,300	-	-
	849,323,021	254,820,637	94,070,947	120,831,488	109,959,831	74,286,671	19,768,351	37,778,121	95,843,802	108,821,173
Net assets	54,092,736	(130,795,381)	69,870,224	(36,664,105)	77,126,887	65,580,454	86,344,523	43,335,849	(48,886,442)	(71,819,273)
Share capital	15,898,062									
Reserves	14,164,120									
Unappropriated profit	12,813,488									
Non-controlling interest	274,134									
Surplus on revaluation of assets - net of tax	10,942,932									
	54,092,736									

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a behavioural study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

43.5.2 Maturities of assets and liabilities based on contractual maturities

		2016									
		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	74,071,394	66,265,760	564,904	804,133	919,594	1,515,407	284,447	584,019	1,426,447	1,706,683	
Balances with other banks	9,498,787	8,063,388	1,435,399	-	-	-	-	-	-	-	
Lendings to financial institutions	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-	
Investments	389,666,922	37,514,748	26,624,534	1,365,933	58,534,134	88,541,189	97,689,618	47,972,996	27,512,192	3,911,578	
Advances	378,724,300	60,429,569	74,260,351	74,378,153	40,514,365	10,088,682	19,127,442	55,801,997	28,726,832	15,396,909	
Operating fixed assets	18,216,937	124,129	248,257	372,386	744,772	1,489,544	1,489,544	2,735,072	2,519,946	8,493,287	
Other assets	19,115,471	15,322,197	375,295	562,943	586,835	830,732	359,367	539,051	539,051	-	
	919,442,840	191,577,674	115,401,240	91,882,194	101,299,700	102,465,554	118,950,418	107,633,135	60,724,468	29,508,457	
Liabilities											
Bills payable	12,886,990	12,886,990	-	-	-	-	-	-	-	-	
Borrowings	178,710,629	147,956,698	8,014,324	19,796,157	-	-	-	-	2,943,450	-	
Deposits and other accounts	640,854,225	565,930,998	23,078,405	21,267,387	18,908,902	3,077,594	2,121,544	4,418,418	1,003,136	1,047,841	
Sub-ordinated loans	8,317,670	-	1,000	1,662,330	1,663,340	2,000	2,000	4,987,000	-	-	
Deferred tax liabilities	2,911,531	-	-	-	2,911,531	-	-	-	-	-	
Other liabilities	14,836,925	7,897,252	591,454	946,816	2,579,399	705,501	705,501	1,411,002	-	-	
	858,517,970	734,671,938	31,685,183	43,672,690	26,063,172	3,785,095	2,829,045	10,816,420	3,946,586	1,047,841	
Net assets	60,924,870	(543,094,264)	83,716,057	48,209,504	75,236,528	98,680,459	116,121,373	96,816,715	56,777,882	28,460,616	
Share capital	15,952,076										
Reserves	15,895,652										
Unappropriated profit	17,777,737										
Non-controlling interest	323,466										
Surplus on revaluation of investments	10,975,939										
	<u>60,924,870</u>										
		2015									
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks	62,368,827	52,140,800	2,212,246	1,375,203	1,931,132	48,645	333,150	665,974	1,664,542	1,997,135	
Balances with other banks	16,583,138	14,508,754	2,074,384	-	-	-	-	-	-	-	
Lendings to financial institutions	27,626,350	13,895,000	13,193,983	533,644	3,723	-	-	-	-	-	
Investments	423,518,968	7,718,030	48,493,577	15,046,677	146,969,878	58,248,104	84,418,850	30,240,219	28,028,759	4,354,874	
Advances	334,160,478	50,088,614	95,441,110	62,922,984	27,554,695	12,149,602	18,789,835	45,449,363	10,238,566	11,525,709	
Operating fixed assets	17,317,691	116,487	232,965	349,447	698,894	1,397,787	1,397,787	2,612,653	2,586,013	7,925,658	
Other assets	21,840,305	17,939,116	363,798	545,697	566,406	1,025,317	349,993	524,989	524,989	-	
	903,415,757	156,406,801	162,012,063	80,773,652	177,724,728	72,869,455	105,289,615	79,493,198	43,042,869	25,803,376	
Liabilities											
Bills payable	9,733,929	9,733,929	-	-	-	-	-	-	-	-	
Borrowings	172,393,198	143,264,305	4,381,324	24,580,883	-	-	-	-	166,686	-	
Deposits and other accounts	640,137,161	538,211,260	47,840,572	28,733,371	22,311,911	1,874,012	966,744	199,291	-	-	
Sub-ordinated loans	9,983,000	-	1,000	1,000	1,663,330	3,326,670	2,000	4,000	4,985,000	-	
Deferred tax liabilities	1,826,270	-	-	-	1,826,270	-	-	-	-	-	
Other liabilities	15,249,463	9,035,319	559,055	947,999	2,120,490	646,650	646,650	1,293,300	-	-	
	849,323,021	700,244,813	52,781,951	54,263,253	27,922,001	5,847,332	1,615,394	1,496,591	5,151,686	-	
Net assets	54,092,736	(543,838,012)	109,230,112	26,510,399	149,802,727	67,022,123	103,674,221	77,996,607	37,891,183	25,803,376	
Share capital	15,898,062										
Reserves	14,164,120										
Unappropriated profit	12,813,488										
Non-controlling interest	274,134										
Surplus on revaluation of investments	10,942,932										
	<u>54,092,736</u>										

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the Group estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

43.6 Operational risk

Basel II defines Operational risk as, “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

43.6.1 Operational Risk Disclosures - Basel II Specific

Bank was given approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013. The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors are 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. Bank Alfalah is one of the first few banks in Pakistan to achieve this milestone. As per SBP requirements, Bank’s operational risk assessment systems have also been reviewed by the external auditors during 2014.

The Bank’s ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank’s business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies and procedures of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems introduced in 2010 have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. From April 2017 loss data base reports shall also be shared with the regulator on its prescribed format.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

43.6.2 IT Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank’s technology assets by developing IT security baselines for IT solutions that support products and services, monitoring of threats and vulnerabilities, investigation of reported information security incidents, reinforcement of IT security risk awareness to employees via periodic communications, following up on due dates with stakeholders responsible for remediation of open issues, and reporting the status of IT security risk to the management and BRMC/Board.

43.7 Environmental & Social Risk Management Unit

Initiative to integrate sustainable finance approach in credit evaluation and approval process.

Being a responsible corporate citizen wherever BAFL operates, the Bank has integrated sustainable finance approach in its lending activities. In this regard, an Environmental & Social Management System (ESMS), duly approved by the Board of Directors, has been put in place in close coordination with IFC. The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated against;

- IFC Exclusion List
- Applicable national laws on environment, health, safety and social issues
- IFC Performance Standards.

This Framework is an integral part of the credit approval process and all relevant credit proposals require clearance of E&S Officer prior to approval of the competent authority. The Environmental & Social Risk Management Unit, part of RMD and headed by a senior risk officer with environmental and social risk management qualifications, is responsible for identifying, vetting and approving projects from an ESRM perspective. This role also entails coordination with provincial Environmental Protection Agencies (EPA) to remove ambiguities related to the EPA approval requirements and to educate the clients. BAFL is also in assisting SBP to promote ESRM practices across the banking industry. The Bank firmly believes that the integration of financial, social and environmental considerations into its decision making would enable higher & sustainable gains for all stakeholders.

44 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison.

- 44.1 During the year, the State Bank of Pakistan (SBP), vide BPRD Circular Letter No. 05 of 2016 dated February 29, 2016 has issued instructions on revised forms of annual financial statements, which further supplements the requirements laid down earlier, vide SBP's BSD Circular No. 4 of 2006 and BSD Circular Letter No. 03 of 2013 on the matter.

In order to standardize the financial statements and to bring comparability, banks having IBBs have been advised to show Islamic Financing and Related Assets under the head of "Advances" in their financial statements. In addition, banks have also been advised to show Bai Muajjal of Government of Pakistan Ijara Sukuk with State Bank of Pakistan and other Financial Institutions under the head "Lendings to Financial Institutions", whereas Bai Muajjal transactions with Government of Pakistan are required to be reported under investment category as other Federal Government securities.

The effect of re-classification on comparative information presented for the year ended December 31, 2015 as part of the Statement of Financial Position is as follows:

	As at December 31, 2015 (Rupees in '000)		
	As previously reported	Effect of Re-classification	As restated
Lending to Financial Institutions	53,628,870	(26,002,520)	27,626,350
Investments - net	397,097,214	26,002,520	423,099,734
Advances - net	327,297,821	6,860,918	334,158,739
Other assets	28,420,651	(6,860,918)	21,559,733

44.2 In addition to the aforementioned, no significant reclassification has been made except as follows:

Description	Rupees in '000	Reclassified	
		From	To
Insurance expenses on Ijarah assets	(294,962)	Other Income	Mark-up / return / interest earned
Registration expenses on Ijarah assets	(68,243)	Other Income	Mark-up / return / interest earned
Rental income on Ijarah assets	342,671	Other Income	Mark-up / return / interest earned

45 NON-ADJUSTING EVENT AFTER THE YEAR END REPORTING DATE

There were no appropriation or distribution made after the reporting date.

46 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 23, 2017 by the Board of Directors of the Bank.

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2016

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
2,046	1	-	100	56,497
2,022	101	-	500	600,373
1,817	501	-	1,000	1,355,266
4,372	1,001	-	5,000	12,716,560
1,125	5,001	-	10,000	8,001,201
231	10,001	-	15,000	2,869,408
156	15,001	-	20,000	2,819,062
106	20,001	-	25,000	2,441,553
62	25,001	-	30,000	1,766,042
48	30,001	-	35,000	1,571,592
37	35,001	-	40,000	1,419,282
31	40,001	-	45,000	1,335,205
40	45,001	-	50,000	1,973,777
23	50,001	-	55,000	1,219,800
27	55,001	-	60,000	1,558,067
10	60,001	-	65,000	622,235
22	65,001	-	70,000	1,501,171
10	70,001	-	75,000	733,416
15	75,001	-	80,000	1,169,134
6	80,001	-	85,000	500,369
5	85,001	-	90,000	440,790
3	90,001	-	95,000	274,713
31	95,001	-	100,000	3,099,500
5	100,001	-	105,000	509,560
5	105,001	-	110,000	544,333
6	110,001	-	115,000	674,000
4	115,001	-	120,000	476,437
7	120,001	-	125,000	870,375
4	125,001	-	130,000	514,833
2	130,001	-	135,000	266,500
4	135,001	-	140,000	548,071
2	140,001	-	145,000	283,981
5	145,001	-	150,000	745,654
8	150,001	-	155,000	1,213,570
1	155,001	-	160,000	158,162
4	160,001	-	165,000	660,000
2	165,001	-	170,000	336,488
1	170,001	-	175,000	175,000
3	180,001	-	185,000	551,950
2	185,001	-	190,000	379,378
2	190,001	-	195,000	383,412
13	195,001	-	200,000	2,592,695
1	200,001	-	205,000	203,000
6	205,001	-	210,000	1,249,036
2	210,001	-	215,000	424,820

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
1	215,001	-	220,000	218,000
4	220,001	-	225,000	895,164
4	225,001	-	230,000	910,602
3	230,001	-	235,000	698,999
3	235,001	-	240,000	719,413
3	240,001	-	245,000	727,056
8	245,001	-	250,000	1,993,935
4	250,001	-	255,000	1,012,453
3	260,001	-	265,000	785,268
2	265,001	-	270,000	536,500
1	270,001	-	275,000	274,873
2	275,001	-	280,000	554,625
1	280,001	-	285,000	284,959
1	290,001	-	295,000	291,875
5	295,001	-	300,000	1,498,715
1	300,001	-	305,000	305,000
1	305,001	-	310,000	308,333
1	315,001	-	320,000	320,000
1	320,001	-	325,000	321,000
1	325,001	-	330,000	328,000
1	330,001	-	335,000	331,000
5	345,001	-	350,000	1,739,533
1	355,001	-	360,000	357,654
1	360,001	-	365,000	361,000
1	370,001	-	375,000	374,695
2	385,001	-	390,000	774,500
1	390,001	-	395,000	392,000
4	395,001	-	400,000	1,600,000
1	400,001	-	405,000	400,500
1	405,001	-	410,000	406,000
1	420,001	-	425,000	425,000
1	435,001	-	440,000	440,000
1	445,001	-	450,000	448,000
1	455,001	-	460,000	457,500
1	465,001	-	470,000	467,346
3	470,001	-	475,000	1,416,659
2	475,001	-	480,000	953,500
2	480,001	-	485,000	965,744
1	485,001	-	490,000	486,500
6	495,001	-	500,000	3,000,000
1	510,001	-	515,000	514,500
2	520,001	-	525,000	1,045,500
1	525,001	-	530,000	530,000
5	545,001	-	550,000	2,743,000
1	550,001	-	555,000	553,343

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
1	555,001	-	560,000	560,000
2	560,001	-	565,000	1,127,000
3	575,001	-	580,000	1,734,300
1	580,001	-	585,000	582,375
1	590,001	-	595,000	591,532
4	595,001	-	600,000	2,400,000
1	600,001	-	605,000	604,350
1	605,001	-	610,000	609,000
1	610,001	-	615,000	613,409
1	620,001	-	625,000	623,807
1	625,001	-	630,000	629,887
1	630,001	-	635,000	630,800
1	645,001	-	650,000	650,000
1	650,001	-	655,000	655,000
1	655,001	-	660,000	657,500
1	660,001	-	665,000	660,500
2	665,001	-	670,000	1,336,319
1	685,001	-	690,000	688,186
2	695,001	-	700,000	1,398,000
1	715,001	-	720,000	718,000
1	720,001	-	725,000	720,837
1	735,001	-	740,000	740,000
1	745,001	-	750,000	750,000
1	795,001	-	800,000	800,000
1	800,001	-	805,000	801,500
1	815,001	-	820,000	818,187
1	825,001	-	830,000	827,000
1	835,001	-	840,000	837,016
1	880,001	-	885,000	884,500
1	885,001	-	890,000	885,500
1	925,001	-	930,000	927,000
1	950,001	-	955,000	952,500
2	975,001	-	980,000	1,957,000
9	995,001	-	1,000,000	8,997,500
1	1,055,001	-	1,060,000	1,059,000
1	1,105,001	-	1,110,000	1,110,000
1	1,195,001	-	1,200,000	1,200,000
1	1,205,001	-	1,210,000	1,209,474
1	1,245,001	-	1,250,000	1,250,000
1	1,270,001	-	1,275,000	1,274,199
1	1,285,001	-	1,290,000	1,285,750
1	1,295,001	-	1,300,000	1,300,000
1	1,330,001	-	1,335,000	1,333,000
1	1,350,001	-	1,355,000	1,354,020
1	1,360,001	-	1,365,000	1,364,145

Number of Shareholders	Shareholding		Number of Shares Held
	From	To	
1	1,400,001	-	1,403,122
1	1,480,001	-	1,482,300
1	1,485,001	-	1,487,000
1	1,535,001	-	1,536,500
1	1,605,001	-	1,609,394
1	1,615,001	-	1,616,800
2	1,630,001	-	3,264,000
1	1,820,001	-	1,822,000
1	1,970,001	-	1,971,000
2	1,995,001	-	4,000,000
1	2,015,001	-	2,016,500
1	2,040,001	-	2,044,500
1	2,130,001	-	2,131,004
1	2,135,001	-	2,136,507
1	2,150,001	-	2,154,000
1	2,235,001	-	2,236,538
1	2,340,001	-	2,345,000
1	2,400,001	-	2,405,000
1	2,550,001	-	2,552,947
1	2,670,001	-	2,673,000
1	2,685,001	-	2,689,500
1	2,700,001	-	2,700,500
1	2,735,001	-	2,736,000
1	2,790,001	-	2,791,500
1	2,890,001	-	2,895,000
1	2,945,001	-	2,947,000
1	2,980,001	-	2,981,861
1	3,030,001	-	3,033,188
1	3,060,001	-	3,065,000
1	3,085,001	-	3,090,000
1	3,160,001	-	3,163,740
1	3,385,001	-	3,387,603
1	3,405,001	-	3,410,000
1	3,425,001	-	3,429,198
1	3,465,001	-	3,466,700
1	3,495,001	-	3,500,000
1	3,530,001	-	3,531,369
1	3,775,001	-	3,777,500
1	3,995,001	-	4,000,000
1	4,075,001	-	4,076,000
1	4,095,001	-	4,100,000
1	4,100,001	-	4,104,940
1	4,325,001	-	4,325,500
1	4,355,001	-	4,356,359
1	4,395,001	-	4,399,500

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
1	4,560,001	-	4,565,000	4,562,000
1	5,105,001	-	5,110,000	5,107,700
1	5,195,001	-	5,200,000	5,200,000
1	5,230,001	-	5,235,000	5,234,113
1	5,660,001	-	5,665,000	5,660,500
1	6,515,001	-	6,520,000	6,516,248
1	6,730,001	-	6,735,000	6,734,000
1	7,370,001	-	7,375,000	7,375,000
1	7,740,001	-	7,745,000	7,742,605
1	9,050,001	-	9,055,000	9,053,000
1	11,260,001	-	11,265,000	11,262,500
1	11,405,001	-	11,410,000	11,408,300
1	11,815,001	-	11,820,000	11,816,000
1	11,825,001	-	11,830,000	11,825,818
1	12,285,001	-	12,290,000	12,287,453
1	12,515,001	-	12,520,000	12,517,540
1	13,240,001	-	13,245,000	13,243,384
2	13,495,001	-	13,500,000	27,000,000
1	13,990,001	-	13,995,000	13,991,780
1	15,060,001	-	15,065,000	15,060,500
1	17,500,001	-	17,505,000	17,501,603
1	18,980,001	-	18,985,000	18,984,068
1	19,095,001	-	19,100,000	19,096,875
1	19,125,001	-	19,130,000	19,128,259
1	27,585,001	-	27,590,000	27,585,147
1	32,145,001	-	32,150,000	32,149,947
1	32,615,001	-	32,620,000	32,615,500
1	36,690,001	-	36,695,000	36,694,424
1	38,565,001	-	38,570,000	38,566,171
1	53,090,001	-	53,095,000	53,090,599
1	53,965,001	-	53,970,000	53,966,250
1	55,040,001	-	55,045,000	55,044,258
1	68,805,001	-	68,810,000	68,805,322
1	75,685,001	-	75,690,000	75,687,166
2	103,205,001	-	103,210,000	206,415,966
1	119,260,001	-	119,265,000	119,263,433
1	238,085,001	-	238,090,000	238,086,450
12,579				1,595,207,554

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2016

S.No.	Shareholder's Category	Number of Shareholders	Number of Shares	Percentage
1	Directors, Chief Executive Officer their Spouse(s) & Minor Children.	8	217,670,783	13.65
2	Associated Companies, Undertakings & Related Parties.	11	106,316,386	6.66
3	NIT & ICP	1	613,409	0.04
4	Banks DFI & NBFIs.	11	22,123,595	1.39
5	Insurance Companies	12	23,143,538	1.45
6	Modarabas & Mutual Funds	32	64,313,025	4.03
7	Public Sector Companies & Corporations	10	39,648,749	2.49
8	General Public - Local	12,284	207,787,313	13.03
9	General Public - Foreign	22	458,511,656	28.74
10	Foreign Companies	44	428,534,531	26.86
11	Joint Stock Companies	106	21,414,616	1.34
12	Others	38	5,129,953	0.32
		12,579	1,595,207,554	100.00

PATTERN OF SHAREHOLDING UNDER CODE OF CORPORATE GOVERNANCE AS AT DECEMBER 31, 2016

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	11		106,316,386	6.66
	Dhabi One Investments Services LLC		38,566,171		2.42
	Trustee of Bank Alfalah Ltd - Employees Gratuity Fund Trust		27,585,147		1.73
	Trustee of Bank Alfalah Ltd - Employees Provident Fund Trust		19,125,000		1.20
	Wincom (Pvt) Limited		18,984,068		1.19
	Alfalah Insurance Company Limited		500,000		0.03
	CDC- Trustee Alfalah GHP Stock Fund		698,000		0.04
	CDC- Trustee Alfalah GHP Alpha Fund		457,500		0.03
	CDC- Trustee Alfalah GHP Income Fund - Mt		328,000		0.02
	CDC- Trustee Alfalah GHP Income Multiplier Fund - Mt		55,500		0.00
	CDC- Trustee Alfalah GHP Sovereign Fund - Mt		16,000		0.00
	CDC- Trustee Alfalah GHP Value Fund		1,000		0.00
2-	Mutual Funds	32		64,313,025	4.03
	CDC- Trustee PICIC Growth Fund		15,060,500		0.94
	CDC- Trustee Atlas Stock Market Fund		7,375,000		0.46
	CDC- Trustee PICIC Investment Fund		6,734,000		0.42
	CDC- Trustee NAFA Income Opportunity Fund - Mt		5,660,500		0.35
	CDC- Trustee Nit-Equity Market Opportunity Fund		5,234,113		0.33
	CDC- Trustee Atlas Income Fund - Mt		3,429,198		0.21
	CDC- Trustee NAFA Stock Fund		2,895,000		0.18
	MCFSL - Trustee JS Growth Fund		2,700,500		0.17
	CDC- Trustee UBL Stock Advantage Fund		2,673,000		0.17
	CDC- Trustee MCB Pakistan Stock Market Fund		2,016,500		0.13
	CDC- Trustee Faysal Savings Growth Fund - Mt		1,631,000		0.10
	CDC- Trustee HBL - Stock Fund		1,487,000		0.09
	CDC -Trustee NAFA Asset Allocation Fund		660,500		0.04
	CDC- Trustee National Investment (Unit) Trust		613,409		0.04
	CDC- Trustee Askari High Yield Scheme - Mt		609,000		0.04
	CDC- Trustee NIT Income Fund - Mt		562,000		0.04
	CDC- Trustee APF-Equity Sub Fund		550,000		0.03
	CDC -Trustee NAFA Savings Plus Fund - Mt		546,500		0.03
	CDC- Trustee UBL Asset Allocation Fund		530,000		0.03
	CDC- Trustee PIML Asset Allocation Fund		525,000		0.03
	CDC- Trustee Pakistan Income Enhancement Fund - Mt		514,500		0.03
	CDC- Trustee NAFA Multi Asset Fund		486,500		0.03
	CDC- Trustee UBL Retirement Savings Fund - Equity Sub Fund		386,500		0.02
	CDC- Trustee Faysal MTS Fund - Mt		254,000		0.02
	CDC- Trustee HBL Multi - Asset Fund		245,500		0.02
	CDC- Trustee PICIC Stock Fund		207,500		0.01
	CDC- Trustee PIML Strategic Multi Asset Fund		200,000		0.01
	CDC- Trustee PIML Value Equity Fund		165,000		0.01
	CDC- Trustee AKD Index Tracker Fund		154,805		0.01
	CDC- Trustee Askari Equity Fund		80,000		0.01
	CDC- Trustee Askari Asset Allocation Fund		66,000		0.00
	CDC- Trustee HBL PF Equity Sub Fund		60,000		0.00
3-	Directors their spouse(s) and minor children	8		217,670,783	13.65
	H.H. Sheikh Hamdan Bin Mubarak Al Nahayan		135,357,930		8.49
	Mr. Abdulla Nasser Hawaileel Al Mansoori, Director		82,203,414		5.15
	Mr. Abdulla Khalil Al Mutawa, Director		11,331		0.00
	Mr. Khalid Mana Saeed Al Otaiba, Director		67,457		0.00
	Mr. Atif Aslam Bajwa, Director / CEO		500		0.00
	Mr. Kamran Y. Mirza, Director		29,151		0.00
	Mr. Efstratios Georgios Arapoglou, Director		500		0.00
	Mr. Khalid Qurashi, Director		500		0.00

S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Category Wise No. of Shares	Percentage %
4-	Executives	331		6,854,943	0.43
5-	Public Sector Companies and Corporations	10		39,648,749	2.49
6-	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas & Pension Funds.	29		46,387,391	2.91

Shareholders holding 5% or more Voting Rights

Total Paid Up Capital 1,595,207,554 Shares

5% of the Paid Up Capital 79,760,378 Shares

	Holding	%
M/S. International Finance Corporation	238,086,450	14.93
H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman	172,354,032	10.80
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan	135,357,930	8.49
H.E. Sheikh Suroor Bin Mohammad Al Nahyan	115,033,801	7.21
M/S. Electro Mechanical Company LLC	87,933,581	5.51
Mr. Abdulla Nasser Hawaileel Al Mansoori , Director	82,203,414	5.15

SALE/PURCHASE OF SHARES OF THE BANK

BY DIRECTORS/EXECUTIVES/SPOUSES AND THEIR MINOR CHILDREN DURING THE YEAR 2016

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
1	Mr. Abdulla Nasser Hawaileel Al Mansoori	03-Oct-16	-	99,000	Rs. 29.10
		04-Oct-16	-	46,500	Rs. 29.10
		05-Oct-16	-	100,000	Rs. 29.10
		06-Oct-16	-	250,000	Rs. 29.05
		06-Oct-16	-	250,000	Rs. 29.09
		06-Oct-16	-	250,000	Rs. 29.10
		10-Oct-16	-	165,000	Rs. 29.24
		17-Oct-16	-	250,000	Rs. 30.30
		17-Oct-16	-	105,500	Rs. 30.40
		17-Oct-16	-	50,000	Rs. 30.42
		17-Oct-16	-	53,000	Rs. 30.45
		17-Oct-16	-	500	Rs. 30.55
		31-Oct-16	-	250,000	Rs. 29.50
		01-Nov-16	-	250,000	Rs. 29.90
		01-Nov-16	-	250,000	Rs. 30.10
		01-Nov-16	-	500,000	Rs. 30.25
		01-Nov-16	-	250,000	Rs. 30.39
		01-Nov-16	-	250,000	Rs. 30.55
		01-Nov-16	-	250,000	Rs. 30.75
		01-Nov-16	-	250,000	Rs. 30.95
		02-Nov-16	-	250,000	Rs. 31.66
		02-Nov-16	-	250,000	Rs. 31.84
		02-Nov-16	-	250,000	Rs. 31.99
		02-Nov-16	-	250,000	Rs. 32.16
		02-Nov-16	-	250,000	Rs. 32.29
		02-Nov-16	-	25,000	Rs. 32.39
		02-Nov-16	-	26,000	Rs. 32.40
		03-Nov-16	-	250,000	Rs. 32.29
		03-Nov-16	-	250,000	Rs. 32.39
		03-Nov-16	-	68,000	Rs. 32.54
		04-Nov-16	-	261,500	Rs. 32.69
2	Mr. Muhammad Ayyaz Ashraf	07-Apr-16	-	500	Rs. 25.18
		07-Apr-16	-	500	Rs. 25.17
		07-Apr-16	-	500	Rs. 25.16
		07-Apr-16	-	500	Rs. 25.24
		07-Apr-16	-	500	Rs. 25.24
		07-Apr-16	-	1,500	Rs. 25.24
		07-Apr-16	-	5,000	Rs. 25.25
		07-Apr-16	-	1,000	Rs. 25.30
		07-Apr-16	-	1,000	Rs. 25.30
		08-Apr-16	-	5,000	Rs. 25.45
		08-Apr-16	-	10,000	Rs. 25.45
		08-Apr-16	-	5,000	Rs. 25.50
		08-Apr-16	-	5,000	Rs. 25.50
		08-Apr-16	-	4,000	Rs. 25.50

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
3	Mr. Ali A Karimjee	11-Apr-16	1,000	-	Rs. 25.25
4	Mr. Aasim Wajid Jawad	24-May-16	-	29,000	Rs. 24.91
		24-May-16	-	5,000	Rs. 24.90
		26-May-16	-	500	Rs. 24.90
		26-Aug-16	-	5,000	Rs. 29.15
		26-Aug-16	-	6,000	Rs. 29.12
		26-Aug-16	-	89,000	Rs. 29.11
5	Mr. Syed Ahmar Nizam	24-May-16	-	30,000	Rs. 24.80
		21-Jul-16	-	15,000	Rs. 26.50
		27-Jul-16	-	10,000	Rs. 27.05
		07-Sep-16	-	12,500	Rs. 29.50
		07-Sep-16	-	96	Rs. 29.40
6	Mr. Muhammad Umer Farooq Mallick	26-May-16	-	5,000	Rs. 24.51
		26-May-16	-	1,500	Rs. 24.52
		26-May-16	-	30,000	Rs. 24.55
		26-May-16	-	2,000	Rs. 24.56
		26-May-16	-	1,500	Rs. 24.60
7	Mr. Mian Ejaz Ahmad	30-May-16	-	500	Rs. 24.50
		30-May-16	-	2,500	Rs. 24.51
		30-May-16	-	25,000	Rs. 24.55
		30-May-16	-	75,000	Rs. 24.60
		30-May-16	-	25,000	Rs. 24.65
		30-May-16	-	25,000	Rs. 24.66
		30-May-16	-	22,500	Rs. 24.70
		30-May-16	-	5,000	Rs. 24.71
		30-May-16	-	14,500	Rs. 24.75
8	Mr. Farooq Qamar Khan	30-May-16	-	16,000	Rs. 24.60
		30-May-16	-	24,000	Rs. 24.65
9	Mr. Muhammed Omer	31-May-16	-	76,560	Rs. 24.50
10	Mr. Muhammad Qasim Rashid	31-May-16	-	20,000	Rs. 24.45
		31-May-16	-	10,000	Rs. 24.60
		01-Jun-16	-	486	Rs. 24.30
		01-Jun-16	-	500	Rs. 24.35
		01-Jun-16	-	1,000	Rs. 24.36
		01-Jun-16	-	5,000	Rs. 24.39
		01-Jun-16	-	7,500	Rs. 24.40
		01-Jun-16	-	4,500	Rs. 24.42
		01-Jun-16	-	2,000	Rs. 24.43
		01-Jun-16	-	3,500	Rs. 24.47
		01-Jun-16	-	25,000	Rs. 24.48
		01-Jun-16	-	10,000	Rs. 24.50
		02-Jun-16	-	4,000	Rs. 24.35
11	Mr. Shahzad Ishaq	31-May-16	-	40,000	Rs. 24.60
		01-Jun-16	-	20,000	Rs. 24.50
		01-Jun-16	-	5,000	Rs. 24.59
		02-Jun-16	-	5,000	Rs. 24.50

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		03-Jun-16	-	30,000	Rs. 24.50
		03-Jun-16	-	33,000	Rs. 24.60
		03-Jun-16	-	332	Rs. 24.45
		03-Jun-16	-	1	Rs. 24.50
12	Mr. Kamran Mahmood	01-Jun-16	-	80,000	Rs. 24.30
13	Mr. Tahir Khurshid	03-Jun-16	-	4,000	Rs. 24.55
		29-Jun-16	-	4,000	Rs. 25.02
		29-Jun-16	-	2,000	Rs. 25.03
		20-Jul-16	-	5,000	Rs. 26.09
		20-Jul-16	-	10,000	Rs. 26.10
		20-Jul-16	-	15,000	Rs. 26.12
		20-Jul-16	-	5,000	Rs. 26.17
		20-Jul-16	-	5,000	Rs. 26.18
		07-Nov-16	-	3,000	Rs. 32.74
		22-Dec-16	-	3	Rs. 36.20
14	Mr. Haroon Khalid	06-Jun-16	-	45,000	Rs. 24.35
		06-Jun-16	-	6,000	Rs. 24.50
		06-Jun-16	-	9,000	Rs. 24.40
		17-Jun-16	-	30,000	Rs. 27.50
		22-Jun-16	8,000	-	Rs. 25.10
		27-Jun-16	5,000	-	Rs. 24.50
		27-Jun-16	5,000	-	Rs. 24.80
		27-Jun-16	10,000	-	Rs. 24.89
		28-Jun-16	91,500	-	Rs. 24.80
		04-Aug-16	-	10,000	Rs. 29.00
		04-Aug-16	-	10,000	Rs. 28.89
		04-Aug-16	-	500	Rs. 28.81
		04-Aug-16	-	10,000	Rs. 28.98
		09-Aug-16	6,500	-	Rs. 29.19
		09-Aug-16	10,000	-	Rs. 29.20
		09-Aug-16	500	-	Rs. 29.24
		09-Aug-16	3,000	-	Rs. 29.25
		09-Aug-16	-	5,000	Rs. 28.60
		09-Aug-16	-	10,000	Rs. 28.65
		09-Aug-16	-	5,000	Rs. 28.73
		09-Aug-16	-	10,000	Rs. 28.85
		09-Aug-16	-	15,000	Rs. 28.95
		09-Aug-16	-	89,500	Rs. 29.00
		09-Aug-16	-	15,500	Rs. 29.35
		09-Aug-16	-	41,000	Rs. 29.40
		11-Aug-16	-	35,000	Rs. 29.40
		11-Aug-16	-	10,000	Rs. 29.45
		11-Aug-16	-	10,000	Rs. 29.48
		12-Aug-16	-	25,000	Rs. 29.65
		12-Aug-16	-	10,000	Rs. 29.75
		07-Sep-16	500	-	Rs. 29.25
		16-Sep-16	10,000	-	Rs. 29.40

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		16-Sep-16	5,000	-	Rs. 29.50
		19-Sep-16	50,500	-	Rs. 29.40
		02-Nov-16	-	100,000	Rs. 32.00
		08-Nov-16	25,000	-	Rs. 32.40
		08-Nov-16	25,000	-	Rs. 32.50
		08-Nov-16	50,000	-	Rs. 32.81
		08-Nov-16	-	50,000	Rs. 27.71
		16-Nov-16	50,000	-	Rs. 27.75
		16-Nov-16	-	50,000	Rs. 33.25
15	Mr. Amin Dawood Saleh	07-Jun-16	5	-	Rs. 24.95
		07-Jun-16	100	-	Rs. 24.98
		07-Jun-16	33	-	Rs. 25.00
		07-Jun-16	45	-	Rs. 25.00
		14-Jun-16	-	15,000	Rs. 25.04
		14-Jun-16	-	15,000	Rs. 25.04
		14-Jun-16	-	1,500	Rs. 25.10
		14-Jun-16	-	28,500	Rs. 25.10
		14-Jun-16	-	23,000	Rs. 25.15
		14-Jun-16	-	7,000	Rs. 25.15
		15-Jun-16	-	20,000	Rs. 26.00
		16-Jun-16	-	238	Rs. 26.25
		10-Aug-16	-	10,000	Rs. 29.65
		02-Nov-16	-	20,000	Rs. 31.70
		03-Nov-16	-	20,000	Rs. 32.50
		01-Dec-16	-	5,000	Rs. 33.10
		15-Dec-16	-	5,000	Rs. 35.25
		20-Dec-16	-	5,000	Rs. 35.90
		20-Dec-16	-	5,500	Rs. 36.00
16	Mr. Khawaja Zia Abbas	10-Jun-16	-	10,000	Rs. 24.50
		10-Jun-16	-	10,000	Rs. 24.50
		13-Jun-16	-	500	Rs. 24.50
		14-Jun-16	-	27,500	Rs. 24.50
		14-Jun-16	-	174	Rs. 24.16
17	Mr. Syed Muhammad Asif	10-Jun-16	-	10,000	Rs. 24.50
		10-Jun-16	-	500	Rs. 24.60
		14-Jun-16	-	5,000	Rs. 24.65
		14-Jun-16	-	30,000	Rs. 24.70
		14-Jun-16	-	5,000	Rs. 24.80
		14-Jun-16	-	10,000	Rs. 24.85
		14-Jun-16	-	5,000	Rs. 24.90
		14-Jun-16	-	5,000	Rs. 25.00
		14-Jun-16	-	9,000	Rs. 25.10
		14-Jun-16	-	1,000	Rs. 25.11
		14-Jun-16	-	31,000	Rs. 25.10
		15-Jun-16	-	340	Rs. 25.10

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
18	Mr. Ahmed Nauman Anees	14-Jun-16	-	65,000	Rs. 25.00
		14-Jun-16	-	10,000	Rs. 25.10
19	Mr. Faisal Farooq Khan	15-Jun-16	-	32,500	Rs. 25.00
		15-Jun-16	-	500	Rs. 25.01
20	Mr. Riaz Hussain Hamdani	17-Jun-16	-	50,000	Rs. 27.90
		09-Aug-16	-	10,000	Rs. 29.40
		10-Aug-16	-	10,000	Rs. 29.50
		10-Aug-16	-	5,000	Rs. 29.60
21	Mr. Amaar Naveed Ikhlas	22-Jun-16	-	4,500	Rs. 25.15
22	Mr. Mirza Zafar Baig	28-Jun-16	-	23,000	Rs. 25.00
		28-Jun-16	-	12,000	Rs. 25.01
		15-Aug-16	-	13,500	Rs. 29.60
		15-Aug-16	-	1,000	Rs. 29.65
		15-Aug-16	-	95,500	Rs. 29.95
		15-Aug-16	-	10,000	Rs. 29.96
23	Mr. Javed Iqbal	18-Jul-16	-	10,000	Rs. 25.95
		18-Jul-16	-	10,000	Rs. 25.75
		20-Jul-16	-	10,000	Rs. 26.95
		17-Oct-16	-	3,500	Rs. 30.27
		17-Oct-16	-	6,500	Rs. 30.30
24	Mr. Khurram Hussain	27-Jul-16	-	100,000	Rs. 27.00
		12-Aug-16	-	40,000	Rs. 29.59
		12-Aug-16	-	333	Rs. 29.11
		12-Aug-16	-	3,000	Rs. 29.61
25	Mr. Fakhar Ahmad	28-Jul-16	-	8,000	Rs. 27.01
		28-Jul-16	-	25,000	Rs. 27.02
		28-Jul-16	-	10,000	Rs. 27.05
		28-Jul-16	-	34,000	Rs. 27.10
		28-Jul-16	-	10,000	Rs. 27.11
		28-Jul-16	-	25,000	Rs. 27.12
		28-Jul-16	-	29,000	Rs. 27.15
		28-Jul-16	-	19,000	Rs. 27.20
26	Mr. Amin Sukhiani	15-Aug-16	-	81,000	Rs. 29.95
27	Mr. Rizwan Ata	18-Jul-16	-	50,000	Rs. 25.35
		18-Jul-16	-	20,000	Rs. 25.70
		18-Jul-16	-	20,000	Rs. 25.75
		18-Jul-16	-	166	Rs. 25.88
		18-Jul-16	-	76,500	Rs. 25.95
28	Dr. Mushtaq Ali Khan	22-Sep-16	69,000	-	Rs. 29.04
			425,683	8,829,229	

Executives for the purpose of disclosure of trades in shares of the Bank means the CEO, CFO, Head of Internal Audit, Company Secretary, and all employees of Bank Alfalah Limited working in salary Range VIII and IX, as per the threshold set by the Board of Directors of the Bank.

Annexure

Employees Stock Option Scheme

The Bank has granted share options to certain critical employees, (the "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 has granted options to these employees (as selected by the Board Compensation Committee, specifically formulated as required under the Public Companies (Employees Stock Option Scheme) Rules, 2001) to subscribe for fresh ordinary shares of the Bank (being issuance of further capital without issue of rights) in the years 2014, 2015 and 2016. The options entitle the selected employees to purchase shares at 40% discount (the Option Discount), of the market price prevailing at the date of the grant. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

Details of share options granted under the scheme together with the status as at December 31, 2016 are as follows:

Particulars	Granted in 2016	Granted in 2015	Granted in 2014
Total Number of options issued	13.737 million	12.614 million	11.331 million
Date of Grant	April 01, 2016	April 01, 2015	April 01, 2014
Options no longer in issue	0.492 million	1.099 million	1.594 million
Options vested during the years:			
- 2014	N/A	N/A	Nil
- 2015		Nil	3.553 million
- 2016	Nil	4.063 million	3.283 million
Options exercised during the years:			
- 2014	N/A	N/A	N/A
- 2015			2.563 million
- 2016		2.782 million	2.620 million
Vested Options cumulatively carried forward	N/A	1.192 million	1.471 million
Options not yet vested upto December 31, 2016	13.245 million	7.540 million	3.083 million
Number of Senior Managerial Personnel, including the CEO to whom options were granted and remained outstanding at the year end 2016	35	35	30
Options granted to Senior Managerial Personnel which remained outstanding at the year end 2016	8.262 million shares	6.390 million shares	3.526 million shares
Option Exercise Price	Rs. 14.95 per share	Rs. 15.15 per share	Rs. 16.32 per share
Option discount	Rs. 9.96 per share	Rs. 10.10 per share	Rs. 10.88 per share
Total Shares issued on account of Options exercised :			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			2.563 million
- During the year 2016		2.782 million	2.620 million
Amount Received against exercise of options:			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			Rs. 41.836 million
- During the year 2016		Rs. 42.146 million	Rs. 42.749 million
Shares issued to Senior Managerial Personnel on account of options availed:			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			1.685 million
- During the year 2016		1.774 million	1.937 million
Vesting period	3 years (with one third of the options vesting on completion of each year of service from April 1, 2016)	3 years (with one third of the options vesting on completion of each year of service from April 1, 2015)	3 years (with one third of the options vesting on completion of each year of service from April 1, 2014)

The options granted to the CEO were more than 5% of the total options granted during the years 2014, 2015 and 2016.

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

Tax under Salary has been deducted in respect of shares issued on account of Options exercised by the employees during the relevant years, in accordance with applicable laws.

The above information has been presented as per the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) issued by the SECP vide S.R.O. 300(l) 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	75	35	110
2	Lahore	62	30	92
3	Islamabad	25	10	35
4	Rawalpindi	23	8	31
5	Faisalabad	19	10	29
6	Quetta	14	4	18
7	Multan	11	6	17
8	Peshawar	10	4	14
9	Gujranwala	11	2	13
10	Sialkot	8	3	11
11	Hyderabad	6	2	8
12	Gujrat	5	2	7
13	Sargodha	5	2	7
14	Sahiwal	3	1	4
15	Okara	3	1	4
16	Jhang	2	1	3
17	Sheikhupura	3	-	3
18	Taxila	3	-	3
19	Rahim Yar Khan	2	1	3
20	Jhelum	2	1	3
21	Bahawalpur	2	1	3
22	Mingora	2	1	3
23	Abbottabad	2	1	3
24	Mansehra	1	1	2
25	Bahawalnagar	1	1	2
26	Nankana Sahib	1	1	2
27	Charsadda	2	-	2
28	Chakwal	2	-	2
29	Chichawatni	2	-	2
30	Mirpurkhas	1	1	2
31	Dera Ghazi Khan	2	-	2
32	Jaranwala	2	-	2
33	Dera Ismail Khan	1	1	2
34	Kohat	2	-	2
35	Mandi Bahauddin	1	1	2
36	Gilgit	2	-	2
37	Mianwali	1	1	2
38	Gojra	2	-	2
39	Muzaffarabad	1	1	2
40	Haripur	2	-	2
41	Attock	2	-	2
42	Sukkur	1	1	2
43	Ghotki	1	-	1
44	Sanghar	1	-	1
45	Dhudial	-	1	1
46	Mardan	1	-	1
47	Ali Pur	1	-	1
48	Pishin	1	-	1
49	Farooqabad	1	-	1
50	Dukki	1	-	1
51	Fateh Jang	1	-	1
52	Chillas	1	-	1
53	Fort Abbas	1	-	1
54	Pano Aqil	1	-	1
55	Gaggo Mandi	1	-	1
56	Bhimber	1	-	1
57	Gawadar	1	-	1
58	Burewala	1	-	1
59	Ghazi	1	-	1
60	Daultala	1	-	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
61	Chishtian	1	-	1
62	Depalpur	1	-	1
63	Ghourgushti	1	-	1
64	Murree	1	-	1
65	Chitral	1	-	1
66	Nowshera Virkan	1	-	1
67	Choa Saidan Shah	1	-	1
68	Phalia	1	-	1
69	Gujar Khan	1	-	1
70	Rabwah	1	-	1
71	Allahabad	1	-	1
72	Bhowana	1	-	1
73	Arifwala	1	-	1
74	Shahdadkot	1	-	1
75	Hafizabad	1	-	1
76	Shujaabad	1	-	1
77	Hangu	1	-	1
78	Malakwal	1	-	1
79	Chowk Azam	1	-	1
80	Mandi Quaidabad	1	-	1
81	Haroonabad	1	-	1
82	Mehrabpur.	1	-	1
83	Hasan Abdal	-	1	1
84	Mirpur Mathelo	1	-	1
85	Hasilpur	1	-	1
86	Battagram	1	-	1
87	Haveli Lakha	1	-	1
88	Chiniot	1	-	1
89	Havelian	1	-	1
90	Nawabshah	1	-	1
91	Hazro	1	-	1
92	Besham	1	-	1
93	Hub	1	-	1
94	Pattoki	1	-	1
95	Hunza Nagar	1	-	1
96	Pindi Ghaib	-	1	1
97	D.G Khan	-	1	1
98	Bhakkar	1	-	1
99	Badin	1	-	1
100	Rajanpur	1	-	1
101	Islamgarh	1	-	1
102	Renala Khurd	1	-	1
103	Jacobabad	1	-	1
104	Sambrial	1	-	1
105	Jahania	1	-	1
106	Serai Alamgir	-	1	1
107	Jalalpur Bhattian	1	-	1
108	Shakargarh	1	-	1
109	Jalalpur Jattan	-	1	1
110	Shinkiari	1	-	1
111	Jampur	1	-	1
112	Sibi	1	-	1
113	Dadu	1	-	1
114	Mailsi	-	1	1
115	Jauharabad	1	-	1
116	Mamukanjan	1	-	1
117	Jehlum	1	-	1
118	Mandi Faizabad	1	-	1
119	Dadyal	1	-	1
120	Deharki	1	-	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
121	Ahmedpur East	1	-	1
122	Mehar	1	-	1
123	Kabirwala	-	1	1
124	Mian Channu	1	-	1
125	Kahirpur	1	-	1
126	Batkhela	1	-	1
127	Kahuta	1	-	1
128	Mirpur, AJK	1	-	1
129	Kallar Syedan	1	-	1
130	Moro	1	-	1
131	Kamalia	-	1	1
132	Muridke	1	-	1
133	Kamoke	1	-	1
134	Muslim Bagh	1	-	1
135	Kamra	1	-	1
136	Muzaffargarh	1	-	1
137	Kandhkot	1	-	1
138	Narowal	1	-	1
139	Bakhshi Pul	1	-	1
140	Nowshera	1	-	1
141	Kasur	1	-	1
142	Oghi	1	-	1
143	Khan Bela	1	-	1
144	Pakpattan	1	-	1
145	Khanewal	1	-	1
146	Pasrur	1	-	1
147	Khanna	1	-	1
148	Bewal	-	1	1
149	Khanpur	1	-	1
150	Phool Nagar	1	-	1
151	Kharian	1	-	1
152	Pir Mahal	1	-	1
153	Khoiratta	1	-	1
154	Qaboola	1	-	1
155	Khushab	-	1	1
156	Qutba	1	-	1
157	Khuzdar	-	1	1
158	Bhalwal	1	-	1
159	Kkurrianwala	1	-	1
160	Rawalakot	1	-	1
161	Daharki	1	-	1
162	Rawat	1	-	1
163	Kot Abdul Malik	-	1	1
164	Sadiqabad	1	-	1
165	Zhob	1	-	1
166	Saidqabad	-	1	1
167	Skardu	1	-	1
168	Samundri	1	-	1
169	Swabi	1	-	1
170	Buner	1	-	1
171	Tando Adam	1	-	1
172	Shahdad Pur	1	-	1
173	Tank Adda	1	-	1
174	Shahkot	-	1	1
175	Daska	1	-	1
176	Sharakpur	-	1	1
177	Tench Bhatta	1	-	1
178	Shikarpur	1	-	1
179	Turbat	1	-	1
180	Shorkot	1	-	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
181	Umerkot	1	-	1
182	Chak Khasa	1	-	1
183	Vehari	-	1	1
184	Sillanwali	1	-	1
185	Waisa	1	-	1
186	Zafarwal	1	-	1
187	Kotli	1	-	1
188	Talagang	1	-	1
189	Kotmomin	1	-	1
190	Tando Allahyar	1	-	1
191	Kotri District Jamshoro	1	-	1
192	Tarnol	1	-	1
193	Bannu	1	-	1
194	Temargarha	1	-	1
195	Lala Musa	1	-	1
196	Toba Tek Singh	1	-	1
197	Larkana	1	-	1
198	Uch Sharif	1	-	1
199	Layyah	1	-	1
200	Usta Muhammad	1	-	1
201	Liaquat Pur	1	-	1
202	Wah Cantt	1	-	1
203	Lodharan	1	-	1
204	Yazman	1	-	1
205	Lodhran	1	-	1
206	Chaman	1	-	1
207	Loralai	1	-	1
208	Kot Addu	-	1	1
Total		475	153	628

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

Notice of the 25th Annual General Meeting

NOTICE is hereby given that the 25th Annual General Meeting (**'AGM'**) of Bank Alfalah Limited (**'the Bank'**) will be held on Tuesday, 28th March, 2017 at 10:00 am at Ballroom, Movenpick Hotel, Karachi to transact the following business:

Ordinary Business:

1. To confirm Minutes of the 24th Annual General Meeting held on 28th March, 2016.
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended 31st December, 2016 together with Directors' Report and Auditors' Report thereon including post-facto approval of remuneration paid to the non-executive directors for attending Board and Board Committees meetings as reported under Notes No. 28 and 37 of the Annual Accounts, in compliance with SBP Prudential Regulations.
3. To appoint Auditors of the Bank for the year 2017 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

Special Business:

5. To consider, and if thought fit, pass the following Special Resolution for alteration of Articles of Association of the Bank, in order to comply with the legal and regulatory requirements:

"RESOLVED THAT subject to obtaining regulatory approvals, the Articles of Association (**'the Articles'**) of Bank Alfalah Limited (**'the Bank'**), be and are hereby altered/amended as follows:

(a) Following two new Clauses (under the new heading of 'E-Voting') be added in the Articles:

"E-Voting

46 (A). The Bank shall comply with the E-Voting requirements as may be prescribed by the Securities and Exchange Commission of Pakistan from time to time.

46 (B). In case of E-Voting, both members and non-members can be appointed as proxy."

(b) The text/contents of existing Article 57 be and is hereby replaced with the following text/contents:

"Proxy to be in writing

57. The instrument appointing a proxy shall be in writing, under the hand of the appointer or of his attorney, or if such appointer is an association (whether body corporate or not) under its common seal or stamp and shall be attested by two witnesses. No person shall be appointed as a proxy who is not a member of the Bank and qualified to vote, save that an association (whether body corporate or not) being a member of the Bank may appoint as its proxy one of its officers or any other person though not a member of the Bank"

(c) Following new Clause 58(A) be added/inserted (under the new heading of "Instrument appointing proxy for E-Voting to be deposited"):

"Instrument appointing proxy for E-Voting to be deposited

58A. The instrument appointing proxy for e-voting under option 2 of the Form of proxy shall be deposited in writing at least ten days before holding of general meeting at the registered office of the Bank through courier/in-person, or through email at email address mentioned in the notice of general meeting."

(d) The text/contents of existing Article 60 be and are hereby replaced as follows:

"Form of proxy

60. Every instrument of proxy, whether for a specified meeting or otherwise, shall, as nearly as circumstances admit, be in the form or to the effect following:

BANK ALFALAH LIMITED

Option 1: Appointing other person as Proxy

I/We, _____ of _____, being a member of Bank Alfalah Limited, holder of _____ Ordinary Share(s) as per Register Folio No./CDC Account No. _____ hereby appoint Mr. _____ Register Folio No. / CDC Account No. (if member) _____ of _____ or failing him Mr. _____ Register Folio No./CDC Account No. _____ (if member) of _____, as my/our proxy in my/our absence to attend and vote for me/us, on my/our behalf at the Annual General Meeting/Extra Ordinary General Meeting of the Bank to be held on _____ and at any adjournment thereof.

Signed under my/our hand this _____ day of _____ 20__.

Option 2: E-Voting as per the Companies (E-Voting) Regulations, 2016

I/We, _____ of _____, being a member of Bank Alfalah Limited, holder of _____ Ordinary Share(s) as per Register Folio No./CDC Account No. _____ hereby opt for e-voting through intermediary and hereby consent the appointment of execution officer _____ as proxy and will exercise e-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _____, please send login details, password and other requirements through email.

Signed under my/our hand this _____ day of _____ 20__.

Signature of Member

Signed in the presence of:

Signature of Witness

Name: _____

CNIC/Passport No: _____

Address: _____

Signature of Witness

Name: _____

CNIC/Passport No: _____

Address: _____

(e)To amend the Article 112 in the following manner in order to incorporate the transmission of annual balance sheet, profit & loss account, auditor’s report, and directors’ reports, etc., to the members through CD/DVD/USB:

“Copy of Account to be sent to members

112. A copy of the annual report, including but not limited to, annual balance sheet, profit & loss account, auditor’s report, and directors’ report etc., be sent to the persons, entitled to receive notices of general meetings, at least twenty-one days preceding the general meeting, through CD/DVD/USB or any other means as may be prescribed by any law/rule/regulation or by any regulatory authority from time to time. If a member prefers to receive hard copies of all the future annual audited accounts, then such member shall provide a written request to the Bank, and the Bank will be bound to provide hard copies of all the future annual audited accounts to the said member only.

RESOLVED FURTHER THAT the Chief Financial Officer and the Company Secretary of the Bank, be and are hereby authorized jointly to apply/obtain regulatory approvals and do all necessary arrangements for the incorporation of above alteration/ amendments /additions to the Articles of Association of the Bank, and to do all other acts, deeds, and things, including signing the necessary documents, as may be necessary and ancillary for the purpose of the same.”

6. To obtain consent of shareholders as per requirements of SRO 470(1)/2016 dated 31st May 2016 for transmission of the annual report, including but not limited to, annual balance sheet, profit & loss account, auditor’s report, and directors’ report etc., through CD/DVD/USB instead of transmitting the said accounts in hard copies and to pass the following resolution as Ordinary Resolution:

“**RESOLVED THAT** in terms of SRO 470(1)/2016 dated 31st May 2016 issued by the Securities & Exchange Commission of Pakistan, the shareholders of Bank Alfalah Limited (“**the Bank**”) do hereby consent and authorize the Bank for transmission of the annual report, including but not limited to, annual balance sheet, profit & loss account, auditor’s report, and directors’ report etc. (“**annual audited accounts**”), to its members through CD/DVD/USB at their registered addresses.

RESOLVED FURTHER THAT the Bank shall be bound to provide hard copies of all the future annual audited accounts to those members only, who request the Bank, in writing, to receive hard copies of the same.”

A statement of material facts under Section 160(1)(b) of the Companies Ordinance, 1984 in respect of the aforesaid special business to be considered at the Annual General Meeting is being sent to the members along with the Notice.

Karachi
Dated: 7th March 2017

By Order of the Board

MIAN EJAZ AHMAD
Company Secretary

NOTES:

1. The Share Transfer Books of the Bank will be closed from 21st March 2017 to 28th March 2017 (both days inclusive). Transfers received at the office of the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, Room No. 1705, 17th Floor, Saima Trade Tower “A”, I.I. Chundrigar Road, Karachi before the close of business on 20th March 2017 will be treated in time for the purpose of attending meeting by the transferees.
2. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, F.D. Registrar Services (SMC-Pvt) Limited, not less than 48 hours before the time of the Meeting.
4. Those shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with participant’s ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy’s CNIC or passport, Account and Participant’s I.D. numbers must be deposited along with the Form of Proxy with our Share Registrar. In case of Proxy for corporate members, the Board of Directors’ Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).
5. **Change of address**
Shareholders are requested to promptly notify change in their address, if any, to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited.
6. **Mandatory submission of CNIC**
Please be informed that SECP vide its Notification No. SRO.831 (1)2012 of 5th July, 2012 has made mandatory for Companies to provide CNIC number of registered shareholder on the dividend warrant.

Further, mentioning of CNIC number in the Annual Return 'Form A' is also an obligatory requirement, which is required to be filed with SECP under Section 156 of the Companies Ordinance, 1984.

Also note that SECP vide their letter No. EMD/233/655/2004/2106 dated 20th April, 2016, has allowed the Bank to withhold all future dividends of those shareholders who have not provided copies of their valid CNICs to the Bank. 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 above.

A list of shareholders, who have not yet provided copies of their valid CNICs is placed on the Banks website, www.bankalfalah.com.

7. Payment of Cash Dividend Electronically (e-Dividend)/Dividend Mandate

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.

It is to be noted that the following information are must, when applying for e-Dividend; 1) IBAN number 2) Title of Bank Account; 3) Bank Account number; 4) Bank Code and Branch; Code 5) Bank Name, Branch Name and Address; 6) Cell/Landline Number; 7) CNIC number; and 8) Email Address.

8. Financial Statements and Notice of Annual General Meeting through email

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

9. Video Conference Facility for Attending General Meetings

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

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

Consent Form for Video Conference Facility

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

Signature of member

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

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

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 PERTAINING TO THE SPECIAL BUSINESS BEING TRANSACTED:

Agenda Item No. 5:

Alteration in the Articles of Association of the Bank, in order to comply with the legal and regulatory requirements

The Companies (E-Voting) Regulations, 2016 ('the Regulations') enable the members of listed companies to exercise their voting rights through electronic means (E-Voting) managed by authorized intermediaries, subject to terms and conditions mentioned in the Regulations. One of the conditions requires that the articles of association of the company shall provide that in case of E-Voting both members and non-members can be appointed as proxy. Further, clause 112 of the Articles pertaining to the "Copy of Account to be sent to members" is being amended to incorporate the transmission of annual balance sheet, profit & loss account, auditor's report, directors' report, etc. to the members through CD/DVD/USB or any other means as may be prescribed by any law/rule/regulation from time to time.

The approval of the Members is being sought for making appropriate alteration/amendments in the Articles of Association of the Bank.

Agenda Item No. 6:

Transmission of annual audited accounts of the Bank (included in the annual reports) through CD/DVD/USB:

The Securities and Exchange Commission of Pakistan vide its S.R.O. 470(I)/2016 dated 31st May 2016 ('SRO') has allowed listed companies to circulate the annual balance sheet and profit and loss account, auditor's report, directors' report, etc. ('annual audited accounts') to its members through CD/DVD/USB at their registered addresses, subject to compliance with certain conditions mentioned in the SRO. One of the conditions requires that consent of shareholders should be obtained for the same in general meeting.

The consent of shareholders is being sought to authorize the Bank to circulate the annual balance sheet and profit and loss account, auditor's report, directors' report, etc. (included in the annual reports) to its members through CD/DVD/USB at their registered addresses. The Bank will, however, supply the hard copies of the annual audited accounts (included in the annual reports) to the members, on demand, free of cost upon receipt of Request Form, duly completed, which will be available at the website of the Bank.

None of the directors of the Bank have any direct or indirect interest in the above said Special Businesses.

Issues raised at the last AGM

- One of the shareholders present at the meeting highlighted that the net provision charge of the Bank against NPLs increased from Rs. 1.45 billion in 2014 to Rs. 2.15 billion in the year 2015 and requested for reasons on the same.

The CEO in response mentioned that although the net provisioning charge depicted a year on year increase, the Bank was able to contain the NPLs at the same level as that of last year. He further added that the Bank used to avail the benefit of Forced Sale Value (FSV) of collaterals (allowed under SBP regulations); however, for the year 2016, the benefit consideration was reduced as far as local operations were concerned. This, coupled with the fact that the NPL levels remained unchanged, additional provisioning considered helped in improving the Bank's overall coverage ratio against NPLs significantly.

- One of the shareholders appreciated the efforts made by the Management of the Bank during the year 2015 to achieve sound financial results. He said that although the Bank performed well, the cash dividend payout has been reduced by 50 percent. He further enquired that as in the past few years, the Bank had been consistently paying out a cash dividend of 20 percent, then why was it that despite improved financial results in 2015, the payout ratio was reduced. Another shareholder later enquired about whether the Bank has any plan to issue right shares.

In response to the shareholders' concerns on cash dividend, the CEO mentioned that the decision was an informed one, taken with the view of retaining profits for enhancement in the existing capital base, which would in turn improve the Bank's lending capacity. The CEO mentioned that with the expansion that has taken place in the economy, coupled with overall stability witnessed in the macroeconomic environment, there is a need for increased capacity to lend, so as to improve on returns. He mentioned that at present, the Bank's Capital Adequacy Ratio (CAR) is at a comfortable level; however, it is not at that desired level which would support more lending. The possible options available for increasing capital were through additional equity injection by the shareholders, or by way of retaining a portion of earnings. This he mentioned was necessary in the long-term in order to adequately grow the Balance Sheet and to secure the future growth potential of the Bank. Taking these factors into consideration, the CEO mentioned that the Board had proposed to the shareholders to approve a 10 percent final cash dividend for the year 2015.

On the question on rights issue, the CEO added that the Management shall be exploring other options to generate Tier 1 or Tier 2 Capital, but for the moment, there was no plan to issue right shares.

- Another salient point raised by a shareholder at the meeting was that in the recent past, banks in Pakistan had generally relied heavily on lending to the Government, being a secure mode of placement offering better yields, as opposed to conventional mode of private sector lending, where collateral adequacy is a key concern for many. However, it was suggested that if banks were willing to lend more to private sector, it would in turn contribute towards the betterment of the overall economy. The shareholder also inquired whether the Bank has any system of monitoring the profitability of its branches.

In response to the concern on increased investment in Government Securities, the CEO agreed that all banks had indeed invested in such securities and earned good yields. However, he mentioned that BAFL had not ignored the lending side, growing its lending book by 13 percent, which was approximately 4 percent more than the market. He mentioned that the Bank was able to improve its Advances to Deposits ratio from 50 percent to 54 percent, which is one of the best in the market. He reassured the shareholders that the Bank is indeed focusing on more private sector lending, and referred back to his response to the question on profit retention, the purpose of which was to increase the Bank's lending capacity.

On the question on monitoring the performance of the branches, the CEO mentioned that the Bank has an adequate system of monitoring the performance of the branches, and the branch wise profitability reports are prepared regularly.

- One of the Bank's shareholders inquired about the Bank's expectations on the interest rate environment and growth in terms of advances.

The CEO mentioned that the interest rate is correlated to inflation, and since it was expected that inflation would remain low; therefore, the interest rate could be expected to remain at the current low level for some time. He further mentioned that the Bank's investment and lending strategy would continue to evolve and be monitored keeping in view the expected interest rate scenario.

- One of the shareholders requested for the progress of the Sapphire Wind Power Project, whereas one other shareholder requested for information on the sale/merger of Warid Telecom and its impact on the Bank.

The CEO mentioned that the Project had started in November 2015 and it is currently on course and running very well.

With regards to the Bank's stake in Warid, the CEO mentioned that since the investment in Warid was fully impaired, there would be no negative impact on the Bank. He added that the Bank shall be getting a small portion of shareholding in the merged entity in lieu of its holding in Warid, once the transaction stands materialised.

Glossary and Definition of Terms

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash, or its equivalent.

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words 'accepted' above his signature and a designated payment date.

Activity/Turnover Ratios

Evaluate the operational efficiency of the company to convert inventory and receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales

Basis Point

One hundredth of a percent i.e. 0.01 per cent. 100 basis points is 1 percent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per Share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets, excluding the impact of revaluation on fixed assets, divided by the total number of shares outstanding at year end.

Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is the process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

Call Money Rate

Interbank clean (without collateral) lending/borrowing rates are called Call Money Rates

Capital Structure Ratios

Provide an indication of the long-term solvency of the Company and its cost of debt, in relation to equity and profits.

Coupon Rate

Interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

Call Deposits

These include short notice and special notice deposits.

Current Deposits

Non-remunerative chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

Computer Software (intangible fixed assets)

An asset consisting of computer programmes, programme descriptions and supporting materials for both systems and applications software; included are purchased software and software developed on own account, if the expenditure is large.

Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

CAGR

An abbreviation for Compound Annual Growth Rate.

Corporate Governance

It is 'the system by which companies are directed and controlled' by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

Currency (cash in hand)

Notes and coins that are of fixed nominal values and accepted as legal tender in an economy that are issued by the central bank and/or government. This category should also include currency that is no longer legal tender, but that can be exchanged immediately for current legal tender.

Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets
- Requires no or very little initial net investment
- It is settled at a future date

Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age and other factors. The risks of paying for the plan rest entirely with the plan.

Deferred Taxation

Sum set aside for tax in financial statements that will become payable/receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

Discount Rate

The rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Dividends

Distribution of earnings to shareholders prorated by the class of security and paid in the form of money, stock, scrip, and rarely company products or property.

Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio

Dividend per share (DPS) divided by the market value of share.

Earnings per Share (EPS)

Profit after taxation divided by the weighted average number of ordinary shares in issue.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Electrical, Office and Computer Equipment

All office equipment, other than those acquired through financial leases, that are used for the business, including counting and computing equipment, printers, scanners, photocopiers, fax machines, etc.

Finance Lease

The one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

The value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged/pledged assets in a forced/distressed sale conditions.

Forward Exchange Contract

Agreements between two parties to exchange two designated currencies at a specific time in the future.

Furniture and Fixture

All type of furniture and fixtures other than those acquired under financial leases for business are included.

Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

Head Office/Branch Adjustment Account

All adjustments made with head offices or branches and are payable.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is usually 'fixed to floating' or 'floating to floating' exchanges of interest rate between two parties. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating/floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter-party.

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest in Suspense

Interest suspended on non-performing loans and advances.

Investment/Market Ratios

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the Company's ability to generate profits.

KIBOR (Karachi Interbank Offered Rate)

The Interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

The interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

Liquidity Ratios

The Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

Non-Performing Loan

A loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

Non-Performing Loan-Substandard Category

Where mark-up/interest or principal is overdue by 90 days or more from the due date.

Non-Performing Loan-Doubtful Category

Where mark-up/interest or principal is overdue by 180 days or more from the due date.

Non-Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

Nostro Account

An account held with a bank outside Pakistan.

Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

Off Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the statement of financial position, but which give rise to contingencies and commitments.

Other Deposits

All claims of customers on banks/DFIs other than transferable or restricted deposits in national currency or in foreign currency that are represented by evidence of deposits. Banks/DFIs commonly raise funds through issuing certificate of deposits. This category also includes call deposits and special notice deposits.

Pakistan Investment Bonds (PIBs)

They are the long-term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 year.

Profitability Ratios

Used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer, and resale back to the seller at a future date and specified price.

Return on Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Return on Average Assets

Profit after tax divided by the average assets.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Retained Earnings

The category of retained earnings shows all earnings (after tax profit) from the overall operations of the banks/DFIs less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks of the banks/DFIs.

Revenue Reserves

Reserves set aside for future distribution and investment.

Subordinated Loans

Funds raised by the banks/DFIs from subsidiary companies, managed modarabas, associated undertakings, director or chief executives with the provision that all other liability holders have priority in the event of failure of the institution. Such debts are created by a subordination agreement under which a creditor acknowledges that his claim is secondary to the claim of other creditors, such as depositors.

Subsidiary Company

A company is a subsidiary of another company, if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

Treasury bills

These are short-term debt instrument issued by the government treasury to raise funds for the government or to regulate money supply through open market operations of the central bank. The market transactions are managed by the State Bank of Pakistan on behalf of the treasury.

Unrealised Gain on Forward Foreign Exchange Contracts

In a forward contract, the counter parties agree to exchange, on a specified date, a specified quantity of an underlying item (real or financial) at an agreed-upon contract price. Either party to a forward contract is a potential debtor. The unrealised gain to be received due to difference between the rates agreed upon and the rate prevailing in the market should be reported under this item. You lock in today's exchange rate instead of a volatile currency exchange rate in the future that could significantly devalue your purchasing power.

Unrealised Gain on Interest Rate Swaps

It is the exchange of one set of cash flows for another. A pre-set index, notional amount and set of dates of exchange determine each set of cash flows. The most common type of interest rate swap is the exchange of fixed rate flows for floating rate flows.

Vehicles

Vehicles (as assets) other than those acquired through financial leases consist of equipment for moving people and objects, other than any such equipment acquired by households for final consumption. Transport equipment such as motor vehicles, trailers, ships, aircrafts, motorcycles, bicycles, etc.

Weighted Average Cost of Deposits

Percentage of the total interest expense on average deposits of the bank for the period.

Glossary – Acronyms

AGM	Annual General Meeting
BAC	Board Audit Committee
BAFL	Bank Alfalah Limited
BCC	Board Compensation Committee
BHRNC	Board Human Resource and Nomination Committee
BRMC	Board Risk Management Committee
BSFC	Board Strategy and Finance Committee
BCP	Business Continuity Planning
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
HR	Human Resource
HRLG	Human Resource and Learning Group
L&DD	Learning and Development Division

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The website link of JamaPunji is available at the website of Bank Alfalah for the convenience and facilitation of shareholders and investors.

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 25th Annual General Meeting of the Bank to be held on Tuesday, March 28, 2017, at 10:00 AM and at any adjournment thereof.

As witness my/our hand this _____ day of _____, 2017

Witness:

Name:

CNIC/Passport No:

Address:

(Member's signature on
Rs.5/- Revenue Stamp)

1. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
2. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, Office No: 1705, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi-74000, not less than 48 hours before the time of the Meeting.
3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's Computerized National Identity Card, Account and Participant's ID numbers must be deposited alongwith the form of proxy with the Share Registrar. The proxy must produce his/her original identity card at the time of the Meeting. In case of proxy for corporate members, he/she should bring the usual documents required for such purpose.

بینک الفلاح لمیٹڈ

نمائندگی کا فارم (پراکسی فارم)

فولیو/سی ڈی سی اکاؤنٹ نمبر

میں مسٹی/مسماة ساکن _____
ضلع _____ بحیثیت ممبر بینک الفلاح لمیٹڈ مسٹی/مسماة _____
ساکن _____ یا انکی غیر حاضری کی صورت میں
مسٹی/مسماة ساکن _____
کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 25 ویں سالانہ اجلاس عام جو بتاریخ 28 مارچ 2017 بروز منگل، دن کے 10:00 بجے منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

گواہ (وٹنس) کے دستخط

(ممبر ارکن کے دستخط)
Rs.5/= کی رسیدی ٹکٹ پر

نام: _____
شناختی کارڈ نمبر: _____
پتہ: _____

اہم نکات

- 1- ایسا ممبر جو مینٹنگ میں شمولیت اور ووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر اپنے/اپنی پراکسی کے طور پر مینٹنگ میں شمولیت اور ووٹ دینے کیلئے نامزد کر سکتا ہے علاوہ ازیں کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔
- 2- ہر لحاظ سے مکمل پراکسی فارم اور پاور آف اٹارنی یا کوئی اور متعلقہ اتھارٹی جسکے تحت اس فارم کو مکمل کیا گیا ہو لازمی طور پر بینک کے شیئر رجسٹرار (ایف ڈی شیئر رجسٹرار) کے پتہ، آفس نمبر 1705، سترھویں منزل، صائمہ ٹریڈ ٹاور۔ اے، آئی آئی چندریگر روڈ کراچی، پر مینٹنگ سے 48 گھنٹے قبل جمع کر دیا جائے۔
- 3- سی ڈی سی اکاؤنٹ ہولڈر فرد کے لئے ضروری ہے کہ وہ ممبر کی تصدیق شدہ شناختی کارڈ کی کاپی مع سی ڈی سی اکاؤنٹ کی تفصیل شیئر رجسٹرار کو جمع کرائے۔ جبکہ پراکسی کا مینٹنگ کے وقت اور بجٹل شناختی کارڈ مہیا کرنا ضروری ہے۔



Bank Alfalah

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