

RESILIENT IN CHALLENGING TIMES

THE DIGITAL WAY FORWARD
ANNUAL REPORT 2020



Bank Alfalah
The Way Forward



PERSEVERANCE

We weathered the challenges and
continued to stand strong.





OPTIMISM

We look ahead to the new year with hope and confidence, ready to take on what it brings.



A scenic view of a winding asphalt road on a hillside at sunset or sunrise. The road curves through a landscape with some vegetation and a guardrail. The sky is filled with soft, warm light from the low sun, creating a hazy, golden atmosphere. A large, semi-transparent red box is overlaid on the middle of the image, containing the word "DETERMINATION" in large white letters and a paragraph of text below it.

DETERMINATION

Our journey has taken us through difficult terrains, but we remained committed to the way forward.



A high-speed photograph of a sprinter's foot in mid-stride on a track, with a large red rectangular overlay containing text.

PASSION

We move forward with passion
and focus, prepared to reach
new milestones.



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The Bank's financial statements are available at:
<https://www.bankalfalah.com/financial-reports/>

The President/CEO's video on the Bank's business performance and strategy is available at:
<https://www.bankalfalah.com/investor-relations/ceo-annual-review-message/>

Company Information

Board of Directors

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman/Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Dr. Gyorgy Tamas Ladics
Director

Dr. Ayesha Khan
Director

Atif Aslam Bajwa
President/CEO and Director

Senior Management Team

Atif Aslam Bajwa

President and Chief Executive Officer

Aasim Wajid Jawad

Group Head, Strategy, Transformation and Customer Experience

Anjum Hai

Chief Financial Officer

Faisal Farooq Khan

Group Head, Human Resource and Learning

Faisal Rabbani

Chief Risk Officer

Haroon Khalid

Group Head, Compliance and Control

Khawaja Muhammad Ahmed

Group Head, Operations and Corporate Services

Mehreen Ahmed

Group Head, Retail Banking

Mohib Hasan Khan

Chief Information Officer

Muhammad Akram Sawleh

Company Secretary and Group Head, Legal and Corporate Affairs

Dr. Muhammad Imran

Group Head, Islamic Banking

Muhammad Yahya Khan

Group Head, Digital Banking

Saad ur Rahman Khan

Group Head, Corporate, Investment Banking and International Business

Syed Ali Sultan

Group Head, Treasury and Capital Markets

Tahir Khurshid

Group Head, Audit and Inspection

Zahid Anjum

Group Head, Special Assets Management

Chief Financial Officer

Anjum Hai

Company Secretary

Muhammad Akram Sawleh

Auditors

EY Ford Rhodes

Chartered Accountants

Registered/Head Office

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

Share Registrar

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

Legal Advisor

Mandviwalla & Zafar
Advocates and Legal Consultants





CHAIRMAN'S MESSAGE

Chairman's Message

The COVID-19 pandemic has been a human, health, and economic crisis that deeply affected and continues to play havoc on communities around the world. Closer to home, the pandemic has affected the Bank Alfalah family, including our staff and customers. Our condolences go out to all those who have lost loved ones during this difficult time.

When the pandemic struck, the Bank's Board and Management played an integral role in steering the organisation through uncertainty. The pandemic accelerated our efforts to digitise our processes and develop innovative ways to stay connected with our customers. Our frontline workers across Pakistan deserve acknowledgment and praise for ensuring that financial services were optimally delivered during these turbulent times. Our achievements are due to their resilience and adaptability to the evolving environment. Our strong systems allowed seamless transition to remote ways of working with minimal service disruptions. We are determined to maintain this momentum so we may continue to provide our customers with the quality of service they associate with Bank Alfalah.

Along with protecting the Bank's assets and creating an enabling environment, we stepped up to support our people and local communities. Bank Alfalah established welfare funds, driven by employee contributions, which were matched by the Bank. The funds were used to distribute rations to vulnerable communities across Pakistan and to support the junior members of the Bank Alfalah staff, helping meet their healthcare and educational expenses. Our employees rose to the occasion and acted as our ambassadors, identifying areas and individuals who needed targeted assistance.

Partnering with the Government of Pakistan

Pakistan has fared better in the COVID-19 crisis than many other nations. This is attributable to prudent early lockdowns and stimulus measures extended by the Government, which have paved the way to economic recovery. The stimulus package provided cash assistance to 15 million vulnerable families, and supported SMEs, private-sector businesses, and large industries, shielding workers and averting bankruptcies. The construction package announced by the Prime Minister boosted the economy and led to job creation. The agriculture sector and small farmers in particular benefited from higher support prices and subsidies on fertilisers, bank credit and other farm inputs, including seeds and tractors. The ground realities are supportive of broad-based economic recovery in 2021, evident from steady growth in the manufacturing and services sectors.

Against this backdrop, I take great pride in informing you that Bank Alfalah has been a proactive ally of the State Bank of Pakistan and the Government of Pakistan in these initiatives. The Bank has rapidly adapted its policies and implemented business practices aligning itself with the regulator's goal to facilitate lending and bolster the economy against the impact of COVID-19. These schemes have helped hospitals scale up their infrastructure to combat the pandemic, and buoyed businesses by deferring loan repayments and securing payroll financing.

Bank Alfalah was also one of the two exclusive banks which partnered with the Government of Pakistan in the Ehsaas Emergency Cash Programme 2020, the largest social welfare fund in Pakistan's history. Under this programme, Bank Alfalah's agent network and branches supported our most vulnerable communities in the areas of Azad Jammu & Kashmir, Gilgit-Baltistan, and Khyber Pakhtunkhwa. A total of PKR 48 billion was disbursed to over 2.9 million beneficiaries, providing a lifeline to those whose livelihoods had been affected by the pandemic.

The Government of Pakistan took pioneering steps in creating the Roshan Digital Account for Non-Resident Pakistanis (NRPs), and Bank Alfalah is among the leading

commercial banks that spearheaded this initiative. This fully-digitised facility provides a mechanism for repatriating remittances into investments offering attractive returns. This has effectively extended the net of financial inclusion to the Pakistani diaspora and reflects the progressive vision that Pakistan is turning into a reality.

Other initiatives such as the Naya Pakistan Housing Scheme (NPHS) are also ushering in a new era of banking. Bank Alfalah is one of the partner banks and a member of the high-level steering committee working with the Governor of the State Bank and Government of Pakistan to materialise this low-cost housing scheme for the bottom of the pyramid.

At Bank Alfalah, we aspire to being the most customer-centric, innovative and caring bank in the country. In line with our vision, our strategic focus is to use innovation to exceed our customers' expectations with an ever evolving set of products and services to ensure unparalleled customer experience.

Going forward, we aim to grow our market share of liabilities and consumer products with enhanced focus on customers, adoption of a segmented sales approach, and use of technology and data analytics to drive our decision-making and day-to-day activities. We will continue to build on our SME offering and supply chain finance initiative through the largest set of tailored and unique product propositions and high service levels. Our commitment to trade, cash management and employee banking will accentuate performance.

Acceleration of digital transformation and business process re-engineering to increase operational efficiencies remains a key priority for the Bank. Collaboration with FinTechs to bring innovation to our products and processes, and supplement our digital banking product suite will be at the top of our agenda.

We recognise investment in human capital and a caring culture as fundamental ingredients of success. Our employees are the engine that drive our organisation on its journey to becoming Pakistan's leading bank. Resilience has come to mean more than the theme of our Annual Report; it forms a core tenet of the human resources strategy. We have always had a strong commitment to our people and our journey towards enhanced people happiness, and these challenging times were no exception.

We galvanised our leadership to lead for happiness and success by implementing a robust leadership development programme aimed at all levels across the hierarchy. This aligns with our vision of creating a culture that infuses our values into the workforce and increases their versatility. To this end, we continue to explore ways to embed agile ways of working in the organisation, looking to create an exceptional employee experience, and secure the top employer of choice position.

Acknowledgement

On behalf of the sponsors, I would like to thank our shareholders for placing their continued trust in the Bank Alfalah franchise. Despite the challenging circumstances facing Pakistan and the world at large, we remain focused on the way forward, and on deepening our relationships with our stakeholder universe. We will continue to reinforce our systems and infrastructures to remain resilient and, despite of the headwinds, we are poised to benefit from the uptick in business activity when the dust settles and the global and national situation begins to normalise in 2021.

As Chairman of the Board, I thank all shareholders for their patronage, and I am grateful to the regulatory authorities for their guidance and wisdom. Lastly, I thank the members of the Senior Management and all members of the Bank Alfalah family for their untiring efforts and contributions to the Bank's vision.

H.H. Sheikh Nahayan Mabarak Al Nahayan
Karachi
3rd February, 2021

A middle-aged man with grey hair and a mustache, wearing a dark blue suit, white shirt, and patterned tie, is seated at a dark wooden desk. He is looking towards the camera with a slight smile. His left hand is on a laptop, and his right hand is near an open notebook. A watch is visible on his left wrist. The background features a large window on the left and a wood-paneled wall on the right.

DIRECTORS' REPORT

Directors' Report to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Bank along with the Audited Financial Statements and Auditors' Report for the year ended 31st December, 2020.

Economic Review

Pakistan and the global economy were arguably defined in 2020 by the single variable of COVID-19. The pandemic triggered lockdowns and a wave of precautionary measures, which severely affected economic activity. On the flip side, however, governments and policymakers made a concerted effort to counter the impact through support and stimulus packages. While the success of vaccine trials during the latter part of the year inspired hope for fighting the virus, the supportive moves by policymakers also elicited a positive response from the economy, felt in varying degrees across key indicators.

Leading the headlines was the State Bank of Pakistan adopting an accommodative economic policy, slashing interest rates by a cumulative 625bps within a period of 3 months, and announcing a comprehensive package for both individual and corporate borrowers. In addition to this, the SBP announced a host of measures including Temporary Economic Refinance Facility (TERF) and SBP Rozgar Scheme, providing a much needed cushion to corporates and their workforce. The Government of Pakistan also announced a range of stimulus packages including social protection programme (Ehsaas) and construction package – the collective results of which gradually emerged as the year progressed.

In terms of key data points, improvement on the external front continued as the Current Account surplus for CY20 stood at USD 193 million as compared to a deficit of USD 7,143 million for the same period last year. This improvement in the CAD is attributable to a 9.4% decline in imports, which closed at USD 51 billion compared to USD 56 billion in CY19. Remittances for the same period have increased to USD 26 billion compared to USD 22 billion last year – an improvement of 17% on a YoY basis. Foreign Direct Investment however, decreased marginally by 3% to USD 2.15 billion as compared to USD 2.21 billion during the same period last year.

The currency also remained largely stable compared to the previous year, depreciating by a measured ~3.2% to close at 159.83 – as compared to a depreciation of ~11.0% last year. This is mostly attributable to the improvement in the external account position, deferment of debt repayment to G20, and inflows following the launch of Roshan Digital Account.

Inflation as measured by the Consumer Price Index (CPI) showed the impact of high base as the year progressed. While the January 2020 reading for YoY inflation was a staggering 14.6%, the readings towards the end of the year tapered off, closing near the 8% mark.

The KSE-100 index, which witnessed a V shaped recovery, corrected itself from its low of ~27,200 pts in March to end the year at ~43,800 pts; this reflected the rebound in confidence of market participants post the COVID crash. The recovery was led by domestic institutions and individuals, as foreign investors offloaded equities worth USD 571 million in 2020, as compared to a positive USD 56 million last year. Participation in the market also increased considerably in the latter part of the year with average traded volumes reaching 330 million shares – up by 107% on a YoY basis.

Outlook of the Economy

Heading into 2021, the success of the COVID vaccine will determine immediate term outlook on both the health and economic front. In terms of economic developments, re-initiation of the IMF programme will be keenly tracked by market participants. The IMF programme bodes well for international confidence in Pakistan and adds to our capability to tap international markets. In addition, it also holds significance on account of the follow through impact it has on fiscal management, especially the elimination of subsidies and inefficiencies, which in turn impact inflation and inflationary expectations.

International events will also shape the outlook, especially the inauguration of the new US President. With regional alliances reshaping, Pakistan's fate on the FATF grey list is under discussion, relevant due to the continued need for external support. Geopolitical events are likely to play an important role in how things pan out.

Banking Sector Review

The multi-pronged measures announced by the State Bank of Pakistan impacted banks in several ways. On one hand, the restructuring allowed corporate and individual borrowers to defer asset quality pressures triggered by COVID. On the other hand, the sharp cut in interest rates hurt margins. However, overall, the decline in interest expenses combined with lagged asset re-pricing cushioned profitability and the capital of the banks.

Banking sector deposits picked up pace after the lull observed in the last three years, growing by PKR 2.5 trillion (17.1% YoY) to PKR 17.1 trillion; much higher than the average 9.3% growth observed in the last three years (CY17-19).



More positively for banks, data shows that growth was skewed towards transactional deposits as the CASA ratio increased to 76% in Sep '20 vs. 75% in Dec '19.

Interest rates peaked at 13.25% in July 2019, which led to a rise in demand for PIBs vs. T-Bills. This was also fueled by the rise in foreign flows via SCRA, with net inflows of US\$ 153.9 million in CY20. During the year, the SBP reduced the policy rate by a cumulative 625bps within a period of three months starting March 2020, to counter the economic impact of COVID-19. Despite this, the lion's share of funding, from both deposits and borrowings, was deployed on the investments side, particularly in longer tenor government securities due to COVID risk positioning. This led to a 31% YoY growth in investments with IDRs rising to 67% vs. 60% during the same period last year.

Advances (gross) growth decelerated to 2% YoY, with gross advances standing at PKR 8.3 trillion, amidst a challenging macroeconomic environment and COVID uncertainties. Consequently, ADR declined to 48% from 56% in December 2019. In order to safeguard banks from credit stress during the pandemic and provide relief to consumers, the SBP directed banks to defer loan repayments (and resultant NPLs against specific loans) till June 2021 under the COVID-19 relief package.

Banks went a step ahead and proactively topped up general provisioning buffers, adopted subjective classification, and downgraded loans in anticipation of the end of the relief, which raised overall credit costs during CY20. NPLs increased by PKR 91.6 billion in 9MCY20 with the NPL ratio deteriorating to 9.9% in Sep '20 as compared to 8.6% in Dec '19.

Outlook of the Banking Sector

Reflecting the timely measures rolled out by the SBP, banking sector indicators remained stable. On the assets side, credit profile remained stable due to high exposure to the Government of Pakistan, while deposit-based funding and adequate liquidity buffers and provisioning cover remained in place.

On the profitability front, while NII will depend on the direction taken by interest rates, non-funded income is expected to remain strong in 2021. Additionally, the rally in capital markets could provide capital gain opportunities. Provisioning and credit costs will depend on when the relief on provisioning provided by the SBP lapses.

With regard to policy, implementation of IFRS-9 will shift the industry's approach to risk-based pricing on loans with pricing based on the likelihood of default. Similarly, any renewed pressure on documentation due to FATF or for taxation purposes could dampen the momentum re-emerging on the deposit side. However, banks are equipped to adapt to stringent regulatory requirements and economic challenges, backed by robust Internal Controls, customer confidence and the

SBP support. The industry is expected to maintain profitability and balance sheet strength and is poised for growth in 2021.

COVID-19 Pandemic

The coronavirus (COVID-19) pandemic has been an unprecedented and rapidly evolving catastrophe. Life has drastically changed as lockdowns, and social distancing have become the new norm. While the spread of COVID-19 has affected countries and economies across the world including Pakistan, swift action by the Government has contained the crisis and paid dividends as both reported cases and number of deaths from COVID-19 remained low. In the second half of the year, restrictions were relaxed however, the threat, while reduced, has not been eradicated.

The Government, in an effort to contain the spread of the virus without resorting to a lockdown, has restricted public gatherings and made masks mandatory. Public awareness campaigns have also been rolled out to encourage healthy practices like handwashing and social distancing. The federal government is making efforts to procure the COVID vaccine by the first quarter of 2021, and has set aside funds for the purpose.

Several independent experts, including the World Health Organisation Chief and philanthropist Bill Gates, applauded Pakistan's resilience in the face of the crisis at a time when more developed and resourceful countries struggled to avert the crisis.

Despite the early success, Pakistan is currently in the throes of a second coronavirus wave. Positivity rate (the percentage of people testing positive) and mortality rate (the percentage of people dying from the virus) have increased during the second wave.

A Crisis Management Committee was formed by the Bank at the outset of the pandemic, and it continues to monitor the situation within the Bank as well as on local and international fronts, and implement appropriate response measures. A Board level Coronavirus Crisis Management Committee has been set up to oversee and assist the Board of Directors and the Management in matters relating to COVID-19.

To minimise the exposure to and impact of COVID-19, the following measures have been taken:

• Employees

The Bank has significantly scaled down the on-ground headcount at its offices across Pakistan. The majority of our employees are working remotely (while maintaining strong IT security) to implement social distancing for our colleagues in critical front office roles. Internal communications regarding social distancing and hygiene are regularly disseminated for the benefit of the employees.

• Customers

From the outset, our priority has been to continue to provide uninterrupted service to our customers. The Bank has reached out to customers on how to best stay connected with the Bank through its full range of platforms, including digital and online channels, and apprised them of the regulatory changes being introduced by the State Bank of Pakistan. The priority has remained maintaining service levels, resolving customer complaints as per SLAs, continuing to meet the expectations of clients, and minimising the impact of the pandemic for the end customer.

• Communities

The Bank undertook an extensive relief programme to support communities and organisations against the impact of the pandemic. In an effort to support our community, especially the daily wage earners across the country whose lives have been most affected, we have introduced the Bank Alfalah COVID-19 Relief Programme for the daily wage earners. Through this programme, we assist credible charitable organisations across the country that have taken up the mantle and commenced operations to help some of the hardest hit communities, distributing food and medical supplies to needy daily wage earners. So far, cash donations, groceries and household need items worth Rs. 31.950 million have been distributed to support vulnerable communities. This includes employees' contribution of Rs. 12.219 million. Also,

medical institutes receiving donations utilised these funds to establish two equipped modular units for the treatment of COVID-19 patients, and provided protective equipment to frontline medical workers.

• Regulator

We are working closely with the State Bank of Pakistan and government agencies to support the economy. The SBP has responded to the crisis by introducing various regulatory measures to maintain the soundness of the banking system and to sustain economic activity. As advised by the regulator, we collaborated with our customers to ensure easy access to these benefits and relaxations. We provided assistance to over 4,800 customers through deferment/rescheduling of loans. Furthermore, fresh loans backed by the SBP refinance scheme (for wages and salaries) were extended to over 300 entities.

The Bank will continue to play its due role and take concrete steps to support employees, customers and communities, while balancing medium to long-term positioning.

The Bank's Performance

The highlights of the financial results for the year ended 31st December, 2020 are as follows:

	2020	2019
Financial Position	Rupees in Millions	
Shareholders' Equity	91,017	88,028
Total Deposits	881,767	782,284
Total Assets	1,384,874	1,065,311
Advances – net	577,316	511,236
Investments – net	547,090	299,098
	2020	2019
Financial Performance	Rupees in Millions	
Net Markup Income	44,705	44,896
Non-Markup Income	12,795	10,357
Non-Markup Expenses	32,032	29,843
Operating Profit	25,468	25,410
Provisions and write-offs (net)	7,589	3,029
Profit before Tax	17,878	22,382
Profit after Tax	10,475	12,696
Basic and Diluted earnings per share – Rupees	5.89	7.15



The Bank reported an operating profit of Rs. 25.468 billion for the year ended 31st December, 2020 marginally higher than Rs. 25.410 billion reported last year. Profit after taxation stood at Rs. 10.475 billion as compared to Rs. 12.696 billion for the last year, translating into earnings per share of Rs. 5.89 (2019: Rs. 7.15). General provision created against restructured loans, in view of the economic impact of the pandemic, resulted in decrease in profit after tax.

Net markup income and non-markup income were Rs. 57.499 billion, up 4.1%. Net markup income was 44.705 billion, flat versus the prior-year, with the impact of lower rates and certain COVID actions offset by balance sheet growth and mix. Non-markup revenue was Rs. 12.795 billion, up by 23.5%, with strong contribution from capital gains on government securities and FX gains. Fee and commission income declined due to low transaction volume amidst the lockdown, revenue recognition inline with IFRS 15 and regulatory waivers such as interbank funds transfer fee.

Non-markup expense was 32.032 billion, curtailed to 7.3%. The main cost drivers were higher staff costs, IT support and maintenance fee, the full year impact of new branches opened last year along with overall impact of inflation. Thus, the cost to income ratio of the Bank is 54.7%, slightly higher than last year.

During the year, in addition to subjective provisioning against clients showing credit weakening, the Bank has taken a general provision of Rs. 4.250 billion. Given an uncertain economic environment, the Bank anticipates that several borrowers will be impacted due to the pandemic. Many such borrowers have availed the SBP enabled deferment/restructuring and rescheduling relief, however, since the full potential effect of economic stress is difficult to predict, this general provision has been created as a buffer for the following year. The Bank is continually reviewing the portfolio to identify susceptible accounts and keeping the macroeconomic environment in view, this additional provision will be reviewed on quarterly basis.

The Bank's gross advances portfolio increased by Rs. 70.928 billion, i.e. 13.4% year on year. We continued to support our credit clients throughout this challenging period. Loans having principal over Rs. 52 billion were rescheduled under the SBP loan restructuring schemes and over Rs. 29 billion of fresh loans backed by the SBP refinance scheme (wage and salaries) were provided to over 300 entities. These were possible due to the wide range of policy interventions enacted by the central bank and the Government. While some measures were aimed at toning down the blow of financial tightening of financial conditions in the short term, others sought to support the flow of credit to corporates, SMEs and individuals, either by direct intervention in credit markets (government sponsored credit lines), or by

relaxing banks' constraints on the use of capital buffers. The Bank has non-performing advances of Rs. 25.860 billion and our NPL ratio remains at 4.3%. Loan coverage ratio stood at 91.2%.

Total deposits were Rs. 881.767 billion at the year end against Rs. 782.284 billion reported last year mainly led by growth in current accounts by 16.1%. Our CASA ratio improved to 79.8%, with the Bank outperforming peers on this front. The Bank's gross advances were reported at Rs. 600.899 billion and our gross advances to deposits ratio stands at 68.1%, and also remains an indicator where the Bank maintains a lead in the industry.

The Bank has issued a Medium Term Note (MTN) in the form of Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates ('TFCs'). The size of this MTN is up to Rs. 50 billion to be raised in multiple tranches having individual instrument maturities of 3 years or more and secured against government securities. The Bank has successfully raised Rs. 9 billion in respect of pre-IPO proceeds and Rs. 2 billion as IPO proceeds against the first tranche. The issue has been assigned a rating of AAA (Triple-A) by PACRA. The primary purpose for this TFC issuance is to hedge the Bank's fixed rate assets.

As at 31st December, 2020, the Bank remains adequately capitalised as outlined in the section on capital structure below.

Capital Structure of the Bank

The Bank remained well-capitalised with a capital base well above regulatory benchmarks and Basel capital requirements. It continues with a policy of sufficient profit retention to increase its risk absorption capacity. The Bank's total Capital Adequacy Ratio is 16.53% against the requirement of 11.50% (including Capital Conservation Buffer of 1.50% of the total Risk Weighted Assets (RWA). Quality of the capital is evident from the Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio, which comes to 11.55% against the requirement of 6.00%. The Bank has ample cushion in its capital base.

Business Performance Review

Business development, performance and position of the Bank, and its impact on the environment are discussed in detail in other sections of this Annual Report.

The Group's Performance

Bank Alfalah posted consolidated profit after tax (PAT) of Rs. 10.843 billion for the year ended 31st December, 2020 (2019: Rs. 13.032 billion). Earnings per share (EPS) were measured at Rs. 6.10 in comparison to Rs. 7.35 for the last year. The key contributor to the increase in the consolidated profit is the share of profit from associates amounting to Rs. 612.617 million (pre-tax).

The Bank has 61.20% shareholding in Alfalah CLSA Securities (Private) Limited (formerly Alfalah Securities (Private) Limited), which is engaged in the business of stock brokerage, investment banking, corporate finance and fund placements.

Performance of Subsidiary

Alfalah CLSA Securities earned an operating revenue of Rs. 238.200 million as compared to Rs. 134.366 million for the last year. Earnings per share for the year stood at Rs. 0.72 as compared to loss per share of Rs. 0.85 last year.

The first half of the FY saw the stock market plunge due to bearish sentiment amidst COVID-19 and its anticipated after effects. The fear of prolonged industry shutdown and resultant unemployment led to a sharp slide in the benchmark index and also in the average daily traded value (ADTV). This had a negative impact on the company's revenue and profitability in HY20. However, proactive management of affairs by the Government and the State Bank of Pakistan (SBP) leading to a drastic cut in the key discount rate helped stabilise the industry. Resultantly, Q3 onwards saw a sharp reversal in market volumes, a steep climb in the benchmark KSE100 index and subsequently, a return to profitability for the company.

For the upcoming year, the company expects economic growth to continue, albeit, at a slower pace. Market volumes are expected to remain at current high levels till HY21; and while a slight upward revision in interest rates from latter half of the year may slow the pace of growth in the benchmark index, as long as volumes remain strong, it should bode well for brokers.

Dividend, Bonus Shares and Other Appropriations

The Directors have recommended final payment of cash dividend of Rs. 2.0 per share (20%) for the year ended 31st December, 2020, subject to approval of the shareholders in the upcoming Annual General Meeting, bringing the total cash dividend for the year to Rs. 4.0 per share. The Board had earlier declared and paid an interim cash dividend of Rs. 2.0 per share (20%).

Additionally, the Board has approved an appropriation of Rs. 1.047 billion from the current year's profit to the statutory reserve in compliance with the requirements of the Banking Companies Ordinance, 1962.

Credit Rating

The Bank has been assigned an Entity Rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term by PACRA, with Outlook assigned as 'Stable'. During the year, the unsecured subordinated debt (Term Finance Certificates – TFC V) of the Bank was redeemed by exercising a call option; previously, it was assigned a credit rating of 'AA' (Double A), with Outlook assigned as 'Stable'.

PACRA has assigned AAA (Triple-A) to the Bank's Medium Term Note (MTN) which is a Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificate (TFCs).

Furthermore, VIS Credit Rating Company Limited (VIS) also assigned an entity rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term to the Bank, with Outlook assigned as 'Stable'. The unsecured Tier 1 Capital (Term Finance Certificate) of the Bank has been awarded a credit rating of 'AA-' (Double A Minus), with 'Stable' Outlook.

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 Bank is in compliance with significant requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The prescribed statement by the Management together with the Auditors' Review Report thereon is annexed to the Annual Report.

The Directors are pleased to give the following statements required under Chapter XII - Reporting and Disclosure of the aforementioned Regulations:

1. The total number of Directors are nine:

i. Male	Eight
ii. Female	One
2. The composition of the Board is as follows:

i. Independent Directors	Three
(including a female Director)	
ii. Non-Executive Directors	Five
iii. Executive Directors	One
3. The Board, from time to time, establishes committees to discharge its responsibilities. For each board committee, the Board adopts a formal Terms of Reference (ToRs) setting out the matters relevant to composition, roles, functions, responsibilities and administration. The following committees have been constituted by the Board:
 - i. Board Audit Committee
 - ii. Board Strategy and Finance Committee
 - iii. Board Risk Management Committee
 - iv. Board Human Resource, Remuneration and Nomination Committee
 - v. Board Information Technology Committee
 - vi. Board Compensation Committee
 - vii. Board Coronavirus Crisis Management Committee

For committees' members and ToRs, please refer to the Corporate Governance section of the Annual Report.

4. In accordance with the Regulations, the Bank has formulated a formal policy and transparent procedure for remuneration of Directors, which was unanimously approved by the shareholders of the Bank in the 28th Annual General Meeting, held on 27th March, 2020. The payment of Directors' meetings fees, as reported in note 39 of the financial statements, is approved by the members on post facto basis every year to meet the requirement of the SBP Prudential Regulations.

As a matter of best practice, the Directors are pleased to give the following statements:

- a) The financial statements, prepared by the Management, present fairly the state of affairs of the Bank, 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, as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;
- e) The system of Internal Controls 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;
- h) Summarised key operating and financial data of last six years has been presented as part of the Annual Report;
- i) The number of Board and Board Committee meetings held during the year 2020 and the attendance by each director are disclosed in Governance section of this Annual Report;
- j) As at 31st December, 2020, the Bank is compliant in respect to the Director's training requirement provided in the Code of Corporate Governance;
- k) The pattern of shareholding is attached as part of this Annual Report;
- l) There are no loans, TFCs, sukuk or any other debt instruments in which the Bank is in default or likely to default;
- m) 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; and
- n) The Board performance was self-evaluated by the Individual Directors during 2020.

Risk Management

The Bank has a well-structured and strong risk management approach. Our risk framework, key risks and opportunities have been detailed in the 'Risks and Opportunities' section of this Annual Report.

Internal Controls

The Board considers a sound control framework as the key to sustainable growth and a vehicle for value creation. In accordance with Board vision and in line with the SBP and the SECP guidelines, the Management has implemented a comprehensive governance and control framework 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.

The Bank has a dedicated Internal Control Division (ICD), which, through its regular onsite visits and offsite thematic reviews facilitates the Management in timely identification and resolution of key control/compliance risk exposures which can affect the Bank adversely. The ICD helps Management ensure that the Bank's operations are carried out as per defined procedures: transactions are recorded on timely manner; financial and management reporting is accurate, reliable and complete; and the Bank is compliant with the applicable laws, regulations and policies. In 2020, ICD further improved 'ICD Dashboard', a centralised digital tool to monitor controls, by introducing various AML/CFT related alerts in order to mitigate controls risk exposure and safeguard the Bank from any financial or reputational losses. Besides ICD, Compliance Division, Risk Management Division, Customer Due Diligence Department, Compliance Risk Management Unit and Internal Control on Financial Reporting (ICFR) Unit are also integral parts of the Bank's control framework, helping the Bank improve controls.

The Bank's ICFR exercise is conducted yearly as per the SBP directives. The objective is to review the processes and controls over key areas of the Bank's operations, which affect financial reporting. ICFR unit within Finance Division and Internal Control Division within Compliance Group perform tests of controls for all management functions. The Bank's Internal Controls Division is engaged in field reviews to create synergy and enhance the efficiency of the management testing cycle. The Bank has received an exemption for External Auditors' assessment from the SBP for the year 2020 and onwards. Accordingly, w.a.f. 2020, the Internal Audit of the Bank will submit an annual assessment report on efficacy of the ICFR function to the Board Audit Committee and the SBP.

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

The Board also obtains regular independent opinion regarding control health of the Bank through an independent and well-functioning Audit and Inspection Setup, which is reporting to the Board through the Board Audit Committee. Remedial actions against control breaches are advised and followed up by the Board Audit Committee as well.

The Board endorses the Management's evaluation of 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 all our stakeholders. Corporate Social Responsibility (CSR) is an instrument of positive change and continues to be one of the most important aspects of our business.

We are firm in our commitment to operate within an ethical framework, while contributing to socio-economic development. As we continue to build responsible business practices across the Bank, we ensure that we capture every opportunity, deepening the impact of our Corporate Social Responsibility and philanthropic footprint. During the year, the Bank made charitable donations amounting to Rs. 19,731 million to different educational and other charitable institutions. The Bank also played a pivotal role to combat the impact of COVID-19. For details on the Bank's efforts on this front, please see 'COVID-19 Pandemic' section of the Directors' Report.

As a Bank, we are focused on energy conservation initiatives and providing sustainable finance. We work to improve the communities around us, especially within the health and education sectors.

External Audit

The Bank has received an unqualified audit report for the year ended 31st December, 2020, from its External Auditors, M/s EY Ford Rhodes, Chartered Accountants.

M/s EY Ford Rhodes, Chartered Accountants, existing auditors of the Bank, have given consent to continue to act as auditors of the Bank for the year 2021, if so appointed. The Audit Committee has recommended their name for re-appointment for the next year.

The firm of 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.

Future Outlook

Looking ahead, Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value. Our focus will be on harnessing technology to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We will work hard to regain and grow our market share in low cost deposits, consumer products and SME financing. We look forward to expanding our branch network to widen our reach and serve our customers. Greater emphasis will be on boosting trade volumes, increasing penetration in cash management with a focus on SME/commercial clients. To cope with changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering. At the same time, investing in human capital and creating a caring culture, will remain a key priority.

Uncertainties that could Affect the Bank's Resources, Revenues and Operations

All projections are, by nature, subject to risks and uncertainties, some beyond control. Factors that may potentially affect the Bank's resources, revenues and operations are:

- Decisions on discount rate/monetary policy;
- Impact of COVID-19 on economic activity and business operations;
- Geopolitical risks and uncertainties across the geography that we operate in;
- Law and order situation;
- Local government rules and regulations;
- Trade policies of trade partner countries;
- Inflation, fuel and general commodity prices; and
- Corporate taxation measures.

The Bank's Risk Management Group performs stress testing against various pre-determined scenarios to analyse potential losses and to determine whether the Bank has enough capital to withstand the impact of adverse economic developments. The results of such tests have showed that the Bank has adequate capital, liquidity and profitability to bear such losses.

The Bank continually monitors these uncertainties and risks. It takes corrective and protective measures to maintain performance and protect shareholder interests.

Subsequent Events

There are no significant post balance sheet events, which could materially affect the company's performance as presented in these financials or could have required a disclosure of facts.

Acknowledgement

On behalf of the Board, we would like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Ministry of Finance, and other regulatory authorities for their continuous guidance and support. At the same time, we would like to express our gratitude to our shareholders, our customers and business partners for their continued patronage.

Our values are to put our customers and their needs front and centre, to achieve good results, but to do so in a way that treats all our stakeholders – employees, customers, regulators and shareholders – in a fair and transparent manner. This we believe is the RIGHT WAY and will continue to govern our actions.

We expect Pakistan's economy to move forward with a modest growth trajectory. Pakistan needs to attract investments to boost economic growth, which largely depends on continued stability, a better investment climate and enabling policy reforms. We look forward to seeing 2021 as a prosperous year for Pakistan and Bank Alfalah.

Atif Aslam Bajwa
President and Chief Executive Officer
Karachi
3rd February, 2021

Khalid Qurashi
Director

بینک کا رسک منیجمنٹ گروپ مختلف پیشگی تعین کردہ صورتحال میں اسٹریٹجی ٹیسٹنگ کرتا ہے تاکہ ہونے والے ممکنہ نقصانات کا تجزیہ کیا جاسکے اور بینک کے پاس مناسب سرمائے کا تعین کرنا تاکہ برے معاشی حالات کا سامنا کر سکے۔ ایسی جانچ کے نتائج نے ظاہر کیا کہ ایسے نقصانات کو برداشت کرنے کیلئے بینک کے پاس مناسب کیپٹل، لیکوئڈٹی اور منافع کمانے کی اہلیت موجود ہے۔

بینک ان غیر یقینی صورتحال اور خطرات کی مسلسل نگرانی کرتا ہے۔ وہ مسلسل درست اور محفوظ اقدامات اٹھاتا ہے تاکہ کارکردگی برقرار رہے اور شیئر ہولڈر کے مفادات محفوظ رہیں۔

بعد کے واقعات

کوئی پوسٹ بیلنس شیٹ واقعات نہیں ہیں جو کمپنی کی کارکردگی پر اثر انداز ہوسکے جیسا کہ ان فنانشیلز میں بیان کیا گیا ہے یا حقائق کے افشاء ہونا درکار ہوسکتا ہے۔

اظہار تشکر

میں بورڈ آف ڈائریکٹرز کی جانب سے ایک بار پھر اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن 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 شیئر ہولڈرز، صارفین اور کاروباری شریک کا بھی تہہ دل سے شکر گزار ہوں۔

ہم اپنی اقدار کے مطابق اپنے کسٹمر کی ضروریات کو پورا کرنے کیلئے کوشاں ہیں تاکہ بہتر نتائج ملیں اور ہمارے اسٹیک ہولڈرز، عملہ، کسٹمر، ریگولیٹر اور شیئر ہولڈرز بھی مطمئن ہوں۔ ہمیں یقین ہے کہ یہی درست راستہ ہے اور اس پر چلتے ہوئے ہی ہمارے اقدامات موزوں طریقے سے لاگو ہوں گے۔

ہمیں توقع ہے کہ پاکستانی معیشت میں بہتر نمو نظر آنے لگی۔ پاکستان کو پُرکشش سرمایہ کاری کی ضرورت ہے تاکہ معاشی ترقی تیزی سے بڑھے جس کا انحصار مسلسل استحکام، سرمایہ کاری کا بہتر ماحول اور پالیسی کی اصلاحات پر ہے۔ ہم 2021 کو پاکستان اور بینک الفلاح کی خوشحالی کے سال کے طور پر دیکھتے ہیں۔

خالد قریشی

ڈائریکٹر

عاطف اسلم باجوہ

صدر اور چیف ایگزیکٹو آفیسر

کراچی

3 فروری، 2021

آگے سالوں کیلئے اسٹیٹ بینک آف پاکستان کی طرف سے ایکسٹرنل آڈیٹرز کی اسسٹنٹ کیلئے استثناء وصول کی ہے۔ اسی طرح W.B.F. 2020 میں بینک کا انٹرنل آڈٹ آئی سی ایف آر کے فعل کی ایک سالانہ تخمینہ رپورٹ بورڈ آڈٹ کمیٹی اور اسٹیٹ بینک آف پاکستان کو فراہم کرے گا۔

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، فنڈس 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۔

کنٹرول ہیلتھ کے حوالے سے بینک آزاد اور فعال آڈٹ اور انسپکشن سیٹ کے ذریعے باقاعدگی سے غیر جانبدار مؤقف حاصل کرتا رہتا ہے جو بورڈ آڈٹ کمیٹی کے ذریعے بورڈ کو جوابدہ ہے۔ کنٹرول کی خلاف ورزی کے مسائل کے حل کیلئے بورڈ آڈٹ کمیٹی کی جانب سے تجاویز حاصل کی جاتی ہیں اور ان کے اطلاق کیلئے نگرانی کی جاتی ہے۔

بورڈ نے انٹرنل کنٹرول کی صلاحیت سے متعلق کی جانے والی منیجمنٹ کی قدر پیمانی (ایولوشن) کی توثیق کی ہے، جس میں آئی سی ایف آر بھی شامل ہے۔ اور اس 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 شینر ہولڈرز کے ساتھ گہرا تعلق استوار کر کے کاروبار کرنا ہے۔ کارپوریٹ سماجی ذمہ داریوں کی ادائیگی مثبت تبدیلی کے لیے ایک اہم آلہ ہے اور اسے ہمارے کاروبار میں واضح اہمیت حاصل ہے۔

ہم پختہ عزم کے ساتھ اخلاقی فریم ورک کے دائرے میں رہتے ہوئے سماجی و معاشی ترقی میں اپنا بھرپور کردار ادا کر رہے ہیں۔ ہم بینک میں ذمہ دارانہ کاروباری عمل کو جاری رکھتے ہوئے یقینی بناتے ہیں کہ ہم نے ہر موقع سے فائدہ اٹھا یا ہے جس سے ہمارے کارپوریٹ سوشل ریسپانسیبلٹی اور فاعی کاموں کے اثر کو بڑھانے میں مدد ملے سال کے دوران بینک نے 19,731 ملین روپے کی رقم مختلف تعلیمی اور خیراتی اداروں کو عطیہ کی ہے۔ بینک نے COVID-19 پر قابو پانے کے لیے بھی اہم کردار ادا کیا ہے۔ تفصیلات کے لیے ڈائریکٹر رپورٹ کا COVID-19 وباء کا سیکشن کا مطالعہ کریں۔

بطور بینک ہم اترجی کنزرویشن اقدامات اور پائیدار فنڈس کی فراہمی پر توجہ دے رہے ہیں۔ ہم اپنے ارد گرد موجود کمیونٹیز کے حالات بہتر بنانے کیلئے کام کر رہے ہیں، خصوصاً صحت اور تعلیم کے شعبے میں۔

ایکسٹرنل آڈٹ

بینک نے اپنے ایکسٹرنل آڈیٹر، میسرز ای وائی فورڈ روڈیز، چارٹرڈ اکاؤنٹنٹس سے 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے آن کوالیفائیڈ آڈٹ رپورٹ حاصل کی ہے۔

بینک کے موجودہ آڈیٹرز میسرز ای وائی فورڈ روڈیز اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے سال 2021 کے لیے بھی بینک کے آڈیٹرز کے طور پر کام جاری رکھنے کی رضامندی دی ہے اگر نامزد کیا جاتا ہے۔ آڈٹ کمیٹی نے اگلے سال کیلئے ان کا نام بطور ایکسٹرنل آڈیٹرز تجویز کیا ہے۔

ایکسٹرنل آڈیٹرز کی فرم 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 اینٹیکس 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۔

آگے بڑھنے کا عزم

بینک الفلاح مستحکم نمو اور شینر ہولڈرز کے لیے مستقل بنیادوں پر ویلیو بنانے کی مؤثر پوزیشن میں ہے۔ ہماری توجہ کا مرکز ٹیکنالوجی کا حصول ہے تاکہ یقینی بنایا جاسکے کہ صارفین کی بینکنگ ضروریات کو ٹیکنالوجی کے لحاظ سے ایڈوانسڈ، سیکیور اور باسہولت طریقے سے پورا کیا جا رہا ہے۔ ہم سخت محنت سے کم لاگتی ڈیپازٹس، کنزیومر پروڈکٹس اور ایس ایم ای فنڈسنگ میں مارکیٹ شیئر کو دوبارہ حاصل کرنے اور بڑھانے کی کوشش کریں گے۔ ہم اپنی ہر انچوں میں اضافہ بھی کرنا چاہتے ہیں تاکہ صارفین با آسانی ہم تک پہنچ سکیں۔ ہماری توجہ زیادہ تر ایس ایم ای / کمرشل کلائنٹس پر ہوگی تاکہ ٹریڈ والیومز کو بڑھانے، کیش مینجمنٹ میں بہتری آئے۔ کاروبار کے بدلنے ڈائنامکس کے ساتھ ہم ڈیجیٹل ٹرانسفارمیشن کو بڑھانیں گے اور بزنس پروسس ری انجینئرنگ پر توجہ دیں گے۔ اسی کے ساتھ ساتھ ہیومن کیپیٹل میں سرمایہ کاری اور محفوظ ماحول بنانے میں سرمایہ کاری کریں گے جو کہ ہماری اولین ترجیح رہے گی۔

غیر یقینی صورتحال جو بینک کے ذرائع، منافع اور آپریشنز پر اثر انداز ہو سکتی ہے

تسام بیان کی نوعیت خطرے اور یقینی صورتحال سے مشروط ہے ان میں کچھ قابو سے باہر ہیں۔ ممکنہ طور پر بینک کے ذرائع، منافع اور آپریشنز پر اثر انداز ہونے والے عناصر درج ذیل ہیں:

- ڈسکاؤنٹ ریٹ / مانیٹری پالیسی کے حوالے سے فیصلے
- معاشی سرگرمی اور کاروباری آپریشنز پر COVID-19 کا اثر
- جہاں ہم آپریٹ کرتے ہیں وہاں کے خطے میں جیو پالیٹکل خطرات اور غیر یقینی صورتحال
- امن و امان کی صورتحال
- مقامی حکومت کے قوانین
- ٹریڈ پارٹنر ملکوں کی ٹریڈ پالیسیز
- افراط زر، فیل اور عام اجناس کی قیمتیں
- کارپوریٹ ٹیکسیشن کے پیمانے



۱. بورڈ آڈٹ کمیٹی

۱۱. بورڈ اسٹریٹجی اینڈ فنانس کمیٹی

۱۱۱. بورڈ رسک مینجمنٹ کمیٹی

۱۷. بورڈ ہیومن ریسورس، ریمونیفیشن اینڈ نومینیشن کمیٹی

۷. بورڈ انفارمیشن ٹیکنالوجی کمیٹی

۷۱. بورڈ کمپننسیشن کمیٹی

۷۱۱. بورڈ کورونا وائرس، کرائسز مینجمنٹ کمیٹی

۱۱. بینک میں ڈائریکٹرز، ایگزیکٹوز اور ان کی ازدواج اور کم سن بچوں کی شیفرز کا ٹریڈنگ پیٹرن سالانہ رپورٹ کے ساتھ جاری کیا گیا ہے اور n. سال 2020 کے دوران انفرادی ڈائریکٹرز کی طرف سے بورڈ کی کارکردگی کا خود تھمیینہ لگایا گیا۔

رسک مینجمنٹ

بینک کی رسک مینجمنٹ بہت اسٹرکچرڈ اور مستحکم ہے۔ ہمارا رسک فریم ورک، اہم خطرات اور مواقع کے بارے میں اس سالانہ رپورٹ کے سیکشن 'رسک اور مواقع' میں تفصیل سے بیان کیے گئے ہیں۔

اندرونی کنٹرول

بورڈ کی نظر میں پائیدار نمو اور قدر بنانے کیلئے بہترین کنٹرول فریم ورک ضروری ہے۔ آپریشنز کی کارکردگی بڑھانے اور انہیں مؤثر بنانے، قانونی تقاضوں سے مطابقت اور فنانشل رپورٹنگ کا قابل پھروسہ ہونے کو یقینی بنانے کیلئے بورڈ کے فہم اور ایس بی پی اور ایس ای سی پی کی رہنما ہدایات کے مطابق مینجمنٹ جامع گورننس اور کنٹرول فریم ورک کے اطلاق کیلئے کوشاں ہے۔ بینک کے مجموعی اہداف حاصل کرنے کے لئے ناکامی کے خدشات کی نشاندہی اور ان سے نمٹنے کے لئے موزوں سسٹمز، پراسیسز اور کنٹرولز نافذ کیے گئے ہیں۔

بینک کا مخصوص انٹرنل کنٹرول ڈپارٹمنٹ ہے، یہ مینجمنٹ کو بروقت اہم کنٹرول رسک مسائل جو بینک پر برے اثرات مرتب کر سکتے ہیں، باقاعدگی سے آن سائٹ فیلڈ وزٹ اور آف سائٹ تھیسٹک ریویوز سے ان کی نشاندہی اور انہیں حل کرنے میں معاونت کرتا ہے۔ آئی سی ڈی مینجمنٹ کی مدد کرتے ہوئے یقینی بناتا ہے کہ بینک کے آپریشنز طے کردہ طریقوں سے مکمل ہوتے ہیں، تمام فنانشل ٹرانزیکشنز بروقت ریکارڈ ہوتی ہیں، فنانشل اور مینجمنٹ رپورٹنگ درست، قابل پھروسہ اور مکمل ہے اور بینک لاگو قوانین، ریگولیشنز اور پالیسیز سے ہم آہنگ ہے۔ 2020 میں آئی سی ڈی نے 'آئی سی ڈی ڈیش بورڈ' کو مزید مستحکم کیا، ایک سیپتھ لائنڈ ڈیجیٹل ٹول جو کنٹرولز کی نگرانی کرتا ہے، اس سے کئی اے ایم ایل / سی ایف ٹی الرٹس متعارف ہوئے۔ مختلف نوعیت کے کنٹرول رسک ایسپوزر کی شناخت اور تعداد کیلئے بورڈ کی رہنمائی میں آئی سی ڈی نے جامعہ گریڈنگ فریم ورک متعارف کروایا جس سے مینجمنٹ کو کنٹرول کے مسائل کو حل کرنے کیلئے حکمت عملی ترتیب میں مدد ملے گی۔ آئی سی ڈی کے ساتھ کمپلائنس ڈویژن اور رسک مینجمنٹ ڈویژن بی اے ایف ایل کنٹرول فریم کے لازمی حصے ہیں اور مینجمنٹ کو کنٹرولز کو بہتر بنانے میں معاونت کرتے ہیں۔

اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق، ہر سال بینک کے آئی سی ایف آر کے عمل درآمد کو عمل میں لایا جاتا ہے۔ اس کا مقصد بینک کے آپریشنز کے اہم حصوں کے پروسسز اور کنٹرولز کا جائزہ لینا جس سے فنانشل رپورٹنگ پر اثر پڑتا ہے۔ مینجمنٹ کے تمام فعلوں کے لئے فنانس ڈیویژن میں آئی سی ایف آر یونٹ اور کمپلائنس گروپ میں انٹرنل کنٹرول ڈیویژن ٹیسٹ کرتی ہے۔ بینک کی انٹرنل کنٹرول ڈیویژن فیلڈ کے جائزوں میں مصروف ہے تاکہ مینجمنٹ ٹیسٹنگ سائیکل کے حصے کے طور پر ہم آہنگی اور کارکردگی میں اضافہ لایا جائے، بینک نے سال 2020 اور اس سے

کمیٹی ممبرز اور ٹی او آر کیلئے برائے مہربانی سالانہ رپورٹ کا کارپوریٹ گورننس سیکشن کا مطالعہ کریں۔

a. ریگولیشنز کے مطابق، بینک نے ڈائریکٹرز کے ریمونیفیشن کے لئے ایک فارمل پالیسی اور شفاف طریقہ تشکیل دیا ہے، جو کہ 27 مارچ 2020 کو ہونے والے 28 ویں سالانہ اجلاس عام میں شیفر بولڈرز کی طرف سے منظور کیا گیا۔ ڈائریکٹرز کی مینڈیٹ فیس کی ادائیگی جو مالی گوشواروں کے نوٹ 39 میں بیان کیا گیا، اسٹیٹ بینک آف پاکستان کے پروڈینشل ریگولیشنز کی ضروریات کو پورا کرنے کے لئے ہر سال پوسٹ فیکٹو کی بنیاد پر ممبر کی جانب سے منظور کی گئی۔

بہترین پریکٹس کیلئے ڈائریکٹرز کی جانب سے مندرجہ ذیل بیان دیا جا رہا ہے:

a. 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۔

b. بینک کے اکاؤنٹس (حسابات) کی درست کتابیں مرتب کی گئی ہیں۔

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

d. فنانشل اسٹیٹمنٹس کی تیاری میں پاکستان کے بینکوں پر لاگو ہونے والے عالمی فنانشل رپورٹنگ معیارات کی پاسداری کی گئی ہے۔

e. انٹرنل کنٹرول کا سسٹم ڈیزائن کے لحاظ سے مضبوط ہونے کے ساتھ مؤثر انداز میں نافذ اور مانٹر کیا جا رہا ہے۔

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

g. اختیار کردہ کارپوریٹ گورننس اصولوں سے انحراف نہیں کیا گیا۔

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

۱. سال 2020 کے دوران بورڈ اور بورڈ کمیٹی کے اجلاس اور ڈائریکٹرز کی شرکت کی انفرادی تفصیل کارپوریٹ گورننس سیکشن میں درج ہے۔

۲. اس طرح 31 دسمبر 2020 کی مدت کے اختتام پر بینک کوڈ آف کارپوریٹ گورننس کے تحت ڈائریکٹرز کی تربیت کا تقاضہ بھی پورا کر چکا ہے۔

۳. شیفر بولڈنگ کا پیٹرن اس رپورٹ کے ساتھ منسلک ہے۔

۱. بینک کسی بھی قسم کے قرض، ٹی ایف سیز، سکوک یا دیگر قرضوں کے کسی دوسرے انسٹرومینٹ کا نایہ بندہ نہیں ہے اور اس کی ناپہندگی کا کوئی خدشہ نہیں ہے۔

بینک الفلاح نے 31 دسمبر، 2020 کو سال کے اختتام پر 10.843 ارب روپے کا بعد از ٹیکس مجموعی منافع کا اعلان کیا ہے (2019 میں 13.032 ارب روپے)۔ پچھلے سال 7.35 روپے کے مقابلے میں آمدنی فی شیئر 6.10 روپے رہی۔ اس مجموعی منافع کی اہم وجہ منافع کے شیئر سے حاصل کردہ 612.617 ملین روپے (قبل از ٹیکس) کی منسلکہ رقم ہے۔

بینک کی 61.20 فیصد شیئر ہولڈنگ الفلاح سی ایل ایس اے سیکورٹیز (پرائیویٹ) لمیٹڈ (سابقہ الفلاح سیکورٹیز (پرائیویٹ) لمیٹڈ) میں ہے جو اسٹاک بروکیج کے کاروبار، سرمایہ کارانہ بینکنگ، کارپوریٹ فنانش اور فنڈ کی سرمایہ کاری سے منسلک ہے۔

سبسڈیری کی کارکردگی

الفلاح سی ایل ایس اے سیکورٹیز نے 238.200 ملین روپے کا آپریٹنگ ریونیو حاصل کیا جو کہ پچھلے سال کے لیے 134.366 ملین روپے تھا۔ اس سال کے لیے آمدنی فی شیئر 0.72 روپے رہی جبکہ پچھلے سال فی شیئر نقصان کے ساتھ 0.85 روپے تھی۔

مالی سال کی پہلی ششماہی میں COVID-19 اور اس کے بعد کے اثرات کی وجہ سے اسٹاک مارکیٹ گر گئی۔ انڈسٹری کی طویل عرصے تک بندش اور اس کے نتیجے میں بے روزگاری کے خوف کی وجہ سے بینج مارک انڈیکس میں تیزی سے کمی آئی اور اوسط روزانہ تجارتی قیمت بھی کمی ہوئی۔ اس سے ششماہی سال 2020 میں کمپنی کے ریونیو اور منافع پر منفی اثرات بھی پڑے۔ تاہم، حکومت اور اسٹیت بینک آف پاکستان کی طرف سے معاملات کے سلسلے میں پیش قدم انتظام نے اہم ڈسکاؤنٹ شرحوں میں کٹوتی کی جس سے ملک بھر میں انڈسٹری کا توازن برقرار رکھنے میں مدد ملی۔ اس کے نتیجے میں، تیسری سہ ماہی سے آگے مارکیٹ والیومز میں تیزی سے ریورسل حاصل ہوئے، بینج مارک KSE100 انڈیکس میں اضافہ ہوا اور اس کے بعد کمپنی کو منافع حاصل ہوا۔

آنے والے سال کے لیے، کمپنی آہستہ آہستہ معاشی ترقی کو جاری رکھنے کی توقع رکھتی ہے۔ توقع ہے کہ 2021 کی ششماہی تک مارکیٹ والیومز حالیہ بلنڈ لیولز پر برقرار رہیں گے، مئی کے بعد سے سودی شرحوں میں تھوڑا اضافہ بینج مارک انڈیکس کی ترقی کی رفتار کو کم کر سکتا ہے لیکن جب تک والیومز مستحکم ہیں یہ بروکرز کے لیے اچھی پیش گوئی ہے۔

بزنس شیئر اور ڈیویڈنڈ

31 دسمبر 2020 کو ختم ہونے والے سال کے لیے ڈائریکٹرز نے کیش ڈیویڈنڈ 2.0 روپے فی شیئر (20 فیصد) حتمی ادائیگی کی تجویز دی ہے جو آنے والے سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری سے مشروط ہے، اس سال کیلئے کل کیش ڈیویڈنڈ 4.0 روپے فی شیئر ہے۔ بورڈ نے پہلے ہی عبوری کیش ڈیویڈنڈ 2.0 روپے فی شیئر (20 فیصد) کا اعلان اور ادائیگی کر دی ہے۔

اس کے علاوہ، بورڈ نے بینکنگ کمپنیز آرڈیننس 1962 کی ضروریات کی تعمیل میں حالیہ سال کے قانونی ذخائر کے منافع سے 1.047 ارب روپے مختص کرنے کی منظوری دے دی ہے۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی گئی۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ سال کے دوران، بینک کے ان سیکورڈ سب آرڈینیٹ ڈیٹ (ٹرم فنانش سرٹیفکیٹ - ٹی ایف سی - V) کو کال آپشن کے ذریعے ریڈیم کیا گیا۔ اس سے پہلے AA (ڈبل اے) ریٹنگ تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

PACRA نے بینک کے میڈیم ٹرم نوٹ کو AAA (ٹریپل اے) کی ریٹنگ تفویض کی ہے جو کہ ایک ریڈ، سیکورڈ، لسٹڈ، ریڈیم اہل فکسڈ ریٹ ٹرم فنانش سرٹیفکیٹ ہیں۔

کریڈٹ ریٹنگ کمپنی JCR-VIS نے بینک الفلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ بینک کے ان سیکورڈ Tier 1 کیپٹل (ٹرم فنانش سرٹیفکیٹ) کو AA- (ڈبل اے مائنس) ریٹنگ تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

مذکورہ کریڈٹ ریٹنگ بینک الفلاح کے مفتوح 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

بینک لسٹڈ کمپنیز (کوڈ آف گورننس) ریگولیشنز 2019 سے متعلق بیشتر تقاضوں کو پورا کر چکا ہے۔ اس بارے میں انتظامیہ کا تفصیلی بیان اور آڈیٹرز کی جائزہ رپورٹ، سالانہ رپورٹ میں منسلک ہیں۔

چیئر XII - ریپورٹنگ اینڈ ڈسکلوزر آف دا افرورمنڈ ریگولیشنز کے تحت ڈائریکٹر مندرجہ ذیل اسٹیٹمنٹ دے رہے ہیں:

1. ڈائریکٹرز کی کل تعداد نو ہے:

ا. مرد: آٹھ

ا. خاتون: ایک

2. بورڈ کی کمپوزیشن مندرجہ ذیل ہے:

ا. انڈیپنڈنٹ ڈائریکٹرز (بشمول ایک خاتون ڈائریکٹر) تین

ا. دیگر نان ایگزیکٹو ڈائریکٹرز پانچ

ا. ایگزیکٹو ڈائریکٹرز ایک

3. بورڈ اپنی ذمہ داریوں سے سیکدوش ہونے کیلئے وقتاً فوقتاً کمیٹیز قائم کرتا ہے۔ ہر بورڈ ہر کمیٹی کیلئے تشکیک، قوانین، عمل، ذمہ داریوں اور ایڈمنسٹریشن سے متعلق معاملات کے حوالے سے بورڈ ٹرم آف ریفرنس (ٹی او آر) اختیار کرتا ہے۔ بورڈ کی جانب سے مندرجہ ذیل کمیٹی تشکیل دی گئی ہیں:

بینک نے 31 دسمبر 2020 کو سال کے اختتام پر آپریٹنگ منافع 25,468 ارب روپے ظاہر کیا جو کہ گزشتہ سال کے 25,410 ارب روپے سے زیادہ ہے۔ بعد ازاں ٹیکس منافع 10,475 ارب روپے رہا جبکہ پچھلے سال 12,696 ارب روپے تھا۔ فی شیئر آمدنی 5.89 روپے پر قائم ہوئی (2019: 7.15 روپے)۔ وبائی امراض کے معیشت پر پڑنے والے اثرات کے پیش نظر تنظیم نو کے قرضوں کے لیے بنائے گئے جنرل پروویژن کے نتیجے میں ٹیکس کے بعد منافع میں کمی ہوئی۔

خالص مارک اپ آمدنی اور نان مارک اپ آمدنی 57,499 ارب روپے رہیں جو کہ 4.1 فیصد زیادہ ہے۔ اصل مارک اپ آمدنی 44,705 ارب روپے تھی، جو کم شرحوں اور بیلنس شیٹ گروتھ اور مکس کے ذریعے COVID کے مخصوص ایکشنز کو ختم کرنے کی وجہ سے پچھلے سال کے مقابلے میں نہ کم رہی اور نہ زیادہ۔ حکومتی سیکورٹیز اور غیر ملکی تبادلہ کے حصول پر کیپیٹل گینز کی مستحکم حصہ داری کے باعث نان مارک اپ ریوینیو 12,795 ارب روپے تھا، جو 23.6 فیصد زیادہ رہا۔ فیس اور کمیشن سے حاصل ہونے والی آمدنی کم ہو گئی جس کی وجہ ملک میں لاک ڈاؤن کے سبب ٹرانزیکشن کے والیوم میں کمی، IFRS 15 کے مطابق ریوینیو کا حصول اور ریگولیٹری چھوٹ جیسے انٹر بینک فنڈز ٹرانسفر فیس ہے۔

نان مارک اپ اخراجات 32,032 ارب روپے رہے جسے کم کر کے 7.3 فیصد کیا گیا۔ بنیادی لاگت کی وجہ عملے کی زیادہ لاگتیں، آئی ٹی سپورٹ اور مینٹیننس فیس، مہنگائی کے مجموعی اثر کے ساتھ پچھلے سال کھولی گئی نئی برانچوں کے پورے سال کے اثرات ہیں۔ بینک کی آمدنی کے تناسب کی لاگت 54.7 فیصد ہے جو پچھلے سال کے مقابلے میں تھوڑی زیادہ ہے۔

سال کے دوران، بینک نے کلانٹس کو سبجیکٹ پروویژنگ کے علاوہ ظاہر کیا ہے کہ کریڈٹ کے غیر مستحکم ہونے پر 4,250 ارب روپے کا ایک جنرل پروویژن لیا ہے۔ اس غیر یقینی معاشی ماحول کی وجہ سے بینک توقع کرتا ہے کہ وہاں کے سبب کئی قرضدار متاثر ہونگے۔ ایسے کئی قرضداروں نے اسٹیٹ بینک آف پاکستان کی التواء / ری اسٹرکچرنگ / ری شیڈولنگ ریلیف حاصل کر لی ہے اور کیونکہ معیشت کے دباؤ کی وجہ سے متوقع اثرات کی گئی طور پر پیش گوئی کرنا مشکل ہے، اس لیے یہ جنرل پروویژن آنے والے سال کے لیے بطور بفر فراہم کیا گیا۔ بینک پورٹفولیو کا مسلسل جائزہ لے رہا ہے تاکہ یہ پتہ چل سکے کہ COVID-19 کے پھیلاؤ کی وجہ سے کونسے اکاؤنٹس زیادہ خطرے میں ہیں۔ معاشی ماحول کی بنیاد پر اس اضافی فراہمی پر بعد میں سہ ماہی بنیاد پر نظر ثانی کی جائے گی۔

بینک کے مجموعی ایڈوانسز کا پورٹفولیو 70,928 ارب روپے تک بڑھ گیا، یعنی سال بہ سال 13.4 فیصد۔ ہم نے اپنے کریڈٹ کلانٹس کے ساتھ اس پوری چیلنجنگ مدت میں مسلسل تعاون کیا ہے۔ اسٹیٹ بینک آف پاکستان کی لون ری اسٹرکچرنگ اسکیمز کے تحت ہم نے ان قرضوں جن کا اصل سرمایہ 52 ارب روپے سے زائد ہے، انہیں ری شیڈول کیا ہے۔ ہم نے 300 سے زائد اداروں کو اسٹیٹ بینک آف پاکستان کی ری فنانس اسکیم (اجرت اور تسخوابیں) کے تحت 29 ارب روپے کے نئے قرضے فراہم کیے ہیں۔ مرکزی بینک اور حکومت کی طرف سے نافذ کردہ پالیسی کی وسیع رینج کی وجہ سے یہ سب ممکن ہوا۔ اگرچہ، کچھ اقدامات کا مقصد قلیل مدت میں مالی حالات کی سختی کو کم کرنا تھا، جبکہ کچھ دوسرے اقدامات نے کارپوریٹس،

ایس ایم ایز اور انفرادی افراد کو کریڈٹ فراہم کرنے میں معاونت کی، چاہے کریڈٹ مارکیٹس (حکومت کی طرف سے سی گنی کریڈٹ لائنز) کی براہ راست مداخلت سے یا کیپیٹل بفرز کے استعمال سے بینک کی پابندیوں میں نرمی کر کے اس مقصد کو پورا کیا۔ بینک کے نان پرفارمنگ ایڈوانسز 25,860 ارب روپے ہیں اور ہمارے این پی ایل کا تناسب 4.3 فیصد پر قائم رہا۔ قرض کی کوریج کا تناسب 91.2 فیصد پر قائم ہوا۔

پچھلے سال کے ریکارڈ کردہ 782,284 ارب روپے کے مقابلے میں اس سال کے اختتام پر گنل ڈپازٹس 881,767 ارب روپے رہے جس کی وجہ کرنٹ اکاؤنٹس میں 16.1 فیصد کی گروتھ تھی۔ ہمارے کرنٹ اکاؤنٹ سیونگ اکاؤنٹ کا تناسب 79.8 فیصد تک بڑھ گیا جو انٹرنیٹ میں بینک کے لیے ایک قیادت کی علامت ہے۔ بینک کے مجموعی ایڈوانسز 600,899 ارب روپے رہے اور ہمارے ڈپازٹس کے تناسب میں مجموعی ایڈوانسز 68.1 فیصد پر قائم ہوئے جس سے انٹرنیٹ میں بینک کو قیادت کی حیثیت حاصل رہی۔

بینک نے ریٹڈ، سیکورڈ، لسٹڈ، ریڈیم ایل فکسڈ ریٹ ٹرم فنانس سٹرٹیفیکٹس (ٹی ایف سیز) کی شکل میں میڈیم ٹرم نوٹ (ایم ٹی این) جاری کیے۔ اس ایم ٹی این کا سائز 50 ارب روپے تک ہے جو کئی حصوں میں اکٹھا کیے جاسکتے ہیں، جن میں 3 سال یا زائد عرصے کی میچورٹی کے انفرادی انسٹرومنٹ شامل ہیں اور حکومت کی سیکورٹیز کا تحفظ حاصل ہے۔ بینک نے پری آئی پی او کے محاصل سے 9 ارب روپے اکٹھا کیے ہیں اور پہلے حصے کے لیے 2 ارب روپے کے آئی پی او محاصلات اکٹھا کیے۔ ایشو کو PACRA کی طرف سے AAA (ٹریل A) کی ریٹنگ مقرر کی گئی ہے۔ اس ٹی ایف سی کے اجراء کا بنیادی مقصد بینک کے فکسڈ ریٹ ایسیٹس کو نقصان سے بچانا ہے۔

31 دسمبر 2020 تک بینک مندرجہ ذیل کیپیٹل اسٹرکچر کے سیکشن میں مناسب طور پر کیپیٹلائزڈ رہا ہے۔

بینک کا کیپیٹل اسٹرکچر

بینک، ریگولیٹری لسٹ سے زائد کیپیٹل بیس اور بنیادی کیپیٹل کی ضروریات کے ساتھ اچھا سرمایہ دارانہ ادارہ رہا ہے۔ بینک نے مناسب منافع کو برقرار رکھنے کی پالیسی کو جاری رکھا ہے تاکہ وہ خطرات برداشت کرنے کی صلاحیت بڑھا سکے۔ 11.50 فیصد کے ضروریات (بشمول، گن رسک ویڈ ایسیٹس کے 1.50 فیصد کے کیپیٹل کنٹریوشن بفر) کے لیے بینک کا گنل کیپیٹل کا موزوں تناسب 16.53 فیصد ہے۔ کیپیٹل کے معیار کی گواہی بینک کے گنل رسک ویڈ ایسیٹس تناسب کے کامن ایکونٹی ٹیئر 1 (سی ای ٹی 1) سے ملتی ہے جو 6.00 فیصد کی ضروریات کے لیے 11.55 فیصد ہے۔ بینک کا کیپیٹل بیس بہت وسیع ہے۔

کاروباری کارکردگی کا جائزہ

بینک کی کاروباری ترقی، کارکردگی اور پوزیشن اور اس سے ماحول پر اثر کے بارے میں، اس سالانہ رپورٹ کے دوسرے سیکشن میں دیا گیا ہے۔

درمیان سماجی فاصلے کو بڑھایا جاسکے۔ اندرونی مواصلات کو یکساں طور پر ایک دوسرے تک پہنچایا جا رہا ہے تاکہ سماجی فاصلے اور حفظانِ صحت سے متعلق آگاہی کو بڑھایا جاسکے۔

صارفین

شروع ہی سے ہماری یہ ترجیح رہی ہے کہ ہم اپنے صارفین کے لیے سروسز کی فراہمی مسلسل جاری رکھیں۔ بینک اپنے صارفین کے ساتھ رابطے میں ہے کہ وہ کس طرح ڈیجیٹل اور آن لائن چینلز سمیت اپنے پورے پلیٹ فارمز کے ذریعے بینک سے رابطہ قائم کر سکتے ہیں اور انہیں اسٹیٹ بینک آف پاکستان کی طرف سے پیش کی جانے والی ریگولیٹری تبدیلیوں سے بھی آگاہ کر رہے ہیں۔ بینک نے اس بات کو یقینی بنانے کے لیے تمام اقدامات اُٹھائے ہیں کہ خدمات کے لیولز برقرار رہیں۔ صارفین کی شکایات کو ایس ایل اے کے مطابق حل کیا جانے اور بینک اپنے کلائنٹس کی توقعات پر اُسی طرح پورا کرتے جیسا کہ عام حالات میں ہوتا ہے۔

کمیونٹیز

بینک نے عالمگیر وباء کے اثرات کے خلاف کمیونٹیز اور تنظیموں کی حمایت کرنے کے لیے ایک وسیع امدادی کوشش کی ہے۔ ہماری کمیونٹی کی مدد کے لیے، خاص طور پر ملک بھر میں روزانہ اجرت کمانے والے جن کی زندگی وبائی بیماری سے سب سے زیادہ متاثر ہوئی ہے، ہم نے روزانہ اجرت حاصل کرنے والوں کے لیے بینک الفلاح COVID-19 ریلیف پروگرام متعارف کروایا ہے۔ اس پروگرام کے ذریعے ہم ملک بھر میں معتبر رہائی تنظیموں کی مدد کریں گے جنہوں نے اس کام کی ذمہ داری اٹھائی ہے اور اس سلسلے میں کام کا آغاز کیا ہے جس کے تحت روزانہ اجرت کمانے والے ضرورت مندوں کو کھانا اور طبی سامان تقسیم کیا جاتا ہے۔ ضرورت مند کمیونٹیز کی مدد کرنے کے

لیے، اب تک، نقد عطیات، گھر کا سودا اور گھریلو ضروریات کے آنیٹمز، جن کی مالیت 31.950 ملین روپے ہے، تقسیم کیے جا چکے ہیں۔ جس میں 12.219 ملین روپے ملازمین کی طرف سے دیئے گئے۔ طبی ادارے بھی عطیات وصول کر رہے ہیں جس سے انہوں نے COVID-19 کے مریضوں کے علاج کے لیے دو موڈیولر یونٹس قائم کیے۔ یہ یونٹس تمام طبی آلات سے آراستہ ہیں اور طبی عملے کو حفاظتی سامان مہیا کر رہے ہیں۔

ریگولیٹر

معیشت کی سہولت کے لیے ہم اسٹیٹ بینک آف پاکستان اور قانون نافذ کرنے والے اداروں کے ساتھ مل کر کام کر رہے ہیں۔ اسٹیٹ بینک نے بینکاری نظام اور معاشی سرگرمی کو مستقل برقرار رکھنے کے لیے کئی مختلف ریگولیٹری اقدامات کا آغاز کر کے بحران پر اپنے رد عمل کا اظہار کیا ہے۔ جیسا کہ ریگولیٹر نے مشورہ دیا ہے، ہم صارفین کے ساتھ مل کر کام کیا تاکہ یہ یقینی بنایا جاسکے کہ ان کو ان فوائد اور نرمی تک رسائی کی سہولت حاصل رہے۔ ہم نے 4,800 سے زائد صارفین کے لیے قرضوں کی واپس ادائیگی کو مؤخر / دوبارہ شیڈول کر کے ان کی مدد کی ہے، مزید یہ کہ، 300 سے زائد اداروں کو اسٹیٹ بینک ری فنانس اسکیم (اجرتوں / تنخواہوں کے لیے) کے تحت نئے قرضے فراہم کیے گئے۔

بینک درمیانی سے طویل مدت کے عرصے میں توازن قائم رکھتے ہوئے اپنے ملازمین، صارفین اور کمیونٹیز کی مدد کے لیے اپنا اہم کردار ادا کرے گا اور اہم اقدامات اُٹھائے گا۔

بینک کی کارکردگی کا جائزہ

31 دسمبر، 2020 کو ختم ہونے والے سال کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں:

2019	2020	مالیاتی پوزیشن
روپے ملین میں		شینئر پولڈرز کی ایکوئٹی
88,028	91,017	جمع شدہ رقوم (ڈپازٹس)
782,284	881,767	اثاثوں کی مجموعی مالیت
1,065,311	1,384,874	ایڈوائسز، خالص
511,236	577,316	سرمایہ کاری، خالص
299,098	547,090	
2019	2020	مالیاتی کارکردگی
روپے ملین میں		خالص سود آمدنی
44,896	44,705	نان مارک آپ آمدنی
10,357	12,795	نان مارک آپ اخراجات
29,843	32,032	آپریٹنگ پروفٹ
25,410	25,468	پروویژنز اور رائٹ آفز (خالص)
3,029	7,589	قبل از ٹیکس منافع
22,382	17,878	بعد از ٹیکس منافع
12,696	10,475	بنیادی اور ڈائیلیوٹڈ آمدنی فی شیئر - روپے
7.15	5.89	



بینکنوں کے لیے مثبت طور پر، اعداد و شمار سے پتہ چلتا ہے کہ اس سے ٹرانزیکشنل ڈپازٹس میں اضافہ ہوا کیونکہ کرنٹ اکاؤنٹ سیونگ اکاؤنٹ کا تناسب ستمبر 2020 میں 76% تھا جبکہ دسمبر 2019 میں 75% تھا۔

جولائی 2019 میں شرح سود بڑھ کر 13.25% ہو گئی، جس سے ٹی پلز کے مقابلے میں پی آئی بی کی مانگ میں اضافہ ہوا۔ اس اضافے کی وجہ SCRA کے ذریعے فارن ان فلوئز میں ترقی تھی جو سال 2020 میں خالص ان فلوئز 153.9 ملین امریکی ڈالر سے ہونی سال کے دوران، اسٹیٹ بینک آف پاکستان نے مارچ سے تین ماہ کے عرصے میں پالیسی کی شرح کو مجموعی طور پر 625bps تک کم کر دیا تاکہ معیشت پر COVID-19 کے اثر کو کنٹرول کیا جاسکے۔ اس کے باوجود، COVID کے خطرات کی وجہ سے ڈپازٹس اور قرضوں دونوں سے ہونے والی لائنز شیئر کی فنڈنگ نے سرمایہ کاریوں خاص طور پر طویل مدتی حکومتی سیکیورٹیز کو ترتیب دیا، اس سے سرمایہ کاریوں میں سال بہ سال 31% کا اضافہ ہوا بمع آئی ڈی آرز جو بڑھ کر 67% ہو گئے جبکہ پچھلے سال اسی مدت کے لیے 60% تھے۔

ایک چیلنجنگ معاشی ماحول اور COVID کی غیر یقینی صورتحال کے دوران، ایڈوانسز (مجموعی) کی گروتھ میں سال بہ سال 2% کمی ہوئی اور مجموعی ایڈوانسز 8.3 ٹریلین روپے پر قائم ہوئے۔ اس کے نتیجے میں، اے ڈی آر جو دسمبر 2019 میں 56% تھے، کم ہو کر 48% رہ گئے۔ وبائی مرض کے دوران بینکنوں کو کریڈٹ کے دباؤ سے بچانے اور صارفین کو مدد فراہم کرنے کے لیے، اسٹیٹ بینک آف پاکستان نے بینکنوں کو COVID-19 امدادی پیکیج کے تحت جون 2021 تک قرض کی واپس ادائیگیوں (اور مخصوص قرضوں کے لیے نتیجے میں این پی ایلز) کو مؤخر کرنے کی ہدایت کی۔

بینکنوں نے ایک آگلا قدم اٹھایا اور امداد کے اختتام سے پہلے فعال طور پر جنرل پروویژننگ بفرز کو بڑھایا، سبجیکٹو درجہ بندی اختیار کیں اور قرضوں کو ڈاؤن گریڈ کیا جس سے مالی سال 2020 کے دوران کریڈٹ کی مجموعی لاگوں میں اضافہ ہوا۔ ستمبر 2020 میں این پی ایلز 91.6 بلین روپے بڑھ گئے اور این پی ایلز کا تناسب 9.9% رہا، جبکہ دسمبر 2019 میں مقابلتا 8.6% تھا۔

بینکنگ سیکٹر کا آؤٹ لک

اسٹیٹ بینک آف پاکستان کی طرف سے اٹھانے جانے والے ہر وقت اقدامات کی عکاسی کرتے ہوئے، بینکنگ سیکٹر کے انڈیکٹرز مستحکم رہے۔ حکومت پاکستان کا بانی ایکسپوژر کی بدولت اثاثوں کی کریڈٹ پروفائل مستحکم رہی، جبکہ ڈپازٹس پر مبنی فنڈز اور مناسب لکویڈیٹی بفرز اور پروویژننگ کو اپنی جگہ پر قائم رہے۔

منافع کی سطح پر، جبکہ این آئی آئی کا انحصار سودی شرحوں کی سمت پر ہوگا اور توقع ہے کہ 2021 میں نان فنڈڈ آمدنی مستحکم رہے گی۔ اس کے علاوہ، کیپیٹل مارکیٹس میں قیمتوں کے بڑھنے سے کیپیٹل گین کے مواقع حاصل ہوسکتے ہیں۔ پروویژننگ اور کریڈٹ کی لاگوں کا انحصار اس وقت پر ہوگا جب اسٹیٹ بینک آف پاکستان کی طرف سے فراہم کی گئی امداد کم ہوگی۔

پالیسی سے متعلق، IFRS-9 کی تکمیل سے قرضوں پر خطرے پر مبنی پرائسنگ بمع پرائسنگ جس میں غلطی کا امکان ہو، تک صنعت کی

رسائی حاصل ہوگی۔ اسی طرح، ایف آئی ٹی ایف کی وجہ سے یا ٹیکس کے مقاصد کے لیے دستاویز کاری پر کوئی بھی تجدیدی دباؤ محرکات کو کمزور کرسکتا ہے جو ڈپازٹ میں دوبارہ داخل ہو رہے ہوں۔ تاہم، سارے بینک ریگولیٹری کی شدید ضروریات اور معاشی چیلنجز کا سامنا کرنے کے لیے تیار ہیں جس کے لیے انہیں ایک بہت مضبوط انٹرئل کنٹرول، صارف کے اعتماد اور اسٹیٹ بینک آف پاکستان کی سپورٹ حاصل ہے۔ انڈسٹری کو توقع ہے کہ وہ منافع اور بیلنس شیٹ کے استحکام کو برقرار رکھے گی اور 2021 میں ترقی کے لیے تیار ہے۔

COVID-19 کی وباء

کورونا وائرس (COVID-19) کی وباء، وسیع پیمانے پر تبدیلی لائی۔ لاک ڈاؤنز کی وجہ سے زندگی بہت مختلف ہو گئی اور سماجی فاصلہ رکھنے کی ایک عادت بن گئی۔ COVID-19 نے پوری دنیا میں پھیل کر ملکوں اور ان کی معیشت کو بڑی طرح متاثر کیا جن میں پاکستان بھی شامل ہے۔ پاکستان میں حکومت کی جانب سے فوری اقدام نے COVID-19 سے اثر اور اس سے ہونے والی اموات کی کمی کی صورت میں فائدہ پہنچایا۔ سال کے دوسرے حصے میں، متعدد پابندیوں میں نرمی کی گئی جبکہ، خطرہ کم ہوا ہے ختم نہیں ہوا ہے۔

لاک ڈاؤن کا اختیار کیے بغیر حکومت نے وائرس کے پھیلاؤ پر قابو پانے کے لیے عوامی اجتماعات کو محدود کر دیا ہے اور ماسک کو لازمی طور پر لازمی قرار دے دیا ہے۔ ہاتھ دھونے اور سماجی فاصلہ رکھنے کی حوصلہ افزائی کے لیے عوامی آگاہی مہم بھی چلائی جا رہی ہے۔ وفاقی حکومت 2021 کی پہلی سہ ماہی تک ویکسین کی خریداری کے لیے بھی کوششیں کر رہی ہے اور اس مقصد کے لیے پہلے ہی فنڈز مختص کر چکی ہے۔

ورلڈ ہیلتھ آرگنائزیشن کے چیف اور عوام کے ہسٹری بل گیٹس سمیت متعدد آزاد ماہرین نے اس وائرس پر قابو پانے میں پاکستان کی کامیابی کی تعریف کی ہے جبکہ کئی ترقی یافتہ اور وسائل رکھنے والے ممالک اس کے ساتھ جدوجہد کر رہے ہیں۔

پاکستان کورونا وائرس کی دوسری لہر کی زد میں ہے، جو ماہرین کے مطابق پہلی سے زیادہ مہلک ہے۔ دوسری لہر میں مثبت شرح یعنی لوگوں کے ٹیسٹ ہونے کے بعد مثبت رپورٹ آنے کی شرح اور اموات کی شرح یعنی وائرس سے مرنے والوں کی شرح بڑھ گئی ہے۔

بڑھتی ہوئی صورتحال کے آغاز پر بینک کی کرائسز مینجمنٹ کمیٹی مقامی اور بین الاقوامی محاذوں پر ہونے والی ڈیویلپمنٹس پر کڑی نگرانی کر رہی ہے اور مناسب جوابی اقدامات تیار کر رہی ہے۔ COVID-19 سے متعلق معاملات میں بورڈ آف ڈائریکٹرز اور انتظامیہ کی نگرانی اور معاونت کے لیے بورڈ کی سطح پر کورونا وائرس۔ کرائسز مینجمنٹ کمیٹی تشکیل دی گئی ہے۔

COVID-19 کے پھیلنے اور اس کے اثرات کو کم سے کم کرنے کے لیے درج ذیل اقدامات کیے گئے ہیں:

ملازمین

ہم نے برائچوں سمیت پاکستان بھر میں اپنے دفاتر پر موجود افراد کی تعداد کو نمایاں طور پر کم کر دیا ہے۔ ہمارے ملازمین کی اکثریت اپنے گھروں (آئی ٹی کے مضبوط تحفظ کے ساتھ) سے کام کر رہی ہے تاکہ دفتر میں لوگوں کے

ڈائریکٹرز کی رپورٹ برائے شیئر ہولڈرز

معزز شیئر ہولڈرز،

ہم بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے ڈائریکٹرز کی رپورٹ بمعہ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

COVID-19 کے باعث ہونے والی تبدیلی کی وجہ سے 2020 میں پاکستان عالمی معیشت قابلِ بحث رہی۔ وبائی مرض کے نتیجے میں لاک ڈاؤنز اور احتیاطی تدابیر کا سلسلہ جاری رہا، جس نے معاشی سرگرمیوں پر گہرا اثر ڈالا۔ تاہم دوسری طرف، حکومتوں اور پالیسی بنانے والوں نے متفقہ طور پر کوشش کی کہ معیشت پر پڑنے والے اس اثر کو معاون اور متحرک پیکیز کے ذریعے کم کیا جائے۔ جبکہ سال کے آخری حصے میں ویکسین کے ٹرانزلز وائرس کا مقابلہ کرنے کی امید دلائی، پالیسی بنانے والوں کی طرف سے معاون کوششوں سے بھی معیشت پر مثبت نتائج حاصل ہوئے، جس سے کلیدی اشاروں پر نمایاں تبدیلیاں واضح ہوئیں۔

شہ سرخیوں میں سرفہرست ہے کہ اسٹیٹ بینک آف پاکستان نے 3 ماہ کے عرصے میں مجموعی طور پر 625bps کے ذریعے شرح سود میں کمی کے ساتھ معاشی پالیسی اختیار کی۔ اس کے علاوہ انفرادی اور کارپوریٹ دونوں قرض دہندگان کے لیے جامع پیکیز کا اعلان کیا اور اسٹیٹ بینک نے عارضی معاشی ری فنڈنگ سہولت اور ایس بی بی روزگار اسکیم سمیت اقدامات کا اعلان کیا جو کارپوریٹ اور ان کی انفرادی قوت کو مطلوبہ مدد فراہم کرتے ہیں۔ حکومت پاکستان نے متعدد محرک پیکیز کا بھی اعلان کیا جن میں سوشل پروٹیکشن پروگرام (احساس) اور تعمیراتی پیکیز شامل ہیں۔ جس کے اجتماعی نتائج سال کے ساتھ ساتھ آہستہ آہستہ سامنے آنے لگے۔

اہم ڈیٹا پوائنٹس کے معاملے میں، بیرونی محاذ پر بہتری برقرار رہی کیونکہ گزشتہ سال اسی عرصے کے لیے 7,143 ملین امریکی ڈالر کے کرٹ آؤنٹ خسارے سے اے ڈی کے مقابلے میں سال 2020 میں کرٹ آؤنٹ کی اضافی رقم 193 ملین ڈالر رہی۔ سی اے ڈی میں یہ بہتری درآمدات میں 9.4 فیصد کمی سے منسوب ہے جو سال 2019 میں 56 ارب امریکی ڈالر کے مقابلے میں 51 ارب ڈالر کی سطح پر بند ہوئی ہے۔ اسی مدت کے لیے ترسیلات زر بڑھ کر 26 ارب امریکی ڈالر ہو گئے جبکہ پچھلے سال اس کے مقابلے میں 22 ارب امریکی ڈالر رہے ہیں، یہ سال بہ سال کی 17% کی بہتری ہے۔ تاہم فارن ڈائریکٹ انویسٹمنٹ 3 فیصد معمولی کمی سے 2.15 بلین امریکی ڈالر تک پہنچ گئی جو گزشتہ سال اسی عرصے کے دوران 2.21 بلین امریکی ڈالر تھی۔

پچھلے سال کے مقابلے میں کرنسی بھی بڑے پیمانے پر مستحکم رہی، جس کی پیمائش 3.2 فیصد سے کم ہو کر 159.83 پر بند ہوئی جبکہ پچھلے سال 11.0% کی کمی رہی تھی۔ یہ زیادہ تر بیرونی آؤنٹ کی پوزیشن میں بہتری G-20 کو قرض کی واپس ادائیگی میں تاخیر اور روشن ڈیجیٹل آؤنٹ کے آغاز کے ساتھ ان فلوز سے منسوب ہے۔

سال گزرنے کے ساتھ ساتھ کنزیومر پرائس انڈیکس کے ذریعے ناہی گئی مہنگائی نے بڑا اثر ظاہر کیا۔ اگرچہ، جنوری 2020 میں سال بہ سال مہنگائی 14.6% بڑھی تھی اور سال کے اختتام تک 8% کے قریب بند ہوئی۔

کے ایس ای 100 انڈیکس میں 7 شکل کی بحالی کا مشاہدہ کیا گیا اور مارچ میں 27,200 pts کی کمی سے اس میں درستگی آئی اور سال کے اختتام پر 43,800 pts ہو گئی۔ COVID کے بعد مارکیٹ کے شرکاء میں اعتماد بحال ہوا۔ یہ بحالی سب سے پہلے گھریلو اداروں اور افراد میں ہوئی کیونکہ غیر ملکی سرمایہ کار نے پچھلے سال مئی 56 ملین امریکی ڈالر کے مقابلے میں 2020 میں 571 ملین امریکی ڈالر کی مالیت کی ایکویٹیز چھوڑ دیں تھیں۔ سال کے آخری حصے میں مارکیٹ میں شرکت بڑھ گئی جس کے نتیجے میں اوسط تجارتی والیوم 330 ملین شیئرز تک پہنچ رہا ہے، جو سال بہ سال کی بنیاد پر 107% تک بڑھا۔

معاشی آؤٹ لک

سال 2021 کی طرف بڑھتے ہوئے، COVID ویکسین کی کامیابی سے صحت اور معاشی دونوں محاذوں پر فوری طور پر مدت کے نقطہ نظر کا تعین ہوگا۔ معاشی ترقی کے لحاظ سے، مارکیٹ کے شراکت داروں کو آئی ایم ایف پروگرام کے دوبارہ آغاز پر گہری نظر رکھنا ہوگا۔ آئی ایم ایف پروگرام پاکستان میں بین الاقوامی اعتماد کی پیش گوئی کرتا ہے اور بین الاقوامی مارکیٹس میں حصہ لینے کی ہماری صلاحیت میں اضافہ کرتا ہے۔ اس کے علاوہ، یہ مالی انتظامات، خاص طور پر سبسڈیز اور نا اہلیتوں کے خاتمے پر اثر ڈالنے کے ذریعے اہمیت بھی رکھتا ہے، جس کے نتیجے میں مہنگائی اور مہنگائی کی توقعات پر اثر پڑتا ہے۔

بین الاقوامی واقعات بھی اس نقطہ نظر میں حصہ لیں گے، خاص طور پر نئے امریکی صدر کا افتتاح۔ علاقائی اتحادوں کی تشکیل نو کے ساتھ، ایف اے ڈی ایف کی گہری لسٹ میں شامل پاکستان کی تقدیر زیر بحث ہے، جو بیرونی اعداد کی مسلسل ضرورت کے سبب متعلقہ ہے۔ ان سب کا کیا نتیجہ نکلتا ہے اس سلسلے میں جغرافیائی سیاست کے واقعات کا بھی اہم کردار ادا کرنے کا امکان ہے۔

بینکنگ، سیکٹر کا جائزہ

اسٹیٹ بینک آف پاکستان کی طرف سے اعلان کردہ کلیر الجھتی اقدامات نے بینکنگ کو متعدد طریقوں سے فائدہ پہنچایا۔ ایک طرف، تنظیم نو کے نتیجے میں کارپوریٹ اور انفرادی قرض دہندگان کو اثاثے کے معیار کے دباؤ کو مؤخر کرنے کی اجازت مل گئی جو COVID کے ذریعے متحرک ہوا تھا۔ دوسری طرف، شرح سود میں تیزی سے کٹوتی کی وجہ سے مارجنز میں نقصان ہوا۔ تاہم، سودی اخراجات میں کمی بمع تاخیری اثاثوں کی قیمتوں کے دوبارہ تعین نے بینکنگ کے مجموعی منافع اور کیپیٹل کو سنبھالا۔

بینکنگ سیکٹر ڈپازٹس میں پچھلے تین سال کی خاموشی کے بعد تیزی سے اضافہ ہوا جو 2.5 ٹریلین روپے (سال بہ سال 17.1%) سے بڑھ کر 17.1 ٹریلین روپے ہو گئے جو کہ پچھلے تین سال 9.3% اوسط گروتھ سے بہت زیادہ ہے۔

ORGANISATIONAL REVIEW

CORPORA
I.I.CHUNDRIGA



ATE BRANCH
R ROAD KARACHI



About Bank Alfalah

Bank Alfalah is one of the largest banks in Pakistan, with a network of 730 branches across more than 200 cities in the country, and international presence in Afghanistan, Bangladesh, Bahrain and the UAE. The Bank also has a representative office in Abu Dhabi. Bank Alfalah is owned and operated by the Abu Dhabi Group.

Incorporated as a public limited company on 21st June, 1992 under the Companies Act, 2017, Bank Alfalah commenced its banking operations in the same year. 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 solutions.



VIS



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

ION



MISS



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

ION



VAL

YOU

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

YOUR NEEDS

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

YOUR WAY

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

THE RIGHT WAY

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

UFS





ETHICS AND CODE OF CON

Integrity and honesty are 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 the Code of Ethics and Business Practices is in place and is signed by every employee and submitted to the Bank's Human Resources 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.

DUCT





CUL

Culture of Happiness is a journey that is driven by putting our values in everyday work-life.

BAFL Culture Code Statements

- We Inspire and Empower People
- We Do Things Differently
- Our Focus is Customer Happiness
- We are Responsible for Each Other's Success
- We are One Team
- We Innovate to Improve
- We Seek Digital and Technological Leadership
- We Empathize with and Respect our Peers
- We Do The Right Thing
- We Practice our Values and Live Them Everyday



TURE

Our History and Calendar of Major Events

2003

Incorporation of
Bank Alfalah Limited

Commencement
of Operations

Incorporation of Alfalah
Securities (Private) Limited

Listing of Bank Alfalah
on Stock Exchange

Incorporation of Alfalah
GHP Investment
Management Limited

1992

2004

Financial Calendar

2020

1st Quarter Results approved on
2nd Quarter Results approved on
3rd Quarter Results approved on
Annual Budget approved on
4th Quarter Results approved on
Annual accounts to be approved in
29th Annual General Meeting scheduled on

26th April, 2020
25th August, 2020
21st October, 2020
21st October, 2020
3rd February, 2021

9th March, 2021

2019

1st Quarter Results approved on
2nd Quarter Results approved on
3rd Quarter Results approved on
Annual Budget approved on
4th Quarter Results approved on
Annual Accounts approved in
28th Annual General Meeting held on

25th April, 2019
18th August, 2019
18th October, 2019
6th December, 2019
13th February, 2020

27th March, 2020

2018

1st Quarter Results approved on
Election of Directors held on
2nd Quarter Results approved on
3rd Quarter Results approved on
Annual Budget approved on
4th Quarter Results approved on
Annual Accounts approved in
27th Annual General Meeting held on

19th April, 2018
27th May, 2018
26th August, 2018
25th October, 2018
6th December, 2018
21st February, 2019

28th March, 2019

2005

Incorporation of
Alfalah Insurance Limited

2017

Investments in Sapphire
Wind Power Company Limited

ADT Tier 1 Capital Issuance

2013

2017

1st Quarter Results approved on
2nd Quarter Results approved on
3rd Quarter Results approved on
Annual Budget approved on
4th Quarter Results approved on
Annual Accounts approved in
26th Annual General Meeting held on

24th April, 2017
17th August, 2017
25th October, 2017
11th December, 2017
25th February, 2018

28th March, 2018

2016

1st Quarter Results approved on
2nd Quarter Results approved on
3rd Quarter Results approved on
Annual Budget approved on
4th Quarter Results approved on
Annual Accounts approved in
25th Annual General Meeting held on

27th April, 2016
24th August, 2016
26th October, 2016
13th December, 2016
23rd February, 2017

28th March, 2017

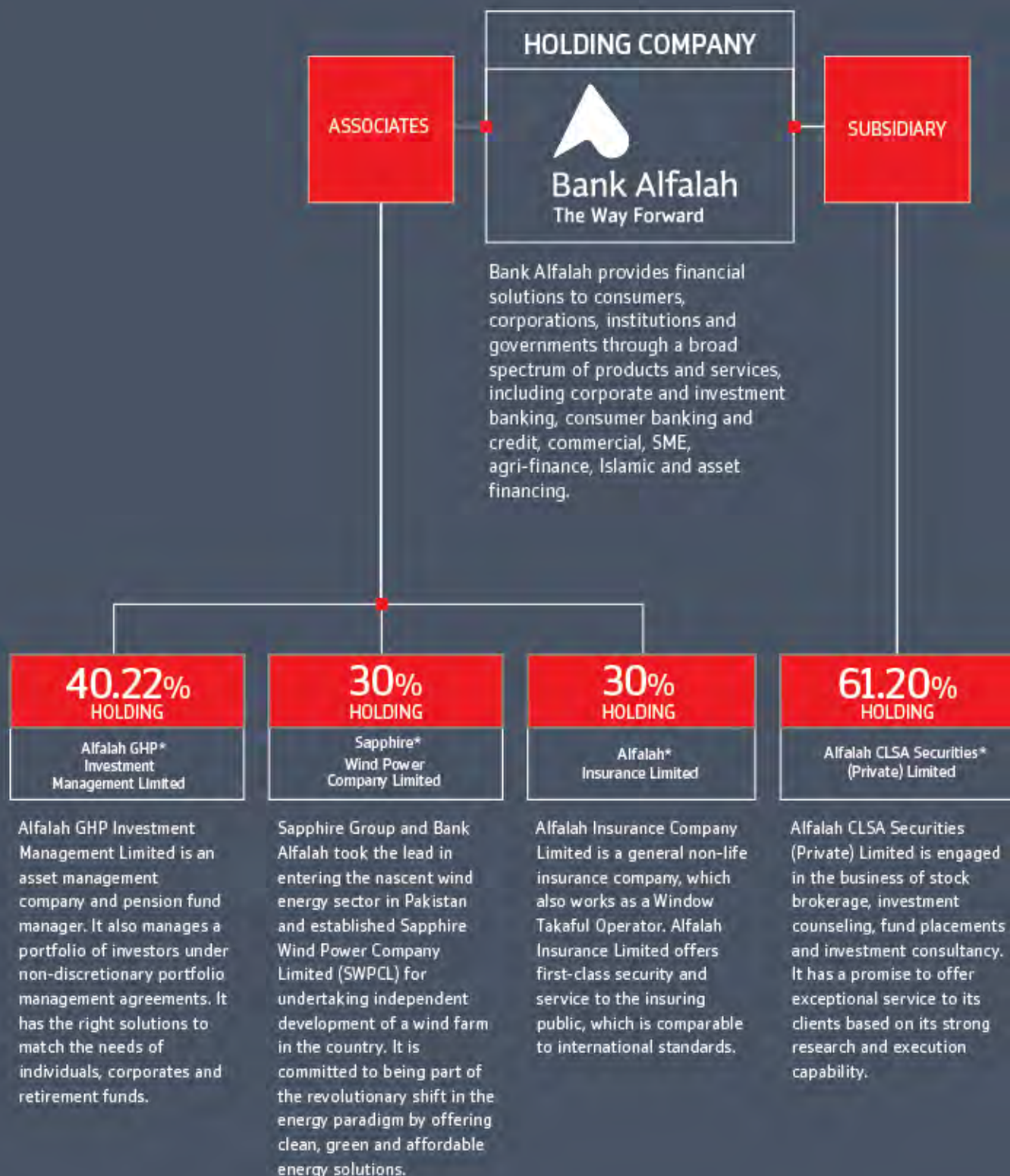
2015

1st Quarter Results approved on
Election of Directors held on
2nd Quarter Results approved on
3rd Quarter Results approved on
Annual Budget approved on
4th Quarter Results approved on
Annual Accounts approved in
24th Annual General Meeting held on

22nd April, 2015
27th May, 2015
18th August, 2015
21st October, 2015
7th December, 2015
29th February, 2016

28th March, 2016

Group Ownership Structure



*Country of origin: Pakistan

Our Presence

Bank Alfalah is connected with you via 25,000+ touchpoints.



Branch Network

Pakistan

Bank Alfalah is one of the largest private banks in Pakistan with a network of 730 branches in more than 200 cities across Pakistan.

Afghanistan

Branch Banking Operations

Largest foreign bank in terms of assets and profitability in Afghanistan.

Services offered to clients include retail and wholesale banking.

Bahrain

Offshore Banking Unit

Services offered to corporate clients include deposits, trade finance, advances, treasury and foreign exchange services.

UAE

Wholesale Banking Branch and One Representative Office

Services offered to corporate clients include deposits, trade finance, advances, treasury and foreign exchange services.

Bangladesh

Branch Banking Operations

7 branches providing financial solutions to consumers, corporates and government through a broad spectrum of products and services, including deposit accounts, self-service banking and wholesale banking.

Bahrain

UAE

Afghanistan

Categories and Types of Branches

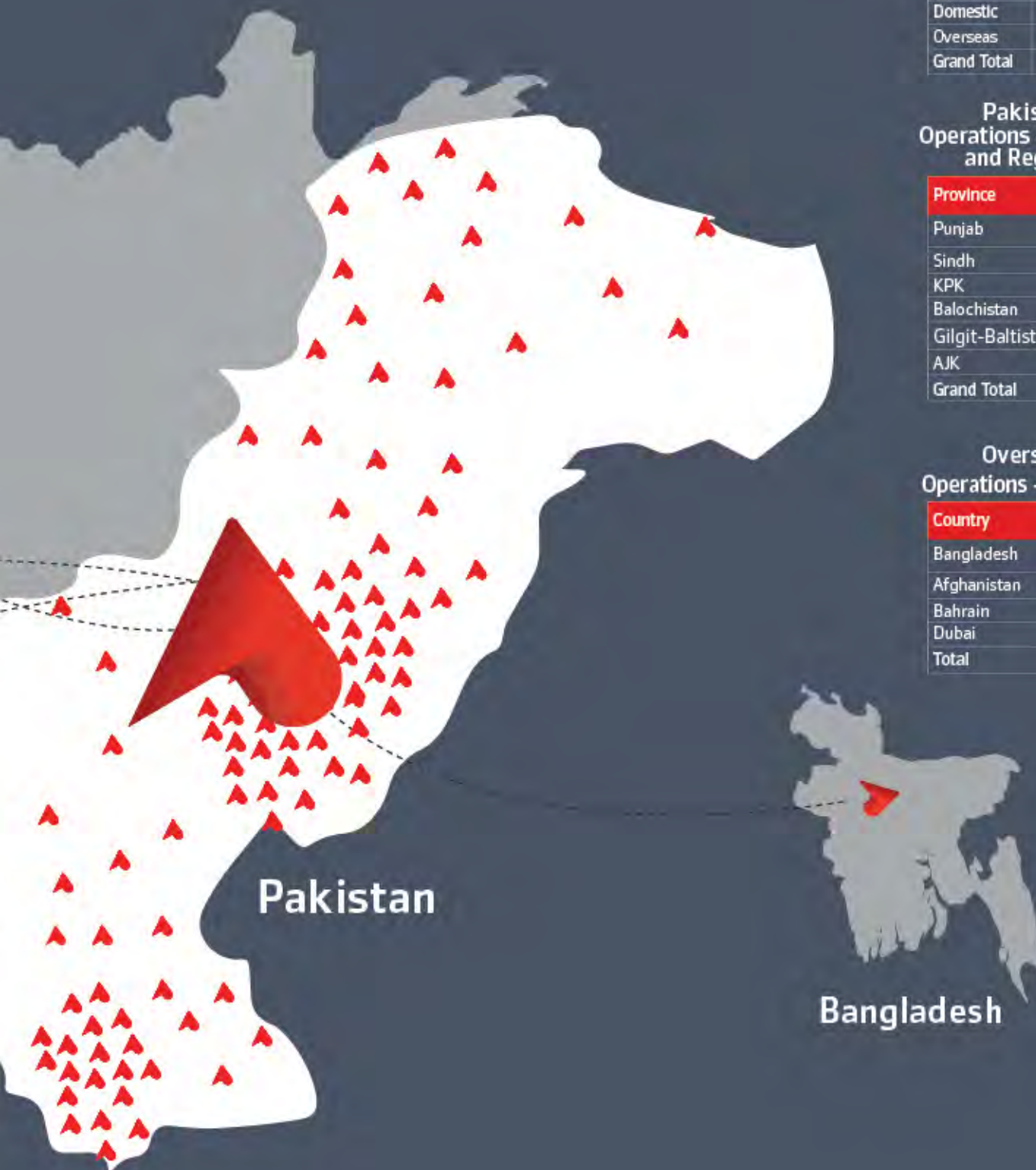
Category	Branch & Sub-Branch
Conventional	527
Corporate	5
Islamic	187
Domestic	719
Overseas	11
Grand Total	730

Pakistan Operations - Provinces and Regions

Province	Total
Punjab	449
Sindh	163
KPK	60
Balochistan	35
Gilgit-Baltistan	5
AJK	7
Grand Total	719

Overseas Operations - Countries

Country	Total
Bangladesh	7
Afghanistan	2
Bahrain	1
Dubai	1
Total	11



Our Employees

Our Human Capital Strength

Head Count (as at 31st December, 2020) 10,755

Pakistan	10,468
- Sindh	3,742
- Punjab	5,322
- Balochistan	255
- KPK	425
- AJK	37
- Gilgit-Baltistan	45
- Federal Capital	642
United Arab Emirates	20
Bahrain	9
Afghanistan	69
Bangladesh	189

Average Head Count (throughout the year) 10,288

Female employees	1,797 (17%)
(as at 31st December, 2020)	Head Count Increased from 2019

New hiring during 2020	1,945
	Decreased from 3,604 in 2019

Attritions during 2020	1,398 (13%)
	Decreased from 19% in 2019

Staff trainings (programmes)	1,520
	Increased by 53% from 2019

Significant Changes in Organisation

There are no significant changes from prior years with respect to the ownership and business model with which the Bank operates.

Our Business Model

Bank Alfalah Limited is a financial services company incorporated in Pakistan with the purpose of fulfilling financial need of its customers. The Bank is owned and operated by the Abu Dhabi Group. We offer solutions, with integrity and transparency, to consumers, corporations, institutions, and governments through a wide array of financial products and empower them by building lasting relationships with care. We engage in trading financial instruments, accepting deposits and extending lines of credit to our various customer segments through a large network of branches and digital channels. The Bank operates with an experienced and diversified Board. We have competent Management driving the operations of the Bank under the guidance of the Board.

Bank Alfalah Group has varied business platforms in securities brokerage, asset management, insurance services and delivering energy solutions. Our subsidiary company Alfalah CLSA Securities (Private) Limited is in the business of brokerage, fund placements and investment advisory. Our associated companies include Alfalah GHP Investment Management Limited, Alfalah Insurance Limited and Sapphire Wind Power Company Limited. Our international operations include commercial banking activities in Afghanistan, Bangladesh, Bahrain and UAE.

Bank Alfalah always puts its customers' needs first in the right way through its progressive, customer-centric business model, serving clients across Pakistan through more than 25,000 digital, electronic and corporeal touchpoints. We generate revenue and deliver value through our integrated business functions, including retail and corporate banking, treasury and financial institutions, and Islamic banking. Each wing has its own cohesive management team, which demonstrates extraordinary passion for innovation and customer experience.

Our Retail Banking portfolio includes deposit products, asset products, consumer finance, premier banking and wealth management, and it is the largest in terms of consumer finance in Pakistan. The business follows a two-fold model comprising direct sales in the branches and a telesales network. We offer the largest selection of products and services to our SME clients. This group conducts deposit-taking and lending activities for consumers and SMEs.

Our Shariah compliant Islamic Banking solutions cover deposit products, investment services, payment solutions and financing facilities. We lend and take

deposits across all sectors for both retail and corporate clients. This division has its own distinct financing and operations, as well as its own Shariah Review Board dedicated to the appraisal of the products that our Islamic Banking business offers.

Our Corporate Banking consists of credits, investment banking and transaction banking functions.. We offer solution by establishing infrastructure to place controls for risk and by funding, advising and creating structures for trade. We facilitate home remittances in Pakistan. Our transaction banking services include trade finance, cash management and supply chain, which follow a global model for a centralised approach towards trade. Investment banking offers solutions for project finance and syndication, while credits provide loans and fee-based products and services.



Our Global Treasury and Capital Markets is the primary dealer for trading activities in the Interbank Money and FX markets, and offers equity solutions in-house as well as for external clients. With a strong market presence, Bank Alfalah has treasury sales desks across Pakistan. These work for the Bank to deploy money into profitable avenues to earn lucrative revenues for shareholders.

Our Digital Banking services streamline make it effortless for our customers so they can keep up with evolving financial needs. Our portfolio covers digital deposits, lending, channels, lifestyle features, and corporate solutions for our customers, including the unique banking app 'Alfa'.

The business groups are supported by various support functions, which help them achieve day-to-day operational activities. Our support functions include Risk Management, Finance, Compliance, Marketing, Legal, Internal Audit and Corporate Services Division.

The Bank invests capital to generate value through core business activities to add value to our key stakeholders, including shareholders, customers, employees, regulators, and society as a whole. Our capitals comprise financial capital, human capital, manufactured capital, intellectual capital, social and relationship capital, as well as natural capital. The engine driving our core business activities consists of our Board, Senior Management, our employees who drive growth through strategy and outlook, governance, performance, risk management and stakeholder management.

Bank Alfalah and the Value Chain

CAPITALS		CREATING VALUE		VALUE ADDITION																									
INPUTS		CORE BUSINESS ACTIVITIES		OUTPUTS AND OUTCOMES																									
Financial Share Capital Rs. 17.8 Bn Total Equity Rs. 91.0 Bn Deposits Rs. 881.8 Bn Subordinated Debt Rs. 7.0 Bn Human Capital Head Count - Permanent 10,755 Manufactured Branches and Sub-branches 730 ATMs and CDMs 1,000+ Intangible Assets Rs. 1.3 Bn Property and Equipment Rs. 31.0 Bn Intellectual Capital Experienced Board Competent Management Strong Risk Management Secured and Updated IT infrastructure Compliance Framework Policies and Procedures Social and Relationship Number of Customers 4.1 Mn+ Natural Capital Solar Branches/ATMs/Inverters Green Banking Initiatives Health and Safety considerations at all premises		<div>Our Engine</div> <div></div> <div>Value and Growth Drivers</div> <div></div> <div>Principles to Operate</div> <div><table><tr><td>Customer Experience</td><td>IT Advancement</td><td>Regulator Facilitation</td><td>Ethics</td></tr><tr><td>Depositors' Protection</td><td>Data Security</td><td>Digital Innovation</td><td>Gender Diversity</td></tr><tr><td>Secured Lending</td><td>Data Analytics</td><td>Green Banking</td><td>Staff Training</td></tr><tr><td>Digital Solutions</td><td>Market Share</td><td>CSR</td><td>Record Safety</td></tr><tr><td>Investment</td><td>Managed Risk</td><td>Employee Happiness</td><td>Profitability</td></tr><tr><td>Customer Protection</td><td>Compliance with Laws</td><td>Health and Safety</td><td>Reputation Managed</td></tr></table></div>		Customer Experience	IT Advancement	Regulator Facilitation	Ethics	Depositors' Protection	Data Security	Digital Innovation	Gender Diversity	Secured Lending	Data Analytics	Green Banking	Staff Training	Digital Solutions	Market Share	CSR	Record Safety	Investment	Managed Risk	Employee Happiness	Profitability	Customer Protection	Compliance with Laws	Health and Safety	Reputation Managed	Shareholders Profit after Tax Rs. 10.5 Bn Earnings per Share Rs. 5.9 Dividend per Share Rs. 4.0 Return on Assets 0.87% Return on Equity 11.55% Cost to Income Ratio 54.7% Customers Deposits Growth 12.7% Advances Growth 13.4% NPL Ratio 4.3% ATM Uptime +96% CASA Mix 79.8% Employees Salaries and Benefits Rs. 14.5 Bn Trainings Rs. 62.0 Mn Employee Attrition Rate 13% Regulators Compliant Financial Statements and Periodical Returns to the Regulators Rating Agencies Long-term Rating AA+ Short-term Rating A1+ Outlook Stable Society Contribution to Local Society/CSR 19.7 Mn Customer Relations Improving Workplace Protected Natural Environment	
Customer Experience	IT Advancement	Regulator Facilitation	Ethics																										
Depositors' Protection	Data Security	Digital Innovation	Gender Diversity																										
Secured Lending	Data Analytics	Green Banking	Staff Training																										
Digital Solutions	Market Share	CSR	Record Safety																										
Investment	Managed Risk	Employee Happiness	Profitability																										
Customer Protection	Compliance with Laws	Health and Safety	Reputation Managed																										

Our Business, Products and Services

Retail Banking

Bank Alfalah offers one of the widest range of Personal Banking and SME product propositions in the market through retail network consisting of 527 branches, ATMs, Cash and Cheque Deposit Machines, state-of-the-art call centres and digital banking solutions. Our diverse range of services and products include a range of deposit accounts, consumer loans, SME loans, wealth management products, and other payment solutions.



RETAIL DEPOSITS
552.825 BILLION

RETAIL FINANCE
155.166 BILLION

Deposit Products

Bank Alfalah offers a comprehensive deposit product suite, which is complemented through our vast branch network and digital banking solutions. From transactional current accounts, structured savings products to basic banking accounts, term deposits and foreign currency products, customers can choose the option that best suits their banking requirements.

Current Deposit Products	Savings Deposit Products	Term Deposit Products
<ul style="list-style-type: none"> • PKR Current Account • Alfalah Kamyab Karobar Account • Basic Banking Account • Alfalah Asaan Current Account • Alfalah Asaan Remittance Current Account • Alfalah Pehchaan Current Account • Alfalah Remitter Current Account • FCY Current Account • Alfalah at Work Current Account • Roshan Digital Account (NRVA & FCVA) 	<ul style="list-style-type: none"> • Alfalah PLS Savings Account • Alfalah Care Account • Alfalah Royal Profit Account • Alfalah Kifayat Account • Alfalah Asaan Savings Account • Alfalah Asaan Savings Remittance Account • Alfalah Pehchaan Savings Account • Alfalah SnaPack (Kid's Account) • Alfalah Remitter Savings Account • FCY Savings Account • Alfalah at Work Savings Account • FCY Pehchaan Savings Account • Roshan Digital Account (NRVA & FCVA) 	<ul style="list-style-type: none"> • PKR Term Deposit • Alfalah Mahana Amdan Account • Alfalah Mahana Amdan Account-Senior Citizen • Floating Term Deposit • FCY-Term Deposit • Alfa Term Deposit

Asset Products

The Bank continues to evolve in light of the evolving customers' needs, emerging technologies, rising middle-class, demographics, social behaviour and economic scenario; and we at Bank Alfalah are working in harmony with this evolution.

Consumer Financing

The Bank's Consumer Finance business strives to be a world-class consumer lending business by demonstrating financial responsibility through prudent lending and a strong risk architecture. The business has gone from strength to strength, and in the last few years has focused on sustainable strategy planning, instituting robust operational and credit risk programmes, strengthening product offerings, and introducing digital transformation in our processes. The business consists of one of the most diverse product propositions in the market on both secured and unsecured side, which include industry leading Credit Cards, Auto Loans, Personal Loans and Home Loans, all of which are widely renowned in the market. The payment products and services comprise of debit cards, credit cards, travel currency cards and Point-of-Sale (POS) terminals.

Consumer Financing Product Offerings			
Alfalah Cards	Alfalah Personal Loan	Alfalah Auto Loan	Alfalah Home Finance
<ul style="list-style-type: none"> • Classic • Gold • Platinum • Ultra Cashback • Titanium • American Express • Platinum Premier • Corporate Card 	<ul style="list-style-type: none"> • Cash Loan • Purchase Loan • Balance Transfer Facility • Top Up Loans 	<ul style="list-style-type: none"> • Residual Value Product • Vehicle Replacement Option • Fixed and Variable Pricing Option • Co-Borrower Facility 	<ul style="list-style-type: none"> • Home Purchase • Home Construction • Plot Purchase + Construction • Home Balance Transfer Facility • Home Renovation

SME Lending/Agricultural Financing/Trade

Bank Alfalah takes pride in providing the largest suite of financial and non-financial products and services to its SME customers. Bank Alfalah also provides formal Non-Financial Advisory Services for its SME clients. The Bank has products ranging from working capital, long-term finance, fleet financing, bill discounting, invoice financing, supply chain finance and cash-flow based clean lending products for SME customers.

SME and Agri Loan Offerings

SME	Agri Loans
<ul style="list-style-type: none"> • Alfalah Bill and Cash • Alfalah Fleet Finance • Alfalah Merchant Line • Alfalah Quick Finance • Alfalah Karobar Finance • Alfalah Value Chain Financing • Alfalah Milkiat Finance • Alfalah Green Energy 	<ul style="list-style-type: none"> • Alfalah Agriculture Loans • Alfalah Paidawari Zari Sahulat • Alfalah Musalsal Zari Sahulat • Alfalah Tractor and Transport Zari Sahulat • Alfalah Machinery and Equipment Zari Sahulat • Alfalah Aabpaash Zari Sahulat • Alfalah Islah-e-Araazi Zari Sahulat • Alfalah Poultry Zari Sahulat • Alfalah Dairy and Livestock Zari Sahulat • Alfalah Fisheries Zari Sahulat Inland • Alfalah Silos/Storage Zari Sahulat • Alfalah Marketing Zari Sahulat • Alfalah Agri Industrial Zari Sahulat • Alfalah Bills/Guarantees Zari Sahulat • Alfalah Lease Zari Sahulat

Premier Banking

At Bank Alfalah Premier, customers are at the front and centre of our universe as we invest time and efforts in order to understand their unique needs and create tailor-made solutions for them.

Bank Alfalah Premier Lounges offer unparalleled banking experience with key elements of strategy, encompassing industry firsts, including, but not limited to, seamless onboarding (instant account opening and debit card issuance), dedicated Relationship Managers, designer lounges with Espresso alliance across the lounge network, and accelerated Orbit Rewards along with access to a dedicated Premier Airport Lounge at the Jinnah International Airport, Karachi.

With market leading and differentiated card strategy that encompasses alliances with top notch brands unique to the Premier segment, Alfalah Premier customers can enjoy amazing discounts on their Alfalah Premier Credit Card and Alfalah Premier VISA Signature Debit Card at top notch brands.

Our services span across 38 locations, and the Premier proposition is offered to customers through more than 290 branches.

Bank Alfalah Premier is now available in all major cities, including Karachi, Islamabad, Lahore, Sialkot, Rawalpindi, Abbottabad, Faisalabad, Gujranwala, Multan, Peshawar, Quetta and Wah Cantt.

Orbit Rewards

Bank Alfalah's award winning Alfalah Orbit Rewards Programme is the first enterprise wide loyalty programme launched by Bank Alfalah in January 2017. Under the umbrella of this rewards programme, Bank Alfalah customers can earn Orbit points across various Bank Alfalah products, and redeem them against multiple options like telco bill payments, utility bill payments, QR transactions, donations, Orbit Mall e-commerce portal, POS merchants, and much more.

Wealth Management

Bank Alfalah offers a vast portfolio of Bancassurance and Investment solutions, which includes Mutual Funds, Life Insurance, Health Insurance and General Insurance products distributed through the Bank's branch network.

Bancassurance

Bank Alfalah's Bancassurance solutions are especially designed to help the customers protect and secure a stable future for themselves and their loved ones.

Partnering with leading Insurance and Takaful companies in the country, Bank Alfalah offer a diverse range of solutions, customised to meet protection and saving needs of the customers at every stage in life.

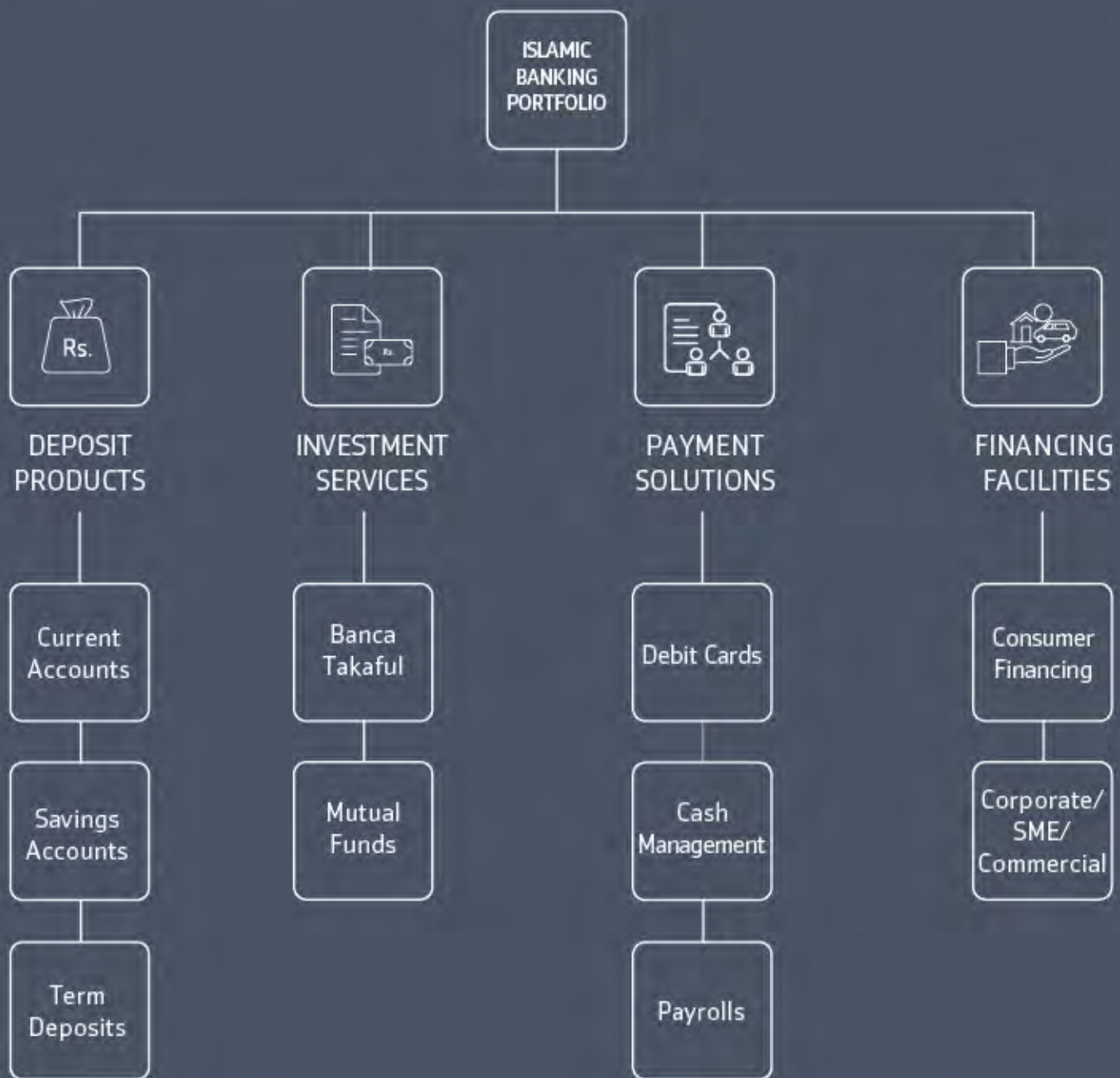
Bank Alfalah's Bancassurance product pallet comprises of need based solutions for both conventional and Islamic clientele, including, but not limited to, unit linked and bonus linked savings and protection plans, health plans, term life plans and general insurance plans.

All these plans are underwritten and owned by Insurance/Takaful companies, and the Bank acts in the capacity of the distributor of these products.

Bancassurance Product Offerings	
Insurance Plans	Takaful Plans
Unit Linked Life Insurance Plans	Unit Linked Takaful Plans
<ul style="list-style-type: none"> • Rida Marriage Plan • Roshni Education Plan • Sahara Retirement Plan • Rahat Savings and Protection Plan • Rehnuma Plan • Kohsar Plan • Mukammal Savings and Insurance Plan • Ujala Insurance Plan 	<ul style="list-style-type: none"> • Uroos Marriage Plan • Danish Education Plan • Tadbeer Multi-Purpose Savings Plan • Tahaffuz Takaful Plan • Zeenat Takaful Plan • Zindagi Premier Takaful Savings Plan • Saholat Takaful Savings Plan • Kaamil Takaful Savings Plan
Bonus Linked Life Insurance Plans	Term Life Takaful Plan
<ul style="list-style-type: none"> • Endowment Plan • Sadabahar Plan • 3 Payment Plan 	<ul style="list-style-type: none"> • Taskeen Takaful Plan
Health Insurance Plans	Health Takaful Plan
<ul style="list-style-type: none"> • Kafeel Plan • Azmat Health Insurance Plan • Hikmat Insurance Plan 	<ul style="list-style-type: none"> • Shifa Takaful Plan
General Insurance Plans	General Takaful Plan
<ul style="list-style-type: none"> • Car a Vaan Motor Insurance Plan • Nighaban Insurance Plan (Wallet Insurance) 	<ul style="list-style-type: none"> • Zaamin Takaful Plan (Wallet Takaful)

Islamic Banking

With a full range of Shariah compliant Islamic Banking solutions for corporate and consumer banking customers, the Bank is geared towards exploring new markets with a view to diversify our client base and provide innovative financial solutions.



ISLAMIC DEPOSITS
133.038 BILLION

ISLAMIC ADVANCES
103.279 BILLION

Deposit Products

Bank Alfalah Islamic offers a wide choice of deposit accounts that are Shariah compliant i.e. designed in strict adherence to Shariah principles. From current deposits, basic banking, term deposits, foreign currency to structured savings products, daily banking services can easily be catered through the vast branch network and self-service banking solutions.

Current Accounts

Based on the concept of Qardh, current accounts have been developed to cater to the liquidity and daily transaction requirements of our customers in a Shariah compliant manner.

Savings Accounts

Alfalah Islamic savings accounts are based on the concept of Mudarabah, and aim at providing the necessary tools for

various segments of the consumer market, including individuals, sole proprietors, traders, businessmen, corporate clients and commercial customers to transact their entire Bank related activities nationwide.

Term Deposits

Based on the concept of Mudarabah, the TDRs offer attractive short-term, mid-term and long-term investment options with flexibility and convenience. With various tenor options available for different target markets, combined with different profit pay-out options and the added facility of being able to avail credit against their investments, customers can choose the term deposit that suits their needs.

Current Deposit Products	Savings Deposit Products	Term Deposit Products
<ul style="list-style-type: none"> • Alfalah Islamic Current Account • Alfalah Islamic Basic Banking Account • Alfalah Islamic FCY Current Account • Alfalah Islamic Asaan Current Account • Alfalah Islamic Asaan Remittance Current Account • Alfalah Islamic Special Foreign Currency Current Account • Islamic Roshan Digital Current Account 	<ul style="list-style-type: none"> • Alfalah Islamic Business Way • Alfalah Islamic Business Way – Payroll • Falah Classic Savings Account • Alfalah Islamic Musharakah Savings Account • Falah Business Account • Falah Mahana Amdani Account • Alfalah Islamic Asaan Savings Account • Alfalah Islamic Asaan Remittance Savings Account • Alfalah Islamic Collections Savings Account • Alfalah Islamic Special Foreign Currency Savings Account • Alfalah Islamic FCY Savings Account • Alfalah Islamic Profex Account • Falah Senior Citizens Savings Account • Islamic Roshan Digital Savings Account 	<ul style="list-style-type: none"> • Alfalah Islamic Premium Term Deposit • Falah Mahana Munafa Term Deposit • Falah Term Deposits • Foreign Currency Term Deposits • Alfalah Islamic Recurring Value Deposit • Falah Senior Citizens Term Deposit • Target Savings Deposit

Asset Products

On the asset side, a number of financing/investments solutions are available for corporate/commercial/SME as well as retail customers.

Consumer Financing

We provide our retail segment with an option of availing financing facilities, which include Alfalah Islamic Auto Finance and Alfalah Islamic Home Musharakah.

SME/Commercial/Corporate Financing

In order to efficiently cater to the needs of Small and Medium Enterprises (SMEs) that are considered to be the

engine of growth for developing countries like Pakistan, enhance economic growth, and increase economic activity in the country, Bank Alfalah Islamic offers various financing products to the SME segment. The Bank offers financing facilities for different customer requirements like the purchase of goods/raw materials, manufacturing, constructions, working capital needs, and financing of corporate and commercial assets.

Corporate/Commercial	SME	Trade	Consumer
<ul style="list-style-type: none"> • Alfalah Running Musharakah • Murabaha/Import Murabaha • Alfalah Musawamah/Import Musawamah • Falah Tijarah • Alfalah Istisna • Salam - Commodity • Diminishing Musharakah • Ijarah • Islamic Long-Term Financing Facility • Islamic Refinance Scheme for Payment of Wages and Salaries to the Workers/Employees of Business Concerns • Islamic Refinance Facility for Combating COVID-19 • Islamic Temporary Economic Refinance Facility • Islamic Financing Facility for Storage of Agriculture Produce • Islamic Financing Facility for Renewable Energy 	<ul style="list-style-type: none"> • Alfalah Islamic Karobar Finance • Alfalah Islamic Fleet Finance • Alfalah Islamic Milkfat Finance • Islamic Refinance Facility for Modernisation of SME 	<ul style="list-style-type: none"> • Islamic Export Refinance Scheme (IERS) • Currency Salam • Forward Contracts • Letters of Guarantee and Letters of Credit 	<ul style="list-style-type: none"> • Alfalah Islamic Auto Finance • Alfalah Housing Musharakah • Alfalah Green Finance (Solar Solutions) • Alfalah Ghar Asaan (Naya Pakistan)

Wealth Management

We offer investment services whereby it enables customers to manage their investment needs through investments in Alfalah GHP's Shariah compliant funds.

Islamic Premier Banking

We offer unparalleled Shariah compliant products/services and a banking experience that encompasses industry firsts, including, but not limited to, seamless onboarding (instant account opening and debit card issuance), dedicated Relationship Managers, designer lounges with Espresso alliance across the lounge network, and accelerated Orbit Rewards along with access to a dedicated Premier Airport Lounge at the Jinnah International Airport, Karachi. We have alliances with top-notch brands unique to the Premier segment where Alfalah Islamic Premier customers can enjoy amazing discounts on Alfalah Premier VISA Signature Debit Card. The facility aims to be available across the Islamic Banking network, and is currently launched in limited cities.

Takaful Coverage

We offer Free Takaful Coverage for Accidental Death and Permanent Disability to all Bank Alfalah Islamic Current and Savings Accounts upon maintaining monthly average balance of Rs. 10,000 or more. With all these accounts, customers can qualify for coverage of up to PKR 1 million as per the coverage plan. In addition to this coverage, customers will also get Cash Withdrawal, Wallet and Cash over Counter Takaful Coverage with Alfalah Islamic Debit Card.

Payment Solution

We offer a variety of payment solutions both for retail and corporate clients, including debit cards, payrolls and cash management services that cater to different collections and payment needs of corporate clients in a Shariah compliant manner.

Orbit Rewards

Bank Alfalah Islamic not only values, but also rewards every relationship that the Bank builds as an affirmation of its commitment to finding new and innovative ways to create value for customers.

Every product whether it's a debit card, deposit account, Home Musharakah, Auto Finance, internet banking or mobile application, Bancatakaful or an investment policy, allows customers to earn Orbits, a revolutionary reward currency. Customers can use Orbits to redeem items from the Bank's extensive online rewards catalogue, and make bill payments on internet banking and Alfa mobile application. Customers can even transfer Orbits to other Bank Alfalah Islamic customers. The more Bank Alfalah Islamic products a customer holds, the greater is the potential to earn across all products in the form of a tier bonus every month.



Corporate Banking

Our Corporate Banking offers a comprehensive array of financing solutions with a focus on the financial requirements of medium and large-sized corporate clients. The product offering includes long-term and short-term funded solutions with flexibility for structured products, including, but not limited to, working capital, import-export refinance, commodity finance, long-term finance, bill discounting, documentary credits, guarantees and foreign exchange.

Investment Banking

Investment Banking offers a diverse product suite geared towards providing financing solutions for our clients. Bank Alfalah is one of the leading players in Project Finance and Syndications segments with a focus on infrastructure, power, construction/housing, water, cement and steel. The Group's service offering comprises long-term and short-term lending with flexibility for structured products, syndications, project finance and capital market advisory services. Investment Banking endeavours to leave a prominent foot-print in the debt capital markets and continue its commitment to contribute productively towards economic development by supporting private sector credit.

Financial Institutions and Home Remittance Business

The FI Unit manages relationships with local and foreign banks with key emphasis on facilitating our customers to meet their trade and other banking needs. FI offers traditional trade (LC Advising, Confirmation, Negotiation, Discounting, Letter of Guarantees) as well as structured trade solutions, i.e. Swift Trade Loans, UPAS LCs, secondary market trade transactions, with the idea of strengthening relationship with counterparty banks. FI maintains 60+ NOSTRO accounts in various currencies as well as 700+ unique RMAs with banks globally.

Our aim is to further strengthen infrastructure of correspondent banks to finance/refinance trade and commercial transactions from our network in between Asia, ME, EU and Africa.

The NBFI desk offers bespoke solutions catering to sectoral needs by providing structured finance and cash management solutions to meet capital and liquidity requirements of our clients. The desk is further venturing into various agreements with the development sector, and is partnering with key players, aligning the Bank with the national initiative of financial inclusion and poverty alleviation.

The Bank is also committed towards the cause of uplifting the underprivileged population under the initiatives taken by Government and multilateral agencies with emphasis on low-cost private schools and housing, renewable-energy projects,

agricultural value chains, and agri/crop based insurance, etc. We aim to continue to further improve our offering, diversify our product mix, and increase outreach to positively impact the social and environmental growth of the country.

Partnering in remittance flows under the State Bank of Pakistan's Pakistan Remittance Initiative is a key priority area for the Bank. In addition to supporting the country, inflow of home remittances is an important source of family support for countless households across the country. Bank Alfalah is proud to be a key participant in this national cause, managing payouts through our extensive domestic branch network.

Given the considerable contribution of home remittances to the nation, Bank Alfalah will endeavour to ensure that our remittance solution continues to be safe, efficient, reliable, and best in class. To this end, Bank Alfalah has taken multiple steps to invest in technology, system capacity, personnel and marketing to help increase the flow of home remittances through banking channels.

Transaction Banking

Transaction Banking offers Cash Management, Trade and Supply Chain Financing solutions that support working capital requirements and maximise client's business opportunities whilst focusing on product management, development, delivery and sales of transactional products, channels and services across all segments.

Cash Management

Capitalising on its key strengths, Bank Alfalah's Cash Management business has grown significantly over the last several years and is now a premier solution provider for customers across different segments of the industry. A structured and optimum corporate internet banking solution 'Alfalah Transact', backed by our vast branch network and our digital touchpoints, allows our corporate, SME and institutional clients to carry out transactions conveniently anywhere and anytime. We offer real-time connectivity, aided with the power and convenience of the internet. Our aim is to ensure continuous delivery of banking services to our banking partners in a manner that is personalised, cost-effective, efficient, and most significantly secure.

Our solution is a fully integrated, end-to-end platform with a single access for all payment and collection transactions and information needs, allowing our clients to streamline their workflow processes. It can be scaled according to their needs for product simplicity and sophistication. It transforms the way our client's do business and extends their reach to new markets, while at the same time, lowers transaction costs and reduces processing time.

The business is geared-up to build scalability backed by our commitment to offer smarter and better solutions. Our aim is to continue positively impacting our clients and their overall financial well-being.

Trade and Supply Chain Finance

International and domestic trade is highly complex and involves a web of intricate transactions. Trade Finance delivers fast, efficient, reliable and comprehensive solutions for every stage of a client's trade value chain to support their trade activities. Our Trade Finance specialists understand the dynamics of the local and global business environment, and are well-equipped to capture our clients' complete end-to-end trade flows by offering a wide range of trade products and services.

Supply Chain Financing (SCF) is becoming an increasingly common vertical within the banking industry. Bank Alfalah prides itself in becoming market leader and a key member on the State Bank of Pakistan's SCF forum. We expect this trend to accelerate over the next three to five years, driven by three waves: deepening of established solutions targeted at suppliers, further integration and sophistication of products for buyers and, ultimately, convergence between buyer and supplier oriented solutions. Our flexible Supply Chain Finance product range provides both suppliers and buyers with financing opportunities during distinct phases of the financial supply chain.

IFC's advisory for establishment of Supply Chain Financing roadmap has been a dynamic involvement for the Bank. In terms of global experience, inclusive financing and other aspects of values brought by IFC, we have completed docking with global SCF best practices, providing us with higher standards that we can further leverage.

CORPORATE DEPOSITS
116.775 BILLION

CORPORATE ADVANCES
287.719 BILLION



Global Treasury and Capital Markets

Global Treasury and Capital Markets is responsible for managing the Bank's Market and Liquidity Risk along with providing comprehensive coverage of financial market products to its local and global clients. We aim to leverage our market positioning and the Bank's global footprint to serve our client's specific business needs.

Global Treasury

Global Treasury manages the interest rate risk, liquidity risk, foreign exchange risk and equity price risk emanating from the Bank's assets and liabilities. The Group endeavours to provide the Bank's clients with wide range of conventional and Islamic solutions catering to their specific business needs. We offer structured treasury products to meet the investment and hedging needs of a diverse clientele. Being a key player in the financial market, and a leading primary dealer in government securities, the Group aspires to create value for all stakeholders.

Our sales desk provides optimal solutions with respect to interest rates and foreign exchange exposures for its diverse customer base. In addition to that, we are continuously engaged with the Ministry of Finance, as part of the joint financial advisory team for the issuance of domestic currency Sukuks. Our institutional sales desk actively conducted roadshows to market, not only the Government Debt Securities, but also promoted Pakistan's debt capital market to foreign investors.

In our operations, we maintain a flexible approach responsive to changes in the market environment in order to secure robust performance. Simultaneously, we manage market and liquidity risk of the Bank under a comprehensive framework approved by the Board of Directors.

Capital Markets

Capital Markets offer comprehensive equity solutions for in-house as well as clients' needs. Leveraging its active role in Capital Markets and their development, the Bank has established an award-winning Equity Advisory and Investor Relation franchise.

FX EARNINGS

3.398 BILLION

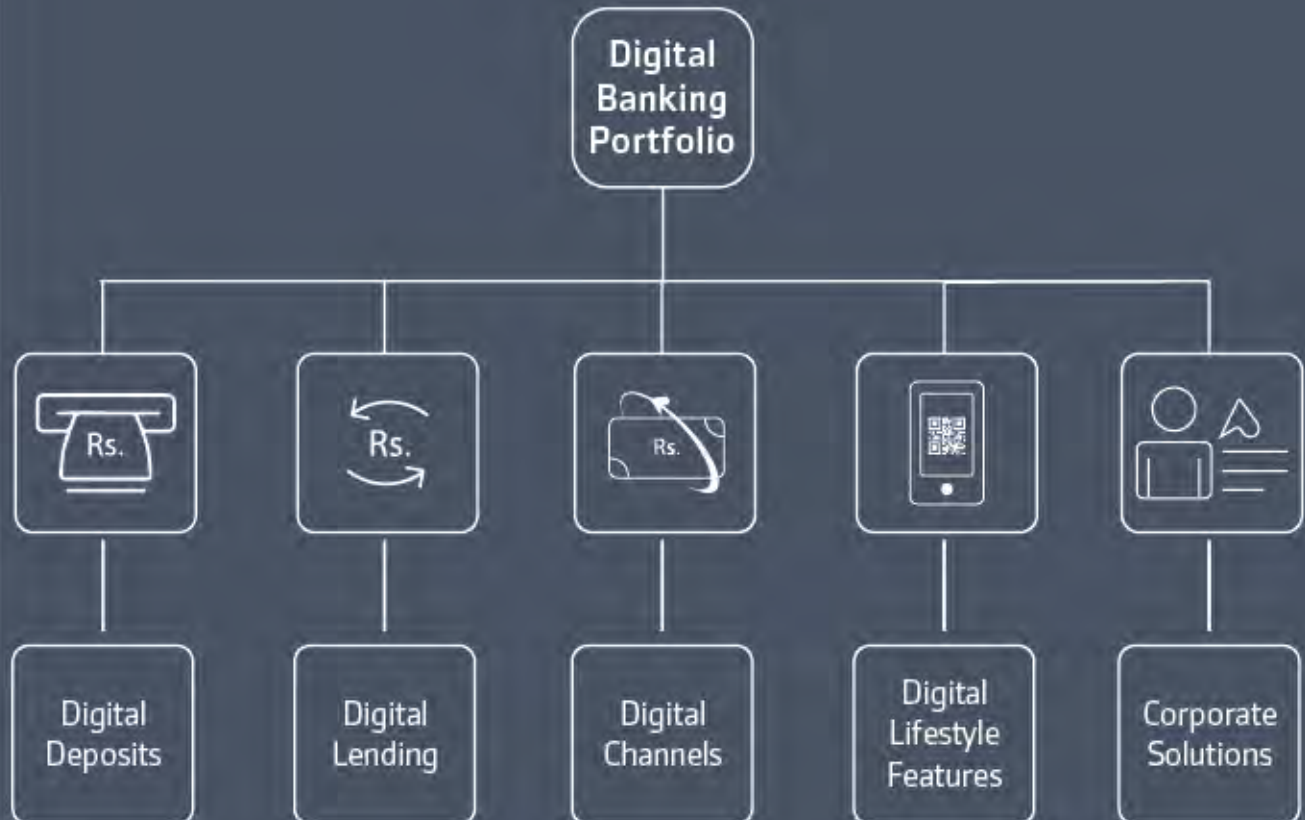
GAIN ON SECURITIES

2.285 BILLION



Digital Banking - Live More, Bank Less!

Bank Alfalah believes banking can be simpler, faster, and more effortless for all. Therefore, as a thought leader in the industry, it has positioned its digital services to grow beyond the core banking services. With the aim to meet and exceed the altering financial needs of our diverse range of customers, Bank Alfalah has successfully positioned 'Alfa' as a leading premier lifestyle and financial app in Pakistan within a very short span of time.



Digital Deposits

Digital Current and Savings Accounts

Bank Alfalah added the first of its kind, completely digital current and savings accounts, allowing customers to open an account from anywhere on Alfa with a simple 4-step account opening process and earn a market competitive rate on their daily balance as well as enjoy the ease of payments through Alfa.

Roshan Digital Account

Bank Alfalah introduced a new real-time digital wealth management account for overseas Pakistanis with an option to open an account in multiple currencies, including PKR, USD, GBP, EUR, AED and SAR, allowing customer to invest in Naya Pakistan Certificate, Pakistan Stock Exchange (PSX) and Real Estate, and repatriation of funds abroad without any regulatory approval. Customers also enjoy 24/7 access to funds through alternate channels accessible globally (free internet banking, mobile banking app, debit card), and easily perform basic financial transactions such as bills payment, e-commerce, fee payments, QR payments, goal-based savings, etc.

Alfa Current and Savings Islamic Account

Bank Alfalah launched Alfa Islamic Current Account and Alfa Islamic Savings Account - two completely digital, Shariah compliant accounts for customers who prefer Islamic Banking for their daily transactional and saving needs. These accounts have no minimum balance requirement and offer Islamic Debit Card facility for cash withdrawals and POS transactions; making it a star product in a market with already very limited digital Islamic banking options.

Alfa Term Deposit

Bank Alfalah is the first bank in the industry to introduce Alfa Term Deposit, allowing customers to invest in Term Deposit instantly through Alfa within TEN SECONDS with the flexibility of changing maturity instructions post-booking, early encashment along with the added convenience of downloading the digital receipt. Given the low cost to serve via self-service digital channels, the Bank is offering higher profit rates than those available at branch counters.

Goal-based Savings

'Alfa Goal-based Savings' offers a systematic saving facility with an Auto-Debit option to help customers save a designated amount after regular intervals to achieve a saving goal in a hassle-free manner.

Digital Home Remittances Account

Bank Alfalah launched its Home Remittance Account (HRA) wallet offering free airtime of PKR 1 against each USD remitted into beneficiary HRA wallet. The Bank is also actively working on converting Cash-over-the-Counter (CoC) transactions to HRA wallet credits.

Digital Lending

Merchant Financing

This unique product offering helps Small and Medium Enterprises (SMEs) to digitise their day-to-day payments and to meet their business needs. Through Merchant Financing, merchants are offered digital loans of up to Rs. 1 million; offered as a value-added credit facility to merchants against their cash flow through Alfa Business App, applied digitally and disbursed within 2 hours.

Advance Salary

A newly designed, end-to-end digital product with zero paperwork, where blue-collar employees on Bank Alfalah's Corporate Payroll Wallet can apply for advance salary from Alfa with no processing fee, or any hidden charges. The loan will be payable in 6 equal monthly instalments.

Alfa Overdraft

The first-ever digital overdraft facility in Pakistan allows staff to manage and overcome their monthly financial crunch.

Easy Instalments

A smooth, end-to-end digitised, buy-now-pay-later process through which eligible Credit Card customers and account holders can apply for financing facility while shopping from AlfaMall.

Instant Loan

This product was launched on Alfa, offering instant digital loans of up to Rs. 1 million, with a completely digital application and approval process, minimising the disbursement time to less than 1 minute. Moreover, customers can also repay their loan instalments through Alfa.

Agent Financing

Bank Alfalah enabled the agents enrolled with Bank Alfalah Agent Network with a credit facility of up to PKR 100,000 based on their average throughput volumes to meet short-term working capital requirements to carry out branchless banking transactions.

Digital Channels

Alfa

Alfa branchless banking has successfully digitised offline procedures such as account opening, money transfer, bill payments, savings and investments, while encompassing the ingredients of a modern lifestyle, which includes traveling, enjoying exquisite cuisines, entertainment at theaters, cinemas, staying connected with friends via chat, online shopping and discounts.

AlfaChat

The first of its kind in Pakistan, P2P chat platform in banking was launched in May 2019, with a wide array of features from user to user chat, group chat, stories and picture uploading, voice notes, picture sharing as well as likes and viewing features. In addition, it provides money transfer and mobile balance top-up functionality in chat, giving it a holistic view to being a banking and financial communications platform within Alfa.

Digital Payments

Proximity Payments

Alfa has aced the landscape of proximity payments in Pakistan being the only mobile app accepting QR payments for both major schemes; MasterCard and VISA.

Alfa Mall

AlfaMall offers a comprehensive e-commerce marketplace experience along with a significant variety of products ranging from electronic appliances and mobile phones, to apparel and grocery. With regards to payment methods, customers can pay from account, credit card, orbits, or avail easy instalment plans on AlfaMall.

School Fee Payment

The digital fee payment feature enables parents to pay school fee digitally, even beyond banking hours, and in a matter of a few minutes.

Alfa Business App

Bank Alfalah launched Alfa Business App - an exceptional, out-of-the-box experience for business merchants with digital on-boarding, allowing them to accept QR payments from any MasterCard and VISA app, real-time reporting, activity dashboards, dynamic QR and virtual E-Shop.

Alfa Payment Gateway

Bank Alfalah launched its state-of-the-art Alfa Payment Gateway, enabling e-commerce merchants with the much-needed, secure payment solutions, allowing them to collect online payments from their customers via multiple payment modes, including Credit/Debit Card VISA/MasterCard (domestic and international), Bank Alfalah Account and Alfa wallet.

Alfa Fee Collection Portal

Digital Banking Group launched 'Alfa Fee Collection Portal' - a completely digital fee management solution, which supports digital collection of challans and invoice-based payments for educational institutions, clubs, gyms, and other subscription-based businesses.

Digital Savings and Investments

Digital Wealth Management

Putting customer convenience at the forefront of our strategy, Bank Alfalah has digitised various wealth management solutions for its customers. A suite of wealth management products along with an on-the-go tracking of transactions are now available on Alfa App. Alfa customers now have various options to invest their money securely, and insure their life and health against unforeseen circumstances.

Digital Investments

Without the hassle of branch visits and tedious paper work, Alfa customers can now digitally invest in various Mutual Funds options starting from an amount of PKR 500 only. Customers can also track all their investments and returns within the App. Also available on Alfa App is the IPS portal through which existing bank customers (Savings or Current Account holders) can invest in the Bank's treasury products, including Treasury Bills, Pakistan Investment Bonds and Ijarah Sukuk through an Investment Portfolio Securities (IPS) account. The process of investment is completely digital.

Digital Insurance

From application to claim lodgment, Alfa App now allows customers to apply for life and health insurance through an end-to-end digital process. Alfa Zindagi is a term life insurance which allows a coverage of PKR 100,000 to PKR 2,000,000 for a premium payment as low as PKR 500. Hospital Cash Assist is a health insurance option to be claimed upon hospitalisation, which allows an unmatched coverage of PKR 2,000 per day for a monthly premium of Rs. 150 only.

Digital Lifestyle Features

Food Ordering

Alfa stands out as the first banking app in Pakistan to launch digital food ordering. Customers can avail various deals and discounts on their orders, review order history, and make payments via Alfa.

Billing and Ticketing

Users can book bus tickets, movie/cinema tickets and hotel booking on the go, using the Alfa app.

Discount Vouchers

Alfa customers can now purchase discount vouchers of various top brands through Alfa App at unmatched prices. These vouchers can either be redeemed through Alfa, or at the merchant platform.

Alfa Health

Bank Alfalah collaborated with WebDoc, an innovative medical partner that offers safe and reliable medical assistance online, allowing Alfa users to connect with certified, professional doctors, medical experts and industry specialists for a free consultation.

Corporate Solutions

Employee Old Age Benefits (EOBI)

Bank Alfalah is an exclusive banking service partner for EOBI, and continues to provide pension disbursement along with contribution collection from various employers to its customers.

Ehsaas Kafalat Programme (EKP)

With Bank Alfalah's vast network, EKP is able to disburse funds transparently and efficiently to achieve the shared mission of reducing poverty and serving the underprivileged masses.

Digital Payroll Account

'Alfa Payroll Solution' is the Bank's secure, reliable and cost-effective digital solution, allowing SME and Corporates to disburse salaries directly into mobile accounts of hundreds of employees at once.

B2B Supply Chain Digitisation

Bank Alfalah initiated the first-ever digitisation of supply chain model for FMCGs and SMEs providing them with online ordering, payment automation and real-time tracking of the order on app; helping with efficient order management, sales monitoring for more control over retailers, and eliminating cash handling through completely digitised payments.

Ehsaas Emergency Cash Programme

Bank Alfalah enabled Pakistan's largest welfare fund distribution 'Ehsaas Emergency Cash Programme', disbursing funds transparently and efficiently to achieve the shared mission of reducing poverty and serving the underprivileged masses hit by COVID-19 lockdowns in Khyber Pakhtunkhwa, Gilgit-Baltistan and Azad Jammu & Kashmir.

A close-up photograph of a hand placing a puzzle piece into a larger assembly. The hand is positioned at the top right, with fingers carefully guiding the piece. The puzzle pieces are light-colored with dark outlines. A large, semi-transparent red rectangle is overlaid on the left side of the image, containing the title text in white.

STAKEHOLDER RELATIONSHIP AND ENGAGEMENT



Stakeholder Information

Customers

One of the cornerstones of our business is the customer-centric culture and attitude. It is of utmost importance to us to empower the customers by understanding their evolving needs and preferences, offering innovative products and seamless processes driven through customer insights, complaints, regulatory research, global research, and market best practices.

Our diverse product proposition consisting of Consumer Finance Products, SME Toolkit, Wealth Management Services, Islamic Banking Operations and Digital Banking Platforms, all underline our commitment towards customer-centricity.

We always aim to maintain continuous service performance visibility across various product streams, branch networks, and other service touchpoints to ensure that we meet our commitments to our customers. These 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

Bank Alfalah has always believed that investing in human capital is the key to achieving our strategic objectives. The Bank ensures that employees are kept motivated and committed through productive training,

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
- Platform for employees to express gratitude towards each other
- Learning and development programmes
- Assistance schemes for professional qualifications to top performers
- Sabbatical for employees who wish to pursue higher education
- Availability of learning courses on the Bank's Learning Management System

The Bank acknowledges the contributions of female employees and differently-abled employees, and is proud to be an equal opportunity employer.

Community/Society

The Bank engages with the general public at large through our CSR initiatives. This helps us to identify the need for interventions in sectors such as education, health, welfare, environmental sustainability, leadership development, promotion of sports, arts and culture.



Shareholders/Institutional Investors

One of the Bank's 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 the achievement of key objectives. Engagement through AGMs and EOGMs certify that the shareholders actively participate to ensure the business is sustainable in the years to come. Press Releases and Annual Reports (Quarterly, Semi-Annually and Annually) are disseminated in a timely manner to ensure shareholders' engagements at all times.

Regulatory Bodies

To ensure sound business operations, regulatory compliance and a transparent legal environment, engagement at the regulators' level is carried out quite frequently throughout the year. 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 positive support of the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange, regulators of international branches, and other regulatory bodies.

Suppliers/Service Providers/Vendors

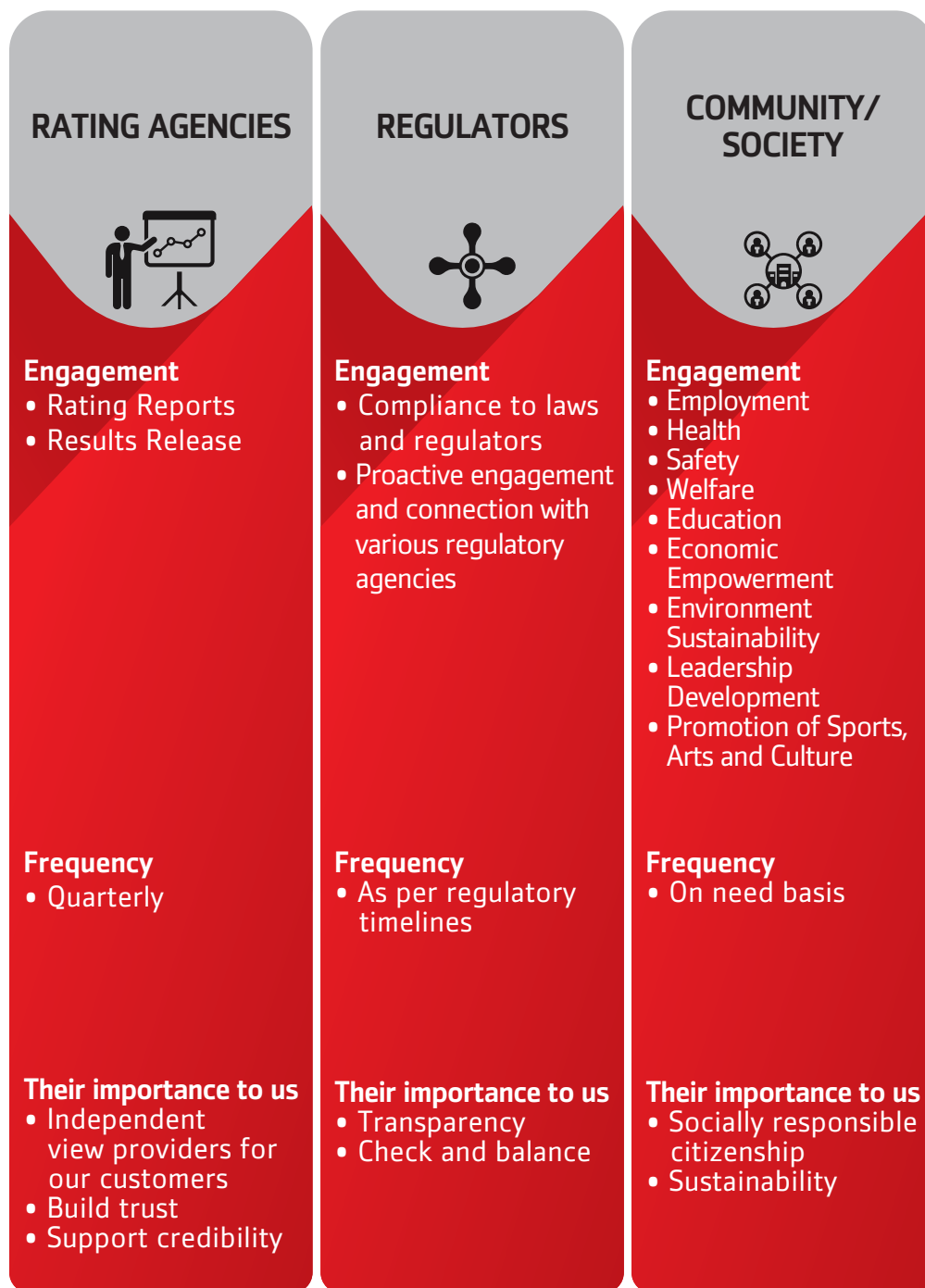
The service providers with which the Bank engages are key to our operations. Our outsourcing arrangements with various firms is an added arm for day-to-day banking operations. We have an established procurement function, which has an end-to-end (procurement to pay) process to facilitate internal stakeholders by engaging appropriate vendors.

Rating Agencies

The Bank regularly engages with analysts on details of projects already disclosed to regulators, with due regard to regulatory restrictions imposed on inside information and/or trading. This is done to avoid any negative impact on the Company's reputation or share prices. We hold our Analyst Briefings to apprise attendees on the Bank's operational and financial performance. We also engage with Credit Rating Agencies, which assign rating for the Bank as well as our financing arrangements (ADT 1).

Stakeholder Engagement - Process and Frequency of Such Engagements





Stakeholder Engagement

Customers

Customer Experience and Complaint Management

The Customer Experience Unit functions as the centre point for customer interests and serves the customer-centric agenda of the Bank. It is of utmost importance for us that a customer is served with the optimal experience at the frontline and back offices. Our philosophy is to treat the customers as our guests who we want not only to visit the Bank regularly, but also build a long-lasting and reliable relationship with us.

The Bank's aim is to build customer loyalty and brand reputation so that our name becomes synonymous with the phrase 'customer-centric culture'. The Customer Experience Unit works on several fronts in order to achieve this aim:

Consumer Protection Policy – We have a comprehensive consumer protection policy that encompasses broad guidelines to manage the customers throughout their journey with Bank Alfalah, ranging from product development, sales practices, marketing activities, communication protocols and handling of customers.

Quality Assurance – The Bank has a comprehensive Quality Assurance Framework that spans across various products and channels, including, but not limited to, Digital Channels, Branch Banking, Consumer Finance, Centralised Operations, Corporate Payroll Accounts, and support segments with an aim to identify gaps resulting in high turnaround times to drive efforts to meet our committed service standards.

Knowledge Initiatives – Customer Experience drives a robust knowledge enhancement programme focused towards increasing our staff awareness levels on not only the products, processes and services, but also the soft skills and interaction basics at the branch level. To promote and embed customer-centricity, not only do we take the contemporary approach, we also use mediums such as service snippets, info grams and online portals. In 2020, we introduced the Knowledge Portal, a one-stop-shop for all product knowledge available with the click of a button through our portal in order to make the consultation experience for the frontline and the customers easier, more accurate and quicker.

Process Optimisation – We constantly and continuously keep a close eye on the complaints, processes, and channels to identify gaps and areas on how to increase the operational efficiency and drive improvements across the organisation. This sub-unit works in synergy across the Bank to drive innovation and change in order to provide an enhanced experience and optimise customers' journey. One of our major optimisation this year was geared towards enabling the request processing through any Bank Alfalah branch rather than just the parent branch. This enables the customer to

walk into any branch within their vicinity and get service requests processed. Further, Statement Narration was enhanced for the customers to be aware of where their instruments are being used. Traffic Migration to Digital Banking was promoted through customer self-service avenues as well as increased customer convenience. Branch real-time Credit Card Payment Processing and Card Number Validation was introduced for added customer convenience. Credit Card Cancellation was enabled via Contact Centre for faster request processing and customer convenience.

Complaint Management Unit – This unit ensures diligent complaint closures, while maintaining high Fair Treatment of Customers standards. In 2020, we directly received a total of 113,983 complaints this year against 116,872 complaints last year, which were successfully resolved. Additionally, we at Bank Alfalah conduct thorough root cause analyses to facilitate and drive continuous improvement in tandem with the business and product management teams via various channels. Further, a single technology platform was deployed for increased efficiency by capturing customers' historical interactions with the Bank, which would translate into better complaint resolution and closure.

Video Mystery Shopping Programme – We have a robust video mystery shopping programme to gauge the service standards at our branches across all product propositions, gauging our network on indicators, which include physical branch maintenance as well as friendly and behavioural conduct extended to our customers. For 2020, we enhanced the scope of our programme to include Consumer Finance Centres and Premier Lounges with metrics customised to the relevant propositions.

Voice of Customer Programme – Customer Experience conducts extensive surveys regarding almost every product offered by the Bank in order to gauge customers' satisfaction. This research activity also helps us identify customers' need for development of any future product and surpass customers' expectations. Further, we are in the process of introducing a Digital Survey Platform, which will allow us to reach out to the customer instantly after availing a new product and transacting for feedback. This platform will allow us to increase our outreach through SMS, ROBO Calls and WhatsApp.

Live Service Monitoring – A market leading initiative undertaken by the Bank whereby the branches are monitored, scored, and remediation consultation and actions are taken in real-time. Monitoring takes place through the CCTV cameras already installed at the branches, and remediation is driven by engaging the branches over the phone during monitoring. As a result of this initiative, there has been a positive buzz around improving service provisions to customers at the branches. Furthermore, this initiative offers a digital solution to the conventional physical visits, and also allows us to conduct weekly reviews with lesser time lapse.

Employees

Talent Acquisition and Advisory

Talent Acquisition

The Talent Acquisition function finds the right people for the right role through a combination of internal elevations, fresh hiring, and batch hiring programmes, which helps create business value and ensure smooth business operations. Applicants hired through batch hiring undergo a robust assessment followed by structured learning roadmaps. This year, however, we conducted batch hiring on a limited scale due to the pandemic and hired only the Management Trainee batch.

HR Advisory

The HR Advisory function continues to support all business functions. The talent classification exercise was successfully carried out for senior critical positions in order to maintain a strong bench strength of senior talent. Development plans were devised for high performers, which included their training and coaching needs along with succession planning to ensure retention.



Learning and Development

'Opportunities to Learn and Grow' is one of the main pillars of our People Happiness Charter. The Bank's aim is to invest in employee development and training opportunities so that our employees continue to hone their skills and advance their careers.

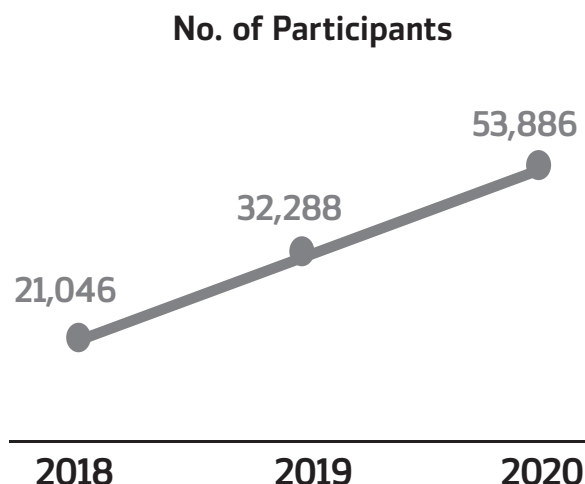
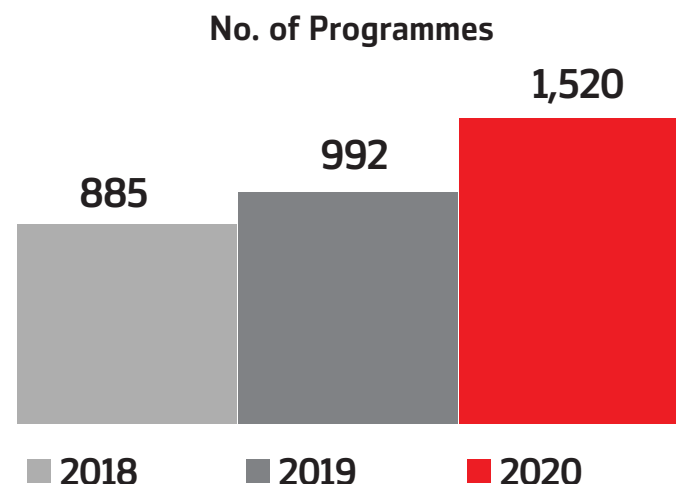
2020 remained an exceptional year for learning and development. The year witnessed digital transformation of learning methodologies, while adapting to the New Normal.



From virtual infrastructure up-gradation to extending innovative learning opportunities, the Learning Division made concerted efforts to equip the employees with the best skill-set enabling them to discover new ways to serve our customers better. Continuous technological investments over the years also led to smooth and effective transition towards online platforms during the COVID-19 pandemic.

In line with Employee Happiness Charter to extend opportunities to learn and grow, learning interventions were offered through digital channels. Webinars and e-Learning modules were offered in various discipline. During the New Normal, 100% conversion to digital methodologies resulted in 120% rise in average monthly participation, while empowering employees with enhanced accessibility to participate in learning programmes from their respective locations (more than 190 cities).

Given below is a brief glimpse of the learning quantum during 2020:



In line with continuous extended focus on capacity-building towards regulatory framework and global compliance obligations, several initiatives were undertaken. With the help of in-house and external subject-matter experts, various learning programmes were arranged on Anti-Money Laundering, TF Risk Assessment and CFT Obligations, Trade Based Money Laundering and Cyber Security Awareness. Professional learning collaboration with Pakistan Customs is also in the final stage to offer a joint-knowledge sharing platform for both organisations. Realising contemporary trends and future proofing of our employees, learning initiatives have been taken to increase their digital quotient. Frontline teams were upskilled on product and process knowledge, and enhanced levels of customer services.

Refresher programmes were conducted to upskill employees on COVID relief schemes offered by SBP. Knowledge sessions were also organised for SME, Agri and CFG products. Special focus was also given to SBP initiatives pertaining to low-cost Housing Finance and Roshan Digital Accounts. Awareness on Islamic banking also remained important. Sessions across major cities and remote locations were conducted to enhance Islamic banking knowledge among Senior Management, IBG employees as well as relevant support functions. In order to induct young talent in Bank Alfalah, customised batch learning programme was organised for Management Trainees.

We will continue to inculcate learning solutions for our people to enhance their personal and professional skills, and nurture learning culture for organisational growth.

Diversity and Inclusion

We at Bank Alfalah have embarked upon a Diversity and Inclusion (D&I) journey because we strongly believe in the business and social impact created by a diverse workforce and an inclusive work culture. We believe that D&I inspires creativity and innovation, unlocks productivity, and enhances profitability. Our 2020 D&I highlights are described below.

Our D&I strategy rests on the following four pillars:



an inclusive work culture where everyone's uniqueness is valued. In 2020, Bank Alfalah won the following 2 Best Practice Awards at the GDIB (Global Diversity and Inclusion Benchmarks) Awards.

- D&I Structure and Implementation
- Benefits, Work-life Integration and Flexibility

Global Diversity and Inclusion Benchmarks have been developed by the Centre of Global Inclusion, USA and serve as standards for organisations around the world to compare and improve their D&I practices. In Pakistan, GDIB Awards are conducted by HR Metrics to recognise organisations' commitment towards D&I. We are honoured and proud to receive these awards, and we will continue to advance our journey of becoming one of the most diverse and inclusive employers of Pakistan.

Female Representation in our Workforce

We are proud to share that women now make up 17% of the our entire workforce.

Celebrating International Women's Day

Bank Alfalah celebrates International Women's Day to recognise the contribution of our women in playing an important role to help drive the Bank's strategic agenda.



In 2020, we reached out to our women and asked them how they would like to celebrate Women's Day. A large majority of them shared that they would like an informal day of learning and relaxation. Therefore, we organised an exciting day for them that focused on the enrichment of mind, body and soul. We offered them self-defence and mindfulness classes. Our women absolutely loved the event and participated whole-heartedly.

Six-month fully paid Maternity Leave Policy

We do not want our female employees to have to choose between motherhood and career success, so we have extended our maternity leaves to six months so that females can resume their jobs after having spent some time with their babies. Alongside the extended maternity leave, we have also launched a Stay-in-Touch programme under which we stay connected to mothers out of office and ease their transition back into the workplace.

Furthermore, we have also launched a maternity cover policy so that work does not get affected when employees go on maternity leave. Under this policy, another employee is given the opportunity to take over the duties of an employee on maternity leave for six months. The employees serving as maternity cover not only get a chance to enhance their learning and diversify their experience, but also gets a monetary incentive.

A Communication Channel for Women

We have established a communication channel for our female employees, where they can reach us through email and phone at any time so that we remain accessible to them, hear them out, and support them if they are facing any issues regarding work environment, work-life balance, growth opportunity, etc.

SheLEAD – Bank Alfalah’s Signature Leadership Development Programme for Women

Developing women to prepare them for leadership roles is at the heart of our Diversity and Inclusion agenda. We have designed and launched SheLEAD as our in-house signature leadership development programme for women. This programme enables women to drive their careers forward, overcome self-limiting beliefs, and build strategic networks. It uses discussions, self-reflection activities and videos as training methodologies.

In 2020, we revisited the SheLEAD Programme and tweaked it to make it more suitable and engaging to be conducted online due to the ongoing pandemic. We introduced short, interesting activities at regular intervals throughout the programme to ensure that the participants remain actively engaged.

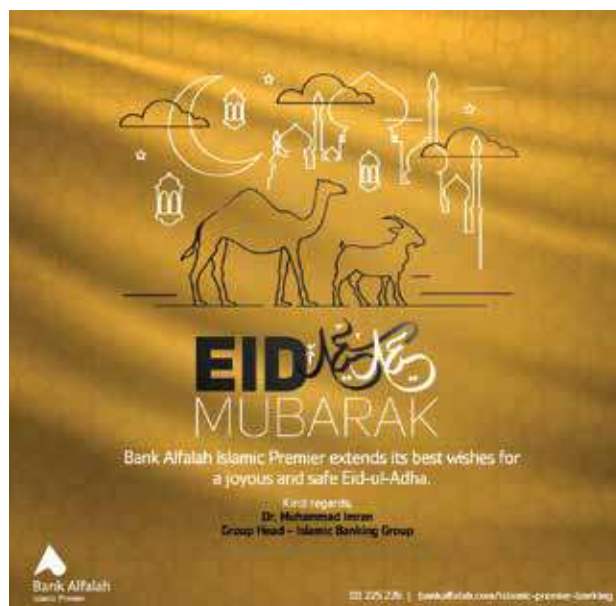
Sponsorship Programme for Women

We have launched the Sponsorship Programme for Women to provide our female employees the support and direction they need to advance their careers.

Our Senior Management served as sponsors, while females in mid-level leadership were given an opportunity to apply for this programme as protégés. Sponsors and protégés were paired up for a 6-month long sponsorship relationship during which the sponsors are expected to not just share career advice and guidance with women, but also champion their visibility in the Bank and highlight their achievements.

Celebration of Festivals of Minority Groups

We rolled out communication and personalised messages from Head HRLG to celebrate festivals of minority groups so that they feel included. Some of these festivals include Holi, Diwali, Easter, Nowruz, etc.



Disability Inclusion

We conducted engagement sessions of employees with disabilities with Head Leadership Development and Culture, and Unit Head Talent, D&I and Internal Communication in order to make the employees feel valued and to build their morale.

We will conduct sensitisation sessions for line managers of employees with disabilities to ensure that they are treated fairly, and are given an equal opportunity to learn and succeed.

International Day of the Girl Child

The world is home to 1.1 billion girls under-18, who could grow up to change the world if they are given access to education. On this year's International Day of the Girl Child, we ran an awareness campaign about educating girls. We engaged daughters of our employees to participate in an activity in which we asked them to share their artwork or essays on certain topics that celebrated their creativity and aspirations. We presented the participants with gifts and certificates as our tokens of appreciation for their participation.

People Happiness

People Happiness is at the heart of our strategy. To ensure a culture of happiness, we launched a People Happiness Journey in 2019.

The year 2020 at Bank Alfalah was a continuation of the People Happiness Journey. We extended our promise made through the People Happiness Charter and progressed to focusing on:

- A culture driven by values;
- An exceptional employee experience; and
- Opportunities to learn and grow.

Throughout the year, we conducted numerous happiness improvement and habit-building initiatives from recognising what makes them unhappy, to a learning journey to improve happiness levels and engagement activities to practice learnt techniques.

As a result, we saw a great improvement in the levels of people happiness.

2019



65% Participation

2020



90% Participation

Initiatives launched are categorised in each of the well-being areas of our People Happiness Framework.

Career	Financial	Emotional	Physical	Mental
<ul style="list-style-type: none"> • HRBP Engagement • Career Paths • Internal Elevations • Talent Classification Leadership Development Programme • Engagement with new joiners until 1st Anniversary • Skip Level Meetings 	<ul style="list-style-type: none"> • Medical Allowance for Range V and Below • Quicker Personal Loans Processing • Educational Reimbursement • Child Care Allowance • Lower Mark-Up on Credit Cards 	<ul style="list-style-type: none"> • EQ Workshops • EQ driven Leadership as part of LDP • Months dedicated to Gratitude and Appreciation • Thankful Thursdays • Rewards and Recognitions 	<ul style="list-style-type: none"> • HR Benefits Campaign • Medical Policy • Gym Reimbursements • Monthly Physical Well-being Initiatives • Health Camps and Food Stall • Weight Loss + Steps Competition • WebDoc 	<ul style="list-style-type: none"> • Workshops on Stress, Positive Attitude + e-Learning Programmes • Employee Assistance Programme • HR Help Desk for any HR related inquiries for employee experience • Work-Life Balance via Leadership

ALFA LEAD Management Trainee Programme

Bank Alfalah initiated the sixth edition of its premium Management Trainee Programme in 2020 with an agenda to provide a premium learning experience to its selected candidates. The process was made digital to ensure that all external and internal stakeholders go through the process with ease, while ensuring that the communication reaches all the universities, including national and foreign universities.

The marketing was focused on Digital Platforms and University based Career Fairs with an agenda to reach maximum number of students in universities. The Bank introduced a new way to roll out its giveaways by embedding a guidebook to candidates in a QR Code. This was highly appreciated in going paperless without running short on giveaways.

The entire onboarding process was also made paperless by going online. Microsoft forms were made available to them via emails and all documentation was done through scan, ensuring that no information is to be filled manually by the candidates. These initiatives have allowed the Bank to use them as a

bank-wide concept for hiring and attracting candidates, making it a seamless process for all our potential employees.

The in-depth Learning Plan, integrated with the Learning Management System and their rotation in branches and all groups of Bank Alfalah, aimed to provide a wholesome idea of the organisation and shape them in becoming the future leaders of the Bank.



Exceptional Employee Experience

In order to deliver an exceptional working experience to our employees, we have worked to offer the following:

- Easy and engaging onboarding and induction;
- People-friendly policies and procedures;
- Performance-based and fair transparent structure; and
- Constant engagement and rewards.

In addition to this, we send the following surveys to our new joiners to remain abreast of their onboarding experience, challenges and learnings at work, their relationships with their line managers, colleagues, etc.

Welcome to Bank Alfalah Survey

This survey is sent to the new employee within 30 days of joining through Oracle Human Capital Management System (HCM) to gain insight on their on-boarding experience.

90 Day Check-In Survey

This survey is sent to the employee within 90 days of joining through Oracle Human Capital Management System (HCM) to learn more about their overall employee experience regarding job role, location, expectations, challenges, culture and supervisor-employee relationship.

First Work Anniversary Survey

This survey is sent to the employee on their First Year Work Anniversary through Oracle Human Capital Management System (HCM). This is a follow-up survey of the 90-Day Check-In Survey in order to receive feedback on the overall employee experience across the year on similar dimensions such as job role, organisation, person fit, supervisor-employee experience, challenges faced, goals achieved, work-life balance, accomplishments, learning and development, etc.

Employee Well-being Survey

As the COVID-19 pandemic was on a rise initially, it was in these challenging times that we needed each other the most. Keeping the spirit of community in mind and to keep morale high, HR came up with a way through which we could be there for our BAF family in these testing times. We divided all the Bank's staff members across Pakistan among our HR teams so we could call and check up on each other.

BAF Benefits Feedback Survey

In order to enhance employee experience, we took the initiative of conducting an online survey - BAF Benefits Feedback Survey for the first time in 2019. The survey provides an opportunity to the employees to share their honest feedback about how well they are aware and satisfied by the Bank's Employee Benefits and Rewards Structure. The participation rate was 60%. 94% of the employees reported that they are aware of the benefits being offered, whereas, 91% of the employees reported that they are satisfied with rewards and benefits structure. 83% of the employees got aware of the

benefits through BAF Benefits Campaign. Moreover, the feedback based on qualitative data was considered for improvement in the benefits and rewards structure.

Know Your Benefits Campaign

In order to make the staff aware of the existing benefits and policies available to them, a campaign was initiated, where details relating to all employee benefits were periodically circulated to all employees via emails. This campaign helped all our employees understand in detail what benefits they are entitled to and how to avail all those benefits.

This campaign was widely appreciated, as majority of the staff was not fully aware to the exact details of the benefit entitlements.

Sabbatical Leave

Sabbatical leave has been introduced for employees who intend to enhance their academic qualifications without the risk of losing their jobs.

Go Green Initiative

In order to go paperless, we digitised some of the major HR processes that were otherwise consuming a lot of paper for the application and operational processes. Now employees only have to login to their Human Capital Management System (HCM) links and fill the e-forms for any of the digitised functions. Some of these newly introduced features are as follows:

- Child Care Allowance
- Gym Reimbursement
- Advance Salary Request
- Joining Report/AOR Submission

Further, automation and digitisation of other major functions is also underway.

The Bank has offered Solar Energy Products to the employees, a term financing facility by offering renewable energy solutions at affordable markup rates.

Learning Resources for Well-being amid COVID-19

Never before has there been a need for us to be emotionally, physically and mentally resilient. While HR is constantly working to support employees in these tough times via programmes, few tailored e-Learning programmes 'Becoming Stress Resilient' and 'The Well-being Journey' were launched through which employees could remain motivated and resilient.

Quarantine Leaves

A new leave type was introduced namely Quarantine Leaves for all such employees who need to be quarantined and be in isolation due to the coronavirus. A leave of 15 days is allowed which may be extended to another 15 days in case of critical illness or persistence of illness/symptoms.

Employee Relations

Digital Archiving

Digitisation of personnel files was initiated in 2020 for:

- Preservation of personnel files
- Paperless office
- Timesaving accessibility of information
- Implementing security protocols to ensure confidentiality of information

Review of HR Policy for Overseas

HR policy for Wholesale Banking Branch, UAE, was reviewed, and amendments were made in line with industry best practices and regulatory requirements.

Awareness Sessions for Line Managers/Staff

Different engagement sessions were organised as part of a routine to guide the line management and their staff on disciplinary actions, grievance management, etc. During these sessions, ER Champions were also identified to be part of the DA process. To instil the importance of Code of Conduct – Ethics and Business Practices, we also organised interactive awareness sessions for the operations staff in conventional and Islamic banking departments.

HR Rewards and Services

Remuneration Policy Implementation

Bank Alfalah engaged PriceWaterhouseCoopers as its consultant for development and implementation of Remuneration Policy. The policy has been prepared in accordance with the directives given by the SBP. For details about the Remuneration Policy, please see Governance Section of the Annual Report.

HR Quick Connect

The Bank has provided the employees with a centralised platform where they can access updated HR policy and documents with a single click. This provides hassle-free availability of important documents.

Shareholders, Investors and Analysts

The Bank, being a public listed company, ensures timely disclosure of all material information to our shareholders through Pakistan Stock Exchange.

The Bank has an Investor Relations (IR) Department to effectively inform the stakeholders of any material development through various forums, and organises quarterly presentation on result, operations and concerning material development. Investors can easily access our financials and analyst briefings, which are available on our 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.

The Bank endeavours to resolve every investor grievance in a timely and effective way. In order to redress investor grievances, we have a robust mechanism in place, which handles complains such as share transfer matters and non-receipt of declared dividend.

We have a dedicated staff in the Corporate Affairs Division for assisting and handling investor grievances.

Steps taken to encourage Minority Shareholders to attend General Meetings

The Bank organises shareholders meetings in order to have a proper communication with its shareholders, especially the minority shareholders. Each shareholder, irrespective of holding and voting power is important to the Bank. We value them, their concerns, their suggestions and grievances, if any. At each Annual General Meeting (AGM) or Extraordinary General Meeting (EGM), we ensure a two-way communication with the shareholders, particularly the minority shareholders.

The Bank has taken the following steps to encourage minority shareholders to attend general meetings:

- Notice of the meeting is sent to all shareholders at least 21 days before the meeting. The notice describes the agenda, venue and timing of the meeting along with the text of special resolution, if any, and other agenda requirements;
- Notice is published in English and Urdu newspaper having nationwide circulation along with placement on the Bank's website;
- Notice is posted on Pakistan Stock Exchange portal;
- Annual Report of the Bank is sent in electronic (CD or email) and hard format (on request). This enables minority shareholders to review the Bank's performance;
- Notice of the meeting includes proxy form (annexed with the annual report), which is a mode whereby the shareholders (including minority shareholders) can nominate anyone on their behalf to attend and speak at the meeting;
- During the meeting, a detailed briefing on the Bank's performance and future plans is given to the shareholders both in English and Urdu; and
- All shareholders (including minority shareholders) are encouraged to ask questions and give suggestions relating to the Bank's operations.



Investor Relations Section on Corporate Website

The Bank has a dedicated section on its website for investors. The section contains quarterly reports, annual reports and quarterly analyst briefing presentations. The URL is <https://www.bankalfalah.com/investor-relations>

Stakeholder Engagement Policy

The Bank believes in regularly engaging with stakeholders to gain their confidence, build a trust level, and boost their confidence in their transactions with us. We manage their expectations from us by fulfilling their requirements.

In order to facilitate investors, we have a two pronged strategy. There's a fully functional Investors Relations (IR) Department. The other part of the strategy pertains to operational logistics with the Bank's in-house staff and contracted third parties (Share Registrar, etc.).

The Bank, via its dedicated Investor Relations (IR) Department, has made concerted efforts to engage all the relevant stakeholders, and keep them abreast of all the significant development within the Bank.

Corporate Briefings and Road Shows

At the end of each quarter, the Bank organises analyst briefings to brief them on the quarterly performance of the Bank and also apprise them of our strategy going forward.

In addition to this, the Bank also organises an Annual Corporate Briefing session, where stakeholders are invited, including shareholders and research analysts from the industry, which provides our Management with an opportunity to engage with the stakeholders on a one-to-one basis, and also listen to their views on the macro environment in general and the Bank in particular.

The Bank's investor relations team also regularly hosts institutions and potential investors virtually, or at our premises to apprise them of our performance and the strategy.

Further, the Bank has also made a concerted effort to attend international roadshows, which gives us the opportunity to engage with a global audience who might be seeking to explore the opportunities offered by Pakistan.

Disclosures as required by the regulatory authorities are available on the Bank's website and are also disclosed to the stakeholders via the Pakistan Stock Exchange notice board.

Additionally, the financial statements and analyst briefing presentations are readily available on our website.

Summary of Analyst and Shareholder Briefings Conducted During the Year

Analyst and shareholder briefings are a unique opportunity to share business updates that are relevant to analysts' coverage areas, and provide input for their research into changing markets.

The Bank apprises the investors about the economic environment, business avenues and development indicators of the country, financial performance, competitive environment, investment decisions and challenges faced as well as business outlook.

These factors support investors in their decision-making about the Bank. Quarterly analyst briefings are held through teleconferencing, and other than quarterly briefings, business analysts are provided with the information as and when they require without compromising on the confidentiality aspect.

During the year, following briefings were held:

Results period	Date
Annual – 31st December, 2019	5th March, 2020
Quarter ended – 31st March, 2020	6th May, 2020
Half year ended – 30th June, 2020	2nd September, 2020
Nine months ended – 30th September, 2020	2nd November, 2020

Matters Raised at the last Annual General Meeting (AGM)

The 28th Annual General Meeting 'AGM' of the Bank was held on 27th March, 2020. 77 shareholders were present through video link, in person and/or by proxies. They represented 58.95% of the total outstanding shares of the Bank.

There were no significant issues raised in the last AGM, however, shareholders sought some general clarifications and comments on the progress of the Bank during the AGM.

The Chairman requested the CFO to highlight the salient features of the audited annual accounts of the Bank for the year ended 31st December, 2019.

- **A shareholder asked the Bank's view on the NPL and infection ratio going forward given that Bank Alfalah's ADR is highest in the industry. He also enquired about deposit growth target of the Bank for 2020.**

The CFO replied that we are expecting some pressure on NPLs, however, given the strong balance sheet and capital base, the pressure is manageable. As a COVID-19 relief measure, the SBP has given some relaxation on NPL classification and provisioning to support the industry and the borrowers, which will help reduce the impact on the Bank's P&L and balance sheet.

Regarding deposits, she added that there were negative sentiments in the market throughout 2019 because of tax accountability and crackdown. The pressure has compounded due to the pandemic and will impact the deposit growth. Hence, the Bank is revisiting all its targets for 2020.

- **Another shareholder enquired about the reasons for increase in tax charge for the year 2019. He further asked about increase in provisions and write-offs.**

The CFO replied that there was one time double impact of Super Tax in 2019, which was imposed on the banking industry last year. Secondly, due to increase in profit, the taxation amount had increased. With respect to the increase in provisions and write-offs, the CFO replied that impairment of Rs. 1.018 billion was booked due to bearish stock market, while Rs. 2.134 billion had been provided against non-performing loans. The Bank had taken subjective provisioning against few clients showing credit weakening.

- **One of the shareholders appreciated the financial performance of the Bank and congratulated the Directors and the Management for the same. He also appreciated the dividend pay-outs as well as last year's bonus shares. He expects further improvement in the Bank's profitability in the coming years.**

The CEO thanked him for appreciation and assured him that the Bank will progress further going forward.

The CEO informed the shareholders that the Board of Directors recommended final cash dividend @ Rs. 2/- per share, i.e. 20%. He also said that this final cash dividend is in addition to the 20% interim Cash Dividend already paid to the entitled shareholders for the period ended 30th June, 2019.

- **One of the shareholders referred to other operating expenses, and enquired the reasons for reduction in donations in the year 2019. He also added that Marketing, Advertisement and Publicity expenses had increased significantly in 2019.**

The CFO replied that the increase in marketing and advertisement cost is to support our Digital Banking proposition. The Bank has to incur heavy expenses on marketing to attract and retain the customers in this segment. The Bank's Digital Banking is performing well, our customer base has increased, and revenue is expected to grow in the following years. With regard to donations, CEO and CFO assured that the Management will look into this and increase the donation contribution.

- **A shareholder enquired reasons for increase in the Auditors' Fee.**

The CFO replied that Auditors' fee has increased due to the following reasons: Dubai branch which became operational in 2019; certain new assignments (IFRS 9) mandated by the regulators; increase in scope of AML/CFT audit as required by the overseas central banks; and devaluation of PKR against USD as fees to overseas branch auditors are paid in their local currencies. She also confirmed that for 2020, EY Ford Rhodes has proposed to increase its fee by 10% only; this was after keeping it flat for last two years and auditors of overseas branches except Dubai have not requested for any rise.

- **A shareholder asked about mentioning of remuneration amount in the Remuneration Policy of the Directors.**

The Company Secretary, with the permission of the Chair, replied that the proposed Policy has reference of the relevant circular of State Bank of Pakistan. As per the Circular, the scale of remuneration is Rs. 800,000/-, which is applicable to all banks/DFIs whose asset size is above Rs. 500 billion, or profit after tax is above Rs. 1 billion.

- **A shareholder suggested that the Management should consider the disabled persons for employment in the Bank, to the extent of their ability to do any work.**

CEO replied that shareholder's suggestion has been noted and the Management will look into it.

- At the end of the meeting, special prayers were offered for the victims of the Coronavirus pandemic.

Credit Rating Agencies

Credit rating agencies provide value for investors and market participants by rating the creditworthiness and ability of the Bank to repay its credit and debt obligations. By providing a rating, credit agencies put the different entities they rate on an equal footing, providing a comparable rating for different types of entities and different types of bonds. A credit rating takes into account many factors, including but not limited to, the financial health of the entity; cash flows; lien priority; entity governance; past history of debt repayment; bond term; and future economic outlook relevant to the entity.

The Bank engages with PACRA and JCR VIS for entity and debt instrument ratings. The credit rating is updated on an annual basis and the rating report is submitted to the State Bank of Pakistan and made public within seven days of the notification of rating by the credit rating agency. Further, the Bank discloses its credit rating prominently in their published annual and quarterly financial statements.

Regulators

Bank Alfalah assigns high importance to compliance of laws and regulations by implementing the same at all levels in the Bank. Promoting high standards of integrity and ethics, the Bank has developed and reinforced a strong three lines of defence model across the organisation for ensuring effective management of Compliance Risks. Regulatory Reporting is also a key responsibility among other Compliance requirements, and these are carried out by the Bank in the appropriate manner prescribed by various regulatory bodies. We believe in being fair and open in all our reporting to and dealings with the regulators with a vision to have fair relationships with internal and external stakeholders.

Community/Society

For us, the society is equally important in all walks of our business. Please refer to Sustainability Section for details on our engagement with society.

Vendors and Suppliers/ Outsourcing Arrangements

Vendors need to be managed effectively in order to reduce the risk of supply chain disruption and ensure the goods and services provided are delivered on time and to the expected standard. Beyond this, an effective vendor management process helps the Bank build stronger relationships with their vendors which may, in turn, lead to opportunities to negotiate better rates.

The Bank has a Board approved Contract Management Policy. This policy establishes the standards for awarding the contracts, which is primarily based upon three pillars, i.e. integrity, transparency and accountability. These pillars are applied to all activities before awarding any contract including contracts for capital expenditure, i.e. purchases or construction work.

Decision-making criteria at all stages are clear, justifiable and objective oriented (with a written record where needed) with no room for discretion at any time, especially in the evaluation and comparison of the bids.

Through this policy, the Bank achieves the following objectives:

- Improve vendor selection
- Harness cost savings
- Speed up vendor onboarding
- Reduce the risk of supply chain disruption
- Strengthen supplier relationships
- Negotiate better rates

In order to enable financial institutions to effectively manage the risks arising out of outsourcing, State Bank of Pakistan has updated the Guidelines on Outsourcing Arrangements. The revised instructions are called 'Framework for Risk Management in Outsourcing Arrangement by Financial Institutions'. The framework is based on international standards and best practices. These instructions aim to enhance the proactive environment in FIs on various aspects of the outsourcing, including, but not limited to, governance, risk management, in-sourcing of services, group outsourcing, information technology outsourcing, and collaboration/outsourcing arrangements by FIs with financial technologies. As required under the guidelines, material outsourcing arrangements already in place at the Bank have been streamlined to comply with this framework.

The Bank, based on its assessment, has identified the following third party services that can be classified as material outsourcing arrangements. Their cost is disclosed in the financials statements.

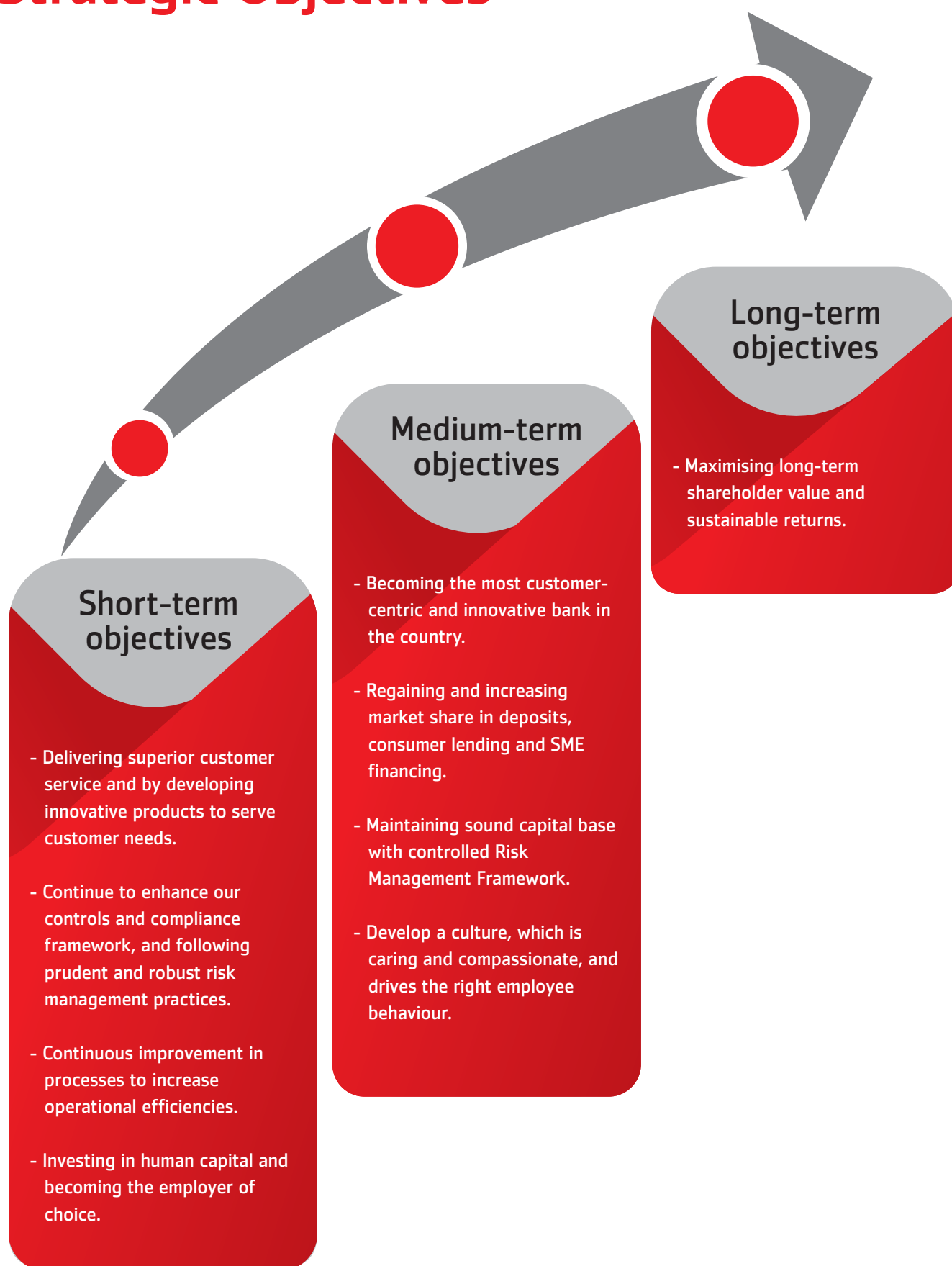
Name of Outsourced Activity	Name of Service Provider	Nature of Service
Cash Transportation Services	Wackenhut Pakistan (Pvt) Ltd. Askari Guards (Pvt) Ltd. Phoenix Armour (Pvt) Ltd. Security Organizing System Pakistan (Pvt) Ltd.	This includes physical transfer of banknotes from one location to another. The locations include the SBP, peer banks, BAF branches, ATM points and cash processing cells.
Cheque Book Printing Services	Constellation Printing Company Apex Printery (Pvt) Ltd.	This includes printing of cheque books.

A close-up, shallow depth-of-field photograph of a chessboard. The focus is on a few chess pieces in the foreground, while the rest of the board and pieces are blurred. A semi-transparent red rectangle is overlaid on the center of the image, containing white text.

STRATEGY, KPIs AND RESOURCE ALLOCATION



Strategic Objectives



Strategies to Achieve Objectives and KPIs

We constantly review our strategic objectives to align ourselves with the economic, political, social, global, demographic, technological and regulatory environments, which have an impact on our performance, operations and resources. We have revised our objectives to align our direction with the changing environment.

Strategic Initiatives	Plans/Strategies for Meeting Objectives	Key Performance Indicator (KPI)
Regain and grow deposits market share	<ul style="list-style-type: none"> Enhanced focus on acquisition of HNW/premier clients and improving sales productivity Segmented sales approach based on ideal customer personas Selective branch expansion in key areas Increasing deposits build up and customer stickiness via conversion of customers to the digital channels 	Market share growth
Regain and increase market share in consumer, and become a dominant player in the flagship franchise	<ul style="list-style-type: none"> Ramp-up the acquisition engine through retail and use technology to drive decision-making and improve efficiency Using predictive analytics for consumer behavioural management and improving portfolio quality Partnership with data rich corporates for leads and risk assessment 	Market share growth
Continue to build on our SME offering	<ul style="list-style-type: none"> Enhanced focus on deposits, transactional solutions and cross-sell to capitalise on complete business opportunities in a relationship with 360 degree view Developing products to identify and address needs of industries/niches to increase market penetration and develop new markets 	Market share growth
Focus on domestic and regional trade	<ul style="list-style-type: none"> Capture trade volumes through competitive pricing, reducing TAT and focusing on SME clients Building a regional trade play to aid in value creation for the Bank's international operations 	Become the leading transaction bank
Increase penetration in cash management and Bank-at-work	<ul style="list-style-type: none"> Greater focus on SME/commercial clients and development of differentiated offerings Strengthening employee banking and cross-sell products to payroll customers Developing differentiated B2B solutions for corporate customers 	Become the leading transaction bank

Strategic Initiatives	Plans/Strategies for Meeting Objectives	Key Performance Indicator (KPI)
Accelerate the supply chain finance initiative	<ul style="list-style-type: none"> Leverage on the first mover advantage to become a market leader in this space Improve time to market and anchor onboarding for enhanced customer onboarding experience Leverage on technology and automation for onboarding and transactional activities of the programme 	Become the leading transaction bank
Increase market share in home remittances	<ul style="list-style-type: none"> Build on home remittances business through high service standards and improved customer experience 	Become the leading transaction bank
Build the BAFL Culture	<ul style="list-style-type: none"> Embedding VMV (Vision, Mission, Values) across the organisation Develop a culture that is caring and compassionate, and drives the right employee behaviour Customer-centric approach that is people dependent 	Improve service delivery through collaboration and empowering people
Technology and Innovation	<ul style="list-style-type: none"> Making the right investments and keep pushing the possibility frontier through technology, and foster an environment that unleashes the true potential and power of technology Acceleration of digital transformation and business process re-engineering in the mothership bank. Building a leaner operating model and introducing new agile ways of working 	Meeting customers expectations by offering innovative and secure technological solutions.
Strategic Partnerships	<ul style="list-style-type: none"> Entering into strategic partnerships to build franchise value Partnerships and Investments with FinTechs to develop a technological edge over competitors 	Build franchise through partnership

The President/CEO's video on Bank's strategy is available at:
<https://www.bankalfalah.com/investor-relations/ceo-annual-review-message/>

Resource Allocation Plans and Financial Capital Structure

Bank's Significant Resources to Achieve the Objectives

Financial Capital

Share capital and equity

Shareholders' equity represents the capital commitments of shareholders and investors. Such funding entitles them to income distribution, liquidation and voting privileges. Several regulatory ratios and requirements such as CAR are based on the shareholder's capital. Share capital, being an expensive source, is raised for strategic activities like expansion, acquisitions and mergers and meet regulatory requirements.

Deposits

Deposits remain the core resource for any commercial banking unit. Core deposits comprise of Current Accounts and Saving Accounts (CASA). Deposits, like any other source, have an attached cost, which includes competitive returns to the depositors, remuneration for deposits gathering teams and additional services to facilitate the customers. The Bank's CASA mix remains healthy, and behavioural maturity profiling appears adequate. The Bank raises term deposits at the right price while taking care of their maturities.

Long-term Financing

On the debt side, the principal component consists of long-term debt. Typical debt instruments include term finance certificates repayable over a defined term. The Bank has successfully issued 5 term finance certificates, all of which have matured. The Bank issued an additional Tier-I (ADT 1) capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative, and contingent convertible debt instruments.

Borrowings

The Bank arranges other short-term borrowings to match its liquidity needs. Further, the Bank has issued Medium Term Note, which has a maturity of three years, and is secured against government securities.

Human Capital

Bank Alfalah's emphasis has always been on the quality of human capital. Our strength lies in our people. The Bank has a sound and seasoned Management Team, capable of delivering results by inspiring its employees to do things the right way. Learning objectives at the organisation are clearly defined to nurture and retain the best talent pool, and to encourage the best talent to return. Training, job rotations, satisfactory payouts to our employees, appraisals, coaching and feedback, education assistance, leaves, and various other initiatives are taken to boost employee confidence.

Intellectual Capital

The Bank sees technological advancement as vital in terms of attaining long-term growth and sustainability. Integration of technology into the banking sector has witnessed significant breakthroughs like branchless banking through digital channels having multi-purpose solutions. Our vision to be the most innovative bank in Pakistan has seen the Bank deploy cutting-edge technology to equip its customers with end-to-end solutions. Software upgrades, process re-engineering, bringing technological solutions to customers' needs, secured channels and digitisation are at the core of our progress and sustainability.

Manufactured Capital

The ambience and space of our customer touchpoints are of prime importance. Through effective utilisation of our building, branch design, equipment and infrastructure, we aim to offer such an environment to our customers, which increases our footprints. Our Branch Design Manual focuses on safety, security, energy conservation, and getting the maximum benefit from natural capital. Our geographical reach is also focused to get maximum customer interaction especially in the unbanked areas.

Social and Relationship Capital

Our social and relationship capital includes, but is not limited to, customers, investors/shareholders, suppliers, vendors, partners and employees. The Bank has various initiatives to collaborate with them and enhance its brand image. The more the people are happily linked with us, the more is the benefit that both will get from this relationship.

Natural Capital

The Bank, in achieving its objectives, utilises all natural resources efficiently. An efficient and protective use of nature's capital is one of our prime steps. Our approach for conservative usage of water and energy, helps us to achieve efficient and lasting solutions over time. We have implemented Green Banking initiative to protect the natural capital.

Financial Capital Structure of the Bank

The Bank remained well-capitalised with a capital base well above the regulatory limits and basel capital requirements.

Our total Capital Adequacy Ratio stands at 16.53% against the requirement of 11.50% (including capital conservation buffer of 1.50%).

Common Equity Tier-1 (CET-1) to total risk weighted assets ratio stands at 11.55% against the requirement of 6.00%.

The Bank successfully issued Pakistan's first listed Additional Tier 1 Capital for PKR 7 Bn in 2018. The instrument has been rated as 'AA-' (Double A Minus) with 'Stable' Outlook by JCR-VIS. The proceeds from the issue further augmented the capital base of the Bank, and are being utilised towards expansion/growth of the Bank's business operations.

The assigned ratings reflect our 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.

We regularly assesses our capital levels, and in this regard all business plans and budgets are reviewed by Senior Management and approved by the Board, while ensuring enterprise-wide capital adequacy. Additionally, the Bank aims to give a consistent stream of dividends to its shareholders, while ensuring the Capital Adequacy under all stress scenarios and taking into account future business requirements.

Furthermore, State Bank of Pakistan has designated Bank Alfalah as Sample Domestic Systematically Important Bank (D-SIB) under the D-SIB Framework; thereby mandating compliance against enhanced supervisory requirements. These requirements include formulation of Risk Appetite, Internal Capital Adequacy Assessment Document (ICAAP) and Recovery Plan. The scope of ICAAP governs the fact that Bank is to assess that we are able to sustain minimum capital requirements under all stress scenarios.

We will continue to maintain optimum capital to increase our risk-taking capacity and capitalise on opportunities to protect the interests of stakeholders.

Liquidity Management and Contingency Plan

We manage and control our liquidity risk through a detailed Risk Management Framework, which is approved by the Board of Directors. The Bank's Asset and Liability Management Committee (ALCO) is primarily responsible for the formulation and oversight of our overall liquidity management strategy. Under this framework, we closely watch our liquidity position through monitoring of early warning indicators and stress testing, which ensures efficient and timely decision-making.

The Bank's overall funding strategy is based on the principles of diversity and stability, which includes our equity and deposits. We also have in place a set of liquidity ratios such as LCR & NSFR (for all operations, currencies and at consolidated level) along with maturity gaps, which are monitored on a regular basis for effective management of liquidity. Moreover, we are fully compliant with Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), which shows our ability to meet our short-term funding requirements, and provision of stable funding against our asset portfolio.

Contingency Funding Plan (CFP) is also in place to address liquidity issues in times of stress/crisis situations for each operation. The plan covers triggers (systematic and bank specific) and action plans along with roles and responsibilities in the event of liquidity crisis. Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division, and are approved by the ALCO annually.

The liquidity profile of the Bank is adequate to cater unforeseen liquidity crises. As of 31st December, 2020, our Basel III liquidity ratios i.e. LCR and NSFR ratios are well-above regulatory limits at 187% and 136% respectively against the requirement of 100%. Our strong capital base is evident from our ability to withstand any liquidity challenge.

Change in Objectives and Strategies

There were no significant changes in objectives and strategies from last year.

Significant Plans and Decisions

Significant plans and decisions undertaken during the year are as follows.

First Bank as Market Maker of Debt Securities



The Bank became the country's first commercial bank designated as a market maker for debt securities at Pakistan Stock Exchange (PSX). An agreement to this effect was signed between Bank Alfalah and the PSX. We had a long-standing commitment to the capital and debt markets, and we are one of the few banks with a presence in both the brokerage and asset management industries.

This initiative would help to further develop Pakistan's debt market to regional and international levels. With this, the Bank will be able to perform market making activities for various debt instruments such as Government Debt Securities like PIBs, T-Bills as well as Sukuks. Market Makers perform the crucial role of providing liquidity and depth to the market by continuously quoting two way, i.e. bid and offer prices, helping investors to buy or sell securities.



Launch of first-ever AAA rated Medium Term Note (MTN)

The Bank launched the first-ever AAA rated Medium Term Note (MTN) Programme during the year. The primary purpose of this Term Finance Certificates (TFCs) issuance is to hedge the Bank's fixed rate assets. The MTN Programme is in the form of Rated, Secured, Listed, Redeemable Fixed

TFCs, that too in multiple tranches having individual instrument maturity of 3 years or more by way of a combination of Pre-IPO placement and Initial Public Offering through Pakistan Stock Exchange. The first tranche of Rs. 11 billion has been raised.

Branch Expansion

During 2020, the Bank opened 32 new branches to increase its footprints across the country.

Regulatory Products

We participated in various government derives and launched the following new products:

- **Roshan Digital Account:** The Roshan Digital Account is offered to Non-Resident Pakistanis (NRPs) residing across the world. Overseas Pakistanis can open a Foreign Currency (FCY) or PKR based NRP account, which gives them unmatched convenience through a simple, secure and completely digitized process to avail a host of benefits, paving the way for a progressive Pakistan.
- **Naya Pakistan Certificates:** The government launched Naya Pakistan certificates (NPCs) to offer attractive investment opportunities to overseas Pakistanis and resident Pakistanis with assets held abroad. These certificates can be purchased through Roshan Digital Accounts.
- **Alfalah Ghar Asaan:** The bank launched Alfalah Ghar Asaan product, a low cost housing finance product under Mera Pakistan Mera Ghar initiative. Under the Mera Pakistan Mera Ghar scheme, the government is providing loan up to Rs. 5 million for the purchase of newly constructed affordable house / apartments.
- **Refinance Schemes:** Various refinance schemes were launched by the government /SBP to combat the impact of Covid-19. The schemes were made available to the customers.

Bank Alfalah Employee Welfare Program

We at Bank Alfalah care for our employees and their families' safety and well-being. The Bank initiated an Employee Welfare Program, which is contributory in nature and aimed at providing financial assistance to employees in need for health/medical emergencies or treatments, grants for marriage of daughters and sons and educational grants for higher education.

The Employee Welfare Program was launched to assist employees during the pandemic. The program was extended to provide flood relief assistance, in wake of the devastating urban floods in Karachi and adjoining areas in Sindh and Baluchistan.



RISKS AND OPPORTUNITIES



Risk Management Framework

The way we manage risk



How we Share our Risk Management Responsibilities?

The Board

Responsibilities

- Approves strategic objectives and risk appetite
- Reviews the key risks and mitigating measures
- Approves the risk infrastructure
- Assesses effectiveness through periodic reporting
- Defines the risk management policies
- Formulates and maintains integrated bank-wide Risk Management Framework
- Establishes a bank-wide strategy incorporating the risk management strategy

Board Committees

- Board Risk Management Committee (BRMC)
- Board Information Technology Committee (BITC)
- Board Audit Committee (BAC)
- Board Coronavirus Crisis Management Committee (BCCMC)

Senior Management

Responsibilities

- Defines and proposes the risk appetite for onward approval from the Board and quarterly monitoring
- Oversees design and sustainable implementation of Enterprise Risk Management (ERM) and Internal Controls systems
- Evaluates the adequacy of risk mitigation plans

Management Committees

- Central Management Committee
- Central Credit Committee
- Control and Compliance Committee
- Asset and Liability Committee

First Line of Defence

- Identifies, takes and manages risks in their areas of responsibility.
- Maintains day-to-day internal controls.

Business and Operations

Second Line of Defence

- Develops and promotes ERM framework to help managers identify, assess, manage, monitor and report risks.

Control Functions and Management Committees

Third Line of Defence

- Provides independent assurance of the effectiveness of the Bank's risk management and internal controls frameworks and activities.

Board and its Committees

Risks and Opportunities

Key Risks

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Credit Risk	High	Medium

It means possibility of monetary loss to financial institution arising due to inability or unwillingness of a counterparty to perform a commitment as per agreed terms and conditions, inter alia, on account of lending, trading, hedging, settlement, and other financial transaction.

Source: External

Impact: Financial

Mitigation Strategy: The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly identified and analysed, also ensuring that the credit commitments are appropriately structured, priced (in line with market practices) and documented. Bank Alfalah has approved Credit Operational Manual (COM) and Credit Policy Manuals (CPM) in place to strategise and govern the Bank in overall lending strategy. Bank Alfalah is also in the process of implementing IFRS-9, to measure and assess changes in credit risk. The timely recognition of and provision for credit losses promote safe banking systems, and play an important role in Bank supervision. Further, the portfolios and well-defined parameters are actively reviewed and, if required, corrective actions are taken at a nascent stage.

Credit Concentration Risk	Medium	Medium
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It is the risk that inadequate diversification of the Bank's credit portfolio in terms of industries, regions or number of counterparties may result in significant losses.

Source: Internal and External

Impact: Financial

Mitigation Strategy: The SBP has prescribed regulatory limits on banks' maximum exposure to single and group obligors. Moreover, to restrict the industry concentration risk, the Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industries. The Bank manages and monitors its portfolio of loan assets and limits for high risk customers. Limit concentrations are monitored in terms of risk quality, industry, maturity and large exposure.

Operational Risk	Medium	Medium
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Operational Risk is the risk of loss resulting from inadequate internal processes, people and systems, or from external events, including legal risks. This excludes strategic and reputational risk.

Source: Internal and External

Impact: Financial/Non-Financial

Mitigation Strategy: The Bank's Operational Risk Framework duly approved by the Board addresses all the significant areas of Operational Risk Management within the Bank, including Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The Bank is using Risk and Control Self-Assessment, KRIs, capturing operational incidents, and conducting Quality Assurance Reviews as tools for identification, monitoring, measuring and management of operational risk. Key Risk Indicators and operational loss incidents are captured in our Operation Loss Data Base (OLDB) and Key Risk Indicators (KRI) systems. New products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation.

Market Risk	High	Medium
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It is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices, resulting in a loss to earnings and capital.

Source: External

Impact: Financial

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
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Mitigation Strategy: 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. The Bank has developed various tools for market risk measurement and its mitigation thereof i.e. Value at Risk (VaR), Duration, Price Value of a Basis Point (PVBP), Re-pricing Gaps, etc. The Bank carries out stress tests, using both internal and regulatory scenarios. Moreover the Bank has a comprehensive risk control limit framework, which defines exposure limits (on a portfolio/issuer/tenor/rating/sector), PVBP limits, money market gap limits, FX gap limits, currency-wise NOP limits, stop loss limits, tolerance limits, counterparty limits, dealer limits, broker limits, etc. The Bank is using standardised approach to calculate market risk capital charge under Basel framework.

Liquidity Risk	Medium	High
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It is the risk to the Bank's earnings, capital and reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses, when they become due.

Source: Internal and External

Impact: Financial

Mitigation Strategy: The Liquidity Risk Management Department performs independent monitoring and reporting of the overall liquidity position in line with regulatory requirements and the Bank's own risk appetite at the bank level and operations level. The Bank is fully compliant with Basel III liquidity standards, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), with a considerable cushion over regulatory requirement. Stress Tests are performed (both the SBP and internal for all operations and at the bank level) under which liquidity risk factors are given major shocks to check the vulnerability on the Bank's balance sheet to those hypothetical shocks in various stress scenarios.

Model Risk	Medium	Medium
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The potential loss the Bank may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation, or use of such models.

Source: Internal

Impact: Financial

Mitigation Strategy: Risk management is involved in timely review of model accuracy and validation. A conservative approach and validation that is based on sensitivity analyses, the use of subjective elements, and the permanent monitoring of the model's performance provide sufficient protection against such unfavourable impacts.

Legal Risk	Medium	Medium
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It is a wide concept that includes all aspects of a legal system; it can be defined as, including, but not limited to, potential for loss arising from the uncertainty of legal proceedings, exposure to fines, punitive damages resulting from supervisory actions as well as private settlements, unsuccessful recourse, and indemnification to the customer and other parties.

Source: Internal and External

Impact: Financial

Mitigation Strategy: Legal Affairs Division (LAD) is responsible for promoting and protecting the interests of the Bank, and ensuring that the Bank complies with the prevalent laws, rules and regulations at all times.

Compliance Risk	Low	Medium
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The risk of legal or regulatory sanctions, material functional loss, a bank might suffer as a result of its failure to comply with laws, regulations, rules related to self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

Source: Internal and External

Impact: Financial and Reputational

Mitigation Strategy: Compliance and Internal Controls Division is responsible for ensuring the Bank's timely compliance with applicable regulatory guidelines and directives. Additionally, Trade Pricing Risk Department under Risk Management Division (RMD) and AML/CFT Unit housed in Compliance Division, also provide necessary advisory to the Business and Centralised Trade Operations to mitigate the risk of under/over invoicing. Further, to reinforce the compliance culture at front end, Governance Control and Diligence Division (GCDD) has been established within Retail Group.

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Environmental Risk	Low	Medium

Actual or potential threats of adverse effects on the environment and living organism by effluents, emissions, wastes, chemical releases, resource depletion, etc., arising out of the Bank or its clients' operational activities.

Source: External

Impact: Social and Reputational

Mitigation Strategy: The Bank has adopted integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental and Social Management System (ESMS) have been put in place. The ESMS Framework essentially requires that any lending opportunity is to be reviewed and evaluated under IFC exclusion list, applicable national laws on environment, health, safety, social and IFC performance standards. This framework is an integral part of the credit approval process, and all relevant credit proposals require review of the Environmental Risk Unit prior to approval by the competent authority. The Environmental Risk Unit is responsible for identifying, vetting and approving projects from ESRM perspective.

Information Security Risk	Medium	Medium
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It is the risk of damage that may be caused by internal or external threats, such as unauthorised access to critical financial data, sensitive customer information, non-availability of critical services, impersonating clients and theft or alteration of information, while performing financial transaction, and loss of the Bank's sensitive electronic data and IT systems.

Source: Internal and External

Impact: Financial and Reputational

Mitigation Strategy: The IT Security Risk Management Unit caters to the regulatory requirements for IT Security Risk Management, maintains the framework that enables the Bank's Management and staff to mitigate IT security risks to acceptable levels, does research on evolving and emerging threats, suggests and defines relevant information security controls, performs information security risk assessment before and after the deployment of IT Solutions against the defined categories of IT Risk and Information Security Management System, performs 24/7 information security monitoring of information assets, investigates IT security incidents, reinforces IT security risk awareness among staff, and performs IT security risk management reporting.

Reputational Risk	Medium to Low	Medium
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A loss that may arise by an activity, action, or stance taken by the Bank, any of its affiliates, or its officials that can impair its image with one or more of its stakeholders resulting in loss of business and/or decrease in the value of the Bank's shares.

Source: Internal and External

Impact: Financial and Reputational

Mitigation Strategy: Various departments within the Bank assess reputational risk associated with the Bank's activities in order to safeguard the Bank's interests at all times. This includes ensuring that contractual obligations are being met under agreements with multilateral and international agencies that cover partnerships and credit facilities extended to the Bank. Furthermore, the Bank has a dedicated customer experience department that works for the resolution of any customer complaints and grievances; additionally compliance unit ensures compliance with any bank regulatory requirement.

Country Risk	Low	Medium
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It refers to the possibility that economic and political conditions, or an event in a foreign country, could adversely impact the Bank's exposure in that country. The Bank is engaged in international lending and has cross-border exposures, and is exposed to country risk, in addition to the customary credit, market and investment risk.

Source: External

Impact: Financial

Mitigation Strategy: In order to manage the risk, the Bank has in place a comprehensive Country Risk Management Framework. Under this framework, country risk is sub-divided into two broad categories, i.e. transfer risk and political risk. Additionally the Bank carries out periodic review of approved limits, ensuring regular monitoring against the same.

Challenges

Coronavirus Pandemic (COVID-19):

The outbreak of the pandemic adversely affected the global economy and in turn Pakistan's economy, in the form of stressed macroeconomic performance in multiple sectors, lagged demand, and rallying inflation and unemployment rates. Due to government imposed lockdowns, social distancing restrictions and downward revised banking hours, the business continuity was significantly affected.

Macroeconomic Volatility:

The year started with Coronavirus pandemic which exacerbated the existing economic challenges through contraction in GDP, curtailed industrial activity, increased unemployment, and slowed exports. During the second wave, the industrial, trade and financial sectors showed growth. However, it is still premature to fully assess its long-term impact on the economy.

Government Relief Schemes:

In order to curb the overall impact of the pandemic and preserve the solvency of borrowers, the State Bank of Pakistan introduced debt relief schemes in form of restructuring/ rescheduling of financing facilities, including deferment of repayment of principal loan amount by one year, reduction in policy rate by 625bps, and relaxation in debt burden ratio (DBR) for consumer loans; thereby staggering the overall repayments/ cashflows to banking sector. It remains to be seen how industry would perform in the long run after the pandemic.

Potential Growth Avenues:

In order to curtail the overall impact of COVID-19 and boost up the stressed economy, the Government of Pakistan and the SBP launched the Roshan Digital Account to provide digital banking solutions to millions of Non-Resident Pakistanis (NRPs).

-Naya Pakistan Certificates (NPCs) for Roshan Digital Account holders (USD and PKR denominated sovereign instruments) to provide attractive returns over different maturities.

-Temporary Economic Refinance Facility (TERF), a concessionary refinance facility aimed at promoting investments in both new and expansionary projects, and/or Balancing, Modernisation and Replacement (BMR). Financing under the facility is available through banks/DFIs to all sectors across the board except power sector where the SBP's refinance facility for renewable energy projects already exists.

-Low-cost Housing: The SBP introduced a subsidised financing facility for low-cost housing by providing liquidity to the financial institutions at subsidised rate, thereby providing a potential opportunity for banks to capitalise upon. Further, construction industry facilitates other related industries as well.

Creation and Licensing of Corporate Restructuring Company (CRC):

The first Corporate Restructuring Company (CRC) in Pakistan has been licensed by the Securities and Exchange Commission of Pakistan, thereby providing banks/DFIs with an opportunity for transfer and assignment of their Non-Performing Assets to the CRCs.

Increased Digital Footprint:

Given the lockdown and reduced business hours due to spread of the virus, banks were forced to increase their digital presence by aggressively investing in alternate delivery channels. Further, in order to enable easy on-boarding of customers to use online banking channels, the SBP waived the requirement of biometric verification to activate internet and mobile banking, thereby incentivising FIs to expand their outreach.

Opportunities



Strong Capital Base

The Bank is adequately capitalised. The Bank's capital adequacy ratio as at 31st December, 2020 is 16.53%, which is higher than the minimum capital ratio of 11.5% required by the central bank, and also adequate to meet the future business requirements.

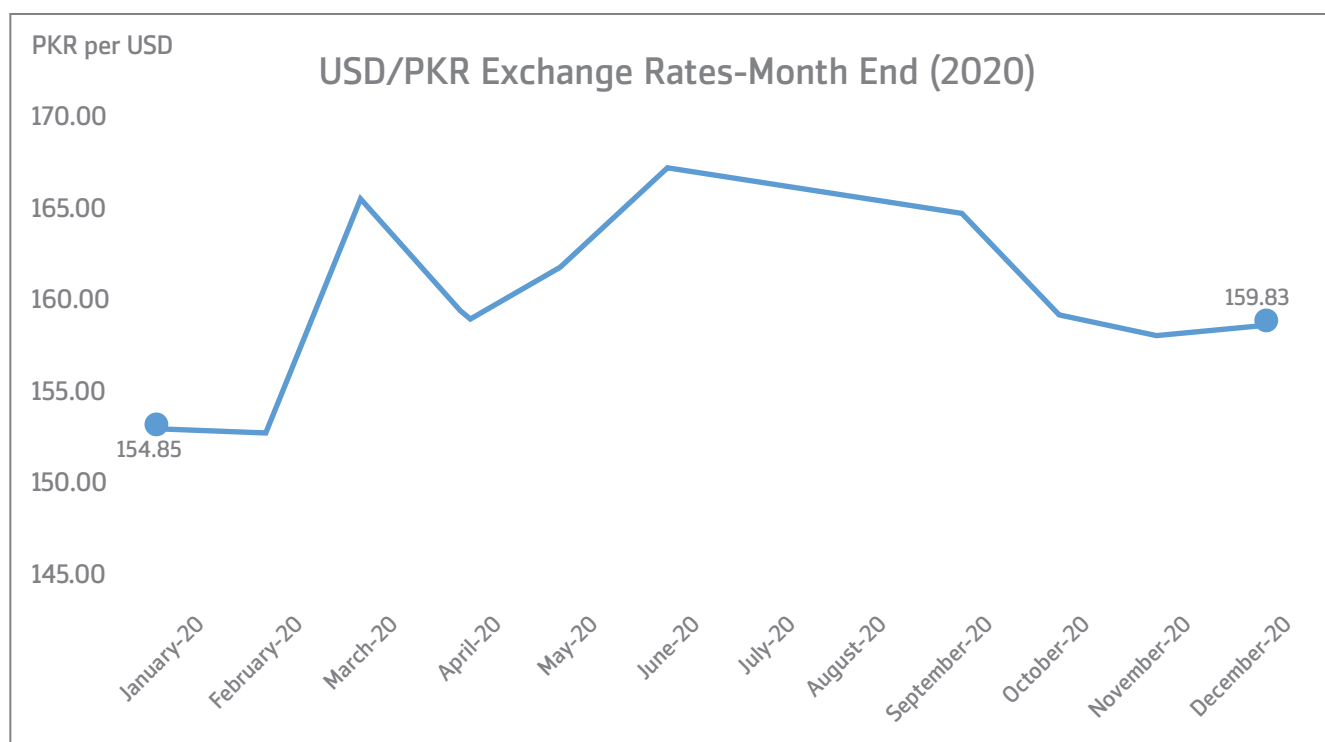
Financial Obligations

The Bank has fulfilled all of its financial obligations, and there were no defaults in payment of any debt/borrowings during the year.

Foreign Currency Sensitivity Analysis

The year commenced on an encouraging note as stabilisation and regulatory measures under the IMF programme began to bear fruit. However, high volatility in foreign exchange was witnessed from March 2020 due to the global pandemic. PKR also experienced weakness as COVID-19 began to have its toll on the global financial markets, and foreign investors pulling out of local debt market as well. The varied forms of global assistance received from IMF, World Bank and

G-20, supported the economy by offsetting the drag from COVID-19. Additionally, record remittance flows and weakness in imports helped PKR recover the lost ground later during the year. The Government took initiatives to promote inflows through introduction of Roshan Digital Account and Naya Pakistan Certificate, which aims to facilitate direct remittances and investments by overseas Pakistanis.



The fluctuation in foreign exchange rate, exposes the Bank to a risk of change in values of foreign currency denominated assets and liabilities, including capital investment in foreign operations along with the forward FX commitments.

The currency-wise Bank's net open position limits and foreign exchange exposure limits (FEEL) are in place to monitor intraday and end of day FX Risk. Besides the FX position limits, the pre-defined 'Stop Loss level for Management Action Plan' are also instituted to manage the said risk arising out from the extreme volatility in foreign exchange markets.

The above-mentioned monitoring along with stress test of foreign exchange portfolio is presented to the Bank's Senior Management and Board Risk Management Committee (BRMC) regularly.

For more details on sensitivity analysis, please refer to Risk Management (Foreign Exchange Risk) disclosures in the unconsolidated financial statements.





OUTLOOK



Forward Looking Statement

2020 has been a challenging year as the COVID-19 pandemic continued to affect the economy, upended the businesses and forced them to adapt to new realities and new ways of operating business. Despite the unprecedented changes, the banking sector's response to the pandemic has been notable. Banks effectively deployed technology and executed banking operations smoothly. Digital banking channels were effectively utilised and customers were served demonstrating agility and resilience.

Looking ahead, Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value. Our focus will be on harnessing technology to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We will work hard to regain and grow our market share in low cost deposits, consumer products and SME financing. We look forward to expanding our branch network to widen our reach and serve our customers. Greater emphasis will be on boosting trade volumes, increasing penetration in cash management with focus on SME/commercial clients. To cope with the changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering. At the same time, investing in human capital and creating a caring culture will be a key priority.

In line with the Bank's strategy, we aspire to be the most customer-centric and innovative bank in the country with a caring culture.

As Bank Alfalah continues to evolve and progress, we will direct our efforts to ensure that the Bank becomes an employer of choice. Our key focus will be on building a happy workforce along with a value-driven culture, ensuring the conscious hiring, development, and merit-based elevation of female employees. Further, safeguarding the health and well-being of our employees during the coronavirus crisis, introducing various digitised initiatives for existing and potential employees and continuing to support our business functions will also be given prime importance.

Quantitative Projections

The fallout from COVID-19 pandemic posed a challenge as interest margins were squeezed owing to sharp reduction in interest rate, and customers were given the benefit of debt restructuring besides early repricing in accordance with instructions by the SBP. Additionally, the Bank out of prudence, created a general loan loss reserve against advances to absorb potential losses that may arise once the SBP schemes and relaxations expire next year; thereby dragging overall profitability for the current year down.

The target for 2021 is to continue growth strategy with focus on deposit mobilisation with key attention on current deposits. This will be supported by increase in the Bank's touchpoints, i.e. new branches and further deployment of ATMs, CDMs and CCDMs.

Advances will remain a special focus and facilitation of SME/Consumer will be a key pillar of strategy going

forward. Non-performing Loans and provisions would be a challenge for the upcoming year. However, the Bank has built a COVID-19 reserve to contain the risk.

The Bank seeks to increase revenue contribution from non-funded income. Fee and commission income is targeted to increase substantially owing to cross-selling, digital/branchless banking channels, scale-up of consumer/cards business, remittance business and trade related income. Higher capital gains from both money market and capital market will provide additional support to revenue growth.

The Bank is in an expansionary mode, which coincides with inflation and currency devaluation. This is putting pressure on cost, but target is to maintain cost growth to single digit. However, certain new initiatives planned for 2021, which are necessary for growth, will result in costs escalation, while the contribution to revenue will be visible in later periods. Despite this, our ROE target is around 15%.

Uncertainties that could affect the Bank's Resource, Revenues and Operations

All forward looking statements are, by nature, subject to risks and uncertainties, and some of these are beyond control. Factors that may potentially affect the Bank's resource, revenues and operations are:

- Decisions on discount rate/monetary policy;
- Geo-political risks and uncertainties across the geography that we operate in;
- Law and order situation;
- Local government rules and regulations;
- Trade policies of the trade partner countries;
- Inflation, fuel and general commodity prices; and
- Corporate taxation measures.

The Banks' strong financial position, processes and controls made it resilient to these changes; many of which were tested in 2020 during Covid.

External Environment

The Bank's external environment, including political, economic, social, technological, environmental and legal factors have an impact on business performance, strategic objectives and availability, quality and affordability of capitals.

The Bank keeps track of the key metrics that might affect the performance, and to its best judgement preempts the developments and aligns its internal strategy accordingly.

The Bank's Risk Management Group performs stress testing against various pre-determined scenarios to analyse potential losses, and to determine whether the Bank has enough capital to withstand the impact of adverse economic developments. The results of such tests have showed that the Bank has adequate capital, liquidity and profitability to bear such losses.

Our Performance Against Last Year's Forward-looking Statement

Forward-looking statement disclosed last year	Our performance in 2020
<p>Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value.</p> <p>In line with our mission, we seek to be the preferred bank for our customers and will always look to put our customers and their needs first.</p>	<p>The Bank's profit after tax stood at Rs. 10.475 Bn. Advances grew by Rs. 70.928 Bn and closed at Rs. 600.899 Bn. Deposits closed at Rs. 881.767 Bn as against Rs. 782.284 Bn as at the close of last year. CAR stood at 16.53% at the close of the year.</p> <p>This year was an unprecedented year due to COVID-19, massive discount rate cut, and prudent provisioning.</p> <p>We were declared as the Best Bank for 2019 and Best Customer Franchise 2019 by Pakistan Banking Awards. This is a reflection of the confidence and trust reposed in us by our stakeholders.</p>
<p>We will continue to invest in Digital Banking, in our technology infrastructure, in human capital, and in strengthening our compliance and controls environment.</p>	<p>Despite COVID-19, we continue to serve our customers.</p> <p>In line with the Bank's digital banking agenda to provide ease of banking, various new products/services were added on Alfa, including, but not limited to, dual QR payment, mutual funds investment with digital account opening, digital insurance, Roshan Digital Account, Alfalah Islamic Digital Current Account, Alfa Health (WebDoc assistance), Alfa Term Deposit, Alfa Chat (P2P messaging), Alfa Business App (with in-app QR generation, E-shop catalogue and digital supply chain solution) and Alfa Payment Gateway (with digital merchant onboarding and pay via link feature).</p> <p>The Bank runs the largest network of Cash Deposit Machines in Pakistan with 232+ CDMs across the country, successfully migrating 27% of over-the-counter cash-in transactions to digital, generating a throughput of Rs. 8.5 billion+ within a year.</p> <p>The Bank also enabled debit card management (card activation/deactivation, pin generation/change) through digital channels. In order to migrate traffic from branches to digital channels, requests for Banker's Cheque, Account Statement and Cheque Book have been enabled on Internet Banking and Mobile Banking App.</p> <p>Moreover, Bank Alfalah is the first bank to install the Big Data Warehouse solution. This platform has helped the Bank to build analytics and machine learning models with structured and unstructured data that compliments decision-making throughout the organisation.</p>
<p>We will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimising returns from the banking book, and enforcing a strong cost discipline across the Bank.</p>	<p>With greater focus on building a low cost deposit base, our current deposits increased by Rs. 54.732 Bn and closed at Rs. 394.535 Bn as at 31st December, 2020.</p> <p>The Bank launched new deposit products during 2020: Roshan Digital Accounts and Alfa Term Deposit, targeting the overseas Pakistani and digital savvy customers respectively</p> <p>Islamic Premier banking was launched to tap the HNW clients. The Bank has set-up three premier banking lounges in Multan, Karachi and Lahore, which facilitate the priority customers of the branches.</p>



Forward-looking statement disclosed last year	Our performance in 2020
	<p>Our focus has been on building on key relationships whilst revitalising unprofitable relationships.</p> <p>The Bank has enforced a strict cost control discipline within the organisation to keep operating expenses in control.</p>
<p>Given the significant rise in interest rates over the last year and the risk of credit headwinds, we will continue to follow prudent risk management practices and manage the loan book optimally.</p>	<p>Interest rate reduced significantly in 2020. The Bank financed its corporate and commercial customers, which approached the Bank for relief under COVID-19 stimulus packages.</p> <p>The Bank offers a wide range of products and services to meet the financing requirements of the SMEs e.g. POS-based financing, supply chain financing, equipment leasing, uncollateralised lending, plug and play cash management platform, etc. The Bank has a targeted strategy to mitigate its credit and liquidity risk, while ensuring flexibility and innovation to overcome the challenges being faced by SMEs.</p> <p>Despite having a higher advance to deposits ratio (ADR), Bank Alfalah's infection ratio continues to be one of the lowest in the banking sector, which depicts a strong risk management architecture within the Bank.</p> <p>For our consumer finance products, the Bank follows a prudent and balanced risk-based lending approach, resulting in high performance and recovery of loans.</p>
<p>In 2019, we embarked on a journey to build and work in a culture driven by Happiness. This is only possible when we are driven by our Values, which was the first pillar of the Happiness Charter. In 2020, we will move ahead in this journey and start to reinforce happiness through the enablement of our Values.</p> <p>Delivering on the promised 'People Happiness Charter' remains the key priority, namely by enabling a Values based Culture, providing exceptional employee experience as well as opportunities to learn and grow. The team is committed to keep raising the bar and to become the 'Employer of Choice'.</p> <p>To help us live the values in our everyday work-life, we unfold 'BAFSpirit', our Values-in-Action initiative, and we declared the year 2020 as 'The Year of Values'.</p>	<p>In 2020, the HR Business Partners continued to support all business functions and provided them the necessary guidance, support and advice.</p> <p>We continued our focus on enhancing our employees' happiness and conducted several activities that focus on happiness improvement, habit-building and well-being. We also continued to drive our Diversity and Inclusion (D&I) agenda by celebrating women-centric international days, implementing the maternity cover policy, offering the SheLEAD Women Development Programme online, and taking efforts to make our differently-abled employees and people from religious minorities feel included and valued.</p> <p>During the pandemic, we launched the Employee Welfare Programme to provide financial assistance to our employees in need for medical emergencies, or treatments and grants for education or marriage of our employees' children. We also collaborated with WebDoc to connect our employees with certified doctors to provide medical assistance via phone. We took many other initiatives to support our employees and communities during the pandemic.</p> <p>We readily transformed our learning infrastructure and offered learning opportunities to our employees through digital channels.</p>

Status of Key Projects

Projects and their Details	Status
Major Construction Works	
Learning Centre, additional BCP sites, Audit office and Premier Lounges	Completed
Setup of 208 Cash and Cheque Deposit Machine (CDMs/CCDMs) vestibules	Completed
Branch Renovations: New buildings at DHA Phase 5 Lahore, DHA Y Block Lahore, Islamabad Main Branch, Rahwali Cantt Gujranwala and Bosan Road Multan	Completed
In progress projects disclosed last year:	
• Account opening facility at S.I.T.E. warehouse Karachi	Completed
• Warehousing/archiving facilities in 07 major cities	Completed
Branch Expansion	
Annual Branch Expansion Plan 2020 – 32 branches	Completed
Major IT Projects	
Core Banking System	
• Migration of Afghanistan operations to the core banking system (T-24)	In-process
Regulatory Compliance	
• Roshan Digital Account, SBP Digital Trade Finance Portal	Completed
• Naya Pakistan Housing Scheme, SBP Micro Payment Gateway	In-process
• Real-time Customer Data Screening	Completed
Technology Innovation, Platform Modernisation, Digitisation	
• Smart POS, Big Data, and 24x7 Bank-In-A-Box	Completed
• Digital Banking Platforms for Corporate Services and Self-service Banking Digital Platforms	In-process
• Credit Card System Upgrade	Completed
• ADC Platform Upgrade	In-process
• Core Banking System (T24) Upgrade to Latest Version	In-process
Security	
• SWIFT Security Controls Framework 2020-21	In-process
Operational Excellence and Continuous Improvement	
• Contact Centre Technology Upgrade	Completed
• Data Analytics	In-process
• Process Automation Platform	In-process

Sources of Information and Assumptions used for Projections and Forecasts

The Bank assumes that discount rate has bottomed and expects it to slightly increase next year. With respect to PKR, we expect it will devalue by further 5%-10%; however, the volatility observed in 2020 would not be repeated and the exchange rate movement will be comparatively stable.

With regards to overall economic activity, results from economic actions undertaken by the Government will positively impact overall economic cycle in the country. The recovery is evident, as large-scale manufacturing has increased, current account surplus achieved, and exports have shown recovery in recent months.

Our Response to Critical Challenges and Uncertainties

Given our strong capital base and liquidity position, Bank Alfalah is well-positioned to respond to any critical challenges and uncertainties. During the year 2020, adopting a proactive approach, the Bank responded with greater agility and resilience to the challenges caused by COVID-19 pandemic. The Bank's leadership promptly setup Board Coronavirus Crisis Management Committee (at BoD level) and Crisis Management Team (at management level) to provide

oversight during the COVID-19 pandemic, and monitor its impact on the Bank, employees, customers, society and shareholders.

For details on action taken by the Bank's Board and Management to combat challenges of coronavirus, please refer to COVID-19 section of the Directors' Report and Sustainability section of the Annual Report.

Significant External Factors and the Bank's Response

The financial sector in which the Bank operates is affected by a multitude of factors:

Change in Macro Environment

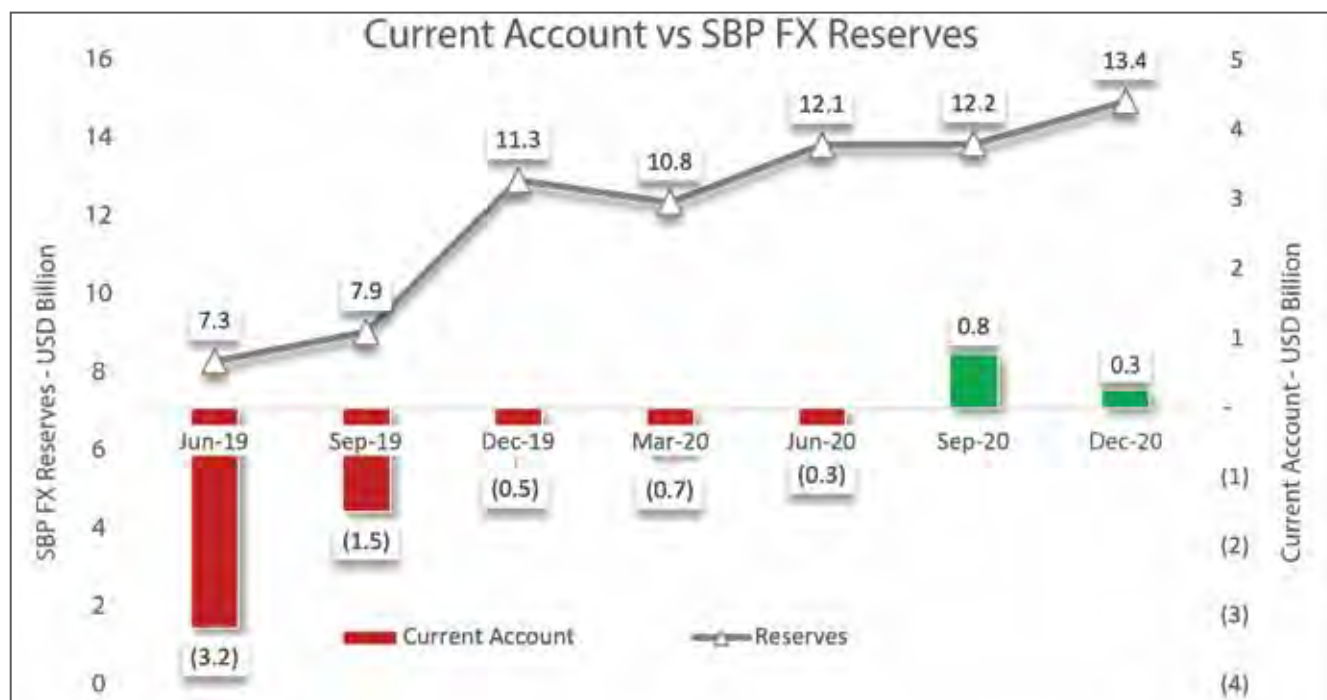
Changes in the macro environment, ranging from political, law and order, inflation and/or currency pressures effects the performance of the Bank, which is reflected in the results and also the stock price of the Bank. The Bank keeps a track of the key metrics that might affect the profitability, and to its best judgement preempts the developments and aligns its internal strategy accordingly.

CY20 was a challenging year, marred by the global pandemic that has infected over 100 million people worldwide and claimed over 2.2 million lives. As a result, the global economy was impacted as numerous measures were taken by respective governments such as imposing travel bans, implementing social distancing, reducing or completely restricting business/social activities, and offering stimulus packages to support

their countries. The economic slowdown caused by the pandemic worked in the favour of Pakistan's external account balances. Improved trade balance, reduced oil prices and strong growth in remittances helped in turning current account into a surplus in FY21. As a result, the SBP reserves reached a high of USD 13.1 billion during 2020.

Taking into account the global and domestic developments, the SBP promptly acted by providing support to the economy, which resulted in improvement in Pakistan's economy as it regained its pre-COVID trajectory. Large Scale Manufacturing (LSM) registered a growth of 5% during Q1 FY21. Similarly, other demand indicators also registered growth during the period. As a result, the SBP revised growth forecast, which is now expected to be in the range of 1.5%-2.5% for FY21.

Inflation averaged around 8.8% during Q1FY21 primarily due to higher food inflation. The Government has taken measures to address the supply side factors that are yielding positive results as can be witnessed by the recent SPI data.



On the fiscal side, the deficit increased during Q1 FY21 because of revenue constraints and increased spending to support the economy. As a result, the Government's reliance on debt is expected to remain high which is also witnessed by government debt as it increased by

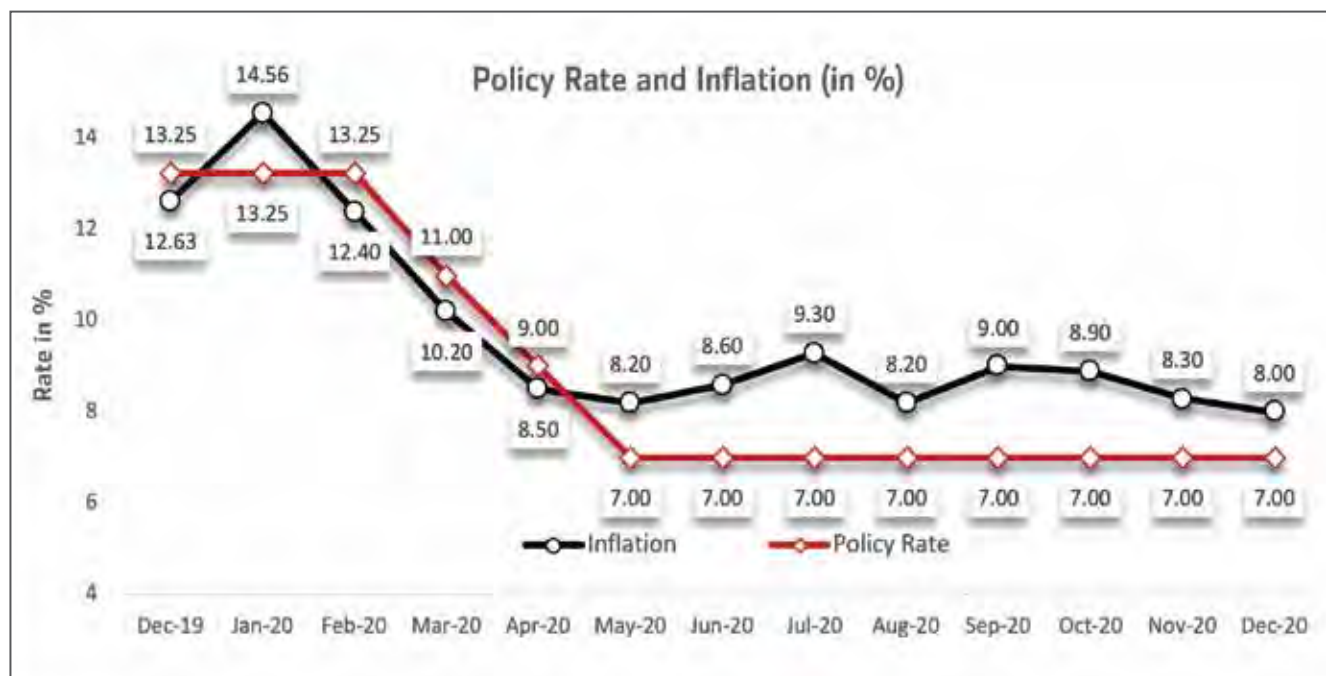
1.2% during Q1 FY21. On the positive side, the Government is trying to maintain fiscal discipline. There has been no fresh borrowing from the SBP and primary surplus was recorded at 0.6% during Q1 FY21.

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 performance. For example, a change in the discount rate, which directly impacts yields on all earning assets and liabilities.

Similarly, any regulatory changes such as a change in the minimum rate of deposit payable on certain types of deposits, relief schemes brought in by the SBP, etc. can have a significant impact on the cost of funds and profitability.

The SBP aggressively cut policy rate during CY20 in order to provide stimulus to the economy in the wake of global pandemic. Policy rate was cut by a cumulative 625 bps during the year. Currently, Pakistan has negative real interest rates in order to stimulate growth. These changes directly impact the banking industry and the bank's performance as assets and liabilities re-price. In expectations of decline in interest rates, Bank Alfalah concentrated its investments in longer tenor T-bills in 2020 and also strategically took position in long-term fixed rate liabilities as interest rates bottomed out.



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.

During the year, the index corrected itself from its lows of around 27,000 points in March to end of the year at around 43,800 points, which reflected the rebound in confidence of market participants post-COVID crash. Businesses reopening after lockdown, expected better corporate results and improved economic indicators in the latter half of 2020, pushed the index upward.

Positive developments on the vaccine front have improved market sentiment in both the domestic and international markets. Brent has increased by over 26% during the last quarter of 2020. Similarly, PSX 100 index has registered a growth of 7.8% during Q4 2020.

During the COVID-19 pandemic, the Bank has stress tested its processes, systems durability, risk processes and Internal Controls. We formed Board level Coronavirus Crisis Management Committee to guide the Management in successfully handling this pandemic. We enabled work from home drive due to infrastructure available to support this. Proper protocols were followed as per guidelines from World Health Organisation and Ministry of Health Pakistan such distancing, sanitisation, PPE, etc. Indeed, the Bank has responded with full responsibility.

These developments have a significant impact on the Bank's strategy going forward. The Bank keeps a track of the key metrics that might affect the profitability, and to its best judgment preempts the developments and aligns its internal strategy accordingly.

Furthermore, the political, economic, social, technological, environmental and legal factors having an impact on the Bank's strategies, outlook, risk management and performance have been discussed in detail in the sections throughout this Annual Report.

Competitive Landscape and Market Positioning

Competitive Landscape

Digitisation and Disruption caused by Technology

- Shift in transactions from branches to digital channels has seen exponential growth. Customers now seek high-end and cashless solutions.
- Moving traffic to digital channels requires upgrade in technology and change in customer mindset.
- IT security bars are raising high due to enhanced digitisation and new banking channels.
- Regulations for Easy Monthly Instalments (EMIs) by the central bank gave momentum for rising FinTechs to cater to the evolving demands of discerning customers.
- Telco-led microfinance banks are proving to be the catalysts of new and innovative ways to leverage data, and introduce new products to tap the untapped.

COVID-19

- Global economic slowdown.
- Increase in unemployment as industries feel the impact of COVID-19 (travel, hotels, restaurants, etc.).
- Change in customers' behaviour - online vs. offline.
- Bank operating model needs to be realigned in the New Normal since COVID-19 has revolutionised the way banks are operating.

Regulatory Environment

- New world of compliance after Pakistan was put on FATF grey list.
- Regulatory environment is getting more vigilant. Increased regulatory push to drive down fee charged to customers.
- More frequent and thematic SBP audits taking place.

Significant Drop in Interest Rates

- Interest rates decreased sharply by 625 bps from 13.25% in Dec '19 to 7.00% in 2020.

Market Positioning

- Bank Alfalah is one of the top and leading banks of the country.
 - 5th largest bank in terms of advances (based on Sep '20 published results)
 - 8th largest bank in terms of deposits (based on Sep '20 published results)
 - 8th largest bank in terms of outreach (branches) (based on Sep '20 published results)

- Mobile banking app, which caters to both banking and lifestyle needs of our customers, with over 125 product and services to choose from. Differentiated service offering for both our conventional and Islamic banking customers depending on their preference despite stiff competition.
- The Bank is a pioneer of Supply Chain Financing in the banking industry. We command a better market standing as compared to our competitors, and have been flexible in shaping up our Small and Medium Enterprise (SME) business over time.
- The Bank also acknowledges the substantial contribution of agriculture to Pakistan's economy and the growing financial needs of our farmers and agri-businesses.
- We aspire to become a technology-centric organisation, which drives innovation across the industry. This passion is what enables us to stand out from the competition and deliver a superior customer experience to our stakeholder universe. Some of our noteworthy initiatives are: Robotic Process and Business Process Automation, Data Lake/Big Data Initiatives, Sophisticated Networking and Infrastructure, Smart POS, and much more.
- During COVID-19 pandemic, Bank Alfalah was among the top five performing banks to actively support businesses using the State Bank of Pakistan's (SBP) financing schemes such as Temporary Economic Re-finance Facility (TERF), Refinance Scheme for Payment of Wages and Salaries, etc.
- We are recognised as the first bank as Market Maker of Debt Securities.
- We have a complete suite of consumer products.

The Bank's steps in keeping momentum during this competition are evident from the following recognitions:

- 'Most Innovative Bank' and 'Best Savings Product' awards at Global Islamic Finance Awards and Summit 2020.
- Best Bank in 2017 and 2019, and Best Customer Franchise Award for four consecutive years from 2016 through 2019 by the Pakistan Banking Awards.





SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY



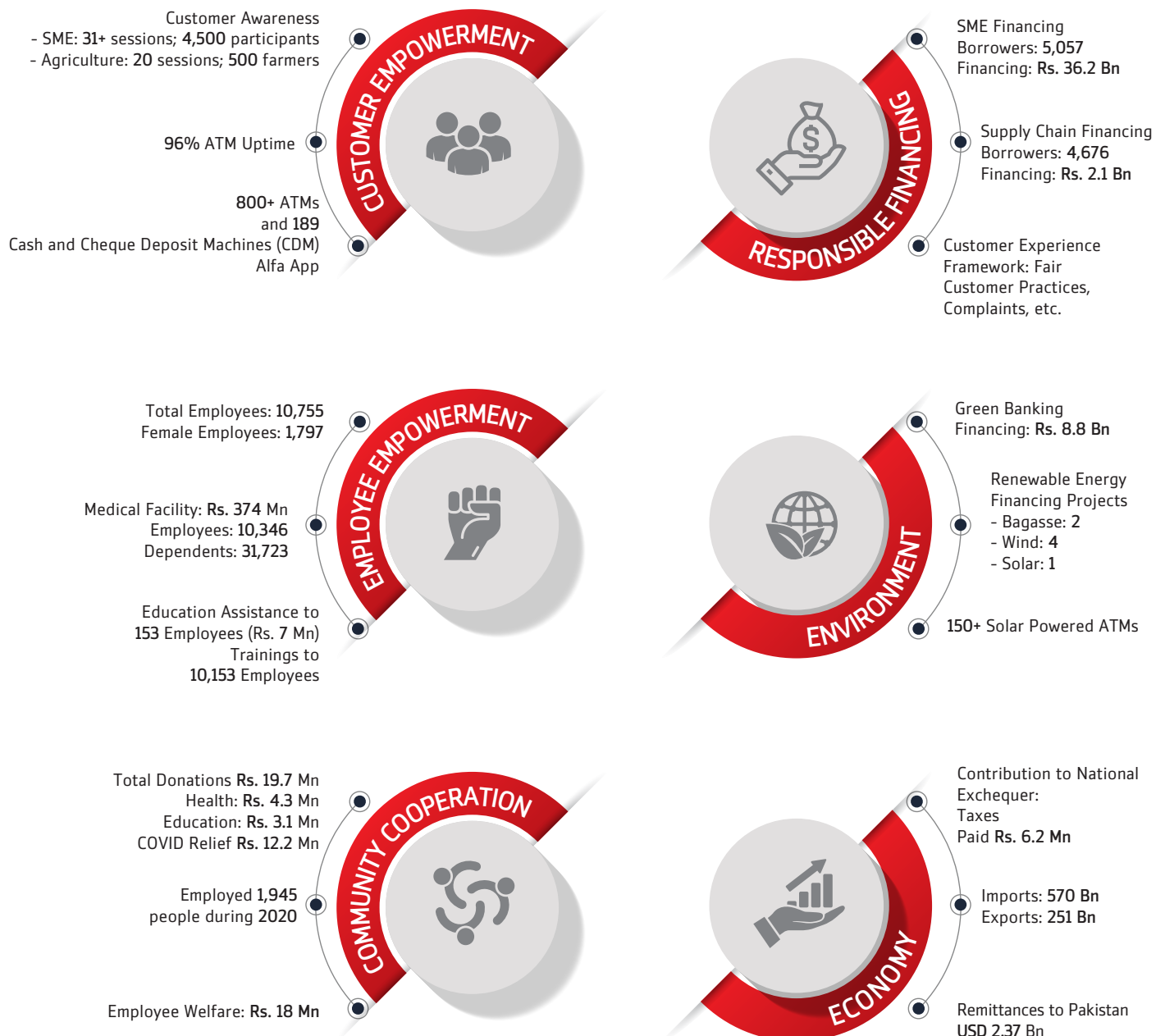
Sustainability

Philosophy

Social sustainability is one of Bank Alfalah's key operating principles. We make sure that our ways to operate are directed towards making us a sustainable, healthier, safer, and community-caring organisation. Effective controls, efficient procedures, community care, ethics and natural capital protection are the key objectives of our sustainability approach.

We align our business objectives in a way that helps us become a socially responsible corporate citizen.

Highlights of the Bank's Sustainability Programme:



Pillars of the Sustainability Philosophy

Customer Empowerment

We always put the customer and their needs front and centre. We do all we can to understand and anticipate what will help our customers find their own ways and achieve their ambitions. We do things differently, challenging the status quo to find new and better ways to move ourselves, and our customers forward.

Service Leadership and Digital Innovation

Customers are at the heart of the consistent transformation at Bank Alfalah. As an industry leader, the Bank aims to make banking simpler, effortless, and more accessible for all through rapid digital innovation. As one of the leading banks in the payments landscape of Pakistan, the Bank undertakes the responsibility of driving society towards digital innovation. This is achieved by continuously introducing the latest payment methods and financial technologies, including Alfa app, QR Payments, Alfa Payment Gateway, Alfa Fee Collection Portal, CDMs, ATMs/KIOSK, POS machines and Orbit Rewards; assisting our customers and businesses to get acquainted with the right payment tools. These digital innovations are designed to provide comfort to our customers through performing swift banking transactions.

Transaction Banking and Cash Management provide a wide range of value added services to corporate and SME clients through the Bank's vast network of online branches. Structured and optimised products enable customers to realise their sale proceeds swiftly from across the country, supported by a real-time Management Information System. Alfalah Transact is an electronic platform which enables corporate, middle market and SME clients to securely prepare their payment and transfer instructions in real-time to the Bank. The Bank can receive these instructions securely and can process these electronically after due validation and verification with convenience, security and cost efficiency.

Customer Protection

Our Customer Protection Policy encompasses broad guidelines for customer management throughout their journey ranging from product development, sales practices, marketing activities, communication protocols, and handling of customers. Our Fair Treatment of Customers policy is an integral part of our orientation training programme for newly on-boarded employees.

Keeping in line with the Financial Consumer Protection policy, the Bank's philosophy is to treat customers with utmost care and responsibility and walk with them throughout their financial journey. The end-to-end customer journey is overseen with a customer-centric lens. Customers are able to find transparent data regarding our products and services on our website and through other touchpoints. They can also conveniently conduct their financial transactions around the clock through various physical and digital channels. In case of any grievances and complaints, our frontline and 24/7 Contact Centre is available for any assistance before, during and after the customers have availed any of our products/services.

Customer Experience Management

In order to manage Customer Experience (CE), the basic infrastructure upon which CE is built consists of several units, which oversee the quality of service at the touchpoints that make up a customer's journey.

Customer Satisfaction

In order to track customer satisfaction, our Voice of Customer team conducts daily surveys to collect detailed feedback from the customers directly, so the Bank can proactively keep working on gaps and improvements and adapt to the changing needs of the customers. A future addition to this will be the Digital Survey Platform, which would allow us to widen our outreach and gather instant and quick feedback from the customers on a daily real-time basis.

Process Optimisation

We continue to keep a close eye on the complaints, processes, and channels to identify gaps and areas of improvement, which are then undertaken as projects in order to improve operational efficiency and drive improvements within the organisation. This is done to ensure that our customers are served with utmost care and their experience is as convenient and up to the standard as the Bank has committed. One of the major additions to these have been projects that focus on customer empowerment through self-service avenues.

Customer Engagement

Customer convenience ranks among the Bank's first and foremost priorities. We are always seeking ways to take our services a step further and to adapt to the changing circumstances in order to stay relevant, by targeting newer customer segments, digitising product and service propositions, creating greater efficiency through automation of processes, and utilising analytics to effectively target customers based on their needs. We believe in providing easy access to customers to engage and interact with us and in offering them the utmost convenience by putting the customer at the front and centre of everything that we do. We are also always looking towards targeting newer customer segments through our diverse product propositions. These pursuits are complemented by an ever-increasing reach through multiple communication channels that we use to engage with our customers.

The communication channels used by Bank Alfalah are as follows:

- Branch Banking
- Consumer Finance Centres
- Vertika (screens displaying key information and these are placed in high footfall areas)
- Alfalah Contact Centre
- Email
- Website
- Internet Banking
- ATMs
- Facebook
- Instagram
- Twitter
- Letter
- Live Webchat

Safeguarding Customers' Information

The Bank places high emphasis on security and on safeguarding customer's information. It has made strategic investments in security control enhancements, and undertaken the implementation of Advanced Threat Analytics and Advanced Threat Protection, Identity and Access Management, Dynamic and Static Code Level Scanner implementation etc. We have the security structure to detect advanced cyber-attacks, and are equipped with cyber-attack incident response and forensics service deployment along with enhanced automated technical vulnerability compliance management solutions and improved DDOS Protection. The Bank's Security Operating Centre operates proactively on a 24/7 basis. We have taken necessary proactive measures to counteract any potential threat, and have also deployed strong security controls on our critical touchpoints.

The Bank's Infrastructure and Networking is one of the most sophisticated and robust in the local banking industry with improved resilience through Demilitarised Zone (DMZ) micro-segmentation, enhanced Militarised Zone (MZ) containers, enhanced quality of service (QoS) at core and branch Level, WAN Access Control List (ACL) enhancements, improved branch link optimisation with traffic engineering, and deployment of next generation network switches and firewalls. This has in turn resulted in high level of security and excellent service response time/TAT.

In addition to proactive measures to counteract potential threat, the Bank has also deployed strong security controls at the critical touchpoints. Biometric facility has been activated on all channels including branch, mobile app and tablets, along with EMV chip and pin and 3D Secure e-commerce transactions for enhanced card based Security. Bank Alfalah's security posture is considered to be the best in class and ahead of the industry.

Quality Assurance

Customer Experience measures and manages performance quality through various service parameters across the Bank that are identified as the main touchpoints for the customer such as Retail and Islamic Banking, Consumer Finance, Digital Banking, Contact Centres, and other various support units that enable these customer touchpoints through peripheral service provision.

An addition to this unit is the market-leading Live Service Monitoring sub-unit geared towards real-time monitoring and remediation by engaging the branches. Furthermore, this initiative offers a digital solution to the conventional physical visits and allows us to conduct weekly reviews with lesser time lapse.

Turnaround Times (TAT)

Several projects were undertaken with an aim to improve and decrease the Bank's turnaround times in order to provide the most optimal standard of service to our customers. During the year, we improved our TAT for cash counters service, debit card issuance, cheque book issuance and service request response.

Customer Awareness and Financial Literacy

The Bank is committed to enhance its footprint in uncharted territories, and use unique and differentiated product and service propositions to increase the market

outreach. We have always understood 'Lack of Awareness' as the biggest detriment for SME and Agri customers to access finance. Our focus remains on reaching out to the underserved market and providing them requisite awareness and knowledge to make them bankable.

Non-Financial Advisory Services (NFAS) and Agri Division have jointly developed and conducted various programmes and sessions across Pakistan to increase the awareness on products and services available, and also impart valuable knowledge about business efficiency and management. In this regard, NFAS has collaborated with multiple third party stakeholders and governmental institutions to tap into the undocumented segment of the society in order to spread awareness and to promote financial inclusion. Our market storming activities, helpdesks and awareness sessions have helped us in broadening our horizon and allowed us to reach out to communities at the grassroots level. Despite the pandemic, we engaged a considerable number of SMEs by switching to virtual sessions and extended support during these unprecedented times. We have successfully organised over 31 awareness and knowledge sharing sessions on SME products and services along with specialised workshops with industry/subject matter experts to improve understanding of industries, business dynamics, and improve business affairs of the SMEs. We have interacted with over 4,500 SMEs and business owners during these sessions. Additionally, we have made footprints in the digital sphere through the SME Toolkit, which has resulted in gaining the attention of our potential clients. Over 35,600 users have made use of the digital platform.

Numerous awareness sessions and events have been organised by Agri Division to increase market outreach and to develop an ecosystem for rural businesses to flourish and develop. Our efficiently targeted financial literacy programmes and farmer's engagement sessions have reaped very encouraging results. In 20 different events organised by Agri department across Pakistan, we have been able to interact with over 500 farmers and Agri related business owners.



Farmers' Financial Literacy

BISP/EOBI Wallets

The Bank constantly contributes towards poverty alleviation by increasing financial inclusion of the underprivileged and vulnerable with digitally advanced products like Digital Payroll for blue-collar workers, EKP and EOBI wallets. In line with this vision, Bank Alfalah has been at the forefront to enable Pakistan's largest welfare fund distribution under Ehsaas Emergency Cash Programme 2020 to assist the communities hit by COVID-19 lockdowns.

Innovative Product Design

To promote and create awareness of the new and existing products, product advertising was conducted with remittance campaigns within Pakistan and UAE, which included prize distributions, campaigns with currency exchange companies along with newspaper ads and social media campaigns throughout the year. In order to cater to different segments along with their banking needs and government's initiatives, the Bank has introduced the following new Islamic and conventional products:

Regulatory Products

We participated in various government drives and launched the following new products:

• Roshan Digital Account

The Roshan Digital Account is offered to Non-Resident Pakistanis (NRPs) residing across the world. Overseas Pakistanis can open a Foreign Currency (FCY) or PKR-based NRP account, which gives them unmatched convenience through a simple, secure and completely digitised process to avail a host of benefits, paving the way for a progressive Pakistan. The account's novel features are availability in multiple currencies, no minimum balance requirement, multiple investment opportunities, easy repatriation of funds, Free Debit Card, Free SMS alerts, Funds Transfer Facility, and much more.



• Naya Pakistan Certificates

The Naya Pakistan Certificates (NPCs) are high-interest yielding sovereign investment certificates issued by the State Bank of Pakistan (SBP) for Foreign Currency Value Account holders (FCVA) and Pakistani Rupee Value Account holders (NRVA). Along with lucrative returns for investors, these certificates also provide NRPs with an opportunity to contribute towards the development of a progressive Pakistan. Customers have the option to subscribe to various tenors ranging from 3 months to 5 years.

• Alfalah Ghar Asaan

(GoP's Markup Subsidy Scheme for Housing Finance) - A low cost housing finance product under Mera Pakistan Mera Ghar Scheme.

Bank Alfalah provides quick and convenient solutions to buy a house/apartment or acquire land for the construction of a house in easy and affordable monthly instalments.

Alfalah Ghar Asaan – Home Buy: This type of facility is meant for the purchase of an already constructed housing unit/apartment.

Alfalah Ghar Asaan – Build a Home: This type of facility is extended to customers who already own a residential plot or intend to buy a residential plot with subsequent construction of house.

• Refinance Schemes

Various refinance schemes were launched under the COVID relief programme designed by the Government. The Bank made these schemes available to the customers.

Other Products

We are improving and innovating our product suite during the year.

• Falah Senior Citizen Savings Account

A Mudarabah based savings account offering increasing halal returns along with a host of free benefits for a secure retirement future of our senior citizen customers.



• Target Savings Account

An instalment-based savings facility for all our active savers that offers freedom to choose as per their customised savings plan while earning monthly halal returns.

• Alfa Term Deposits

With Alfa Term Deposits, customers can easily fix a savings amount for 1 month, 3 months, 6 months, or 12 months duration and earn a profit on a monthly basis or at the time of completion of chosen duration at PLS rates higher than that available at the bank counter. Term Deposits can be booked digitally – anytime, anywhere – without having to go to a branch by simply logging onto the Alfa App.

Responsible Financing

Non-Financial Advisory Service

The Bank takes pride in being the pioneer for introducing Non-Financial Advisory Services to its existing SME clientele, as well as the general population, by providing them the necessary guidance and support in documenting their business transactions. This enables our customers to readily access loans ultimately required for their growth. Our Non-Financial advisory services help us grow our SME business, deepen our relationships with existing SME customers, and enhance our new SME customer acquisition. Going forward, we aim to empower SMEs in Pakistan. With this aim, we have always endeavoured to take initiatives that allow community engagement and extend market outreach by 'Banking with the Un-Bankables'. Our key initiatives like Rural Outreach programmes, market storming activities, seminars, helpdesks, and our digital presence through the SME Toolkit portal contribute significantly in reaching out to the wider target audience.



Green Financial Products and Services

We are proud to finance the renewable energy sector amid the ongoing current energy crisis faced by the business community and by playing our part in social responsibility as a corporate entity to keep this world green. The product offerings in this portfolio are in line with the view of SBP's Refinance Scheme for Renewable Energy. SME Division takes pride in having introduced an environmental friendly product named 'Alfalah Green Energy.' As the world moves towards a future of clean and cheap electricity, we are ready to establish our presence in this area because we acknowledge that green financing products like these have the capacity to contribute to society at large.

Karandaaz Pakistan

Bank Alfalah has collaborated with Karandaaz, an organisation funded by UK's Department for International Development (DFID) and the Bill & Melinda Gates Foundation, to further support small and medium enterprises by increasing access to finance through well-defined product programmes.

Karandaaz provides capital to Micro, Small and Medium Sized Enterprise (MSMEs) by entering into structured financing agreements with Partner Financial Institutions based on defined product programmes. One of the objectives of these programmes is to introduce viable credit models and direct capital to viable SMEs that generate positive enterprise value and employment. The other is to develop and demonstrate sustainable investment models and product programmes, which can be replicated and scaled up by private commercial financiers, enabling the mobilisation of private and development capital.

Through this collaboration, the Bank has funded the development and growth of a variety of customers such as those requiring scalability of fleet or improvement in Supply Chain or other respective businesses. The Bank is also determined to transform the landscape of banking in Pakistan through testing and incorporation of successful global digital trends in banking. Given this commitment, Bank Alfalah won the Karandaaz's Innovation Challenge Fund award in 2019 and is now working on developing an innovative, cash flow based, credit scoring model for small and medium enterprises in collaboration with DigiServ, a leading communication technology provider. This initiative will disrupt the status quo for assessing credit needs and risks of SMEs and help lead the industry break away from traditional and non-scalable ways of banking.

Pakistan Mortgage Refinance Company Limited

With the aim to serve our customers and facilitate them in fulfilling their dreams, we have launched a hybrid-pricing home financing product where customers can avail both fixed and variable financing options. With drastic fluctuations in interest rates, the hybrid-pricing home financing product makes home financing more affordable. The product has been launched in collaboration with the Pakistan Mortgage Refinance Company (PMRC), a pioneering partnership in the industry that provides an enhanced Home Finance offering to our customers.

Responsible Consumer Lending

One of the key factors which ensures the success of our consumer financing business model is prudent and balanced risk-based lending, which has resulted in high performance along with improved collection and recovery position in the industry.

Employees Empowerment

Human Resources and Learning Group (HRLG) focuses on establishing a link between people, strategy, and performance as a means to executing the Bank's overall strategy and making Bank Alfalah a preferred employer of choice.

Equal Opportunity Employer

As a progressive organisation, we strongly believe in providing everyone with an equal opportunity to work, learn, grow, and succeed. Our Diversity and Inclusion strategy and practices enable us to be an organisation offering equal opportunities to people from all kinds of backgrounds to join us, learn through targeted learning programmes, and grow through the ranks.

Education and Well-being of Staff

People Happiness and People Development is at the heart of Bank Alfalah. At Bank Alfalah, we are working to enhance the happiness of our employees and improve their learning in order to drive engagement and elevate performance.

We continue to develop and enrich our human capital. From upskilling new joiners to offering employees competency-based learning programmes and courses on employee well-being, our learning framework ensures that our people are equipped with the right capability to deliver results.

Furthermore, continuous technological investments over the years have helped us ensure a smooth and effective transition towards online platforms during the COVID-19 pandemic.

Business Ethics and Anti-Corruption Measures

Ethics at Bank Alfalah are a value that must be embedded in the DNA of our people. Our value conduct and integrity ensures that we not only comply with the external and internal compliance guidelines but also ensure ethical behaviour in our everyday interactions with our colleagues.

Employee Engagement through Celebration of National Events

We engage our employees through celebration of international days, national and religious events, and team successes. We also keep rolling out various well-being activities and learning initiatives. These practices enable us to create an environment where people enjoy coming to work.

Happiness and Leadership

Our unique and impactful Leadership Development journey went digital this year, providing our leaders with key opportunities to advance their focus of people and performance remotely.

Gender Diversity

Female representation is 17% of our workforce.



International Women's Day celebrations

Competitive Reward

Market competitive salaries, awards, and convenient staff finances are our key milestones.

Employees Welfare (Health and Life Insurance, Retirement Benefits, etc.)

We have health and life insurance benefits for employees. Our post-retirement funds also benefit employees as a reward from the Bank against their services and association with the organisation. The Bank also offers pay continuation benefit to employees suffering from medical severities.

Diversity for All – Life Experience, Age, Group, Abilities and Thoughts

We strongly believe in the business and social impact created by a diverse workforce and an inclusive work culture. We want to build a workforce that is representative of different genders, ages, ethnicities, backgrounds, experiences, working styles, thinking styles and abilities. Being a responsible corporate citizen, we value our differently-abled employees and facilitate them in achieving their life goals.

HR Quick Connect (Employees Help Desk)

HR Quick Connect is a centralised platform where employees can access updated HR policy and documents with a single click, providing hassle-free ease of availability of important documents.

Education

Bank Alfalah encourages its employees to enhance their professional competence and offers multiple rewards, early achievers allowances, reimbursements of professional courses, membership fees, and educational financial assistance to meritorious staff.

Environment – Protecting the Natural Capital

Environment plays an important role in the well-being of people. Humanity's entire life support system depends on the welfare of environmental factors. The environment is important because it is a source of natural beauty, and it is necessary for proper physical and mental health.

Renewable Energy

As a step towards creating a sustainable environment, the Bank has taken various initiatives that help in reducing cost as well as reduce carbon footprints. The Bank has installed solar panels that power 150 ATMs across the country, and long backup UPS systems are in use in place of generators to reduce the carbon footprint further.

Paperless Operations

The business impact of going paperless manifests itself in an enhanced customer experience, increased productivity, improved operational efficiency, and reduced carbon footprint by limiting the use of paper. Cash/Cheque Deposit Machines (CDMs), Branch Report Digitisation, and various other initiatives are being implemented to explore the opportunities to eliminate and/or minimise the use of paper through digital

transformation, change in employee behaviour, customer facilitation and processes improvement.

Bank Alfalah Building Design and Operations

All new branches and buildings are designed in line with the Branch Design Manual launched in 2019 to ensure standardisation and control. The manual addresses the following areas:

- All main entrances, including ATM vestibules are accessible through ramps, where possible;
- Railings are a mandatory feature at every facility with more than one step to climb;
- Emergency exits with push-bar doors for unhindered escape;
- Ceiling mounted automatic/self fire extinguishers are mandatory features for all unmanned and high hazardous locations;
- Compartmentalisation has been introduced between UPS Batteries and electrical installations to reduce fire hazards;
- Cash routes at every branch are secured with HD cameras that are monitored from a centralised command and control centre; and
- All new buildings have access to natural light or direct sunlight, where possible, to reduce electric lighting and saving energy.

Environment Protection Measures

With a continued aim to make the Bank's environment an eco-friendly workplace, regular awareness campaigns and broadcasts through various communication channels to staff are a key feature to encourage employees for an efficient use of energy with emphasis on environmental protection.

Energy Conservation

The Bank has replaced almost all conventional light fixtures and ACs to LED lights and invertors ACs respectively through a disciplined life cycle replacement plan and smart investment to reduce maintenance cost and enhance efficacy levels.

Water Conservation

We have installed sensor-based water taps at dense locations to conserve water effectively.

Waste Management

We use shredder machines to destroy unwanted papers. The offices are cleaned daily and the waste is managed through proper dumpsites, i.e. government's waste management vehicles.

Corporate Social Responsibility/ Community Cooperation

Bank Alfalah CSR Programme

Philanthropic investments and donations are instrumental in enhancing the Bank's reputation, projecting a positive image amongst its internal and external stakeholders. Throughout the year 2020, Bank Alfalah remained at the forefront in playing its role in supporting the vulnerable and underserved segments of society through their hardships and helping them to fight against COVID-19.

We continued our commitment to serve society as responsible corporate citizens, and aim to support both infrastructural and capacity-building endeavours through our philanthropic investments in line with our motto of 'giving back to our communities'.

Our Corporate Social Responsibility (CSR) initiatives help us support the community and play our role in alleviating the hardships of the less privileged in the society.

The priority areas for the Bank have always included education, health, social welfare, environmental sustainability, leadership development, and promotion of sports, arts and culture.

• Social Welfare

We are always willing to support causes that work towards improving the social welfare of our country. This includes extending support to disadvantaged people such as the poor, elderly, disabled, students, unpaid workers like mothers and other caregivers, and underprivileged groups.



• Ration Distribution

We coordinated with NGOs like Parents Voice Association (Ujala), Karachi Relief Trust (KRT), Alamgir Welfare Trust, Dar Ul Sukoon and Children Youth Through Education (CYTE) to provide ration to deserving families whose household income had been adversely affected due to the lockdown.

• Prime Minister's Ehsaas Emergency Cash Disbursement Programme 2020

Bank Alfalah partnered with the Government to support the most affected communities of Pakistan, across the Northern Areas such as Azad Jammu & Kashmir, Gilgit-Baltistan and Khyber Pakhtunkhwa.



• Ehsaas Ration Distribution Programme

We partnered with the Government of Pakistan's Poverty Alleviation and Social Safety Division's Ehsaas Ration Distribution Programme to provide ration bags to the vulnerable and marginalised communities of Pakistan.



• Donations for COVID-19 Relief Fund for Daily Wage Earners

Bank Alfalah has set up a fund to support daily wage earners of the country with the support of its employees volunteering to assist in the distribution of funds and ration to deserving people. During 2020, a total of Rs. 24 million was contributed in the fund by the Bank and its employees.



• Education

In Pakistan, availability of education to the public at large needs more attention. Through our philanthropic investments, we aim to uplift the lives of the citizens of Pakistan and empower them in their journey to gain knowledge. In 2020, we provided funds to The Citizen's Foundation, Family Education Services Foundation (FESF), and The Association of Children with Emotional and Learning Problems (ACELP) to support these organisations in their efforts to offer care and education to deserving children.

• Health

Health remained a central focus area for Bank Alfalah in the year 2020 amid the pandemic and the ensuing global health crisis faced during the year. We supported organisations such as Patients' Aid Foundation, Child Aid Association, Pakistan National Polio Plus Trust, Karachi Relief Trust (KRT), The Indus Hospital, Dar Ul Sukoon, and Milestone Society for the Special Persons in their continued endeavours. The funds given were utilised for providing better healthcare to underprivileged communities and towards fighting COVID-19.

- Bank Alfalah donated to the Patients' Aid Foundation to help the organisation to procure testing kits and equipment, PPEs and ventilators.
- The Bank supported Pakistan National Polio Plus Trust and Karachi Relief Trust (KRT) in setting-up portable hand wash stations at key locations across the city to promote a culture of hygiene and self-safety.
- The Indus Hospital received funds to establish a complete mobile treatment unit for those affected by COVID-19.



- Bank Alfalah supported Dar Ul Sukoon and Milestone Society for the Special Persons by funding their requirements such as hand wash stations, ventilators (HDU), medical supplies and special wheelchairs.

• Environment

We believe that initiatives directed towards the conservation of the environment can play a vital role in mitigating the damage from climate change at large, and we are always willing to invest in such causes. Due to COVID-19, the Bank focused on maintaining a clean, distant and hygienic environment for its customers, employees, service providers, vendors, regulators and other stakeholders accessing the Bank's premises.

• Youth Programmes

The Bank is keen to support the opportunities and causes that promote healthy outcomes for the country's youth. The causes supporting our area of interest include special clubs and service programmes, scholarships, community service organisations, academic enrichment programmes, etc.

• Sports

We believe that sports play an important role in fostering development and communication in any society, and help shape the image of a country across local and international forums. Sports have always remained an essential part of our CSR agenda, and we are always proud to help and be associated with sportsperson, who are promising and who strive to make us proud.

• Women Economic Empowerment

We strongly believe that there is a need to increase the opportunities available to women to access economic resources. We wish to empower them to make decisions that benefit them, their families, and their communities. Our CSR philosophy acknowledges women's economic empowerment, and we are always willing to support the causes relevant to it.

The Bank strives for women economic empowerment, and it has been working for women's economic uplift on various platforms.

Volunteering in the Community

• Employee Volunteering Leave

In order to become a socially responsible organisation and to provide our employees an opportunity to volunteer their time and talents to the communities around them, we have introduced an Employee Volunteering Leave of up to two days.

• Raah-e-Falah – Our CSR Initiative

We have collaborated with The Citizen's Foundation to offer the following programmes for which our employees can volunteer for:

- Career Counselling – A one-day session with the students of graduating batches to help them choose their future career path.
- Rahbar Programme – A full day session to mentor students of grades 8 and 9. The programme is run every Saturday for six weeks.

- Baghban Programme - A fundraising programme where volunteers brainstorm ideas to raise funds to support the education of TCF students.

Staff Welfare

• Bank Alfalah Employee Welfare Programme

We at Bank Alfalah care for our employees and their families' safety and well-being.

In view of the recent challenging times, the Bank came forward with different welfare schemes for its employees, specifically those in the junior tiers. These welfare schemes help the Bank in improving employee engagement, morale and motivation, in addition to providing them security. This ultimately leads to higher productivity and greater loyalty.

The Bank initiated an Employee Welfare Programme, which is contributory in nature, and aimed at providing financial assistance to employees in need for the following purposes:

- Health/Medical emergencies or treatments, where coverage is not provided or insufficient under the Bank's Medical Policy – ideally for employees and their dependent family members
- Grants for marriage of daughters and sons
- Educational grants for higher education
- Any other purpose as the Employee Welfare Programme Committee deems appropriate

The Employee Welfare Programme was launched to assist employees during the pandemic. The programme was extended to provide flood relief assistance, in wake of the devastating urban floods in Karachi, and adjoining areas in Sindh and Balochistan.

• COVID Relief Fund

This fund was introduced immediately after the pandemic hit the country with a view to support the employees for any critical testing and other medical payments they might have to make with regards to the disease. The testing fees for COVID-19 were also reimbursed to employees who had undergone the tests.

• Learning Resources for Well-being amid COVID-19

Never before has there been a need for us to be emotionally, physically and mentally resilient. While HR is constantly working to support employees in these tough times via programmes, a few tailored e-Learning programmes - namely 'Becoming Stress Resilient' and 'The Well-being Journey' - were launched through which employees could remain motivated and resilient.

• Employee Well-being Survey

As the COVID-19 pandemic was on a rise initially, it was in these challenging times that we needed each other the most. Keeping the spirit of community in mind, and to maintain high morale, HR devised a way to allow us to be there for our Bank Alfalah family through these testing times. We divided all our staff members across Pakistan among our HR team so that they could call and check up on each other.

Economy

Intermediation – Key Trade and Banking Figures

The Bank intermediated the economy by channelising the business for various traders/business firms in the imports and exports business. Serving the business adds to the country's economy. During 2020, the Bank transacted Rs. 570 Bn imports and Rs. 251 Bn exports.

Contribution to the Government

The Bank contributed Rs. 6.2 Bn to the Government against income taxes. The Bank also collected and deposited indirect taxes to the government treasury. Paying taxes is one of the Bank's focus towards being a responsible tax payer.

Remittances from Workers Abroad

The Bank has been a noticeable contributor in the flow of remittances to Pakistan through its global network of partner banks, money transfer operators, and exchange companies that rely upon our technological rails to offer overseas Pakistanis smarter and faster ways of sending home remittances to Pakistan. The Bank has invested in various initiatives for financial inclusion comprising the launch of Asaan and Digital Remittance Accounts, and marketing activities to promote cash over the counter payments through our network of over 700+ branches in over 200 cities across the country. During the year, the Bank contributed to the economy by facilitating over 4 million customer payments in Pakistan valued in excess of USD 2.37 billion, leading to the Bank's remittance market share of 9.1% for the year 2020.

Jobs

The Bank has consistently created employment opportunities across Pakistan through its extensive recruitment programmes. In the year 2020, we have on-boarded 1,945 resources to drive our vast business operations network. Moreover, through diverse batch hiring programmes, the Bank also taps into the country's fresh talent pool to create commendable opportunities for young applicants.

Green Banking Initiatives

Traditionally financial considerations have been the main drivers of profits. The severity and accelerated pace of environmental degradation and social deterioration forced a redrawing of priorities for companies on how they should do business, and for the banks as to what and whom should they finance.

By virtue of their role as intermediaries between people with shortages and surpluses of capital, banks hold a unique position in the economy for sustainable development. This intermediary role is both quantitative and qualitative. There is reason when it is said that the greatest impact we have on the environment and society is through our financing activities.

Due to their efficient credit approval systems, banks are well-equipped to weigh risks and attach a price to these risks. Through such price differentiation, banks can foster sustainability.

Green banking provides integration of financial, social and environmental considerations into decision-making to enable higher returns on investments and sustained profits.



The SBP's Green Banking Guidelines marked the entry of Central Bank to introduce green banking in Pakistan, and initiate the process of its incorporation in banks' systems. The Bank has an approved Green Banking Policy for implementation of the SBP Guidelines.

Green Banking is divided into the following three areas:

a) **Environmental Risk Management**, which requires banks to integrate in their credit approval process, adoption of environmental risk management practices, as well as compliance of environmental laws by the borrowers in banks' credit portfolio.

As a responsible corporate citizen, Bank Alfalah had started the process in early 2015, and in collaboration with IFC, to integrate Environmental and Social Management System (ESMS) in the credit approval process of the Bank. The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated under the:

- IFC exclusion list
- Applicable national laws on environment, health and safety
- IFC performance standards

This framework is an integral part of the credit approval process and all relevant credit proposals require clearance of Environmental Risk Unit prior to approval of the competent authority. The Environmental Risk Unit is responsible for identifying, vetting and approving projects from an Environmental and Social Management Risk (ESRM) perspective. All personnel working in this unit have acquired IFC online certification of 'Sustainability Training and E-Learning Programme (STEP)'. Additionally, our HR Learning conducts classroom trainings on Environmental and Social Management System (ESMS) for the client-dealing Relationship Managers. As a result, our borrowers are now aware of the importance of the environment, the need for environmental due diligence, environmental laws, and the role of environmental protection agencies in each province.

b) **Green Business Facilitation**, which entails providing finance to businesses (the Bank's existing and/or fresh customers) willing to invest in operations and technologies bringing improvement in Environmental Risk Management and resource efficiency.

We encourage our clients to improve their operations and technologies by initiating eco-friendly initiatives. We have a new green financing product 'Alfalah Green Energy'. It is a term finance facility for customers willing to install solar energy equipment for generation of electricity ranging from 4KW to 1000KW with net metering.



Additionally, some of the Green Projects in which Bank Alfalah has participated are as follows:

S.No.	Name of Project	Source/Type	Capacity (in MW)
1	Fatima Energy Limited (to finance Cogen Power Plant - Bagasse and Coal for 118MW)	Bagasse	118
2	Chiniot Power Limited (Construction of 62.4MW Co-Generation Power Project)	Bagasse	62
3	Gul Ahmed Wind Power Limited (to finance Wind Power Plant for 49MW)	Wind	49
4	Metro Power Company (Pvt.) Limited (to finance Wind Power Plant for 49MW)	Wind	49
5	Master Green Energy Ltd.	Wind	50
6	Din Energy Limited	Wind	50
7	Gharo Solar Pvt. Ltd.	Solar	50

Green Energy Policy for the Bank's Employees

The Green Energy policy provides Alternate Energy/Green Energy finance products to staff at discounted rate of 4% with no down payment. It also allows 3 months' grace period besides the repayment period of 5 years.

c) **Own Impact Reduction**, which entails reducing Bank Alfalah's own carbon footprints. This involves increasing the use of solar energy, which will decrease the Bank's reliance on grid-energy/fossil fuel-based energy, reduction in paper consumption, rationalisation of water consumption, etc.

The Bank is continuously bringing about resource efficiency and reducing cost by optimal utilisation of all resources.

Some of the initiatives include 150 ATMs converted on solar energy, declining paper consumption, replacement of diesel-fueled generators with UPSs for backup power supplies, replacement of regular saver lights with low consumption LEDs, and the replacement of conventional ACs with inverter ACs.

The cumulative effect of all steps taken so far show that the Bank has begun to move towards achieving the objectives of Green Banking as laid down in the SBP Guidelines.



Health, Safety and Environment

Occupational Health Awareness and Measures

We established a dedicated functions to manage the Health, Safety and Environment (HSE) domain and build a culture of safety leading towards healthy and creative delivery of service, inside and outside the workplace.

Our HSE team is running an active annual training programme, simulation exercises, incident tracking, and branch inspections to spread awareness and focused mitigation measures on the basis of the preemptive knowledge rule.

The awareness programmes include, but are not limited to: Premises Emergency Protocols; Dust and Rainstorms Precautions; Ramazan Advisory; Heat Wave Advisory; Housekeeping at Work; No Smoking; Inclement Weather Precautions; Eco-friendly Environment; Dengue Fever; Cyclone Kyar; SMOG; etc.

The Bank continues to have dedicated drives for COVID-19 awareness, ensuring all health protocols are properly implemented to keep its employees and customers safe during the pandemic.

Automatic Fire Extinguishers

As a control measure to protect the Bank's assets and staff, adequate measures have been taken to reduce elements of fire hazards, which include installation of automatic fire extinguishers at hazardous locations.

Emergency Preparedness and Responses

The Bank's HSE team, through training and communication, has prepared our staff for any inevitable situation in such a way that it becomes part of office culture. Life style, the emergency preparedness programme, includes delivering health and safety awareness, emergency evacuation and fire extinguishing trainings to all branches' and back offices' staff.

Supporting and Managing the Health and Safety of our Teammates during COVID-19

To deal with ongoing pandemic, Bank Alfalah instituted mechanisms to implement the guidelines issued by the WHO, CDC and Ministry of Health Pakistan, in letter and spirit to ensure the safety and health of its employees.

Salient Features

- Live CCTV monitoring through control and command centre, and adherence of SOPs through controls in branches and premises.

- Regular issuance and reinforcement of policy guidelines through HSE advisories and internal communications



- Effective supply mechanism of hygiene products and personal protective equipment like face mask, face shields, sanitisers and gloves.
- Contact tracing of positive cases and probable cases and disinfection/sanitisation of effected areas.
- Assistance of COVID positive staff or their family members through enhancement of medical insurance limits, and maintaining a database of blood groups for plasma.
- Introduction of cash disinfection cabinets to disinfect cash before processing/circulating.



- Utilisation of the Bank premises to create BCP sites in guesthouses and other available locations for critical departments like Contact Centre staff to perform operations 24/7 and to create social distancing within the teams.
- Availability of WebDoc - online doctors on COVID and health related issues for the well-being of staff and their families.

WebDoc

The Bank collaborated with WebDoc, an innovative medical partner that provides safe and reliable medical assistance. Through the service, employees are connected with certified professional doctors, medical experts, and industry specialists to provide online medical assistance by connecting via a phone call.

Employees and their family members can connect with WebDoc through a mobile number, and accordingly they are connected with doctors to assist them for non-emergency situations, including precautionary measures for COVID-19.

Certifications Acquired and International Standards Adopted

The Environmental Risk Unit is responsible for identifying, vetting and approving projects from an Environmental and Social Management Risk (ESRM) perspective. Key personnel working in this unit have acquired IFC online certification of 'Sustainability Training and E-Learning Programme (STEP)'.

Our Health and Safety team has acquired reputable industry-wide and internationally recognised degrees

and certifications, including, but not limited to, NEBOSH International General Certification; HABC Level 2 - International certification in Fire Safety; HABC - Certified International First Aider; Diploma (HSE); ISO 22301; ISO 45001; CEH, etc.





GOVERNANCE



Board of Directors



His Highness Sheikh Nahayan Mubarak Al Nahayan

Chairman

His Highness Sheikh Nahayan Mubarak Al Nahayan is a prominent member of the ruling family of Abu Dhabi, United Arab Emirates. Currently, His Highness is a UAE Cabinet Member and the Minister of State for Tolerance. Prior to his current responsibility, he served as Minister of Culture and Knowledge Development, Minister of Culture, Youth, and Social Development, and Minister of Higher Education and Scientific Research. Besides his ministerial responsibilities, he has been playing a leading and distinguished role 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 at various Boards and Trusts, and is also the Patron of various local and foreign organisations and affiliates. His direct and indirect business interests spread throughout multiple 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 disabled children as the Honorary President of Abu Dhabi Future Rehabilitation Center, formerly known as Future Center for Special Needs. His Highness is also the 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 Millfield School until the higher secondary level before joining Magdalen College at Oxford University, UK.



Mr. Abdulla Nasser Hawaileel Al Mansoori

Director

Mr. Abdulla Nasser Hawaileel Al Mansoori is a prominent businessman of Abu Dhabi, UAE. He is the Chairman of Al Nasser Holdings and Group Companies. He is also a member of the Saudi Emirati Co-ordination Council and a Member of Economic Collaboration Committee. In the past, Mr. Al Mansoori was a nominated member of UAE Federal National Council, Member of the Abu Dhabi Executive Council and Member of the Board of Directors of the Abu Dhabi Council for Economic Development. Additionally, Mr. Al Mansoori was also a Chairman of Abu Dhabi Ship Building Co., PJSC, the Director General and Vice Chairman of General Industrial Corporation, Abu Dhabi. He has also held Board positions as Director of the National Investor, Abu Dhabi, Director of United Arab Bank, Director of Water & Electricity Department of Abu Dhabi and the Director of Projects, ADNOC. Mr. Abdulla Nasser Hawaileel holds a B.Sc. (Hons) degree in Electrical Engineering from Swansea University, UK.



Mr. 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 also a Director of the Abu Dhabi Commercial Bank Ltd, and Chairman of the Makhazen Investment Company in Abu Dhabi. Mr. Abdulla Khalil Al Mutawa is a Non-Executive Member of the Board of EFG Hermes, and a Non-Executive Board Member of Abu Dhabi National Hotels Company Holding SAE. Mr. Abdulla Khalil Al Mutawa holds a B.Sc. degree in Business Administration from the University of North Carolina, USA.



Mr. 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 the Deputy Chairman of Al Otaiba Group of Companies. Mr. Khalid is a Director of Alfalah Insurance Company Limited, Pakistan and EFG Hermes Holding, S.A.E. He is also the Chairman of Liwa International Investment Tourism and the 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.



Mr. Efstratios Georgios Arapoglou

Director

Mr. Efstratios Georgios Arapoglou is a Corporate Advisor, with an international executive career in Corporate and Investment Banking, International Capital Markets, and in managing, restructuring and advising financial institutions. He has been the CEO of Commercial Banking at EFG Hermes Holding SAE Group, operating in the Middle East and Africa (2010-2013). Earlier, he was the Chairman and CEO of the National Bank of Greece Group (2004-2009), Chairman of the Hellenic Banks Association (2005-2009), and Managing Director and Global Head of the Banks and Securities Industry for Citigroup (1999-2004). He has served on several boards of publicly listed companies in Europe, the Middle East and Africa, as well as on Boards of educational foundations, including serving as the Chairman of the Institute of Corporate Culture affairs in Frankfurt. He is currently holding the following Non-Executive Board positions: Chairman of Tsakos Energy Navigation (TEN) Ltd, Chairman of Titan Cement International, Chairman of the Board, Bank of Cyprus, Board Member of EFG Hermes Holding SAE, and Board Member of Bank Alfalah Ltd., listed in Pakistan as a representative of the International Finance Corporation (IFC). He is a Member of the Business Advisory Council for the International MBA programme of Athens University of Economics and Business. He has degrees in Mathematics, Naval Architecture & Ocean Engineering, and Management from Greek and British Universities.



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 some large country franchises in the Middle East and Africa, where his portfolio encompassed a wide spectrum ranging from large corporates, to governments, to financial institutions as well as SMEs and PE companies. Mr. Qurashi has previously served on the Board of Directors of Bank Alfalah from May 2015 to February 2018. He has also served as Board Member at TMB Pakistan, NMB Bank Zimbabwe, Citibank Nigeria, Vice Chairman, Citi International Islamic Bank Bahrain, and as a Consultant at HBL Pakistan. Presently, he is a Member of Investment Committee at SIDRA Capital, Saudi Arabia. He holds a Master's degree in Business Administration from IBA/Karachi University.



Dr. Gyorgy Tamas Ladics

Director

Dr. Gyorgy Tamas Ladics is a seasoned financial services professional with over 27 years of experience in the financial services industry, formulating digital strategies and business transformation globally. He brings extensive experience in Digital Banking, Digital Transformation, FinTech Collaboration, Innovation, Business Strategy Formulation, Open API and Multi-Channel Banking Platforms, Organisation and Business Transformation and Development, IPO Preparation, and Operations and Technology. He's a professional skilled in the strategic planning and use of information technology, business processes, and providing practical solutions to business issues. He has wide experience across extensive geographical regions, including in UAE, Egypt, Africa, India, Pakistan, Central Europe, Russia, Singapore, and Brunei. At present, he is the Chief Executive Officer of Silverlake Symmetri. In the past, he has worked as Chief Operating Officer with Bank Islam Brunei Darussalam and International Director with Fajr Capital, Chief Technology Officer with Barclays Bank, Emerging Market, Regional Technology Office, Dubai, Chief Operating Officer with Prague, Citibank Central Europe Cluster, and Head of Operations with Citibank, Budapest, Hungary, etc. Dr. Gyorgy holds a Doctorate degree in Economics and a Master's degree in Electrical Engineering and Informatics from the Budapest University of Technology and Economics. He also has qualifications in Foreign Trade – Advance Business Administration and Advanced Banking Financial Management Programme.



Dr. Ayesha Khan

Director

Dr. Ayesha K. Khan is an expert in the field of Corporate Strategy and Institutional Growth in Emerging Markets. She is currently the CEO and Country Head for Pakistan at Acumen – a global impact investment fund. Dr. Khan has previously been the Head of Strategy and Corporate Planning at HBL, where she was the first person to hold this position at the bank. She has also worked in New York as a Management Consultant with McKinsey and Company, where she focused on the financial sector, taught economics at Harvard University, as well as consulted with the UNDP on the Millennium Development Project. Dr. Khan holds a Doctorate degree from the Harvard Business School (HBS), where she focused on Corporate Strategy, Institutional Development and Emerging Markets. Her doctoral research concentrated on consumer financial choices in the banking sector. In addition, Dr. Khan has authored HBS case studies and published several articles focusing on several dimensions of building a successful business for various publications, including the Harvard Business Review and Harvard Law School ILSP. Dr. Khan also holds a Master's degree in International Development from the Harvard Kennedy School, as well as an Undergraduate degree in Economics from Princeton University.



Mr. Atif Aslam Bajwa

President/CEO and Director

Mr. Atif Bajwa has an extensive international career spanning 37 years of executive leadership roles in banking, and of multiple Boards and public interest positions. He started his professional journey with Citibank in 1982, and has since held numerous senior positions in large local and multinational banks. These include: President/CEO of Bank Alfalah, President/CEO of MCB Bank and Soneri Bank, Regional Head of Citigroup for Central and Eastern Europe, Head of Consumer Banking of ABN AMRO's Asia Pacific region, and Country Manager of ABN AMRO Pakistan. Mr. Bajwa has been active in business, social and public interest areas, and has led key advocacy institutions to impact economic and social sectors. In this regard, he has served as the Chairman of the Pakistan Business Council (PBC), and the President of the Overseas Investors Chamber of Commerce and Industry (OICCI). He has also served as a Director on the Boards of various private and public sector companies. Mr. Bajwa received his education at Columbia University, New York.

SENIOR MANIAG



Left to Right

Khawaja Muhammad Ahmad (Group Head, Operations and Corporate Services)

Mohib Hasan Khan (Chief Information Officer)

Mehreen Ahmed (Group Head, Retail Banking)

Atif Bajwa (President and Chief Executive Officer)

Muhammad Akram Sawleh (Company Secretary and Group Head, Legal and Corporate Affairs)

Dr. Muhammad Imran (Group Head, Islamic Banking)

Faisal Rabbani (Chief Risk Officer)

Muhammad Yahya Khan (Group Head, Digital Banking)

EMENT



Aasim Wajid Jawad (Group Head, Strategy, Transformation and Customer Experience)
Haroon Khalid (Group Head, Compliance and Control)
Faisal Farooq Khan (Group Head, Human Resources and Learning)
Zahid Anjum (Group Head, Special Assets Management)

Saad ur Rahman Khan (Group Head, Corporate, Investment Banking and International Business)
Tahir Khurshid (Group Head, Audit and Inspection)
Anjum Hai (Chief Financial Officer)
Syed Ali Sultan (Group Head, Treasury and Capital Market)

Senior Management



Atif Aslam Bajwa

President and Chief Executive Officer

Mr. Atif Bajwa has an extensive international career spanning 37 years of executive leadership roles in banking, and of multiple boards and public interest positions. He is serving as a Director on the boards of various private and public sector companies. Mr. Bajwa received his education at Columbia University, New York.



Saad Ur Rahman Khan

Group Head, Corporate, Investment Banking and International Business

Mr. Saad Ur Rahman Khan has over 27 years of diversified experience in the fields of Commercial, Corporate and Investment Banking, Risk Management and International Business. During his career, he has been associated with CitiBank, MCB Bank, Habib Bank Limited and National Bank of Pakistan. He is a business graduate with an MBA degree from Institute of Business Administration (IBA).



Mehreen Ahmed

Group Head, Retail Banking

Ms. Mehreen Ahmed is currently heading the Retail Banking Group of Bank Alfalah. She joined Bank Alfalah in April 2012 as the Group Head, Consumer Business and New Initiatives. She carries 32 years of banking and non-banking experience with financial institutions like Soneri Bank, MCB Bank and Standard Chartered Bank. She holds an MBA degree in Finance and Marketing from the Institute of Business Administration (IBA).



Muhammad Yahya Khan

Group Head, Digital Banking

Mr. Muhammad Yahya Khan joined Bank Alfalah as Group Head, Digital Banking in February 2018. He has over 24 years of banking and non-banking experience with leading organisations like ICI Pakistan, Engro Chemical, Unilever Pakistan, AXA Sun Life Services (UK), PricewaterhouseCoopers (London), J.P. Morgan Chase Bank (London) and Telenor Bank. He is a Fellow Chartered Accountant and holds an M.Sc. degree from Cranfield University, UK.



Dr. Muhammad Imran

Group Head, Islamic Banking

Dr. Muhammad Imran joined Bank Alfalah in August 2018. He has over 23 years of banking and non-banking experience with leading institutions like the National Bank of Oman, UBL, Bank Islami Pakistan Limited, Standard Chartered Bank, Shell Pakistan Limited and Philips Pakistan Limited. He holds a Ph.D. in Economics from University of Karachi and a Master's degree in Business Administration from IBA, Karachi, where he was awarded a gold medal.



Syed Ali Sultan

Group Head, Treasury and Capital Markets

Syed Ali Sultan joined Bank Alfalah in February 2012 and is currently heading the Treasury and Capital Markets Group. He has over 28 years of experience in the financial sector in Pakistan and overseas, including institutions like Standard Chartered Bank (Pakistan and Dubai), BNP Paribas Bank (Bahrain) and State Bank of Pakistan. He holds a Master's degree in Applied Mathematics from University of Karachi.



Anjum Hai

Chief Financial Officer

Ms. Anjum Hai joined Bank Alfalah as Chief Financial Officer in November 2017. She has over 26 years of work experience across financial institutions like Soneri Bank Limited, Citibank N. A. Pakistan, Faysal Bank Limited and A. F. Ferguson & Company. She is a Fellow Member of the Institute of Chartered Accountants of Pakistan as well as a Fellow Member of Associated Chartered Certified Accountants. She also holds an Accelerated Certificate in Company Direction from the Institute of Directors, UK.



Faisal Farooq Khan

Group Head, Human Resources and Learning Group

Mr. Faisal Farooq Khan has over 30 years of diversified experience in the fields of Human Resources, Sales and Marketing. During his career, he has been associated with ICI Pakistan Ltd., MCB Bank Ltd., Soneri Bank Ltd. and Khaadi SMC Pvt. Ltd. He holds a Mechanical Engineering degree from NED University and an MBA degree from the Lahore University of Management Sciences (LUMS).



Faisal Rabbani

Chief Risk Officer, Credit and Risk Management Group

Mr. Faisal Rabbani joined Bank Alfalah in November 2018. He has over 27 years of extensive banking experience with renowned financial institutions like the Abu Dhabi Islamic Bank (UAE), Noor Bank (UAE), Commercial Banking Group (UAE) and Citibank Pakistan. He has been heading Credits, Risk Management, Commercial Banking, Trade Finance and Cash Management products. He holds a Master's degree in Business Administration from IBA, Karachi.



Aasim Wajid Jawad

Group Head, Strategy, Transformation and Customer Experience

Mr. Aasim Wajid Jawad joined Bank Alfalah as Group Head, Strategy in June 2013. Prior to this, he served in various senior and leading positions with institutions like United Bank Limited, Associated Industries Garments Pakistan Pvt. Limited, Ernst & Young LLP (London), Deloitte & Touche LLP (London), RSM Robson Rhodes LLP, Chartered Accountants (London) and Blick Rothenberg, Chartered Accountants (London). He is a Fellow Chartered Accountant and holds a Bachelor of Science degree from the London School of Economics.



Khawaja Muhammad Ahmad

Group Head, Operations and Corporate Services

Mr. Khawaja Muhammad Ahmad joined Bank Alfalah in April 2015. He is currently heading the Operations and Corporate Services Group. He has over 27 years of experience in diverse areas of banking for well-known institutions like Standard Chartered Bank, Prime Commercial Bank, The Bank of Punjab, Dubai Islamic Bank (UAE), Allied Bank and Soneri Bank Limited. He holds a Bachelor's degree in Finance from Drake University Iowa, USA.



Mohib Hasan Khan

Chief Information Officer

Mr. Mohib Hasan Khan joined Bank Alfalah as Chief Information Officer in January 2016. He holds over 27 years of experience in Information Technology across financial institutions like Habib Bank Limited and Bank Al Habib Limited along with international work experience of handling IT affairs globally in 28 countries. He holds a Bachelor of Engineering in Computer Systems and an MS degree in Electrical Engineering from NED University.



Haroon Khalid

Group Head, Compliance and Control

Mr. Haroon Khalid is currently heading the Compliance and Control Group of Bank Alfalah. He carries over 25 years of banking experience, primarily with MCB Bank, and has 14 years of association with Bank Alfalah since joining the Bank in May 2007. He holds an MBA degree from the Lahore University of Management Sciences (LUMS).



Muhammad Akram Sawleh

Company Secretary and Group Head, Legal and Corporate Affairs

Mr. Muhammad Akram Sawleh joined Bank Alfalah in August 2018. He has over 28 years of diversified experience as a practicing lawyer as well as in-house counsel for renowned corporations like HBL, Standard Chartered Bank, Union Bank and the State Bank of Pakistan. He holds an LLB degree from the University Law College, Punjab University, Lahore.



Tahir Khurshid

Group Head, Audit and Inspection

Mr. Tahir Khurshid is currently heading the Audit and Inspection Group of Bank Alfalah. He has over 24 years of experience. Prior to joining Bank Alfalah in August 2002, he worked at MCB Bank Limited and Ford Rhodes Robson Morrow. He holds a M.Com degree from the University of Lahore and an MBA (Finance) degree from American International University.

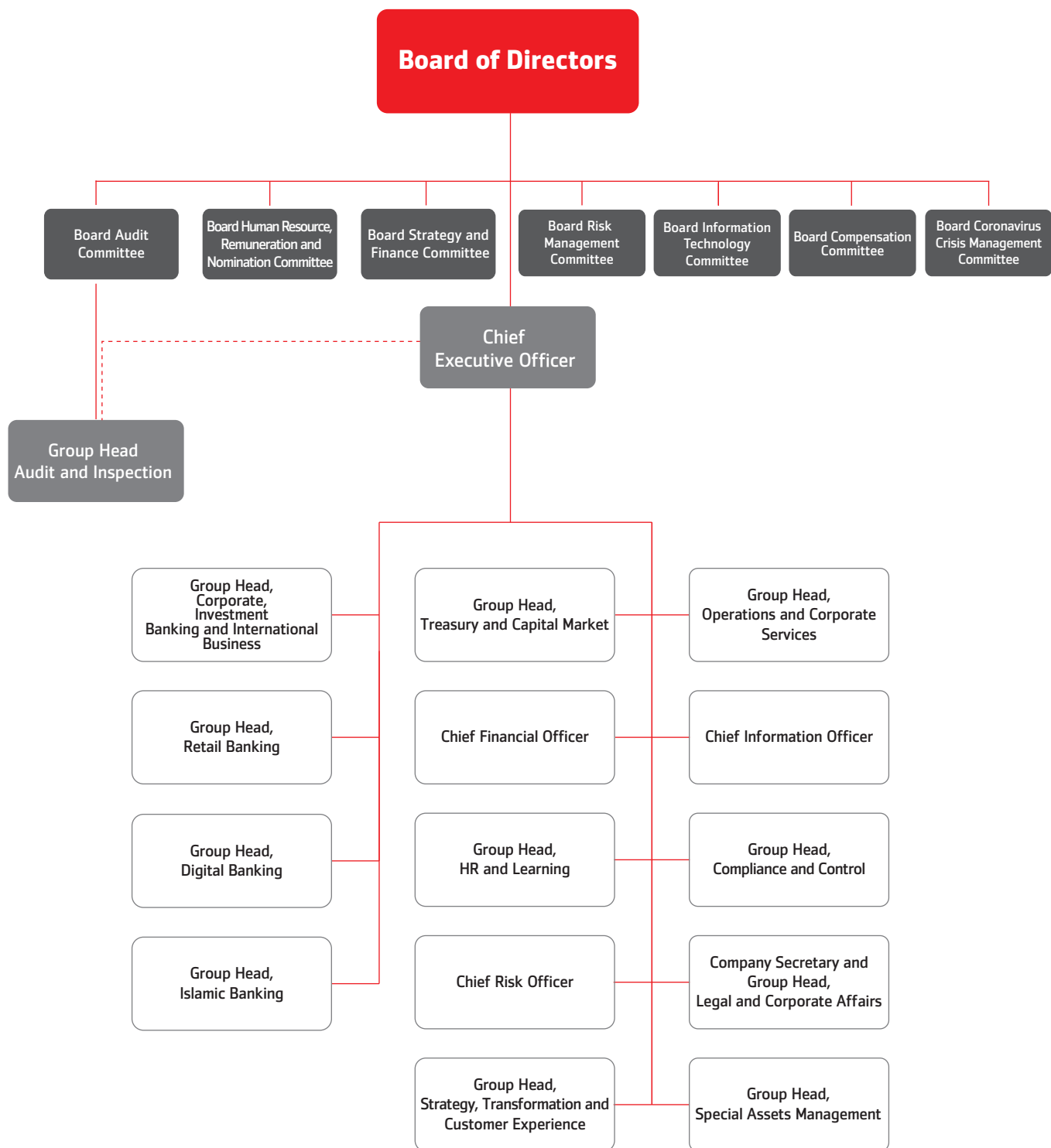


Zahid Anjum

Group Head, Special Assets Management Group

Mr. Zahid Anjum joined Bank Alfalah in August 2018. He has over 27 years of diversified experience with leading commercial banks. His main area of expertise has been Management of Special Assets, Credit Management, and Structuring and Relationship Management. Prior to joining Bank Alfalah, he was associated with Faysal Bank Limited as Head Special Assets Management and Government Relations. He holds a Master's degree in Business Administration and Law from Punjab University, Lahore.

Organisational Structure



Role of the Board and the Management

The Board has retained ultimate responsibility for the strategic direction and control of the Bank. The Board has delegated the Senior Management Team under the leadership of the Chief Executive Officer, to deliver the strategic direction and goals determined by the Board. A key function of the Board is to monitor the performance of the Senior Management in this function.

The Board periodically establishes Committees to streamline the discharge of its responsibilities. For each Board Committee, the Board adopts formal Terms of Reference (ToRs) setting out the matters relevant to the composition, roles, functions, responsibilities and administration of such Committees. The Board has currently established the following Committees:

1. Board Audit Committee
2. Board Strategy and Finance Committee
3. Board Risk Management Committee
4. Board Human Resource, Remuneration and Nomination Committee
5. Board Information Technology Committee
6. Board Compensation Committee
7. Board Coronavirus Crisis Management Committee

The Committees' ToRs are reviewed periodically or on need basis. It is intended that each Board Committee has a Non-Executive Director as Chairman of the Committee. As a matter of principle, Committee Members have access to the appropriate external and professional advice needed to assist the Committee in fulfilling its role.

Board Committees and Terms of Reference

Board Audit Committee

- To oversee the integrity of the accounting and financial reporting processes, including internal controls over financial reporting, as well as of the financial statements with focus on compliance with applicable accounting and reporting standards to give a true and fair view of the financial position and performance of the Bank.
- To oversee the Bank's compliance with legal and regulatory requirements.
- To oversee the Internal Control Framework (both Policies as well as Procedures), established by the Management, to ensure compliance of applicable laws and regulations, and to ensure the adherence to Accounting and Reporting Standards.
- To oversee adherence of employees and the Management to the Bank's Control Framework and Code of Conduct.
- To select and recommend appointment of the External Auditor to the BOD, after, thorough analysis of qualification and competence, and ensuring its independence from the Management.
- To review the Management letter and/or any other communication stating significant issues raised by the External Auditors and Management's response to each of the financial reporting and internal control issues, and also to ensure the implementation of recommendation of External Auditor, where considered appropriate.
- To establish and ensure smooth functioning of an independent, objective and competent Internal Audit Group supported by adequate resources.
- To review the performance of Internal Audit Function (IAF) and External Auditors.
- To review and recommend to the Board of Directors the amendments in the 'Internal Audit Policy and Internal Audit Strategy'.
- To ensure that scope of IAF is not restricted, and covers all the functions, departments, transactions, policies, procedures and practices of the Bank.
- To ensure the conformance of Internal Audit activities to International Standards for the Professional Practice of Internal Auditors, issued by The Institute of Internal Auditors (IIA) and Information Systems Audit & Control Association (ISACA), where applicable.
- To approve the Audit Manual, Assurance Level and Internal Audit Plan, prepared and presented by CIA/Head of Internal Audit, after thorough discussion and analysis, with prime focus on Risk Based Audit Approach.
- To ensure that AIG is independent of the activities it audited and from the everyday internal control process, and is adequately structured to achieve its chartered objectives and responsibilities.
- To oversee Shariah Audit Function, Credit Risk Review of Credit portfolio and Management's actions for identification of gaps, and implementation of controls as a preventive measure against frauds as stated in the fraud preventive policy.
- To review and discuss with CIA/Head of Internal Audit, the status of implementation of the Committee's decisions and reasons for any significant delay(s) together with Committee's direction for necessary actions.
- To review the Bank's risk assessment related to Anti-Money Laundering (AML)/combating the financing terrorism (CFT)/Proliferation Financing (PF)/Targeted Financial Sanctions (TFS) risk factors.
- To review sanctions and CFT statistics of account freeze/unfreeze and statistics of Currency Transaction Reports (CTR) and Suspicious Transaction Reports submitted to the Financial Monitoring Unit.
- To formulate and approve Key Performance Indicators (KPIs) of CIA/Head of Internal Audit.
- To ensure independence of any investigation/disciplinary action against CIA/Head of Internal Audit or Internal Auditors.
- To review effectiveness of Whistle Blow Mechanism of the Bank.
- To report to the Board regarding any other matter as per the requirement of BOD, further communication with the relevant sub-committees of the Board/BOD regarding significant findings identified by Internal Audit or External Audit, and their implementation status relating to their respective areas for consideration, and follow-up of corrective actions thereon.
- To fulfil any other task/responsibility assigned by the Board as well as by the Regulators.

Committee Members

Mr. Khalid Qurashi
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Efstratios Georgios
Arapoglou
Member

Dr. Ayesha Khan
Member

Mr. Tahir Khurshid
Secretary

Meetings held during the year

- 12th February, 2020
- 13th February, 2020
- 25th April, 2020
- 25th August, 2020
- 20th October, 2020
- 07th December, 2020

Board Human Resource, Remuneration and Nomination Committee

- To ensure that HR policies and practices are in line with the 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 the implementation of the State Bank of Pakistan's remuneration guidelines, and ensure that remuneration policy is aligned with significant requirements of the guidelines.
- To periodically examine the Bank's remuneration policy.
- To review and recommend the HR policies of the Bank to the Board. Ensure development of new policies to help attract, retain, develop and motivate talent.
- To review the Management Structure/Organogram of the Bank.
- To review and recommend the selection/appointment/ reappointment, 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 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 HR policies or benefits.
- To consider/review and recommend to the Board, the remunerations to be paid to the Non-Executive Directors of the Bank for attending Board and Board Committee meetings.
- To review and monitor the training and development budget.
- To look after any other matters relating to Human Resource Management.

Committee Members

Dr. Ayesha Khan
Chairperson

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Dr. Gyorgy Tamas Ladics
Member

Mr. Khalid Qurashi
Member

Mr. Muhammad Akram Sawleh
Secretary

Meetings held during the year

- 13th February, 2020
- 23rd February, 2020
- 25th April, 2020
- 24th August, 2020
- 07th December, 2020



Board Strategy and Finance Committee

- To assist the Board in performing its functions and responsibilities with focus on policy-making and general direction, oversight and supervision, within the framework of applicable regulations, and without involvement into the day-to-day operation 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 specialised Board Committees.
- To review the strategic plan of the Bank, and periodically monitor the status of the implementation of the approved strategic plan. To review the annual business and capital expenditure budgets, operational budgets and periodic reviews of the Bank's performance, vis-à-vis approved budget and in comparison with peer banks and industry.
- To review the financial and operational performance of the Bank as well as acquisitions, investments, impairments/write-offs, claims against the Bank, etc.
- To oversee aspects of capital management, including issuance of shares and capital instruments, issuance of cash/stock dividend and capital injection decisions for overseas operations.
- To review and approve capital expenditure, recurring and operating expenses, and write-offs as per defined thresholds.
- To review, obtain updates and recommend annual branch network expansion plans, including plans for overseas operations, and establishing companies/operations/offices in new overseas locations, for approval to the Board.
- To review and recommend Shariah Board reports in compliance with the SBP Shariah Governance Framework, for approval to the Board.
- To review and recommend matters relating to the shareholders and related parties to the Board in consultation with the Chairman.

Committee Members

Mr. Abdulla Khalil Al Mutawa
Chairman

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Efstratios Georgios Arapoglou
Member

Mr. Khalid Qurashi
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 13th February, 2020
- 25th April, 2020
- 24th August, 2020
- 25th August, 2020
- 21st October, 2020
- 07th December, 2020

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 review and recommend to the Board, the Bank's overall risk appetite and delineating risk tolerance in relation to credit, market, liquidity, operational, Shariah risk, legal risk, outsourcing risk, etc., Trade Based Money Laundering Risk. To 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 reports, evaluate the findings and the appropriateness of the remedial measures and direct necessary actions, besides approving credit related policies, internal risk rating policy, and recommend the same for Board approval.
- To review the product programmes of lending/investment/derivative, and product programmes related to new line of business, and recommend them to the Board.
- To recommend to the Board, delegation of authorities to Management Committees for achieving Board mandated strategic direction.
- To oversee implementation of IFRS-9 as per the regulations.

Committee Members

Mr. Khalid Mana Saeed Al Otaiba

Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Qurashi
Member

Mr. Efstratios Georgios Arapoglou
Member

Mr. Atif Aslam Bajwa
Member

Mr. Farhan Ali
Secretary

Meetings held during the year

- 12th February, 2020
- 25th April, 2020
- 25th August, 2020
- 20th October, 2020
- 07th December, 2020



Board Compensation Committee

- To select eligible employees from time-to-time, to grant options under the Scheme, as per the terms of the companies (further issue of shares) regulations, and the Bank's approved Employee Stock Options 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 Security Exchange Commission of Pakistan Act, 1997.
- To oversee any other matters relating to Human Resource Management as may be assigned by the Board.

Committee Members

Dr. Ayesha Khan
Chairperson

Mr. Khalid Mana Saeed Al
Otaiba
Member

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Efstratios Georgios
Arapoglou
Member

Mr. Muhammad Akram Sawleh
Secretary

No meetings were held during the year.

Board Information Technology Committee

- To review and recommend the IT Strategy and Digital Strategy of the Bank to the Board.
- To advise and report to the Board on the status of technology activities and digital initiatives in the banks. To review and monitor the implementation of the SBP 'Enterprise Technology Governance and Risk Management Framework'.
- To monitor the overall impact of the Information Technology infrastructure and applications on businesses and customers, and to assess and address strategic gaps and issues.
- To monitor, oversee and optimise investments related to technology and capital expenditure related to Information Technology, and to make recommendations to the Board for approval of IT budget.
- To reinforce Information Technology roles and responsibilities through relevant policies and to issue high-level policy guidelines.
- To ensure that effective risk management strategies are designed and implemented to achieve resilience, including the ability to respond to wide-scale disruptions, cyber-attacks and attacks on critical infrastructure in an effective manner.
- To monitor and track all major technology related projects, ITG performance and IT services delivery.
- To ensure compliance of regulatory requirements.
- To review IT Capacity Planning and Resource Management (including Financial, Data and Information, Infrastructure and Assets, Human Resource staff development, recruitment and the retention of skilled staff, vendors, etc.).

Committee Members

Dr. Gyorgy Tamas Ladics
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Efstratios Georgios Arapoglou
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 12th February, 2020
- 26th April, 2020
- 24th August, 2020
- 20th October, 2020



Board Coronavirus Crisis Management Committee

- To review and recommend the Business Continuity Plan and the Disaster Recovery Plan of the Bank due to the crisis for approval of the Board.
- To identify 'mission-critical' and key risks, and take specific and targeted actions to setup a reasonable system of regular and timely reporting of the risks and their mitigants to the Board.
- To assess all impacts of the Coronavirus on the business operations, employees, customers and key stakeholders of the Bank, and to suggest measures to manage the same.
- To monitor industry trends, best practices, tools and techniques to deal with the crisis.
- To receive reports and monitor emerging risks due to the crisis at regular intervals, and recommend necessary mitigating strategies for the same.
- To review and inform the Board (if necessary) about the communication strategy to deal with the crisis.
- To review the Bank's strategy from a risk management perspective to deal with the coronavirus pandemic.
- To assess the financial strength and solvency issues of the Bank during and after the crisis, and advise the Board accordingly.
- To highlight most imminent challenges to macroeconomic stability in the banking industry, as a result of COVID-19.
- To ensure that proper governance principles/procedures and practices are being followed in order to meet any potential litigation/regulatory risk.
- To approve any expenditure, necessary to deal with the coronavirus pandemic.

Committee Members

Mr. Efstratios Georgios
Arapoglou
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al
Otaiba
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
Member

Mr. Khalid Qurashi
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 13th April, 2020
- 11th May, 2020
- 18th June, 2020
- 15th July, 2020

Management Committees

Bank Alfalah has three main Management Committees for the purpose of strategic planning and decision-making under the Chairmanship of the CEO. The Board of Directors has approved the Committees and their TORs. The role of these Committees is to ensure that the activities of the Bank reflect its vision, purpose and aims. They establish the fundamental values, ethical principles and strategic direction in which the Bank operates. These Committees meet regularly and their decisions are communicated to the Board frequently.

1. Central Management Committee (CMC)
2. Country Credit Committee
3. Digital Council

The CMC has formed sub-committees to carry out its mandate. For each sub-committee, the CMC adopts formal TORs setting-out the matters relevant to the composition, roles, functions and responsibilities. The CMC has full authority to review and re-organise the composition and terms of reference of the sub-committees.

Central Management Committee

- Atif Aslam Bajwa – Chairman
- Aasim Wajid Jawad
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Haroon Khalid
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Muhammad Akram Sawleh
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Saad ur Rahman Khan
- Syed Ali Sultan
- Zahid Anjum
- Zahra Anwar Furniturewalla – Secretary

Digital Council

- Atif Aslam Bajwa – Chairman
- Aasim Wajid Jawad
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Umer Hafeez – Secretary

Central Credit Committee

- Atif Aslam Bajwa – Chairman
- Faisal Rabbani
- Mehreen Ahmed
- Dr. Muhammad Imran
- Saad ur Rahman Khan
- Syed Ali Sultan
- Javed Iqbal
- Muhammad Imran
- Beena Fawad – Secretary

Sub-Committees of CMC

Customer Experience Council

- Atif Aslam Bajwa – Chairman
- Asim Wajid Jawad
- Faisal Farooq Khan
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Saad ur Rahman Khan
- Aamir Mehmood Gandhi
- Imran Assad Khan
- Mohammad Hussain
- Syed Muhammad Asif
- Suhail Siddiqui – Secretary

Information Technology Steering Committee (ITSC)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Kamran Mehmood
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Zeeshan Siddiqui
- Iqbal Ahmad – Secretary

Controls and Compliance Committee

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hassan Khan
- Muhammad Akram Sawleh
- Dr. Muhammad Imran
- Saad ur Rahman Khan
- Abdur Rehman Khan
- Faisal Ahmed
- Mubashir Mustafa
- Muhammad Ayyaz Ashraf
- Haroon Khalid – Secretary

Asset and Liability Committee (ALCO)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Mehreen Ahmed
- Dr. Muhammad Imran
- Saad ur Rahman Khan
- Syed Ali Sultan
- Hasan Ahmed Khan – Secretary

Process Improvement Committee (PIC)

- Khawaja Muhammad Ahmad – Chairman
- Haroon Khalid
- Farhan Ali
- Moiez Ahmed Usmani
- Abdur Rehman Khan
- Afsheen Jalal – Secretary
- Audit and Inspection Group representative (by invitation)

Investment Committee

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Saad ur Rahman Khan
- Syed Ali Sultan
- Imtiaz Gadar
- Muzammil Shahid Bhatti – Secretary

Expenditure Approval Committee (EAC)

- Anjum Hai – Chairperson
- Khawaja Muhammad Ahmed
- Amin Sukhiani
- Muhammad Ashraf
- Wahab Ahmed Qureshi (Officiating)
- Naushad Ali Khawaja – Secretary

Review Report by the Chairman on the Board's Overall Performance

The Bank complies with the requirements set out in the Companies Act, 2017, the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the SBP Circular No. 11 of 2016 dated 22nd August, 2016 with respect to the composition, procedures and meetings of the Board of Directors and its Committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Bank Alfalah Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of the objectives set for the Bank. Areas where improvements are required are duly considered, and action plans are framed.

In addition to the annual independent review, the

Chairman of the Board, as part of his responsibilities, arranges an annual review for the performance of the Board. The key areas reviewed during the year were independence, contribution and attendance at Board meetings, interaction with the CEO, the Company Secretary and Senior Management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings, and the overall time and commitment to their role on the Board.

The appraisal process concluded that each Director is performing well and is committed to their role in terms of dedication of time and attendance at meetings. No area of significant weakness was identified, and it was concluded that the Board and its Committees operated effectively throughout the period under review.

Annual Evaluation of the Board, Committees and Individual Directors' 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 the Management with strategic direction, and ensuring Management's compliance with the regulatory regime, including SBP's requirements and the Code of Corporate Governance and Ethical Conduct.

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

The roles and responsibilities as specified by relevant acts/regulations, the State Bank of Pakistan's Prudential Regulations and its Guidelines are well-defined.

Descriptive evaluation criteria has been established at Bank Alfalah to evaluate and monitor the performance of the Board, the Committees, Individual Directors, including Independent Directors, the Chairman and the Chief Executive Officer, and to ensure that desired purpose is effectively achieved. The evaluation criteria take into account numerous criteria to assess the functions and behaviours thereof.

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 to ensure that all 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 are periodically monitored by the Board Members.
- **Performances of the Individual Directors and Committees:** To gauge the contribution of individual Board Members and Committees towards achieving the strategic goals of the Bank. This helps the Bank to measure the level of awareness of key responsibilities, establish current baseline of the Board's performance, identify critical gaps in key areas of Board effectiveness, measure degree of alignment among the Board Members, focus on high impact, low performance areas, create Board effectiveness improvement plans, and execute and follow-up on improvement plan.
- **Internal Controls:** To oversee and ensure that appropriately designed Internal Control Framework is in place, and is tested at regular intervals 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 also 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, in addition to numerous other functions and responsibilities, also holds a duty of care and a 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 the Management to steer the Bank in the right direction and ensure maximum shareholder value.

Board's Performance Review by the External Consultant

The State Bank of Pakistan (SBP), through BPRD Circular No. 11 of 2016 dated 22nd August, 2016, has mandated that the Board of every bank must carry out a formal annual performance evaluation of the Board, its Committees, and Individual Directors. The circular also required performance evaluation by an External Independent Evaluator at least once in every three years.

In 2019, M/s Pakistan Institute of Corporate Governance (PICG) carried out the performance evaluation of the Board, its sub-committee and the Directors as an External Independent Evaluator. The performance evaluation report was submitted to Chairman and other Board members.

Roles and Responsibilities of the Chairman and the CEO

The Chairman of the Board and the Chief Executive Officer of the Bank, play a substantial and significant role in overall growth of the Bank by providing the Management with a strategic direction and helping it materialise its mission and vision statement.

In this regard, key roles and responsibilities of the Chairman and the CEO are described below.

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, and aligning the Board's goals and decisions with that of the 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 the Chairman under the 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 the 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, the Securities and Exchange Commission of Pakistan, federal and provincial ministries, government departments, local bodies, corporations, courts, stock exchanges, and any other competent authority.



Other Matters Relating to Governance

Non-Executive Directors

At present, all Directors on the Board are Non-Executive except the President/CEO of the Bank. The Non- Executive Directors provide an outside viewpoint to the Board. They are neither involved in managing the daily affairs of the Bank, nor are from the Executive Management Team of the Bank.

Independent Directors and their Independence

The Board has three (03) independent Directors who meet the criteria of independence under the Company Act, 2017 and the directives issued by the State Bank of Pakistan (SBP).

Representation of Female Director on the Board

Dr. Ayesha Khan is the Female Director on the Board.

Election of the Board of Directors

The election of the Board of Directors of the Bank was held on 27th May, 2018 and the shareholders elected nine (9) Directors for a period of three years.

Casual Vacancies on the Board of Directors

Two casual vacancies occurred on the Board during the year 2020, which were filled by the Board of Directors within the stipulated time and manners as prescribed by the laws/regulations.

Directors' Orientation

Board Orientation refers to a process for helping new Directors contribute fully, and as early as possible in their tenure, to the governing work of the Board. The objective of the orientation is to enable the Directors:

- To understand their roles, responsibilities and time commitment to governance work around the Board and Committees;
- Be aware of the current goals, opportunities and challenges facing the organisation;
- Be aware of who the organisation's main stakeholders are, including clients, partners, the public, as well as the staff;
- Have some sense of how their own background, knowledge, experience and skills will contribute to the current work of the Board, and the goals of the organisation;
- Appreciate the background, knowledge, experience and skills of each of the other Directors;
- Gain knowledge of how the Board meetings are run, decisions are made, and what formal governing policies and practices exist; and
- Understand how the Board functions similarly or differently than other boards they have served on or are serving on.

During 2018, three (03) new Directors were elected and a comprehensive orientation session spanning two full days was held in June 2018. The session focused on areas of Business, Risk Management, HR, Capital, Finance, Treasury, Business Intelligence and Digital Banking. In addition, orientation on legal aspects was also given in the Board meeting held in August 2018.

Directors' Training Programme (DTP)

The Bank is fully compliant with the criteria and requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG-2019).

The Bank has arranged Directors' Training Programme named 'Corporate Governance Leadership Skills (CGLC) – Directors Education Programme' as per the SECP's approved criteria from the Pakistan Institute of Corporate Governance (PICG) for its Board Members as well as executives. The following Board Members have undertaken the said training:

Board Members

1. Dr. Ayesha Khan
2. Mr. Khalid Qurashi
3. Dr. Gyorgy Tamas Ladics
4. Mr. Atif Aslam Bajwa

The other Directors, with a minimum of 14 years of education and 15 years of experience on the Board of a listed company, local and/or foreign, stand exempted from the Directors' Training Programme as per requirement of Code of Corporate Governance (CCG), 2019.

Policy for Remuneration of Non-Executive Directors

Non-Executive Directors of the Bank play a crucial role to the independent functioning of the Board. They bring in an external and broader perspective to the decision-making by the Board. They provide leadership and strategic guidance, with their objective judgment. They also help the Bank in ensuring that legal requirements and Corporate Governance are attended to in an adequate manner. The responsibilities and obligations imposed on the Non-Executive Directors have increased manifold in recent years due to a number of factors, including the growth in the activities of the Bank, and the rapid evolution arising out of legal and regulatory provisions and requirements.

The Bank follows the regulations relating to remuneration to the Directors issued by the SECP and the SBP. A formal policy and transparent procedure for remuneration of Directors in accordance with the SECP and the SBP directives had been formulated, which was unanimously approved by the shareholders of the Bank in the 28th Annual General Meeting held on 27th March, 2020.

The remuneration policy is in accordance with the SBP's Guidelines.

Foreign Directors' Security Clearance

Foreign Directors elected on the Board of the Bank require security clearance from the Ministry of Interior through the SECP. All legal formalities and requirements in this regard have been met.

Executive Directors and their Directorship

The Executive Director on the Bank's Board, Mr. Atif Aslam Bajwa, is serving as a Non-Executive Director/Member on the Board of six other companies/institutions.

Board's Policy on Diversity

The Bank recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and makes good use of differences in the skills, regional and industry experience, background, gender, and other distinctions between Directors. These differences determine the optimum composition of the Board, and should be balanced appropriately, when possible. All Board appointments are merit-based, in the context of the skills, experience, independence and knowledge, which the Board as a whole requires to be effective.

Details of Board Meetings held outside Pakistan

During 2020, six board meetings were held. All meetings, except one in February 2020, were held through web link/video conference facility. The February, 2020 meeting was held in Abu Dhabi, UAE.

Related Party Transactions

Bank Alfalah Limited enters into transactions with its related parties in its daily operations.

The Bank enters into such transactions to meet its business objectives, and at the same time it recognises the need to maintain transparency and being compliant of the obligations towards stakeholders, including shareholders, regulators, employees, etc. The Bank believes that there shall not be any conflicts of interest or non-disclosure of such transactions. To meet this objective, the Bank has a Related Party Transactions Policy, which aims at ensuring that it follows a transparent and compliant procedure and guidelines to enter into such transactions.

The Policy is subject to guidance from the SECP and/or actions taken by the Company's Board of Directors or the Board Audit Committee. The purpose of this Policy is to ensure that Bank Alfalah meets its obligations under:

- The Companies Act, 2017;
- The Banking Companies Ordinance, 1962;
- The Prudential Regulations of State Bank of Pakistan;
- The Code of Corporate Governance;
- Pakistan Stock Exchange (PSX) Rule Book; and
- Applicable International Financial Reporting Standards.

The Bank has made detailed disclosures about Related Party Transactions in its financial statements annexed with this Annual Report. Such disclosures are in line with the regulatory requirement.

Shares held by Sponsors/ Directors/Executives and Major Shareholders

Shares held by the Sponsors, Directors and Executives are given below. Detailed categories of shareholding and pattern of shareholding are annexed with this Annual Report.

31st December, 2020	Number of shares held	% holding
Sponsors (Abu Dhabi Group) and Directors	750,912,576	42.25%
International Finance Corporation	261,895,095	14.74%
Executives	2,595,953	0.15%
Others	761,761,495	42.86%
Total	1,777,165,119	100.00%

Particulars of major foreign shareholders, other than natural persons, holding more than 5% of paid-up capital

Particulars of foreign shareholders, other than natural persons	31st December, 2020 % holding
International Finance Corporation	14.74%
Electro Mechanical Co. LLC	5.44%

Compliance with the Best Practices of Corporate Governance

The Board of Directors has, throughout the year 2020, complied with the requirements for Code of Corporate Governance, PSX Rule Book, Banking Companies Ordinance, Companies Act, Securities and Exchange Commissions of Pakistan directives, and the requirements for Financial Reporting Framework.

The Statement of Compliance by the Chairman of the Bank with the Code of Corporate Governance and Review Report by the Bank's Auditor are part of this Annual Report.

Governance Practices Exceeding Legal Requirements

Our Board of Directors and Management Team have put systems and procedures into place that define how the Bank is managed, its corporate and other structures, its culture, its policies and strategies, and the ways in which it deals with its various stakeholders.

We have successfully adapted our practices to reflect the changing standards of evolving governance regulations. We are committed to the highest standards of corporate governance. We meet corporate governance legal requirements in Pakistan, as well as the best practices recommended by the PSX and the SECP.

Conflict of Interest

The Directors have the ultimate responsibility for managing the affairs of the Bank and accordingly hold fiduciary duties of care and loyalty to the Bank and the shareholders.

One of the key duties that Directors owe to the Bank is the duty to avoid conflicts of interest. The duty includes not placing oneself in a position where the Directors' personal interest may possibly conflict with their duty to the Bank.

Conflicts may arise in several situations. Some of the typical ones are:

- Where the Directors have a direct or indirect material interest in transaction that the Bank enters into;
- Where the Directors hold positions or offices, or possess property that may result in conflicting duties; and
- Where the Directors stand to benefit from information received by them, or opportunities made available to them in their capacity as Directors or officers.

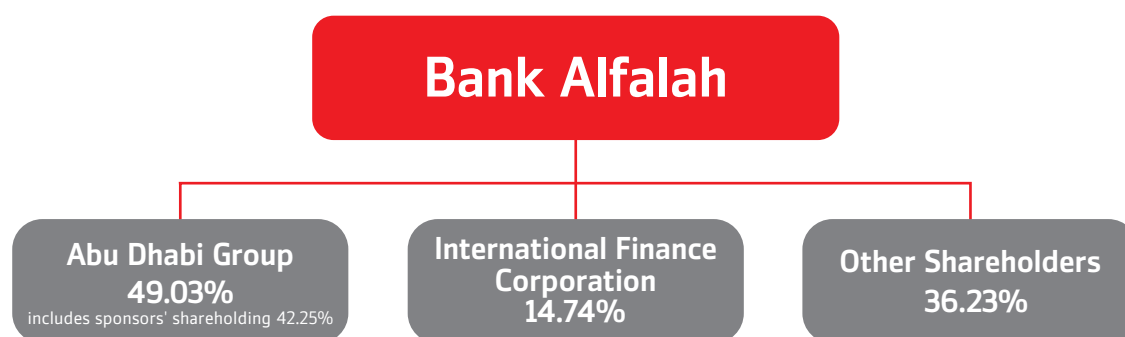
The Bank exercises particular care in monitoring whether or not they are placed in position of actual or potential conflicts.

In dealing with conflicts of interest, the Bank pays close attention to the:

- Provision of the Companies Act, 2017;
- PSX listing rules; and
- Article of Associations of the Bank.

The ultimate objective of procedures to deal with conflicts is the protection of the Bank's interest and promotion of transparency for benefit of the shareholders.

Beneficial Ownership and Group Structure



For group structure, please refer to the section 'Organisational Review'.

Board's Authorisation of Financial Statements

The financial statements for the year ended 31st December, 2020 were authorised for issuance by the Board of Directors of the Bank on 3rd February, 2021.

Business Ethics and Anti-Corruption

Bank Alfalah has a zero-tolerance policy regarding corruption and bribery. The Bank expects all employees to conduct themselves in accordance with the highest standards of personal and professional integrity, and to comply with all laws, regulations and corporate policies and procedure. The employees are, therefore, required to comply with the rules and regulations of the Bank. Any deviation may lead to a strict disciplinary action.

The following Committees comprising of Senior Executives have been executing their responsibilities to ensure adherence of the policies, rules and regulations:

- Disciplinary Action Committee
- Sexual Harassment Committee
- Grievance Handling Committee

The Bank's Disciplinary Action Committee decides the action to be taken against the staff in the event that the Bank and/or its clients sustain any losses, damages and/or claims due to any illegal activity or any actions/inactions of employee in breach of the Code of Conduct, and/or any other policy of the Bank.

Our Anti-Corruption Policy as well as other policies relating to Business Ethics are described in our Employee Code of Conduct and Vendors/Suppliers Enlistment Process. These policies are applicable to all our employees, in all our operations, as well as to all our Board Members. Top-level commitment is essential in ensuring dedication, focus and compliance within Anti-Corruption Framework. Our work within anti-corruption and related policies is authorised, endorsed and supported by our Board of Directors, and President and CEO.

IT Governance Policy

Bank Alfalah's IT Governance Framework, policies and procedures are benchmarked on international frameworks and best industry practices, and aims to ensure highest level of compliance to regulatory requirements. IT Governance ensures the effective implementation of the Bank's overall IT and Digital Strategy, and delivers strategic alignment between business needs and technology investments. IT Governance places high emphasis on providing efficient and secure IT systems, meeting our customer's expectation in the most innovative and convenient manner.

Our vision is to be recognised as a technology-driven bank and the leader in innovation, pivoting superior customer experience through innovative product offerings and personalised customer services, leveraging proactive analytics, complete automation and digital transformation, while extending partnership with FinTech Financial ecosystems. Capacity and resource planning at Bank Alfalah ensures that people are equipped with the necessary skillset and tools, delivering exceptional value combined with seamless quality, performance and experience through highly efficient, fault tolerant and self-healing transactional processing systems.

The Chief Information Officer (CIO) reports directly to the Chief Executive Officer, and works in close coordination with other Business Groups, Board IT Committee (BITC), Central Management Committee (CMC) and the IT Steering Committee (ITSC). The CIO is responsible for the implementation of the entire Enterprise Technology Governance Framework, provides valuable strategic insights to keep the Bank abreast with new technological enhancements and system deliveries, and ensures that the Bank is equipped with innovative, world-class and robust IT systems to maintain its competitive edge.

To ensure continued improvement and excellence in Technology Governance, the Bank is currently undertaking an assessment of practice adherence to COBIT-2019 Framework (ISACA's globally accepted framework for Governance and Management of Enterprise IT). The Bank has implemented Enterprise Project Management (EPM) to manage Portfolios and Projects by providing visibility and control across all projects. This has been done for effective decision-making, alignment with the Bank's vision and strategy, maximising resource utilisation, and enhance project execution. Reporting and Business Intelligence (BI) tool has been integrated with EPM to assist in proactive management of Projects, Programmes and Portfolios (3Ps).

To ensure efficient service delivery, an independent Service Quality Assurance (SQA) setup has been put in place to focus on business requirements, customer satisfaction, high performance and strong security in line with industry best practices. Service standards for all ITG services offered to business are commissioned through Operating Level Agreements

(OLAs), whereas the IT Helpdesk, equipped with specialist technical support teams, ensures prompt resolution of incidents and service issues.

Whistle Blowing Policy and Procedures

Overview

In line with the goal of maintaining the highest standards of ethical, moral and legal business conduct, the Bank has established a Whistle Blowing Policy to ensure that any concerns raised in relation to unethical practices, corruption and/or fraudulent activities, which may cause damage to its assets/reputation, are duly addressed.

This reinforces enhanced focus and commitment to create an environment of trust and transparency, which eventually nurtures a culture based on honesty and the highest ethical standards.

Purpose

The core purpose of the Whistle Blowing Policy is to provide a safe and secure channel to internal as well as external stakeholders (i.e. our staff or any other person), having genuine suspicions about any wrongdoing/irregularity, to raise concerns/complaints without any fear of reprisal or adverse consequences. The objective of the policy is to encourage everyone to come forward and register concerns on a secure and confidential channel, for onward redressal of complaints and concerns for prevention or further detection of any impropriety or malpractice, and to safeguard the interest and repute of Bank Alfalah. It remains an ethical responsibility of all Directors, Senior Management and employees to comply and report violations in accordance with the Whistle Blowing Policy last reviewed/approved by the BOD in the meeting held on 13th February, 2020.

Scope

The policy encompasses voluntary disclosures by a person about any type of actual or suspected wrongdoing/improprieties at individual/organisation level, including unethical, fraudulent activities and misconducts that may pose serious threats to the Bank's operations, financial performance and reputation.

Process of the Whistle Blow

Any person with an intention to disclose any wrongdoing/impropriety, whether actual or suspected with reasonable evidence, should report it in writing to the Group Head, Audit and Inspection Group. This can be done either through email at whistleblowing@bankalfalah.com, surface mail, calling at Whistle Blower hotline number, or interoffice mail at the official address of CIA/Head of Internal Audit by marking the envelope as 'Confidential'.

Keeping in view the nature, materiality and seriousness of the allegation, CIA/Head of Internal Audit will decide whether it requires an immediate investigation/audit. All the Whistle Blow complaints are subject to review by Chairman BAC without any exception.

Protection for Whistle Blower

The identity of the whistle blower is kept most confidential and it remains the Management's responsibility to ensure that no harm occurs to the whistle blower by virtue of his act of blowing the whistle in good faith. An alleged employee, who retaliates against such whistle blower, is subject to disciplinary action up to and/or including termination of the employment.

Reward for Whistle Blower

A whistle blower may even be rewarded by the Bank, if any significant/critical nature issue is raised by them.

Number of Instances During the Year

Reported instances are presented through the Group Head, Audit and Inspection Group, for oversight of the Board Audit Committee (BAC) in BAC meetings. The instructions from the BAC are immediately circulated to the concerned departments for enforcement of the actions required on real-time basis. 44 whistles were blown during the year 2020 and details thereof were duly submitted to the BAC.

Policy for Safety of Records

Record management is vital for the delivery of our services in an orderly, efficient and accountable manner. Effective record management helps to ensure that we have the right information at the right time to make the right decisions. Records provide evidence of what we do and why, and helps protect the rights of employees, regulator and our customers simultaneously. Records and the information we preserve provide an audit trail to meet business, regulatory and legal requirements. These are important corporate assets.

The Bank recognises that the efficient management of records throughout their lifecycle is necessary to support its core functions, to comply with its legal and regulatory obligations, and to contribute to the effective overall management of the institution. We aim at balancing our commitment to openness and transparency with our responsibility as an effective financial institution. Thus we create and manage records efficiently, make them accessible where possible, protect and store them securely, and dispose them safely at the right time. With a view to materialise our belief, the Bank has invested its resources in developing a comprehensive Document Management System (an online record storing system), and has a dedicated team mandated with maintaining and updating records in line with the defined procedures.

Investors Engagement and Grievance Management Policy

The Bank has a two pronged strategy i.e. a fully functional Investor Relations (IR) Department, which 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 meet with investors for detailed discussions on the impact of external and internal developments on the Bank's operations, profitability and/or share price. In addition, the Bank's IR team is a regular participant in international conferences and roadshows to make sure feedback of international investors is also sought on a timely basis.

The other part of the strategy pertains to the operational logistics where the 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 the 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, and the shareholders can reach out with their complaints electronically, over the phone or in writing, all of which are addressed promptly by the Bank.

For more details on investor engagement, please refer to 'Stakeholder Relationship and Engagement' section of the Annual Report.

Social and Environmental Responsibility Policy

The Bank has very high regard for its Social and Environmental Responsibility. We are committed to understand, monitor and manage our social, environmental and economic impact to enable us to contribute to society's wider goal of sustainable development. This commitment is deeply ingrained in our core values, and we aim at demonstrating these responsibilities through our actions and within our corporate policies.

The following items are the guiding principles for Bank Alfalah's activities:

- Ingraining our vision for a safe, environment-friendly and socially-responsible culture into the organisation;
- Effective management of our activities to minimise the impact on the environment;
- Support for local employment and entrepreneurship; and
- Support for the development of infrastructure, health, education, training and cultural activities in collaboration with the community.

For more details, please refer to 'Sustainability and Corporate Social Responsibility' section of the Annual Report.

Business Resilience (Business Continuity Plan) and Disaster Recovery Planning

To ensure that the Bank services are always available to its customers even in crisis, or any other disruptive event, a robust business resilience framework is in place. Our business resilience team continuously works to create a culture that enables adaptability in our continuous business operations under any disruptions through proactive planning, maintenance and testing by aligning Business Continuity Management (BCM) of people, space, systems and dependent third parties.

The Board of Directors (BoD) has approved thorough and comprehensively established 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 with minimal delay to operations, thereby making sure that all critical business functions continue in case of a disaster. The Business Continuity Plan (BCP) is intended to be used by the resilience team and all concerned as an action guide in the event of a disruption, providing a pre-planned response to any unforeseen event. BCP is an uninterrupted process, which assures that the Bank remains fortified against all possible threats. Hence, key plans and documents are periodically reviewed and aligned with the changing business environment that the Bank operates in.

The most important and noteworthy aspect of Business Continuity is training and testing of critical functions, allowing relevant teams to be abreast with roles and responsibilities during emergencies and to assess effectiveness of their respective departmental recovery plan by testing it within the decided timelines like Recovery Time Object (RTO), Recovery Point Object (RPO) and Maximum Tolerable Down Time (MTD):

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 should be recovered after an outage.

Stakeholder Engagement Policy and Procedures

Stakeholder engagement is an integral part of developing an understanding of our stakeholders' needs, interests and expectations, and assists the Bank with strategic and sustainable decision-making. Stakeholders are those individuals, groups of individuals or organisations that impact and/or could be impacted by the Bank's activities or services, and associated performance.

At Bank Alfalah, we identify our stakeholders and monitor our relationships through a multitude of communication channels, including regular dialogue. Our primary key stakeholders are the staff, clients, shareholders, regulators and communities.

Our stakeholder engagement principles state that:

- The Bank is committed to engaging with its stakeholders in a respectful and constructive manner, listening to concerns and suggestions with an open mind;
- The Bank strives to be reasonably accessible to its stakeholders, responsive to legitimate stakeholder concerns, and transparent in its stakeholder engagements; and
- All business functions are primarily responsible for managing engagement with their material stakeholders in line with relevant standards, policies and guidelines.

For more details, please refer to Stakeholder Relationship and Engagement section.

Human Resource Management Policy and Succession Planning

Human Resources and Learning Group (HRLG) is tasked with ensuring the happiness and well-being of our employees, building a fair and values driven culture, and offering our employees the best learning and development opportunities along with competitive rewards and benefits.

At Bank Alfalah, we create and retain a culture to keep our human capital motivated, engaged and happy with the ability to achieve the Bank's strategic objectives through consistent focus on a culture of learning and development in addition to competitive rewards. We also focus on our Succession Planning Policy, which transforms existing talent into competent, happy and engaged capital enabled to occupy future strategic positions.

Our procedures and ways to deal with our employees have been covered in the section on 'Stakeholder Relationship and Engagement'.

Sustainability and CSR Policy

The Bank's sustainability values are woven into everything we do. We are committed to constantly serving the society with the greatest dedication in line with our philosophy.

Please refer to the detailed section on 'Sustainability and Corporate Social Responsibility' of this Annual Report.

Presence of Chairman of Audit Committee at the AGM

The Chairman of the Board Audit Committee resigned on 22nd February, 2020. To respond to the questions on the Audit Committee's activities and matters within the scope of the Committee's responsibilities, another member of the Audit Committee was present at the AGM.

Appointment of Chairman and Non-Executive Directors through an External Search Consultancy

Non-Executive Directors are appointed through election of Directors at the AGM. The last election took place in 2018. No external search consultancy was required for appointment of the Chairman or Non-Executive Directors, at the time of election.

Chairman's Significant Commitments

The Chairman is a prominent member of the ruling family of Abu Dhabi, and is significantly involved in various state and government level commitments. Currently, His Highness is a UAE Cabinet Member and the Minister of State for Tolerance. He is the Chairman/Director of various other entities. The Chairman, being a Non-Executive Director, oversees the Bank's performance, and provides an independent and outside view to the Board.

During the year, at an exclusive event hosted by Bank Alfalah for Non-Resident Pakistanis in Dubai, His Highness introduced the Roshan Digital Account, an initiative of the Government of Pakistan and the State Bank of Pakistan. Eligible Non-Resident Pakistanis can open their Roshan Digital Accounts in multiple currency offerings with any of the SBP's partner banks. This fully digitised, fully repatriable account is the first of its kind in Pakistan's banking history, and has been created to meet the needs of the Pakistani diaspora.

Pandemic Planning Framework

The emergence of the COVID-19 pandemic has posed new challenges to the world and requires calls for development of a robust framework to deal with such pandemic threats.

Bank Alfalah introduced a comprehensive Pandemic Planning Framework, which focuses on a risk-based approach and encompasses the guidelines released by international and national authorities such as the World Health Organisation (WHO), Center for Disease Control (CDC), and the Ministry of Health Government of Pakistan (MOH) to prepare, assess and implement a bank-wide response against any novel threats.

Key areas addressed in the Framework:

- Safeguarding the Bank's staff and customers;
- Infection control and transmission reduction measures against immediate or developing hazardous outbreak situation;
- Establishing mechanisms to allow staff to work from home, agile working, dedicated BCP sites, mapping, make shift arrangements and in shifts, or with critical staff;
- Reducing loss/damage and maintaining business reputation; and
- Complying with local regulations and health authority requirements.

Profile of Shariah Board Members

Dr. Mufti Khalil Ahmad Aazami, Chairperson

Dr. Mufti Khalil Ahmad Aazami is a renowned Shariah Scholar in the Islamic Banking industry. He joined Bank Alfalah Islamic Banking in 2003 as a Shariah Advisor, and is now serving as Chairperson Shariah 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.

Dr. Aazami has 20 years of research experience related to Islamic Finance and other Shariah 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 Sciences.

He currently serves as Member Shariah Board at Faysal Bank Ltd Barkat Islamic Banking, Member Shariah Board of National Bank of Pakistan and Shariah Advisor of Alfalah Insurance.

Mr. Aazami has served as Shariah Scholar/Facilitator at the following institutions:

- Shariah Advisor-Bank Alfalah Islamic Banking (2003-2015)
- Member Shariah Board-Takaful Pakistan Limited (2005-2014)
- Shariah Advisor-Alfalah GHP Islamic (2007-2014)
- Faculty Member-Jamia Darul Uloom, Karachi since 1999
- Faculty Member-Centre of Islamic Economics, Karachi, National Institute of Banking and Finance-SBP
- Faculty Member-Sheikh Zayed Islamic Research Centre-University of Karachi

Mufti Muhammad Mohib ul Haq Siddiqui, Member

Mufti Muhammad 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 Shariah Boards.

He currently serves as Chairperson Shariah Board at Faysal Bank Ltd and Shariah Board Member of Bank Al Habib Ltd Islamic Banking. He is also a Member of the State Bank of Pakistan's Committee for Shariah review, standardisation of Islamic products and processes, and formalisation of AAOIFI Shariah standards for the Pakistan banking industry.

Mr. Mohib ul Haq Siddiqui served/is serving as Shariah Scholar/Facilitator at the following institutions:

- Shariah Advisor-Faysal Bank Ltd (2011-2015)
- Member Shariah Board-Royal Bank of Scotland Berhad, Malaysia (2007-2009)
- Shariah Advisor-RBS Islamic Banking Pakistan (2006-2010)
- Shariah Advisor-Bank Al Habib (2004-2006)
- Member Shariah Board-JS Islamic Fund (2012-2016)
- Member Shariah Board-Takaful Pakistan Limited (2006-2015)
- 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 is serving Bank Alfalah Ltd-Islamic Banking as Resident Shariah Board Member since 2015. He was an assistant Shariah Advisor in the Bank for more than two years. Prior to his time at Bank Alfalah, he worked at Shariah Compliance Department at Burque Corporation (Pvt) Ltd, Karachi.

He holds a Master's degree in Business Administration (Banking and Finance) from Institute of Business Management, Karachi (IoBM). He obtained Shahadat-ul-Aalamiyya (Dars e Nizami) and Takhassus-fil-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) qualifications from Jamia Darul Uloom, Karachi. Further, he holds 'Certified Shariah Advisor & Auditor (CSAA)' from AAOIFI and 'Certified Islamic Finance Executive (CIFE)' from ETHICA Institute of Islamic Finance (UAE).

He is also a Member of Sub-Committee for Review of AAOIFI Shariah Standards, established by the State Bank of Pakistan-Islamic Banking Department.

He is a Member of the visiting faculty of Centre for Islamic Economics, Hira Foundation Academy, Sheikh Zayed Islamic Center (University of Karachi) and IBA-CEIF for the subjects related to Islamic Finance and Economics.



Terms of Reference of Shariah Board

Shariah Board

- To perform such functions as stipulated under Para 3(b) of the Revised Framework issued by State Bank of Pakistan vide its IBD Circular No. 01 of 07th June, 2018.
- To consider, decide and supervise all Shariah related matters.
- To be responsible and accountable for all its Shariah decisions.
- To develop a comprehensive Shariah governance/compliance framework for all areas of operations of the BAFL-IBG.
- To meet at least on a quarterly basis and to rigorously deliberate on the proposals before giving any decisions/fatwa.
- To meet BOD on a half-yearly basis for a detailed briefing on the Shariah compliance environment, the issues/weaknesses, if any, and recommendations to improve Shariah compliance environment, and to ensure timely and effective enforcement of the SB's decisions/observations/recommendations.
- To review and approve all products/services and related agreements/contracts, structures, process flows, product manuals, marketing advertisements, sales illustrations, brochures and training plan, etc. to ensure that all such matters comply with the rules and regulations of Shariah.
- To review all Internal Shariah Audits, External Shariah Audit, SBP inspection and Shariah compliance review reports; these shall be presented to the SB for prescribing appropriate enforcement action.
- To call explanation from the Executive Management for not getting approval of SB for any products/services and related agreements/contracts, structure, process flows, product manuals, marketing advertisements, sales illustrations and brochures, etc.
- To take up unresolved issues, including appropriate enforcement action prescribed in Internal Shariah Audits, External Shariah Audit, SBP inspection and Shariah compliance review reports, with the Executive Management.
- To issue its annual report on the Shariah compliance environment and conditions. The report includes open issues and published in the annual accounts, and placed before the BoD.
- To discuss all the significant and unresolved issues with SBP inspections team during the SBP inspection, if required.

Committee Members

Dr. Mufti Khalil Ahmad Aazami
Chairman

Mufti Mohammad Mohib Ul Haq Siddiqui
Member

Mufti Ovais Ahmed Qazi
Resident Member

Moiez Ahmed Usmani
Secretary

Meetings held during the year

- 30th January, 2020
- 24th June, 2020
- 06th August, 2020
- 14th and 15th December, 2020

Shariah Board Report 2020

for the year ended 31st December, 2020

الحمد لله رب العالمين والعاقبة للمتقين والصلوة والسلام على سيد الرسل وخاتم النبيين وعلى آله وصحبه أجمعين

By the grace of Almighty Allah, the year under review was the 17th year of Islamic Banking operations of Bank Alfalah Limited (herein referred as 'the Bank'). 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 Shariah principles at all times. The scope of this report is to cover the affairs of the Islamic Banking operations of Pakistan, from Shariah perspective as described under Shariah Governance Framework of the State Bank of Pakistan.

During the year under consideration, the Bank revamped the Product Programme Guidelines, Manuals and relevant documents that pertain to existing asset and liability products. Moreover, systems, policies and procedures of Islamic Banking operations of the Bank were redesigned and upgraded to enhance the Shariah compliance capabilities of the system. In this regard, Shariah Board reviewed and approved the same, ensuring that the products and services offered by the Bank are valid as per Shariah.

The Bank used Murabaha, Musawamah, Salam, Istisna, Tijarah, Running Musharka, Ijarah and Diminishing Musharakah for SME and Corporate Financings. For Consumer Financing, the Bank adopted Ijarah and Diminishing Musharakah products. During this year, the Bank has provided excellent services to its customers especially during the COVID-19 pandemic. For Corporate, Commercial and SME customers, the Bank offered different products and services under the SBP schemes as a relief of pandemic. These schemes include Islamic Refinance Scheme for Payment of Wages and Salaries, Islamic Refinance Facility for Combating COVID-19, Islamic Temporary Economic Refinance Scheme. For liability customers, the Bank offered Islamic Roshan Digital Account, Falah Senior Citizen Savings Account and Target Savings Account. Focusing on Consumer Financing, this year the Bank offered Alfalah Islamic Ghar Asaan and Alfalah Green Energy as additional products under Diminishing Musharakah concept. The Bank focused extensively on providing banking services digitally to its customers. In this regard, Islamic Roshan Digital Account and Islamic Naya Pakistan Certificates were offered as digital initiatives to the customers. In addition to serving its customers, the Bank also provided its services to the Islamic Banking

industry for local currency Sukuk of PKR 1 trillion, as a Joint Financial Advisor (JFA) to the Ministry of Finance of the Government of Pakistan.

During the year, Shariah Compliance Department and Internal Shariah Audit Department (ISAD) reviewed and audited 142 Islamic branches, 09 departments dedicated to Islamic Banking operations along with 12 centralised units, including Centralised Term Deposits, Centralised Account Opening, Centralised Staff Finance, Centralised Trade Operations, IBG Trade Hubs, Consumer Finance, Islamic Credit Administration Centres, Finance, Pool Management and Treasury in light of the Shariah guidelines.

Shariah Compliance Department also facilitated the business unit in obtaining approvals of various transactions and process flows from the Shariah Board. The Department extended its support for Shariah structuring and developing modalities for COVID-19 relief products and processes. SCD reviewed 422 process flows for Corporate, Commercial and SME clients. Approval for process flows for new customers was only sought after reviewing their business processes. As a part of its responsibilities, SCD verified distribution of profit and loss to the depositors prior to disbursement on monthly basis.

To form our opinion as expressed in this report, we studied reports of the reviews carried out by Shariah Compliance Department - on test check basis - of each class of transactions and of the relevant documentation and process flows. Further, we have also reviewed the reports of Internal Shariah Audit and External Shariah Audit. Based on above, we are of the view that:

- i) Business affairs of Bank Alfalah - Islamic Banking Group, especially with reference to the transactions, relevant documentation and procedures performed and executed by the Bank during the year of 2020 are, by and large, in compliance with fatwas/opinions/advice issued by the Shariah Board.
- ii) BAFL-IBG has complied with directives, regulations, instructions, and guidelines related to Shariah compliance issued by the SBP in accordance with the rulings of the SBP's Shariah Supervisory Committee.



iii)BAFL-IBG has a mechanism in place to ensure Shariah compliance in its operations, through SCD and ISAD Bank has an effective mechanism to ensure the compliance.

iv)The Bank has a well-defined system in place in form of Internal Shariah Audit and Shariah Compliance Review to ensure that earnings realised from sources or means prohibited by Shariah are credited to the charity account to warrant that the income distributed among stakeholders generally remains Halal and pure. In the year 2020, an income of Rs. 0.777 million was transferred to the charity account as per the Shariah Board's instructions due to the violations of Shariah guidelines observed.

During the year, an amount of Rs. 39.860 million was recovered from the customers as charity on account of delays in payments. A substantial amount of Rs. 36.150 million was granted to various charitable institutions against current collection and previous year's balances.

v) The allocation of Profit and Losses to Mudarabah based remunerative depositors, which was reviewed on monthly basis, is generally in conformity with the Shariah Rules and Principles, and Pool Management Guidelines of the State Bank of Pakistan.

vi) Learning and Development Department conducted various training programmes for the staff of IBG branches and different centralised units of the Bank.

vii) Management is providing resources to Shariah Compliance Department as per the Shariah Board requirements.

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

وَصَلَّى اللّٰهُ عَلٰى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّم

Dr. Khalil Ahmad Aazami
Chairperson Shariah Board

Mufti Muhammad Mohib ul Haq Siddiqui
Member Shariah Board

Mufti Ovais Ahmed Qazi
Resident Member Shariah Board

20th January, 2021/Jumada II 06, 1442

6. بینک کے شعبہ تعلیم و تربیت (Learning & Development Department) نے اسلامک بینکنگ کی شاخوں اور بینک کے سینئر لائڈ شعبوں کے عملہ کو اسلامک بینکنگ سے متعلقہ ٹریننگ کرائی۔

7. انتظامیہ شریعہ بورڈ کے تقاضہ کے مطابق شریعہ کمپلائنس ڈیپارٹمنٹ میں مزید وسائل فراہم کر رہی ہے۔

اللہ تعالیٰ سے دعا ہے کہ وہ ہمارے اختیاری اور غیر اختیاری گناہوں اور لغزشوں سے درگزر فرمائیں، اور ہمیں دنیا و آخرت کی کامیابی سے نوازیں، اور بروز قیامت ہم سب کی دستگیری فرمائیں۔

سال کے دوران 39.860 ملین روپے کسٹمرز سے ادائیگی میں تاخیر کے نتیجہ میں چیریٹی کے طور پر حاصل کئے گئے۔ 36.150 ملین روپے کی خطیر رقم رواں اور گذشتہ سال کے دوران حاصل شدہ رقم کی مدد سے مختلف خیراتی اداروں کو فراہم کی گئی ہے۔

5. مضاربت کی بنیاد پر مبنی کھاتوں میں نفع نقصان کی تعین کا مابانہ 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۔

وصلی اللہ علی نبینا محمد و بارک وسلم

مفتی اویس احمد قاضی
ریڈیڈنٹ ممبر شریعہ بورڈ

مفتی محمد محب الحق صدیقی
ممبر شریعہ بورڈ

ڈاکٹر مفتی خلیل احمد اعظمی
چینر پرسن شریعہ بورڈ

20 جنوری، 2021
6 جمادی الثانیہ 1442



بینکنگ کے آپریشنز کے لیے مختص شعبوں، اور 12 سینٹرلائزڈ یونٹس کا ریویو اور آڈٹ کیا۔ سینٹرلائزڈ یونٹس میں سینٹرلائزڈ ٹرم ڈیپازٹ، سینٹرلائزڈ اکاؤنٹ اوپننگ، سینٹرلائزڈ اسٹاف فنانانس، سینٹرلائزڈ ٹریڈ آپریشنز، IBG ٹریڈ ہیج، کنزیومر فنانانس، اسلامک کریڈٹ ایڈمنسٹریشن سینٹرز، فنانانس، پول مینجمنٹ، اور ٹیریٹری شامل ہیں۔

نیز، شریعہ کمپلائنس ڈیپارٹمنٹ نے مختلف عقود اور پراسس فلوز کی شریعہ بورڈ سے منظوری کے حصول میں بزنس یونٹ کی معاونت کی۔ شریعہ کمپلائنس نے COVID-19 سے متعلق امدادی پراڈکٹس اور پراسسز کی شریعہ اسٹرکچرنگ میں بھی اعانت کی۔ SCD نے کارپوریٹ، کمرشل، اور ایس ایم ای کے کلائنٹس کے 422 پراسس فلوز کا جائزہ لیا۔ نئے کسٹمرز کے پراسس فلوز اُن کے کاروباری نظام کے معائنہ کرنے کے بعد منظور کرائے گئے۔ اپنے فرائض کی سرانجامی کے دوران ڈیپارٹمنٹ نے کھاتہ داروں کو نفع کی تقسیم سے پہلے نفع نقصان کے حساب کی تصدیق ماہانہ بنیادوں پر کی۔

اس رپورٹ میں موجود رائے قائم کرنے کے لیے ہم نے شریعہ کمپلائنس ڈیپارٹمنٹ کے ریویوز کی رپورٹز کا معائنہ کیا، جو شریعہ کمپلائنس نے عقود کی تمام انواع کی چیدہ چیدہ ٹرانزیکشنز اور متعلقہ دستاویزات اور پراسس فلوز کے جائزہ کی بنیاد پر پیش کیں۔ نیز ہم نے داخلی اور خارجی شریعہ آڈٹ کی پیش کی گئی رپورٹس کا بھی مطالعہ کیا۔ مذکورہ معلومات کی بنیاد پر ہماری یہ رائے ہے کہ:

1. 2020 کے دوران بینک کے کاروباری معاملات، بالخصوص عقود، متعلقہ معاہدات، طریقہ کار اور اُن پر عمل درآمد مجموعی طور پر شریعہ بورڈ کے جاری کردہ فتاویٰ / تجاویز / ہدایات کے مطابق رہے۔

2. نیز بینک نے اسٹیٹ بینک آف پاکستان کی طرف سے اپنی شریعہ ایڈوائزری کمیٹی کی ہدایات کی روشنی میں جاری کردہ اصولی احکام، تعلیمات، اور قواعد و ضوابط کی تعمیل کی ہے۔

3. بینک کے معاملات کی شریعت سے ہم آہنگی کو یقینی بنانے کے لیے شریعہ کمپلائنس ڈیپارٹمنٹ اور داخلی شریعہ آڈٹ کے شعبوں کی شکل میں ایک منظم طریقہ کار موجود ہے۔

4. داخلی شریعہ آڈٹ اور شریعہ کمپلائنس ریویو کی شکل میں بینک کے پاس ایک مختص نظام موجود ہے جو اس بات کو یقینی بناتا ہے کہ غیر شرعی اور ممنوع ذرائع سے حاصل ہونے والی آمدنی چیریٹی اکاؤنٹ میں ڈال دی جائے گی تاکہ حصہ داروں کو حاصل ہونے والی آمدنی مجموعی طور پر حلال اور پاکیزہ ہو۔ سال 2020 کے دوران شریعہ بورڈ کی ہدایات کے مطابق 0.777 ملین روپے کی آمدنی مشاہدہ میں آنے والی شرعی اصولوں کی خلاف ورزیوں کے نتیجہ میں چیریٹی اکاؤنٹ میں منتقل کی گئی۔

اللہ تعالیٰ کے فضل و کرم سے زیرِ نظر رپورٹ بینک الفلاح - اسلامک بینکنگ گروپ (جو آئندہ "بینک" کے نام سے مذکور ہے) کے آپریشنز کے سترہویں سال کی سالانہ رپورٹ ہے۔ بینک کے تمام معاملات کی شریعت کے اصولوں کے عین مطابق انجام دیے کی مکمل ذمہ داری بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ (Executive Management) پر ہے۔ اس رپورٹ کا مقصد اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک (SGF) میں بیان کردہ حدود کی روشنی میں بینک کے پاکستان میں موجود بینکنگ آپریشنز کے شرعی پہلوؤں کو سامنے رکھتے ہوئے حالات بیان کرنا ہے۔

اس سال کے دوران بینک نے اثاثوں (Assets) اور ذمہ داریوں (Liabilities) سے متعلق موجودہ پراڈکٹس کے پراڈکٹ پروگرام گائیڈز (Product Program Guides)، مینولز (Manuals) اور متعلقہ دستاویزات پر از سر نو نظر ثانی کی۔ نیز سسٹم میں مزید بہتری لانے کے لیے اسلامک بینکنگ آپریشنز کے لیے بنائے گئے سسٹم، پالیسی، اور طریقہ کار (Systems, Policies & Procedures) کی دوبارہ منصوبہ بندی کی گئی اور ان کی تجدید نو کی گئی۔ اس سلسلے میں شریعہ بورڈ نے مذکورہ امور کا جائزہ لینے کے بعد ان کی منظوری دی تاکہ بینک کی طرف سے پیش کردہ تمام پراڈکٹس اور سروسز شرعی اعتبار سے درست ہوں۔

بینک نے اسمال میڈیم انٹرپرائزز (SME) اور کارپوریٹ تمویل کے لیے 'مراہعہ'، 'مساومہ'، 'سلم'، 'استصناع'، 'تجارہ'، 'زننگ مشارکہ'، 'اجارہ' اور 'شرکت متناقصہ' یعنی Diminishing Musharakah کے طریقہ ہائے تمویل اختیار کئے۔ کنزیومر فنانانس کے لیے بینک نے "اجارہ" اور 'شرکت متناقصہ' یعنی Diminishing Musharakah پر مبنی پراڈکٹس کو اختیار کیا۔ اس سال کے دوران بینک نے کسٹمرز کو بہترین خدمات فراہم کیں، خاص طور پر COVID-19 کی عالمی وبا کے دوران کارپوریٹ، اور اسمال میڈیم انٹرپرائزز (SME) تمویل کے لیے اسٹیٹ بینک کی اسکیموں کے تحت بینک نے کسٹمرز کی امداد کرتے ہوئے (1) اسلامک ریفائننس اسکیم فار پیمینٹ آف ویجز اینڈ سیلریز، (2) اسلامک ریفائننس اسکیم فار کمپائٹنگ کووڈ 19، (3) اسلامک ٹمپریری اکنامک ریفائننس اسکیم جیسی پراڈکٹس مہیا کیں۔ Liability کسٹمرز کے لیے بینک نے اسلامک روشن ڈیجیٹل اکاؤنٹ، فلاح سنٹر سیٹیزن اکاؤنٹ، اور ٹارگٹ سیونگ اکاؤنٹ پیش کئے۔ بینک نے اپنے کسٹمرز کو اپنی خدمات ڈیجیٹل انداز میں فراہم کرنے کی جامع کوشش کی۔ اسلامک روشن ڈیجیٹل اکاؤنٹ اور اسلامک نیپا پاکستان سرٹیفیکیٹ کی پراڈکٹس کسٹمرز کو آفر کی گئیں۔ کسٹمرز کو خدمات فراہم کرنے کے علاوہ بینک نے دس کھرب کے ملکی کرنسی کے صکوک کے اجراء میں حکومت پاکستان کی وزارت خزانہ کے جوائنٹ فنانانشل ایڈوائزری کی حیثیت سے اسلامک بینکنگ انڈسٹری کو بھی خدمات فراہم کیں۔

دوران سال شریعہ کمپلائنس ڈیپارٹمنٹ اور انٹرنل شریعہ آڈٹ ڈیپارٹمنٹ نے شرعی اصولوں کی روشنی میں 142 اسلامک شاخوں، 9 اسلامک

Report from the Board Audit Committee

The Board Audit Committee (BAC) performs its functions in compliance with the requirements of the SBP instructions, Code of Corporate Governance (CCG) and its own Terms of Reference (TORs).

BAC Composition

The BAC comprises of five (5) Non-Executive Directors with financial, banking, strategic and relevant knowledge to benefit the Bank. Names and detailed profiles of BAC's Members are set out in the relevant section of the Annual Report. In accordance with the requirements of Code of Corporate Governance, the Committee is chaired by an Independent Director having diversified local and foreign banking experience, and exposure to key management positions.

BAC Meetings

The meetings of the Committee are designed to facilitate and encourage communication among the Committee Members, Senior Management, the Internal Audit Function and the Bank's External Auditors. The Committee discussed the overall scope and plans for their respective audits with the Head of Internal Audit and External Auditors. The Committee held six (6) meetings during the year 2020. Members' attendance records are disclosed in the Directors' Report contained in the Annual Report. The BAC, in accordance with the requirements of COCG, met with the Internal and External Auditors with and without the presence of the Management, for discussion of the results of auditor's examinations/evaluation of Internal Controls and the overall quality of the Bank's financial reporting. The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee.

Oversight Function

BAC discharged its oversight responsibilities as mandated by BOD in accordance with the requirements of Code of Corporate Governance, listing regulations and applicable laws/directives issued by the respective Regulators for local and overseas locations. The considerations of Board Audit Committee during the year include:

- Review of 'Statement of Compliance with the Code of Corporate Governance' prior to its approval and publication in the Annual Report;
- Review of the Bank's financial reporting framework and periodic financial statements, including details and disclosure of all related party transactions prior to their approval by the Board of Directors (BOD);
- Review and evaluation of effectiveness of the Bank's Internal Control Framework, overall control environment and systems, including compliance of applicable laws and regulations, adherence to Accounting and Reporting standards, information technology security controls, and the contingency planning process;
- Review of effectiveness of implementation of ICFR Framework along with reported gaps;
- Review of significant/high risk issues highlighted by internal audit during audits/reviews of branches and other functions of the Bank (including overseas operations) along with the compliance status thereof;
- Review of Audit Observation/Internal Control breaches trends from multiple dimensions to have deep insights into state of Internal Controls, and setting specific time bound action plans/indicators to monitor improvements;
- Review of quarterly Statement of Internal Controls of the Bank as per regulatory requirement;
- Review of analysis related to frauds and forgery incidents in the Bank along with associated root causes and remedial measures to be taken to curb such instances in future;
- Review of controls against risks faced by the institution, including, but not limited to, KYC/AML/CFT/Compliance related risks, cyber security risk, foreign trade and trade based money laundering related risks, risks related to territories/high risk geographies, and governance and human resource related issues;
- Evaluate the effectiveness of the Bank's overall management of compliance risk (AML/CFT/Proliferation Financing (PF)/Targeted Financial Sanctions (TFS) related risk factors), in compliance with domestic and international regulatory requirements;
- Monitor compliance of observations highlighted in the State Bank of Pakistan's inspection reports, including thematic audits along with comparative CAMELS ratings;
- Evaluate Internal Audit Function's conformance with International Standards for the Professional Practice of Internal Auditors, issued by The Institute of Internal Auditors, USA (IIA), Information Systems Audit & Control Association, USA (ISACA), the SBP regulations, and best international practices;



- Review of gap analysis and action plan with respect to Internal Assessment and Gap Assessment exercise conducted in accordance with the requirements of Guidelines on Internal Audit Function;
- Evaluate that every auditable activity and entity of the Bank falls within the scope of Internal Audit, and no unjustified restrictions/scope limitations on work of Internal Audit Function exists;
- Review, approve and recommend to BOD (where applicable) for amendments in relevant control documents, including Internal Audit Charter, Credit Risk Review Policy, Whistle Blow Policy, Internal Audit Manual and TORs of BAC;
- Review effectiveness of Whistle Blowing Procedures for receiving (through internal or external sources) complaints/concerns regarding business ethics/conduct practices, governance and risk management practices, controls over financial reporting, auditing practices;
- Review of status of complaints lodged under the Bank's Whistle Blowing Policy along with resolutions thereof. Further review of significant events during the period along with its reporting to BOD, in accordance with Regulator's instructions;
- Review of Internal Audit strategy and Internal Audit Function's road map for continuous professional development along with regular review/updating, as deemed necessary;
- Review, approve and oversee the Risk Based Audit Plan/Risk Assessment Policy along with any revision/deviation in the plan, Annual Audit Budget along with its utilisation, and resource requirements for Internal Audit;
- Review of the performance of Chief Internal Auditor, Internal Audit Function and External Auditors in terms of adding value and strengthening Internal Controls of the Bank through identification and recommendation over key control issues;
- Approve promotions, increments and rewards for Internal Audit staff, including Chief Internal Auditor (CIA)/Head of Internal Audit;
- In consultation with Chief Internal Auditor (CIA)/Head of Internal Audit, ensure that Internal Audit staff is equipped with relevant auditing skills, knowledge, tools, methodologies, technique and competencies to perform their respective roles and responsibilities with sufficient budget for training and development activities along with periodic review of the same;
- Review status of existing/ongoing projects/initiatives of the Internal Audit Group along with targeted completion date;
- Review of implementation status of the instructions of the Committee along with follow-up;
- Recommend appointment of External Auditors of the Bank (including appointment of External Auditors of overseas operations) after careful selection based on various qualitative factors, including firm's profile, reputation, independence, capabilities, technical expertise and knowledge of the Bank's operations and industry. Finalise scope of audit and remuneration of the auditors;
- Review of issues/exceptions pointed out under the Management letter furnished by External Audit in accordance with the requirement of Code of Corporate Governance;
- Ensure a strong coordination among Internal Auditors, External Auditors and the Management. Furthermore, to act as an arbitrator in case of any conflict/disagreement; and
- Ensure separate meetings with CIA/Head of Internal Audit and External Auditors of the Bank in the absence of the Management, at least on annual basis.

Review of Risk Management and Internal Control Systems

The BAC reviewed the effectiveness of the Bank's policies and procedures regarding Internal Controls systems (including the financial, operational, IT, risk management, information security, outsourcing, legal, compliance and those controls designed to detect material weaknesses) leveraging the work of the Bank's Internal and External Auditors, and regular reports from the Management, including those on risk management, regulatory compliance and legal matters.

The BAC reviewed and concurred with the Management confirmation that for the year ended 31st December, 2020, the Bank's Risk Management and Internal Controls systems worked effectively. The BAC is satisfied that the Management has adopted the necessary control mechanisms to monitor and reduce non-compliance.

Internal Audit and Effective Implementation of Internal Controls

The independence of Internal Audit Function has been ensured via direct reporting of CIA/Head of Internal Audit to the Board Audit Committee (BAC).

The scope of work of Internal Audit Function has been finalised in accordance with BAC instructions. Further, the performance of Internal Audit has been gauged through reports presented at regular intervals, including summary of the key audit findings during the period. The Head of Internal Audit has direct access to the Chairman of the Audit Committee, and the Committee meets with the Head of Internal Audit on a regular basis with and without the presence of the Management. Head of Internal Audit provides an independent assessment/opinion, without fear or favour, to BAC on annual basis on state of Internal Controls (including Shariah compliance, where applicable) on the basis of audits conducted during the period supported by specific observations/conclusions. The Audit Committee Charter/TORs are updated periodically vis. a vis. changes in local laws/regulatory directives/statute.

BAC ensured that there were no restrictions on Internal Auditors' access to people, information, processes, properties, records, and systems to perform their audit activities with objectivity.

Review of Whistles Blown

The BAC reviewed the whistles blown during the year 2020 from time to time, including the action taken along with remedial action to resolve the issue permanently and measures taken to protect the complainant.

Conclusion

In reliance on the reviews and aforementioned discussions, the Committee recommended to the Board of Directors, and the Board has approved the audited financial statements, related disclosures, including Management's Statement of Internal Controls, to be included in the Annual Report for the year ended 31st December, 2020.

Board Audit Committee

Mr. Khalid Qurashi - Chairman BAC
Mr. Abdulla Khalil Al Mutawa - Director
Mr. Khalid Mana Saeed Al Otaiba - Director
Mr. Efstratios Georgios Arapoglou - Director
Dr. Ayesha Khalid Khan - Director

Khalid Qurashi
BAC Chairman

Karachi
1st February, 2021

Remuneration Framework

With an intention to make Directors and Senior Management more accountable for their governance and performance vis-à-vis determination and payment of compensation, and assist the Bank to develop fair, transparent and sound compensation policy that is aligned with risks and responsibilities, the SBP vide its circular no. BPRD No. 2 of 2016 dated 2nd March, 2016 issued Guidelines and Disclosure on Governance and Remuneration Practices.

The following disclosure are given in compliance with the said circular.

Corporate Governance Culture and Standards followed by the Bank

The Bank observes Corporate Governance standards as stipulated in the Code of Corporate Governance and other relevant regulations, which are updated in accordance with the changing dynamics of corporate environment, culture and regulatory regime.

Directors – Appointment and Profiles

The process of appointment/nomination of the Directors of the Bank is in accordance with the applicable laws and regulations and is governed by the Governance Policy of the Bank. Profiles of Directors, including their qualifications, expertise and past work experience along with their status are disclosed as part of the Governance section of the Annual Report.

Board Committees – TORs and Meetings

Term of Reference of the Board Committees, their composition and membership, number of meetings held and number of meetings attended by the members are disclosed as part of the Governance section of the Annual Report.

Shariah Board – Appointment, Profiles, TORs and Meetings

Appointment of Shariah Board Members and Chairperson is subject to Board's approval, and prior approval of the State Bank of Pakistan. Profiles of the Shariah Board members and their membership on other Boards are disclosed as part of the Governance section of the Annual Report.

Terms of Reference (TORs) of Shariah Board, number of meetings held and attended by each member are also disclosed as part of the Governance section of the Annual Report.

Key Achievements of Board Committees During the Year

Board Risk Management Committee

The Board of the Bank is ultimately responsible for development, implementation and maintenance of a robust and dynamic ERM (Enterprise Risk Management) Framework in the Bank. However, to increase efficiency and effectiveness, the Board has delegated its risk oversight responsibilities to the Board Risk Management Committee (BRMC). BRMC ensures that the Bank has an adequate Enterprise Risk Management Framework (policies, processes and people). BRMC also recommends to Board delegation of authorities to the Management Committees, and approves the Terms of Reference of the Bank's Central Credit Committee (CCC). During 2020, BRMC reviewed and recommended to the Board, the Bank's overall risk appetite and risk tolerances in relation to all risk areas, including Credit, Market, Liquidity, Operational, Trade Based Money Laundering and Information Security. It approved the exposure limits in relation to risk management strategies, and reviewed compliance with these limits. Additionally, the Committee carried out a comprehensive review of the Bank's policies for onward recommendation to the Board of Directors. In the year 2020, the Board Risk Management Committee continued to assess the adequacy of Bank's capital level in lieu of Pillar 1 and Pillar 2 risks along with the resilience of Bank's capital base under adverse economic environments. It also reviewed the liquidity position of the Bank in terms of Basel III liquidity ratios (LCR & NSFR). During the year, BRMC reviewed the reports presented to it, and effectively performed risk oversight function. Based on submissions, it guided the Management for the actions that were required to be taken to manage the risks in a timely manner. BRMC regularly informed the Board about its activities, performance and risk related issues of the Bank.

Board Audit Committee

Board Audit Committee (BAC) has played a significant role in enhancing the credibility of financial statements, status of Internal Controls, governance and risk management practices of the Bank by performing its oversight responsibilities of reviewing financial reporting, internal controls, and risk management processes and ensuring the execution of quality audits. BAC also evaluated the effectiveness of the Bank's overall management of compliance risk keeping in view domestic and international regulatory requirements.

During the year 2020, BAC reviewed and recommended to BOD various relevant policies, related party transactions and the control weaknesses pointed out by the regulator in recent inspections.

BAC not only reviewed the major control issues being faced by the organisation pertaining to different areas of operations, it also recommended actions and measures for timely resolution; hence saving the Bank from potential financial and reputational losses.

BAC also reviewed the analysis of fraud incidents in the Bank along with root cause and steps/remedial measures taken to curb such instances in future. BAC played its part in securing stakeholders' interest with establishment of robust Whistle Blow Mechanism.

Besides, performing the responsibilities entrusted by the BOD as per approved TORs, the BAC has followed a proactive approach, and has taken/supervised actions, including, but not limited to, alignment of Internal Audit approach as per IIA standards and Regulatory Guidelines via External and Internal-Self Assessment of Internal Audit Function, development of Risk Control Matrix for all auditable function/areas, automation of complete audit life cycle and revamped risk assessment methodology for incorporation in upcoming Annual audit plan; thus accelerating the journey of internal audit function towards a paperless and automated environment.

Board Strategy and Finance Committee

The Board Strategy and Finance Committee (BSFC) assists the Board of Directors of the Bank in performing its functions and responsibilities with focus on policymaking, general direction, oversight and supervision. BSFC has played its role through extensive strategic decision-making, which contributed towards the growth/progress of the Bank. It has reviewed/recommended all matters particularly involving the financial and strategic issues (other than and periodical financial statements, which are mandated to be reviewed by the Board Audit Committee).

During the year 2020, the major achievement of BSFC was the detailed review, discussion and approval of the 5-Year Strategic Plan of the Bank. The strategy was presented in the three consecutive meetings of BSFC, and was discussed at length and finally approved by the Board in December 2020, upon recommendation of the BSFC. The Committee also reviewed and recommended to the Board the Annual Business Plan/Budget 2021 of all business groups, performance of overseas operations of the Bank, performance of the Bank's subsidiaries and associate companies, Branch Network Expansion Plan, various policies/framework along with monitoring and supervision of the Central Management Committee of the Bank. The BSFC also discussed in detail the revised strategy for the Bangladesh operations. It has also demonstrated its contribution towards Corporate Social Responsibility (CSR) by the Bank, and reviewed claims and legal cases against the Bank.

The BSFC has also reviewed and recommended to the Board the reports of the Shariah Board, profit and loss distribution, and pool management policy of Islamic Banking, investment plans, major capital expenditures, various policies of the Bank etc., and provided necessary directives to the Management.

Board Information Technology Committee (BITC)

The Board Information Technology Committee (BITC) plays a supervisory and advisory role for IT, Information Security and Digital Banking functions within the Bank, and is responsible for advising and reporting to the Board on the status of technology and digital activities and initiatives within the Bank. The BITC regularly monitors the successful implementation of the Enterprise Technology Governance and Risk Management Framework for financial institutions as promulgated by the SBP.

During the year 2020, the pandemic (COVID-19) has served as a catalyst for digital banking. Accordingly, in view of the increased use of the digital platforms, BITC strictly monitored and ensured the smooth functioning of IT/digital systems. It also ensured the effective monitoring and control of systems and IT/digital resources, with an increased focus on IT security. A number of new features and conveniences were added into the mobile app Alfa, in view of the pandemic, which were widely appreciated by the customers.

The BITC reviewed and discussed in detail the revised 5-year strategy of Bank Alfalah's Digital Banking, and recommended the same to the Board for approval. BITC also regularly monitors the implementation of critical IT projects. It also approved major IT and digital investments, in accordance with its power and scope, during the year to ensure smooth functioning and best service delivery to the customers. It paid special attention and is focused on the information and cyber security issues, and mitigation of the related risks.

Board Human Resource, Remuneration and Nomination Committee

The Board Human Resource, Remuneration and Nomination Committee (BHR&NC) has contributed towards the development of human resources in Bank Alfalah Limited. During the year 2020, the Board of Directors, upon recommendation of BHR&NC, approved the appointment of Mr. Atif Bajwa as the Director/President and Chief Executive Officer, following the resignation of Mr. Nauman Ansari, Ex-Director and Chief Executive Officer of the Bank. Also, a casual vacancy created upon resignation of the Independent Director, Mr. Shahzad Naqvi, which was duly filled within regulatory timeline, by appointment of Mr. Khalid Qurashi as Independent Director.

Year 2020 was marked as the year of the Pandemic Coronavirus Crisis Management throughout the world. The Bank also dealt with the pandemic in a timely and efficient manner. The Human Resources and Learning Group of the Bank with the guidance provided by BHR&NC launched free online medical assistance for staff and their families, special allowance for female staff at contact centre, hardship allowance for lower tier staff, employee assistance programme, staff welfare programme, which are some of the accomplishments achieved in 2020 in the light of COVID-19.

BHR&NC reviewed/recommended to the Board various HR policies and gave necessary directives to the Management on the same along with amendments to TORs of BHR&NC and code of conduct (ethics and business practices) of the Bank employees and the Board of Directors, as per regulatory instructions on Anti Money Laundering/Counter Terrorism Financing/Counter Proliferation of funds.

BHR&NC also reviewed/approved the best remuneration practices, change management initiatives, training budget for the year 2021, the Bank's compensation strategies with a view to ensure that compensation and benefit levels are maintained and aligned with comparable size organisations.

Board Coronavirus Crisis Management Committee

In order to deal with the COVID-19 pandemic and its impact on Bank Alfalah Limited, its employees, clients, shareholders, Directors, and other key stakeholders, a Board Coronavirus Crisis Management Committee (BCCMC) was established in April 2020 to oversee and assist the Board of Directors as well as the Management in the matters relating to COVID-19. BCCMC is playing a supervisory and advisory role for dealing with the impact of pandemic along with relevant policy-making without infringing on the Management functions. Since its formation, BCCMC reviewed and identified 'mission-critical' and key risks with regards to the pandemic, and took specific and targeted actions to setup a reasonable system of regular and timely reporting of the risks and their mitigating responses to the BCCMC.

The Committee worked for the safety, health and well-being of the staff, their families and local communities, including customers, partners, and their businesses. BCCMC guided the Management to ensure business continuity with minimal or no disruption. In accordance with BCCMC advice, the Management presented 2020 and 2021 financial forecasts in view of 6, 9 and 12 months lockdown scenarios. The BCCMC advised the Management to apprise the Committee on the liquidity ratios, and revisit the budget due to pandemic and present a revised budget in view of a six-month lockdown scenario. Both of these requirements were met by the Management accordingly.

BCCMC monitored the impact of pandemic on the credit portfolio of the Bank. It ensured that adequate measures and strategy be adopted by the Bank to implement the

'work from home' strategy. A Business Continuity Plan was created to ensure availability of staff across multiple locations along with vigilant operational monitoring of the core systems. BCCMC was also keenly involved in getting necessary updates on the operations of Bank Alfalah's Digital Banking during the pandemic, and to make necessary recommendations, where needed.

Formulation and Implementation of Remuneration Policy and Assessment of Board Performance

A. F. Fergusons - member firm of PricewaterhouseCoopers (PWC) was engaged last year to provide facilitation to the Bank for implementation of Remuneration Policy Guidelines issued by the State Bank of Pakistan (SBP). The scope included drafting the mechanism for identification of Material Risk Takers and Material Risk Controllers, review of their existing scorecards and preparation of risk-adjusted scorecards, drafting the Remuneration Policy for the Bank including deferral mechanism, and assisting the Bank in implementation of the Policy.

Disclosure Relating to the Remuneration Policy

Information on Overall Remuneration Policy of the Bank

The primary objective for the Bank is to define a competitive remuneration system, balancing strategic business targets, and correctly rewarding its employees.

To ensure alignment of remuneration practices with the international standards and best practices, the State Bank of Pakistan (SBP) also issued Guidelines on Remuneration Practices ('the Guidelines'). Accordingly, the Remuneration Framework ('the Framework') was developed as part of the Bank's initiative of implementing the guidelines.

Following are the main objectives of this framework:

1. To promote and be consistent with sound and effective risk management, and not encourage risk-taking that exceeds the risk thresholds of the Bank;
2. To ensure that the remuneration practice is in line with the Bank's objectives, taking into consideration all major risks that the Bank may face, promotes and supports long-term performance;
3. To align remuneration with risk appetite and with the conduct expectations of the Bank, regulators and stakeholders; and
4. To attract, retain and motivate highly qualified employees, but also reward those who promote corporate values with incentives correlated to the long-term value generation.

Governance Framework

The Bank's Governance Framework with respect to these Guidelines, aims at ensuring an appropriate control and oversight on remuneration practices, ensuring that decisions are taken with sufficient independence and in an informed way, by such authorities and functions, to which different responsibilities are delegated.

The BoD has the overall responsibility for reviewing, approving and monitoring implementation of a bank-wide Remuneration Framework, based on the recommendations of Board Human Resource, Remuneration and Nomination Committee (BHR&NC). In addition, the Board, through BHR&NC, shall review on a periodic basis, reports on remuneration structure, including the composition of fixed and variable remuneration of President and CEO and the Management Team (direct reports of the President and CEO and Board/Board Committees).

The Board shall remain responsible for determining compensation and benefits for certain corporate roles, including the President and CEO, CFO, Head of Audit and Inspection, and Company Secretary.

Features of Total Compensation

The Bank offers a compensation structure with a balanced mix of fixed and variable elements. The compensation mix shall be periodically reviewed by Human Resources and Learning Group (HR&LG) to ensure external competitiveness and internal adequacy. The review will also take into account the results of performance evaluations, and assigned roles and responsibilities. The objective of maintaining a balanced pay mix is to encourage behaviours focused on the achievement of long-term sustainable results.

This framework, the Bank's other HR policies and frameworks, and general incentive structures focus on ensuring sound and effective risk management through the following:

1. A robust governance structure for setting goals (including risk adjustments), communicating these goals to employees, and performance measurement to ensure assigned goals have been achieved without any excessive or undue risk-taking;
2. Alignment with the Bank's business strategy, values, key priorities and long-term goals;
3. Alignment with the principles of protection of customers, investors, regulators and other stakeholders; and
4. Employees, including MRTs and MRCs, are not allowed to undertake hedging, pledging or insurance strategies for their remuneration or for any other aspect that might alter, or undermine the risk alignment effects inherent in the Bank's remuneration mechanisms.

Factors Considered for Differentiating the Variable Pays Across Employees or Group of Employees

The compensation structures for MRTs and MRCs shall be determined and proposed by the HR&LG, which shall ensure an appropriate balance between fixed and variable pay, while considering various factors including the following as an illustrative list:

1. Whether the individual is an MRT or MRC;
2. Position within the organisation;
3. Roles and responsibilities;
4. Risk alignment (i.e. the higher the risks undertaken the more shall be the variable remuneration); and
5. Performance against financial as well as non-financial objectives and KPIs, including risk-adjusting factors.

Types of Employees Considered as Material Risk Takers (MRTs) and Material Risk Controller (MRCs)

The inclusion criteria has been developed in accordance with the guidelines and applicable best practices and subject to approval by the BHR&NC. The inclusion criteria comprises of two sections; namely the qualitative and quantitative MRT/MRC inclusion criteria.

Qualitative inclusion criteria

The following qualitative criteria shall be applied for identification of MRTs and MRCs:

1. President and CEO, or any other equivalent position;
2. Members of the Management Team, i.e. reporting directly to the President/CEO, and the BoD or any Board Committee
3. Members of critical Management Committees;
4. Heads of critical functions responsible for managing business, risks and controls, that may subject the Bank to significant risks; and
5. Country Heads of overseas branches unless the related branch is subject to similar remuneration regulations in the host country.

Quantitative inclusion criteria

Quantitative inclusion criteria includes:

1. Credit Risk
2. Market Risk
3. Operational Risk
4. Liquidity Risk

Implementing the Remuneration Measures, and their Alignment with Current and Future Risks and Performance

This is done through following steps:

1. Introduction of risk-adjusted balanced scorecards for performance evaluation of MRTs/MRCs;
2. Inclusion of another value driver in balanced scorecard categories i.e. risk adjusting factors;
3. Identification of relevant key performance indicators against each category;
4. Identification of risk adjustments (ex-ante risk adjustments);
5. Assignment of weightages;
6. Periodic review and update of risk-adjusted balanced scorecard;
7. Ratings mechanism; and
8. Application of overrides.

Responsibility Levels of the Key Executives and Directors

Compensations provided to Non-Executive Directors

In view of the SBP's amendments in Prudential Regulations G-1, vide its BPRD Circular No. 03 of 2019 dated 17th August, 2019, the Policy on Directors' Remuneration has been formulated, which was unanimously approved by the shareholders of the Bank in the 28th Annual General Meeting held on 27th March, 2020. The basis of compensation provided to the Non-Executive Directors is covered in the said policy.

Remuneration provided to the Shariah Board Members and its components

The remuneration of the Shariah Board is governed under the approved compensation policy from the Board of Directors.

Fixed and variable pay provided to Senior Executives, including CEO, MRCs and other MRTs

• Fixed Pay

For fixed pay, HR&LG shall annually drive an appropriate benchmark with external market data, in order to ensure the appropriateness of the fixed remuneration for the Bank to be able to attract and retain the relevant resources, particularly in relation to the MRTs/MRCs.

• Variable Pay

Variable remuneration takes into account the Bank's performance, the Group's performance, business unit/product's performance and individual's performance. Underachievement of financial performance, taking excessive or undue risks, customer experience, audit/internal controls/compliance issues, etc. are generally considered for determining risk-adjusted variable

remuneration. Performance-based remuneration in the form of annual or periodic bonus and sales incentives are disbursed in cash and/or share options, in accordance with the relevant HR policies and frameworks.

Basis for Payment of Bonuses and Awards to CEO, Senior Executives and MRTs/MRCs

The basis for payment of bonuses are determined keeping in view the achievement of KPIs in all value drivers.

The Bank ensures that Risk Control Function employees are remunerated independently of the functions they oversee

1. The Bank ensures provision of adequate feedback on relevant risk adjustments in the risk-adjusted balanced scorecards of MRTs/ MRCs;
2. The Bank reviews the benchmark/targets and measurement benchmarks against relevant risk adjustments, assigned within the risk-adjusted balanced scorecards to ensure alignment with the risk profile and risk appetite of the Bank; and
3. The Bank ensures timely provision of information/feedback to assist in performance evaluation against risk adjustments of MRTs/ MRCs.

Policy on vesting and deferral of variable remuneration

A certain portion of variable compensation of the CEO, key executives, MRTs/MRCs shall be subject to mandatory deferrals for a defined period, thus creating alignment between the employees' and stakeholders' interests and reinforcing that compensation is appropriately linked to longer term sustainable performance. Deferred remuneration, especially with risk adjustments, is a useful tool for improving risk-taking incentives because the amount ultimately received by employees can be made to depend on risk outcomes.

The deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the CEO, key executives, MRT/MRC. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award.

The deferred portion of the variable remuneration shall be paid to the CEO, Key Executives, MRT/MRC on vesting, proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable.

In case of malus, and where accountability has been determined in accordance with the conduct and accountability framework of the Bank, the entire or certain portion of the deferred remuneration shall be withheld and not paid to the CEO, key executives, MRT/MRC on becoming due, and will be recorded back as income in the books of accounts of the Bank.

Board of Directors - Details

S.No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Board Memberships in other Companies and Institutions
1	H.H. Sheikh Nahayan Mubarak Al Nahayan	From 07-Jul-1997 to 03-Nov-2002 (resigned) and Co-Opted on 15/01/2017	Chairman/Non-Executive Director	None	<ul style="list-style-type: none"> Chairman, Alfalah Insurance Company Ltd Chairman, Taavun (Pvt) Limited Chairman, Pakistan Mobile Communications Ltd Proprietor, Dhabi Group, UAE Chairman, Dhabi One Investment Services LLC, UAE Chairman, Dhabi Holdings PJSC, UAE Chairman, MAB Investment Inc Chairman, Salsal Petroleum LLC, UAE Director, Warid Telecom Pakistan LLC, UAE Chairman, JSC TeraBank, Georgia Chairman, Wincom Services Pakistan LLC, UAE Other entities (Ministries/NGOs, etc.) Minister of State for Tolerance in the Cabinet of UAE Honorary President, Future Rehabilitation Center, Abu Dhabi Patron, Emirates Natural History Group Chairman and Patron, Abu Dhabi Cricket Club Chairman, Emirates Cricket Board Patron and President, Abu Dhabi Music and Arts Foundation Patron, Medicins Sans Frontiers, UAE
2	Mr. Abdulla Nasser Hawaileel Al Mansoori	07-Jul-1997	Non-Executive Director	None	Chairman of the Board, Al Nasser Holdings and Group Companies: <ul style="list-style-type: none"> Al Nasser Holdings LLC Al Nasser Investments LLC Al Qahtani Investments LLC Member, Saudi Emirati Co-ordination Council Member, Economic Collaboration Committee
3	Mr. Abdull Khalil A Mutawa	07-Jul-1997	Non-Executive Director	<ul style="list-style-type: none"> Board Strategy and Finance Committee Board Audit Committee Board Risk Management Committee Board Information Technology Committee Board Human Resource, Remuneration and Nomination Committee Board Compensation Committee Board Coronavirus Crisis Management Committee 	<ul style="list-style-type: none"> Director, Abu Dhabi Commercial Bank Ltd. Chairman, Makhazen Investment Company Director, EFG Hermes Holding S. A. E. Director, Abu Dhabi National Hotels Company

S.No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Board Memberships in other Companies and Institutions
4	Mr. Khalid Mana Saeed Al Otaiba	08-Mar-2003	Non-Executive Director	<ul style="list-style-type: none"> Board Risk Management Committee Board Compensation Committee Board Audit Committee Board Strategy and Finance Committee Board Information Technology Committee Board Human Resource, Remuneration and Nomination Committee Board Coronavirus Crisis Management Committee 	<ul style="list-style-type: none"> Deputy Chairman, Al Otaiba Group of Companies Director, Alfalah Insurance Company Limited Chairman, Liwa International Investment Tourism Chairman, Royal Mirage Hotel & Resorts Ltd, Morocco Director, Ghantout International Director, EFG Hermes Holding S. A. E.
5	Mr. Efstratios Georgios Arapoglou	27-May-2015	Non-Executive Director	<ul style="list-style-type: none"> Board Audit Committee Board Strategy and Finance Committee Board Risk Management Committee Board Information Technology Committee Board Compensation Committee Board Coronavirus Crisis Management Committee 	<ul style="list-style-type: none"> Board Member, EFG Hermes Holding S. A. E. Chairman, Titan Cement International Chairman, TEN (Tsakos Energy Navigation) Limited Member Advisory Board, MBA programme of the Athens University of Economics and Business Chairman, Bank of Cyprus
6	Dr. Ayesha Khan	27-May-2018	Independent Director	<ul style="list-style-type: none"> Board Human Resource, Remuneration and Nomination Committee Board Compensation Committee Board Audit Committee Board Coronavirus Crisis Management Committee 	<ul style="list-style-type: none"> CEO and Pakistan Country Director, Acumen Pakistan Director, NRSP Microfinance Bank Director, Nasra Public Schools
7	Dr. Gyorgy Tamas Ladics	27-May-2018	Independent Director	<ul style="list-style-type: none"> Board Information Technology Committee Board Human Resource, Remuneration and Nomination Committee Board Coronavirus Crisis Management Committee 	<ul style="list-style-type: none"> Chief Executive Officer, Silverlake Symmetri
8	Mr. Khalid Qurashi	From 27-May-2015 to 26-Feb-2018 and Co-Opted on 14-May-2020	Independent Director	<ul style="list-style-type: none"> Board Audit Committee Board Strategy and Finance Committee Board Risk Management Committee Board Human Resource, Remuneration and Nomination Committee Board Coronavirus Crisis Management Committee 	<ul style="list-style-type: none"> Q Power Corporation KayTec Holdings Ltd. PitLochry Associates DMCC SIDRA Capital, Saudi Arabia
9	Mr. Atif Aslam Bajwa	From 25-Oct-2011 to 15-Jul-2017 and Co-Opted on 19-Feb-2020	CEO/Executive Director	<ul style="list-style-type: none"> Board Strategy and Finance Committee Board Risk Management Committee Board Information Technology Committee Board Coronavirus Crisis Management Committee 	<ul style="list-style-type: none"> Board Member, Alfalah Insurance Company Limited Board Member, PIA Investments Limited and its below subsidiaries; <ul style="list-style-type: none"> Roosevelt Hotel Corporation N. V. Minhal France S. A. Avant Hotels (Pvt) Limited Board Member, Pakistan International Airlines Corporation Limited

Shariah Board - Details

S.No.	Name of Shariah Board Members	Date of Joining/ Leaving the Board	Designation	Relationship with other Banks
1	Dr. Khalil Ahmad Aazami	10-Jan-2015	Chairman, Shariah Board	<ul style="list-style-type: none"> Member, Shariah Board, Faysal Bank Limited Member, Shariah Board, National Bank Limited
2	Mufti Muhammad Mohib ul Haq Siddiqui	10-Jan-2015	Member, Shariah Board	<ul style="list-style-type: none"> Chairman, Shariah Board, Faysal Bank Limited Member, Shariah Board, Bank AL Habib Limited
3	Mufti Ovais Ahmed	10-Jan-2015	Resident Member, Shariah Board	<ul style="list-style-type: none"> None

Directors' Participation in Board and Board Committees Meetings

2020								
Name of Director	Board of Directors Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource, Remuneration and Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Coronavirus Crisis Management Committee Meetings	Board Compensation Committee Meetings
Total meetings held	6	6	6	5	5	4	4	Nil
Number of Board and Board Committees meetings attended								
HH Sheikh Nahayan Mabarak Al Nahayan	6	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	5	N/A	N/A	N/A	N/A	N/A	N/A	-
Mr. Abdulla Khalil Al Mutawa	6	6	6	5	5	4	4	-
Mr. Khalid Mana Saeed Al Otaiba	6	6	6	5	5	4	4	-
Mr. Efstratios Georgios Arapoglou	6	6	6	N/A	5	4	4	-
Dr. Ayesha Khan	6	6	N/A	5	N/A	N/A	4	-
Dr. Gyorgy Tamas Ladics	6	N/A	N/A	5	N/A	4	4	-
Mr. Khalid Qurashi*	3	3	4	2	3	N/A	1	-
Mr. Atif Aslam Bajwa*	4	N/A	5	N/A	4	3	4	-
Mr. Shehzad Naqvi**	1	2	1	1	1	N/A	N/A	-
Mr. Nauman Ansari**	1	N/A	1	N/A	1	1	N/A	-

*Appointed/Co-opted during the year.

**Resigned during the year.

2019							
Name of Director	Board Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource, Remuneration and Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Compensation Committee Meetings
Total meetings held	5	6	6	5	6	4	2
Number of Board and Board Committees meetings attended							
HH Sheikh Nahayan Mabarak Al Nahayan	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	5	6	6	5	6	4	2
Mr. Khalid Mana Saeed Al Otaiba	5	6	6	5	6	4	2
Mr. Efstratios Georgios Arapoglou	5	6	6	N/A	6	4	2
Mr. Shehzad Naqvi	4	5	5	4	5	N/A	N/A
Dr. Ayesha Khan	5	6	N/A	5	N/A	N/A	2
Dr. Gyorgy Tamas Ladics	5	N/A	N/A	5	N/A	4	N/A
Mr. Nauman Ansari	5	N/A	6	N/A	6	4	N/A

Shariah Board Committee Meetings

S.No.	Name of Director	Shariah Board meetings held/attended
Total meetings held		4
1	Dr. Khalil Ahmad Aazami	4
2	Mufti Muhammad Mohib ul Haq Siddiqui	4
3	Mufti Ovais Ahmed	4

Management's Responsibility towards Financial Statements and Directors' Compliance Statement

The Bank's Management is aware of its responsibility towards the preparation and presentation of financial statements. The Directors of the Company confirm that:

- The financial statements, that have been prepared, fairly represent the state of affairs of the Bank, the result of its operations, comprehensive income, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates, and are based on reasonable and prudent business judgment.
- International Financial Reporting Standards (IFRS), as adopted by the SECP and applicable to the banks in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.
- The system of Internal Controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance.

Adoption and Statement of Adherence with the International Integrated Reporting Framework

Scope and Purpose

The primary purpose of this report is to establish a communication with our stakeholders about how the Bank's strategy, governance, performance and prospects, in the context of external environment, lead to the creation of value to achieve short, medium and long-term objectives.

Responsibility of the Report

It is the Management's responsibility for the preparation, presentation and integrity of the integrated report. The report has been presented in accordance with the International Integrated Reporting Framework.

The Value Creation Process

The Board has created an appropriate oversight structure to support the ability of the Management to create value through core business activities. Value is created through an organisation's business model, which takes inputs from the capitals and transforms them through business activities and interactions to produce outputs and outcomes that, over a short, medium and long-term, create value for the organisation, its stakeholders, society, and the environment. The capitals, from which the business model takes inputs, are identified as financial, manufactured, intellectual, human, social and relationship, and natural capital.

Content Elements Incorporated in our Annual Report

Organisational Overview, Business Model and External Environment

Bank Alfalah Limited (BAFL) is incorporated as a commercial bank with operations in Pakistan, Middle East and Asia Pacific. The Bank is listed on the Pakistan Stock Exchange (PSX). It operates under the directives issued by the State Bank of Pakistan (SBP), the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange (PSX).

Governance

The Board of Directors (BoD) governs and sets out the strategic objectives for the Bank. BoD has assigned the responsibilities for daily operations to the Senior Management.

Stakeholder Relationship and Engagement

The Bank effectively manages the expectations of its stakeholders. Managing relationship with them is one of our key priorities.

Sustainability and Corporate Social Responsibility

Besides focusing on business objectives, the Bank focuses towards establishing a sustainable, safe and healthier environment. The Bank also considers caring for the community as its prime responsibility.

Risks and Opportunities

The Bank operates in an environment where it is subject to Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Environmental Risk. The Bank has mitigating strategies in place to address these risks, and effectively protects the capitals against the odds of these risks.

Strategy and Resource Allocation

The Bank has short, medium and long-term strategic objectives in place. These are to maximise shareholders' value, sustainable returns and exceed shareholders' expectations. We plan our resources to achieve these objectives.

Performance and Position

The Bank measures its performance and position against Key Performance Indicators (KPIs). The Bank has been performing impressively well in terms of growth year-on-year. During the year 2019, Bank Alfalah was recognised as 'The Best Bank' and 'The Best Customer Franchise' at the Pakistan Banking Awards. These awards are testimony to the hard work, enthusiasm, zeal and commitment of our people, and our commitment to achieve excellence in customer service.

Outlook

Challenges and uncertainties to which the Bank may be exposed are government's fiscal measures, including monetary policy, geopolitical situation, law and order situation, inflation, and taxation. We track key metrics, which might affect our performance and take corrective measures to maintain our market standing, protecting the capitals and providing a maximum return to the shareholders.

Excellence in Corporate Reporting

The Corporate Reporting Framework comprises of International Financial Reporting Standards (IFRS), Islamic Financial Accounting Standards (IFAS), Companies Act, 2017, Banking Companies Ordinance, 1962, and the directives issued by the SBP and the SECP. The reporting calendar of the Bank and its subsidiaries is January to December. The External Auditor of the Bank is M/s EY Ford Rhodes. Key matters relating to the current year have been disclosed in the External Auditors' Report. The period for which this report has been prepared is year ended 31st December, 2020.

Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: **Bank Alfalah Limited ('the Bank')**
Year ended: **31st December, 2020**

The Bank has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('Code/Regulations') in the following manner:

1. The total number of Directors are nine:
 - a. Male: **Eight**
 - b. Female: **One**
2. The composition of Board is as follows:
 - i. Independent Directors: **Three**
(including one female Director)
 - ii. Other Non-Executive Directors: **Five**
 - iii. Executive Directors: **One**
3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank;
4. 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;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording, and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
9. The Bank has arranged Directors' Training Programme for its Directors in prior years wherein four Directors of the

Bank have completed certification of Director's Training Programme. The other Directors stand exempted, as per criteria mentioned in the Code;

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed/reconstituted the committees comprising of members given below:

A) Board Audit Committee

1. Mr. Khalid Qurashi, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Mr. Efstratios Georgios Arapoglou, Member
5. Dr. Ayesha Khan, Member

B) Board Strategy and Finance Committee

1. Mr. Abdulla Khalil Al Mutawa, Chairman
2. Mr. Khalid Mana Saeed Al Otaiba, Member
3. Mr. Efstratios Georgios Arapoglou, Member
4. Mr. Khalid Qurashi, Member
5. Mr. Atif Aslam Bajwa, Member

C) Board Risk Management Committee

1. Mr. Khalid Mana Saeed Al Otaiba, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Qurashi, Member
4. Mr. Efstratios Georgios Arapoglou, Member
5. Mr. Atif Aslam Bajwa, Member

D) Board Information Technology Committee

1. Dr. Gyorgy Tamas Ladics, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Mr. Efstratios Georgios Arapoglou, Member
5. Mr. Atif Aslam Bajwa, Member

E) Board Human Resource, Remuneration and Nomination Committee

1. Dr. Ayesha Khan, Chairperson
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Dr. Gyorgy Tamas Ladics, Member
5. Mr. Khalid Qurashi, Member

F) Board Compensation Committee

1. Dr. Ayesha Khan, Chairperson
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Mr. Efstratios Georgios Arapoglou, Member

6. Dr. Gyorgy Tamas Ladics, Member

7. Mr. Atif Aslam Bajwa, Member

G) Board Coronavirus Crisis Management Committee

1. Mr. Efstratios Georgios Arapoglou, Chairman
2. Mr. Khalid Mana Saeed Al Otaiba, Member
3. Mr. Abdulla Khalil Al Mutawa, Member
4. Mr. Khalid Qurashi, Member
5. Dr. Ayesha Khan, Member

13. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committee for compliance;

14. Number of meetings held during the year are as follows. 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;

Name of Committee	No. of Meetings held during the year, 2020
Board Audit Committee	Six
Board Strategy and Finance Committee	Six
Board Risk Management Committee	Five
Board Information Technology Committee	Four
Board Human Resource, Remuneration and Nomination Committee	Five
Board Compensation Committee	None
Board Coronavirus Crisis Management Committee	Four

15. The Board has setup an effective Internal Audit Function, which is considered suitably qualified, experienced for the purpose and are conversant with the policies and procedures of the Bank;

relatives (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Bank;

16. The statutory auditors of the Bank 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 registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan, and that they and the partners of the firm involved in the audit, are not close

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Atif Aslam Bajwa
President and Chief Executive Officer

H.H. Sheikh Nahayan Mubarak Al Nahayan
Chairman

Karachi
3rd February, 2021

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('the Regulations') prepared by the Board of Directors of Bank Alfalah Limited ('the Bank') for the year ended 31st December, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations, and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and Internal Controls systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' Statement of Internal Controls 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 Regulations require 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, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Bank for the year ended 31st December, 2020.

EY Ford Rhodes
Chartered Accountants

Karachi
12th February, 2021

Statement of 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 31st December, 2020.

The Board of Directors has defined the role of the Board's Audit Committee (BAC) and Senior Management to establish and maintain an adequate and effective system of Internal Controls and every endeavour is made to implement sound control procedures and to maintain a suitable control environment.

The Bank's Internal Controls Policy outlines the understanding of the overall Control Objectives, the Bank's Controls Framework as well as our approach towards implementation of Controls Framework. Bank Alfalah Control Framework is built on the lines of globally recognised 'Three Line of Defence Model' in which Business/Support Unit serves as First Line of Defence, the various Risk, Controls and Compliance Oversight Functions are serving as Second Line of Defence, while Independent Assurance is the Third (Audit and Inspection Group) Line of Defence.

The Control Framework focuses on devising policies and procedures that outline control activities so that process owners perform their functions without any risk exposure. This aspect is further evaluated and monitored through various organisational functions, part of Risk Management, Compliance, Internal Controls, etc.

The Board of Directors have instituted an effective Audit and Inspection Group, 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 overall Internal Controls system. Furthermore, observations and weaknesses pointed out by the Bank's External and Internal Auditors are also addressed promptly and necessary steps are taken by the Management to eliminate such weaknesses.

The Bank's Compliance and Controls Committee, which comprises of CEO and Senior Executives of the Bank has been entrusted with enhanced governance and monitoring as part of the overall Control Environment. There is a Process Improvement Committee (PIC) comprising of Senior Executives, which, as part of regular periodic evaluations, considers improvements to and changes required in policies and procedures. Recommendations from stakeholders, such as Risk, Operations, Compliance, Shariah and Internal Audit are sought as part of such exercises.

The Bank has an online Internal Controls Dashboard for centralised monitoring of controls. It serves as a mean to enhance entity wide coverage of control risk exposure through timely identification of operational and regulatory risks including control breaches at the branches and other functions. It assists in instant closure/rectification of issues preventing the Bank from financial and reputational losses. It helps to analyse major control gaps, devise corrective action plan and develop training plans for the staff. ICD dashboard has been a game changer as it has transformed the whole spectrum of controls and compliance monitoring from sample based periodic reviews of selected entities to continuous monitoring of key risk areas with coverage of entire population. Comprehensive reviews of KYC, AML, and other critical regulatory areas were triggered based on the alerts and exceptions generated from the dashboard. Anomalies identified as a result of these reviews were conveyed to the concerned stakeholders for taking necessary remedial measures, which significantly improved the controls environment of the Bank.

The Bank follows the SBP Guidelines on Internal Controls, including guidelines pertaining to Internal Control over Financial Reporting (ICFR). In order to ensure consistency in the process of compliance with the relevant guidelines, the Bank has followed the SBP's stage-wise implementation roadmap. Accordingly, the Bank has developed an ICFR Governance Framework, completed a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design and development of remediation plans for the gaps. 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 during the year.

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.

In accordance with the SBP directives, the Bank's External Auditors were engaged for annual ICFR review till 2019. From 2020 onwards, pursuant to an exemption granted by the SBP waiving External Auditors' Review, the Bank has engaged its Internal Audit Function to provide the Management with a Long Form Report on the efficacy of ICFR, which, as per the SBP's directives, would then be submitted to the Board Audit Committee and the State Bank of Pakistan.



Management's Evaluation on Effectiveness of Control Framework

The system of Internal Controls is designed to manage rather than eliminate the risk of 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 Controls is considered reasonable in design and is being effectively implemented and monitored. There is continuous improvement in the Bank's Control Environment as well as new technological solutions, as described above. Based on the work performed, the Management identifies 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 endeavour to further enhance its Internal Controls design and assessment process in accordance with the industry best practices.

The Board of Directors has duly endorsed Management's evaluation of Internal Controls, including ICFR, in the Directors' Report.

For and behalf of the Board,

Atif Aslam Bajwa

President and Chief Executive Officer

Karachi

3rd February, 2021

Additional Disclosures

The following disclosures have been made in addition to BCR criteria.

1. Internal Controls over Financial Reporting (ICFR)

The Board, through its Board Audit Committee, is responsible for maintaining and reviewing the effectiveness of Risk Management and Internal Controls systems, and for determining the aggregate level and types of risks the Bank is willing to take in achieving its strategic objectives.

To meet this requirement and to discharge its obligations under the SBP's regulations, procedures have been designed for safeguarding assets against unauthorised use or disposal, for maintaining proper accounting records, and for ensuring the reliability of controls and usefulness of financial information used within the business, or for publication.

These procedures provide reasonable assurance against material misstatement, errors, losses, or fraud. They are designed to provide effective Internal Controls within the Bank. The procedures have been in place throughout the year and up to the date of approval of these annual financial statements 2020.

The long form report, issued by the External/Internal Auditors, is submitted to the Board Audit Committee and State Bank of Pakistan for tracking and information. Further, the quarterly progress report on ICFR is submitted to the Control and Compliance Committee and Board Audit Committee. Pursuant to an exemption received from the SBP for External Auditors' Long Form Report, Internal Audit will issue an assessment report on ICFR from 2020 and onwards.

2. Long-term Viability and Going Concern

The Management has assessed the Bank's viability to continue as a going concern, taking into account its current financial position, business prospects and principal risks. As part of this assessment, key factors considered are:

- Long-term business and strategic plans;
- Risk profile and risk management practices, including the processes by which risks are identified and mitigated;
- Results of internal and regulatory stress tests;
- Liquidity and funding profile; and
- The wider political, economic and regulatory environments, including the uncertain geopolitical outlook.

Based on internal assessment, the Management has a reasonable expectation that the Bank will be able to continue its operations and meet its liabilities as they fall due.

3. Key Financial and Non-Financial Performance Measures

The Management believes that key performance measures included in this Annual Report provide valuable information to the readers of the financial statements. This enables identification of a more consistent basis for comparing the businesses' performance between financial periods, and provides additional elements of performance, which the business managers are most directly able to influence, or are relevant for an assessment of the business groups. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the Management.

Please refer to the Performance and Position section of this Annual Report for these performance measures.

4. Customer Grievances Handling Mechanism

Customer grievance handling is covered as part of the Stakeholders section of this Annual Report.

5. Climate Change and Steps Taken by the Bank

Climate change and steps taken by the Bank is included in the Sustainability section of this Annual Report.

6. Material Outsourcing Arrangements

Material outsourcing is disclosed in the Stakeholders section of this Annual Report.

7. Remuneration Framework and Related Disclosures

Remuneration Framework is covered as part of the Governance section of this Annual Report.



PERFORMANCE AND POSITION



Highlights

Rs. **91**_{Bn}

EQUITY

Rs. **1,385**_{Bn}

TOTAL ASSETS

Rs. **882**_{Bn}

DEPOSITS

Rs. **601**_{Bn}

GROSS
ADVANCES

Rs. **18**_{Bn}

PROFIT
BEFORE TAX

Rs. **10**_{Bn}

PROFIT
AFTER TAX

Rs. **57**_{Bn}

REVENUE

Rs. **32**_{Bn}

OPERATING
EXPENSES

11.55%

RETURN ON
EQUITY

0.87%

RETURN ON
ASSETS

Rs. **5.89**

EARNING
PER SHARE

Rs. **4.00**

DIVIDEND
PER SHARE

AA+ (long term)
A1+ (short term)

CREDIT
RATING

STABLE

OUTLOOK

25,000+
(Branches: 730)

TOUCHPOINTS

10,755

NUMBER OF
EMPLOYEES

Analysis of Financial and Non-financial Performance

Prospects of the Entity including Financial and Non-Financial Measures

Bank Alfalah is one of the fastest growing banks in Pakistan. Going forward, the Bank is well-positioned towards leading the way to become the most digitally advanced bank in Pakistan. We aim to extend our outreach through a broader distribution footprint, digitised front channels and back-end processes. The Bank's focus remains on nurturing human capital. The Bank shall continue to invest in its people through extensive trainings and development initiatives.

Financial Measures

The Bank takes into account financial measures, while arriving at future projections. Targets defined against the following broad financial measures:

- **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 such 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 needs to be managed effectively, as this has a direct impact on earnings. A robust risk assessment mechanism is essential to maintain quality of the advances portfolio.
- **Investments:** The Bank depending on the interest rate forecasts manages its bonds and T-bill portfolio to maximise return.
- **Business Volume:** Business volume refers to the application of bank's resources to cater to customers' demands. This incorporates new-to-business customer deposits and 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 major breakthrough in terms of escalating business volumes.
- **Cost to Income Ratio:** The Bank continues to

prioritise cost efficiency. Centralisation of expenses and removal of redundancies remains a key initiative towards cost control.

- **Returns on Earning Assets (ROEA):** The ROEA depicts the ability of bank's earning assets to generate income. This is often the result of sound management policies as well as the bank'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, and interest paid out on deposits and borrowings is prudently managed for all sources and uses of funds.
- **Return on Equity:** Return on equity remains a key measure to assess returns for the Bank's shareholders.

Non-Financial Measures

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 recognises 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 framework
- Corporate image
- Stakeholders' engagement
- Brand preference
- Relationship with customers and business partners
- Employee satisfaction and well-being
- Responsibility towards the society
- Environmental protection
- SBP inspection rating and effective internal control

Performance versus Budget

The bank performed well against the budget and surpassed profitability targets despite Covid-19 slowdown.

- NII remained marginally higher than the budget due to better earning assets volumes despite interest rate cut;



- NFI was higher than the budget due to capital gain realized on federal government securities despite lower fee commission income which got impacted due to regulatory waivers and lower transactions volume; and
- Operating expenses remained within budget due to reduced branch activity during Covid and lower customer promotion.

Performance versus last year

Bank's performance versus last year is covered in the Directors' report.

Objectives to assess stewardship of management

The Bank operates with a long-term objective of maximising shareholder value and sustainable returns. Various short and medium objectives have been defined to achieve this long-term objective. The management of the Bank regularly monitors the performance against these objectives and it remains committed to operate in an effective, efficient, secured and compliant manner while ultimately aiming at protecting shareholders' interests.

Future prospects about the profitability

Future prospects on bank's profitability is covered in the Outlook section of the Annual Report.

Significant Transactions and Events

There were no transactions and events during the year that adversely affected financial position and performance of the bank.

Graphical Presentation

Total Assets (Rs. in Bn)

2020	1,385
2019	1,065
2018	1,006
2017	999
2016	930
2015	918

Shareholders' Equity (Rs. in Bn)

2020	91
2019	88
2018	76
2017	66
2016	60
2015	53

Deposits* (Rs. in Bn)

2020	882
2019	782
2018	703
2017	645
2016	635
2015	637

Advances - net* (Rs. in Bn)

2020	577
2019	511
2018	502
2017	401
2016	379
2015	334

Investment - net* (Rs. in Bn)

2020	547
2019	299
2018	278
2017	401
2016	389
2015	423

Revenue (Rs. in Bn)

2020	57
2019	55
2018	42
2017	39
2016	38
2015	37

Operating Expenses (Rs. in Bn)

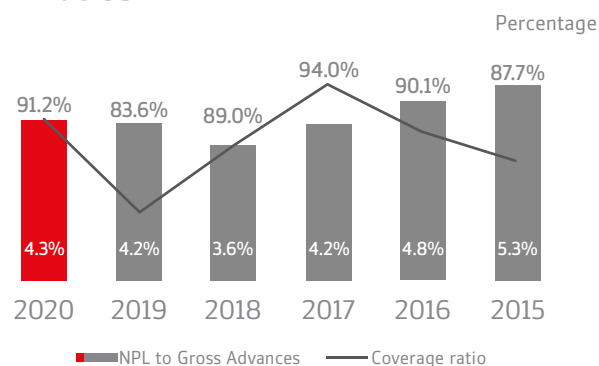
2020	32
2019	30
2018	25
2017	25
2016	24
2015	22

Profit After Tax (Rs. in Bn)

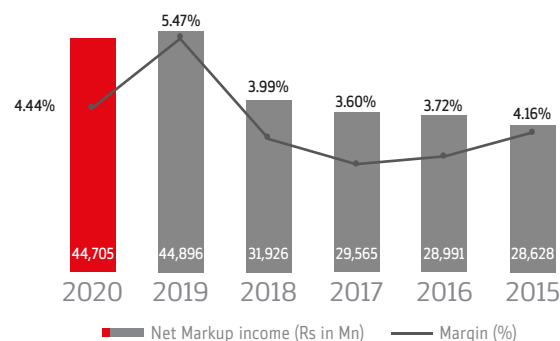
2020	10
2019	13
2018	11
2017	8
2016	8
2015	8

* For 2017 & 2018, Assets and Liabilities for the Bank's Afghanistan Operations have been presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale status, during 2019, such balances are being reported under their historical line items.

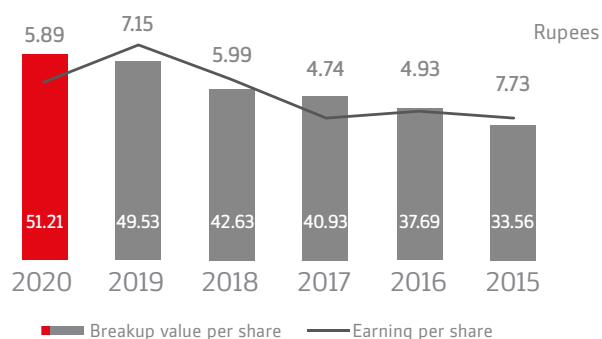
NPL Ratios



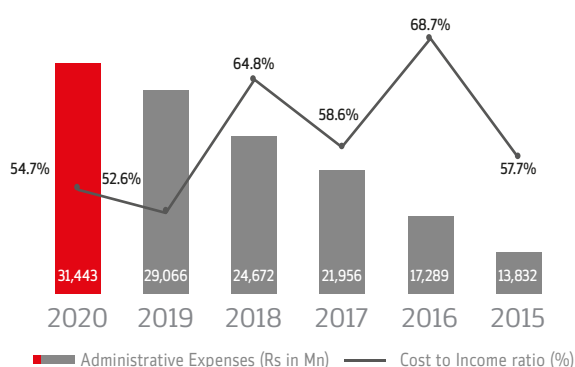
Net Markup Income and Margins



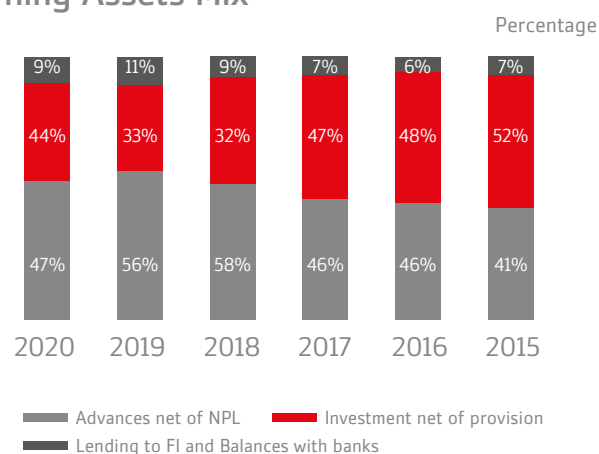
Earnings and Breakup Value Per Share



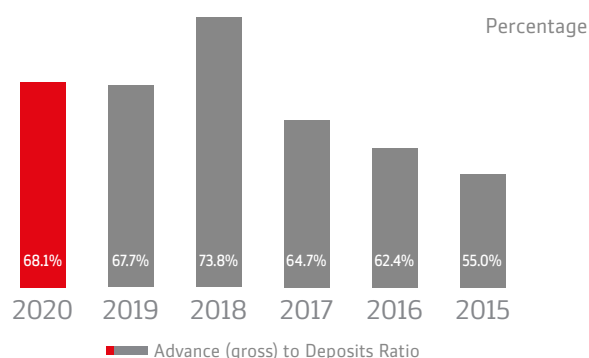
Administrative Expenses and Cost to Income Ratio



Earning Assets Mix *



Advances to Deposits Ratio *



* For 2017 & 2018, Assets and Liabilities for the Bank's Afghanistan Operations have been presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale status, during 2019, such balances are being reported under their historical line items.

Six Years Financial and Non-financials Summaries

		2020	2019	2018	2017	2016	2015
Profit & Loss Account							
Mark-up/return/interest earned	Rs. Mn	92,616	92,519	59,672	56,920	57,144	61,439
Mark-up/return/interest expensed	Rs. Mn	47,911	47,623	27,746	27,354	28,153	32,811
Non-Fund based income	Rs. Mn	12,795	10,357	10,431	9,381	8,907	8,860
Total Income	Rs. Mn	57,499	55,253	42,357	38,946	37,898	37,488
Operating Expenses	Rs. Mn	32,032	29,843	24,713	25,425	23,802	22,286
Operating Profit before tax and provision	Rs. Mn	25,468	25,410	17,645	13,522	14,096	15,202
Provision and write-offs - net	Rs. Mn	7,589	3,029	27	(523)	1,073	2,599
Profit before tax	Rs. Mn	17,878	22,382	17,618	14,045	13,023	12,603
Profit after tax	Rs. Mn	10,475	12,696	10,625	8,367	7,900	7,522
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	17,772	17,772	17,744	16,076	15,952	15,898
Reserves	Rs. Mn	27,680	26,046	23,051	18,157	15,896	14,164
Unappropriated Profit	Rs. Mn	35,057	32,843	27,470	24,253	17,307	12,363
Surplus on revaluation of assets - net of tax	Rs. Mn	10,509	11,367	7,383	7,315	10,970	10,928
Shareholders' equity	Rs. Mn	91,017	88,028	75,647	65,800	60,125	53,353
Total Assets	Rs. Mn	1,384,874	1,065,311	1,006,218	998,828	929,645	918,404
Earning Assets	Rs. Mn	1,231,771	901,960	855,072	860,123	811,546	808,641
Gross Advances	Rs. Mn	600,899	529,971	518,392	417,182	395,863	350,351
Advances - net of Provision	Rs. Mn	577,316	511,236	501,636	400,655	378,720	334,159
Non Performing Loans	Rs. Mn	25,860	22,417	18,822	17,579	19,019	18,455
Investments - at Cost	Rs. Mn	541,819	295,103	279,135	398,188	381,458	419,329
Investments - Net	Rs. Mn	547,090	299,098	277,660	400,733	389,093	423,100
Total Liabilities	Rs. Mn	1,293,856	977,284	930,571	933,028	869,520	865,051
Deposits & Other Accounts	Rs. Mn	881,767	782,284	702,895	644,985	634,740	636,863
Borrowings	Rs. Mn	314,960	102,842	123,738	207,194	178,311	172,393
Cash Flow Summary							
Cash and cash equivalents at the beginning of the year	Rs. Mn	135,054	100,501	93,421	88,751	93,596	65,879
Cash flow from Operating Activities	Rs. Mn	204,046	80,947	(142,470)	30,800	(29,344)	103,453
Cash flow from Investing Activities	Rs. Mn	(205,800)	(37,948)	146,470	(22,993)	27,665	(72,611)
Cash flow from Financing Activities	Rs. Mn	(14,845)	(8,447)	3,080	(3,137)	(3,166)	(3,127)
Increase in cash and cash equivalents	Rs. Mn	(16,600)	34,553	7,080	4,670	(4,845)	27,715
Cash and cash equivalents at the end of the year	Rs. Mn	118,455	135,054	100,501	93,421	88,751	93,596
Trade							
Imports - Volume	Rs. Mn	570,337	553,791	563,947	509,036	415,187	400,879
Exports - Volume	Rs. Mn	251,140	283,952	248,159	194,993	199,230	211,785
Others							
No of Branches		730	698	649	638	639	653
No of Employees		10,755	10,234	8,530	7,849	7,808	7,565

Notes:

(1) Prior year comparative information has been re-classified and re-arranged, wherever necessary to facilitate comparison.

(2) For 2017 and 2018, Assets and Liabilities for the Bank's Afghanistan Operations have been presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale status, during 2019, such balances are being reported under their historical line items.

Six Years Vertical Analysis

Statement of Financial Position

Assets

	2020 Rs in Mn	%	2019 Rs in Mn	%	2018 Rs in Mn	%	2017 Rs in Mn	%	2016 Rs in Mn	%	2015 Rs in Mn	%
Cash and balances with treasury banks	99,348	7%	100,732	9%	82,408	8%	70,381	7%	74,071	8%	62,369	7%
Balances with other banks	6,234	0%	4,710	0%	3,875	0%	3,754	0%	9,373	1%	16,552	2%
Lendings to financial institutions	77,306	6%	71,435	7%	62,172	6%	48,896	5%	30,149	3%	27,626	3%
Investments - net	547,090	40%	299,098	28%	277,660	28%	400,733	40%	389,093	42%	423,100	46%
Advances - net	577,316	42%	511,236	48%	501,636	50%	400,655	40%	378,720	41%	334,159	36%
Operating fixed assets and Intangibles assets	32,261	2%	30,344	3%	19,556	2%	17,628	2%	18,133	2%	17,242	2%
Deferred tax assets	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Assets held for sale	-	0%	-	0%	23,589	2%	26,821	3%	-	0%	-	0%
Other assets	45,319	3%	47,756	4%	35,321	4%	29,959	3%	30,106	3%	37,356	4%
	1,384,874	100%	1,065,311	100%	1,006,218	100%	998,828	100%	929,645	100%	918,404	100%

Liabilities

Bills Payable	22,571	2%	17,169	2%	35,988	4%	20,883	2%	19,091	2%	13,059	1%
Borrowings	314,960	23%	102,842	10%	123,738	12%	207,194	21%	178,311	19%	172,393	19%
Deposits and other accounts	881,767	64%	782,284	73%	702,895	70%	644,985	65%	634,740	68%	636,863	69%
Subordinated debt	7,000	1%	11,987	1%	11,989	1%	4,991	0%	8,318	1%	9,983	1%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	1,361	0%	3,451	0%	2,071	0%	3,154	0%	2,650	0%	1,824	0%
Liabilities directly associated with the assets held for sale	-	0%	-	0%	20,435	2%	24,759	2%	-	0%	-	0%
Other Liabilities	66,197	5%	59,550	6%	33,455	3%	27,063	3%	26,410	3%	30,929	3%
	1,293,856	93%	977,284	92%	930,571	92%	933,028	93%	869,520	94%	865,051	94%

Net Assets

	91,017	7%	88,028	8%	75,647	8%	65,800	7%	60,125	6%	53,353	6%
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Represented By:

Authorized Capital	23,000		23,000		23,000		23,000		23,000		23,000	
Share capital	17,772	1%	17,772	2%	17,744	2%	16,076	2%	15,952	2%	15,898	2%
Reserves	27,680	2%	26,046	2%	23,051	2%	18,157	2%	15,896	2%	14,164	2%
Unappropriated profit	35,057	3%	32,843	3%	27,470	3%	24,253	2%	17,307	2%	12,363	1%
Surplus on revaluation of fixed assets - net of tax	10,509	1%	11,367	1%	7,383	1%	7,315	1%	10,970	1%	10,928	1%
	91,017	7%	88,028	8%	75,647	8%	65,800	7%	60,125	6%	53,353	6%

Profit & Loss Account

Mark-up/return/interest earned	92,616	88%	92,519	90%	59,672	85%	56,920	86%	57,144	87%	61,439	87%
Mark-up/return/interest expensed	(47,911)	-45%	(47,623)	-46%	(27,746)	-40%	(27,354)	-41%	(28,153)	-43%	(32,811)	-47%
Net mark-up/interest income (NMR)	44,705	42%	44,896	44%	31,926	46%	29,565	45%	28,991	44%	28,628	41%
Non mark-up/interest Income	12,795	12%	10,357	10%	10,431	15%	9,381	14%	8,907	13%	8,860	13%
Total income	57,499	55%	55,253	54%	42,357	60%	38,946	59%	37,898	57%	37,488	53%
Non mark-up/interest expenses	(32,032)	-30%	(29,843)	-29%	(24,713)	-35%	(25,425)	-38%	(23,802)	-36%	(22,286)	-32%
Net mark-up/interest income before provisions	25,468	24%	25,410	25%	17,645	25%	13,522	20%	14,096	21%	15,202	22%
Provision and Write-offs - net	(7,589)	-7%	(3,029)	-3%	(27)	0%	523	1%	(1,073)	-2%	(2,599)	-4%
Profit Before Taxation	17,878	17%	22,382	22%	17,618	25%	14,045	21%	13,023	20%	12,603	18%
Taxation	(7,403)	-7%	(9,686)	-9%	(6,993)	-10%	(5,678)	-9%	(5,123)	-8%	(5,081)	-7%
Profit After Taxation	10,475	10%	12,696	12%	10,625	15%	8,367	13%	7,900	12%	7,522	11%

Six Years Horizontal Analysis

Statement of Financial Position

Assets

	2020 Rs in Mn	%	2019 Rs in Mn	%	2018 Rs in Mn	%	2017 Rs in Mn	%	2016 Rs in Mn	%	2015 Rs in Mn	%
Cash and balances with treasury banks	99,348	-1%	100,732	22%	82,408	17%	70,381	-5%	74,071	19%	62,369	23%
Balances with other banks	6,234	32%	4,710	22%	3,875	3%	3,754	-60%	9,373	-43%	16,552	34%
Lendings to financial institutions	77,306	8%	71,435	15%	62,172	27%	48,896	62%	30,149	9%	27,626	51%
Investments - net	547,090	83%	299,098	8%	277,660	-31%	400,733	3%	389,093	-8%	423,100	30%
Advances - net	577,316	13%	511,236	2%	501,636	25%	400,655	6%	378,720	13%	334,159	13%
Operating fixed assets and Intangibles assets	32,261	6%	30,344	55%	19,556	11%	17,628	-3%	18,133	5%	17,242	10%
Deferred tax assets	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Assets held for sale	-	0%	-	-100%	23,589	-12%	26,821	100%	-	0%	-	0%
Other assets	45,319	-5%	47,756	35%	35,321	18%	29,959	0%	30,106	-19%	37,356	-6%
	1,384,874	30%	1,065,311	6%	1,006,218	1%	998,828	7%	929,645	1%	918,404	21%

Liabilities

Bills Payable	22,571	31%	17,169	-52%	35,988	72%	20,883	9%	19,091	46%	13,059	-9%
Borrowings	314,960	206%	102,842	-17%	123,738	-40%	207,194	16%	178,311	3%	172,393	212%
Deposits and other accounts	881,767	13%	782,284	11%	702,895	9%	644,985	2%	634,740	0%	636,863	6%
Subordinated debt	7,000	-42%	11,987	0%	11,989	140%	4,991	-40%	8,318	-17%	9,983	0%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	1,361	-61%	3,451	67%	2,071	-34%	3,154	19%	2,650	45%	1,824	114%
Liabilities directly associated with the assets held for sale	-	0%	-	-100%	20,435	-17%	24,759	100%	-	0%	-	0%
Other Liabilities	66,197	11%	59,550	78%	33,455	24%	27,063	2%	26,410	-15%	30,929	13%
	1,293,856	32%	977,284	5%	930,571	0%	933,028	7%	869,520	1%	865,051	22%

Net Assets

	91,017	3%	88,028	16%	75,647	15%	65,800	9%	60,125	13%	53,353	19%
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Represented By:

Share capital	17,772	0%	17,772	0%	17,744	10%	16,076	1%	15,952	0%	15,898	0%
Reserves	27,680	6%	26,046	13%	23,051	27%	18,157	14%	15,896	12%	14,164	15%
Unappropriated profit	35,057	7%	32,843	20%	27,470	13%	24,253	40%	17,307	40%	12,363	29%
Surplus on revaluation of fixed assets - net of tax	10,509	-8%	11,367	54%	7,383	1%	7,315	-33%	10,970	0%	10,928	56%
	91,017	3%	88,028	16%	75,647	15%	65,800	9%	60,125	13%	53,353	19%

Profit & Loss Account

Mark-up/return/interest earned	92,616	0%	92,519	55%	59,672	5%	56,920	0%	57,144	-7%	61,439	11%
Mark-up/return/interest expensed	(47,911)	1%	(47,623)	72%	(27,746)	1%	(27,354)	-3%	(28,153)	-14%	(32,811)	-2%
Net mark-up/interest income (NMR)	44,705	0%	44,896	41%	31,926	8%	29,565	2%	28,991	1%	28,628	31%
Non mark-up/interest Income	12,795	24%	10,357	-1%	10,431	11%	9,381	5%	8,907	1%	8,860	0%
Total income	57,499	4%	55,253	30%	42,357	9%	38,946	3%	37,898	1%	37,488	22%
Non mark-up/interest expenses	(32,032)	7%	(29,843)	21%	(24,713)	-3%	(25,425)	7%	(23,802)	7%	(22,286)	9%
Net mark-up/interest income before provisions	25,468	0%	25,410	44%	17,645	30%	13,522	-4%	14,096	-7%	15,202	-24%
Provision and Write-offs - net	(7,589)	151%	(3,029)	11283%	(27)	-105%	523	-149%	(1,073)	-59%	(2,599)	47%
Profit Before Taxation	17,878	-20%	22,382	27%	17,618	25%	14,045	8%	13,023	3%	12,603	48%
Taxation	(7,403)	-24%	(9,686)	39%	(6,993)	23%	(5,678)	11%	(5,123)	1%	(5,081)	77%
Profit After Taxation	10,475	-17%	12,696	19%	10,625	27%	8,367	6%	7,900	5%	7,522	33%

Six Years' Review of Business Performance

Balance Sheet

Total Assets

The asset base of the Bank has grown remarkably over the last 6 years and stood at Rs. 1,384.874 billion at December 2020 from Rs. 918.404 billion at December 2015, a CAGR of 8.56%. Key contributions to the increase have been through investments and advances, which are detailed below. Our strategy over the years has been to manage the asset mix in a way that maximises returns to stakeholders, while maintaining an efficient risk weighted assets (RWA) profile.

Advances

The Bank's ADR ratio stands at 68.1%, and has been consistently above the industry average over the last six years. Over the period, the Bank's gross advances grew at a CAGR of 11.39%. The Bank has continued to strengthen its risk management framework over the years with full automation, refinement of credit approval process and implementation of centralized Loan Origination System for both domestic and overseas operations.

Non-performing Loans

Owing to our branch-led model and robust credit underwriting criteria, the Bank has consistently had one of the lowest infection ratios amongst top-tier banks, while our growth trajectory in advances has been maintained. Our infection ratio has witnessed a significant drop, from 5.27% in 2015 to 4.30% in 2020 - a testimony to our focus on maintaining asset quality. The Bank's dedicated Special Assets Management Group has been able to facilitate significant recoveries over the years. Most importantly, the Bank's coverage ratio stands at 91.2% as at the close of this year.

Investments

Our investments portfolio has grown over the years and predominately concentrated in high yielding Government Securities. Due to re-profiling of the balance sheet, the investment base of the Bank has increased from Rs. 423.100 billion in 2015 to Rs. 547.090 billion at end

2020. Our equity book consists of investments in diverse companies with strong fundamentals with a view to earn stable dividends.

Deposits

The deposit base of the Bank has continued to grow over the last six years, which has supported the balance sheet growth indicated above. Total Deposits have increased from Rs. 636.863 billion in 2015 to Rs. 881.767 billion in 2020. The Bank's CASA percentage at December 2020 stands at 79.8%. Our focus remained on improving our deposit profile by expanding current account and shedding high cost deposits. The buildup in the core deposit levels positions the Bank ideally to maximize on the yield upside in its net earnings as interest rates trend upwards. The Bank enjoys a diversified product suite, with products catered to meet varying customer needs. Our focus remains on maintaining service excellence, and providing adequate returns to our depositors together with transactional convenience through our Digital Banking and Alternate Delivery Channels.

Equity

The paid-up capital of the Bank has grown from Rs. 15.898 billion in 2015 to Rs. 17.772 billion in 2020. In 2014, IFC acquired a stake of 15% in the Bank, which represented a key strategic alliance in the Bank's history. This alliance has continued to bring in synergies in technology, human resource and trade business. Furthermore, the Bank's first-ever Employee Stock Option scheme successfully ran from 2014 to 2016, in which options were granted to certain key executives and employees as approved by the Board Compensation Committee. Under the scheme, selected employees granted with options were eligible to exercise the same over the defined exercise periods, and subscribe for new shares (without rights) at an agreed discount. In 2018, the Bank issued its first ever additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments. The size of the issue was Rs. 7 billion and was oversubscribed. The proceeds from the issue contributed towards the bank's additional Tier-1 capital and utilized towards enhancement of the bank's business operations.

Dividends

Over the years, the Bank has had a consistent dividend payout stream, however, for 2015 and 2016, profit retention was also focused to increase the Bank's risk absorption capacity, and in turn facilitate greater returns over the medium to long term. The Bank's Capital Adequacy Ratio is currently above the requirement (including capital conservation buffer). The Board has recommended a payout of 20% as final dividend for the year 2020, bringing the total cash dividend for the year to Rs. 4.00 per share. The Board had earlier declared and paid interim cash dividend of Rs. 2.00 per share.

Profit and Loss Account

Income

The composition of markup income saw a shift in recent years on the back of concentration shift in the Bank's earning asset base, as referred above. The net markup income of the bank increased significantly in the last six years, supported by increase in core deposits primarily current accounts. Increase in high quality advance book led by Corporate Group helped to increase the net interest margin. Contributions from non-fund income during the last six years have supported bottom line profitability. Core fee, commission income, foreign exchange income, have all indicated growth, while capital gains on both capital and money market fronts have supplemented the NFI. Over the course of the years, key changes to our technology platform, cross-sell initiatives, branch transformation programmes, have helped the Bank deliver further transactional convenience to its customers, and have facilitated contribution from non-fund based income.

Operating Expenses

Over the years, the Bank has seen a significant transformation. The overall growth in administrative costs has primarily been on account of costs attributable to additional branches under the Bank's expansion plan, rising rentals and utility costs, and significant IT costs relating to infrastructural improvements to the core banking system and the overall technological platform including digital banking platform. However, the Bank has kept a check on these factors, and strict cost discipline measures were introduced with a focus on improving the cost to income ratio. Centralisation of various expenses and regular revisits to expenditure approval authorities were undertaken to keep costs in check. Non-recurring items continue to be tracked separately.

Cash Flow Statement

Cash Flow from Operating Activities

Cash flow from operating activities showed a positive trend in most of the years from 2015 to 2020. This is primarily due to steady growth in profitability, stable deposits and advances. Due to arbitrage opportunity available in 2015 and 2020, funds were borrowed from the inter-bank market for investment in high yielding government securities. In 2018, majority of these borrowings were replaced with deposits. Also in 2018, due to significant increase in advances, the cash flow from operating activities is negative.

Cash Flow from Investing Activities

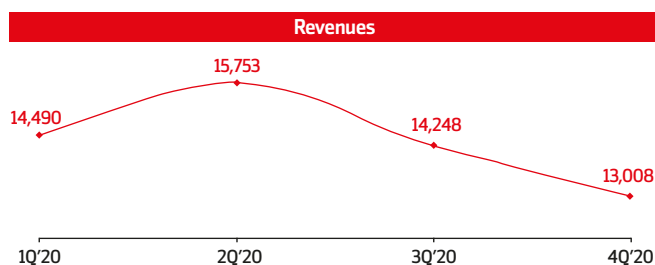
The residual funds available after loans and advances is invested in the high yielding government securities. The investment is also required to comply with the Statutory Liquidity Requirement of the State Bank of Pakistan. In all years under review the bank has increased its investment portfolio except in case of 2016, when the deposit growth was very low and in 2018, when the portfolio was re-profiled into loans and advances.

Cash Flow from Financing Activities

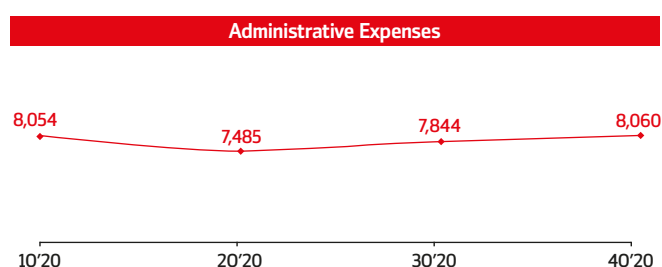
Bank Alfalah has paid steady dividend in all the year under review with the exception in 2016. The dividend payment and TFC redemptions have resulted in negative cash flow from financing activities. In 2018, the cash flow is positive due to issuance of ADT 1 instrument.

Quarterly Performance Review

	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Total
	Rupees in million				
Revenue (Net Markup Income and Non Markup Income)	14,490	15,753	14,248	13,008	57,499
Administrative Expenses	8,054	7,485	7,844	8,060	31,443
Other charges and WWF	151	167	175	96	589
Operating Profit	6,285	8,101	6,229	4,852	25,467
Provision and write-offs - net	1,528	3,261	1,490	1,310	7,589
Profit Before Tax	4,757	4,840	4,739	3,542	17,878

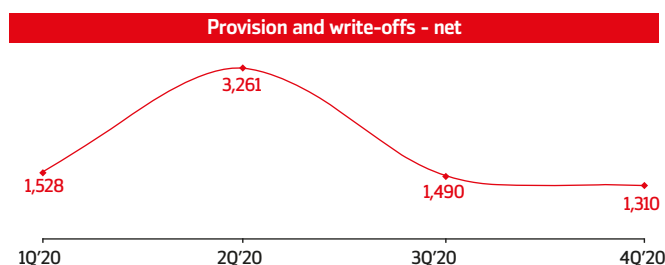


- Q1: Revenue driven by stable NII and higher FX earnings.
 Q2: NII income complemented by capital gains and FX earnings.
 Q3: Normalisation from high base achieved in Q2 and partial asset re-pricing due to 625 bps monetary easing earlier in the year.
 Q4: Revenue attrition contained despite full impact of asset re-pricing.



During Q2 and Q3, operating expenses were comparatively low on account of branch closure and lower activity due to Covid-19 restrictions.

Increase in operational activities and opening of new branches led to increase in admin expenses in Q4.



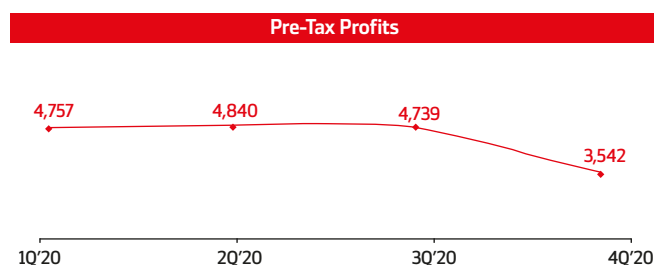
Impairment against shares

In Q1, the Bank taking cue of market volatility, prudently booked 100% impairment against shares despite relaxation allowed by SBP. The subsequent recovery in index resulted in impairment reversal during following quarters.

Provision against NPLs

The Bank booked a general provision of Rs. 4.25 billion starting from Q2 till year end against the loans which were given benefit under various SBP schemes for combating Covid-19.

In addition, the Bank subjectively downgraded various loans during the year due to credit weakening.



Segmental Review of Business Performance

Retail Banking Group

The Bank's retail business strategy concentrates on effective collaborations between various functional chains, along with sustainable growth, which remained a key pillar of the Bank's strategy. The principal focus remained on sustaining, and at the same time enhancing Bank's inherent strengths, in order to provide products and services to customers in an effective and efficient manner.

Provided below is a brief review of the various businesses under the ambit of Retail Banking Group:

Deposits

During the financial year 2020, Retail Banking Group achieved a double digit growth not only in total deposits but in current and savings deposits as well. Total deposits grew by PKR 60.5 Bn (12.3%) as compared to 2019 when the growth was PKR 27.6 Bn (5.9%). Current account however, has shown a significant growth in 2020 where it grew by PKR 32.9 Bn (13.8%) as compared to a growth of PKR 20.1 Bn (9.2%) in 2019.

Regulatory Deposit Products

Bank Alfalah launched a complete range of Roshan Digital Accounts, a one of its kind of initiative of the State Bank of Pakistan, where non-resident Pakistanis can open their bank accounts, in Current or Savings variants in seven different currencies, in Pakistan and benefit from lucrative investment options including Naya Pakistan Certificates, stock markets, real estate, etc. through a completely secure and convenient digital process.

Wealth Management

Bancassurance

Bank Alfalah increased its market share in bancassurance industry to 9.2% in FY 2020 compared to 7.7% in FY 2019. It maintained its position as the industry leader among Islamic Banks offering banca takaful solutions.

Investment Services

Bank Alfalah became the 2nd largest distributor bank of mutual funds, capturing the market share of over 21% in FY 2020.

Premier Banking

Bank Alfalah Premier has shown a significant growth since launch in 2015. With the more than 7,000 customers, the deposit book size increased to PKR 62.8 billion from PKR 48.8 billion in 2019.

SME Lending/Agricultural Financing/Trade

Given the onset of COVID-19 at the start of year, our efforts were directed towards providing maximum relief to our customers. In view of health emergency in the country due to COVID-19, Bank Alfalah in collaboration with the State Bank of Pakistan provided financing to hospitals and medical centers which were engaged in manufacturing of mask, protective dresses, testing kits, hospital beds, ventilators and other items to combat COVID-19. Furthermore, to support sustainable economic growth especially in the backdrop of challenges being faced by the industry in post-pandemic scenario, Bank Alfalah approved PKR. 647 million under Temporary Economic Refinance Facility, a concessionary refinance for setting up of new industrial units. Similarly, PKR. 6.4 billion were disbursed for payment of wages and salaries for employees of business concerns.

Consumer Finance

Consumer finance was negatively affected by the pandemic not only in terms of new acquisitions but also in terms of payment capability of borrowers. However, with steadfast and diligent efforts, we were well on our way to recovery by the second half of the year. Highlights for the year 2020 are as follows;

Cards

1. Closed at ever highest ENR;
2. Highest ever instalment sales which is an 18% increase from 2019;
3. Highest ever sales of insurance, credit line increase and card upgrades;
4. Automation and digitization on both fronts - Credit and Debit;
5. Launched Roshan Digital Account facility for Non-Resident Pakistanis (NRPs) offering free debit cards enabling the NRPs to transact from their account via online and POS terminals globally; and;
6. Successful run of the SBP Relief Program during the on-going COVID-19 pandemic.

Personal Loans

1. Closed at highest ever ENR, registering 22% YOY growth;
2. Highest-ever yearly acquisition which is a 21% increase from 2019;
3. Launched variable pricing option for Personal Loan customers, allowing enhanced convenience and repayment flexibility; and ;
4. Launched exclusive financing program with The Beaconhouse Group, offering financing of laptops to employee base of +14000.

Auto Loans

1. Highest ever volume booked in 2020 which is 34% higher YoY basis;
2. Auto Loan ENR grew by 19% during the financial year 2020;
3. With our proactive and customer centric approach we played our part well in the crisis situation of Covid19 pandemic and eased our customers by repricing 16,000 auto loans of self-employed individuals;
4. Working efficiently in line with SBP COVID relief facility, restructured loans of 650+ auto loan customers. The customers were offered features like payment holiday and principle deferment to choose from as per their convenience; and ;
5. Enhanced customer's convenience to pay installment through ALFA and IBFT activation for 1-Link customers promoting fast and contactless payment solutions under our digital expansion strategy.

Home Loans

1. Alfalah launched Alfalah Ghar Asaan product and disbursed the first case in Nov-2020;
2. In collaboration with Pakistan Mortgage Refinance Company (PMRC), launched fixed rate product for low and middle income segments and hybrid-financing product with both fixed and variable financing options; and ;
3. Launched solar products financing scheme under the name "Alfalah Green Energy" and disbursed more than PKR 70 Mn.

Corporate and Investment Banking Group

During the year, the bank remained an active participant in SBP's COVID debt relief schemes with the objective of preserving the solvency of its customer base. The Bank specifically focused on the wages refinance and loan deferment/restructuring initiatives introduced by SBP to abet medium sized enterprises, corporates and

commercial customers manage their finances through the temporary economic disruption phase.

Corporate banking is a major player in rolling out various SBP concessionary schemes, mainly temporary economic refinance facility to provide respite to borrowers, augment industrial activity and sustain private sector credit momentum. Furthermore, the Bank remains committed to facilitate its customers under the housing and construction initiatives introduced by Prime Minister Imran Khan and intends to be an active participant in the general economic upliftment of the economy.

Investment bank is also emerging as a major debt capital advisor and acted as Lead Advisor to K Electric and HUBCO for issuance of CPs and Sukuk.

Home Remittance Business of the bank has grown significantly over the last couple of years with flows doubling for the fourth year in a row. The bank's market share has increased from 0.7% in 2016 to ~10% in 2020. The growth in the remittance space is driven by superior IT platforms and dedicated customer service which have made the bank a partner of choice for major Fintech companies and global Money Transfer Operators. Another key enabler of growth has been the robust IT and customer support which has played a pivotal role during the COVID period.

The bank remains committed to contributing more towards this national cause and will continue to invest in capacity, both IT and human, to ensure overseas Pakistanis and beneficiaries continue to get best in class remittance solutions to further grow the overall remittance flowing into Pakistan via legal banking channels. We are currently one of the top five remittance payout banks and will continue to work closely with the SBP's Pakistan Remittance Initiatives (PRI) desk to promote legal remittance channels in both traditional and non-traditional markets.

Islamic Banking Group

Bank Alfalah Islamic Banking Business offers comprehensive solutions to consumers' rising demand for Islamic banking products and services. With a network of 185 branches and 1 sub-branch, it is one of the leading Islamic Banking Windows in the country.

IBG's growth strategy is focused on building low cost deposit book, which is evident from the fact, that current deposit of the group increased by 20%, improving CA mix to 48%. CASA mix stood strong at 89%. On the assets side, IBG maintained its financing exposure in all sectors, with specialized focus on high yielding consumer segment, resultantly growing consumer book by 24%.

The year 2020 was a challenging year with the pandemic causing stir to the humanity, bringing contemporary practices to halt and setting new requirements in place for the financing and banking products. The rising need of digital banking was proactively catered by Bank Alfalah Islamic with the launch of a shariah compliant variant of bank's digital app called Alfa Islamic and Islamic Roshan Digital Account. BAFL Islamic launched COVID related schemes such as Islamic Refinance Facility for Payment of Wages & Salaries, Islamic Refinance Facility for Combatting Covid-19 and Islamic Temporary Economic Refinance Facility, followed by the launch of other new product propositions including Islamic Premier Banking, Senior Citizen Account & TDR, Target Savings Account, Alfalah Islamic Ghar Asaan and Alfalah Islamic Special Foreign Currency Account.

Bank Alfalah Islamic received the mandate of Joint Financial Advisory to Ministry of Finance (MoF) for the execution of sovereign domestic Sukuks in close coordination with regulators and also structured consecutive two Islamic Commercial Papers (ICPs) for K-Electric in a row for two months.

Digital Banking Group

The year 2020 was filled with exponential growth for Bank Alfalah Digital Banking as more and more customers opted for our digital banking services.

During COVID-19, with smart lockdowns imposed across the country, people began to look for safer and more convenient ways of conducting their everyday transactions. During this time, Bank Alfalah remained resolved to offering a seamless digital experience to its customers. Bank Alfalah extended an omni-channel centric digital experience based on its strong, ever-growing suite of 125+ digital banking products and services to make banking safer and easier for its diverse range of customers including banked, under-banked and unbanked individuals, corporates, merchants and SMEs.

With Bank Alfalah's digital banking app, Alfa, customers enjoyed a unique mix of digital banking products and services to carry out their day to day, essential financial transactions such as fund transfers, bill payments, savings, wealth management, investment, lending, Bancassurance etc. Customers were also able to avail value-added services like debit card activation, debit and credit card management, loan repayments, and cheque book requests. Further, Alfa users enjoyed the convenience of a modern yet safer lifestyle with features such as online fee payments, QR payments at retail outlets, food delivery, discount vouchers, movie/bus ticket booking, chatting with other Alfa users via AlfaChat and much more.

With such unmatched offerings, Alfa managed to hit an above-industry-average user rating of 4.2 out of 5 on Google Play and 3.8 out of 5 on App Store.

Bank Alfalah aced the proximity payment landscape with over 10,000 proximity merchants. The Bank deployed its proprietary dynamic QR POS devices at most of these merchants, and to further support this proprietary-developed unique hardware, Digital Banking Group launched Alfa Business App which connects to this dynamic QR POS device, generates QR codes, shows transaction success, merchant statement and allows them to drawdown instant merchant financing without ever visiting a branch.

Bank Alfalah deployed the largest network of 220+ Cash Deposit Machines in the country, accessible 24/7, allowing customers to deposit cash in any bank account across Pakistan and make digital financial transactions using cash.

Furthermore, Bank Alfalah ensured uninterrupted financial services through alternate delivery channels for its customers with its network of 800+ ATMs in different locations of the country.

Bank Alfalah also launched the Alfa Islamic Current Account and Alfa Islamic Savings Account – two completely digital and Shariah compliant accounts which cater to customers who prefer Islamic Banking for their daily transactional and saving needs.

Digital Banking Group introduced digital investments on Alfa with the launch of Alfa Term Deposit, allowing customers to invest in Term Deposit instantly through Alfa within 10 seconds. The Bank also launched investments and redemptions in mutual funds via Alfa on a real-time basis with straight-through processing of buying and selling of units in mutual funds, generating fund's term sheets, showing current NAVs and investment portfolios.

In addition, with a wide-ranging portfolio of digital lending products, the Digital Banking Group successfully increased the financial penetration and expanded payments footprint across Pakistan, with its innovative products of Merchant Financing, Payroll Financing, Digital Overdraft, Agent Financing, Ecommerce Financings etc.

Advancing the government's initiative to digitize remittances, the Digital Banking Group enabled beneficiaries to pull the otherwise Cash-over-the-Counter transaction into their Alfa Home Remittance Account.

Alfa continued to be Pakistan's only banking app to offer an embedded marketplace experience – AlfaMall – with a great variety of products ranging from electronic appliances and mobile phones, to apparel and grocery for Bank Alfalah customers. Digital Banking Group launched Alfa Virtual Debit Card which any Alfa user can generate by themselves instantly within the Alfa app, defining the limit and expiry of their choice on the cards and use for secure online payments.

With 'Alfa Payroll Solution', the group on-boarded 180+ companies with a monthly disbursement of PKR 1.6 Billion+ as salaries into the payroll wallet accounts of blue-collar workers from leading companies such as Interloop, McDonald's, Haier, Al-Karam Textile, Cheetay Logistics, Rajby Industries and Outfitters.

Bank Alfalah enabled Pakistan's largest welfare fund distribution, registering approximately 1 Million beneficiaries under the government-led Ehsaas Kafaalat Programme, and an additional population of 1.8 Million beneficiaries hit by COVID-19 lockdowns in Khyber Pakhtunkhwa, Gilgit Baltistan and Azad Jammu and Kashmir; and successfully managed to disburse over PKR 55 Billion to 2.8 Million+ beneficiaries for Ehsaas Kafaalat Programme 2020 through a robust and transparent biometric verification-based payment solution.

Bank Alfalah continued its exclusive digital services for EOBI pension disbursement & contribution collection throughout the year, and disbursed around PKR 43 billion to a total of 460K+ pensioners in 2020, facilitating cash withdrawal from 10,000+ ATMs.

Alfa continued to be the only banking app in the industry with a P2P chatting platform, AlfaChat, wherein the users can digitally interact with other users of Alfa just like WhatsApp and also request funds transfer and mobile top-up from other friends on Alfa.

Treasury and Capital Market Group

The year 2020 had been a challenging year, both locally and globally, and effected economies due to the pandemic. In March 2020, the State Bank of Pakistan slashed the policy rate from 13.25% to 7.00% in the wake of providing stimulus package to the businesses. This action impacted Net Interest Income (NII) of the banks that had higher ADRs, including Bank Alfalah. The Treasury supported bank's overall profitability by capitalizing significant gains on fixed income securities as well as registering significant growth in the foreign exchange income.

On the Foreign Exchange side, Treasury remained one of the leading market player in the industry taking advantage of its strong sales clientele with more focused approach on SME sector of the country. Income from Dealing in Foreign Currencies in 2020 stands PKR 3.398 billion at the overall Bank level. Building upon our client centric approach and to attain market penetration, the team at both satellite treasury sales offices was increased with cross functional roles during the outgoing year.

IBG Treasury played a pivotal role in efficiently deploying the commercial surplus despite liquidity management challenges. Moreover, dedicated sales team

continued to service Islamic banking corporate, institutional and retail clientele through our wide spectrum of Shariah compliant hedging solutions.

The benchmark KSE-100 index, which mirrored the uncertainty of the COVID crisis initially, witnessed a V shape recovery, closing the year at ~43,800 from the lows of ~27,200 pts in March. The Capital Markets team taking a cue from the sharp market volatility, prudently booked 100% impairment in March 2020. The subsequent recovery in the market resulted in impairment reversal and subsequent booking of capital gains. Dividend income also improved compared to last year. Dividends received from private investments more than offset the marginal decline in dividend from listed investments.

The Investor Relations function of BAFL, managed by Capital Markets continued to engage the relevant stakeholders, which resulted in the Bank being recognized as the 'Best in Investor Relations' for the 7th year running by the CFA Society Pakistan.

Corporate Services and Operations Group

COVID-19 has transformed the world in various ways, touching every corner of the society and shaking the global economy. The Bank, like all financial institutions, is exposed to operational risk and the risk of business continuity given the situation surrounding the pandemic. Corporate Services and Operations Group implemented contact tracing, introduced online medical assistance for bank's employees and their families, devised pandemic response strategies, and drew up SLAs with key laboratories in order to enable convenient COVID-19 testing for bank's employees.

Building upon our initiatives taken in 2019, the Bank continued expanding the role of Centralized Operations. This transformation allowed us to further galvanize our controls and mitigate inherent risks while simultaneously being able to mobilize and facilitate customers. The group rolled out various processes and policies to cater to customers in the pre and post pandemic world by allowing greater facilities through non-parent branches and thereby truly offering a holistic banking experience.

Despite all the challenges, the Bank increased the number of tie-ups thereby allowing the mobilization of larger volumes of remittances, which resulted in an overall increase of approximately 66% over the previous year. The Group managed to provide full operational support for SBP's Naya Pakistan Certificates and Roshan Digital Accounts within the strict timelines provided by the regulator. The group was also instrumental in enabling the Bank perform the role of a settlement bank for NIFT-E-PAY solution, a new payment gateway.

Keeping the enhanced monitoring and focus on Trade Based Money Laundering, the group rolled out a number of technology-based solutions in order to strengthen the screening and control environment while ensuring robust regulatory reporting. The Group managed to generate income for the Bank by selling off scrap and old equipment, converting the Bank's guesthouses into self-sustaining businesses, deploying approximately 200+ ATM vestibules and completing 100+ engineering projects.

Although the year ahead will be marked by challenges and uncertainty, the group is well positioned coming into this volatile environment, with prudent management and strong execution of strategy to ensure that the Bank meets its business objectives and continues to grow.

Information Technology Group

Continually Recognized as Technology Driven Bank

Bank Alfalah Information Technology Group is in a continuous process of changing the Bank's distinctiveness as a Technology Driven bank by continuously aligning its strategy with the Bank's overall objectives. It has successfully adapted to the state-of-the-art technology in providing customer-centric services. Even with the inception of the pandemic and a change in working culture, the Bank deployed multiple technologies during the crisis, which enabled smooth transition to work-from-home for all employees of the bank.

Bringing new technological breakthroughs

Credit Card System Upgrade

Was a well-planned seamless upgrade and cutover of CardPro version 6 (Omni Platform). It was first time in the history of BAFL, that the project was deployed by the vendor from remote location led by ITG. It was a highly complex project in terms of architecture, scope, touchpoints and integration components.

Big Data initiative

Keeping up with the evolving technology industry, the Bank has placed extensive efforts in development of advanced analytics systems for extending bank's internal data with external information sources. The platform is leveraged to build analytics and machine learning models that compliment and expedite decision-making through cross-system integration.

Contact Center

Bank Alfalah Contact Center is built upon various state-of-the art OMNI channel integrations and touch-points. The contact center technology consists of market leading solutions for IVR, CRM and self service banking. The IVR channel ensures that customers can use various operations such as fund transfers, bill payments, and self-service banking in a secured and optimized manner.

The Bank also launched an SMS-based customer authentication process on inbound calls, which guarantees a robust technology platform, reduces turnaround time and improves performance efficiency. The contact center is the epicenter of digital transformation for the optimized customer relationship and potential business prospects.

Network and Infrastructure Initiative

With the overall shift in banking practices during the pandemic, Bank Alfalah adapted to secure and collaborative platforms to promote work-from-home for the entire institution. This was made possible through a highly secured and continuously monitored VPN service management system, SWIFT security controls, self-assessment, and vulnerability assessment successfully implemented as part of Role-based Access Control (RBAC).

Smart POS Solutions

Smart POS was deployed by Bank Alfalah as a terminal which allows for processing of cards and functionality for QR code scanning, merchant portal management and Electronic Cash Register (ECR) integration. Its adaption enhances merchant and customer experience through seamless POS transactions and provides a gateway to future integrated innovation in products and services. 24x7 Bank-In-A-Box and Video Teller services are also similar initiatives that work as an integrated self-service Kiosk that combines the functionalities of ATM, CDM and CCDM together in a single machine.

SBP Initiatives

Roshan Digital Account

One of the highlights of the year 2020 is the launch of Roshan Digital Account (RDA) as a State Bank of Pakistan initiative, in collaboration with other commercial banks of Pakistan. Bank Alfalah was the first bank to partner with the regulatory bodies to provide innovative banking solutions for millions of Non-Residential Pakistanis (NRPs) seeking to perform banking, payment, and investment activities in Pakistan.

Naya Pakistan Housing Scheme

The Government of Pakistan boarded on a new journey of providing housing facilities to the homeless population of the country through the Naya Pakistan Housing Scheme. Bank Alfalah is working closely with the authorities in providing a digital solution for customer financial need assessment and an automated application process. The project deploys credit scoring, decision engineer, smart contract management through Blockchain technology.

SBP Micro Payment Gateway

In collaboration with the State Bank, Bank Alfalah played an instrumental role by launching digital micro-payment infrastructure, thereby enabling customers to make real time payments. This initiative is aimed to bring a rapid gush in online payments through integration with convenient ecosystem.



Trade Portal

Bank Alfalah is the leading bank to deploy a trade portal enabling customers to initiate the requests for FX approval cases integrated with SBP Regulatory Approval System (RAS). Its implementation is intended to facilitate customers for submitting cases and receiving regulatory decisions.

Compliance and Control Group

Compliance and Control Group spent the year fine tuning the bank's robust architecture in order to ensure safeguarding the Bank's interest in these challenging times while ensuring best possible facilitation to businesses. At the heart of its effort was the enhancement of controls through automation. The Compliance Function at Bank Alfalah has put in place effective and well thought-out policies and procedures and with the help of its skilled human resources, it furnishes key advisories in many areas like high risk transactions and relationships, various products offered by the Bank, policy & procedures, correspondent banking, and overall compliance risks across the bank. The Compliance Division which is part of the group, introduced measures during the year including implementation of AML/CFT/CPF solutions such as automated Customer Risk Profiling, focused transaction monitoring and sanction screening, superior trade based transaction screening & monitoring and Vessel Tracking Systems. The Bank also subscribed to a locally enriched PEP database to enhance its risk mitigation. A number of enhancements and integrations of Bank's sanction screening system with transaction processing systems was undertaken to enhance the sanction screening controls at the Bank. Most of these initiatives are focused both on domestic and international network with a view to mitigate the financial crime risk including money laundering, terrorist financing and proliferation financing risks. The Bank also automated a number of backend processes under business process reengineering.

A key responsibility of Compliance Division is the review of policies & procedures, regulatory review of products and other communications, dissemination of regulatory instructions, facilitation of SBP Inspection Teams, and implementation of Compliance Risk Management Framework across the Bank. As part of this framework, CRM RCSA and KRI Reporting System are being launched to empower and reinforce the three lines of defense across the Bank. Compliance Division launched a Regulatory Repository System wherein all regulatory instructions from SBP since inception applicable to the banks were made available for all Bank's internal stakeholders. Moreover, in order to ensure and inculcate strong compliance culture across all business activities/functions, the training programs were developed to assist compliance function personnel and other relevant stakeholders within the Bank in understanding the requirements of SBP in various aspects particularly launching of E-Learning programs for AML, CFT, TBAML and CPF etc.

In 2020, Internal Control Division (ICD) further improved ICD Dashboard, a centralized digital tool to monitor controls, for branches (Pan Pakistan) by introducing various AML/CFT related alerts in order to enhance its coverage for robust monitoring. Moreover, various alerts were rationalized based on the data analyses with an objective to synchronize ICD Dashboard with other monitoring systems in-place. ICD successfully launched 'ICD Dashboard Monthly Score Card' for business and operations separately covering Retail, Islamic and Corporate branches, based on the alerts generated, resolved and compliance marked parameters.

Ever since its launch, ICD Dashboard has transformed the whole spectrum of controls and compliance monitoring from sample based periodic reviews of selected entities to continuous monitoring of key risk areas with coverage of whole population. It not only generates various alerts/exceptions on branch screen on daily basis but also have automatic escalation feature to senior management, if issues remain unresolved beyond defined TAT. Thus, performance of each branch/area/region becomes visible to senior management for their real time performance monitoring.

ICD conducted various analytical reviews (apart from regular reviews) based on the alerts/exceptions generated on ICD Dashboard as well as core banking system in the area of KYC, AML and other critical key regulatory segments. Resultantly, anomalies were identified and conveyed to the concerned stakeholders for taking necessary remedial measures which significantly contributed in improving overall control environment of the Bank.

Additionally, ICD conducted around 197 onsite reviews of branches with special focus on end to end review of top 50 high risk/high turnover accounts particularly from AML/CFT regulations perspective along-with other operational areas of the branch. Follow up of outstanding ICD exceptions is made for resolution of identified observations. Also, all units of the Consumer Finance Group and Digital Banking Group were reviewed by ICD on-site team.

Fraud Risk Management setup (FRMU) of Bank Alfalah is one of the best performing setup in the industry. The main components of FRMU arrangements are prevention, detection, deterrence and investigation of fraudulent cases/losses originating from bank products and processes. As a part of fraud prevention and detection strategy, BAFL Fraud Detection Unit [FDU] is functional 24/7 in order to mitigate fraud and risk and to save the bank from financial and reputational losses by monitoring consumer and digital product transactions through proactively state-of-the-art fraud tools. Around PKR. 782 million potential loss was saved through effective handling of alerts/detection of fraudulent transactions and identification of POCs (Point of compromise) with immediate actions accordingly. Bank Alfalah fraud control team identified 66 POCs out of total 408 POCs reported to Pakistan Banking Association which

is a valuable contribution to the banking industry in Pakistan. In addition, amount of PKR. 42 million was potentially saved in e-commerce acquiring business. FRMU team also busted numerous gangs of fraudsters involved in skimming and social engineering frauds in collaboration with FIA Cybercrime and recovered number of fake plastics, spoofing softwares and gadgets.

Legal and Corporate Affairs

The Legal and Corporate Affairs Group of Bank Alfalah comprises of Corporate Affairs Division and Legal Division.

Corporate Affairs Division

The Corporate Affairs Division (CA Division) ensures secretarial and corporate compliances as required under the Companies Act, 2017, the Banking Companies Ordinance, 1962, SBP's Prudential Regulations, the Listing Regulations/Rule Book of the Pakistan Stock Exchange etc. and the rules/regulations made there-under. The CA Division is also responsible for arrangements of meetings of Board, Board Committees, General meetings including preparation of the agenda, resolutions along with all logistic and administrative support and holding meetings successfully. The Company Secretary and the employees of the CA Division ensure proper recording of minutes of each meeting, coordinate with the management/relevant stakeholders to communicate/follow-up the decisions made in the meetings and to update the Board/Committee(s) accordingly.

The CA Division keeps the Board as well as the management informed about the changes made in the existing corporate laws/regulations and/or introduction of any new law/regulation applicable to public limited and listed companies. It also ensures compliance with all relevant/required disclosures/communication with relevant stakeholders including shareholders/regulators and also ensures updating corporate website of the Bank. This Division remains watchful of the share trading data/pattern and share price fluctuations. It also tracks sponsor shareholdings and manages dissemination of share trading information by the executives of the Bank to all concerned. It ensures compliance with all applicable legal and procedural requirements regarding payment of cash dividends, issuance of bonus and right shares and issuance of shares under Employees Stock Option Scheme, when applicable. Disclosure of closed period, sharing of all material/price sensitive information and financial results to Pakistan Stock Exchange (PSX), Securities Exchange Commission of Pakistan (SECP) within the stipulated time is also taken care of by the CA Division.

The filing of statutory returns with the regulators and circulation of quarterly/annual financial statements to the shareholders and regulators is also made by CA Division. The filing of statutory returns is carried out by the CA Division and no consultant is hired in this regard

saving considerable time and cost thus maintaining confidentiality. The efficiency of the CA Division may be highlighted by the fact that no penalties were ever imposed by SECP. The CA Division also ensures to maintain a cordial relationship with the shareholders of the Bank and resolve their problems/concerns on priority in an efficient manner to their full satisfaction.

Legal Division

The Legal Division of Bank Alfalah provides legal advice and support to all departments and businesses of the Bank. Its dedicated team of highly qualified and experienced lawyers work towards enabling the departments and businesses of the Bank to carry out their business and transactions while being compliant with applicable legal requirements and ensuring that maximum legal work is carried out in-house, thereby saving considerable costs in legal fees. In the year 2020, the Legal Affairs Division advised on and assisted various departments by itself developing agreements and other requisite documentation in-house for various products and transactions. The work assigned to external counsel in 2020 has been significantly lower than that in the previous years, resulting in major cost saving for the Bank as a whole.

Audit and Inspection Group

The Internal Audit setup at BAFL is an independent and comprehensive function which not only provides objective assurance regarding state of governance, risk management, compliance and controls; but is also a consulting activity designed to add value by highlighting areas for improvement and thus helping the bank achieve its objectives effectively and efficiently.

Dynamic risk assessment and continuous evaluation of the overall control and risk environment, provision of reasonable assurance and placement of significant matters for oversight of the Board and its subcommittees, has remained the hallmark of our Internal Audit Function.

The independent reporting of CIA/Head of Internal Audit to the Board Audit Committee (BAC) ensures independent decision making. Further, ensuring compliance to professional standards and adherence to globally recognized risk based audit methodology along with the adoption of relevant components of internationally acclaimed COSO-Internal Control framework remained on top priority for our IA function. The same enables formulation of policies and strategy in line with Board Audit Committee (BAC) and Regulatory advices, correlating with the industry's best practices. The group is playing an important role by assisting the Board Audit committee in executing its role by collecting and sharing the desired information and being instrumental in carrying out and follow up of the instructions issued by the Board Audit Committee (BAC).

Suitably equipped with professionally qualified and competent resources from auditing, accountancy, management professions, the group is operational under a diversified scope of work which encompasses conventional and Islamic banking branches audit, Information System and overseas audits, management audits and risk assets reviews, audit of centralized operations, shari'ah audits and virtual monitoring through offsite surveillance system/desktop review alongside thematic, special and regulatory assignments entrusted by the regulator on need basis.

The vision, i.e. "To be the best Audit set up as per Global Standards and help shaping the future of the Bank", motivates and drives the leadership of AIG to keep on excelling in every aspect while keeping in mind the strategic directions set by the bank. Core values of learning, openness, empathy and trust have been pursued to align the activities of AIG with its vision and expectations of its stakeholders. These values play an integral part in helping the Audit and Inspection Group moving in the right direction.

In order to bridge identified systemic gaps and to add value, various contributions of AIG can be witnessed during the year including but not limited to:

1. Control presentations to the branches;
2. Control conferences for higher and middle management;
3. Continuous auditing using data analytics, CAAT & ACL;
4. Cross group trainings through learning centers and through guest auditor programs;
5. Amendments for process improvements after management audits, fraud investigations and monitoring through offsite surveillance department;
6. Review of product, policy and procedures enabling the bank in identifying the risks and control issues at entry level;
7. Fraud investigations to identify fraudulent acts alongside identification of control breakdowns and establishment of financial loss; and;
8. Securing stakeholders' interest by establishing robust whistle blow mechanism where every whistle blown were invariably reported to the Chair of the Board Audit Committee along with CIA/Head of Internal Audit.

With continuous support from BAC, the Audit & Inspection Group is all geared up by putting on continuous and dedicated efforts to strengthen the internal control system and has undertaken numerous strategic initiatives for the year 2020 including:

1. Internal self-assessment and gap assessment of AIG in compliance with guidelines on Internal Audit Function (IAF);

2. External assessment of Audit & Inspection Group in compliance with guidelines on IAF; Ongoing implementation of system solution (E-audit software) to capture complete audit cycle; Development of risk control matrix for all auditable function/areas;
3. Revamping of internal audit processes and documentation in light with guidelines on IAF;
4. Quarterly internal audit quality reviews as part of quality assurance and improvement program; and;
5. Alignment of IA approach as per IIA standards and regulatory guidelines.

Special Assets Management Group

2020 was a very challenging year for the country mainly owing to the economic slowdown in the wake of COVID-19. A significant increase in non-performing loans was witnessed by the overall banking fraternity, especially during the first three quarters of 2020.

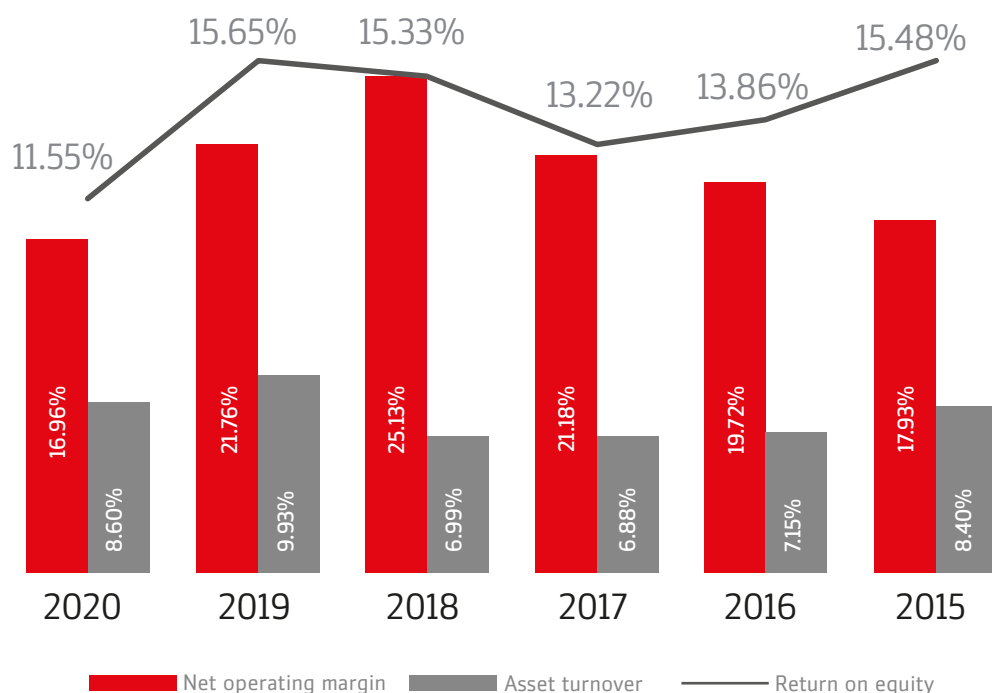
Bank Alfalah's Special Assets Management Group [SAMG] has a dedicated team which ensures maximum recoveries from the delinquent customers of the Bank. The team applies modern techniques to ensure earliest settlement of non-performing loans, restructuring of outstanding liabilities and reinforcement of securities through legal recourse. SAMG made extensive efforts to restructure the defaulted loans of its customers prior to initiating litigations, with a view to provide maximum opportunities and facilitation to the country's ailing businesses and industries in order to ensure their revival. These efforts were driven by the objective to enable continuity of business and maintain contribution in the country's economic growth. Ever since its inception, SAMG is actively engaged with Pakistan Corporate Restructuring Company Ltd (PCRCL), being one of the stakeholders. Likewise, in line with SBP Policy guidelines on transfer and assignments of non-performing assets (NPAs) to CRCs, Bank's internal policies were aligned and certain non performing assets were referred by SAMG to PCRCL under an agency model.

Financial Ratios

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Profit before tax ratio (PBT / Gross Markup Income)	%	19.30%	24.19%	29.53%	24.67%	22.79%	20.51%
Gross Yield on Average Earning Assets	%	8.68%	10.53%	6.96%	6.81%	7.05%	8.42%
Gross Yield on Earning Assets	%	7.52%	10.26%	6.98%	6.62%	7.04%	7.60%
Gross Spread ratio	%	48.27%	48.53%	53.50%	51.94%	50.73%	46.60%
Non Interest income to total income	%	12.14%	10.07%	14.88%	14.15%	13.49%	12.60%
Return on equity (ROE)	%	11.55%	15.65%	15.33%	13.22%	13.86%	15.48%
Return on average assets (ROA)	%	0.87%	1.26%	1.11%	0.87%	0.88%	0.93%
Return on Capital Employed (ROCE)	%	10.51%	13.64%	13.30%	11.90%	11.85%	12.84%
Cost to Income ratio (Total Operating Expenses / Total Revenue)	%	55.71%	54.01%	58.34%	65.28%	62.81%	59.45%
Investment Ratios							
Earnings per share [as reported]	Rs	5.89	7.15	5.99	4.74	4.93	4.73
Diluted Earnings per share	Rs	5.89	7.15	5.98	4.72	4.93	4.73
Breakup value / net assets per share - with revaluation on Fixed assets and Investment	Rs	51.21	49.53	42.63	40.93	37.69	33.56
Breakup value / net assets per share - without revaluation on Fixed assets and Investment	Rs	45.30	43.14	38.47	36.38	30.81	26.69
Breakup value / net assets per share - with revaluation on Fixed assets and Investment and investment in related party at fair value	Rs	53.10	50.70	43.80	41.85	38.03	33.89
Market Ratios							
Cash Dividend - Interim	%	20%	20%	10%	-	-	-
- Final	%	20%	20%	15%	15%	-	10%
Stock Dividend	%	-	-	10%	-	-	-
Dividend Yield ratio (based on cash dividend)	%	11.32%	8.75%	3.70%	3.53%	-	3.47%
Dividend Payout ratio (based on cash dividend)	%	67.91%	55.94%	41.74%	31.65%	-	21.14%
Price to book ratio	%	68.98%	92.26%	95.21%	103.83%	100.71%	85.88%
Price to book value ratio	Times	0.69	0.92	0.95	1.04	1.01	0.86
Price to earning ratio	Times	6.00	6.39	6.78	8.97	7.70	6.09
Dividend cover ratio	Times	1.47	1.79	2.40	3.16	-	4.73
Share Information							
Market value per share - Dec 31 (Closing Rate)	Rs.	35.33	45.70	40.59	42.50	37.96	28.82
High - during the year	Rs.	53.00	50.70	58.94	47.24	38.00	35.05
Low - during the year	Rs.	28.26	36.50	40.59	36.03	23.90	23.82
Market Capitalisation	Rs. Mn	62,787	81,216	72,021	68,322	60,554	45,818
No. of shares outstanding	Mn	1,777	1,777	1,774	1,608	1,595	1,590
Assets Quality and Liquidity Ratios							
Gross Advances to Deposits ratio	%	68.15%	67.75%	73.75%	64.68%	62.37%	55.01%
Net Advances to Deposits ratio	%	65.47%	65.35%	71.37%	62.12%	59.67%	52.47%
Net Investments to Deposits ratio	%	62.04%	38.23%	39.50%	62.13%	61.30%	66.44%
Cost of Deposits	%	4.06%	5.00%	3.10%	2.70%	3.06%	4.03%
Non Performing Loans (NPLs) to Gross Advances ratio	%	4.30%	4.23%	3.63%	4.21%	4.80%	5.27%
Coverage Ratio (specific provision / NPLs)	%	70.83%	79.14%	84.39%	89.22%	86.06%	83.73%
Coverage Ratio (specific and general provision / NPLs)	%	91.20%	83.57%	89.02%	94.02%	90.14%	87.74%
Earnings assets to total assets ratio	%	88.94%	84.67%	84.98%	86.11%	87.30%	88.05%
Deposits to shareholders equity	Times	9.69	8.89	9.29	9.80	10.56	11.94
Assets to Equity	Times	15.22	12.10	13.30	15.18	15.46	17.21
Liquidity Coverage Ratio (LCR)	%	187.00%	163.00%	156.00%	141.00%	N/A	N/A
Net Stable Funding Ratio (NSFR)	%	136.00%	138.00%	133.00%	137.00%	N/A	N/A
Capital Adequacy and Structure							
Tier 1 Capital	Rs. Mn	77,211	73,650	66,810	53,662	42,550	36,850
Total Eligible Capital	Rs. Mn	100,422	93,677	82,050	65,779	56,902	50,957
Risk Weighted Assets (RWA)	Rs. Mn	607,663	554,836	549,173	491,228	431,628	380,195
RWA to Total Assets	%	43.88%	52.08%	54.58%	49.18%	46.43%	41.40%
Tier 1 to RWA	%	12.71%	13.27%	12.17%	10.92%	9.86%	9.69%
Capital Adequacy Ratio (CAR)	%	16.53%	16.88%	14.94%	13.39%	13.18%	13.40%

DuPont Analysis

		2020	2019	2018	2017	2016	2015
Net Operating Margin (Profit / Total Revenue)	%	16.96%	21.76%	25.13%	21.18%	19.72%	17.93%
Asset Turnover (Revenue / Average Total Asset)	%	8.60%	9.93%	6.99%	6.88%	7.15%	8.40%
Equity Multiplier (Total Assets / Shareholders equity)	Times	15.22	12.10	13.30	15.18	15.46	17.21
Return on Equity	%	11.55%	15.65%	15.33%	13.22%	13.86%	15.48%



The DuPont model is derived from an analysis of return on equity that divide performance into three parts: Operating efficiency ratio which is also known as financial performance ratio is measured by net operating margin; asset use efficiency which determine if assets was utilized efficiently which is measured by total asset turnover; and financial leverage which shows to what extent the Bank relies on debts which is measured by the equity multiplier.

The results of the study discover that, the financial performance of the Bank as regards to net profit margin has improved during the period from 2015 to 2019, with a drop in 2020 due to general provision of Rs. 4.250 billion booked against borrowers availing relaxation under SBP loan deferral / re-scheduling schemes. Asset utilization is relatively steady and reflects minimal volatility during the period under review. Equity multiplier was low in 2018 and 2019 due to low inter bank borrowings. Furthermore, return on equity showed rising trend from 2016 to 2019 with decline in 2020 due to general provision booked, as discussed above.

Economic Value Added Statement (EVA)

		2020	2019
		Rupees in million	
Profit After tax	A	10,475	12,696
Provision and write offs - net Tax (39%)		7,589 (2,960)	3,029 (1,181)
Provision and write offs - net of tax	B	4,629	1,848
Net Operating Profit After Tax	C=A + B	15,104	14,544
Equity at start of the year (exlcuding surplus)	D	76,661	68,264
Cost of Equity	E	10,970	12,274
Economic Value Added (EVA)	F=C - E	4,134	2,270

Economic value added (EVA) is the economic profit by the Bank in a given period. It measures the Bank's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes. A positive EVA reflects that the Bank is increasing its value to its shareholders, whereas a negative EVA indicates that it is diminishing its value to its shareholders.

Direct Method Cash Flow Statement

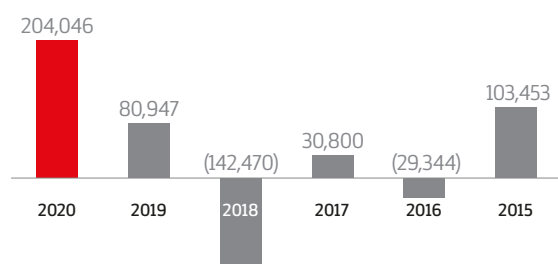
	2020	2019
	Rupees in million	
Cash flow from Operating activities		
Markup / return / interest and commission receipts	95,973	82,534
Markup / return / interest payments	(47,519)	(46,091)
Payments to employees, suppliers and Others	(17,107)	(5,717)
	<u>31,347</u>	<u>30,726</u>
(Increase) / decrease in operating assets		
Lending to Financial Institutions	(22,017)	6,123
Net Investment in 'Held for Trading' securities	(43,924)	20,478
Advances - Net	(74,092)	(11,453)
Other Assets	963	10,937
	<u>(139,070)</u>	<u>26,085</u>
Increase / (decrease) in operating liabilities		
Bills Payables	5,402	(18,819)
Borrowings	211,524	(20,888)
Deposits and Other Accounts	99,483	79,389
Other Liabilities	1,716	(10,450)
	<u>318,125</u>	<u>29,232</u>
	<u>210,401</u>	<u>86,043</u>
Contribution made to gratuity fund	(171)	(106)
Income tax paid	(6,185)	(4,990)
Net cash generated from operating activities	<u>204,046</u>	<u>80,947</u>
Cash flows from Investing activities		
Net Investment from 'available for sale' securities	(203,459)	(29,396)
Net Investment from 'held to maturity' securities	147	(7,091)
Dividend received	402	341
Investments in operating fixed assets	(3,595)	(3,925)
Proceed from sale of fixed assets	118	403
Effect of translation of net investment in foreign branches	587	1,721
Net cash flows used in investing activities	<u>(205,800)</u>	<u>(37,948)</u>
Cash flows from financing activities		
Payment of sub-ordinated debt	(4,987)	(2)
Payment of lease liability	(2,792)	(2,276)
Proceeds from issue of shares	-	38
Dividend paid	(7,066)	(6,207)
Net Cash flows used in financing activities	<u>(14,845)</u>	<u>(8,447)</u>
Increase in cash and cash equivalents	<u>(16,600)</u>	<u>34,553</u>
Cash and cash equivalents at beginning of the year	136,581	104,342
Effects of exchange rates changes on cash and cash equivalents	(1,526)	(3,840)
Cash and cash equivalents at end of the year	<u>118,455</u>	<u>135,055</u>

Free Cash Flows

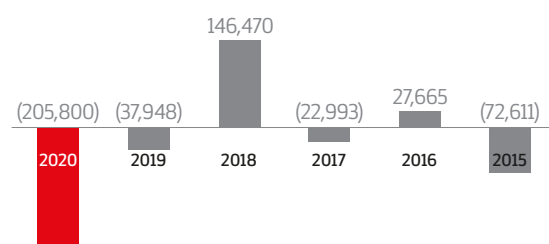
		2020	2019	2018	2017	2016	2015
Profit Before Taxation	Rs. Mn	17,878	22,382	17,618	14,045	13,023	12,603
Adjustments for non cash items and operating assets/ liabilities changes	Rs. Mn	186,167	58,565	(160,088)	16,755	(42,367)	90,850
Net cash generated from operations	Rs. Mn	204,046	80,947	(142,470)	30,800	(29,344)	103,453
Capital Expenditure	Rs. Mn	(3,595)	(3,925)	(1,307)	(1,851)	(2,837)	(1,951)
Free Cash flows	Rs. Mn	207,641	84,872	(141,163)	32,651	(26,507)	105,404

Commentary on cashflows is covered as part of Six Years' Review of Business Performance.

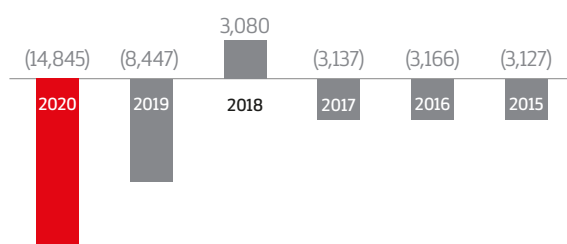
Operating Activities



Investing Activities



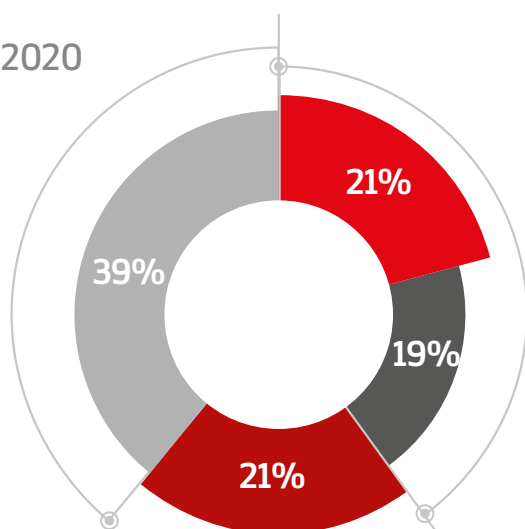
Financing Activities



Statement of Value Added

	2020		2019	
	Rs. in Million		Rs. in Million	
Value Added				
Net Interest Income	44,705		44,896	
Non Interest Income	12,795		10,357	
Operating Expenses exluding Staff costs				
depreciation, amortization, donations and WWF	(12,616)		(12,619)	
Provision against advances, Lendings, Investments & Others	(7,589)		(3,029)	
Value added available for distribution	37,294		39,606	
Distribution of Value Added	2020		2019	
	Rs. in Million	%	Rs. in Million	%
To Employees				
Remuneration, provident fund and other benefits	14,519	39%	12,830	32%
To Government				
Worker Welfare Fund	494	1%	508	1%
Income Tax	7,403	20%	9,686	24%
	7,897	21%	10,194	26%
To providers of capital				
Interim/Final Cash dividends to shareholders	7,109	19%	7,109	18%
Bonus Shares	-	0%	-	0%
	7,109	19%	7,109	18%
To Society				
Donations	20	0.05%	11	0.03%
To Expansion and growth				
Depreciation	3,944	11%	3,402	9%
Amortization	439	1%	473	1%
Retained Earnings	3,366	9%	5,587	14%
	7,749	21%	9,462	24%
	37,294	100%	39,606	100%

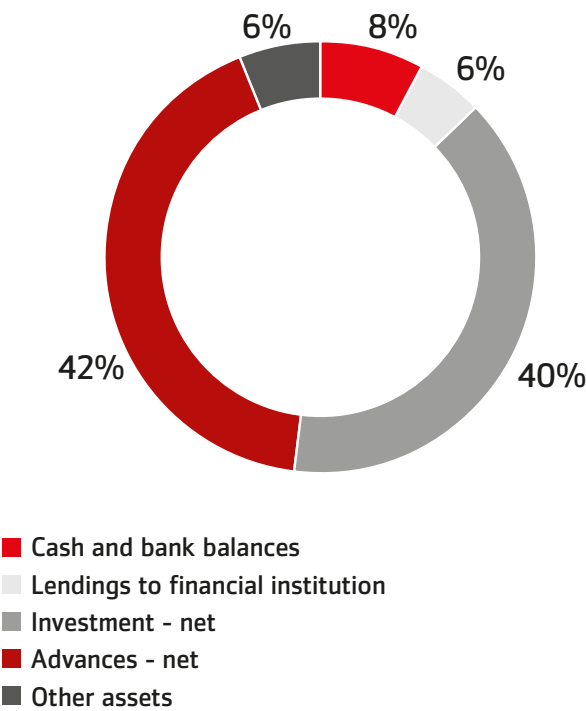
Year 2020



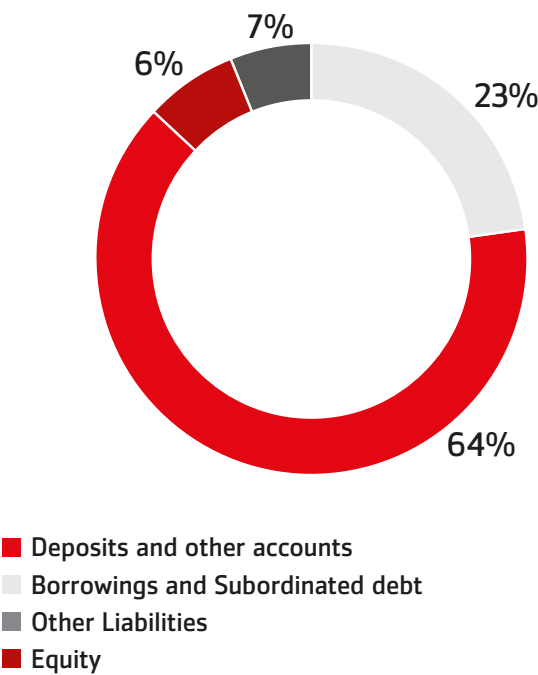
- Expansion and growth
- Providers of capital
- Government
- Employees

Sources and Uses of Funds

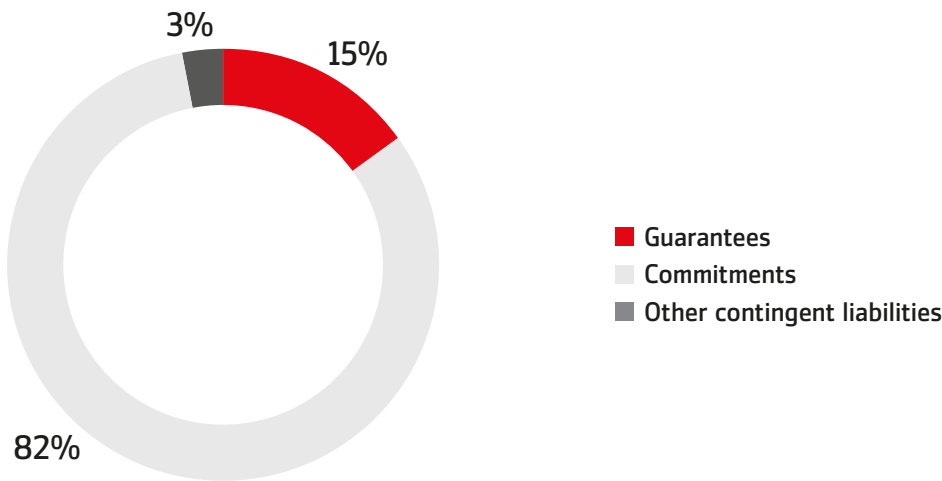
Concentration of Assets - Uses



Concentration of Liabilities & Equity - Sources

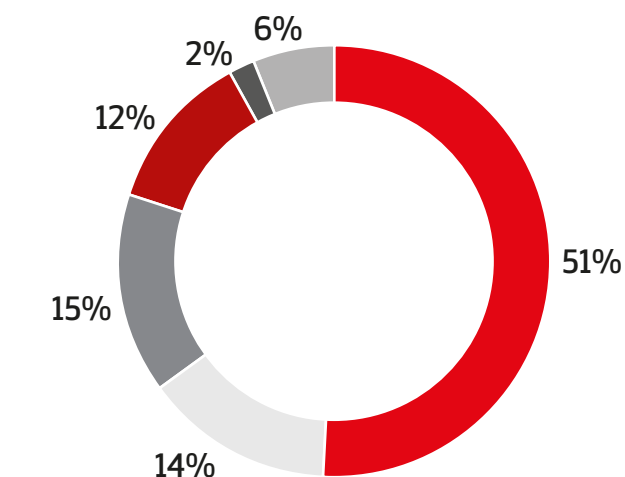


Concentration of Off Balance Sheet Exposure 2020

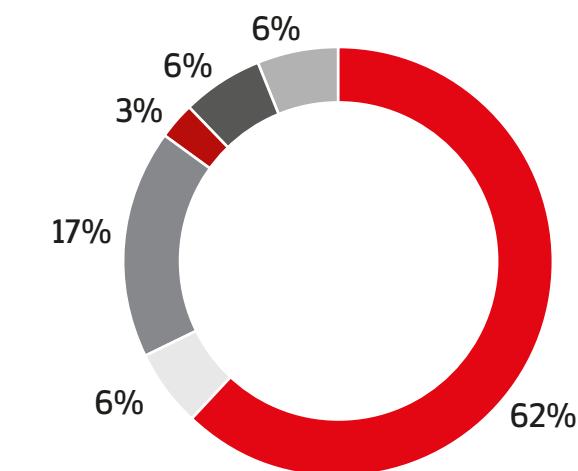


Concentration of Profit and Business Segments' Profitability

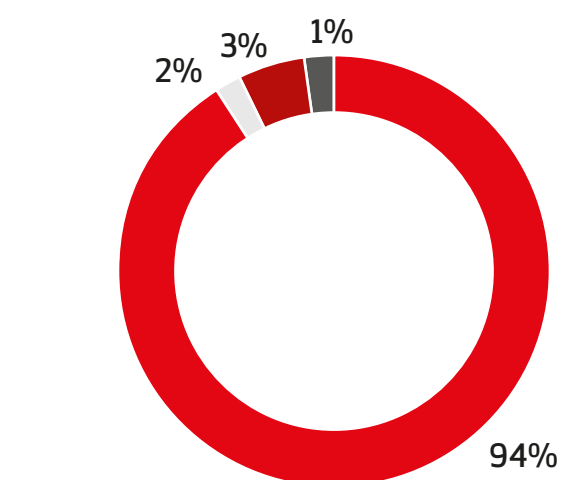
Business Segments - Revenue



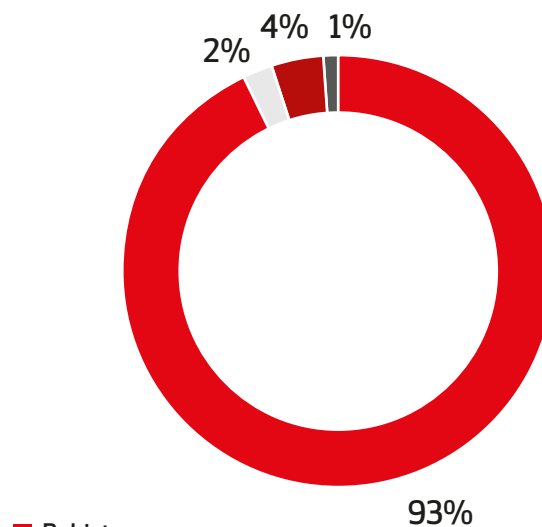
Business Segments - Expenses



Geographical Segments - Revenue

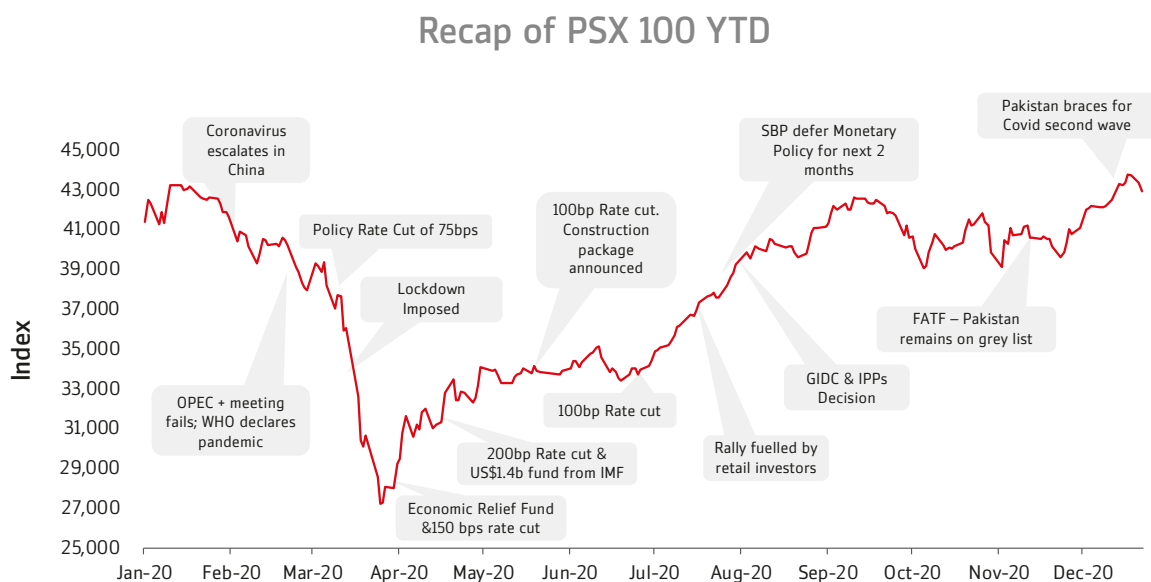
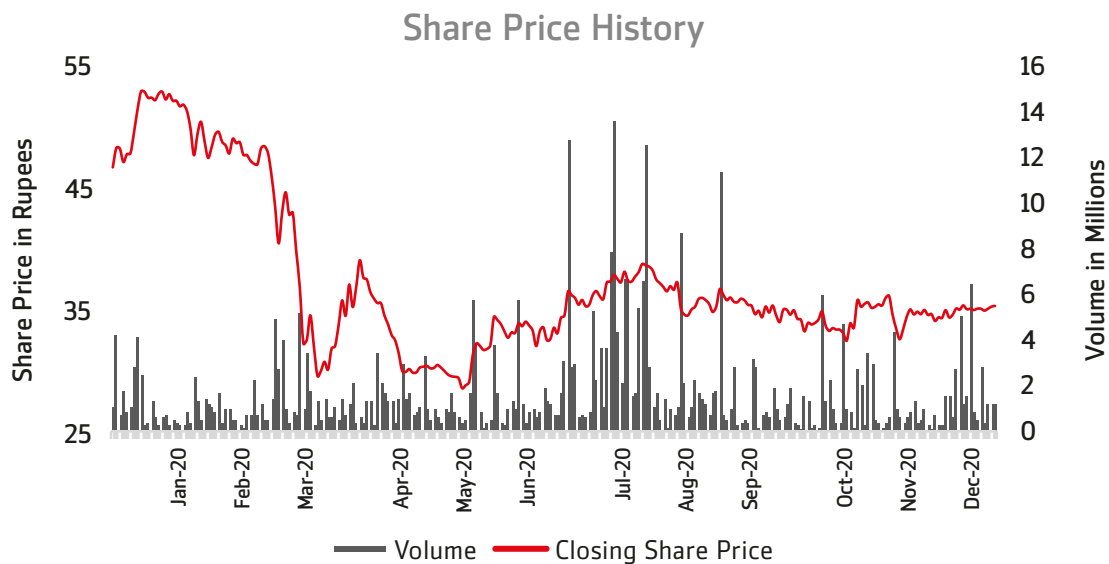


Geographical Segments - Expenses



Share Price Sensitivity Analysis

High Price (Rupees)	52.99
Low Price (Rupees)	28.55
Average Volume	1,666,241
No. of trading Days	251
Days Traded	251
% of days traded	100%



Other Information

Business Rationale for Major Capital Expenditure/Projects

During the year the bank invested Rs. 3.6 billion on purchase of fixed assets which includes properties (land & buildings), equipment, fixtures, intangible assets etc. A detailed disclosure of fixed asset is given in the financial statements. All the assets purchased have been capitalized as the management intends to take benefit from them over their useful life, which spans over more than a year. These additions are for meeting the business and operational needs of the Bank including but not limited to digital infrastructure, new branches, existing branch / office renovations, strengthening IT infrastructure with an aim to operate within secured environment and with the best customer data protection.

Particulars of Significant/Material Assets and Immovable Property Including Location

The Bank has following major significant assets as at 31 December 2020.

Items from the fixed & intangible assets	Dec '20 - WDV Rs. in million	Composition %
Land - Freehold & Leasehold	9,265,811	29%
Building on Freehold & Leasehold land	4,960,779	15%
Office equipment	4,119,110	13%
Vehicles, Lease hold improvement, Furniture and fixture	2,339,187	7%
Property & equipment	20,684,887	64%
Right-of-use assets	9,542,580	30%
Intangible assets	1,284,539	4%
Capital work-in-progress	748,769	2%
Total fixed & intangible assets	32,260,775	100%

Significant immovable properties with which the Bank operates are:

- BA Building, II Chundrigarh Road, Karachi, Pakistan;
- Shahdin Manzil, Lahore, Pakistan; and
- Owned and leased premises for branch network in and outside Pakistan.

Management's Assessment of Sufficiency of Tax

The bank maintains sufficient provision for taxation as required under the accounting standards and the relevant regulations. Contingencies with respect to the direct or indirect taxation have been disclosed in these financial statements. Our assessment of sufficiency of tax provision made in financial statements along with comparisons to tax assessment for last three years are satisfactory.

Implementation of Plans as Disclosed in the Prospectus/Offering Document of Debt Instrument (Debts Funds Utilisation)

- Medium Term Note (MTN): The primary purpose of the MTN issued during the year, is to hedge bank's fixed rate assets. For prospectus, please visit our corporate website.

- ADT 1 (TFC): The terms and conditions of the debt have been disclosed in the financial statements. The debt utilization is as per the plans disclosed in the prospectus/offering document of the debt instrument(s).

Further, the Bank may in the course of time, as and when the need arises, explore new funding opportunities.

Particulars of Loans/Advances and Investments in Foreign Companies or Undertakings

The Bank's overseas branches in Bahrain, UAE, Afghanistan and Bangladesh invest and lend to companies and undertakings operating in their jurisdictions. As at 31 december 2020, our overseas branches' advances and investments stood at Rs. 25.19 billion (31 Dec 2019: Rs. 24.291 billion) and 70.935 billion (31 Dec 2019: Rs. 53.548 billion) respectively.

Reasons for Not Declaring Dividend Despite Earning Profits and Future Prospects of Dividend

This year the State Bank of Pakistan, as a precautionary measure to conserve capital of the banks due to COVID-19 pandemic advised the banks to suspend dividend for the quarters ended March 31, 2020 and June 30, 2020 vide its circular BPRD/BA&CPD/006315/20 dated April 22, 2020. Accordingly, the Bank suspended the payment of dividend for the quarters ended March 31 and June 30, 2020.

At the year end, the Board recommended cash dividend of Rs. 2.00 per share which is subject to approval of the shareholders in AGM. This is in addition to dividend of Rs. 2.00 per share declared and paid in respect of Q3 2020.

Regulatory Payments (Taxes, Duties, Levies, etc.)

The Bank is regular and on time payer of the taxes, duties and levies.

CEO Review

Please follow the link below for the President/CEO's video on the Bank's business overview, performance, strategy and outlook:

<https://www.bankalfalah.com/investor-relations/ceo-annual-review-message/>.



COM



REGULATIONS

CORPORATE REPORTING





COMPLIANCE

STANDARDS

POLICIES

RULES



95

16

1%



Independent Auditors' Report to the Members

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Bank Alfalah Limited (the Bank), which comprise the unconsolidated statement of financial position as at 31 December 2020, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except for 60 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information 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 the audit.

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, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	Impact on the consolidated financial statements
<p>- Provision against Non Performing Credit Exposure (Refer note 9.5 to the unconsolidated financial statements)</p> <p>The Bank's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operations.</p> <p>Covid 19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Bank to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Bank's accounting policy (refer note 4.4 to the unconsolidated financial statements), the Bank periodically assesses the adequacy of its provisions against non performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involves use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Bank's process for identification and classification of non-performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non performing to regular, as the case may be; - We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' unconsolidated financial statements, nature of collateral held by the bank and status of litigation, if any, with the borrower; - Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appears to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; - In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management; and - We also assessed adequacy of disclosures as included in note 9.4 and 9.5 to the unconsolidated financial statements regarding the non-performing loans and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1982 and the Companies Act, 2017 (XXX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the unconsolidated statement of financial position, the unconsolidated profit or loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flow (together with the notes thereon) have been drawn up in conformity with the Banking Companies Ordinance, 1952 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) 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.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Qaiser Chughtai.

EY Ford Rhodes
Chartered Accountants
 Place: Karachi
 Date: 12th February, 2021

Unconsolidated Statement of Financial Position

As at December 31, 2020

	Note	2020	2019
ASSETS			
Cash and balances with treasury banks			
	5	99,348,197	100,731,873
Balances with other banks			
	6	6,234,299	4,709,968
Lendings to financial institutions			
	7	77,305,535	71,434,895
Investments			
	8	547,089,932	299,098,115
Advances			
	9	577,315,947	511,235,949
Fixed assets			
	10	30,976,236	29,087,028
Intangible assets			
	11	1,284,539	1,257,361
Deferred tax assets			
		-	-
Other assets			
	12	45,318,864	47,755,956
		1,384,673,549	1,065,311,145
LIABILITIES			
Bills payable			
	13	22,571,122	17,169,059
Borrowings			
	14	314,960,186	102,842,330
Deposits and other accounts			
	15	881,767,082	782,284,196
Liabilities against assets subject to finance lease			
		-	-
Subordinated debt			
	16	7,000,000	11,987,000
Deferred tax liabilities			
	17	1,361,152	3,450,993
Other liabilities			
	18	66,196,688	59,549,991
		1,293,856,230	977,283,569
NET ASSETS		91,017,319	88,027,576
REPRESENTED BY			
Share capital			
	19	17,771,651	17,771,651
Reserves			
		27,880,022	26,046,019
Surplus on revaluation of assets			
	20	10,508,837	11,367,004
Unappropriated profit			
		35,056,809	32,842,902
		91,017,319	88,027,576
CONTINGENCIES AND COMMITMENTS		21	

The annexed notes 1 to 48 and annexures I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2020

	Note	2020	2019
		----- (Rupees in '000) -----	
Mark-up/Return/Interest Earned	23	92,615,890	92,519,053
Mark-up/Return/Interest Expensed	24	47,911,316	47,623,373
Net Mark-up/ Interest Income		44,704,574	44,895,680
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	25	6,559,300	6,996,147
Dividend Income		403,276	338,989
Foreign Exchange Income		3,398,242	2,826,363
Loss from derivatives		(21,366)	(68,293)
Gain on securities	26	2,284,880	64,790
Other Income	27	170,530	199,359
Total non-markup/interest income		12,794,862	10,357,355
Total Income		57,499,436	55,253,035
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	28	31,442,922	29,065,738
Workers Welfare Fund	29	494,432	507,668
Other charges	30	94,491	269,203
Total non-markup/interest expenses		32,031,845	29,842,609
Profit Before Provisions		25,467,591	25,410,426
Provisions and write offs - net	31	7,589,269	3,028,585
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		17,878,322	22,381,841
Taxation	32	7,403,412	9,686,324
PROFIT AFTER TAXATION		10,474,910	12,695,517
		----- Rupees -----	
Basic and Diluted Earnings per share	33	5.89	7.15

The annexed notes I to 48 and annexures I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Bank Alfalah

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Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	2020	2019
	—————(Rupees in '000)—————	
Profit after taxation	10,474,910	12,695,517
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	586,512	1,720,854
Movement in (deficit) / surplus on revaluation of investments - net of tax	(781,967)	4,001,228
	(195,455)	5,722,082
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(212,406)	62,104
Movement in (deficit) / surplus on revaluation of operating fixed assets - net of tax	(75,839)	(95,097)
Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	(361)	77,923
	(288,606)	44,930
Total comprehensive income	9,990,849	18,462,529

The annexed notes 1 to 48 and annexures I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Capital Reserves				Reserve	Surplus/(Deficit) on revaluation			
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Employee share option compensation reserve	Investments	Fixed and Non Banking Assets	Unappropriated profit	Total
	(Rupees in '000)								
Balance as at January 1, 2019	17,743,629	4,593,600	5,051,449	15,275,125	50,590	43,730	7,359,220	27,499,542	73,646,875
Profit after taxation	-	-	-	-	-	-	-	12,695,517	12,695,517
Other comprehensive income - net of tax	-	-	1,720,654	-	-	4,001,228	89,991	62,304	5,868,177
Transfer to statutory reserve	-	-	-	1,269,552	-	-	-	(1,269,552)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(10,165)	10,165	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,200)	-	-	-	(5,200)
Transfer to Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2019 - 15%	-	-	-	-	-	-	-	(2,861,344)	(2,861,344)
Interim cash dividend for the half year ended June 30, 2019 - 10%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Shares issued during the year	28,022	10,060	-	-	-	-	-	-	38,082
Balance as at January 1, 2020	17,771,651	4,730,049	6,772,103	16,542,677	-	4,044,958	7,322,048	32,642,902	88,002,578
Profit after taxation	-	-	-	-	-	-	-	10,474,210	10,474,210
Other comprehensive income - net of tax	-	-	566,512	-	-	(7,81,867)	31,354	(212,408)	(378,507)
Transfer to statutory reserve	-	-	-	1,047,480	-	-	-	(1,047,480)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,07,354)	107,354	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2019 - 15%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Interim cash dividend for the nine months period ended September 30, 2020 - 10%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at December 31, 2020	17,771,651	4,731,049	7,338,615	17,590,157	-	5,262,996	7,245,648	35,056,808	91,007,316

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Bank Alfalah

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Unconsolidated Cash Flow Statement

For the year ended December 31, 2020

	Notes	2020	2019
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		17,878,322	22,381,841
Dividend Income		(403,276)	(238,989)
		<u>17,475,046</u>	<u>22,042,852</u>
Adjustments			
Depreciation		3,943,647	3,402,463
Amortisation		438,758	472,739
Provisions and write offs - net	31	7,589,269	3,028,586
Unrealised loss on revaluation of investments classified as held for trading - net		(91,189)	19,952
Borrowing cost on lease liability		1,322,183	1,226,672
Workers' Welfare Fund		494,432	507,668
Gain on sale of operating fixed assets - net		(67,255)	(122,962)
Charge for defined benefit plan		170,884	106,243
Charge for staff compensated absences		71,106	41,990
		<u>13,871,886</u>	<u>8,683,350</u>
		<u>31,346,932</u>	<u>30,726,202</u>
(Increase) / decrease in operating assets			
Landings to financial institutions		(22,007,279)	6,123,146
Held for trading securities		(43,924,292)	20,477,866
Advances		(74,091,807)	(11,453,278)
Other assets (excluding advance taxation)		962,924	10,896,743
		<u>(139,070,454)</u>	<u>26,044,477</u>
Increase / (decrease) in operating liabilities			
Bills payable		5,402,063	(8,819,166)
Borrowings		211,524,143	(20,880,515)
Deposits		99,482,886	79,388,916
Other liabilities (excluding current taxation)		1,715,862	(10,409,388)
		<u>318,124,954</u>	<u>29,272,842</u>
		<u>210,401,382</u>	<u>86,043,521</u>
Contribution made to gratuity fund		(70,884)	(106,243)
Income tax paid		(6,184,815)	(4,989,746)
Net cash generated from operating activities		<u>204,045,683</u>	<u>80,947,532</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(203,458,633)	(29,396,375)
Net investments in held-to-maturity securities		146,555	(7,091,196)
Dividends received		401,963	340,687
Investments in operating fixed assets		(3,594,817)	(3,924,614)
Proceed from sale of fixed assets		118,271	403,122
Effect of translation of net investment in foreign branches		586,512	1,720,854
Net cash used in investing activities		<u>(205,800,149)</u>	<u>(37,947,522)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of sub-ordinated debt		(4,987,000)	(2,000)
Payment of leased obligations		(2,791,876)	(2,275,683)
Issue of share capital		-	38,082
Dividend paid		(7,066,355)	(6,207,063)
Net cash used in financing activities		<u>(14,845,231)</u>	<u>(8,446,674)</u>
Increase in cash and cash equivalents		<u>(16,599,697)</u>	<u>34,553,336</u>
Cash and cash equivalents at beginning of the year		136,581,016	104,340,676
Effects of exchange rate changes on cash and cash equivalents		(1,526,284)	(3,840,380)
		<u>135,054,732</u>	<u>100,500,296</u>
Cash and cash equivalents at end of the year	34	<u>118,455,035</u>	<u>136,054,732</u>

The annexed notes I to 48 and annexure I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Notes To And Forming Part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

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. 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 its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 706 branches (2019: 674 branches) and 24 sub-branches (2019: 24 sub-branches). Out of these, 510 (2019: 501) are conventional, 185 (2019: 162) are Islamic, 10 (2019: 10) are overseas and 1 (2019: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under Companies Act 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017.
- Provisions and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of 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 SECP 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. 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 ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering Islamic Financial Services (IFS). Further, SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and has directed all the Banks to implement IFRS 9 'Financial Instruments' with effect from 01 January 2021 vide BPRD circular No. 04 of 2019 dated 23 October 2019. The Bank awaits further instructions and guidelines from SBP for applicability of some aspect of IFRS 9.

Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements except for overseas branches where such standards are applicable.

2.1.1 These unconsolidated financial statements represent separate financial statements of Bank Alfalah Limited in which investment in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of their reported results.

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

2.2 Standards, Interpretations of and amendments to published approved accounting standards that are effective in the current year.

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), Interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

2.3 Standards, Interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2021:

Standard, Interpretation or Amendment	Note	Effective date (annual periods beginning on or after)
IFRS 9 'Financial Instruments'	2.3.1	January 01, 2021
Covid-19-Related Rent Concessions - Amendment to IFRS 16		June 01, 2020
Interest Rate Benchmark Reform - Phase 2 - Amendments to IAS 39, IAS 38, IFRS 4 and IFRS 16		January 01, 2021
Classification of Liabilities as Current or Non-current - Amendments to IAS 1		January 01, 2023
Reference to the Conceptual Framework - Amendments to IFRS 3		January 01, 2022
Property, Plant and equipment: Proceeds before Intended Use - Amendments to IAS 16		January 01, 2022
Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37		January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter		January 01, 2022
Annual improvement process IFRS 9 Financial Instruments - Fees in the 10 percent test for derecognition of financial liabilities		January 01, 2022
Annual improvement process IAS 41 Agriculture - Taxation in fair value measurements		January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28		Not yet finalized
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.		
Standard		IASB Effective date (annual periods beginning on or after)
IFRS 1 - First time adoption of IFRS		July 01, 2009
IFRS 17 - Insurance Contracts		January 01, 2023

2.3.1 IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has calculated the impact of adoption of IFRS 9 on the financial statement of the Bank on the date of initial application, which will be finalized post issuance of IFRS 9 guidelines from SBP.

2.4 Critical accounting estimates and judgments

The preparation of these unconsolidated financial statements 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 as well as in the disclosure of contingent liabilities. 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 recognized 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 4.3.1 and 8)
- ii) classification and provisioning against non-performing loans and advances (notes 4.4 and 9)
- iii) income taxes (notes 4.11 and 32)
- iv) accounting for defined benefit plan and compensated absences (notes 4.8 and 37)
- v) depreciation of operating fixed assets (notes 4.5.2 and 10)
- vi) amortisation of intangibles (notes 4.5.3 and 11)
- vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.5.2, 4.5.5, 10 and 12.1)
- viii) impairment of assets (note 4.12)
- ix) fair value measurement of financial instruments (note 40)
- x) other provisions and contingent liabilities (notes 31 and 21)
- xi) determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee) (note 4.5.4.1)
- xii) incremental borrowing rate (note 4.5.4.1)

During the year, the disruption to economic activity caused by Covid 19 put strain on the solvency of customer and companies. Many of the covid affected borrowers availed the SBP enabled deferment / restructuring and rescheduling relief. The full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The Bank anticipates that it is appropriate to maintain a general loan loss reserve given the uncertainty that may prevail until the pandemic is over. Accordingly, the management of the Bank has estimated a general provision of Rs. 4,250 million which approximates to 2.76% of the restructured customers as at December 31, 2020. Had this change of estimate not been made, advances and the profit after tax for year ended would have been higher by Rs. 4,250 million and Rs. 2,763 million respectively.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain fixed assets and non banking assets acquired in satisfaction of claims are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments are measured at fair value and defined benefit obligation which are carried at present value. Right of use of asset and related lease liability are measured at present value.

3.2 Functional and Presentation Currency

3.2.1 These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

3.2.2 The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated financial statements are consistent with those of previous financial year.

4.1 Cash and cash equivalents

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



4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as below:

Sale 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 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.

4.3 Investments

4.3.1 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.

Subsidiary

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

4.3.2 Regular way contracts

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

4.3.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

4.3.4 Subsequent measurement

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity', investment in associates and subsidiaries are subsequently remeasured to market value. Surplus and deficit arising on revaluation of securities classified as 'available for sale' is taken to a separate account shown in the statement of financial position. 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.

4.3.5 Impairment

Impairment loss in respect of equity securities classified as available for sale, subsidiaries, 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 is transferred from equity 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. Provisions pertaining to overseas investments are made in accordance with the requirements of regulatory authorities of the respective countries.

4.4 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 loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time and management assumptions. General reserve against Covid 19 is based on management's estimates as disclosed in note 45.1.2. 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 loans and 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 or to clean up the balance sheet as allowed by SBP circular no. 06 of 2007 dated June 05, 2007.

Islamic Financing and Related Assets

The Bank provides Islamic financing and related assets mainly through Murabahah, Ijarah, Diminishing Musharakah, Musharakah, Running Musharakah, Salam, Istisna, Tijara 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 financing 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 and management estimates/assumption. 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 or to clean up the books.

Finance Lease Receivables

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. The Bank determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP and management estimates/assumption. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

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. 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. 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'.

4.3 Fixed assets

4.3.1 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.

4.3.2 Property and Equipment (owned and leased)

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 10.2 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.

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in OCI and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment 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.

4.3.3 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. Intangible assets are assessed for impairment, if any, as described under note 4.12.

4.3.4 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.3.4.1 Bank as a lessee

The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Incremental borrowing rate (IBR)

The IBR is the rate of markup that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using observable inputs such as market interest rates.

4.5.4.2 Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

4.5.5 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 non-banking assets in other comprehensive income, 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.

4.6 Deposits / Borrowings and their cost

- a) Borrowings and deposits are recorded at the proceeds received.
- b) Cost of deposits and borrowings 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.

4.6.1 Deposits - Islamic Banking

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

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Mudaraba 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 (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.

4.7 Subordinated debts

Subordinated debts are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.8 Staff retirement / Employee benefits

a) Defined benefit plan

The Bank operates an approved funded gratuity scheme, administered by the trustees, 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.

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 is recognised on the basis of actuarial recommendations.

4.8 Foreign currencies

4.8.1 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.

4.8.2 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 relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

4.9.3 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.

4.9.4 Translation gains and losses

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.

4.9.5 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.

4.10 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured.

4.10.1 Advances and investments

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Bank operates.

Murabaha income is recognised on deferred income basis.

4.10.2 Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

Ijarah income is recognised on an accrual basis as and when the rentals becomes due. Depreciation in case of Ijarah is netted off from markup income.

4.10.3 Non Markup / Interest Income

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

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

Other income is recognised on accrual basis.

4.11 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.

4.11.1 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.

4.11.2 Prior years

This charge includes tax charge for prior years arising from assessments, changes in estimates and tax changes applied retrospectively.

4.11.3 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.

4.12 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.

4.13 Provision for claims under guarantees

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.

4.14 Other Provisions

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.

4.15 Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under contingent liability is considered remote, it is not disclosed.

4.16 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.

4.17 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.

4.18 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 on balance sheet transactions.

4.19 Dividend and appropriation to reserves

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

4.20 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.

4.21 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.

4.21.1 Business segments

Retail banking

This includes loans, deposits, trade, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Bank. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

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, money market, capital market and merchant banking operations. The investments of the Bank primarily towards government securities and risk management activities via use of forward contracts & derivatives are reported here.

Digital banking

This segment includes branchless banking accounts, deposits and lending products, digital channels (including ATMs, internet banking, call centre and alfa app), corporate, G2P & SHNE portfolio (including EOB, BISP, payroll solutions), digital payments and digital products.

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, banking activities in Bangladesh, Afghanistan, United Arab Emirates and Kingdom of Bahrain.

Others

This includes the head office related activities, and all other activities not directly tagged to the segments above.

4.21.2 Geographical segments

The Bank operates in three geographical regions being:

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

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency	5.1	18,110,657	15,799,677
Foreign currency	5.2	3,641,949	2,418,292
		21,752,606	18,217,969
With State Bank of Pakistan in			
Local currency current accounts	5.3	36,654,027	44,854,841
Foreign currency current account	5.4	5,367,302	5,551,990
Foreign currency deposit account	5.5	22,810,448	14,084,512
		64,831,777	64,491,343
With other central banks in			
Foreign currency current account	5.6	8,253,771	8,529,825
Foreign currency deposit account	5.7	681,448	659,039
		8,935,219	9,188,864
With National Bank of Pakistan in local currency current account		3,242,108	8,469,281
Prize bonds		586,487	364,416
		<u>99,348,197</u>	<u>100,731,873</u>

5.1 This includes cash in transit amounting to Rs. 2,354,106 million (2019: Rs. 3,465,116 million).

5.2 This includes cash in transit amounting to Rs. 314,391 million (2019: Rs. 219,079 million).

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

5.4 This includes cash reserve of 5% maintained with the State Bank of Pakistan held under the New Foreign Currency Accounts Scheme (FE-25 deposits), as per BSD Circular no. 9 dated Dec 3, 2007.

5.5 This includes special cash reserve of 10% 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. These deposits carry interest rate ranging from 0.00% to 0.76 % per annum (2019: 0.70% to 1.5% per annum).

5.6 These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Bank.

5.7 These represent deposits with other central banks pertaining to the overseas operations of the Bank, in accordance with their regulatory requirements and carry interest 0.19% to 0.42% (2019: 0.71 % to 3.67%).

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
6 BALANCES WITH OTHER BANKS			
In Pakistan in current account		1,610	574,335
Outside Pakistan			
In current account	6.1	5,642,659	3,535,371
In deposit account	6.2	590,030	600,262
		6,232,689	4,135,633
		<u>6,234,299</u>	<u>4,709,968</u>

- 6.1 This includes amount held in Automated Investment Plans. The Bank is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount.
- 6.2 This includes placement of funds generated through foreign currency deposits scheme (FE-25) and non-contractual deposits at interest rates ranging from 2.00% to 3.00% per annum (2019: 2.00% to 9.75% per annum).

	Note	2020 (Rupees in '000)	2019
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	7.1	22,064,585	30,552,042
Repurchase agreement lendings (Reverse Repo)	7.2	51,747,865	24,931,724
Bai Muajjal receivable			
with State Bank of Pakistan	7.3	-	9,018,518
with other financial institutions	7.3	3,493,085	6,942,429
		<u>3,493,085</u>	<u>15,960,947</u>
		<u>77,305,535</u>	<u>71,444,713</u>
Less: expected credit loss - overseas branches		-	(9,818)
Lending to Financial Institutions - net of provision		<u><u>77,305,535</u></u>	<u><u>71,434,895</u></u>

7.1 These represent lendings to financial institutions at markup rates ranging from 0.05% to 9.70% per annum (2019: 2.35% to 12.00% per annum) having maturities upto June 2021 (2019: March 2020).

7.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 6.20% to 7.12% per annum (2019: 2.04% to 13.37% per annum) with maturities upto January 2021 (2019: January 2020).

7.3 These represent Bai Muajjal agreements entered into with SBP and other commercial banks. These carry markup rate of 6.85% to 6.95% per annum (2019: 9.70% to 13.40% per annum), and these are due to mature by April 2021 (2019: February 2022).

7.4 Particulars of lending - gross

In local currency	66,041,011	62,722,732
In foreign currencies	<u>11,264,524</u>	<u>8,721,981</u>
	<u><u>77,305,535</u></u>	<u><u>71,444,713</u></u>

7.5 Securities held as collateral against lending to financial institutions

	2020			2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	37,359,362	-	37,359,362	15,179,737	-	15,179,737
Pakistan Investment Bonds	14,388,503	-	14,388,503	9,751,987	-	9,751,987
Total	<u>51,747,865</u>	<u>-</u>	<u>51,747,865</u>	<u>24,931,724</u>	<u>-</u>	<u>24,931,724</u>

8 INVESTMENTS

8.1 Investments by type

Notes	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
Held-for-trading securities								
Federal Government Securities								
Markaz Treasury Bills	56,621,307	-	(9,388)	56,611,919	20,533,478	-	(4,058)	20,529,420
Pakistan Investment Bonds	7,510,169	-	30,229	7,540,398	5,148,051	-	(12,795)	5,135,256
Shares								
Ordinary shares / units - Listed	477,729	-	13,547	491,276	448,778	-	4,858	453,636
Foreign Securities								
Overseas Bonds - Sovereign	6,142,836	-	56,800	6,199,636	95,694	-	1,043	96,737
	71,951,341	-	91,188	72,042,529	27,047,091	-	(19,952)	27,027,139
Available-for-sale securities								
Federal Government Securities								
Markaz Treasury Bills	145,099,588	-	102,559	145,202,147	72,573,764	-	(147,77)	72,558,987
Pakistan Investment Bonds	187,006,839	-	2,381,275	189,388,114	92,232,030	-	3,220,117	95,452,147
Government of Pakistan Sukuk	24,322,881	-	(489)	24,322,442	4,212,347	-	86,367	4,298,714
Government of Pakistan Euro Bonds	1,956,045	-	147,772	2,103,817	1,925,652	-	40,577	1,966,229
Naya Pakistan Certificates	466,435	-	-	466,435	-	-	-	-
Shares								
Ordinary shares - Listed	3,380,701	(423,497)	2,313,639	5,280,843	5,605,847	(1,029,285)	2,506,441	7,083,003
Ordinary shares - Unlisted	1,201,285	(69,661)	-	1,131,624	1,151,285	(59,661)	-	1,091,624
Preference Shares - Listed	108,836	(108,836)	-	-	108,836	(108,836)	-	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities								
Term Finance Certificates	1,596,900	(462,530)	(11,209)	1,123,161	1,753,977	(409,577)	(22,887)	1,321,513
Sukuk	18,250,653	(96,511)	113,865	18,268,007	4,817,886	(95,510)	170,467	4,891,833
Foreign Securities								
Overseas Bonds - Sovereign	16,552,071	-	813,215	17,365,286	10,206,335	-	144,151	10,350,486
Overseas Bonds - Others	17,326,311	-	716,255	18,042,566	19,409,473	-	380,542	19,790,015
Redeemable Participating Certificates	2,904,675	-	-	2,904,675	2,727,165	-	-	2,727,165
	420,208,229	(1,186,034)	6,576,932	425,629,127	216,749,596	(1,728,868)	6,460,988	221,481,716
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	20,003,717	-	-	20,003,717	25,968,079	-	-	25,968,079
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Term Finance Certificates	398,013	(24,680)	-	373,333	714,266	(524,266)	-	190,000
Sukuk	1,136,216	(94,549)	-	1,041,667	1,255,831	(120,896)	-	1,134,935
Foreign Securities								
Overseas Bonds - Sovereign	19,629,502	-	-	19,629,502	13,901,861	-	-	13,901,861
Overseas Bonds - Others	798,366	-	-	798,366	771,808	-	-	771,808
	49,182,170	(119,229)	-	49,062,941	49,828,311	(646,164)	-	49,182,147
Associates	8.1.2	1,077,606	-	1,077,606	1,077,606	-	-	1,077,606
Subsidiaries	8.1.2	300,000	(42,981)	257,019	300,000	(42,981)	-	257,019
General provision and expected credit loss - Overseas operations		(69,294)	-	(69,294)	-	(28,422)	-	(28,422)
Total Investments	540,819,346	(1,397,534)	6,668,120	547,089,932	295,102,514	(2,445,436)	6,441,036	299,098,115

8.1.1 The adoption of IFRS 9 at Bahrain Operations of the Bank has resulted in investments in Redeemable Participating Certificates held abroad, being mandatorily measured at 'Fair Value through Profit and Loss Account'. However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-16203 dated July 26, 2018, such investments have been reported and measured under 'Available-for-sale' investments in these consolidated financial statements.

9.1.2 Particulars of Assets and Liabilities of Subsidiaries and Associates

2020 2019
—(Rupees in '000)—

SUBSIDIARY

Alfalah CLSA Securities (Private) Limited (formerly: Alfalah Securities (Private) Limited)

Percentage of holding: 61.20% (2019: 61.20%)

Country of Incorporation: Pakistan

Audited financial statements as of December 31, 2020

Assets	616,192	789,032
Liabilities	339,327	551,172
Revenue	238,200	134,366
Profit / (Loss) for the year	28,629	(39,983)
Total comprehensive income / (loss)	39,004	(29,037)

ASSOCIATES

Alfalah GHP Investment Management Limited

Percentage of holding: 40.22% (2019: 40.22%)

Country of Incorporation: Pakistan

Un-audited financial statements as of December 31, 2020

Assets	1,390,159	1,246,271
Liabilities	232,128	250,200
Revenue	469,183	469,739
Profit for the year	161,959	138,812
Total comprehensive income	161,959	138,812

Alfalah Insurance Company Limited

Percentage of holding: 30% (2019: 30%)

Country of Incorporation: Pakistan

Audited financial statements as of December 31, 2020

Assets	4,233,623	4,009,075
Liabilities	2,602,042	2,659,419
Revenue	1,726,381	1,583,734
Profit for the year	273,729	185,514
Total comprehensive income	319,196	282,790

Sapphire Wind Power Company Limited

Percentage of holding: 30% (2019: 30%)

Country of Incorporation: Pakistan

Un-audited financial statements as of December 31, 2020

Assets	16,562,413	16,641,391
Liabilities	8,313,129	9,643,298
Revenue for the year	3,381,695	3,400,281
Profit for the year	1,551,192	1,452,381
Total comprehensive income	1,551,192	1,452,381



9.3.3	Particulars of provision against debt securities	Note	2020		2019	
			NPI	Provision	NPI	Provision
			(Rupees in '000)			
Category of classification						
Domestic						
Loss		8.3.2	668,266	668,266	1,151,251	1,151,251
Overseas						
			-	-	-	-
Total			668,266	668,266	1,151,251	1,151,251

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	Note	2020	2019
		Cost	
		———— (Rupees in '000) ————	
8.4.1	Federal Government Securities - Government guaranteed		
	Market Treasury Bills	145,099,588	72,573,764
	Pakistan Investment Bonds	187,006,839	92,232,030
	Government of Pakistan Sukuks	24,322,881	4,212,347
	Government of Pakistan Euro Bonds	1,956,045	1,925,652
	Naya Pakistan Certificates	8.4.1.1 466,435	-
		358,851,788	170,943,793

8.4.1.1 This represents initial investment made for the establishment of the modarba pools in Naya Pakistan Company limited in accordance with S.R.O 964 (I) / 2020 dated October 05, 2020.

0.4.2	Shares	2020	2019
		Cost	
0.4.2.1	Listed Companies	(Rupees in '000)	
	Ordinary Shares		
	Automobile Parts & Accessories	119,848	-
	Cement	254,111	452,244
	Chemicals	109,420	7,909
	Commercial Banks	1312,929	1,433,176
	Engineering	28,953	110,496
	Fertilizer	488,153	430,828
	Investment Banks	15,000	15,000
	Oil and Gas Exploration Companies	436,504	1,666,312
	Oil and Gas Marketing Companies	174,951	347,886
	Pharmaceuticals	51,216	102,392
	Power Generation & Distribution	62,826	602,191
	Real Estate Investment Trust	336,790	372,093
	Textile Composite	-	55,320
		3,390,701	5,605,947
	Preference Shares		
	Fertilizer	108,835	108,835
		3,499,536	5,714,682

8.4.2.2 Unlisted Companies	Break up value as at	2020		2019	
		Cost	Breakup value	Cost	Breakup value
		(Rupees in '000)			
Ordinary Shares					
Al-Hamara Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited	Dec 31, 2019	22,235	80,303	22,235	71,986
Pakistan Mortgage Refinance Company Limited	Dec 31, 2019	300,000	385,098	300,000	304,476
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2016	4,095	11,754	4,095	11,754
TriconBoston Consulting Corporation (Private) Limited	June 30, 2020	769,230	1,389,619	769,230	941,130
I Link (Private) Limited	June 30, 2020	50,000	230,837	-	-
		1,201,285	2,145,497	1,151,285	1,377,232
Preference Shares					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,784
		1,226,285	2,173,281	1,176,285	1,405,016

8.4.3 Non Government Debt Securities	2020	2019
	Cost	Cost
8.4.3.1 Listed	(Rupees in '000)	
	2020	2019
<i>Categorised based on long term rating by Credit Rating Agencies:</i>		
- A+, A, A-	100,000	100,000
- BBB+, BBB, BBB-	99,940	99,960
- Unrated	14,963,070	987,446
	15,163,010	1,187,406
8.4.3.2 Unlisted		
<i>Categorised based on long term rating by Credit Rating Agencies:</i>		
- AAA	3,687,297	4,430,154
- AA+, AA, AA-	450,000	450,000
- Unrated	547,256	504,303
	4,684,553	5,384,457
Total Non Government Debt Securities	19,847,563	6,571,863

8.4.4 Foreign Securities	2020		2019	
	Cost	Rating	Cost	Rating
8.4.4.1 Government Securities				
(Rupees in '000)				
Kingdom of Saudi Arabia	2,375,563	A	2,300,570	A
People's Republic of China	1,916,025	A+	2,319,136	A+
Sultanate of Oman	1,119,856	BB+	1,085,187	BB+
Abu Dhabi	2,962,064	AA	1,534,677	AA
Republic of Korea	1,344,088	AA	154,594	AA
Republic of South Africa	561,891	BB+	544,583	BB+
Italy	937,350	BBB	905,970	BBB
United Mexican States	97,284	BBB	85,929	BBB
Republic of Kazakhstan	391,844	BBB	346,587	BBB+
Sharjah	1,622,414	BBB-	929,102	BBB+
Republic Of Chile	19,848	A+	-	-
Malaysia	325,852	A-	-	-
Dubai	1,118,836	Unrated	-	-
Indonesia	1,758,156	BBB	-	-
	16,552,071		10,206,335	

9.4.4.2 Non Government Debt Securities- Overseas securities

Unlisted

2020 2019
—(Rupees in '000)—

Categorised based on long term rating by Credit Rating Agencies:

- AAA	479,508	10,361,622
- AA+, AA, AA-	800,502	-
- A+, A, A-	10,296,542	4,870,744
- BBB+, BBB, BBB-	5,510,005	2,947,365
- BB+, BB, BB-	239,754	232,275
- Unrated	2,904,675	3,724,632
	<u>20,230,986</u>	<u>22,136,638</u>

9.5 Particulars relating to Held to Maturity securities are as follows:

9.5.1 Federal Government Securities- Government guaranteed

Pakistan Investment Bonds	20,009,717	25,968,179
Other Federal Government Securities	7,216,366	7,216,366
	<u>27,226,083</u>	<u>33,184,545</u>

9.5.2 Non Government Debt Securities

Unlisted

Categorised based on long term rating by Credit Rating Agencies:

- AAA	1,041,670	1,041,670
- A+, A, A-	373,333	283,263
- Unrated	119,226	645,164
	<u>1,534,229</u>	<u>1,970,097</u>

9.5.3 Foreign Securities

9.5.3.1 Government Securities

	2020		2019	
	Cost	Rating	Cost	Rating
	—(Rupees in '000)—			
Afghanistan	4,680,536	Unrated	-	-
People's Republic of Bangladesh	13,360,321	BB-	12,364,315	BB-
State of Qatar	1,588,645	AA-	1,537,546	AA-
	<u>19,629,502</u>		<u>13,901,861</u>	

9.5.3.2 Non Government Debt Securities

Unlisted

2020 2019
Cost
—(Rupees in '000)—

- BBB+, BBB, BBB-	798,356	771,808
	<u>798,356</u>	<u>771,808</u>

9.6 The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 50,506,972 million (December 31, 2019 : Rs. 49,648,885 million).

NOTE	Performing		Non Performing		Total		
	2020	2019	2020	2019	2020	2019	
(Rupees in '000)							
Loans, cash credits, running finances, etc.	9.1	458,635,232	403,040,273	20,822,483	20,686,603	479,457,715	423,726,886
Islamic financing and related assets	9.2	101,747,490	87,309,952	3,927,311	1,532,279	105,674,801	88,842,231
Bills discounted and purchased		14,697,070	17,283,494	1,109,786	198,336	15,766,856	17,401,831
Advances - gross		575,039,792	507,553,719	25,859,580	22,417,228	600,899,372	529,970,947
Provision against advances:							
- Specific	9.5	-	-	(18,307,255)	(17,740,415)	(18,307,255)	(17,740,415)
- General	9.5	(5,266,170)	(594,583)	-	-	(5,266,170)	(594,583)
		(5,266,170)	(594,583)	(18,307,255)	(17,740,415)	(23,583,425)	(18,734,998)
Advances - net of provision		569,773,622	506,959,136	7,542,325	4,676,813	577,315,947	511,235,949

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2020				2019			
	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	405,674	2,995,404	38,109	3,439,187	430,979	2,864,065	52,356	3,347,410
Residual value	292,660	738,799	8,598	1,040,057	222,973	718,226	11,353	952,552
Minimum lease payments	698,334	3,734,203	46,707	4,479,244	653,952	3,582,291	63,709	4,299,952
Financial charge for future periods	(51,927)	(333,409)	(10,371)	(395,707)	(17,117)	(537,608)	(19,354)	(574,079)
Present value of Minimum Lease Payments	646,407	3,400,794	36,336	4,083,537	636,835	3,044,683	44,355	3,725,873

9.1.1 Advances include an amount of Rs. 137.815 million (2019: Rs. 147.568 million), being Employee Loan facilities allowed to Citibank N.A. Pakistan's employees which were either taken over by the Bank, or were granted afresh under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BRPD/BRD/OL/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SLP's BID and OSED departments. These loans carry mark-up at the rates ranging from 9.46% to 24.42% (December 31, 2019: 9.46% to 24.46%) with maturities up to December 2039 (December 31, 2019: December 2038).

9.2 These represents financing and related assets placed under shariah permissible modes and presented in Annexure-II.

9.3 Particulars of advances (Gross)	2020	2019
	(Rupees in '000)	
In local currency	559,365,778	490,364,805
In foreign currencies	41,543,594	39,706,142
	600,899,372	529,970,947

9.4 Advances include Rs. 25,659,580 million (2019: Rs. 22,417,228 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2020		2019	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	65,346	2,455	1,712,714	8,347
Substandard	3,576,300	885,085	2,382,226	99,152
Doubtful	7,896,994	3,332,688	1,918,480	947,661
Loss	13,769,638	13,655,009	15,868,239	15,777,530
	25,307,278	17,875,232	21,880,659	17,312,670
Overseas				
Not past due but impaired				
Overdue by:				
> 365 days	552,302	441,023	535,569	427,745
	552,302	441,023	535,569	427,745
Total	25,859,580	18,317,255	22,417,228	17,740,415

9.5 Particulars of provision against advances

Notes	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	17,740,415	994,583	18,734,998	15,883,399	873,314	16,756,713
Exchange and other adjustments	15,076	2,408	17,484	36,327	26,819	63,146
Charge for the year	5,939,378	4,269,179	10,209,157	4,049,980	94,450	4,144,430
Reversals	(2,037,607)	-	(2,037,607)	(2,030,918)	-	(2,030,918)
	3,902,371	4,269,179	8,171,550	2,039,062	94,450	2,133,512
Amounts written off	(521,114)	-	(521,114)	(201,332)	-	(201,332)
Amounts charged off - agriculture financing	(35,053)	-	(35,053)	(17,043)	-	(17,043)
Amounts charged off - balance sheet clearing	(2,784,442)	-	(2,784,442)	-	-	-
	(3,340,607)	-	(3,340,607)	(218,373)	-	(218,373)
Closing balance	18,317,255	5,266,170	23,583,425	17,740,415	994,583	18,734,998

9.5.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	16,774,361	5,055,609	21,829,960	16,404,371	768,497	17,172,868
In foreign currencies	1,542,904	210,561	1,753,465	1,336,044	226,086	1,562,130
	18,317,255	5,266,170	23,583,425	17,740,415	994,583	18,734,998

9.5.2 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2020 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 72,557 million (2019: Rs. 38,426 million).

9.5.3 During the year, non performing loans and provisions were reduced by Rs. 1,049,600 million (2019: Rs. 232,278 million) due to debt property swap with two non performing clients.

9.5.4 General provision includes:

- (i) Provision held in accordance with SBP's prudential regulations against:
 - Conventional consumer loans being maintained at an amount equal to 1% of the secured (auto and house loans) performing portfolio and 4% of the unsecured (personal loans and credit cards) performing portfolio;
 - Islamic auto loans being maintained at an amount equal to 1% of the secured performing portfolio and for Islamic house loans, at an amount equal to 0.5% of the secured performing portfolio;
 - Small Enterprises (SE) portfolio being maintained at an amount equal to 1% against unsecured performing SE portfolio;
- (ii) Provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operate; and
- (iii) Provision of Rs. 4,250,000 million (December 31, 2019: nil) representing Covid 19 general loan loss reserve which approximates to 2.76% of restructured customers as explained in note 45.1.2.

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

	Notes	2020 (Rupees in '000)	2019 (Rupees in '000)
9.6 PARTICULARS OF WRITE OFFS:			
9.6.1 Against Provisions Directly charged to Profit & Loss account	5.6.2	3,340,607	218,373
		<u>3,340,607</u>	<u>218,373</u>
9.6.2 Write Offs of Rs. 500,000 and above - Domestic - Overseas Write Offs of Below Rs. 500,000	9.7	3,107,852 - 232,755	88,452 - 129,921
		<u>3,340,607</u>	<u>218,373</u>

9.6.3 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, the bank during the year has written off Rs. 2784.442 million as part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.

9.7 DETAILS OF LIAN WRITE 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 written-off (loans or any other branch) relief of rupees One hundred thousand or above allowed to a person(s) during the year ended December 31, 2020 is given in Annexure-L.

	Notes	2020 (Rupees in '000)	2019 (Rupees in '000)
10. FIXED ASSETS			
Capital work-in-progress	10.1	748,769	643,413
Property and equipment	10.2	20,684,887	19,256,348
Right-of-use assets	10.3	9,542,580	9,187,267
		<u>30,976,236</u>	<u>29,087,028</u>
10.1 Capital work-in-progress			
Civil works		416,527	328,506
Equipment		301,903	256,383
Others		30,339	19,524
		<u>748,769</u>	<u>643,413</u>

10.1 Property and Equipment

2020								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold improvement	Furniture and fixtures	Office equipment	Vehicles	Total
(Rupees in '000)								

At January 1, 2020

Cost / Revalued amount	6,151,946	3,086,200	1,655,333	3,074,993	5,081,693	2,095,553	13,250,977	367,004	35,663,699
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,021,878)	(1,741,943)	(10,230,292)	(272,727)	(16,407,351)
Net book value	<u>6,151,946</u>	<u>3,086,200</u>	<u>1,608,008</u>	<u>3,081,807</u>	<u>1,059,815</u>	<u>353,610</u>	<u>3,020,685</u>	<u>94,277</u>	<u>19,256,348</u>

Year ended December 2020

Opening net book value	6,151,946	3,086,200	1,608,008	3,081,807	1,059,815	353,610	3,020,685	94,277	19,256,348
Additions	27,665	-	34,527	56,499	271,318	153,087	2,365,363	115,076	3,023,525
Disposals	-	-	-	(13,927)	(8,553)	(1,043)	(11,913)	(15,581)	(51,016)
Depreciation charge	-	-	(61,085)	(100,765)	(334,829)	(56,639)	(1,258,061)	(53,738)	(1,905,131)
Exchange rate adjustments	-	-	-	-	542	347	2,233	1,590	4,672
Other adjustments / transfers	-	-	35,735	-	(143)	30	813	-	356,489
Closing net book value	<u>6,179,611</u>	<u>3,086,200</u>	<u>1,937,185</u>	<u>3,023,594</u>	<u>1,788,145</u>	<u>409,458</u>	<u>4,119,110</u>	<u>141,584</u>	<u>20,684,887</u>

At December 31, 2020

Cost / Revalued amount	6,179,611	3,086,200	2,051,942	3,295,835	6,079,542	2,239,241	15,213,237	377,753	38,544,361
Accumulated depreciation	-	-	(114,757)	(193,241)	(4,291,397)	(1,829,783)	(11,094,127)	(236,169)	(17,689,474)
Net book value	<u>6,179,611</u>	<u>3,086,200</u>	<u>1,937,185</u>	<u>3,023,594</u>	<u>1,788,145</u>	<u>409,458</u>	<u>4,119,110</u>	<u>141,584</u>	<u>20,684,887</u>
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

2019								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixtures	Office equipment	Vehicle	Total
(Rupees in '000)								

At January 1, 2019

Cost / Revalued amount	6,50,446	3,27,870	1,44,029	3,03,083	5,27,656	1,99,622	11,52,228	349,844	33,046,809
Accumulated depreciation	-	-	-	-	(3,69,796)	(1,65,417)	(9,36,666)	(298,369)	(14,949,933)
Net book value	6,50,446	3,27,870	1,44,029	3,03,083	1,57,861	342,205	2,58,562	11,489	18,096,876

Year ended December 2019

Opening net book value	6,50,446	3,27,870	1,44,029	3,03,083	1,57,861	342,205	2,58,562	11,489	18,096,876
Additions	-	-	21,904	14,288	59,629	10,953	1,92,612	39,136	3,08,921
Disposals	(61,950)	(192,560)	-	(2,700)	(546)	(750)	(13,589)	(8,024)	(280,160)
Depreciation charge	-	-	(39,725)	(83,576)	(29,695)	(54,039)	(1,05,370)	(50,453)	(1,615,858)
Exchange rate adjustments	-	-	-	-	800	4,855	8,930	2,130	16,725
Other adjustment / transfer	53,450	-	(7,600)	(1,288)	(7,144)	(134)	540	-	27,844
Closing net book value	6,15,946	3,086,200	1,608,008	3,081,807	1,85,985	353,630	3,020,685	94,277	19,256,348

At December 31, 2019

Cost / Revalued amount	6,15,946	3,086,200	1,665,333	3,074,993	5,88,893	2,09,553	3,250,977	367,004	35,663,699
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,02,878)	(1,74,943)	(10,230,292)	(272,727)	(16,407,351)
Net book value	6,15,946	3,086,200	1,608,008	3,081,807	1,85,985	353,630	3,020,685	94,277	19,256,348
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	-

- 10.2.1 Land and buildings were last revalued on December 31, 2018 on the basis of market values, determined by Independent valuer M/s Akbar & Javed Associates; M/s Haystack Services (Private) Limited and M/s Hamid Mubtakin & Co. (Private) Limited. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2020 would have been Rs. 5,807,270 million (2019: Rs. 5,549,644 million).

	2020		2019	
	Net book value at Cost	Net book value at Revalued amount	Net book value at Cost	Net book value at Revalued amount
(Rupees in '000)				
Freehold land	1,595,345	6,179,611	1,567,670	6,151,946
Leasehold land	1,291,838	3,086,200	1,291,148	3,086,200
Buildings on Freehold land	1,472,280	1,937,385	1,229,479	1,608,008
Buildings on leasehold land	1,448,577	3,023,594	1,461,347	3,081,807
	5,807,270	14,226,590	5,549,644	13,927,961

- 10.2.2 Included in cost of building and equipment are fully depreciated items still in use having cost of Rs. 12,661,556 million (2019: Rs. 11,740,137 million).

Notes	2020	2019
	(Rupees in '000)	

- 10.2.3 Carrying amount of idle and held for sale properties: 10.2.31 - 12,000

- 10.2.3.1 During the year, properties having book value of Rs. 355735 million were transferred from non banking assets acquired under satisfaction of claims to operating fixed assets. Furthermore, the Bank has transferred 'Idle and held for sale properties' having book value of Rs. 42,000 million to 'owned properties' (land and building).

- 10.2.4 Sale of fixed assets to related parties are disclosed in Annexure 4F to these unconsolidated financial statements.

Note	2020	2019
	(Rupees in '000)	

10.3 Right-of-use assets

At January 1

Cost / Revalued amount	10,973,872	9,399,241
Accumulated depreciation	(1,786,605)	-
Net book value	9,187,267	9,399,241

Year ended December

Opening net book value	9,187,267	9,399,241
Additions	2,393,829	1,574,631
Depreciation charge	(2,038,516)	(1,786,605)
Closing net book value	9,542,580	9,187,267

At December 31

Cost / Revalued amount	13,967,701	10,973,872
Accumulated depreciation	(3,825,121)	(1,786,605)
Net book value	9,542,580	9,187,267
Rate of depreciation (percentage)	5% - 100%	5% - 100%

11 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers / Software

	268,225	253,483
11.1	1,016,314	1,003,878
	1,284,539	1,257,361

11.1 At January 1

Cost	4,140,395	3,761,047
Accumulated amortisation and impairment	(3,136,517)	(2,658,432)
Net book value	1,003,878	1,102,615

Year ended December 31

Opening net book value	1,003,878	1,102,615
Additions - directly purchased	451,320	373,826
Amortisation charge	(438,758)	(472,739)
Exchange rate adjustments	96	398
Other adjustments	(222)	(222)
Closing net book value	1,016,314	1,003,878

At December 31

Cost	4,593,888	4,140,395
Accumulated amortisation and impairment	(3,577,575)	(3,136,517)
Net book value	1,016,313	1,003,878

Rate of amortisation (percentage)	20%	20%
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Useful life	5 years	5 years
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11.2 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 2,420,015 million (2019: Rs. 1,925,272 million).

12	OTHER ASSETS	Note	2020 (Rupees in '000)	2019
	Income/ Mark-up accrued in local currency - net of provision		17,856,712	21,292,325
	Income/ Mark-up accrued in foreign currency - net of provision		1,171,478	1,092,865
	Advances, deposits, advance rent and other prepayments		1,689,620	1,842,797
	Advance against subscription of share		32,312	82,312
	Non-banking assets acquired in satisfaction of claims	12.1.1	1,445,960	763,935
	Dividend receivable		2,383	1,070
	Mark to market gain on forward foreign exchange contracts		1,319,187	2,436,300
	Mark to market gain on derivatives	22.1	-	20,977
	Stationery and stamps on hand		28,390	23,164
	Defined benefit plan	36.4	692,399	1,019,177
	Due from card issuing banks		995,590	886,234
	Account receivable:		2,347,314	829,639
	Receivable against fraud and forgeries	12.2	85,246	117,010
	Acceptances		14,414,532	16,645,791
	Receivable against DSC/SSC and overseas government securities		806,885	259,983
	Receivable against marketable securities		1,672,773	145,087
	Others		911,758	284,767
			45,472,539	47,743,433
	Less: Provision held against other assets	12.3	(258,857)	(230,236)
	Other Assets (Net of Provision)		45,213,682	47,513,197
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	12.1.1	105,182	242,759
			45,318,864	47,755,956
12.1	Market value of Non-banking assets acquired in satisfaction of claims - properties only		1,535,100	987,862

The Non-banking assets (properties) of the Bank have been revalued by independent professional valuers as at December 31, 2020. The revaluation was carried out by M/s. Joseph Lobo (Pvt) Ltd, M/s. FairWater Property & Surveys (Pvt) Ltd and M/s. Hamid Mukhtar & Co. (Pvt) Ltd on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 32.506 million (2019: Rs. 89.447 million).

12.1.1	Non-banking assets acquired in satisfaction of claims - gross of provision	Note	2020 (Rupees in '000)	2019
	Opening Balance		1,006,694	775,047
	Additions		1,049,600	222,278
	Revaluation		32,506	89,447
	Disposals	12.1.2	(173,070)	(7,350)
	Transfer to Property and Equipment		(362,082)	(63,450)
	Depreciation		(2,506)	(9,278)
	Closing Balance		1,551,142	1,006,694
12.1.2	Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims			
	Disposal Proceeds		188,790	7,350
	less:			
	- Cost		173,070	7,350
	- Impairment / Depreciation		(3,790)	(7,350)
			169,280	-
	Gain/Loss		19,510	7,350

- 12.2 This represents fraud and forgery amount receivable from the insurance company and other sources. Provision has been held against non-recoverable amount.

	Note	2020 (Rupees in '000)	2019
12.3 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		252,042	219,631
Non banking assets acquired in satisfaction of claims		6,815	10,605
		<u>258,857</u>	<u>230,236</u>

12.3.1 Movement in provision held against other assets

Opening balance	230,236	389,766
Charge for the year	35,298	72,108
Reversals	(3,108)	(54,540)
	32,190	17,568
Amount Written off	(4,813)	(167,949)
Exchange and other adjustments	1,244	(9,149)
Closing balance	<u>258,857</u>	<u>230,236</u>

13 BILLS PAYABLE

In Pakistan	22,226,918	16,950,808
Outside Pakistan	344,204	218,251
	<u>22,571,122</u>	<u>17,169,059</u>

14 BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Export Refinance Scheme	14.1	45,178,774	31,680,935
Long-Term Finance Facility	14.2	24,532,476	15,947,561
Financing Facility for Renewable Energy Projects	14.3	4,551,837	1,945,374
Financing Facility for Storage of Agriculture Produce (FFSAP)	14.4	490,748	325,330
Refinance for Wages & Salaries	14.5	29,170,716	-
Other refinance schemes	14.6	1,581,880	-
Repurchase agreement borrowings	14.7	93,965,252	5,000,000
		<u>199,471,683</u>	<u>54,899,200</u>

Repurchase agreement borrowings

	14.8	42,126,121	16,064,786
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Bal Muajjal	14.9	36,250,474	19,192,374
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Pra IPO Subscription against Medium Term Note	14.10	9,000,000	-
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<i>Total secured</i>		<u>285,848,278</u>	<u>90,156,360</u>
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Unsecured

Call borrowings	14.11	14,032,513	10,126,463
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Overdrawn nostro accounts	14.12	1,532,864	939,151
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Bal Muajjal	14.13	8,766,071	-
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Others			
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- Pakistan Mortgage Refinance Company	14.14	1,388,140	494,646
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- Karandaz Risk Participation	14.15	650,087	502,375
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- Other financial institutions	14.16	2,742,233	623,335
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<i>Total unsecured</i>		<u>29,111,908</u>	<u>12,685,970</u>
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		<u>314,960,186</u>	<u>102,842,330</u>
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- 14.1 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 (2019: 1.00% to 2.00% per annum) payable on a quarterly basis.
- 14.2 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 (2019: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.3 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 is 2.00% to 3.00% per annum (2019: 2.00% to 3.00% per annum) payable on a quarterly basis.
- 14.4 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 3.50% per annum (2019: 5.00% per annum) payable on a quarterly basis.
- 14.5 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. This is new scheme as part of COVID-19 relief to finance entities against payroll. The mark-up rate on this facility is 0% to 2.00% per annum (2019: nil) payable on a quarterly basis.
- 14.6 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 0% to 3.00% per annum (2019: nil) payable on a quarterly basis.
- 14.7 This represents repurchase agreement borrowing from SBP at the rate 7.1% per annum (2019: 13.32% per annum) having maturity in January 2021 (2019: March 2020).
- 14.8 This represents repurchase agreement borrowing from other banks at the rate of ranging from 7.00% to 7.02% per annum (2019: 2.04% to 13.32% per annum) having maturities upto January 2021 (2019: January 2020).
- 14.9 This represents borrowings from financial institutions at mark-up rates ranging from 8.38% to 8.48% per annum (2019: 10.85% to 13.25%) having maturities upto July 2025 (2019: October 2020).
- 14.10 This represents pre-IPO proceeds received in respect of first tranche of the Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates ("TFCs")-Series A which has been assigned a rating of 'AAA' by PACRA. The primary purpose for this TFC issuance is to hedge the Bank's fixed rate assets. This issue has a maturity of three years and carries a markup of 9.03%. This instrument is secured against the government securities. Subsequent to the year end, the Bank conducted IPO of TFC-Series A through which subscription proceeds amounting to Rs. 2,000 million were retained by the Bank.
- 14.11 This represents borrowings from financial institutions at mark-up rates ranging from 1.00% to 7.12% per annum (2019: 0.40% to 3.15%) having maturities upto March 2021 (2019: November 2020).
- 14.12 This represents bank overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exist only due to timing differences. These do not carry any interest.
- 14.13 This represents borrowings from financial institutions at mark-up rates ranging from 5.85% to 7.06% per annum (2019: nil) having maturities upto May 2021 (2019: nil).
- 14.14 This includes borrowing from Pakistan Mortgage Refinance Company Limited (PMRC) to extend housing finance facilities to the Bank's customers on the agreed terms and conditions. This borrowing carries mark-up rate ranging 7.77% to 10.79% per annum (2019: 10% to 11%).
- 14.15 This includes borrowing from Karandaz Pakistan Limited in lieu of Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a mark-up rates ranging from 8.54% to 21.69% per annum. (2019: 13.84% to 25.24%).
- 14.16 This represents borrowing from other financial institutions at the rate ranging between 0% to 3.17% per annum (2019: 3.15% per annum) having maturity upto July 2022 (2019: December 2020).

	2020	2019
	(Rupees in '000)	
14.17 Particulars of borrowings with respect to currencies		
In local currency	299,864,951	80,416,670
In foreign currencies	15,095,235	22,425,660
	<u>314,960,186</u>	<u>102,842,330</u>

15 DEPOSITS AND OTHER ACCOUNTS

2020			2019		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign currencies	Total

(Rupees in '000)

Customers

Current deposits	318,868,466	72,526,675	391,396,141	270,727,709	66,720,895	337,448,604
Savings deposits	236,071,010	29,757,610	265,828,620	191,870,815	33,470,756	225,341,571
Term deposits	114,847,092	51,044,885	165,891,977	106,891,979	52,368,120	159,260,099
Others	13,882,444	2,977,270	16,859,714	9,393,064	2,215,457	11,608,521
	683,670,012	156,306,440	839,976,452	578,883,957	154,775,228	733,658,795

Financial Institutions

Current deposits	2,061,053	1,078,065	3,139,118	1,885,877	468,616	2,354,493
Savings deposits	26,592,177	197,558	26,789,735	28,412,020	56,425	28,468,445
Term deposits	8,803,246	1,161,129	9,964,375	17,579,094	78,196	17,657,290
Others	1,817,607	79,795	1,897,402	144,086	1,087	145,173
	39,274,083	2,516,547	41,790,630	48,021,077	604,324	48,625,401

722,944,095 158,822,987 881,767,082 626,904,644 155,379,552 782,284,196

2020 2019

(Rupees in '000)

15.1 Composition of deposits

- Individuals	420,057,714	361,511,449
- Government (Federal and Provincial)	63,503,148	31,193,413
- Public Sector Entities	60,537,880	57,074,016
- Banking Companies	4,592,897	6,225,840
- Non-Banking Financial Institutions	37,197,733	42,399,561
- Private Sector / Others	<u>296,877,710</u>	<u>283,879,917</u>
	<u>881,767,082</u>	<u>782,284,196</u>

15.2 Deposits include eligible deposits of Rs. 493,322.428 million (2019: Rs. 417,047.985 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

15.3 Current deposits include amount related to prepaid cards Rs. 42,164 million (2019: 53,876).

16 SUBORDINATED DEBT

16.1 Term Finance Certificates V - Quoted, Unsecured

- 4,987,000

During the year, the Bank, after obtaining bondholders' approval, inserted a call option in the Term Finance Certificates V and subsequently exercised that call option after completing required regulatory requirements. Accordingly, the said TFC was redeemed on May 18, 2020, being the option exercise date.

16.2 Term Finance Certificates - Additional Tier-1 (ADT-1) - Quoted, Unsecured

Issue amount	Rs. 7,000,000,000	7,000,000	7,000,000
Issue date	March 2018		
Maturity date	Perpetual		
Rating	'AA-' (double A minus) by JCR-VIS Credit Rating Company Limited.		
Security	Unsecured		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	Perpetual		
Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earnings and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event; (ii) the point of non-viability Trigger Event; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.		

7,000,000

11,987,000

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Provision against other assets
- Provision against lending to financial institutions

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets and non banking assets
- Unrealised gain / (loss) on revaluation of HFT investments
- Surplus on revaluation of available for sale investments
- Accelerated tax depreciation

2020			
At January 1 2020	Recognised in P&L A/C	Recognised in OCI	At December 31 2020
(Rupees in '000)			
(582,296)	237,856	-	(444,440)
(566,205)	(2,490,070)	-	(3,056,275)
(341,904)	(11,355)	-	(353,259)
(1,997)	1,997	-	-
(1,592,402)	(2,261,572)	-	(3,853,974)
1,299,030	(21,526)	1,152	1,278,656
(6,963)	36,899	-	31,916
2,251,346	-	40,580	2,301,926
1,490,002	112,626	-	1,602,628
5,043,395	129,999	41,732	5,215,126
3,450,993	(2,131,573)	41,732	1,361,152

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Provision against other assets
- Provision against lending to financial institutions
- Ijarah depreciation taxed
- Unrealised loss on revaluation of HFT investments

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets and non banking assets
- Surplus on revaluation of available for sale investments
- Accelerated tax depreciation
- Exchange translation reserve

2019			
At January 1 2019	Recognised in P&L A/C	Recognised in OCI	At December 31 2019
(Rupees in '000)			
(168,568)	(513,728)	-	(682,296)
(266,938)	(299,267)	-	(566,205)
(223,866)	(118,038)	-	(341,904)
(5,720)	3,723	-	(1,997)
(16,690)	16,690	-	-
(14,842)	7,859	-	(6,983)
(696,624)	(902,761)	-	(1,599,385)
1,329,184	(16,402)	(11,752)	1,299,030
(2,882)	-	2,264,228	2,261,346
1,384,793	205,209	-	1,490,002
156,231	-	(156,231)	-
2,767,326	186,807	2,096,245	5,050,378
2,070,702	(715,954)	2,096,245	3,450,993

18 OTHER LIABILITIES

- Mark-up/ Return/ Interest payable in local currency
- Mark-up/ Return/ Interest payable in foreign currency
- Unearned fee commission and income on bills discounted and guarantees
- Accrued expenses
- Current taxation
- Acceptances
- Dividends payable
- Mark to market loss on forward foreign exchange contracts
- Mark to market loss on derivatives
- Branch adjustment account
- ADC settlement accounts
- Provision for compensated absences
- Payable against redemption of customer loyalty / reward points
- Charity payable
- Provision against off-balance sheet obligations
- Security deposits against leases, lockers and others
- Worker's Welfare Fund
- Payable to vendors and suppliers
- Indirect taxes payable
- Lease liabilities
- Others

Note	2020	2019
(Rupees in '000)		
	4,107,655	3,539,887
	534,341	710,032
	962,482	395,257
	5,770,075	5,433,719
	9,615,466	6,379,668
	14,414,532	16,645,791
	135,345	93,040
	2,146,281	3,658,322
22.1	921,919	35,385
	310,518	233,567
	1,516,463	405,493
	611,106	540,000
	413,874	372,334
	8,375	3,685
18.1	127,428	129,249
	8,581,281	7,121,447
	1,973,020	1,478,588
	846,433	637,962
	1,144,088	754,542
18.2	10,456,029	9,367,014
	1,599,977	1,715,009
	66,196,688	59,549,991

18.1 Provision against off-balance sheet obligations	2020 (Rupees in '000)		2019 (Rupees in '000)	
Opening balance		129,249		78,450
Exchange and other adjustments		3,910		11,113
Charge for the year				39,686
Reversals		(5,731)		-
		(5,731)		39,686
Closing balance		127,428		129,249

18.1.1 The provision against off balance sheet obligations include general provision of Rs. 113.371 million (2019: Rs. 108.787 million) held in Bangladesh books, Rs. 2.107 million (2019: \$,512 million) held in Afghanistan books, as required under the local regulation and specific provision of Rs. 11.950 million (2019: Rs. 11.950 million) held against defaulted letter of guarantees.

18.2 Lease liabilities	2020 (Rupees in '000)		2019 (Rupees in '000)	
As at January 1		9,367,014		-
Impact of adoption of IFRS 16		-		8,841,404
Additions / renewals		2,558,708		1,574,631
Borrowing cost		1,322,183		1,226,672
Payments		(2,791,876)		(2,275,693)
As at December 31		10,456,029		9,367,014
Current lease liability		2,350,854		2,829,775
Non current lease liability		8,105,175		6,537,239
		10,456,029		9,367,014

19 SHARE CAPITAL

19.1 Authorized Capital

2020 (Number of shares)			2019 (Rupees in '000)	
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

19.2 Issued, subscribed and paid up Capital

2020 (Number of shares)			2019 (Rupees in '000)	
891,453,153	891,453,153	Ordinary shares	8,914,531	8,914,531
885,711,966	885,711,966	Fully paid in cash	8,857,120	8,857,120
1,777,165,119	1,777,165,119	Issued as bonus shares	17,771,651	17,771,651

19.3 Statutory reserve

The banking company incorporated in Pakistan is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserve equals the paid-up share capital. Thereafter, 10% of the profit after tax of the banking company is required to be transferred to this reserve. Accordingly, the Bank transfers 10% of its profit after tax every year to the statutory reserve.

20 SURPLUS ON REVALUATION OF ASSETS	Note	2020 (Rupees in '000)		2019 (Rupees in '000)	
Surplus on revaluation of:					
- Available for sale securities	8.1	6,576,932		6,460,988	
- Fixed Assets	20.1	8,419,320		8,378,317	
- Non-banking assets acquired in satisfaction of claims	20.2	105,182		242,759	
		15,101,434		15,082,064	
Deferred tax on surplus on revaluation of:					
- Available for sale securities		2,301,926		2,261,346	
- Fixed Assets	20.1	1,277,421		1,263,070	
- Non-banking assets acquired in satisfaction of claims	20.2	1,235		35,960	
		3,580,582		3,560,376	
Derivatives		(1,012,015)		(154,684)	
		10,508,837		11,367,004	

20.1 Surplus on revaluation of fixed assets

2020 2019
 (Rupees in '000)

Surplus on revaluation of fixed assets as at January 1	8,378,307	8,508,874
Transferred from Non banking assets to owned property	66,620	3,938
Related deferred tax liability on surplus transfer to owned property	35,872	-
Realised on disposal during the year - net of deferred tax	-	(66,341)
Related deferred tax liability on surplus realised on disposal	-	(7,856)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(39,968)	(32,694)
Related deferred tax liability on incremental depreciation charged during the year	(21,521)	(7,604)
Surplus on revaluation of fixed assets as at December 31	8,419,320	8,378,307
Less: related deferred tax liability on:		
Revaluation as at January 1	1,263,070	1,298,530
- Surplus transferred to owned property	35,872	-
- surplus realised on disposal during the year	-	(7,856)
- incremental depreciation charged during the year	(21,521)	(7,604)
	1,277,421	1,263,070
	<u>7,141,899</u>	<u>7,115,247</u>

20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at January 1	242,759	159,530
Recognised during the year	32,506	89,447
Transferred to owned property	(66,620)	(3,938)
Related deferred tax liability on surplus of transfer to owned property	(35,872)	-
Realised on disposal during the year - net of deferred tax	(67,577)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(9)	(1,482)
Related deferred tax liability on incremental depreciation charged during the year	(5)	(798)
Surplus on revaluation as at December 31	105,162	242,759
Less: related deferred tax liability on:		
- revaluation as at January 1	35,960	30,654
- revaluation recognised during the year	1,152	6,104
- surplus transferred to owned property	(35,872)	-
- incremental depreciation charged during the year	(5)	(798)
	1,235	35,960
	<u>103,947</u>	<u>206,799</u>

		Note	2020 — (Rupees in '000) —	2019
21	CONTINGENCIES AND COMMITMENTS			
	-Guarantees	21.1	69,451,917	63,456,341
	-Commitments	21.2	380,140,829	461,033,748
	-Other contingent liabilities	21.3	12,274,585	10,150,887
			<u>461,867,331</u>	<u>534,640,976</u>
21.1	Guarantees:			
	Financial guarantees		507,942	639,642
	Performance guarantees		36,636,998	34,663,032
	Other guarantees		32,306,977	28,153,667
			<u>69,451,917</u>	<u>63,456,341</u>
21.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	- Letters of credit		125,526,205	93,696,623
	Commitments in respect of:			
	- forward foreign exchange contracts	21.2.1	184,793,857	305,449,119
	- forward government securities transactions	21.2.2	12,239,653	4,392,826
	- derivatives	21.2.3	18,317,022	17,745,535
	- forward lending	21.2.4	38,125,107	38,052,512
	Commitments for acquisition of:			
	- operating fixed assets		895,707	1,283,925
	- intangible assets		243,278	413,208
			<u>380,140,829</u>	<u>461,033,748</u>
21.2.1	Commitments in respect of forward foreign exchange contracts:			
	Purchase		106,574,908	185,084,250
	Sale		78,218,949	120,364,869
			<u>184,793,857</u>	<u>305,449,119</u>
21.2.2	Commitments in respect of forward government securities transactions			
	Purchase		1,378,869	1,391,534
	Sale		10,860,784	3,001,292
			<u>12,239,653</u>	<u>4,392,826</u>
21.2.3	Commitments in respect of derivatives (Interest Rate Swaps)			
21.2.3.1	Interest Rate Swaps			
	Purchase		18,317,022	17,745,535
	Sale		-	-
			<u>18,317,022</u>	<u>17,745,535</u>

21.2.4 Commitments in respect of forward lending

Undrawn Formal standby facilities, credit lines and other commitments to lend

21.2.4.1

32,808,826 32,688,405

Commitments in respect of investments

5,306,281 5,364,107

38,125,107 38,052,512

21.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

21.3 Other contingent liabilities**21.3.1 Claims against the Bank not acknowledged as debts**

12,274,585 10,150,887

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex-employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

21.4 Contingency for tax payable

21.4.1 There were no tax related contingencies other than as disclosed in note 32.2.

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 futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

22.1 Product Analysis

Counterparties

With Banks for
Hedging

2020			2019		
Interest Rate Swaps			Interest Rate Swaps		
No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
(Rupees in '000)					
31	18,317,022	(921,919)	30	17,745,535	(14,408)
31	18,317,022	(921,919)	30	17,745,535	(14,408)

22.2 Maturity Analysis

Remaining Maturity

3 to 6 months
6 months to 1 Year
1 to 2 Years
2 to 3 Years
3 to 5 Years
5 to 10 years
Total

2020				
(Rupees in '000)				
No. of Contracts	Notional Principal	Mark to Market		Net
		Negative	Positive	
2	719,255	5,946	-	(5,946)
1	319,669	4,263	-	(4,263)
6	4,155,694	97,866	-	(97,866)
2	1,278,675	35,534	-	(35,534)
12	6,409,359	357,091	-	(357,091)
8	5,434,370	421,219	-	(421,219)
31	18,317,022	921,919	-	(921,919)

Remaining Maturity

3 to 6 months
1 to 2 Years
2 to 3 Years
3 to 5 Years
5 to 10 years
Total

2019				
(Rupees in '000)				
No. of Contracts	Notional Principal	Mark to Market		Net
		Negative	Positive	
2	1,548,476	743	1,169	426
4	1,780,747	5,523	1,303	(4,220)
5	3,561,495	14,733	7,780	(6,953)
10	4,800,276	54,741	22,361	(32,380)
9	6,054,541	5,669	34,388	28,719
30	17,745,535	81,409	67,001	(14,408)

22.3 The Risk management policy related to derivatives is discussed in note 45.B

	Notes	2020 (Rupees in '000)	2019 (Rupees in '000)
33 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		49,291,083	58,554,745
b) Investments		37,990,320	21,187,154
c) Lendings to financial institutions		3,751,339	5,639,126
d) Balances with banks		59,627	50,543
e) On securities purchased under resale agreements / Bai Muajjal		1,583,771	7,087,485
		<u>92,615,890</u>	<u>92,519,053</u>
34 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		31,399,288	35,181,326
b) Borrowings		4,672,102	2,196,815
c) Securities sold under repurchase agreements		5,551,541	2,297,289
d) Subordinated debt		1,144,196	1,530,436
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		3,724,565	5,104,750
f) Borrowing cost on leased properties		1,322,183	1,226,672
g) Reward points		97,437	126,105
		<u>47,911,316</u>	<u>47,673,373</u>
35 FEE & COMMISSION INCOME			
Branch banking customer fees		1,034,701	1,198,430
Consumer Finance related fees		270,722	242,802
Card related fees (debit and credit cards)		770,544	964,192
Credit related fees		180,764	156,606
Investment banking fees		254,547	206,981
Commission on trade		1,386,019	1,448,863
Commission on guarantees		314,187	345,120
Commission on cash management		42,594	40,178
Commission on remittances including home remittances		562,477	328,040
Commission on bancassurance		490,545	510,927
Card acquiring business		415,087	342,304
Wealth Management Fee		86,229	181,984
Commission on Employees' Old-Age Benefits Institution (EOBI)		78,385	109,409
Commission on Remuair Income Support Programme (RISP)		331,928	284,443
Alternate Delivery Channel (ADC)		301,654	474,294
Others		79,916	181,574
		<u>6,559,300</u>	<u>6,596,147</u>
36 GAIN ON SECURITIES			
Realised gain	26.1	7,193,692	84,742
Unrealised gain / (loss) - held for trading	8.1	91,188	(19,952)
		<u>2,284,880</u>	<u>64,790</u>
36.1 Realised gain on:			
Federal Government Securities		2,875,349	365,944
Shares		(585,163)	(331,264)
Non Government Debt Securities		(122,397)	-
Foreign Securities		25,909	50,062
		<u>2,193,692</u>	<u>84,742</u>
37 OTHER INCOME			
Rent on property		24,470	24,229
Gain on sale of fixed assets-net		67,255	122,962
Gain on sale of non banking assets - net	12.1.2 & 27.1	19,510	7,350
Profit on termination of leased contracts (Ijarah)		55,560	43,511
Subsidy received from Government (Overseas)		3,226	-
Others		509	1,307
		<u>170,530</u>	<u>199,359</u>
37.1 The bank earned an income of Rs. 19,510 million against sale of following non-banking assets:			
Open plot		15,720	-
Membership shares / cards		3,790	7,350
		<u>19,510</u>	<u>7,350</u>

		Notes	2020 (Rupees in '000)	2019
29	OPERATING EXPENSES			
	Total compensation expense	29.1	14,519,188	12,830,796
	Property expense			
	Rent and taxes		137,619	249,904
	Utilities cost		1,120,325	1,051,429
	Security (including guards)		779,850	640,692
	Repair and maintenance (including janitorial charges)		572,580	497,757
	Depreciation on right-of-use assets	10.3	2,038,536	1,786,606
	Depreciation on non-banking assets acquired in satisfaction of claims		8,853	8,490
	Depreciation on owned assets	10.2	496,698	404,997
			5,254,441	4,649,884
	Information technology expenses			
	Software maintenance		1,198,710	1,239,156
	Hardware maintenance		671,003	311,321
	Depreciation	10.2	473,286	361,092
	Amortisation	11.1	438,758	472,739
	Network charges		401,420	401,267
			3,183,177	2,785,575
	Other operating expenses			
	Directors' fees and allowances	39.2	161,449	204,243
	Fees and allowances to Statutory Board	39.3	8,990	7,800
	Legal and professional charges		461,995	387,896
	Outsourced services costs	28.2	850,506	993,012
	Travelling and conveyance		425,030	564,594
	Cleaning and custodian charges		86,220	81,503
	Depreciation	10.2	935,147	839,769
	Training and development		61,980	78,776
	Postage and courier charges		284,372	386,737
	Communication		460,626	346,922
	Stationery and printing		658,454	664,274
	Marketing, advertisement and publicity		602,822	1,385,260
	Donations	28.3	19,731	11,426
	Auditors remuneration	28.4	44,815	47,544
	Brokerage and commission		204,261	155,029
	Entertainment		217,914	231,036
	Repairs and maintenance		518,359	450,093
	Insurance		1,042,730	889,271
	Cash handling charge		719,447	511,387
	CNC verification		122,147	138,729
	Others		589,158	524,233
			8,485,116	8,799,483
			31,442,922	29,065,738
28.1	Total compensation expense			
	Managerial Remuneration			
	(i) Fixed		10,722,303	9,483,762
	(ii) Variable			
	Cash Bonus / Awards etc.		1,873,953	1,863,909
	Charge for defined benefit plan	36.8.1	170,884	186,243
	Contribution to defined contribution plan	37	455,029	390,250
	Medical		570,432	506,878
	Conveyance		265,875	240,620
	Staff compensated absences		71,106	41,990
	Others		183,329	122,336
	Sub-total		14,312,911	12,755,988
	Sign-on Bonus		8,650	53,398
	Service Allowance		197,627	21,410
	Grand Total		14,519,188	12,830,796
	Sign-on Bonus			
	Service Allowance			
			No of persons	
			5	32
			5	2

28.2 Total cost for the year incurred in Other Operating Expenses relating to outsourced activities is Rs 703,244 million (2019: Rs 692,686 million) pertaining to the payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs which are disclosed above.

28.3 Donations	2020 (Rupees in '000)	2019 (Rupees in '000)
Association for Children with Emotional and Learning Problems	1,365	2,034
CHILD Aid Association	700	2,053
Family Educational Services	1,000	-
Karachi Relief Trust	3,400	3,339
MOVE Pakistan	-	1,000
Muslim Hand International	-	580
Pakistan National Polo Plus Trust	900	-
Patients Aid Foundation for Emergency COVID Fund	1,500	-
Parents Voice Association (Mjals)	280	-
Prime Minister's Ehsas Emergency Ration Programme	2,146	-
Society of Rehabilitation of Special Children	-	2,000
The Citizen Foundation	1,000	400
The Indus Hospital	3,000	-
The Milestone Society	3,640	-
	<u>19,731</u>	<u>11,425</u>

28.3.1 None of the directors, sponsor/shareholders, key management personnel or their spouses have any direct interest in the Donations.

28.4 Auditors' remuneration	2020 (Rupees in '000)			2019 (Rupees in '000)		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Audit fee	15,005	12,400	28,408	14,553	14,889	29,442
Fee for other statutory certifications	6,353	-	6,353	7,948	-	7,948
Special certifications and sundry advisory services	2,327	5,350	7,677	4,505	2,070	6,575
Out-of-pocket expenses	1,943	434	2,377	3,301	283	3,584
	<u>25,631</u>	<u>18,184</u>	<u>44,815</u>	<u>30,302</u>	<u>17,242</u>	<u>47,544</u>

29 WORKERS WELFARE FUND

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by Federal Government through Finance Act, 2008 for the levy of Workers Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. A legal advice was obtained by the Pakistan Banking 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.

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
30 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		94,135	267,918
Penalties imposed by other regulatory bodies		356	1,295
		<u>94,491</u>	<u>269,213</u>
31 PROVISIONS & WRITE OFFS - NET			
Reversal against lending to financial institutions (Reversal) / provisions for diminution in value of investments	8.3.1	(10,466)	(10,638)
Provisions against loans & advances	9.5	(548,810)	1,017,888
Provisions against other assets	12.3.1	8,171,550	2,133,512
(Reversal) / provisions against off-balance sheet obligations	18.1	32,190	17,568
Other provisions/ operational loss- net		(5,731)	39,686
Recovery of written off / charged off bad debts		110,277	110,300
		<u>(597,411)</u>	<u>(279,731)</u>
		<u>7,589,269</u>	<u>3,028,585</u>

	Notes	2020 (Rupees in '000)	2019 (Rupees in '000)
52 TAXATION			
Current		9,581,757	9,846,370
Prior years		(46,772)	55,908
Deferred		(2,131,573)	(715,954)
	52.1	7,403,412	9,686,324
52.1 Relationship between tax expense and accounting profit			
Accounting Profit before taxation		17,878,327	22,381,841
Tax at the applicable rate of 35% (2019: 35%)		6,257,413	7,833,644
Effect of:			
- permanent differences		43,572	94,397
- tax charge pertaining to overseas branches		34,928	89,880
- adjustment of prior years		-	603,587
- Super tax		969,087	995,030
- others		98,412	69,896
Tax expense for the year		7,403,412	9,686,324

- 52.2 a) The income tax assessments of the Bank have been finalized upto and including tax year 2020. 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 Honourable Supreme Court of Pakistan. These issues mainly relate to addition of mark up in response 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, 2014, 2017 and 2018, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains; dividend income from mutual funds not being taken under income from business and disallowance of Leasehold Improvements resulting in additional demand of Rs. 867.746 million (December 31, 2019: Rs. 857.729 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 184.218 million appeal affect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. 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.

- (i) The Bank has received orders from a provincial tax authority wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.488.211 million (December 31, 2019: Rs.488.211 million) excluding default surcharge by disallowing certain exemptions of sales tax on banking services and allegedly for short payment of sales tax covering period from July 2011 to June 2014. Bank's appeals against these orders are currently pending before Commissioner Appeals. The Bank has not made any provision against these orders and the management is of the view that these matters will be settled in Bank's favour through appellate process.

	2020 (Rupees in '000)	2019 (Rupees in '000)
53 BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year	10,474,910	12,685,507
	(Number of shares in '000)	
Weighted average number of ordinary shares	1,777,165	1,776,205
	Rupees	
Basic and diluted earnings per share	5.89	7.15

- 53.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.

	Notes	2020 (Rupees in '000)	2019 (Rupees in '000)
54 CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks	5	99,348,197	100,731,673
Balance with other banks	6	6,234,299	4,709,968
Call / clean money holdings		14,405,403	30,552,042
Overdrawn nostro accounts	14.12	(1,532,864)	(939,151)
		118,455,035	135,054,532

34.1 Reconciliation of debt arising from financing activities

Balances as at January 01, 2020

Changes from financing cash flows

Issuance / (redemption) of sub-ordinated debt

Payment of leased liability

Dividend Paid

Other changes

Additions / renewals of leases

Borrowing cost on lease liability

Final cash dividend for the year ended December 31, 2019 - 20%

Interim cash dividend for the nine months period ended September 30, 2020 - 20%

Balances as at December 31, 2020

2020			
Liability		Equity	
(Rupees in '000)			
Subordinated debt	Lease liabilities	Share Capital	Dividend Payable
11,987,000	9,357,014	17,771,651	93,040
(4,987,000)	-	-	-
-	(2,791,876)	-	-
-	-	-	(7,066,355)
(4,987,000)	(2,791,876)	-	(7,066,355)
-	2,558,708	-	-
-	1,322,183	-	-
-	-	-	3,554,330
-	-	-	3,554,330
-	3,880,891	-	7,108,650
7,000,000	10,465,029	17,771,651	135,345

Reconciliation of debt arising from financing activities

Balances as at January 01, 2019

Impact of adoption of IFRS 16

Changes from financing cash flows

Issuance / (redemption) of sub-ordinated debt

Payment of leased liability

Share issued to employees

Dividend Paid

Other changes

Additions / renewals of leases

Borrowing cost on lease liability

Share issued to employee on premium

Final cash dividend for the year ended December 31, 2018 - 15%

Interim cash dividend for the half year ended June 30, 2019 - 20%

Balances as at December 31, 2019

2019			
Liability		Equity	
(Rupees in '000)			
Subordinated debt	Lease liabilities	Share Capital	Dividend Payable
11,989,000	-	17,743,629	94,229
-	8,841,404	-	-
(2,000)	-	-	-
-	(2,275,693)	-	-
-	-	38,082	-
-	-	-	(6,207,063)
(2,000)	(2,275,693)	38,082	(6,207,063)
-	1,574,631	-	-
-	1,226,672	-	-
-	-	(10,060)	-
-	-	-	2,661,544
-	-	-	3,354,330
-	2,801,303	(10,060)	6,215,874
11,987,000	9,357,014	17,771,651	93,040

36 STAFF STRENGTH

	2020			2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Permanent	10,443	210	10,653	9,908	210	10,118
On Bank contract	25	77	102	21	95	116
Bank's own staff strength at the end of the year	10,468	287	10,755	9,929	305	10,234

36.1 In addition to the above, 710 (2019: 993) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 640 (2019: 967) working domestically and 29 (2019: 26) working at overseas branches.

36 DEFINED BENEFIT PLAN

36.1 General description

The Bank operates an approved funded gratuity scheme which cover all regular permanent employees. The liability of the Bank in respect of the plan is determined based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial valuation of the defined benefit plan is carried out every year and the latest valuation was carried out as at December 31, 2020. The significant assumptions are detailed below:

36.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2020	2019
	(Number)	
- Gratuity fund	10,442	9,929

36.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2020

	2020	2019
	(Per annum)	
Withdrawal rates	Moderate SLIC	Moderate SLIC
Mortality rates	2001 - 2005	2001 - 2005
Valuation Discount rate (p.a)	10.25%	11.75%
Salary increase rate (p.a) - Short term (5 years)	5.25%	6.75%
Salary increase rate (p.a) - Long term	8.25%	9.75%
Expected rate of return on plan assets (p.a)	10.25%	11.75%
Normal Retirement Age	60 Years	60 Years
Duration	10 Years 3 months	10 Years 1 month

36.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Net	2020	2019
		(Rupees in '000)	
Present value of obligations payable	36.5	1,962,043	1,665,365
Fair value of plan assets	36.6	(2,654,442)	(2,684,542)
(Receivable) / payable	36.7	(692,399)	(1,019,177)

36.5 Movement in defined benefit obligations

Obligations at the beginning of the year	1,665,365	1,474,558
Current service cost	301,303	254,421
Interest cost	185,845	183,840
Benefits paid by the Bank	(142,615)	(211,974)
Re-measurement gain	(48,855)	(39,520)
Obligations at the end of the year	1,962,043	1,665,365

36.6 Movement in fair value of plan assets

Fair value at the beginning of the year		2,684,542	2,398,231
Interest income on plan assets		317,264	332,018
Contribution by the Bank - net		170,884	106,243
Benefits paid		(142,615)	(211,974)
Re-measurements: Net return on plan assets over interest income (loss) / gain	36.8.2	(375,633)	60,024
Fair value at the end of the year	36.9	2,654,442	2,684,542

	Note	2020 —(Rupees in '000)—	2019
35.7 Movement in (receivable) / payable under defined benefit plan			
Opening balance		(1,019,177)	(923,633)
Charge / (reversal) for the year		170,884	106,243
Contribution by the Bank – net		(170,884)	(106,243)
Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	326,778	(95,544)
Closing balance		<u>(692,399)</u>	<u>(1,019,177)</u>
35.8 Charge for defined benefit plans			
35.8.1 Cost recognised in profit and loss			
Current service cost	35.5	301,303	254,421
Net interest on defined benefit asset / liability	35.5 & 35.6	<u>(130,419)</u>	<u>(148,178)</u>
		<u>170,884</u>	<u>106,243</u>
35.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
– Demographic assumptions		-	-
– Financial assumptions		(67,624)	(18,174)
– Experience adjustment		18,769	(17,346)
Return on plan assets over interest income		<u>375,633</u>	<u>(60,024)</u>
Total re-measurements recognised in OCI		<u>326,778</u>	<u>(95,544)</u>
35.9 Components of plan assets			
Cash and cash equivalents – net		299,517	34,846
Government securities		205,140	150,191
Non-government debt securities		602,365	602,365
Ordinary shares		1,208,144	1,537,515
Units of mutual funds		<u>343,276</u>	<u>309,665</u>
		<u>2,654,442</u>	<u>2,684,542</u>

35.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption are summarized below:

Particulars	2020	
	PV of Defined Benefit Obligation	Change
	—(Rupees in '000)—	
1% increase in discount rate	1,761,831	(200,212)
1% decrease in discount rate	2,161,637	199,594
1 % increase in expected rate of salary increase	2,175,829	213,786
1 % decrease in expected rate of salary increase	1,747,258	(214,785)
10% increase in withdrawal rate	1,933,601	(8,442)
10% decrease in withdrawal rate	1,938,239	(23,804)
1 year Mortality age set back	1,947,796	(14,248)
1 year Mortality age set forward	1,944,947	(17,100)

2020
(Rupees in '000)

36.11	Expected contributions to be paid to the fund in the next financial year	716,848
36.12	Expected charge / (reversal) for the next financial year	716,848

36.13 Maturity profile

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	101,827
Year 2	85,894
Year 3	94,167
Year 4	108,143
Year 5	98,041
Year 6 to Year 10	598,795
Year 11 and above	4,434,975
	5,521,842

36.14 Funding Policy

The bank's policy for funding the staff retirement benefit scheme is given in note 4.8 (a).

36.15 Risks Associated with Defined Benefit Plans

Asset Volatility:

The risk arises due to the inclusion of the risky assets in the gratuity fund portfolio, inflation and interest rate volatility.

Changes in Bond yields:

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

Inflation Risks:

The risk arises if gratuity benefits are linked to inflation and the inflation is higher than expected, which results in higher liabilities.

Life expectancy / 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.

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.

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 in salary are higher than expectation and impacts the liability accordingly.

37 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. 455,029 million (2019: Rs. 390,250 million) to the fund.

38 OTHER EMPLOYEE BENEFIT

38.1 Compensated Absences

The Bank operates compensated absences scheme in which employees can carry forward unutilized leaves up to maximum of 45 days.

38.2 Benefit Scheme for Overseas Branches

The Bank operates retirement benefit schemes for its employees at overseas branches in compliance with the local labour laws of the respective countries where the branches operate.

39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation expense

2020								
Sr. No.	Items	Chairman	Directors		Members Shariah Board *	President / CEO	Key Executives	Other MRTs / MRCs
			Executives (other than CEO)	Non-Executive				
(Rupees in '000)								
1	Fees and Allowances etc.	-	-	161,449	8,990	-	-	-
2	Managerial Remuneration	-	-	-	-	-	-	-
i) Fixed		-	-	-	2,117	52,934	228,620	603,728
ii) Total Variable		-	-	-	-	-	-	-
	Cash Bonus / Awards	-	-	-	355	-	161,000	263,855
3	Charge for defined benefit plan	-	-	-	-	-	12,994	32,308
4	Contribution to defined Contribution	-	-	-	-	4,409	12,994	43,458
5	Rent & House Maintenance	-	-	-	438	22,156	63,587	175,676
6	Utilities	-	-	-	110	6,491	15,897	43,616
7	Medical	-	-	-	-	-	-	519
8	Conveyance	-	-	-	-	-	-	104
9	Ex-Gratia	-	-	-	-	132,533	11,182	2,850
10	Others	-	-	-	-	36,785	5,505	34,131
	Total (1 - 10)	-	-	161,449	12,010	255,308	512,779	1,202,255
	Number of Persons	-	-	8	3	2	17	131

2019								
Sr. No.	Items	Chairman	Directors		Members Shariah Board *	President / CEO	Key Executives	Other MRTs / MRCs
			Executives (other than CEO)	Non-Executive				
(Rupees in '000)								
1	Fees and Allowances etc.	-	-	204,243	7,800	-	-	-
2	Managerial Remuneration	-	-	-	-	-	-	-
i) Fixed		-	-	-	2,410	38,867	221,077	581,706
ii) Total Variable		-	-	-	-	-	-	-
	Cash Bonus / Awards	-	-	-	-	90,000	136,500	229,782
3	Charge for defined benefit plan	-	-	-	-	3,737	12,085	28,212
4	Contribution to defined Contribution	-	-	-	-	3,237	12,085	28,222
5	Rent & House Maintenance	-	-	-	456	15,547	57,625	151,075
6	Utilities	-	-	-	114	3,887	14,419	37,199
7	Medical	-	-	-	-	-	-	740
8	Conveyance	-	-	-	-	-	-	45
9	Others	-	-	-	5	-	480	34,330
10	Total (1 - 9)	-	-	204,243	10,785	154,775	454,323	1,051,311
11	Number of Persons	-	-	7	3	1	15	115

The Chief Executive and certain Executives have been provided with the free use of cars, household equipment and fuel.

A certain portion of variable compensation of the CEO, Key Executives, MRTs/MRCs shall be subject to mandatory deferrals for a defined period. The deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the CEO, Key Executives, MRTs/MRCs. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award. The deferred portion of the variable remuneration shall be paid to the CEO, Key Executives, MRTs/MRCs on vesting, proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. During the year, bonus amounting to Rs. 101.854 million (2019: nil) was deferred. The deferred portion of the bonus is managed internally within the Bank. The Bank provides for the return on deferred portion according to the rate of return earned on government securities according to the time horizon for deferral.

* includes salaries and allowance of resident member of Shariah Board who is an employee of the Bank.

39.2 Remuneration Paid to Directors for Participation in Board and Board Committees Meetings

2020

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committees Meetings								Total
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Coronavirus-Crisis Management Committee **	
		(Rupees in '000)								
1	H.H. Sheikh Nahayan Mubarak Al Nahayan	-	-	-	-	-	-	-	-	
2	Mr. Abdullah Nasser Hawaleel Al Mansoori	4,879	-	-	-	-	-	-	4,879	
3	Mr. Abdullah Khalil Al Mutawa	9,039	5,085	-	3,743	3,743	3,743	5,319	34,079	
4	Mr. Khalid Mana Saeed Al Otaiba	9,039	5,085	-	3,743	3,743	4,559	4,543	33,913	
5	Mr. Efstratios Georgios Arapoglou	8,083	5,085	-	-	3,743	3,743	4,543	29,038	
6	Mr. Gyorgy Tamas Ladics	6,479	-	-	3,743	4,559	-	-	17,981	
7	Mr. Shehzad Negin*	1,543	3,085	-	1,234	-	1,234	1,234	8,331	
8	Mr. Khalid Qurashi	5,760	1,920	-	800	-	1,600	2,400	13,280	
9	Dr. Ayesha Khan	5,543	5,828	-	5,383	-	-	-	19,954	
	Total	50,365	26,192	-	18,645	15,788	14,879	18,239	161,449	

2019

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committees Meetings								Total Amount Paid
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Coronavirus-Crisis Management Committee	
		(Rupees in '000)								
1	M.H. Sireekh Mahayan Mubarak Al Nahayan	-	-	-	-	-	-	-	-	
2	Mr. Abdullah Nasser Hawaleel Al Mansoori	2,959	-	-	-	-	-	-	2,959	
3	Mr. Abdullah Khalil Al Mutawa	7,566	7,311	2,506	6,071	4,813	7,311	9,118	44,716	
4	Mr. Khalid Mana Saeed Al Otaiba	7,566	7,311	2,506	6,071	4,813	9,138	7,311	44,716	
5	Mr. Efstratios Georgios Arapoglou	7,566	7,311	2,506	-	4,813	7,311	7,311	36,818	
6	Dr. Gyorgy Tamas Ladics	7,566	-	-	6,071	6,016	-	-	19,653	
7	Mr. Shehzad Negin	5,916	7,415	-	4,692	-	5,932	5,932	29,907	
8	Dr. Ayesha Khan	7,495	7,491	3,065	7,423	-	-	-	25,474	
	Total	48,634	36,839	10,583	30,528	20,455	29,692	29,692	204,243	

* Director resigned during 2020.

** Committee formed in 2020.

39.3 Remuneration paid to Shariah Board Members

Sr. No.	Items	2020				2019			
		Chairman	Resident Member	Non-Resident Member	Total	Chairman	Resident Member	Non-Resident Member	Total
(Rupees in '000)									
1	Fees/Remuneration and Allowances	6,224	-	2,766	8,990	5,400	-	2,400	7,800
2	Managerial Remuneration - Fixed	-	2,117	-	2,117	-	2,430	-	2,430
3	Rent & House Maintenance	-	438	-	438	-	456	-	456
4	Utilities	-	110	-	110	-	114	-	114
5	Others	-	355	-	355	-	5	-	5
	Total	6,224	3,020	2,766	12,010	5,400	2,965	2,400	10,765
	Total Number of Persons	1	1	1	3	1	1	1	3

40 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. 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.

40.1 Fair value of financial assets

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:

	2020			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets – measured at fair value				
Investments				
Federal Government Securities	-	425,835,272	-	425,835,272
Shares	577,2119	-	-	577,2119
Non-Government Debt Securities	12,072,000	7,329,578	-	19,401,578
Foreign Securities	-	44,511,463	-	44,511,463
Financial assets – not measured at fair value				
Investment – held to maturity securities	-	50,506,972	-	50,506,972
Off-balance sheet financial instruments – measured at fair value				
Forward purchase of foreign exchange	-	1,319,187	-	1,319,187
Forward sale of foreign exchange	-	(2,146,288)	-	(2,146,288)
Derivatives purchases	-	(921,919)	-	(921,919)
	2019			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets – measured at fair value				
Investments				
Federal Government Securities	-	199,930,753	-	199,930,753
Shares	7,537,638	-	-	7,537,638
Non-Government Debt Securities	-	6,213,346	-	6,213,346
Foreign Securities	-	33,735,403	-	33,735,403
Financial assets – not measured at fair value				
Investment – held for trading securities	-	49,648,885	-	49,648,885
Off-balance sheet financial instruments – measured at fair value				
Forward purchase of foreign exchange	-	2,436,300	-	2,436,300
Forward sale of foreign exchange	-	(3,658,322)	-	(3,658,322)
Derivatives purchases	-	(14,408)	-	(14,408)



40.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 12. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

40.3 The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer, occurred. There were no transfers between levels 1 and 2 during the current year.

40.4 Valuation techniques used in determination of Fair values:

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies and Non government debt securities.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuk, GoP Euro Bonds, Overseas Government Sukuk, Overseas and Euro Bonds, Term Finance Certificates, and other than Government Sukuk, forward foreign exchange contracts and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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.

40.4.1 Valuation techniques

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills (MTB) / Pakistan Investment Bonds (PIB), GoP Sukuk (GS) and GoP Euro Bonds	The fair value of MTBs and PIBs are derived using PKR/RV rates, GS are revalued using PKUSD/RV rates. Floating rate PIBs are revalued using PKFRV rates.
Overseas Government Sukuk, Overseas and Euro Bonds	The fair value of Overseas Government Sukuk, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuk, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Fixed assets and non banking assets acquired in satisfaction of claims	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 can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

42.3 Segment Details with respect to Business Activities

	2020							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	(6,346,925)	17,521,037	8,720,019	22,029,818	(15,353)	2,894,025	(968,047)	44,704,574
Inter-segment revenue- net	31,858,796	(1,073,670)	(925,294)	(3,685,004)	585,952	222,823	1,007,506	-
Non mark-up / return / Interest Income	3,582,080	1,754,742	1,090,782	5,348,602	437,159	580,866	(9,459)	12,794,862
Total Income	29,103,951	8,212,100	8,885,507	6,592,606	1,007,758	3,697,504	-	57,499,436
Segment direct expense	13,505,047	962,884	3,965,455	551,378	1,721,273	1,877,685	9,357,253	32,031,845
Inter-segment expense allocation	6,289,747	693,798	1,427,461	310,360	181,316	254,571	(9,357,253)	-
Total expenses	19,895,664	1,656,682	5,392,916	861,738	1,902,589	2,132,256	-	32,031,845
Provisions / (reversals)	1,028,707	1,825,468	1,077,476	(605,553)	2,148	10,943	4,250,000	7,589,269
Profit before tax	8,889,490	4,529,950	2,415,125	6,316,431	(895,979)	1,554,305	(4,250,000)	17,878,322

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
(Rupees in '000)								
Balance Sheet								
Cash & Bank balances	49,627,801	10,193,222	14,780,115	17,205,558	47,0783	13,214,927	-	105,582,496
Investments	1,648,811	1,067,750	47,420,548	425,225,444	-	70,834,301	792,879	547,089,932
Net inter segment lending	367,340,730	-	-	-	8,236,298	-	66,760,820	462,367,888
Lendings to financial institutions	-	-	14,293,146	51,747,865	-	11,264,524	-	77,305,536
Advances - performing	153,056,442	283,141,506	101,673,272	-	16,596	25,085,003	5,000,803	560,773,622
Advances - non-performing	1,200,592	4,571,887	1,605,920	-	202	111,279	37,515	7,542,325
Others	22,501,621	11,194,130	16,555,220	7,060,505	1,562,319	3,689,654	15,007,190	77,579,639
Total Assets	596,285,087	319,174,434	196,328,221	501,339,372	10,286,138	124,284,778	108,520,407	1,847,241,437
Borrowings	23,057,436	66,943,742	23,967,885	185,932,565	-	13,560,928	1,497,627	314,960,186
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	552,825,197	116,774,809	133,037,813	-	10,139,614	63,979,300	10,449	881,767,082
Net inter segment borrowing	-	105,134,794	9,765,912	309,835,466	-	37,631,716	-	462,367,888
Others	10,311,536	21,322,702	27,733,944	3,605,368	146,524	4,011,824	13,997,071	69,129,962
Total Liabilities	595,194,169	310,176,047	194,505,554	499,373,392	10,286,138	124,183,668	22,505,157	1,796,274,118
Net Assets	1,090,918	(1,613)	1,822,667	1,964,980	-	116,117	86,024,250	51,017,319
Equity								51,017,319

Contingencies and Commitments	71,508,424	118,624,144	52,780,786	166,893,738	17,961	52,765,343	1,266,935	461,657,331
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Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
(Rupees in '000)							

Profit & Loss

Net work-up/return/profit	(5,562,390)	22,562,218	8,766,835	17,786,506	(2,446)	2,669,860	(1,314,263)	44,895,680
Inter segment revenue - net	31,695,833	(15,253,812)	(644,840)	(7,526,597)	507,876	553,471	668,060	-
Net work-up / return / interest income	3,047,558	1,309,373	1,027,617	2,311,390	414,362	584,281	612,765	10,357,355
Total income	30,081,061	8,607,779	9,210,612	2,571,308	919,792	3,796,912	(3,420)	55,253,035
Segment direct expenses	12,765,809	1,016,123	3,636,424	412,268	2,015,406	1,860,201	8,396,080	20,842,600
Inter segment expense allocation	5,867,520	691,276	1,355,420	230,360	187,244	206,629	(8,337,467)	-
Total expenses	18,422,719	1,707,399	4,991,853	651,637	2,202,649	1,866,830	(478)	20,842,600
Provisions / transfers	1,305,853	466,642	94,846	1,024,164	-	89,031	(32,958)	3,028,585
Profit before tax	10,262,489	6,523,738	4,123,913	895,507	(1,282,857)	1,850,051	-	22,381,841

Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
(Rupees in '000)							

Balance Sheet

Cash & Bank balances	51,080,388	11,905,006	13,687,542	16,301,602	324,045	12,143,278	-	105,441,841
Investments	1,372,585	914,973	13,738,131	227,909,155	-	53,548,116	1,525,155	290,008,185
Net inter segment lending	304,115,607	-	-	-	6,760,322	-	85,510,486	306,386,425
Lendings to financial institutions	-	-	37,791,008	24,081,724	-	8,712,163	-	71,434,895
Advances - performing	146,947,933	240,367,593	87,226,466	-	5,030	24,183,451	7,828,663	506,559,136
Advances - non-performing	1,406,418	2,716,345	285,911	-	-	307,824	89,322	4,676,813
Others	27,365,192	9,325,333	12,267,215	5,633,291	942,522	1,520,800	21,037,692	78,100,345
Total Assets	532,288,106	265,309,250	164,996,273	274,865,772	8,031,982	100,223,932	115,982,318	1,461,607,570
Borrowings	12,437,067	31,182,760	6,973,823	31,360,377	-	21,888,303	-	102,842,330
Subordinated debt	-	-	-	-	-	-	11,987,000	11,987,000
Deposits and other accounts	402,107,112	103,018,882	122,023,365	-	7,827,966	57,301,323	7,248	782,284,896
Net inter segment borrowing	-	123,412,730	14,836,417	238,756,902	-	10,380,376	-	306,386,425
Others	26,832,583	7,685,578	20,888,944	2,405,630	203,953	1,509,871	20,542,434	80,170,043
Total Liabilities	531,376,762	265,309,250	164,722,549	371,523,909	8,031,982	89,168,873	32,536,682	1,373,669,994
Net Assets	91,344	-	273,674	3,341,863	-	55,059	83,445,636	88,027,576
Equity								88,027,576

Contingencies and Commitments	60,523,866	98,407,250	46,150,780	284,690,878	5,142	44,060,060	603,000	534,640,976
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41.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2020				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	41,810,549	693,831	1,710,571	483,623	44,704,574
Inter segment revenue - net	(222,613)	83,287	4,451	134,875	-
Non mark-up / return / Interest income	12,713,996	138,293	264,500	178,073	12,794,862
Total Income	53,901,932	915,411	1,979,522	802,571	57,499,436
Segment direct expenses	30,154,160	474,777	1,025,797	377,111	32,031,845
Inter segment expense allocation	(254,570)	99,444	95,437	59,689	-
Total expenses	29,899,590	574,221	1,121,234	436,800	32,031,845
Provisions / (reversals)	7,578,326	26,675	(7,423)	(8,309)	7,589,269
Profit before tax	16,324,016	314,515	855,711	374,080	17,878,322

	2020				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
(Rupees in '000)					
Balance Sheet					
Cash and Bank balances	92,367,569	1,633,652	3,308,231	8,273,044	105,582,496
Investments	476,155,541	31,444,860	21,294,844	18,194,687	547,089,932
Net inter segment lendings	462,367,888	-	-	-	462,367,888
Lendings to financial institutions	66,041,012	3,063,607	5,995,179	2,205,737	77,305,535
Advances - performing	544,698,618	5,460,182	19,624,760	62	569,773,622
Advances - non-performing	7,431,046	-	111,279	-	7,542,325
Others	73,889,986	1,122,927	3,504,291	62,435	77,579,639
Total Assets	1,722,941,660	42,725,228	52,838,584	28,735,965	1,847,241,437
Borrowings	301,399,264	7,861,487	5,379,763	319,672	314,960,186
Subordinated debt	7,000,000	-	-	-	7,000,000
Deposits and other accounts	812,787,882	13,374,634	30,507,148	25,097,418	881,767,082
Net inter segment borrowing	424,736,172	21,097,027	13,043,579	3,491,110	462,367,888
Others	86,117,137	1,143,143	2,779,963	88,719	90,128,962
Total Liabilities	1,632,040,455	43,476,291	51,710,453	28,996,919	1,756,224,118
Net Assets	90,901,205	(751,063)	1,128,131	(260,954)	91,017,319
Equity					91,017,319
Contingencies and Commitments	409,101,988	35,831,445	12,232,435	4,701,463	461,867,331

	2019				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	42,236,520	610,229	1,635,469	413,462	44,895,680
Inter segment revenue - net	(553,471)	190,976	147,376	215,119	-
Non mark-up / return / Interest Income	9,773,074	51,867	286,137	246,277	10,357,355
Total Income	51,456,123	853,072	2,068,982	874,858	55,253,035
Segment direct expenses	28,182,408	391,552	985,173	283,476	29,842,609
Inter segment expense allocation	(206,629)	79,804	87,543	39,282	-
Total expenses	27,975,779	471,356	1,072,716	322,758	29,842,609
Provisions / (reversals)	2,948,554	(425)	83,172	(2,716)	3,028,585
Profit before tax	20,531,790	382,141	913,094	554,816	22,381,841

	2019				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	93,298,563	2,653,628	4,083,827	5,405,823	105,441,841
Investments	245,549,999	29,386,632	10,088,200	14,073,284	299,098,115
Net inter segment lendings	19,380,376	-	-	-	19,380,376
Lendings to financial institutions	62,722,732	-	4,386,173	4,325,990	71,434,895
Advances - performing	482,375,685	3,421,442	19,583,794	1,178,215	506,559,136
Advances - non-performing	4,568,989	-	107,824	-	4,676,813
Others	76,571,245	531,866	955,993	41,241	78,100,345
Total Assets	984,467,589	35,993,568	39,205,811	25,024,553	1,084,691,521
Borrowings	80,954,027	21,868,134	19,169	-	102,842,330
Subordinated debt	11,987,000	-	-	-	11,987,000
Deposits and other accounts	724,983,873	7,895,095	27,561,172	21,844,066	782,284,196
Net inter segment borrowing	-	6,024,102	10,191,290	3,164,994	19,380,376
Others	78,570,172	375,425	1,224,446	-	80,170,043
Total liabilities	896,495,072	36,163,756	38,996,067	25,009,050	996,663,945
Net Assets	87,972,517	(170,188)	209,744	15,503	88,027,576
Equity					88,027,576
Contingencies and Commitments	490,580,916	34,234,160	5,165,054	4,660,846	534,640,976

42 TRUST ACTIVITIES

The Bank undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements.

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans, its directors, key management personnel and other related parties.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to staff accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	As at Dec 31, 2020					As at Dec 31, 2019				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Lending to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	140,523,878	-	-	-	-	21,806,972
Repaid during the year	-	-	-	-	(138,777,848)	-	-	-	-	(21,806,972)
Closing balance	-	-	-	-	1,745,030	-	-	-	-	-
Investments										
Opening balance	-	-	300,000	1,107,608	1,101,425	-	-	430,488	1,018,340	982,681
Investment redeemed / disposal off during the year	-	-	-	-	(20)	-	-	-	-	(270,468)
Transfer in / (out) - net	-	-	-	-	50,000	-	-	(130,488)	(638,737)	788,290
Closing balance	-	-	300,000	1,107,608	1,241,405	-	-	300,000	1,377,603	1,321,423
Provision for diminution in value of investments	-	-	42,888	-	3,288	-	-	42,888	-	3,288
Advances										
Opening balance	81,128	681,638	-	-	4,208,485	105,688	448,333	-	-	3,354,518
Addition during the year	67,627	288,014	-	-	7,713,243	-	398,810	-	-	2,783,243
Repaid during the year	(88,518)	(388,448)	-	-	(8,387,318)	(14,532)	(388,622)	-	-	(1,837,348)
Transfer in / (out) - net	(7,308)	40,880	-	-	-	-	(12,473)	-	-	-
Closing balance	70,932	701,523	-	-	3,544,270	81,128	681,638	-	-	4,208,485
Flood Assets										
Right-of-use assets	-	-	-	-	15,761	-	-	-	-	17,762
Other Assets										
Interest / mark-up accrued	2,580	88,883	-	-	48,434	10,838	63,182	-	-	88,383
Receivable from staff retirement fund	-	-	-	-	682,388	-	-	-	-	1,013,077
Prepayment / rent receivable	-	-	-	1,380	38,672	-	-	-	-	35,739
Advance against shares	-	-	-	-	-	-	-	-	-	62,312
Borrowings										
Opening balance	-	-	-	-	494,648	-	-	-	-	200,000
Borrowings during the year	-	-	-	-	44,475,567	-	-	-	-	(1,288,678)
Settled during the year	-	-	-	-	(42,585,364)	-	-	-	-	(74,002)
Closing balance	-	-	-	-	2,384,649	-	-	-	-	434,648

	As at Dec 31, 2020					As at Dec 31, 2019				
	Directors/ CEO	Key management personnel	Shareholders	Associates	Other related parties	Directors/ CEO	Key management personnel	Shareholders	Associates	Other related parties
	-(Rupees in '000)					-(Rupees in '000)				
Deposits and other accounts										
Opening balance	12,076	237,128	9,308	389,149	4,584,693	7,456	183,834	49,125	1,056,941	3,185,931
Received during the year	325,082	2,209,585	761,799	117,408,368	710,879,233	399,357	3,114,936	2,374,948	25,280,433	32,485,536
Withdrawn during the year	(223,134)	(2,085,397)	(774,214)	(112,408,885)	(714,483,982)	(394,635)	(2,812,486)	(2,392,998)	(25,779,990)	(31,304,536)
Transfer in / (out) - net	(9,612)	11,805	-	-	(290,566)	(4)	(294,289)	(90,793)	16,783	(236)
Closing balance	303,382	363,121	16,893	3,588,632	3,708,519	12,076	237,121	9,305	589,142	4,384,628
Other Liabilities										
Interest / mark-up payable	75	403	-	-	5,335	-	136	-	-	7,007
Lease liabilities	-	-	-	-	9,216	-	-	-	-	9,243
Unearned rent	-	-	-	-	-	-	-	-	1,580	-
Others	-	-	421	-	2,747	-	-	289	-	5,952
Contingencies and Commitments										
Other contingencies	-	-	-	73,917	131,937	-	-	-	2,02,837	-
	For the year ended Dec 31, 2020					For the year ended Dec 31, 2019				
	-(Rupees in '000)					-(Rupees in '000)				
Income										
Mark-up / return / interest earned	7,396	42,715	-	-	378,643	5,431	30,251	-	-	615,453
Fee and commission income	-	-	-	77,610	-	-	-	-	155,319	-
Dividend income	-	-	-	80,000	21,408	-	-	-	-	12,311
Other income	580	3,054	-	7,887	20,374	-	481	-	9,447	20,322
Expenses										
Mark-up / return / interest paid	572	11,594	908	120,367	419,162	44	13,689	283	61,865	243,840
Borrowing cost on leased properties	-	-	-	-	1,325	-	-	-	-	412
Operating expenses										
Directors fee	161,443	-	-	-	-	204,243	-	-	-	-
Managerial remuneration	255,395	1,359,200	-	-	-	154,775	1,287,908	-	-	-
Depreciation right-of-use assets	-	-	-	-	30,542	-	-	-	-	19,059
Software maintenance	-	-	-	-	34,836	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-	-	30,323
Travelling and accommodation	-	-	-	-	2,387	-	-	-	-	3,229
Communication cost	-	-	-	-	13,804	-	-	-	-	16,815
Brokerage and commission	-	-	2,860	-	-	-	-	1,604	-	-
Charge for defined benefit plan	-	-	-	-	17,084	-	-	-	-	186,243
Contribution to defined contribution plan	-	-	-	-	453,029	-	-	-	-	339,250
Others	-	-	-	-	-	-	-	-	-	4,671
Other Information										
Dividend paid	1,065,630	20,028	-	9,296	3,514,284	686,735	20,174	-	15,121	2,335,611
Insurance premium paid	-	-	-	775,992	-	-	-	-	386,283	-
Insurance claims settled	-	-	-	379,009	-	-	-	-	391,025	-

4.4 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2020

2019

(Rupees in '000)

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

17,771,651

17,771,651

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

70,210,555

66,649,897

Eligible Additional Tier 1 (ADT 1) Capital

7,000,000

7,000,000

Total Eligible Tier 1 Capital

77,210,555

73,649,897

Eligible Tier 2 Capital

23,211,792

20,026,784

Total Eligible Capital (Tier 1 + Tier 2)

100,422,347

93,676,681

Risk Weighted Assets (RWAs):

Credit Risk

522,368,549

483,571,672

Market Risk

11,812,425

7,377,863

Operational Risk

73,481,663

63,886,413

Total

607,662,637

554,835,948

Common Equity Tier 1 Capital Adequacy ratio

11.55%

12.01%

Tier 1 Capital Adequacy Ratio

12.71%

13.27%

Total Capital Adequacy Ratio

16.53%

16.88%

In line with Basel III Capital Adequacy guidelines, the following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio

6.00%

6.00%

Tier 1 Capital Adequacy Ratio

7.50%

7.50%

Total Capital Adequacy Ratio

11.50%

12.50%

For Capital adequacy calculation, the Bank has adopted Standardized Approach for credit and market risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital

77,210,555

73,649,897

Total Exposures

1,737,693,936

1,263,841,607

Leverage Ratio

4.44%

5.83%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

372,270,246

285,456,439

Total Net Cash Outflow

199,316,286

174,614,928

Liquidity Coverage Ratio

187%

163%

	2020	2019
Net Stable Funding Ratio (NSFR):	————(Rupees in '000)————	
Total Available Stable Funding	850,376,458	687,962,685
Total Required Stable Funding	626,269,922	499,005,864
Net Stable Funding Ratio	136%	138%

- 44.1** The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions has been placed on the website. The link to the full disclosure is <https://www.bankalfalah.com/financial-reports/>.

45 RISK MANAGEMENT

The variety of business activities undertaken by the Bank require 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 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 supervise risk management activities within their respective scopes. CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee (IC), Information Technology Steering Committee (ITSC), Control & Compliance Committee (C&CC), Process Improvement Committee (PIC) and Corona Virus Crises Management 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; and
- 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, information security risk, trade pricing, environment and social risk. There was enhanced monitoring onset of COVID-19 details mentioned below.

45.1 COVID - 19

45.1.1 Risk management in the current economic scenario

The outbreak of coronavirus has severely affected national and global economies. Various businesses are facing different issues with a certain degree of losses. Particularly, businesses are facing problems such as a decrease in demand, supply chain disruptions, raw material shortage, and transportation disruptions among others. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate Covid-19 impact.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit for retail asset classification by 44 percent to Rs.180 million, thus resulting in reduced risk weighted assets; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

COVID 19 has impacted the banks in Pakistan from various facets which include increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate loans, debt and capital advisory services etc. Major aspects of COVID 19 on the Bank are discussed below:

45.1.2 Assets quality and credit risk

As the current economic crisis unfolds against the backdrop of a public health emergency, the disruption to economic activity put strain on the solvency of customers and companies. A large number of distressed customers sought help for financial hardships across consumer and commercial lending portfolios. The Risk Management Group of the Bank is monitoring the situation to identify and support borrowers operating in various sectors which are most affected.

Many of the covid affected borrowers availed the SBP enabled deferment / restructuring and rescheduling relief. The full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The Bank anticipates that it is appropriate to maintain a general loan loss reserve given the uncertainty that may prevail until the pandemic is over. Accordingly, the management of the Bank has estimated a general provision of Rs. 4,250 million which approximates to 2.76% of the restructured customers as at December 31, 2020. Had this change of estimate not been made, advances and the profit after tax for year ended would have been higher by Rs. 4,250 million and Rs. 2,763 million respectively.

The Bank has further strengthened its credit review procedures in the light of COVID 19. The Bank conducted various stress tests on the credit portfolio and is confident that the CAR currently maintained is sufficient to adhere all regulatory and business needs.

45.1.3 Liquidity management

The Bank has provided customers with relief measures such as payment deferrals and loan restructuring/re-scheduling. Such interventions, while necessary to provide temporary relief to customers, also accompanied enhanced risk management actions on liquidity of the bank. The Asset and Liability Committee (ALCO) of the Bank is monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress tests on its liquidity ratios and is confident that the liquidity buffer (in terms of liquid assets) currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

45.1.4 Equity investments

The PSX -100 Index improved 7.4% YoY despite of Covid-19 uncertainties. The index corrected itself from its low of -27,200 pts in March to and the year at -43,800 pts, which reflected the rebound in confidence of market participants post the Covid crash. Business reopening after lockdown, expected better corporate results and improved economic indicators in 2021 are anticipated to further push the index upward. The Investment Committee and Market Risk Unit are monitoring the equity position and believes that it has no impact on profit and loss account other than that booked.

45.1.5 Foreign Exchange Risk

The currency remained largely stable compared to last year, depreciating by a measured -3.2% to close at 159.83 - as compared to a depreciation of -11.0% last year. This is mostly attributable to the improvement in the external account position, deferment of debt repayment to G20, and expected inflows with the launch of Roshan Digital Account. The exchange rate is expected to remain stable despite uncertainty around COVID 19. The ALCO continuously monitors Net Open Positions and believes that it has no significant impact on profit and loss account.

45.1.6 Operations

The Bank invoked required actions to ensure safety and security of staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using Virtual Private Network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

45.17 Capital Adequacy Ratio

During the year, to provide more headways for banks to focus on responding to the Covid-19 pandemic, the SBP relaxed the Capital Conversion Buffer (CCB) requirements for the banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Bank for its tier 2 capital. Furthermore, the regulatory limit for retail loans has also been increased by SBP to Rs. 180 million, which will now result in reduced Risk Weighted Assets (RWA) for some of its loans in this asset class. In addition to the measures by SBP, the senior management of the Bank is continuously monitoring the impacts of various decisions on the Bank's CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

45.2 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 lending, hedging, settlement and other financial transactions. 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 analyzed, fully disclosed to the approving authorities and appropriately quantified, 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 Board of Directors (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, Retail & SME banking, Agricultural financing, and Overseas Operations. For Consumer & Digital products, loans are booked against defined eligibility criteria as per product programs and they have separate credit risk unit.

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 Credit & Risk Management Group.

For domestic operations, the Bank determines the amount for specific and general provisions as per the Prudential Regulations issued by the State Bank of Pakistan (SBP) and management estimates. Provisions at overseas branches are held to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party and 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 expected LGD (Loss Given Default). This has been implemented for Corporate, Islamic and Retail portfolio. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail 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, Medium Enterprise, Small Enterprise and Agri rating models. It covers both discrimination and calibration statistical tests as per best 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 compute 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 Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are compiled, all documentation including security documentation is regular and fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD.

Credit Policy & Portfolio Management under Credit & Risk Management Group 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 authorities with a view to address further 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. 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 Credit & Risk Management Group also monitors the NPL portfolio of the Bank and reports it weekly to CEO/ BPRC.

Credit Risk System unit is primarily responsible for development and management of Credit Risk Systems including Credit Initiation & Internal Rating System (CRIS) and its related modules like Bank Alfalah CAR Calculator (BACC). It also supports other credit related automation & optimization initiatives like eCB automation and ECL calculation under IFRS 9.

45.2.1 Credit Risk – General Disclosures Basel Specific

The Bank 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-parties for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

45.2.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

45.2.2.1 External ratings

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely Pakistan Credit Rating Agency Limited (PACRA), Vital Information Services Credit Rating Co. Limited, Moodys, Rich 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 Credit Rating Agency of Bangladesh (CRAB) and Credit Rating Information and Services Limited (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. Where exposure is rated by two or more ratings agencies – the lowest rating is considered.

45.2.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

45.2.3.1 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.

45.2.3.2 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 II guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collateral 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.

45.2.3.3 Types of collateral

The Bank 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 term loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrowers and assignment of the underlying project contracts are generally obtained. Additional security such as pledge of shares, cash collateral, TORs, SSC/DSCs, charge on receivables may also be obtained. 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 and automobile being financed respectively.

The Bank also offers products which are primarily based on collateral such as share, 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.

4E2.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collateral 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 recognised credit rating agencies, 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.

4E2.3.5 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, group borrowers and related parties. 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 industry. 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). Concentration in customers that are rated in high risk category is also monitored against the approved appetite set by the management.

Particulars of bank's on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

4E2.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public Sector	22,656,890	22,044,132	-	-	-	-
Private Sector	54,648,583	49,400,581	-	-	-	-
	77,305,473	71,444,713	-	-	-	-

4E2.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Textile	167,888	167,888	167,888	167,888	167,888	167,888
Chemical and Pharmaceuticals	65,301	591,239	65,301	591,239	65,301	591,239
Electronics and electrical appliances	1,785	1,785	1,785	1,785	1,785	1,785
Power (electricity), Gas, Water, Sanitary	19,690,252	6,350,748	-	-	-	-
Transport, Storage and Communication	374,525	331,571	374,524	331,571	374,524	331,571
Financial	22,111,384	24,007,175	58,768	58,768	58,768	58,768
	42,411,135	31,450,406	668,266	1,151,251	668,266	1,151,251

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public Sector	19,690,252	6,257,485	-	-	-	-
Private Sector	22,720,883	25,192,921	668,266	1,151,251	668,266	1,151,251
	42,411,135	31,450,406	668,266	1,151,251	668,266	1,151,251

45.26 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	63,97,343	38,965,046	2,261,334	584,628	603,072	389,561
Automobile and transportation equipment	8,729,526	8,665,889	434,453	355,173	383,971	266,435
Chemical	13,351,689	14,295,717	-	-	-	-
Chemical and Pharmaceuticals	20,765,414	22,137,088	228,493	985,237	127,453	853,776
Construction	11,267,378	10,685,448	505,058	507,780	500,406	493,902
Electronics and electrical appliances	11,639,948	9,456,734	1,303,888	1,45,517	720,082	102,887
Exports / Imports	4,660,724	6,185,746	646,112	723,342	629,039	696,420
Financial	13,156,063	10,431,741	774,807	906,547	774,807	905,547
Food & Allied Products	48,883,291	55,134,590	3,136,691	3,241,613	2,754,130	3,193,852
Footwear and Leather garments	2,836,086	2,581,820	153,748	188,052	153,748	158,052
Glass and Ceramics	311,572	452,881	42,563	42,563	42,563	42,563
Individual	66,894,796	56,101,688	1,332,475	714,130	824,475	546,284
Insurance	1,630,670	6,370	-	-	-	-
Metal & Allied Industries	26,633,187	20,044,077	1,195,795	1,375,184	1,191,801	748,741
Mining and Quarrying	3,383,560	2,628,567	-	-	-	-
Oil and Allied	13,415,544	11,768,129	1,831,119	-	931,119	-
Paper and Board	4,961,463	4,153,037	3,192	7,792	8,492	7,792
Power (electricity), Gas, Water, Sanitary Services	89,842,169	95,139,105	2,872,699	2,543,959	1,436,230	284,412
Sugar	10,778,694	6,382,078	62,158	48,503	54,602	47,518
Technology and Communication	18,545,855	19,670,518	1,131,385	619,017	742,109	619,017
Textile	437,338	108,557	-	-	-	-
Transport, Storage and Communication	119,114,637	92,835,214	3,305,359	4,462,645	2,227,270	3,971,119
Wholesale & Retail Trade	5,018,487	4,707,145	1,303,770	1,566,981	1,300,052	1,566,981
Others	21,864,457	19,724,245	1,908,521	2,046,755	1,756,215	1,879,763
	18,979,631	17,910,304	1,430,047	1,462,830	1,155,528	1,015,793
	600,899,372	529,970,947	25,859,580	22,417,228	18,317,255	17,740,415

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public Sector	109,222,826	90,633,557	1,176,029	-	-	-
Private Sector	491,676,546	439,337,350	24,683,551	22,417,228	18,317,255	17,740,415
	600,899,372	529,970,947	25,859,580	22,417,228	18,317,255	17,740,415

45.27 Contingencies and Commitments

Credit risk by industry sector

	2020	2019
	(Rupees in '000)	
Agriculture, Forestry, Hunting and Fishing	343,736	439,167
Automobile and transportation equipment	11,205,007	3,672,861
Chemical	2,271,712	1,088,108
Chemical and Pharmaceuticals	5,897,133	4,893,094
Construction	7,648,195	6,282,089
Electronics and electrical appliances	3,472,706	2,594,637
Exports / Imports	2,078,270	2,093,840
Financial	16,856,034	20,147,563
Food & Allied Products	14,149,391	6,665,087
Footwear and Leather garments	173,192	187,374
Glass and Ceramics	686,830	384,924
Individual	351,081	264,914
Insurance	907,247	513,549
Metal & Allied Industries	11,311,487	9,224,972
Mining and Quarrying	93,326	37,429
Oil and Allied	14,957,611	13,638,359
Paper and Board	563,025	534,961
Power (electricity), Gas, Water, Sanitary Services	15,405,983	11,286,706
Sugar	3,448,195	638,333
Technology and Communication	1,142,165	192,676
Textile	173,189	249,385
Transport, Storage and Communication	29,875,816	30,210,403
Wholesale and Retail Trade	2,307,182	1,812,465
Others	11,396,218	10,214,956
	38,154,870	29,595,122
	154,978,122	157,152,964

Credit risk by public / private sector

	2020	2019
	(Rupees in '000)	
Public / Government	37,309,175	29,472,558
Private	117,668,947	127,680,403
	154,978,122	157,152,964

45.2.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 144,993 billion (2019: Rs. 117,530 billion) are as following:

	2020 (Rupees in '000)	2019 (Rupees in '000)
Funded	96,641,045	78,905,012
Non Funded	48,351,854	38,624,736
Total Exposure	144,992,899	117,529,748

The sanctioned limits against these top 10 exposures aggregated to Rs. 206,053 billion (2019: Rs. 190,337 billion).

Total funded classified therein

	2020 (Rupees in '000)		2019 (Rupees in '000)	
	Amount	Provision held	Amount	Provision held
OAEN	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-

For the purpose of this note, exposure means outstanding funded facilities and utilized non-funded facilities as at the reporting date.

45.2.9 Advances – Province/Region-wise Disbursement & Utilization

Province/Region	2020 Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	1,232,396,112	1,196,489,582	22,214,745	17,350	2,285	13,607,366	62,784
Sindh	1,154,152,784	20,855,321	1,132,853,291	321	48,781	394,978	92
KPK including FATA	16,513,609	-	-	16,513,609	-	-	-
Balochistan	6,803,650	-	62,511	-	6,741,139	-	-
Islamabad	136,343,697	58,631,449	-	10,406,322	67,886	67,238,040	-
AJK including Gilgit-Baltistan	806,536	-	-	-	42,108	-	764,433
Total	2,547,018,388	1,275,980,352	1,155,130,547	36,937,602	6,902,194	81,240,384	827,309

Province/Region	2019 Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	1,151,672,254	1,133,258,377	3,473,225	49,478	7,299	14,798,931	34,544
Sindh	882,254,631	14,204,218	877,649,365	-	47,002	354,046	-
KPK including FATA	20,016,279	22,322	-	19,971,240	-	22,717	-
Balochistan	5,064,169	-	-	-	5,064,169	-	-
Islamabad	88,798,398	37,828,421	-	492,387	175,157	50,302,433	-
AJK including Gilgit-Baltistan	856,757	-	-	-	-	-	856,757
Total	2,158,662,488	1,185,313,338	881,122,590	20,513,105	5,293,627	65,478,127	941,701

45.3 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 comprehensive Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines a well-defined risk control structure, responsibilities of relevant stakeholders with respect to market risk management and methods to measure and control market risk 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.

Under the BoD approved policy, 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 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. Furthermore, the Bank carries out risk assessment via diversified tools including Value at Risk (VaR), PV01 (price value per basis point) and Duration on a regular basis. The Bank also ascertains the impact of market risk on relevant factors through stress testing and Internal Capital Adequacy Assessment processes.

45.4 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. FX risk is mainly managed through matched positions.

The Bank manages FX risk by setting and monitoring dealer and currency-wise limits. 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. Risk Assessment with respect to FX risk is also conducted on a regular basis through VaR analysis.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2020				2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)				(Rupees in '000)			
United States Dollar	119,789,302	139,015,294	20,080,485	804,499	81,735,823	137,080,822	56,257,834	912,835
Great Britain Pound Sterling	1,631,127	5,947,478	4,314,795	(1,656)	738,326	4,553,379	3,820,967	5,914
Euro	2,734,535	5,535,278	2,847,180	(6,437)	1,177,184	3,926,923	1,775,948	36,209
Japanese Yen	14,859	171	(13,057)	1,631	19,030	7,326	285	11,989
Other currencies	48,583,802	48,583,171	79,569	80,200	34,383,577	34,296,190	(32,224)	55,163
	172,753,525	199,081,392	27,358,972	930,105	119,053,940	179,864,640	61,822,810	1,012,110

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% adverse movement in foreign exchange rates on				
- Profit and loss account	-	(3,311)	-	(10,121)
- Other comprehensive income	-	-	-	-

45.4.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	99,348,197	-	99,348,197	100,731,873	-	100,731,873
Balances with other banks	6,234,299	-	6,234,299	4,709,968	-	4,709,968
Lendings to financial institutions	77,305,535	-	77,305,535	71,434,895	-	71,434,895
Investments	476,047,403	71,042,529	547,089,932	272,071,066	27,027,049	299,098,115
Advances	577,315,947	-	577,315,947	511,235,949	-	511,235,949
Fixed assets	30,976,236	-	30,976,236	29,087,028	-	29,087,028
Intangible assets	1,284,539	-	1,284,539	1,257,361	-	1,257,361
Deferred tax assets	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Other assets	45,318,864	-	45,318,864	47,755,956	-	47,755,956
	1,313,831,020	71,042,529	1,384,873,549	1,038,284,096	27,027,049	1,065,311,145

45.4.2 Equity position Risk

Equity position risk arises due to adverse movements in the prices of equities and instruments exhibiting behaviour similar to equities 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 Unit of RMD monitors portfolio and scrip level internal and regulatory limits. Bank also has dealer and management action plan limits in place.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% adverse movement in equity prices on				
- Profit and loss account	-	(24,964)	-	(22,732)
- Other comprehensive income	(264,042)	-	(354,150)	-

STUDENT / INTERVIEWER SIGNATURE: _____

[illegible]

	2000	2010
Basic trig books	Trig trig books	Basic trig books
		Trig trig books

(This is a list of 101 books)

- profit and loss account
- Other comprehensive income

[illegible]

Development of a self-report measure of burnout

0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0
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One-third are a small group

Offshore bank branch of business									
Disposing assets and liabilities transferred									
Assets transferred									
Liabilities transferred									
294,539,122	14,900,20	21,252,475	23,143,207	11,088,212	11,203,023	1,593,463	7,522,593	407,3,062	
31,637,000	5,414,271	20,288,092	24,334,384						
19,283,949	14,203,039	14,203,439	130,207,218						
13,008,9	325,471		443,200						
11,001,384	(4,790,819)	(2,044,003)	(400,020)	(2,000,000)	(407,200)				
10,317,022	8,790,032	9,530,100							
10,317,022	(7,738,252)	(2,000,000)	(4,153,694)	(16,403,291)	(5,434,200)				
33,052,116	30,400,949	319,800,580	29,934,711	3,340,188	31,560,250	1,500,003	7,522,593	407,3,062	
		300,400,220	231,051,928	3,241,245	13,844,048	(1,742,483)	30,700,000	10,000,000	(7,400,000)
		210,424,717	441,084,205	660,210,000	500,403,115	37,100,000	638,403,115	675,272,110	210,973,000

For a full and complete understanding of the issues, please contact the following:

Cumulative Weekly Interest Rate Sensitivity Gap:

[illegible]

45.6 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.

The Operational risk management policy of the Bank is duly approved by the Board. 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.

45.6.1 Operational Risk Disclosures- Basel II Specific

Bank Alfalah Limited is among the first few banks in the industry to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on operational risk in December 2013. The Bank started calculating its capital charge for operational risk using ASA 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 were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of capital floor for calculation of capital charge under ASA was extended in line with international developments and consultations of the Basel Committee on Banking Supervision (BCBS). State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

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 ORD (Operational Risk Division) engage 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, procedures and systems of the Bank are reviewed from the operational risk perspective, and the recommendations of ORD 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. Furthermore, ORD also reviews functional specification documents (FSDs) and reviews the functionalities and systems prepared on premise of the PSD. The Operational Loss Database and KRIs systems are in place and the reports are submitted to Control & Compliance Committee and Board Risk Management Committee.

45.6.2 Information 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 Information Security Division, functioning within Credit & Risk Management Group manages IT and Information security risks to bank's technology assets by developing Information security baselines for IT solutions that support products and services; security solutions selection, and acquisition including vendor and/or service provider selection managed by Information Security in close coordination with ITG and procurement/control administration; monitoring of threats and vulnerabilities through Security Operations Centre (24/7); investigation of reported information security incidents; reinforcement of Information 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 Information security risk to the management and Board IT Committee (BITC)/Information Technology Steering Committee (ITSC)/Board.

45.6.3 Environmental Risk

The Bank has integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental & Social Management System (ESMS) have been put in place.

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

- International finance coporation exclusion list;
- Applicable national laws on environment, health, safety and social issues; and
- International finance coporation performance standards.

This framework is an integral part of the credit approval process. All relevant credit proposals require review of Environmental Risk Unit prior to approval of the competent authority. The Environmental Risk Unit, part of RMD, is responsible for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

45.6.4 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 net investment in foreign operations, foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage 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 country's willingness to honour its 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 managed at head office level and country risk exposure are reported to the relevant committees at a defined frequency.

45.7 Liquidity Risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital and reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basal III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, Bank Alfalah calculates Liquidity Coverage Ratio (LCR) on a monthly basis. Based on December 31, 2020 numbers Bank's LCR is 178 or 178% against SBP minimum requirement of 100% with Total Stock of High Quality Liquid Assets (HQLA) of PKR 435,827,425 million and Net Cash Outflows of PKR 244,406,851 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2020 numbers Bank Alfalah's NSFR is 135% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 950,375,458 million and Total Required Stable Funding of PKR 626,269,922 million.

The Bank manages and controls liquidity risk through a detailed risk management framework, which includes BoD approved policy, management level procedural document and Asset & Liability Committee (ALCO) level guidelines. Under this framework, various liquidity metrics are implemented and monitored on a regular basis.

At BAFL, BoD approves the Liquidity Risk Policy. Further, BoD also approves the Bank's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Bank's ALCO is primarily responsible for the implementation of BoD's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Bank's liquidity on day to day basis and is the Bank's first line of defence against liquidity risk. Under Risk Management Division, Liquidity Risk Management Unit is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and Bank's own risk appetite.

The Bank's overall funding strategy is based on the principles of diversification and stability. The Bank has a diverse funding base, which includes stable funding in the form of equity, sub-ordinated loans, retail and small business deposits and non-stable funding in form of large volume depositors. The Bank has in place internally approved limits to monitor and manage risk emanating from volatile funding concentration. Moreover, the Bank is fully compliant with Basal III LCR and NSFR, which ensure sufficient stock of high quality liquidity assets in relation to its liability profile.

At BAFL, stress testing is used in an attempt to highlight the vulnerability of the Bank's balance sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. BAFL carries out the stress testing based on SBP stress tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At BAFL, Contingency Funding Plan (CFP) is implemented to address liquidity issues in times of stress / crisis situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the Bank's assets and net cash outflow is mainly determined through volatility of the Bank's liability profile. The table below showcases the composition of HQLA as of December 31, 2020.

HQLA*	Market Value	Weighted Amount
	(Rupees in '000)	
Level 1 Assets	430,216,755	430,216,755
Level 2A Assets	4,936,130	4,195,710
Level 2B Assets	2,829,920	1,414,960
	<u>437,982,805</u>	<u>435,827,425</u>

* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

2018

Total	Up to 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 12 to 24 months	Over 24 to 36 months	Over 36 to 60 months	Over 60 to 120 months
100,73,873	10,07,3,873	-	-	-	-	-	-	-	-	-	-	-

(Rupee in crore)

Assets

Cash and balances with monetary banks

Balances with other banks

Loans to financial institutions

Investments

Advances

Fixed assets

Intangible assets

Other assets

100,73,873	10,07,3,873	-	-	-	-	-	-	-	-	-	-	-
4,703,668	4,309,705	-	-	-	-	-	-	-	-	-	-	-
71,434,885	810,982	41,381,714	5,205,086	30,740,260	9,088,588	-	3,957,235	24,576,461	16,409,884	55,488,316	10,21,616	-
2,08,098,115	1,067,888	87,894	2,388,545	34,300,540	14,798,397	14,798,397	2,104,185	13,577,480	16,531,448	61,381,045	75,034,402	-
5,112,35,940	1,302,756	10,381,042	7,522,510	172,590,869	40,781,588	40,781,588	50,786,458	13,143,913	1,780,418	3,519,441	210,45,853	-
29,087,028	3,620	21,781	25,412	61,714	11,449,919	11,449,919	646,600	35,938	251,407	90,294	-	-
1,257,361	676	4,055	4,332	71,492	20,266	20,266	628,688	6,286	215,102	322,854	322,854	-
41,755,656	2,029,708	8,344,431	9,735,189	23,642,554	10,990	10,990	328,446	1,221,796	3,06,371	80,817,401	214,183,265	-
10,65,311,465	13,057,330	5,071,268	24,862,384	241,049,718	64,853,858	64,853,858	57,885,900	34,000,467	41,679,777	80,817,401	214,183,265	-

Liabilities

Bills payable

Borrowings

Deposits and other accounts

Subordinated debt

Deferred tax liabilities

Other liabilities

13,15,905	17,15,905	24,519,189	7,519,440	8,887,075	13,888,579	13,888,579	7,401,148	670,005	5,841,824	500,359	2,875,255	15,348,639
10,65,311,465	623,307,558	13,830,940	11,465,071	127,210,313	23,676,024	23,676,024	22,103,388	121,95,325	247,80,538	1,24,375	4,46,011	2,300
11,229,000	-	-	-	-	-	-	1,000	34,50,993	-	-	-	700,000
34,50,993	1,088,964	3,350,353	3,02,075	9,561,265	1,809,510	1,809,510	5,50,789	9,687,207	9,687,207	1,437,740	3,13,938	7,304,383
50,54,929	641,975,971	4,600,408	22,884,877	30,97,212	30,386,013	30,386,013	36,096,310	25,03,628	4,105,563	307,948	6,455,199	29,975,322

Misc income

18,027,976	153,618,252	19,318,400	1,987,507	211,376,656	25,463,845	25,463,845	9,489,914	27,999,910	8,153,836	32,34,044	3,906,880	1,84,462,943
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Share capital

Reserves

Unappropriated profit

Surplus on redemption of awards

17,371,651	26,046,010	32,842,902	11,367,004	880,275	-	-	-	-	-	-	-	-
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Current and Savings deposits have been classified under liability upto one day as the same do not have any contractual maturity. Further, the Bank, on the basis of balance sheet pattern, will treat the deposits as a current liability (liquidity) and will treat the deposits as a liability (liquidity) as per the pattern.



Bank Alfalah

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A.5.7.2 Waterfall of assets and liabilities - based on the classification of the assets of the Bank

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Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments
Advances
Fixed assets
Intangible assets
Other assets

Total	2019					
	Up to 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
100,730,873	89,291,244	5,532,725	2,081,829	3,471,305	156,625	116,920
4,708,968	4,708,968	-	-	-	-	-
71,434,895	58,133,272	9,328,288	3,967,338	-	-	-
288,058,105	38,683,824	48,927,883	2,814,295	39,738,936	2,457,453	15,409,864
51,235,949	191,797,377	72,360,019	50,786,456	29,946,642	13,977,480	16,994,448
29,087,028	112,537	228,998	646,609	738,767	1,536,678	1,780,485
1,257,361	30,956	43,912	62,868	12,736	25,472	251,472
47,755,566	43,751,962	238,940	308,445	1,363,413	12,275	215,302
1,065,311,146	435,469,130	191,659,715	59,977,737	75,374,799	41,368,502	35,293,291
					81,145,489	180,160,175
						33,888,307

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Subordinated debt
Deferred tax liabilities
Other liabilities

7,188,089	7,188,089	-	-	-	-	-
132,842,330	40,863,482	28,777,634	7,483,148	65,200,900	566,883	500,369
787,284,196	97,215,633	78,495,034	49,935,437	81,337,018	10,818,238	30,555,886
1,987,000	-	1,000	-	1,008	4,985,000	-
3,490,993	-	-	-	3,450,993	-	-
58,549,991	7,995,770	3,659,020	5,507,893	19,304,415	1,929,440	1,487,747
97,283,589	127,746,274	10,932,688	62,909,368	10,614,346	108,963,055	32,504,002
					64,944,804	364,962,206
						17,092,889

Net assets

Share capital
Reserves
Unappropriated profit
Surplus on revaluation of assets

88,027,976	298,710,856	207,27,027	1,951,621	18,299,547	167,204,564	2788,279
					16,204,675	15,187,969
						16,019,508

In line with SGP 850 Client Letter No. 03 of 2010 on "Narrowly and Interest Rate Sensitivity Gap Reporting" the Bank conducted a sensitivity analysis of its interest rate risk to determine the impact of changes in interest rates on the Bank's earnings and capital position. The analysis is used to investigate the relationship between the amount of deposits and deposits withdrawn in order to arrive at an authorized deposits withdrawal pattern. This methodology is in line with the industry best practice and regulatory guidance.

4.5.8 Derivative Risk

The Bank currently deals in derivative instruments namely interest rate swaps and futures with the principle view to hedge risks associated with interest rates risk.

Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bonds portfolio against interest rate swaps and futures on 2-periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/revised in coordination with Treasury to align the outcomes with established risk parameters.

4.5.9 Trade Pricing Risk

Trade Pricing Risk – TPRD has been established under the umbrella of Risk Management Division – RMD and is responsible to ascertain commodity prices of trade transactions to curb under / over invoicing on best effort basis through various reliable sources such as Internet search, custom valuation ruling, newspaper, Bloomberg etc.

The unit has been established as required by SBP framework for managing risk of Trade Based Money Laundering and Terrorist Financing.

4.6 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 3, 2021 has announced final cash dividend of Rs. 2.0 per share (20%) (2019: Rs. 2.0 per share (20%)). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2020 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2021. The Board had earlier declared and paid an interim cash dividend of Rs. 2.0 (2019: cash dividend: Rs. 2.0) per share.

4.7 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 3, 2021 by the Board of Directors of the Bank.

4.8 GENERAL

4.8.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements, wherever necessary to facilitate comparison.

4.8.2 The effect of reclassification, rearrangement, restatement in the comparative information presented in the unconsolidated financial statement for the year ended December 31, 2020 is as follows:

Description of item	Nature	Rs '000	From	To
Receivable from Visa, Mastercard and other switches	Asset	886,234	Other Assets – Branch adjustment account	Other Assets – Due from card issuing banks
Receivable against OSC/SSC and overseas government securities	Asset	259,983	Other Assets – Others	Other Assets – Receivable against OSC/SSC and overseas
Receivable against tradeable market securities	Asset	145,087	Other Assets – Others	Receivable against marketable securities
Payable against ATM / ADC settlement accounts	Liability	405,493	Other Assets – Branch adjustment account	Other Liabilities – ADC settlement accounts
Commission on bill discounting	Income	38,198	Fee and commission income – Commission on trade	Markup income – Loans and advances
Late payment fee financing	Income	19,711	Fee and commission income – Consumer finance related fees	Fee and commission income – Credit related fees
IBFT fee reversal	Income	34,899	Fee and commission income – Card acquiring business	Fee and commission income – Branch banking customer fees
Cheque return fee	Income	890	Fee and commission income – Card related fees (debit and	Fee and commission income – Branch banking customer fees
Online merchant commission	Income	251	Fee and commission income – Alternate Delivery Channel (ADC)	Fee and commission income – Card acquiring business
IBFT fee on remittances processing	Income	8,229	Fee and commission income – Alternate Delivery Channel (ADC)	Fee and commission income – Commission on remittances
Loss on short sale transactions	Income	19,150	Other Income	Gain on securities
Depreciation on properties acquired under debt asset swap arrangements	Expense	8,490	Administrative Expenses – Other Operating expense	Administrative Expenses – Depreciation on non-banking
Point of Sale connectivity	Expense	(3,810)	Administrative Expenses – Network Charges	Administrative Expenses – Communication

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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[illegible]

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Starting in the current year, the bank's CEO has accelerated efforts with its affiliates for the purpose of better aligning its fees with 2007-2008 CDOs. Over the course of 2007, the following list of contractual relationships are part of the broader effort to align executive finance being reported in table 1 and relationships accordingly. It is hereby confirmed that, should a relationship with the bank, and that bank shall continue to be a bank, encounters a similar or different scenario, and while the bank is not one to its affiliates, the bank will be.

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ANNEXURE – II

ISLAMIC BANKING BUSINESS

The bank is operating 186 Islamic banking branches including 1 sub branch (December 31, 2020; 183 branches including 1 sub branch) and Nil Islamic banking windows (December 31, 2019; 121 Islamic banking windows) as at year end.

STATEMENT OF FINANCIAL POSITION

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks		13,519,279	12,870,647
Balances with other banks		1,260,896	806,895
Due from financial institutions	1	14,293,146	37,791,008
Investments	2	47,420,548	13,739,131
Islamic financing and related assets – net	3	103,279,192	87,512,377
Fixed assets		6,038,819	5,921,069
Intangible assets		23,038	28,653
Due from Head Office		-	-
Other assets		10,501,020	6,317,493
Total Assets		196,385,878	164,996,273
LIABILITIES			
Bills payable		5,431,799	4,016,519
Due to financial institutions		23,967,885	6,973,823
Deposits and other accounts	4	133,037,813	122,023,365
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		(209,613)	159,208
Other liabilities		22,579,448	16,713,272
		184,807,332	149,886,182
NET ASSETS		11,528,546	15,110,091
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserve		-	-
Surplus/ (Deficit) on revaluation of assets		1,762,634	1,887,884
Unappropriated/ Unremitted profit	6	7,965,912	11,472,207
		11,528,546	15,110,091

CONTINGENCIES AND COMMITMENTS

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The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2020 is as follows:

PROFIT AND LOSS ACCOUNT

		2020 (Rupees in '000)	2019 (Rupees in '000)
Profit / return earned	8	13,417,568	13,949,134
Profit / return expensed	9	4,687,549	5,181,299
Net Profit / return		8,720,019	8,766,835
Other income			
Fee and Commission Income		773,924	869,964
Foreign Exchange Income		258,746	214,894
Loss on securities		(1,421)	(30,445)
Other Income		59,533	43,204
Total other income		1,090,782	1,097,617
Total Income		9,810,801	9,864,452
Other expenses			
Operating expenses		5,288,338	4,844,641
Workers Welfare Fund		87,724	97,505
Other charges		16,854	49,707
Total other expenses		5,392,916	4,991,853
Operating Profit		4,417,885	4,872,599
Provisions and write offs – net		1,077,476	94,846
Profit / (loss) before taxation		3,340,409	4,777,753
Taxation		1,347,612	1,892,751
Profit / (loss) after taxation		1,992,797	2,885,002

	2020			2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
(Rupees in '000)						
1 Due from Financial Institutions						
Unsecured	10,800,061	-	10,800,061	21,830,061	-	21,830,061
Re-Musajid Receivable						
From State Bank of Pakistan	-	-	-	9,018,318	-	9,018,318
From other Financial Institutions	3,493,085	-	3,493,085	6,942,429	-	6,942,429
	14,293,146	-	14,293,146	37,790,808	-	37,790,808

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
2 Investments by registered								
Federal Government Securities:								
Tarikh Sukuk	20,485,855	-	(58,785)	20,428,070	496,034	-	(1,024)	495,010
Others Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Naya Pakistan Certificates	466,435	-	466,435	-	-	-	-	-
	28,168,656	-	(58,785)	28,110,871	7,712,370	-	(1,024)	7,711,346
Non Government Debt Securities								
Lined	-	-	-	-	-	-	-	-
Unlined	19,290,358	(94,546)	113,865	19,309,677	5,977,205	(120,898)	170,458	6,026,765
	19,290,358	(94,546)	113,865	19,309,677	5,977,205	(120,898)	170,458	6,026,765
Total Investments	47,460,014	(94,546)	55,080	47,420,548	13,689,575	(120,898)	169,434	13,738,131

	Notes	2020	2019
		(Rupees in '000)	
Islamic financing and related assets			
Tarikh	3.1	14,253,395	13,366,358
Musawaba	3.2	3,853,347	8,513,403
Musharaka		22,481,031	37,119,880
Diminishing Musharaka		2,575,976	1,738,472
Salam		3,558,488	3,180,569
Musajid Financing		24,399,194	-
Islamic Staff Finances		1,721,900	1,377,545
Advances against Islamic assets		14,838,757	15,870,982
Inventory related to Islamic financing		4,317,165	3,742,307
SNP Islamic Reference		8,598,588	3,871,396
Islamic Long Term Finance Facility Plant & Machinery		433,900	-
SNP Reference Scheme For Wages & Salaries		4,730,796	-
Islamic Reference Renewable Energy Contract		3,162	-
Other Islamic Modes		72,059	70,119
Gross Islamic financing and related assets		105,674,808	88,842,235
Less: provision against Islamic financing			
- Specific		(2,321,398)	(1,246,418)
- General		(74,218)	(83,438)
		(2,395,616)	(1,329,856)
Islamic financing and related assets - net of provision		103,279,192	87,512,377

Sl. No.	Description	2020						
		Cost			Depreciation			Book Value as at 31 Dec 2020
		As at Jan 01, 2020	Additions / (deletions)	As at Dec 31, 2020	As at Jan 01, 2020	Charge for the year	Depreciation on disposal	
		As at Dec 31, 2020						
(Rupees in '000)								
	Plant & Machinery	1,360,536	(1,348,150)	12,385	(806,814)	(199,693)	759,620	31,492
	Vehicles	18,210,425	3,282,286	21,492,711	(5,647,389)	(3,080,642)	1,577,029	14,341,903
	Total	19,570,961	1,934,135	21,505,096	(6,254,003)	(3,274,340)	2,336,649	14,253,395

	2019							
	Cost			Depreciation			Book Value as at 31 Dec 2019	
	As at Jan 01, 2019	Additions / (deletions)	As at Dec 31, 2019	As at Jan 01, 2019	Charge for the year	Depreciation on disposal		As at Dec 31, 2019
	(Rupees in '000)							
Plant & Machinery	1,014,919	345,637	1,360,556	(986,185)	(294,102)	73,471	(606,814)	753,722
Vehicles	15,312,763	2,857,662	18,210,425	(4,473,961)	(2,570,378)	1,396,750	(5,647,389)	12,563,236
Equipment	7,430	(7,430)	-	(3,135)	-	3,135	-	-
Total	16,335,112	3,275,267	19,570,981	(4,863,281)	(2,864,480)	1,473,356	(6,294,000)	13,716,981

3.1.1 Future (bank) payments receivable

2020				2019			
Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
(Rupees in '000)							
2,610,635	11,742,710	-	14,353,345	2,422,580	50,894,776	-	53,317,356

3.2 Murabaha

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
Murabaha financing	3.2.1	3,363,347	4,913,403
Inventory for Murabaha	3.2.3	491,248	1,787,303
Advances for Murabaha		885,339	1,402,680
		<u>4,439,934</u>	<u>11,903,386</u>
3.2.1 Murabaha receivable - gross	3.2.2	3,766,702	9,092,834
Less: Deferred murabaha income	3.2.4	(1,157)	(1,157)
Profit receivable shown in other assets		(412,196)	(578,274)
Murabaha financing		<u>3,353,347</u>	<u>8,513,403</u>
3.2.2 The movement in Murabaha financing (gross) during the year is as follows:			
Opening balance		9,092,834	8,882,106
Sales during the year		-	210,728
Adjusted during the year		<u>(5,326,132)</u>	-
Closing balance		<u>3,766,702</u>	<u>9,092,834</u>
3.2.3 Murabaha sale price		52,214,448	59,635,392
Murabaha purchase price		<u>(51,723,200)</u>	<u>(57,848,090)</u>
		<u>491,248</u>	<u>1,787,302</u>
3.2.4 Deferred murabaha income			
Opening balance		1,157	5,104
Less: Recognised during the year		-	(3,947)
Closing balance		<u>1,157</u>	<u>1,157</u>

4 Deposits

2020			2019		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
(Rupees in '000)					
59,536,283	4,628,277	64,164,562	49,796,561	3,924,311	53,720,862
50,886,656	2,396,749	53,283,405	42,140,823	2,575,906	44,720,729
13,334,048	475,505	14,009,553	14,935,189	246,276	15,197,635
820,136	245,843	1,065,979	2,158,360	181,527	2,340,887
174,757,123	7,746,374	132,563,297	109,249,039	6,931,020	116,180,119
88,381	-	88,381	2,827	-	2,827
443,635	-	443,635	310,398	-	310,398
2,500	-	2,500	5,530,027	-	5,530,027
534,516	-	534,516	5,843,252	-	5,843,252
125,291,639	7,746,374	133,037,813	115,092,346	6,931,020	122,023,366

4.1 Composition of deposits

	2020 (Rupees in '000)	2019 (Rupees in '000)
- Individuals	92,490,254	73,302,810
- Government / Public Sector Entities	4,771,030	2,784,493
- Banking Companies	72	5,500,092
- Non-Banking Financial Institutions	534,444	343,360
- Private Sector / Others	<u>35,242,003</u>	<u>38,072,810</u>
	<u>133,037,803</u>	<u>122,023,365</u>

4.2 Deposits include eligible deposits of Rs. 114,112,591 million (2019: Rs. 96,026,401 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

	2020	2019
	(Rupees in '000)	
4 Charity Fund		
Opening Balance	25,272	24,146
Additions during the period:		
Received from customers on account of delayed payment	39,860	22,600
Other Non-Shariah compliant income	771	3,486
Profit on charity saving account	716	941
	41,353	27,026
Payments / utilization during the period:		
Education	(6,650)	(9,000)
Health	(9,200)	(8,000)
Others	(17,300)	(8,000)
	(33,150)	(25,000)
Closing Balance	30,475	26,172
5.1 Donations paid during the year are as follows:		
Muzari Maroof Thalassania Foundation (AMTF)	3,000	-
Al-Furqan	4,500	-
Al Mustafa Welfare Society	1,200	-
Alif Moon Parents Foundation (AMPF)	6,000	-
Al-Khidmat Foundation Pakistan	2,000	-
Dar Us Sunna Foundation	5,000	-
Developments In Literacy (DIL)	900	-
Institute of Business Administration, Karachi (IBA)	4,250	-
Karwan-e-Hayat	2,000	3,000
Namon Health and Education Foundation (NHEF)	3,000	-
Namon Medical Institute Hospital	-	3,000
Pakistan Children's Heart Foundation	3,000	5,000
Parents' Voice (Association of Parents of Mentally Handicapped Children)	1,300	900
The Citizen Foundation	-	12,000
	36,150	25,000
6 Islamic Banking Business Unappropriated Profit		
Opening Balance	11,472,207	8,586,740
Add: Islamic Banking profit before taxation for the period	3,340,409	4,777,753
Less: Taxation	(1,347,612)	(1,892,751)
Less: Transfer from surplus on revaluation of assets to unappropriated profit - nil of tax	908	455
Less: Transferred / Remitted to Head Office	(6,500,000)	-
Closing Balance	7,965,912	11,472,207
7 CONTINGENCIES AND COMMITMENTS		
-Guarantees	3,353,586	3,044,844
-Commitments	40,607,200	43,105,036
	52,780,786	46,150,780
8 Profit/Return Earned of Financing, Investments and Placement:		
Financing	7,695,382	8,267,380
Investments	2,360,262	987,87
Placements	3,141,024	4,693,608
	13,417,568	13,448,134
9 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	3,005,143	4,368,126
Due to Financial Institutions	254,209	195,583
Cost of foreign currency swaps against foreign currency deposits / borrowings	102,051	319,679
Borrowing cost on lease liability	345,818	366,685
Reward Points	0,343	10,226
	4,697,549	5,831,299

DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

A-B.2 1. The pools, their key features and risk and reward characteristics:

The profit and loss sharing between the Rabbul Maal (depositor) and Mudarib (Bank - IBG) is based upon the underlying principles of Mudaraba where Bank also contributes its equity to general pool of funds, and becomes the capital provider.

Currently IBG is managing following pools:

- 1) General pool for LCY depositors
- 2) FCY pool for foreign currency (USD, GBP, EURO/AED, SAR and CAD) depositors
- 3) PLS pool for treasury purposes
- 4) IERS pool for Islamic export refinance scheme facilities
- 5) Special pool
- 6) 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:

	2020	2019
	(Rupees in '000)	
Agriculture, Forestry, Hunting and Fishing	25,488,613	12,471,430
Automobile and transportation equipment	2,436,479	1,749,256
Cement	4,462,768	4,985,228
Chemical and Pharmaceuticals	3,545,899	2,953,882
Construction	3,092,356	2,395,646
Electronics and electrical appliances	1,238,039	1,872,046
Exports / Imports	136,320	486,837
Financial	689,267	488,492
Food & Allied Products	5,054,946	5,100,512
Footwear and Leather garments	740,255	563,986
Glass and Ceramics	110,960	100,532
Individuals	8,409,257	14,878,009
Insurance	3,277	6,370
Metal & Allied Industries	2,697,096	2,634,532
Mining and Quarrying	-	1,745
Oil and Allied	1,575,563	0,778
Paper and Board	768,653	388,132
Power (electricity), Gas, Water, Sanitary	6,669,207	12,379,177
Services	1,471,220	1,789,679
Sugar	1,665,422	1,347,176
Technology and Communication	21,362	14,027
Textile	19,921,320	07,915,169
Transport, Storage and Communication	545,157	-
Wholesale and Retail Trade	3,235,734	3,773,126
Others	1,294,631	729,962
Total Gross Islamic Financing and Related Assets	105,674,801	88,842,231
Total Gross Investments	40,460,014	33,689,575
Total Islamic Placements	14,293,146	37,791,008
Total Invested Funds	157,427,961	140,322,814

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 relevant period. Only direct attributable expenses such as depreciation on leased 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:

Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share/Fee	Bank Share	(Rupees in '000)			(Rupees in '000)
General Pool								
PKR Pool	Monthly	8.47%	50.00%	50.00%	1,212,413	4.39%	8.61%	91,003
USD Pool	Monthly	0.32%	85.00%	15.00%	64,035	0.57%	0.60%	4,320
GBP Pool	Monthly	4.86%	85.00%	15.00%	12,398	0.90%	0.88%	-
EUR Pool	Monthly	4.32%	85.00%	15.00%	15,002	1.07%	0.00%	-
AED Pool	Monthly	4.39%	85.00%	15.00%	12	0.42%	0.00%	-
SAR Pool	Monthly	7.72%	85.00%	15.00%	7	0.34%	0.00%	-
CAD Pool	Monthly	7.89%	85.00%	15.00%	-	0.00%	0.00%	-
Special Pool								
Special Pool (Savings)	Monthly	0.52%	33.80%	66.17%	18,117	7.91%	0.00%	-
Special Pool (TOR)	Monthly	12.01%	24.21%	75.79%	93,611	11.58%	4.08%	19,233

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
			Bank Share	SBP Share	(Rupees in '000)			(Rupees in '000)
Islamic Export Refinance	Monthly	8.49%	66.74%	33.26%	1,108,883	Nil	0.63%	6,974

ANNEXURE- III
SALE OF FIXED ASSETS TO RELATED PARTIES

Particulars of assets		Cost	Net book value	Sale price	Mode of disposal	Particulars of purchaser
(Rupees in '000)						
Office equipment						
Electronic equipments	Various items	6,520	4,400	5,052	As Per Policy	Muhammad Anwar
Tablet	Apple Ipad	223	74	76	As Per Policy	Muhammad Anwar
Mobile	Apple Iphone	166	-	17	As Per Policy	Muhammad Anwar
Mobile	Apple Iphone	2	-	2	As Per Policy	Muhammad Anwar
Laptop	Apple Macbook Pro	280	62	84	As Per Policy	Muhammad Anwar
Laptop	Laptop IT	106	62	62	As Per Policy	Bilal Agha
Laptop	Laptop IT	93	23	27	As Per Policy	Chaudhry Sohail
Laptop	Laptop E5	90	-	9	As Per Policy	Fahim Ahmad
Laptop	Laptop E5	71	17	20	As Per Policy	Nafis Abbasi
Laptop	Laptop E5	55	-	6	As Per Policy	Hassan Ahmad Khan
Laptop	Laptop E5	103	-	9	As Per Policy	Khawaja Muhammad Ahmad
Laptop	Mac Book Pro	315	-	32	As Per Policy	Norib Hassan Khan
Laptop	Laptop	30	-	8	As Per Policy	Muhammad Jamal Anwar
Laptop	Laptop Core I5	79	-	8	As Per Policy	Samiul Iqbal Anwar
Laptop	Laptop Core I5	74	-	7	As Per Policy	Shahzad Lalani
Laptop	Laptop E5	52	-	6	As Per Policy	Zahoor Elahi Babar
Mobile	Samsung Galaxy	30	-	5	As Per Policy	Amin Subhani
Mobile	Samsung Galaxy	30	-	5	As Per Policy	Chaudhry Sohail
Mobile	Samsung Note	50	-	5	As Per Policy	Faisal Rashid
Mobile	Apple Iphone	40	-	4	As Per Policy	Farooq Qasim Khan
Mobile	Samsung Galaxy	40	0	8	As Per Policy	Ghulam Shabbir
Mobile	Blackberry	25	-	3	As Per Policy	Hassan Ahmad Khan
Mobile	Samsung Galaxy	40	-	4	As Per Policy	Burhan Zaigham
Mobile	Samsung Galaxy	30	-	5	As Per Policy	Muhammad Jamal Anwar
Mobile	Samsung Galaxy	30	-	5	As Per Policy	Muhammad Asim
Mobile	Apple Iphone	30	6	7	As Per Policy	Muhammad Omar
Mobile	Apple Iphone	40	-	4	As Per Policy	Samiul Iqbal Anwar
Mobile	Apple Iphone	40	-	4	As Per Policy	Syed Irfan Akhtar Gillani
Mobile	Samsung Galaxy	30	-	5	As Per Policy	Zahoor Elahi Babar
Mobile	Sony Mobile	30	-	3	As Per Policy	Zia Mustafa
Tablet	Apple Ipad Pro	120	33	34	As Per Policy	Bilal Agha
Tablet	Apple Ipad Pro	120	32	37	As Per Policy	Nafis Abbasi
Electronic equipments	Access Control System	36	13	32	Insurance claim	Alfalsh Insurance Company Limited
Electronic equipments	Air Conditioners	108	74	105	Insurance claim	Alfalsh Insurance Company Limited
Electronic equipments	Anti Skidding Device	115	51	112	Insurance claim	Alfalsh Insurance Company Limited
Electronic equipments	Alarm Machine	945	135	341	Insurance claim	Alfalsh Insurance Company Limited
Electronic equipments	Cash Sorting Machine	904	330	654	Insurance claim	Alfalsh Insurance Company Limited
Computer	Computer	539	12	447	Insurance claim	Alfalsh Insurance Company Limited
Electronic equipments	Generators	5,491	377	2,423	Insurance claim	Alfalsh Insurance Company Limited
Mobile	Iphone	40	-	26	Insurance claim	Alfalsh Insurance Company Limited
Laptop	Laptop	1,053	607	624	Insurance claim	Alfalsh Insurance Company Limited
Mobile	Mobile	62	-	17	Insurance claim	Alfalsh Insurance Company Limited
Electronic equipments	Note Counting/Binding Machines	92	53	87	Insurance claim	Alfalsh Insurance Company Limited
Electronic equipments	Printer	23	30	21	Insurance claim	Alfalsh Insurance Company Limited
Electronic equipments	Ups	4,100	1,244	1,850	Insurance claim	Alfalsh Insurance Company Limited
		22,674	7,851	13,283		
Furniture & Fixtures						
Various furniture items		4,846	4,125	3,728	As Per Policy	Muhammad Anwar
Vehicle						
Vehicle	Mercedes Benz E-300	13,706	-	1,380	As Per Policy	Bilal Agha
Vehicle	Honda City	1,483	-	148	As Per Policy	Majumdar Zaheer
Vehicle	Mercedes Benz E-300	20,265	6,902	6,888	As Per Policy	Muhammad Anwar
Vehicle	Toyota Land Cruiser Vx	25,488	8,680	8,662	As Per Policy	Muhammad Anwar
Vehicle	Mercedes Benz E-300	13,536	-	1,354	As Per Policy	Muhammad Anwar
		74,571	15,582	18,432		
		102,241	23,553	34,945		

Independent Auditors' Report to the Members

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Bank Alfalah Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>- Provision against Non Performing Credit Exposure (Refer note 9.5 to the consolidated financial statements)</p> <p>The Group's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operations.</p> <p>Covid-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Group to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Group's accounting policy (refer note 4.4 to the consolidated financial statements), the Group periodically assesses the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involves use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Group's process for identification and classification of non performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be; - We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; - Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appears to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; - In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management; and - We also assessed adequacy of disclosures as included in note 9.4 and 9.5 to the consolidated financial statements regarding the non-performing loans and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.



Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Omier Chughtai.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 12th February, 2021



Consolidated Statement of Financial Position

As at December 31, 2020

	Nota	2020	2019
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	99,348,862	100,731,903
Balances with other banks	6	6,373,472	4,926,851
Lendings to financial institutions	7	77,305,535	71,434,895
Investments	8	549,358,553	300,905,557
Advances	9	577,317,776	511,237,779
Fixed assets	10	30,994,793	29,107,720
Intangible assets	11	1,287,734	1,260,320
Deferred tax assets		-	-
Other assets	12	45,687,678	48,144,414
		<u>1,387,674,403</u>	<u>1,067,749,439</u>
LIABILITIES			
Bills payable	13	22,571,122	17,169,059
Borrowings	14	315,054,817	103,133,573
Deposits and other accounts	15	881,750,162	782,274,860
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	7,000,000	11,987,000
Deferred tax liabilities	17	2,235,254	4,137,405
Other liabilities	18	66,402,548	59,764,355
		<u>1,295,013,903</u>	<u>978,466,252</u>
NET ASSETS		<u>92,660,500</u>	<u>89,283,187</u>
REPRESENTED BY			
Share capital	19	17,771,651	17,771,651
Reserves		27,680,022	26,046,019
Surplus on revaluation of assets	20	10,528,419	11,376,517
Unappropriated profit		36,572,971	33,996,699
Total equity attributable to the equity holders of the Bank		<u>92,553,063</u>	<u>89,190,886</u>
Non-controlling interest	21	107,437	92,301
		<u>92,660,500</u>	<u>89,283,187</u>
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Profit and Loss Account

For the year ended December 31, 2020

	Note	2020	2019
		— (Rupees in '000) —	
Mark-up/Return/Interest Earned	24	92,623,231	92,528,026
Mark-up/Return/Interest Expensed	25	47,928,757	47,627,878
Net Mark-up/ Interest Income		44,694,474	44,900,148
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	26	6,786,987	7,115,022
Dividend Income		313,526	339,149
Foreign Exchange Income		3,398,242	2,826,363
Loss from derivatives		(21,366)	(68,293)
Gain on securities	27	2,285,043	65,461
Share of profit from associates		612,617	547,198
Other Income	28	170,731	199,359
Total non-markup/Interest Income		13,545,790	11,024,259
Total Income		58,240,264	55,924,407
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	29	31,618,668	29,203,218
Workers Welfare Fund	30	494,432	507,668
Other charges	31	94,741	269,503
Total non-markup/Interest expenses		32,207,841	29,980,389
Profit Before Provisions		26,032,423	25,944,018
Provisions and write offs - net	32	7,589,269	3,028,585
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		18,443,154	22,915,433
Taxation	33	7,599,914	9,883,626
PROFIT AFTER TAXATION		10,843,240	13,031,807
Profit / (loss) attributable to:			
Equity holders of the Bank		10,832,130	13,046,800
Non-controlling interest		11,110	(14,993)
		10,843,240	13,031,807
		— Rupees —	
Basic and Diluted Earnings per share	34	6.10	7.35

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	2020	2019
	—(Rupees in '000)—	
Profit after taxation	10,643,240	13,031,807
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	586,512	1,720,854
Movement in (deficit) / surplus on revaluation of investments - net of tax	(778,220)	4,003,887
Movement in surplus on revaluation of investment - net of tax (share of associates)	7,778	-
	(183,930)	5,724,741
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(205,782)	74,797
Remeasurement gain on defined benefit obligations - net of tax (share of associates)	1,088	-
Movement in deficit on revaluation of operating fixed assets - net of tax	(75,839)	(95,097)
Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	(361)	77,923
	(280,894)	57,623
Total comprehensive income	10,378,416	18,814,171
Total comprehensive income / (loss) attributable to:		
Equity holders of the Bank	10,363,280	18,823,207
Non-controlling interest	15,136	(9,036)
	10,378,416	18,814,171

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Capital Reserves			Statutory reserves	Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profits	Sub-total	Non Controlling Interest	Total
	Share capital	Share premium	Exchange translated as reserve		Employee share option compensation reserves	Investments	Real and Non Realizing Assets				
	(Figures in '000)										
Balance as at January 1, 2019	17,421,628	4,695,680	5,001,449	12,371,116	20,280	49,907	7,326,220	38,223,695	76,607,085	8,4717	77,023,923
Profit after taxation	-	-	-	-	-	-	-	12,046,608	12,046,608	(14,882)	12,031,726
Other comprehensive income - net of tax	-	-	1,733,854	-	-	4,884,554	83,928	69,872	5,873,208	4,248	5,881,528
Transfer to statutory reserves	-	-	-	1,758,552	-	-	-	(1,388,552)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profits - net of tax	-	-	-	-	-	-	(21,157)	(21,157)	-	-	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,232)	-	-	-	(5,232)	-	(5,232)
Transfer to Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,269	-	-	(25,269)	-	-	-	-	-	-
Cost of issuance of shares by the subsidiary company	-	-	-	-	-	-	-	(4,288)	(4,288)	(8,713)	(25,000)
Movement to reserves due to capital injection by non-controlling interest	-	-	-	-	-	-	-	47,035	47,035	(67,328)	-
Reclassification of subsidiary and associates - net of tax	-	-	-	-	-	-	-	(81,030)	(81,030)	612,479	(603,508)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2018 - 15%	-	-	-	-	-	-	-	(2,652,544)	(2,652,544)	-	(2,652,544)
Interim cash dividend for the full year ended June 30, 2019 - 10%	-	-	-	-	-	-	-	(4,554,238)	(4,554,238)	-	(4,554,238)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	127,503	127,503
Shares issued under stock option scheme by the Bank during the year	29,022	18,067	-	-	-	-	-	-	47,089	-	29,082
Balance as at January 1, 2020	17,711,650	4,724,049	6,735,303	14,129,667	-	4,064,471	7,322,046	28,986,699	89,198,996	32,307	92,383,397
Profit after taxation	-	-	-	-	-	-	-	30,832,128	30,832,128	(1,070)	30,831,058
Other comprehensive income - net of tax	-	-	556,812	-	-	(771,884)	24,164	(207,242)	(42,352)	4,026	(17,357)
Transfer to statutory reserves	-	-	-	1,047,428	-	-	-	(1,847,488)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profits - net of tax	-	-	-	-	-	-	(1,07,554)	937,554	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2019 - 10%	-	-	-	-	-	-	-	(4,554,238)	(4,554,238)	-	(4,554,238)
Interim cash dividend for the six months period ended September 30, 2020 - 10%	-	-	-	-	-	-	-	(4,554,238)	(4,554,238)	-	(4,554,238)
Balance as at December 31, 2020	17,711,650	4,724,049	7,292,115	15,177,095	-	3,292,587	7,246,946	36,672,971	92,583,042	127,427	93,662,509

The amount shown in the above table is the part of the consolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Bank Alfalah

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Consolidated Cash Flow Statement

For the year ended December 31, 2020

	Note	2020	2019
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		18,443,154	22,985,433
Dividend Income		(303,526)	(339,149)
Share of profit from associates		(612,637)	(547,198)
		<u>17,527,001</u>	<u>22,029,086</u>
Adjustments			
Depreciation		3,958,425	3,407,774
Amortisation		439,042	423,541
Provisions and write offs - net	32	7,589,269	3,028,585
Unrealised (gain) / loss on revaluation of investments classified as held for trading - net		(91,890)	24,692
Borrowing cost on lease liability		1,322,614	1,227,986
Workers' Welfare Fund		494,432	507,668
Gain on sale of operating fixed assets - net		(67,307)	(122,962)
Charge for defined benefit plan		170,884	105,243
Charge for staff compensated absences		71,106	41,990
		<u>13,886,575</u>	<u>8,705,517</u>
		<u>31,403,586</u>	<u>30,734,603</u>
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(22,007,279)	6,123,146
Held for trading securities		(43,844,761)	20,397,599
Advances		(74,091,806)	(11,451,833)
Other assets (excluding advance taxation)		982,572	11,092,426
		<u>(138,957,274)</u>	<u>26,161,338</u>
Increase in operating liabilities			
Bills payable		5,402,063	(38,803,169)
Borrowings		211,327,531	(20,875,769)
Deposits		99,475,302	79,427,735
Other liabilities (excluding current taxation)		1,707,405	(10,499,900)
		<u>307,912,301</u>	<u>29,232,903</u>
		<u>210,344,613</u>	<u>86,128,844</u>
Contribution made to gratuity fund		(170,884)	(105,243)
Income tax paid		(6,191,613)	(4,949,854)
Net cash generated from operating activities		<u>203,982,006</u>	<u>81,072,747</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(203,458,637)	(29,387,899)
Net investments in held-to-maturity securities		146,555	(7,091,199)
Dividends received from associated companies		590,000	-
Dividends received		312,213	340,847
Investments in operating fixed assets		(3,596,491)	(3,867,027)
Proceed from sale proceeds of fixed assets		118,391	403,122
Effect of translation of net investment in foreign branches		586,532	1,720,854
Net cash used in investing activities		<u>(205,801,507)</u>	<u>(37,881,296)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of sub-ordinated debt		(4,987,000)	(2,000)
Payment of leased obligations		(2,804,016)	(2,286,856)
Issue of share capital		-	38,082
Dividend paid		(7,066,355)	(6,207,063)
Net cash used in financing activities		<u>(14,857,371)</u>	<u>(8,457,837)</u>
Increase in cash and cash equivalents		<u>(16,676,772)</u>	<u>34,733,614</u>
Cash and cash equivalents at beginning of the year		136,797,929	104,378,311
Effects of exchange rate changes on cash and cash equivalents		(1,526,284)	(3,840,280)
		<u>135,271,645</u>	<u>100,538,031</u>
Cash and cash equivalents at end of the year	35	<u>118,594,873</u>	<u>135,271,645</u>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2020

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company

Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Holding Company / the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. 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 its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 706 branches (2019: 674 branches) and 24 sub-branches (2019: 24 sub-branches). Out of these, 530 (2019: 501) are conventional, 185 (2019: 162) are Islamic, 10 (2019: 10) are overseas and 1 (2019: 1) is an offshore banking unit.

	Percentage of Holding	
	2020	2019
Subsidiary		
Alfalah CLSA Securities (Private) Limited, Pakistan	61.20%	61.20%
Formerly: Alfalah Securities (Private) Limited		

1.2 In addition the Group maintains investments in the following:

Associates

Alfalah Insurance Company Limited	30%	30%
Sapphire Wind Power Company Limited	30%	30%
Alfalah GHP Investment Management Limited, Pakistan	40.22%	40.22%

2 BASIS OF PRESENTATION

2.1 These consolidated financial statements represent financial statements of Holding Company - Bank Alfalah Limited and its subsidiary. The assets and liabilities of subsidiary 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 subsidiary in these consolidated financial statements.

2.2 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 30 dated August 26, 2002 till further instructions. Further, the SECP 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. 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 ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering Islamic Financial Services (IFS). Further, SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and has directed all the Banks to implement IFRS 9 'Financial Instruments' with effect from 01 January 2021 vide BPRD circular No. 04 of 2019 dated 23 October 2019. The Bank awaits further instructions and guidelines from SBP for applicability of some aspect of IFRS 9.

Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements, except for overseas branches and subsidiary where such standards are applicable.



2.2.1 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 investment with investee and has the ability to affect those return 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 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.

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

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

There are certain new and amended standards issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

2.4 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2021:

Standard, Interpretation or Amendment	Note	Effective date (annual periods beginning on or after)
IFRS 9 'Financial Instruments'	2.4.1	January 01, 2021
Covid-19-Related Rent Concessions - Amendment to IFRS 16		June 01, 2020
Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16		January 01, 2021
Classification of Liabilities as Current or Non-current - Amendments to IAS 1		January 01, 2023
Reference to the Conceptual Framework - Amendments to IFRS 8		January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16		January 01, 2022
Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37		January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter		January 01, 2022
Annual improvement process IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities		January 01, 2022
Annual improvement process IAS 41 Agriculture - Taxation in fair value measurements		January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28		Not yet finalized
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.		

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 First time adoption of IFRSs	July 01, 2009
IFRS 17 - Insurance Contracts	January 01, 2023

- 2.4.1** IFRS 9 'Financial Instruments' – SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments; a new expected credit loss model for calculating impairment on financial assets; and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has calculated the impact of adoption of IFRS 9 on the financial statement of the Bank on the date of initial application, which will be finalized post issuance of IFRS 9 guidelines from SBP.

2.5 Critical accounting estimates and judgments

The preparation of these consolidated financial statements 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 as well as in the disclosure of contingent liabilities. 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 recognized 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 4.3.1 and 8)
- ii) classification and provisioning against non-performing loans and advances (notes 4.4 and 9)
- iii) income taxes (notes 4.11 and 33)
- iv) accounting for defined benefit plan and compensated absences (notes 4.8 and 37)
- v) depreciation of operating fixed assets (notes 4.5.2 and 10)
- vi) amortisation of intangibles (notes 4.5.3 and 11)
- vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.5.2, 4.5.5, 10 and 12.1)
- viii) impairment of assets (note 4.3.5)
- ix) fair value measurement of financial instruments (note 41)
- x) other provisions and contingent liabilities (notes 32 and 22)
- xi) determination of the lease term for lease contracts with renewal and termination options (Group as a lessee) (note 4.5.4.1)
- xii) incremental borrowing rate (note 4.5.4.1)

During the year, the disruption to economic activity caused by Covid 19 put strain on the solvency of customer and companies. Many of the covid affected borrowers availed the SBP enabled deferment / restructuring and rescheduling relief. The full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The Bank anticipates that it is appropriate to maintain a general loan loss reserve given the uncertainty that may prevail until the pandemic is over. Accordingly, the management of the Bank has estimated a general provision of Rs. 4,250 million which approximates to 2.76% of the restructured customers as at December 31, 2020. Had this change of estimate not been made, advances and the profit after tax for year ended would have been higher by Rs. 4,250 million and Rs. 2,763 million respectively.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain fixed assets and non banking assets acquired in satisfaction of claims are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments are measured at fair value and defined benefit obligation which are carried at present value. Right of use of asset and related lease liability are measured at present value.

3.2 Functional and Presentation Currency

- 3.2.1** These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.
- 3.2.2** The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those of previous financial year.

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as below:

Sale 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 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.

4.3 Investments

4.3.1 Classification

The Group 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 Group has the positive intent and ability to hold them till maturity.

Available for sale

These are investments 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.

4.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Group commits to purchase or sell the investments.

4.3.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

4.3.4 Subsequent measurement

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity', investment in associates and subsidiaries are subsequently remeasured to market value. Surplus and deficit arising on revaluation of securities classified as 'available for sale' is taken to a separate account shown in the statement of financial position. 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 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 associates are carried at cost, less accumulated impairment losses, if any.

4.3.5 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 is transferred from equity 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. Provisions pertaining to overseas investments are made in accordance with the requirements of regulatory authorities of the respective countries.

The Group considers that a decline in the recoverable value of its investments in associates and joint ventures below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the cost of the investment in associates and joint ventures, is credited to the profit and loss account.

4.4 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 loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time and management assumptions. General reserve against Covid 19 is based on management's estimates as disclosed in note 46.1.2. 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 loans and 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 or to clean up the balance sheet as allowed by SBP circular no. 06 of 2007 dated June 05, 2007.

Islamic Financing and Related Assets

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Musharakah, Rinnning Musharakah, Salam, Istisna, Tijara 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.

Finance Lease Receivables

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. The Group determines specific provisions against investment in finance lease 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 net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

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 in Ijarah under IFAS 2 are recorded as income / revenue. 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. 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'.

4.5 Fixed assets

4.5.1 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.

4.5.2 Property and Equipment (owned and leased)

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 10.2 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 Group and the cost of the item can be measured reliably.

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in OCI and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment 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.

4.5.3 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. Intangible assets are assessed for impairment, if any, as described under note 4.12.

4.5.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.5.4.1 Group as a lessee

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Group recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Incremental borrowing rate (IBR)

The IBR is the rate of markup that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs such as market interest rates.

4.5.4.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

4.5.5 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 non-banking assets in other comprehensive income, 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.

4.6 Deposits / Borrowings and their cost

- a) Borrowings and deposits are recorded at the proceeds received.
- b) Cost of deposits and borrowings 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.

4.6.1 Deposits - Islamic Banking

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

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Mudaraba 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 (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 Holding Company's discretion and the holding company 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.

4.7 Subordinated debts

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.8 Staff retirement / Employee benefits

a) Defined benefit plan

The Holding Company operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with 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.

The Subsidiary - Alfalah CLSA Securities (Private) Limited 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.

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 is recognised on the basis of actuarial recommendations.

4.9 Foreign currencies

4.9.1 Functional and presentation currency

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

4.9.2 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 relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

4.9.3 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.

4.9.4 Translation gains and losses

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.

4.9.5 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.

4.10 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured.

4.10.1 Advances and investments

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Holding Company operates.

Murabaha income is recognised on deferred income basis.

4.10.2 Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

Ijarah income is recognised on an accrual basis as and when the rentals becomes due. Depreciation in case of Ijarah is netted off from markup income.

4.10.3 Non Markup / Interest Income

Fee and commission income is recognised at an amount that reflects the consideration to which the Group's expects to be entitled in exchange for providing the services.

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

Other income is recognised on accrual basis.

4.11 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.

4.11.1 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.

4.11.2 Prior years

This charge includes tax charge for prior years arising from assessments, changes in estimates and tax changes applied retrospectively.

4.11.3 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.

4.12 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.

4.13 Provision for claims under guarantees

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Group 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.

4.14 Other Provisions

Other provisions are recognised when the Group 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.

4.15 Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under contingent liability is considered remote, it is not disclosed.

4.16 Off-setting

Financial assets and financial liabilities are off-set and the net amount reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group 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.

4.17 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.

4.18 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on balance sheet transactions.

4.19 Dividend and appropriation to reserves

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

4.20 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.

4.21 Segment reporting

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

4.21.1 Business segments

Retail banking

This includes loans, deposits, trade, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Bank. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

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, money market, capital market and merchant banking operations. The investments of the Bank primarily towards government securities and risk management activities via use of forward contracts & derivatives are reported here.

Digital banking

This segment includes branchless banking accounts, deposits and lending products, digital channels (including ATMs, internet banking, call centre and alfa app), corporate, G2P & SMME portfolio (including EDBI, BISP, payroll solutions), digital payments and digital products.

Islamic banking

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

International operations

This segment includes amounts related to Bank's overseas operations, namely, banking activities in Bangladesh, Afghanistan, United Arab Emirates and Kingdom of Bahrain.

Brokerage

It includes asset management activities mainly through the subsidiary Alfalah CLSA Securities (Private) Limited.

Others

This includes the head office related activities, and all other activities not directly tagged to the segments above.

4.21.2 Geographical segments

The Group operates in three geographical regions being:

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

	Note	2020 —(Rupees in '000)—	2019 —(Rupees in '000)—
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency	5.1	18,110,677	15,799,707
Foreign currency	5.2	3,641,949	2,416,292
		21,752,626	18,217,999
With State Bank of Pakistan in			
Local currency current accounts	5.3	36,654,027	44,854,841
Foreign currency current account	5.4	5,367,302	5,551,990
Foreign currency deposit account	5.5	22,810,448	14,084,512
		64,831,777	64,491,343
With other central banks in			
Foreign currency current account	5.6	8,253,771	8,529,825
Foreign currency deposit account	5.7	881,448	659,039
		8,935,219	9,188,864
With National Bank of Pakistan in local currency current account		3,242,753	8,469,281
Prize bonds		586,487	364,416
		<u>99,348,862</u>	<u>100,731,903</u>

5.1 This includes cash in transit amounting to Rs. 2,354,106 million (2019: Rs. 3,465,118 million).

5.2 This includes cash in transit amounting to Rs. 314,391 million (2019: Rs. 219,079 million).

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

5.4 This includes cash reserve of 5% maintained with the State Bank of Pakistan held under the New Foreign Currency Accounts Scheme (FE-25 deposits), as per BSD Circular no. 9 dated Dec 3, 2007.

5.5 This includes special cash reserve of 10% 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. These deposits carry interest rate ranging from 0.00% to 0.76 % per annum (2019: 0.70% to 1.5% per annum).

5.6 These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Bank.

5.7 These represent deposits with other central banks pertaining to the overseas operations of the Bank, in accordance with their regulatory requirements and carry interest 0.19% to 0.42% (2019: 0.71 % to 3.67%).

	Note	2020 —(Rupees in '000)—	2019 —(Rupees in '000)—
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		87,328	726,795
In deposit account	6.1	53,455	64,423
		140,783	791,218
Outside Pakistan			
In current account	6.2	5,642,659	3,535,371
In deposit account	6.3	590,030	600,262
		6,232,689	4,135,633
		<u>6,373,472</u>	<u>4,926,851</u>

- 6.1 This represents funds deposited with various banks at profit rates ranging from 2.84% to 5.5% per annum (2019: 10.25% to 11.30% per annum).
- 6.2 This includes amount held in Automated Investment Plans. The Group is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount.
- 6.3 This includes placement of funds generated through foreign currency deposits scheme (FE-25) and non-contractual deposits at interest rates ranging from 2.00% to 3.00% per annum (2019: 2.00% to 9.75% per annum).

	Note	2020 —(Rupees in '000)—	2019 —(Rupees in '000)—
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	7.1	22,064,585	30,552,042
Repurchase agreement lendings (Reverse Repo)	7.2	51,747,865	24,931,724
Bai Muajjal receivable			
with State Bank of Pakistan	7.3	—	9,018,518
with other financial institutions	7.3	3,493,085	6,942,429
		<u>3,493,085</u>	<u>15,960,947</u>
		<u>77,305,535</u>	<u>71,444,713</u>
Less: expected credit loss - overseas branches		—	(9,818)
Lending to Financial Institutions - net of provision		<u>77,305,535</u>	<u>71,434,895</u>

7.1 These represent lendings to financial institutions at markup rates ranging from 0.05% to 9.70% per annum (2019: 2.35% to 12.00% per annum) having maturities upto June 2021 (2019: March 2020).

7.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 6.20% to 7.12% per annum (2019: 2.04% to 13.37% per annum) with maturities upto January 2021 (2019: January 2020).

7.3 These represent Bai Muajjal agreements entered into with SBP and other commercial banks. These carry markup rate of 6.85% to 6.95% per annum (2019: 9.70% to 13.40% per annum), and these are due to mature by April 2021 (2019: February 2022).

	2020 —(Rupees in '000)—	2019 —(Rupees in '000)—
7.4 Particulars of lending - gross		
In local currency	65,041,011	62,722,732
In foreign currencies	<u>11,264,524</u>	<u>8,721,981</u>
	<u>77,305,535</u>	<u>71,444,713</u>

7.5 Securities held as collateral against lending to financial institutions

	2020			2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
—(Rupees in '000)—						
Market Treasury Bills	37,359,362	—	37,359,362	15,179,737	—	15,179,737
Pakistan Investment Bonds	14,388,503	—	14,388,503	9,751,987	—	9,751,987
Total	<u>51,747,865</u>	<u>—</u>	<u>51,747,865</u>	<u>24,931,724</u>	<u>—</u>	<u>24,931,724</u>

8 INVESTMENTS

8.1 Investments by type:

Note	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Figures in '000)								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	56,821,307	-	(3,368)	56,817,939	20,533,478	-	(4,058)	20,529,420
Pakistan Investment Bonds	7,535,183	-	30,723	7,565,906	5,648,051	-	(2,730)	5,645,321
Shares								
Ordinary shares / units - Listed	881,473	-	(4,248)	877,225	537,783	-	118	537,901
Foreign Securities								
Overseas Bonds - Sovereign	6,142,138	-	16,800	6,158,938	935,694	-	2,043	937,737
	70,985,085	-	33,890	71,046,975	27,135,016	-	(2,440)	27,132,576
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	145,085,588	-	302,558	145,202,147	72,573,764	-	(4,777)	72,568,987
Pakistan Investment Bonds	187,056,839	-	2,385,725	189,389,164	32,232,030	-	3,250,117	35,482,147
Governance of Pakistan Sukuk	24,322,881	-	(430)	24,322,451	4,232,343	-	86,367	4,318,710
Government of Pakistan Euro Bonds	1,358,045	-	1,07,772	2,103,817	1,925,652	-	40,577	1,966,229
Ways Pakistan Certificates	866,435	-	-	866,435	-	-	-	-
Shares								
Ordinary shares - Listed	3,421,744	(429,407)	2,326,352	5,304,599	5,436,888	(5,029,285)	2,515,407	7,100,000
Ordinary shares - Unlisted	1,201,285	(3,668)	-	1,197,617	1,151,285	(3,668)	-	1,147,617
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities								
Term Finance Certificates	1,596,310	(452,510)	(30,703)	1,113,097	1,753,977	(408,577)	(72,887)	1,272,613
Sukuk	18,200,653	(96,573)	113,885	18,217,965	4,817,885	(96,573)	170,457	4,891,769
Foreign Securities								
Overseas Bonds - Sovereign	16,352,071	-	813,215	17,165,286	30,206,335	-	144,157	30,350,492
Overseas Bonds - Others	17,806,211	-	716,295	18,522,506	18,428,473	-	330,542	18,759,015
Redeemable Participating Certificates	2,304,675	-	-	2,304,675	2,727,385	-	-	2,727,385
	420,229,277	(3,186,076)	6,583,415	423,626,616	218,750,435	(3,728,958)	6,443,954	221,465,431
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	20,009,717	-	-	20,009,717	25,368,173	-	-	25,368,173
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Term Finance Certificates	398,023	(24,880)	-	373,143	754,264	(524,264)	-	198,879
Sukuk	1,136,218	(94,140)	-	1,042,078	1,255,831	(278,831)	-	966,200
Foreign Securities								
Overseas Bonds - Sovereign	13,623,502	-	-	13,623,502	13,901,861	-	-	13,901,861
Overseas Bonds - Others	738,358	-	-	738,358	771,838	-	-	771,838
	43,182,170	(119,020)	-	42,963,150	49,028,311	(803,095)	-	48,225,216
Assets held (valued at equity method)	3,675,044	-	-	3,675,044	3,338,787	-	-	3,338,787
General provision and expected credit loss - Overseas operations	-	(68,294)	-	(68,294)	-	(28,422)	-	(28,422)
Total Investments	546,031,571	(3,354,355)	6,443,415	549,059,553	296,862,749	(2,470,454)	6,443,954	299,805,557

8.1.1 The adoption of IFRS 9 at Bahrain Operations of the Bank has resulted in Investments in Redeemable Participating Certificates held abroad, being mandatorily measured at "Fair Value through Profit and Loss Account". However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-16203 dated July 26, 2018, such investments have been reclassified and measured under "Available for Sale" investments in their consolidated financial statements.

B.1.2 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:

	2020				
	Investment as at January 1	Share of Profit	Share of Other Comprehensive Income	Dividend received during the year	Other adjustments (reclassification of associate)
	(Rupees in '000)				
AlFalsh Insurance Company Limited	396,575	82,119	13,640	-	-
Sapphire Wind Power Company Limited	2,341,597	465,359	-	(90,000)	-
AlFalsh GHP Investment Management Limited	400,615	65,140	-	-	-
	3,138,787	612,617	13,640	(90,000)	-
	3,675,044				
	2019				
	Investment as at January 1	Share of Profit	Share of Other Comprehensive Income	Dividend received during the year	Other adjustments (reclassification of associate)
	(Rupees in '000)				
AlFalsh Insurance Company Limited	340,921	55,654	-	-	-
Sapphire Wind Power Company Limited	1,905,883	435,714	-	-	-
TriconBoston Consulting Corporation (Private) Limited	793,893	-	-	-	(793,893)
AlFalsh GHP Investment Management Limited	-	55,830	-	-	344,785
AlFalsh GHP Money Market Fund	298,913	-	-	-	(298,913)
AlFalsh GHP Income Multiplier Fund	6	-	-	-	(6)
AlFalsh GHP Sovereign Fund	75,600	-	-	-	(75,600)
AlFalsh GHP Income Fund	157,437	-	-	-	(157,437)
AlFalsh GHP Islamic Income Fund	5,827	-	-	-	(5,827)
AlFalsh GHP Pension Fund	86,881	-	-	-	(86,881)
AlFalsh GHP Islamic Pension Fund	85,951	-	-	-	(85,951)
AlFalsh GHP Cash Fund	10,300	-	-	-	(10,300)
	3,761,612	547,198	-	-	(1,170,023)
	3,138,787				

B.1.3 Particulars of assets and liabilities of associates

	Audited / Un-audited	Financial statements date	2020			
			Assets	Liabilities	Revenue	Profit for the year
			(Rupees in '000)			
AlFalsh Insurance Company Limited	Audited	December 31, 2020	4,233,623	2,602,042	1,726,381	273,729
Sapphire Wind Power Company Limited	Un-audited	December 31, 2020	16,562,413	8,313,129	3,381,695	1,551,192
AlFalsh GHP Investment Management Limited	Un-audited	December 31, 2020	1,380,159	232,128	469,183	161,959
	Audited / Un-audited	Financial statements date	2019			
			Assets	Liabilities	Revenue	Profit for the year
			(Rupees in '000)			
AlFalsh Insurance Company Limited	Audited	December 31, 2019	4,009,075	2,659,419	1,593,734	185,514
Sapphire Wind Power Company Limited	Un-audited	December 31, 2019	16,641,391	9,643,298	3,400,281	1,452,381
AlFalsh GHP Investment Management Limited	Audited	December 31, 2019	1,246,271	250,200	469,739	138,812

8.2 Investments by segments

Federal Government Securities

Market Treasury Bills
Pakistan Investment Bonds
Government of Pakistan Euro Bonds
Other Federal Government Securities
Government of Pakistan Sukuk
New Pakistan Certificates

2020				2019			
Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)							
201,020,886	-	93,071	202,014,066	93,937,242	-	(28,835)	93,078,407
234,520,725	-	2,401,504	236,932,229	113,348,260	-	3,207,322	126,555,582
1,956,046	-	147,772	2,103,817	1,025,652	-	40,577	1,066,229
7,236,366	-	-	7,236,366	7,216,366	-	-	7,216,366
24,322,898	-	(439)	24,322,442	4,212,347	-	(86,367)	4,298,714
466,435	-	-	466,435	-	-	-	-
450,409,347	-	2,652,008	453,065,355	229,509,867	-	3,305,480	233,315,298

Shares

Listed Companies
Unlisted Companies

3,092,052	(52,332)	2,340,601	5,890,321	6,263,514	(1,138,120)	2,515,525	7,640,919
1,225,285	(84,661)	-	1,140,624	1,076,295	(84,661)	-	1,001,624
5,218,337	(636,993)	2,340,601	6,941,945	7,489,799	(1,222,781)	2,515,525	8,732,543

Non Government Debt Securities

Listed
Unlisted

15,063,010	(1785)	21,381	15,082,606	657,45	(1,785)	11,000	667,051
6,398,792	(666,480)	88,375	5,733,576	7,860,215	(1,149,465)	135,479	6,846,229
21,381,702	(668,265)	102,656	20,816,182	8,540,660	(1,151,251)	147,570	7,538,279

Foreign Securities

Government securities
Non Government Debt securities

41,323,700	-	870,085	43,193,724	25,023,880	-	146,104	25,170,084
21,029,342	-	716,255	21,745,597	22,909,446	-	330,542	23,239,988
63,353,061	-	1,586,270	64,939,321	47,933,326	-	476,646	48,409,972

Associates (valued at equity method)

3,675,044	-	-	3,675,044	3,138,787	-	-	3,138,787
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General provision and expected credit loss- Overseas operations

-	(69,204)	-	(69,204)	-	(28,422)	-	(28,422)
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Total Investments

544,091,971	(1,354,553)	6,681,535	549,398,953	286,862,749	(2,402,454)	5,445,262	301,905,557
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8.2.1 Investments given as collateral

Market Treasury Bills
Pakistan Investment Bonds
Overseas Bonds
Sukuk Bonds

Value	2020	2019
(Rupees in '000)		
	90,054,373	10,243,260
	82,733,120	39,841,800
	-	4,630,519
	-	4,644,108
	162,824,493	30,359,687

The market value of securities given as collateral is Rs. 181,215,233 million (2019: Rs. 30,746,266 million).

8.3 Provision for diminution in value of investments

8.3.1 Opening balance

Exchange and other adjustments

Charge / reversal
Charge for the year
Reversal for the year
Reversal on disposals

Written off
Closing Balance

	2,402,454	1,381,038
	495	3,548
	1,042,001	1,589,125
	(26,352)	(49,130)
	(1,564,450)	(522,107)
	(548,810)	1,007,888
8.3.2	(490,586)	-
	1,354,553	2,402,454

8.3.2 As allowed by the SBP circular no. 05 of 2007 dated June 05, 2007, the Bank during this year has written off Rs. 490,586 million in respect Term Finance Certificates of Agritech Limited as part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.

8.3.3 Particulars of provision against debt securities

Category of classification	Note	2020		2019	
		NPI	Provision	NPI	Provision
		(Rupees in '000)			
Domestic					
Loss	8.3.2	668,266	668,266	1,151,251	1,151,251
Overseas		-	-	-	-
Total		668,266	668,266	1,151,251	1,151,251

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	Note	2020	2019
		Cost	
		(Rupees in '000)	
8.4.1	Federal Government Securities - Government guaranteed		
	Market Treasury Bills	145,099,588	72,573,764
	Pakistan Investment Bonds	187,006,839	92,232,030
	Government of Pakistan Sukuks	24,322,881	4,212,347
	Government of Pakistan Euro Bonds	1,956,045	1,925,652
	Naya Pakistan Certificates	8.4.1.1 466,435	-
		358,851,788	170,943,793

8.4.1.1 This represents initial investment made for the establishment of the modular pools in Naya Pakistan Company limited in accordance with S.R.O 964 (I) / 2020 dated October 05, 2020.

8.4.2	Shares	2020	2019
		Cost	
8.4.2.1	Listed Companies	(Rupees in '000)	
	Ordinary Shares		
	Automobile Parts & Accessories	119,848	-
	Cement	254,111	452,244
	Chemicals	109,420	17,909
	Commercial Banks	1,312,929	1,433,176
	Engineering	28,953	110,496
	Fertilizer	488,153	430,828
	Investment Banks	26,043	26,039
	Oil and Gas Exploration Companies	436,504	1,686,312
	Oil and Gas Marketing Companies	174,951	347,886
	Pharmaceuticals	51,216	102,392
	Power Generation & Distribution	62,826	602,191
	Real Estate Investment Trust	336,790	372,098
	Textile Composite	-	55,320
		3,401,744	5,616,886
	Preference Shares		
	Fertilizer	108,835	108,835
		3,510,579	5,725,721

8.4.2.2 Unlisted Companies	Break up value as at	2020		2019	
		Cost	Breakup value	Cost	Breakup value
		(Rupees in '000)			
Ordinary Shares					
Al-Hamra Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited	Dec 31, 2019	22,235	80,303	22,235	71,986
Pakistan Mortgage Refinance Company Limited	Dec 31, 2019	300,000	385,098	300,000	304,476
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2016	4,095	11,754	4,095	11,754
TriconBoston Consulting Corporation (Private) Limited	June 30, 2020	769,230	1,389,619	769,230	941,130
1 Link (Private) Limited	June 30, 2020	50,000	230,837	-	-
		1,201,285	2,145,497	1,151,285	1,377,232
Preference Shares					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,784
		1,226,285	2,173,281	1,176,285	1,405,016

8.4.3 Non Government Debt Securities	2020		2019	
	Cost		Cost	
	(Rupees in '000)		(Rupees in '000)	

8.4.3.1 Listed

Categorised based on long term rating by Credit Rating Agency:

- A+, A, A-
- BBB+, BBB, BBB-
- Unrated

100,000	100,000
99,940	99,960
14,963,070	987,446
15,163,010	1,187,406

8.4.3.2 Unlisted

Categorised based on long term rating by Credit Rating Agency:

- AAA
- AA+, AA, AA-
- Unrated

3,687,297	4,430,154
450,000	450,000
547,256	504,303
4,684,553	5,384,457
19,847,563	6,571,863

Total Non Government Debt Securities

8.4.4 Foreign Securities

8.4.4.1 Government Securities

	2020		2019	
	Cost	Rating	Cost	Rating
(Rupees in '000)				
Kingdom of Saudi Arabia	2,376,563	A	2,300,570	A
People's Republic of China	1,916,025	A+	2,319,136	A+
Sultanate of Oman	1,119,856	BB-	1,085,187	BB+
Abu Dhabi	2,962,064	AA	1,534,677	AA
Republic of Korea	1,344,088	AA	154,594	AA
Republic of South Africa	561,891	BB-	544,583	BB+
Italy	937,350	BBB	905,970	BBB
United Mexican States	97,284	BBB	85,929	BBB
Republic of Kazakhstan	391,844	BBB	346,587	BBB-
Sharjah	1,622,414	BBB-	929,102	BBB+
Republic Of China	19,848	A+	-	-
Malaysia	325,852	A-	-	-
Dubai	1,118,836	Unrated	-	-
Indonesia	1,758,156	BBB	-	-
	16,552,071		10,206,335	

8.4.4.2 Non Government Debt Securities - Overseas securities

Unlisted

Categorised based on long term rating by Credit Rating Agency

	2020	2019
	— (Rupees in '000) —	
- AAA	479,508	10,361,622
- AA+, AA, AA-	800,502	-
- A+, A, A-	10,296,542	4,870,744
- BBB+, BBB, BBB-	5,510,005	2,947,365
- BB+, BB, BB-	238,754	232,275
- Unrated	2,904,675	3,724,632
	<u>20,230,986</u>	<u>22,136,638</u>

8.5 Particulars relating to Held to Maturity securities are as follows:

8.5.1 Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	20,003,717	25,968,179
Other Federal Government Securities	7,216,366	7,216,366
	<u>27,220,083</u>	<u>33,184,545</u>

8.5.2 Non Government Debt Securities

Unlisted

Categorised based on long term rating by Credit Rating Agency

- AAA	1,041,670	1,041,670
- A+, A, A-	183,333	283,263
- Unrated	309,226	645,164
	<u>1,534,229</u>	<u>1,970,097</u>

8.5.3 Foreign Securities

8.5.3.1 Government Securities

	2020		2019	
	Cost	Rating	Cost	Rating
	— (Rupees in '000) —			
Afghanistan	4,680,536	Unrated	-	-
People's Republic of Bangladesh	13,360,321	BB-	12,364,315	BB-
State of Qatar	1,588,645	AA-	1,537,546	AA-
	<u>19,629,502</u>		<u>14,901,861</u>	

8.5.3.2 Non Government Debt Securities

Unlisted

	2020	2019
	Cost — (Rupees in '000) —	
- BBB+, BBB, BBB-	798,356	771,808

8.6 The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 50,506,972 million (December 31, 2019 : Rs. 49,648,885 million).

9 ADVANCES

		Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
(Rupees in '000)							
Loans, cash credits, running finances, etc.	9.1	458,637,062	403,042,304	20,822,483	20,687,883	479,459,545	423,729,987
Islamic financing and related assets	9.2	101,747,490	87,309,952	3,927,311	1,532,279	105,674,801	88,842,231
Bills discounted and purchased		14,657,071	17,203,494	1,111,055	198,336	15,768,126	17,401,830
Advances – gross		575,041,623	507,555,550	25,860,849	22,418,498	600,902,472	529,974,048
Provision against advances							
– Specific	9.5	-	-	(18,318,525)	(17,741,685)	(18,318,525)	(17,741,685)
– General	9.6	(5,266,171)	(994,584)	-	-	(5,266,171)	(994,584)
		(5,266,171)	(994,584)	(18,318,525)	(17,741,685)	(23,584,696)	(18,736,269)
Advances – net of provision		569,775,452	506,560,966	7,542,324	4,676,813	577,317,776	511,237,779

9.1 Includes Net Investment in Finance Lease as disclosed below

	2020				2019			
	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	405,674	2,995,404	38,109	3,439,187	430,979	2,864,065	52,356	3,347,400
Residual value	292,660	738,798	8,598	1,040,057	222,973	718,226	11,353	952,552
Minimum lease payments	688,334	3,734,203	46,707	4,479,244	653,952	3,582,291	63,709	4,299,952
Financial charges for future periods	(51,927)	(833,409)	(10,371)	(395,707)	(17,117)	(537,608)	(19,354)	(574,079)
Present value of minimum lease payments	646,407	3,400,794	36,336	4,083,537	636,835	3,044,683	44,355	3,725,873

9.1.1 Advances include an amount of Rs. 87.815 million (2019: Rs. 147,568 million), being Employee Loan facilities allowed to Citibank, N.A. Pvt. Ltd.'s employees, which were either taken over by the Bank, or were granted afresh under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/CIL/2007/21083 dated September 11, 2007.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SIF's, BDO and OSED departments. These loans carry mark-up at the rates ranging from 9.46% to 24.42% (December 31, 2019: 9.46% to 24.46%) with maturities up to December 2039 (December 31, 2019: December 2039).

9.2 These represents financing and related assets placed under shariah permissible modes and presented in Annexure-II to the unconsolidated Financial statements.

9.3 Particulars of advances (Gross)	2020	2019
	(Rupees in '000)	
In local currency	559,359,878	490,267,906
In foreign currencies	41,543,594	39,706,142
	600,902,472	529,974,048

9.4 Advances include Rs. 25,860,849 million (2019: Rs. 22,418,498 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2020		2019	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupee in '000)			
Domestic				
Other Assets - Especially Mortgages	65,346	2,455	1,712,714	8,347
Substandard	3,576,300	885,085	2,382,226	579,152
Doubtful	7,895,994	3,332,683	1,918,480	947,661
Loss	13,770,907	13,657,279	15,869,909	15,776,780
	25,308,547	17,877,502	21,882,929	17,313,940
Overseas				
Not past due but impaired				
Overdue by:				
> 365 days	552,302	441,023	535,969	427,745
	552,302	441,023	535,969	427,745
Total	25,860,849	18,318,525	22,418,498	17,741,685

9.5 Particulars of provision against advances

Note	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupee in '000)					
Opening balance	17,741,685	994,584	18,736,269	15,884,669	873,315	16,757,984
Exchange and other adjustments	15,076	2,408	17,484	36,327	26,819	63,146
Charge for the year	5,939,978	4,269,179	10,209,157	4,049,980	94,450	4,144,430
Reversals	(2,037,607)	-	(2,037,607)	(2,010,918)	-	(2,010,918)
	3,902,371	4,269,179	8,171,550	2,038,062	94,450	2,133,512
Amounts written off	(521,114)	-	(521,114)	(201,332)	-	(201,332)
Amounts charged off - agriculture financing	(35,051)	-	(35,051)	(7,041)	-	(17,041)
Amounts charged off - balance sheet cleaning	(2,784,442)	-	(2,784,442)	-	-	-
	(3,340,607)	-	(3,340,607)	(218,373)	-	(218,373)
Closing balance	18,318,525	5,269,171	23,584,696	17,741,685	994,584	18,736,269

9.5.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupee in '000)					
In local currency	16,775,621	5,055,610	21,831,231	16,405,641	768,498	17,174,139
In foreign currencies	1,542,904	210,561	1,753,465	1,336,044	226,086	1,562,130
	18,318,525	5,266,171	23,584,696	17,741,685	994,584	18,736,269

9.5.2 The additional profit arising from availing the forced sale value (FSV) benefit - net of tax at December 31, 2020 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 72,557 million (2019: Rs. 38,426 million).

9.5.3 During the year, non performing loans and provisions were reduced by Rs. 1,049,600 million (2019: Rs. 222,278 million) due to debt property swap with two non performing clients.

9.5.4 General provision includes:

- (i) Provision held in accordance with SBP's prudential regulations against:
 - Conventional consumer loans being maintained at an amount equal to 1% of the secured (auto and house loans) performing portfolio and 4% of the unsecured (personal loans and credit cards) performing portfolio;
 - Islamic auto loans being maintained at an amount equal to 1% of the secured performing portfolio and for Islamic house loans at an amount equal to 0.5% of the secured performing portfolio;
 - Small Enterprises (SE) portfolio being maintained at an amount equal to 1% against unsecured performing SE portfolio;
- (ii) Provision held at overseas branches in meet the requirements of regulatory authorities of the respective countries in which overseas branches operates; and
- (iii) Provision of Rs. 4,250,000 million (December 31, 2019: nil) representing Covid 19 general loan loss reserve which approximates to 2.76% of restituted customers as explained in note 46.1.2.

9.5.5 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loans, 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.

	Note	2020	2019
		(Rupees in '000)	
9.6 PARTICULARS OF WRITE OFF:			
9.6.1 Against Provisions	9.6.2	3,340,607	218,373
Directly charged to Profit & Loss account		-	-
		<u>3,340,607</u>	<u>218,373</u>
9.6.2 Write Offs of Rs. 500,000 and above			
- Domestic	9.7	3,107,951	88,452
- Overseas		-	-
Write Offs of Below Rs. 500,000		<u>232,755</u>	<u>129,921</u>
		<u>3,340,607</u>	<u>218,373</u>
9.6.3 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, the Bank during the year has written off Rs. 2784.442 million in part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.			
9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE			

In terms of sub-section (3) of Section 33K of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2020 is given in Annexure-I to the unconsolidated financial statements.

	Note	2020	2019
		(Rupees in '000)	
10 FIXED ASSETS			
Capital work-in-progress	10.1	7,48,760	643,403
Property and equipment	10.2	20,694,822	19,768,783
Right-of-use assets	10.3	8,551,202	8,105,574
		<u>30,934,783</u>	<u>29,167,720</u>
10.1 Capital work-in-progress			
Cell works		416,527	328,506
Equipment		301,903	295,383
Others		30,330	19,514
		<u>748,760</u>	<u>643,403</u>

10.2 Property and Equipment

2020								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Total
(Rupees in '000)								

At January 1, 2020

Cost / Revalued amount	5,151,946	3,086,200	1,655,333	3,074,903	5,881,608	2,108,507	13,272,506	37,727	35,698,405
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,028,878)	(17,47,350)	(10,246,943)	(272,930)	(16,429,622)
Net book value	5,151,946	3,086,200	1,608,008	3,081,807	1,852,815	361,148	3,025,563	94,295	19,268,783

Year ended December 2020

Opening net book value	5,151,946	3,086,200	1,608,008	3,081,807	1,852,815	361,148	3,025,563	94,295	19,268,783
Additions	27,605	-	34,527	56,499	271,318	153,076	2,366,468	15,076	3,024,679
Disposals	-	-	-	(13,927)	(6,552)	(1,1143)	(11,943)	(15,589)	(51,024)
Depreciation charge	-	-	(91,089)	(10,0785)	(334,829)	(97,022)	(1,260,400)	(537,46)	(1,908,777)
Subsidy classified as income during the year	-	-	-	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	542	347	2,233	1,550	4,672
Other adjustments / transfers	-	-	355,735	-	(140)	90	813	-	356,488
Closing net book value	5,179,611	3,086,200	1,937,185	3,023,504	1,798,146	415,746	4,122,754	140,587	20,694,822

At December 31, 2020

Cost / Revalued amount	5,179,611	3,086,200	2,091,942	3,216,835	6,179,542	1,252,234	15,235,267	377,753	38,579,384
Accumulated depreciation	-	-	(1,154,757)	(193,240)	(4,381,396)	(1,836,488)	(11,112,513)	(236,166)	(17,894,952)
Net book value	5,179,611	3,086,200	1,937,185	3,023,504	1,798,146	415,746	4,122,754	140,587	20,694,822
Rate of depreciation (percentage)	-	-	1.5%	2.5%	30% - 20%	10% - 15%	12.5% - 50%	25%	-

2020								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixtures	Office equipment	Vehicles	Total
(Rupees in '000)								

At January 1, 2020

Cost / Revalued amount	5,150,446	3,278,701	1,440,020	3,038,083	5,272,656	2,025,375	11,508,377	368,827	33,162,405
Accumulated depreciation	-	-	-	-	(3,605,785)	(1,662,650)	(2,407,251)	(246,006)	(15,020,702)
Net book value	5,150,446	3,278,701	1,440,020	3,038,083	1,576,861	362,725	2,388,126	113,731	18,140,703

Year ended December 31, 2020

Opening net book value	5,150,446	3,278,701	1,440,020	3,038,083	1,576,861	362,725	2,388,126	113,731	18,140,703
Additions	-	-	25,304	141,288	501,629	100,263	1,024,572	30,135	3,012,881
Disposals	(61,260)	(191,501)	-	(2,700)	(546)	(750)	(13,589)	(8,024)	(280,160)
Depreciation charge	-	-	(30,725)	(83,576)	(201,605)	(95,326)	(1,059,833)	(50,502)	(1,620,657)
Subsidiary classified as associate during the year	-	-	-	-	-	(11,167)	(16,183)	(2,174)	(29,554)
Exchange rate adjustments	-	-	-	-	890	4,855	8,930	2,130	16,725
Other adjustments / transfers	53,450	-	(7,503)	(11,288)	(17,144)	(13)	540	-	27,845
Closing net book value	5,151,446	3,086,200	1,608,008	3,081,807	1,859,815	361,148	3,025,563	94,296	19,268,783

At December 31, 2019

Cost / Revalued amount	5,151,446	3,086,200	1,608,008	3,074,968	5,880,609	2,308,507	13,272,506	367,227	36,806,405
Accumulated depreciation	-	-	(47,325)	(93,185)	(4,021,809)	(1,747,359)	(10,246,943)	(272,031)	(15,428,622)
Net book value	5,151,446	3,086,200	1,608,008	3,081,807	1,859,815	361,148	3,025,563	94,296	19,268,783
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	30% - 25%	12.5% - 50%	25%	-

10.2.1 Land and buildings were last revalued on December 31, 2008 on the basis of market values, determined by independent valuer M/s Alkhatib & Javed Associates, M/s Harveer Sarvai (Private) Limited and M/s Hamid Multinir & Co. (Private) Limited. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2020 would have been Rs. 5,807,270 million (2019: Rs. 5,549,644 million).

	2020		2019	
	Net book value at Cost	Net book value at Revalued amount	Net book value at Cost	Net book value at Revalued amount
(Rupees in '000)				
Freehold land	1,395,345	5,179,611	1,567,670	6,151,946
Leasehold land	1,291,138	3,086,200	1,201,148	3,086,200
Buildings on Freehold land	1,472,210	1,937,185	1,229,470	1,608,008
Buildings on leasehold land	1,448,577	3,023,594	1,461,347	3,081,807
	5,807,270	14,226,590	5,549,644	13,927,961

10.2.2 Included in cost of building and equipment are fully depreciated items still in use having cost of Rs. 12,576,428 million (2019: Rs. 11,730,390 million).

	Note	2020	2019
		(Rupees in '000)	
10.2.3 Carrying amount of idle and held for sale properties:	10.2.31	-	42,000

10.2.3.1 During the year, properties having book value of Rs. 365,735 million were transferred from non banking assets acquired under satisfaction of claims to operating fixed assets. Furthermore, the Bank has transferred 'idle and held for sale properties' having book value of Rs. 42,000 million to 'owned properties' (land and building).

10.2.4 Sale of fixed assets to related parties are disclosed in Appendix II to the unconsolidated financial statements.

10.3	Right-of-use assets	Note	2020 (Rupees in '000)	2019
	At January 1			
	Cost / Revolved amount		10,995,707	9,407,664
	Accumulated depreciation		(9,801,883)	-
	Net book value		<u>9,195,524</u>	<u>9,407,664</u>
	Year ended December			
	Opening net book value		9,195,524	9,407,664
	Additions		2,405,326	1,574,972
	Depreciation charge		(2,048,649)	(1,737,117)
	Closing net book value		<u>9,551,201</u>	<u>9,195,524</u>
	At December 31			
	Cost / Revolved amount		13,402,033	10,995,707
	Accumulated depreciation		(3,850,831)	(1,801,183)
	Net book value		<u>9,551,201</u>	<u>9,195,524</u>
	Rate of depreciation (percentage)		5% - 10.0%	5% - 10.0%

11 INTANGIBLE ASSETS

	Capital work-in-progress / Advances payment to suppliers		268,225	253,483
	Software	11.1	<u>1,032,509</u>	<u>1,006,837</u>
			<u>1,287,734</u>	<u>1,260,320</u>
11.1	At January 1			
	Cost		4,148,922	3,822,438
	Accumulated amortisation and impairment		(3,143,085)	(2,686,060)
	Net book value		<u>1,006,837</u>	<u>1,136,378</u>
	Year ended December 31			
	Opening net book value		1,006,837	1,136,378
	Additions - directly purchased		431,840	373,824
	Amortisation charge		(432,042)	(473,541)
	Exchange rate adjustments		96	308
	Subsidary classified as associate during the year		-	(29,992)
	Other adjustments		(222)	(222)
	Closing net book value		<u>1,032,509</u>	<u>1,006,837</u>
	At December 31			
	Cost		4,603,936	4,148,922
	Accumulated amortisation and impairment		(3,584,426)	(3,143,085)
	Net book value		<u>1,032,509</u>	<u>1,006,837</u>
	Rate of amortisation (percentage)		20% - 25%	20% - 25%
	Useful life		4 - 5 years	4 - 5 years

11.2 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 2,426,423 million (2019: Rs. 1,931,099 million).

	Note	2020 (Rupee in '000)	2019 (Rupee in '000)
12 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		17,857,094	21,292,859
Income/ Mark-up accrued in foreign currency - net of provision		1,171,478	1,092,865
Advances, deposits, advance rent and other prepayments		1,846,113	2,040,310
Advance against subscription of share		32,312	82,312
Non-banking assets acquired in satisfaction of claims	12.1.1	1,445,960	763,935
Dividend receivable		2,383	1,070
Mark to market gain on forward foreign exchange contracts		1,319,187	2,436,300
Mark to market gain on derivatives	12.1	-	20,977
Stationery and stamps on hand		28,390	23,164
Defined benefit plan	12.1.4	692,399	1,019,177
Due from card issuing banks		995,590	886,234
Account receivable		2,347,314	829,639
Receivable against fraud and forgeries	12.2	85,246	117,010
Acceptances		14,414,532	16,645,791
Receivable against DSC/SSC and overseas government securities		806,885	259,983
Receivable against marketable securities		2,416,928	875,120
Others		918,661	284,264
		<u>46,380,472</u>	<u>48,671,010</u>
Less: Provision held against other assets	12.3	(797,976)	(769,355)
Other Assets (Net of Provision)		<u>45,582,496</u>	<u>47,901,655</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	12.1.1	105,182	242,759
		<u>45,687,678</u>	<u>48,144,414</u>
		<u>2020</u>	<u>2019</u>
		(Rupee in '000)	(Rupee in '000)
12.1 Market value of Non-banking assets acquired in satisfaction of claims - properties only		<u>1,536,100</u>	<u>987,862</u>

The Non-banking assets (properties) of the Holding Company have been revalued by independent professional valuers as at December 31, 2020. The revaluation was carried out by M/s. Joseph Lobo (Pvt) Ltd, M/s. FairWater Property & Surveys (Pvt) Ltd and M/s. Hamid Mukhtar & Co. (Pvt) Ltd on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 32,506 million (2019: Rs. 89,447 million).

	Note	2020 (Rupee in '000)	2019 (Rupee in '000)
12.1.1 Non-banking assets acquired in satisfaction of claims			
Opening Balance		1,006,694	775,047
Additions		1,049,600	222,278
Revaluation		32,506	89,447
Disposals	12.1.2	(73,070)	(7,350)
Transfer to Property and Equipment	10.2.3.1	(362,082)	(63,450)
Depreciation		(2,506)	(9,278)
Closing Balance		<u>1,551,142</u>	<u>1,006,694</u>
12.1.2 Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims			
Disposal Proceeds		188,790	7,350
less:			
- Cost		(73,070)	7,350
- Impairment / Depreciation		(3,790)	(7,350)
		<u>169,280</u>	<u>-</u>
Gain/Loss		<u>19,510</u>	<u>7,350</u>

12.3 This represents fraud and forgery amount receivable from the insurance company and other sources. Provision has been held against non-recoverable amount.

	Note	2020 (Rupees in '000)	2019
12.3 Provision held against other assets			
Advances deposits, advance rent & other prepayments		791,161	758,750
Non banking assets acquired in satisfaction of claims		6,815	10,605
		<u>797,976</u>	<u>769,355</u>

12.3.1 Movement in provision held against other assets

Opening balance		769,355	938,885
Change for the year		35,298	72,108
Reversals		(3,108)	(54,540)
		<u>32,190</u>	<u>17,568</u>
Amount Written off		(4,813)	(167,949)
Exchange and other adjustments		1,244	(9,149)
Closing balance		<u>797,976</u>	<u>769,355</u>

13 BILLS PAYABLE

In Pakistan		22,226,918	16,950,808
Outside Pakistan		344,204	718,751
		<u>22,571,122</u>	<u>17,669,559</u>

14 BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
Export Refinance Scheme	14.1	45,178,774	31,680,935
Long-Term Finance Facility	14.2	24,532,476	15,947,561
Financing Facility for Renewable Energy Projects	14.3	4,551,837	1,945,374
Financing Facility for Storage of Agriculture Products (FPSAP)	14.4	490,748	325,330
Refinance for Wages & Salaries	14.5	29,170,716	-
Other Refinance schemes	14.6	1,581,880	-
Repurchase agreement borrowings	14.7	93,965,252	5,000,000
		<u>199,471,683</u>	<u>54,899,200</u>
Repurchase agreement borrowings	14.8	42,126,121	16,064,786
Bal Muejtal	14.9	35,290,474	19,192,374
Pre IPO Subscription against Medium Term Note	14.10	9,000,000	-
Others	14.11	94,631	291,243
<i>Total secured</i>		<u>285,942,909</u>	<u>90,447,603</u>

Unsecured

Call borrowings	14.12	14,032,513	10,126,463
Overdrawn nostro accounts	14.13	1,532,854	939,151
Bal Muejtal	14.14	8,766,071	-
Others			
- Pakistan Mortgage Refinance Company	14.15	1,388,140	494,646
- Karndasee Risk Participation	14.16	650,087	502,375
- Other financial institutions	14.17	2,742,233	623,335
<i>Total unsecured</i>		<u>29,111,908</u>	<u>17,685,970</u>
		<u>315,054,817</u>	<u>108,133,573</u>

- 14.1 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 (2019: 1.00% to 2.00% per annum) payable on a quarterly basis.
- 14.2 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 (2019: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.3 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 is 2.00% to 3.00% per annum (2019: 2.00% to 3.00% per annum) payable on a quarterly basis.
- 14.4 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 3.50% per annum (2019: 6.00% per annum) payable on a quarterly basis.
- 14.5 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. This is new scheme as part of COVID-19 relief to finance entities against payroll. The mark-up rate on this facility is 0% to 2.00% per annum (2019: nil) payable on a quarterly basis.
- 14.6 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 0% to 3.00% per annum (2019: nil) payable on a quarterly basis.
- 14.7 This represents repurchase agreement borrowing from SBP at the rate 7.1% per annum (2019: 13.32% per annum) having maturity in January 2021 (2019: March 2020).
- 14.8 This represents repurchase agreement borrowing from other banks at the rate of ranging from 7.00% to 7.02% per annum (2019: 2.04% to 13.32% per annum) having maturities upto January 2021 (2019: January 2020).
- 14.9 This represents borrowings from financial institutions at mark-up rates ranging from 8.38% to 8.48% per annum (2019: 10.85% to 13.25%) having maturities upto July 2025 (2019: October 2020).
- 14.10 This represents pre-IPO proceeds received in respect of first tranche of the Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates ("TFCs")-Series A which has been assigned a rating of 'AAA' by PACRA. The primary purpose for this TFC issuance is to hedge the Bank's fixed rate assets. This issue has a maturity of three years and carries a markup of 9.03%. This instrument is secured against the government securities. Subsequent to the year end, the Holding Company conducted IPO of TFC-Series A through which subscription proceeds amounting to Rs. 2,000 million were retained by the Bank.
- 14.11 This represents short term running finance to meet the working capital requirements. This facility carries quarterly mark-up at the rate of three month KIBOR plus 3% (2019: three month KIBOR plus 3%) and valid upto January 31, 2024. The facility is secured against hypothecation charge over book debts / receivables of the subsidiary company amounting to Rs. 535 million.
- 14.12 This represents borrowings from financial institutions at mark-up rates ranging from 1.00% to 7.12% per annum (2019: 0.40% to 3.15%) having maturities upto March 2021 (2019: November 2020).
- 14.13 This represents bank overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exist only due to timing differences. These do not carry any interest.
- 14.14 This represents borrowings from financial institutions at mark-up rates ranging from 5.85% to 7.08% per annum (2019: nil) having maturities upto May 2021 (2019: nil).
- 14.15 This includes borrowing from Pakistan Mortgage Refinance Company Limited (PMRC) to extend housing finance facilities to the Bank's customers on the agreed terms and conditions. This borrowing carries mark-up rate ranging 7.77% to 10.79% per annum (2019: 10% to 11%).
- 14.16 This includes borrowing from Karandaz Pakistan Limited in lieu of Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a mark-up rates ranging from 8.54% to 21.69% per annum. (2019: 13.84% to 25.24%).
- 14.17 This represents borrowing from other financial institutions at the rate ranging between 0% to 3.17% per annum (2019: 3.15% per annum) having maturity upto July 2022 (2019: December 2020).

	2020 (Rupees in '000)	2019 (Rupees in '000)
14.18 Particulars of borrowings with respect to Currencies		
In local currency	299,959,582	80,707,913
In foreign currencies	15,095,235	22,425,660
	<u>315,054,817</u>	<u>103,133,573</u>

Customers

Current deposits
Savings deposits
Term deposits
Others

Financial Institutions

Current deposits
Savings deposits
Term deposits
Others

2020			2019		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
(Rupees in '000)					
318,869,466	72,526,675	391,396,141	270,761,070	66,733,886	337,494,956
236,071,030	29,757,630	265,828,660	191,837,364	33,470,756	225,308,120
114,847,092	51,044,886	165,891,977	106,891,979	52,368,120	159,260,099
13,882,444	2,977,270	16,859,714	9,393,064	2,215,457	11,608,521
683,670,002	156,306,440	839,976,452	578,883,567	154,775,228	733,658,795
2,046,064	1,078,066	3,124,129	1,877,599	468,616	2,346,215
26,590,346	197,568	26,787,914	28,410,962	56,425	28,467,387
9,903,346	1,161,129	11,064,475	17,579,094	78,196	17,657,290
1,807,607	79,795	1,887,402	144,086	1,087	145,173
39,257,163	2,516,547	41,773,710	48,011,741	604,324	48,616,065
722,927,075	159,822,987	882,750,062	626,895,308	155,379,552	782,274,860

15.1 Composition of deposits

- Individuals
- Government (Federal and Provincial)
- Public Sector Entities
- Banking Companies
- Non-Banking Financial Institutions
- Private Sector

2020
(Rupees in '000)

420,057,714	361,511,449
63,503,148	31,193,413
60,532,880	57,074,016
4,575,977	6,225,840
3,139,733	42,390,225
295,877,710	283,879,917
881,750,162	782,274,860

15.2 Deposits include eligible deposits of Rs. 493,322,428 million (2019: Rs. 417,047,585 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

15.3 Current deposits include amount related to prepaid cards Rs. 42,154 million (2019: 53,875 million).

2020
(Rupees in '000)

16 SUBORDINATED DEBT

16.1 Term Finance Certificate V - Quarterly, Unsecured

- 4,387,000

During the year, the Holding Company, after obtaining bondholders' approval, issued a call option in the Term Finance Certificate V and subsequently exercised that call option after completing required regulatory requirements. Accordingly, the call TFC was redeemed on May 18, 2020, being the option exercise date.

16.2 Term Finance Certificate - Addendum Tier-1 (AOT-1) - Quarterly, Unsecured

Issue amount	Rs. 7,000,000,000	7,000,000	7,000,000
Issue date	March 2018		
Maturity date	Perpetual		
Rating	'AA-' (double A minus) by JCR-VIS Credit Rating Company Limited.		
Securify	Unsecured		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.		
Credit payment frequency	Payable semi-annually in arrears.		
Redemption	Perpetual		
Mark-up	For the period at and of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 150% with so stop up feature. (Base Rate is defined as the six months KIBOR (ask bid) prevailing on one (1) business day prior to previous profit payment date.		
Lock-in clause	Mark-up will only be paid from the Bank's current account earnings and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event; (ii) the point of non-viability Trigger Event; or (iii) failure by the Bank to comply with the Lock-in Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call option	The Bank may, at its sole discretion, exercise call option any time after five years from the issue date, subject to prior approval of SBP.		

7,000,000 (1,987,000)

17 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Provision against other assets
- Provision against lending to financial institutions

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets and non banking assets
- Unrealised (loss) / gain on revaluation of HFT investments
- Surplus on revaluation of available for sale investments
- Share of profit and other comprehensive income from associates
- Accelerated tax depreciation

2020				
At January 1, 2020	Recognised in P&L A/C	Recognised in OCI	Other adjustments (reclassification of subsidiary & associates)	At December 31, 2020
(Rupees in '000)				
(682,296)	237,856	-	-	(444,440)
(566,205)	(2,490,090)	-	-	(3,056,295)
(343,011)	(11,355)	-	-	(354,366)
(1,997)	1,997	-	-	-
(1,593,509)	(2,261,572)	-	-	(3,855,081)
1,299,030	(21,576)	1,152	-	1,278,606
(7,438)	38,899	-	-	31,461
2,252,421	-	40,580	-	2,303,001
686,413	182,915	4774	-	874,103
1,490,488	112,625	-	-	1,603,114
5,730,914	312,915	46,506	-	6,090,335
4,137,405	(1,948,667)	46,506	-	2,235,254

2019

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Provision against other assets
- Provision against lending to financial institutions
- Depreciation taxed
- Unrealised loss on revaluation of HFT investments

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets and non banking assets
- Surplus on revaluation of available for sale investments
- Share of profit from associates
- Accelerated tax depreciation
- Exchange translation reserve

2019				
At January 1, 2019	Recognised in P&L A/C	Recognised in OCI	Other adjustments (reclassification of subsidiary & associates)	At December 31, 2019
(Rupees in '000)				
(168,568)	(513,728)	-	-	(682,296)
(266,938)	(299,267)	-	-	(566,205)
(224,973)	(118,038)	-	-	(343,011)
(5,720)	3723	-	-	(1,997)
(16,690)	16,690	-	-	-
(14,532)	7,859	-	(765)	(7,438)
(697,421)	(902,761)	-	(765)	(1,600,947)
1,329,184	(18,402)	(11,752)	-	1,299,030
(2,892)	-	2,264,228	1,075	2,262,421
428,524	191,519	-	66,370	686,413
1,396,460	206,209	-	(1,181)	1,490,488
156,232	-	(156,232)	-	-
3,197,518	378,326	2,096,244	66,264	5,730,352
2,500,067	(524,435)	2,096,244	66,499	4,137,405

18 OTHER LIABILITIES

- Mark-up/ Return/ Interest payable in local currency
- Mark-up/ Return/ Interest payable in foreign currency
- Unearned fee commission and income on bills discounted and guarantees
- Accrued expenses
- Current taxation
- Acceptances
- Dividends payable
- Mark to market loss on forward foreign exchange contracts
- Mark to market loss on derivatives
- Branch adjustment account
- ADC settlement accounts
- Provision for Compensated absences
- Payable against redemption of customer loyalty / reward points
- Charity payable
- Provision against off-balance sheet obligations
- Security deposits against leases, lockers and others
- Worker's Welfare Fund
- Payable to vendors and suppliers
- Payable against marketable securities
- Indirect Taxes Payable
- Lease Liabilities
- Others

Note

2020

2019

(Rupees in '000)

(Rupees in '000)		
4,111,339	3,541,232	
534,341	710,032	
962,482	295,297	
5,795,511	5,438,895	
9,577,044	6,334,458	
14,414,532	16,645,791	
135,345	93,040	
2,146,281	3,658,322	
921,919	35,385	
310,518	293,567	
1,516,463	405,493	
611,106	540,000	
413,874	372,334	
8,375	3,685	
127,428	129,249	
8,581,281	7,121,497	
1,973,020	1,478,588	
846,433	637,962	
186,163	230,572	
1,144,088	754,542	
10,463,042	9,374,239	
1,621,963	17,29,215	
66,402,548	59,764,355	



	2020	2019
	(Rupees in '000)	
18.1 Provision against off-balance sheet obligations		
Opening balance	129,249	78,450
Exchange adjustment and other adjustments	3,910	11,113
Change for the year	-	39,686
Reversals	(5,731)	-
	(5,731)	39,686
Closing balance	127,428	129,249

18.1.1 The provision against off balance sheet obligations include general provision of Rs. 113,371 million (2019: Rs. 108,787 million) held in Bangladesh books, Rs. 2,107 million (2019: 8,512 million) held in Afghanistan books as required under the local regulation and specific provision of Rs. 11,950 million (2019: Rs. 11,950 million) held against defaulted letter of guarantees.

	2020	2019
	(Rupees in '000)	
18.2 Lease liabilities		
As at January 1	9,374,239	-
Impact of adoption of IFRS 16	-	8,858,137
Additions / renewals	1,570,205	1,574,972
Borrowing cost	1,322,614	1,227,986
Payments	(2,804,036)	(2,286,856)
As at December 31	10,463,042	9,374,239
Current lease liability	2,357,366	2,835,954
Non current lease liability	8,105,676	6,538,245
	10,463,042	9,374,239

19 SHARE CAPITAL

19.1 Authorized Capital

2020	2019		2020	2019
(Number of shares)			(Rupees in '000)	
2,300,000,000	2,300,000,000	Ordinary shares of Rs 10 each	23,000,000	23,000,000

19.2 Issued, subscribed and paid up Capital

2020	2019		2020	2019
(Number of shares)			(Rupees in '000)	
891,453,153	891,453,153	Ordinary shares	8,914,531	8,914,531
885,711,966	885,711,966	Fully paid in cash	8,857,120	8,857,120
1,777,165,119	1,777,165,119	Issued as bonus shares	17,771,651	17,771,651

19.3 Statutory reserve

The banking company incorporated in Pakistan is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserve equals the paid-up share capital. Thereafter, 10% of the profit after tax of the banking company is required to be transferred to this reserve. Accordingly, the Holding Company transfers 10% of its profit after tax every year to the statutory reserve.

	Note	2020	2019
		(Rupees in '000)	
20 SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of:			
- Available for sale securities	20.1	6,589,645	5,469,954
- Available for sale securities of associates		11,965	-
- Fixed Assets	20.1	8,419,320	8,378,317
- Non-banking assets acquired in satisfaction of claims	20.2	105,182	242,759
		15,125,113	15,091,030
Deferred tax on surplus on revaluation of:			
- Available for sale securities		2,301,926	2,361,346
- Available for sale securities of associates		4,188	-
- Fixed Assets	20.1	1,277,421	1,263,070
- Non-banking assets acquired in satisfaction of claims	20.2	1,235	35,960
		3,584,770	3,660,376
Derivatives		(1,012,015)	(154,684)
Surplus on revaluation of available for sale securities attributable to non-controlling interest		(909)	547
		10,528,409	11,375,587

		2020	2019
		(Rupee in '000)	
20.1	Surplus on revaluation of fixed assets		
	Surplus on revaluation of fixed assets as at January 1	8,378,317	8,508,874
	Transferred from Non banking assets to owned property	66,620	3,938
	Related deferred tax liability on surplus transfer to owned property	35,872	-
	Realised on disposal during the year - net of deferred tax	-	(66,341)
	Related deferred tax liability on surplus realised on disposal	-	(17,856)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(39,968)	(32,694)
	Related deferred tax liability on incremental depreciation charged during the year	(21,521)	(17,614)
	Surplus on revaluation of fixed assets as at December 31	8,419,320	8,378,317
	Less: related deferred tax liability on:		
	Revaluation as at January 1	1,263,070	1,298,530
	- Surplus transferred to owned property	35,872	-
	- surplus realised on disposal during the year	-	(17,856)
	- incremental depreciation charged during the year	(21,521)	(17,614)
		1,277,421	1,263,070
		<u>7,141,899</u>	<u>7,115,247</u>
20.2	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
	Surplus on revaluation as at January 1	242,759	159,530
	Recognised during the year	32,506	89,447
	Transferred to owned property	(66,620)	(3,938)
	Related deferred tax liability on surplus of transfer to owned property	(35,872)	-
	Realised on disposal during the year - net of deferred tax	(67,577)	-
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(9)	(1,482)
	Related deferred tax liability on incremental depreciation charged during the year	(9)	(798)
	Surplus on revaluation as at December 31	305,182	242,759
	Less: related deferred tax liability on:		
	- revaluation as at January 1	35,960	30,654
	- revaluation recognised during the year	1,152	6,104
	- surplus transferred to owned property	(35,872)	-
	- incremental depreciation charged during the year	(9)	(798)
		1,235	35,960
		<u>103,947</u>	<u>206,799</u>
21	NON-CONTROLLING INTEREST		
	Name	Principal activity	Principal place of business
	Alfalah CLSA Securities (Private) Limited, Pakistan	Stock Brokerage	Pakistan
	Formerly: Alfalah Securities (Private) Limited		
	Key financial information of the subsidiary		
		2020	2019
		(Rupee in '000)	
	Assets	616,130	789,032
	Liabilities	339,327	551,172
	Net Assets	<u>276,865</u>	<u>237,860</u>
	Non-Controlling Interest (NCI)	<u>107,437</u>	<u>92,301</u>
	Revenue	238,200	134,366
	Expenses	209,571	174,349
	Profit / (loss) for the year	<u>28,629</u>	<u>(39,983)</u>
	Other Comprehensive Income / (loss)	<u>38,004</u>	<u>(29,037)</u>
	Cash Flows:		
	Cash Flows from Operating Activities	54,246	68,421
	Cash Flows from Investing Activities	35,149	(59,197)
	Cash Flows from Financing Activities	(12,141)	(21,337)
	Net Increase / (decrease) in cash and cash equivalent	<u>127,255</u>	<u>(11,113)</u>

22 CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Other contingent liabilities

22.1	69,451,907	63,456,341
22.2	380,590,829	461,483,748
22.3	12,294,585	10,150,887
	<u>462,337,321</u>	<u>535,090,976</u>

22.1 Guarantees:

- Financial guarantees
- Performance guarantees
- Other guarantees

507,942	639,642
35,635,998	34,653,032
32,306,977	28,536,657
<u>69,451,907</u>	<u>63,456,341</u>

22.2 Commitment:

- Documentary credits and short-term trade-related transactions
- Letters of credit

125,526,206	93,696,623
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- Commitments in respect of:

- forward foreign exchange contracts
- forward government securities transactions
- derivatives

22.2.1	184,793,857	305,449,119
22.2.2	12,239,659	4,392,826
22.2.3	18,317,022	17,745,535

- forward lending

22.2.4	39,125,957	38,052,512
--------	------------	------------

- Commitments for acquisition of:

- operating fixed assets
- intangible assets

895,707	1,283,925
243,278	413,208

- Other Commitments

22.2.5	450,000	450,000
	<u>380,590,829</u>	<u>461,483,748</u>

22.2.1 Commitments in respect of forward foreign exchange contracts

- Purchase
- Sale

105,574,908	185,084,250
79,218,949	120,364,869
<u>184,793,857</u>	<u>305,449,119</u>

22.2.2 Commitments in respect of forward government securities transactions

- Purchase
- Sale

1,378,869	1,391,534
10,860,784	3,001,292
<u>12,239,653</u>	<u>4,392,826</u>

22.2.3 Commitments in respect of derivatives (Interest Rate Swap)

22.2.3.1 Interest Rate Swaps

- Purchase
- Sale

18,317,022	17,745,535
-	-
<u>18,317,022</u>	<u>17,745,535</u>

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
22.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.4.1	32,818,876	32,688,403
Commitments in respect of investments		5,306,281	5,364,107
		38,125,107	38,052,512

22.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

22.2.5 Other Commitments

A commercial bank on behalf of Alfalah CLSA Securities (Private) Limited, Pakistan has given a guarantee of Rs. 450 million (2019: 450 million) to National Clearing Company of Pakistan Limited (NCCPL) in respect of margin eligible securities. The guarantee facility is for one year and is secured by 1st Part Passu charge on current assets of the subsidiary.

22.3 Other contingent liabilities	12,274,585	10,150,887
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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.

22.4 Contingency for tax payable

22.4.1 There were no tax related contingencies other than as disclosed in note 33.2.

23 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 futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

23.1 Product Analysis

	2020			2019		
Counterparties	Interest Rate Swaps			Interest Rate Swaps		
	No. of contracts	National Principal	Mark to market gain / (loss)	No. of contracts	National Principal	Mark to market gain / (loss)
			(Rupees in '000)			
With Banks for Hedging	31	18,317,022	(921,919)	30	17,745,535	(14,408)
	31	18,317,022	(921,919)	30	17,745,535	(14,408)

23.2 Maturity Analysis

	2020 (Rupees in '000)				
Remaining Maturity	No. of Contracts	National Principal	Mark to Market		Net
			Negative	Positive	
3 to 6 months	2	719,255	5,946	—	(5,946)
6 months to 1 Year	1	319,669	4,263	—	(4,263)
1 to 2 Year	6	4,155,694	97,866	—	(97,866)
2 to 3 Years	2	1,278,675	35,534	—	(35,534)
3 to 5 Years	12	6,409,359	357,090	—	(357,090)
5 to 10 years	8	5,434,370	421,219	—	(421,219)
Total	31	18,317,022	921,919	—	(921,919)

	2019 (Rupees in '000)				
Remaining Maturity	No. of Contracts	National Principal	Mark to Market		Net
			Negative	Positive	
3 to 6 months	2	1,548,476	743	1,169	426
1 to 2 Year	4	1,780,747	5,523	1,303	(4,220)
2 to 3 Years	5	3,561,495	14,733	7,780	(6,953)
3 to 5 Years	10	4,800,276	54,741	22,361	(32,380)
5 to 10 years	9	6,054,541	5,669	34,388	28,719
Total	30	17,745,535	81,409	67,001	(14,408)

23.3 Risk management related to derivatives is discussed in note 45.8

24 MARK-UP/RETURN/INTEREST EARNED

On:

a) Loans and advances	49,231,331	58,555,041
b) Investments	37,990,320	21,187,154
c) Lendings to financial institutions	3,751,139	5,639,176
d) Balances with banks / Financial institutions	66,720	58,220
e) On securities purchased under resale agreements / Bai Muallai	1,583,721	7,087,485
	<u>92,623,231</u>	<u>92,528,026</u>

25 MARK-UP/RETURN/INTEREST EXPENSED

On:

a) Deposits	31,399,109	35,181,041
b) Borrowings	4,688,291	2,200,291
c) Securities sold under repurchase agreements	5,550,541	2,257,269
d) Subordinated debt	1,144,196	1,530,436
e) Cost of foreign currency swaps against foreign currency deposits / borrowings	3,724,569	5,104,750
f) Borrowing cost on leased properties	1,322,614	1,227,986
g) Reward points	97,437	126,305
	<u>47,928,757</u>	<u>47,627,878</u>

26 FEE & COMMISSION INCOME

Branch banking customer fees	1,034,701	1,198,313
Consumer finance related fees	270,722	242,802
Card related fees (debit and credit cards)	770,544	954,192
Credit related fees	180,764	156,606
Investment banking fees	223,497	207,481
Commission on trade	1,385,019	1,448,853
Commission on guarantees	314,187	345,120
Commission on cash management	42,594	40,178
Commission on remittances including home remittances	562,477	328,040
Commission on bancassurance	490,545	530,927
Card acquiring business	415,087	342,304
Wealth Management Fee	85,229	161,984
Commission on Employees' Old-Age Benefits Institution (EOBI)	78,386	109,409
Commission on Benazir Income Support Programme (BISP)	331,928	284,443
Alternate Delivery Channel (ADC)	301,654	474,294
Brokerage/Commission income	221,116	117,743
Others	77,547	182,323
	<u>8,785,997</u>	<u>7,115,022</u>

27 GAIN ON SECURITIES

Realised gain	27.1	2,193,153	90,153
Unrealised gain / (loss) - held for trading	8.1	91,890	(24,692)
		<u>2,285,043</u>	<u>65,461</u>

27.1 Realised gain/(loss) etc

Federal Government Securities	2,848,496	365,944
Stamps	(558,849)	(325,853)
Non Government Debt Securities	(29,291)	-
Foreign Securities	(57,203)	50,052
	<u>2,193,153</u>	<u>90,153</u>

	Note	2020 (Rupees in '000)	2019
28 OTHER INCOME			
Rent on property		24,470	24,229
Gain on sale of fixed assets-net		67,307	122,982
Gain on sale of non banking assets - net	12.1.2 & 28.1	19,510	7,350
Profit on termination of leased contracts (jarah)		55,560	43,551
Subsidy received from Government (overseas)		3,226	-
Others		658	1,307
		<u>170,731</u>	<u>199,359</u>
28.1 The bank earned an income of Rs. 19,510 million against sale of following non-banking assets:			
Open plot		15,770	-
Membership shares / cards		3,790	7,350
		<u>19,510</u>	<u>7,350</u>
29 OPERATING EXPENSES			
Total compensation expense	29.1	14,628,850	12,922,356
Property expenses			
Rent and taxes		137,619	249,759
Utilities cost		1,122,329	1,053,173
Security (including guards)		779,850	640,592
Repair and maintenance (including janitorial charges)		672,580	497,757
Depreciation on right-of-use assets	10.3	2,049,648	1,797,117
Depreciation on non-banking assets acquired in satisfaction of claims		8,853	8,490
Depreciation on owned assets	10.2	500,345	414,997
		<u>5,271,224</u>	<u>4,661,985</u>
Information technology expenses			
Software maintenance		1,201,880	1,243,004
Hardware maintenance		671,349	311,352
Depreciation	10.2	473,285	361,092
Amortisation	11.1	439,042	473,541
Network charges		404,394	404,068
Others		1,254	238
		<u>3,191,205</u>	<u>2,793,295</u>
Other operating expenses			
Directors' fees and allowances	40.2	151,449	204,243
Fees and allowances to Shariah Board	40.3	8,990	7,800
Legal and professional charges		454,338	289,501
Outsourced services costs	29.2	850,506	993,012
Travelling and conveyance		425,875	568,328
Clearing and custodian charges		107,637	96,493
Depreciation	10.2	935,146	844,568
Training and development		62,003	79,204
Postage and courier charges		284,443	386,837
Communication		470,297	358,525
Stationery and printing		839,504	665,172
Marketing, advertisement and publicity		603,209	1,185,260
Donations	29.4	19,731	11,426
Auditors Remuneration	29.4	45,821	46,930
Brokerage and Commission		204,281	160,024
Entertainment		218,558	231,666
Repairs and maintenance		519,391	450,787
Insurance		1,044,737	891,264
Cash Handling Charges		719,447	531,387
DNIC Verification		122,147	138,729
Others		500,899	502,426
		<u>8,527,889</u>	<u>8,825,582</u>
		<u><u>31,618,658</u></u>	<u><u>29,203,218</u></u>

	Note	2020	2019
		(Rupees in '000)	
29.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		10,796,809	9,565,374
ii) Variable			
Cash Bonus / Awards etc.		1,896,331	1,863,909
Charge for defined benefit plan	27.1.9	170,884	108,243
Contribution to defined contribution plan	38	455,029	390,250
Medical		570,666	506,958
Conveyance		263,875	240,620
Staff compensated absences		71,106	41,990
Others		196,373	126,704
Sub-total		14,422,573	12,842,048
Sign-on Bonus		8,650	58,898
Severance Allowance		197,627	21,410
Grand Total		14,628,850	12,922,356
		No. of persons	
Sign-on Bonus		5	12
Severance Allowance		6	7

29.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 708,244 million (2019: Rs. 692,686 million) pertaining to the payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above.

	2020	2019
	(Rupees in '000)	
29.3 Donations		
Association for Children with Emotional and Learning Problems	2,165	2,034
Child Aid Association	700	2,063
Family Educational Services	1,000	-
Karachi Relief Trust	3,400	3,339
MOVE Pakistan	-	1,000
Muslim Hand International	-	580
Pakistan National Polio Plus Trust	900	-
Patients Aid Foundation for Emergency COVID Fund	1,900	-
Parents Voice Association (Mjals)	280	-
Prime Minister's Disasters Emergency Ration Programme	2,146	-
Society of Rehabilitation of Special Children	-	2,000
The Citizen Foundation	1,000	420
The Indus Hospital	3,000	-
The Milestone Society	3,540	-
	15,731	11,426

29.3.1 None of the directors, sponsor shareholders, key management personnel or their spouses have any direct interest in the donors.

	2020			2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
29.4 Auditors' remuneration						
Audit fee	16,008	12,400	28,408	14,553	14,889	29,442
Fee for other statutory certifications	6,353	-	6,353	7,943	-	7,943
Special certifications and sundry advisory services	2,327	5,350	7,677	4,505	2,070	6,575
Out-of-pocket expenses	1,943	434	2,377	3,301	283	3,584
Audit fee of Subsidiary	1,006	-	1,006	1,385	-	1,386
	27,637	18,184	45,821	31,688	17,242	48,930

30 WORKERS WELFARE FUND

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by Federal Government through Finance Act, 2008 for the levy of Workers Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. A legal advice was obtained by the Pakistan Banking 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.

	2020	2019
	(Rupees in '000)	
31 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	94,135	267,918
Penalties imposed by other regulatory bodies	606	1,585
	94,741	269,503

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
32 PROVISIONS & WRITE OFFS - NET			
Reversal against lending to financial institutions (Reversed) / provisions for diminution in value of investments	8.3.1	(30,455)	(30,638)
Provisions against loans & advances	5.5	8,171,550	2,133,512
Provisions against other assets	12.3.1	32,190	17,948
(Reversed) / provisions against off-balance sheet obligations	18.1	(5,731)	19,686
Other provisions / operational loss - net		110,277	110,399
Recovery of written off / charged off - bad debts		(159,740)	(279,731)
		<u>7,883,265</u>	<u>3,028,389</u>
33 TAXATION			
Current		9,585,343	9,852,153
Prior years		(46,772)	555,908
Deferred		<u>(1,948,657)</u>	<u>(524,435)</u>
	33.1	<u>7,599,914</u>	<u>9,883,626</u>
33.1 Relationship between tax expense and accounting profit			
Accounting Profit before taxation		<u>18,443,154</u>	<u>22,915,433</u>
Tax at the applicable rate of 35% (2019: 35%)		<u>6,455,104</u>	<u>8,020,402</u>
Effect of:			
- impact of different tax rate of subsidiary		(1,185)	10,544
- provisions differences		43,572	34,357
- tax charge pertaining to overseas branches		34,928	89,830
- adjustment of prior years		-	603,587
- Super tax		959,087	995,030
- others		<u>98,412</u>	<u>69,836</u>
Tax expense for the year		<u>7,599,914</u>	<u>9,883,626</u>
33.2 a) The income tax assessments of the Holding Company have been finalized upto and including tax year 2020. 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 Honourable 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, 2014, 2017 and 2019, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business and disallowance of household improvements resulting in additional demand of Rs. 667,746 million (December 31, 2019: Rs. 857,729 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 184,218 million appeal effect orders are pending. Holding Company has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Holding Company and consequently has not made any provision in respect of these amounts.			
b) The Holding Company has received orders from a provincial tax authority wherein tax authority demanded sales tax on banking services and penalty amounting to Rs. 488,211 million (December 31, 2019: Rs. 488,211 million) excluding default surcharge by disallowing certain exemptions of sales tax on banking services and allegedly for short payment of sales tax covering period from July 2011 to June 2014. Holding Company's appeals against these orders are currently pending before Commissioner Appeals. The Holding Company has not made any provision against these orders and the management is of the view that these matters will be settled in Holding Company's favour through appellate process.			
34 BASIC AND DILUTED EARNINGS PER SHARE		2020	2019
		(Rupees in '000)	
Profit attributable to equity holders of the bank		<u>10,832,130</u>	<u>11,048,800</u>
		(Number of shares in '000)	
Weighted average number of ordinary shares		<u>1,777,365</u>	<u>1,776,205</u>
		Rupees	
Basic and diluted earnings per share		<u>6.10</u>	<u>7.35</u>
34.1 Diluted earnings per share have not been presented separately as the Bank does not have any convertible instruments in issue.			
	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
35 CASH AND CASH EQUIVALENTS			
Cash and balance with Treasury Banks	5	99,348,852	100,711,903
Balance with other banks	6	6,373,472	4,926,851
Call / clean money lendings		14,405,403	30,552,042
Overdrawn money accounts	14.13	<u>(1,532,864)</u>	<u>(939,151)</u>
		<u>118,594,863</u>	<u>135,251,645</u>

35.1 Reconciliation of debt arising from financing activities

Balances as at January 01, 2020
 Changes from financing cash flows
 Issuance / (redemption) of sub-ordinated debt
 Payment of leased liability
 Dividend Paid

 Other changes
 Additions / renewals of leases
 Borrowing cost on lease liability
 Final cash dividend for the year ended December 31, 2019 - 20%
 Interim cash dividend for the nine months period ended September 30, 2020 - 20%

Balances as at December 31, 2020

2020			
Liability		Equity	
(Rupees in '000)			
Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable
11,987,000	9,374,239	17,771,651	93,040
(4,987,000)	-	-	-
-	(2,804,016)	-	-
-	-	-	(7,066,355)
(4,987,000)	(2,804,016)	-	(7,066,355)
-	2,570,205	-	-
-	1,322,614	-	-
-	-	-	3,554,330
-	-	-	3,554,330
-	3,892,819	-	7,108,660
7,000,000	10,463,042	17,771,651	136,346

Reconciliation of debt arising from financing activities

Balances as at January 01, 2019
 Impact of adoption of IFRS 16

 Changes from financing cash flows
 Issuance / (redemption) of sub-ordinated debt
 Payment of leased liability
 Shares issued to employees
 Dividend Paid

 Other changes
 Additions / renewals of leases
 Borrowing cost on lease liability
 Share issued to employee on premium
 Final cash dividend for the year ended December 31, 2018 - 15%
 Interim cash dividend for the half year ended June 30, 2019 - 20%

Balances as at December 31, 2019

2019			
Liability		Equity	
(Rupees in '000)			
Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable
11,989,000	-	17,743,629	84,229
-	1,858,137	-	-
(2,000)	-	-	-
-	(2,286,856)	-	-
-	-	38,082	-
-	-	-	(6,207,063)
(2,000)	(2,286,856)	38,082	(6,207,063)
-	1,574,972	-	-
-	1,227,986	-	-
-	-	(10,060)	-
-	-	-	2,661,544
-	-	-	3,554,330
-	2,802,958	(10,060)	6,215,874
11,987,000	9,374,239	17,771,651	93,040

36	STAFF STRENGTH	2020			2019		
		Domestic	Overseas	(Number of employees) Total	Domestic	Overseas	Total
	Permanent	10,495	210	10,705	9,957	210	10,167
	On Group's contract	25	77	102	21	95	116
	Group's own staff strength at the end of the year	10,521	287	10,808	9,978	305	10,283

36.1 In addition to the above, 710 (2019: 999) employees of outsourcing service companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 681 (2019: 957) working domestically and 29 (2019: 26) working at overseas branches.

37 DEFINED BENEFIT PLAN

37.1 Holding Company

37.1.1 General description

The Holding Company operates an approved funded gratuity scheme which cover all regular permanent employees. The liability of the Holding Company in respect of the plan is determined based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial valuation of the defined benefit plan is carried out every year and the latest valuation was carried out as at December 31, 2020. The significant assumptions are detailed below.

37.1.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2020	2019
	(Number)	
- Gratuity Fund	10,440	9,929

37.1.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2020:

	2020	2019
	(Per annum)	
Withdrawal rates:	Moderate	Moderate
Mortality rates:	SLIC 2001 - 2006	SLIC 2001 - 2006
Valuation Discount rate (p.a)	10.25%	11.75%
Salary increase rate (p.a) - Short term (3 years)	5.25%	6.75%
Salary increase rate (p.a) - Long term	8.25%	9.75%
Expected rate of return on plan assets (p.a)	10.25%	11.75%
Normal retirement age	60 Years	60 Years
Duration	10 Years 3 months	10 Years 1 month

37.1.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2020	2019
		(Rupees in '000)	
Present value of obligations	37.15	1,962,043	1,665,365
Fair value of plan assets	37.16	(2,654,442)	(2,684,542)
(Receivable) / payable	37.17	(692,399)	(1,019,177)

	Notes	2020 (Rupees in '000)	2019
37.1.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		1,655,365	1,474,598
Current service cost		301,303	254,421
Interest cost		186,846	183,840
Benefits paid by the Bank		(142,615)	(211,974)
Re-measurement gain		(48,855)	(35,520)
Obligations at the end of the year		<u>1,962,043</u>	<u>1,665,365</u>
37.1.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,684,542	2,398,231
Interest income on plan assets		317,264	332,118
Contribution by the Bank - net		170,884	106,243
Benefits paid		(142,615)	(211,974)
Re-measurements: Net return on plan assets over interest income (loss) / gain	37.1.10	(375,638)	(60,024)
Fair value at the end of the year	37.1.11	<u>2,654,442</u>	<u>2,684,542</u>
37.1.7 Movement in (receivable) / payable under defined benefit plan			
Opening balance		(1,019,177)	(923,633)
Change / (reversal) for the year		170,884	106,243
Contribution by the Bank - net		(170,884)	(106,243)
Re-measurement loss / (gain) recognised in OCI during the year	37.1.10	326,778	(95,544)
Closing balance		<u>(692,399)</u>	<u>(1,019,177)</u>
37.1.8 Charge for defined benefit plans			
37.1.9 Cost recognised in profit and loss			
Current service cost	37.1.5	301,303	254,421
Net interest on defined benefit asset / liability	37.1.5 & 37.1.6	(130,419)	(148,178)
		<u>170,884</u>	<u>106,243</u>
37.1.10 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Demographic assumptions		-	-
- Financial assumptions		(57,624)	(18,174)
- Experience adjustment		187,688	(17,346)
Return on plan assets over interest income		<u>375,638</u>	<u>(60,024)</u>
Total re-measurements recognised in OCI		<u>326,778</u>	<u>(95,544)</u>
37.1.11 Components of plan assets			
Cash and cash equivalents - net		299,507	84,846
Government Securities		201,140	150,151
Non-Government Debt securities		602,365	602,365
Ordinary shares		1,208,144	1,537,515
Units of mutual funds		<u>343,276</u>	<u>309,665</u>
		<u>2,654,442</u>	<u>2,684,542</u>

37.1.12 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase/ (decrease) in the present value of defined benefit obligations as a result of change in each assumption are summarized below:

Particulars	2020	
	PV of Defined Benefit Obligation	Change
	(Rupees in '000)	
1% increase in discount rate	1,761,831	(200,212)
1% decrease in discount rate	2,351,637	199,594
1% increase in expected rate of salary increase	2,175,829	233,786
1% decrease in expected rate of salary increase	1,747,258	(214,785)
10% increase in withdrawal rate	1,953,601	(8,442)
10% decrease in withdrawal rate	1,938,239	(23,804)
1 year Mortality age set back	1,947,795	(14,248)
1 year Mortality age set forward	1,944,943	(17,300)

37.1.13 Expected contributions to be paid to the funds in the next financial year

2020
(Rupees in '000)

236,848

37.1.14 Expected charge / (reversal) for the next financial year

236,848

37.1.15 Maturity profile

The undiscounted expected payments maturity is tabulated below:

Particulars	(Undiscounted Payments (Rs. in '000))
Year 1	101,827
Year 2	85,894
Year 3	94,367
Year 4	308,143
Year 5	98,041
Year 6 to Year 10	588,755
Year 11 and above	4,434,975
	5,521,842

37.1.16 Funding Policy

The Holding Company's policy for funding the staff retirement benefit scheme, is given in note 4.B (a).

37.1.17 Risks Associated with Defined Benefit Plan

Asset Volatility:

The risk arises due to the inclusion of the risky assets in the gratuity fund portfolio, inflation and interest rate volatility.

Changes in Bond yields:

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

Inflation Risks:

The risk arises if gratuity benefits are linked to inflation and the inflation is higher than expected, which results in higher liabilities.

Life expectancy / 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.

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.

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 in salary are higher than expectation and impacts the liability accordingly.

37.2 Subsidiary – Alfalah CLSA Securities (Private) Limited (formerly: Alfalah Securities (Private) Limited)

The Company operates an funded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The Company has carried out an actuarial valuation on 31 December 2020 using Projected Unit Credit Method and results of the valuation are as given below:

37.2.1 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the company as of December 31, 2020.

	Metp	2020 (Per annum)	2019
Valuation discount rate		10.25%	11.75%
Salary increase rate		9.00%	8.75%

Mortality rates	SLC 2001 - 2005	
Rate of employee turnover	Moderate	Moderate

37.2.2 Amount recognised in the balance sheet

		2020 (Rupees in '000)	2019
Defined benefit obligation	37.2.3	21,985	20,786
Fair value of plan assets		-	-
Net liability		21,985	20,786

37.2.3 Reconciliation of payable to defined benefit plan

Opening net liability		20,786	22,636
Charge for the year	37.2.4	7,829	10,848
Other comprehensive income	37.2.5	(6,624)	(12,693)
Closing net liability		21,985	20,786

37.2.4 Charge for the defined benefit plan

Current service cost		5,361	7,731
Net interest		2,442	3,118
		7,829	10,849

37.2.5 Actuarial gain / (loss) on obligation

Unrecognized actuarial loss as at 1 January		(1,272)	(7,860)
Actuarial loss on obligations - recognized in OCI		6,624	12,693
Unrecognized actuarial loss at 31 December		5,352	4,833

37.2.6 Sensitivity analysis on significant actuarial assumptions: actuarial liability

Discount rate +1%		1,981	13,623
Discount rate -1%		24,469	23,359
Salary increases +1%		24,638	23,488
Salary increases -1%		19,724	18,522

2020 2019
(Rupees in '000)

90.53 11.39

37.2.7 Weighted average duration of the present value of defined benefit obligation

37.2.8 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments (time in years)

2020 2019
(Rupees in '000)

Year 1	2,199	8,974
Year 2	980	525
Year 3	889	762
Year 4	853	202
Year 5	844	229
Year 6 to Year 10	18,321	3,351
Year 11 and above	71,748	68,357

37.2.9 The expected gratuity expense for the next one year works out to be Rs. 6761 million.

37.2.10 Risks associated with defined benefit plans

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.

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.

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.

38 DEFINED CONTRIBUTION PLAN

38.1 Holding Company – Bank Alfalah Limited

The Holding Company operates an approved provident fund scheme for all its permanent employees to which both the Holding Company and employees contribute 8.33% of basic salary in equal monthly contributions.

During the year, the Holding Company contributed Rs. 455,029 million (2019: Rs. 390,250 million) to the fund.

39 OTHER EMPLOYEE BENEFIT

39.1 Compensated Absences

The Holding Company operates compensated absences scheme in which employees can carry forward unutilised leaves up to maximum of 35 days.

39.2 Benefit Scheme for Overseas Branches

The Holding Company operates retirement benefit schemes for its employees at overseas branches in compliance with the local labour laws of the respective countries where the branches operate.

40 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total Compensation expense

40.1.1 Holding Company

2020								
Sr. No.	Items	Chairman	Directors		Members Shariah Board *	President / CEO	Key Executives	Other MRTs / MRCs
			Executives (other than CEO)	Non-Executive				
(Rupees in '000)								
1	Fees and Allowances etc.	-	-	161,445	8,990	-	-	-
2	Managerial Remuneration	-	-	-	-	-	-	-
	i) Fixed	-	-	-	2,117	52,934	228,620	603,728
	ii) Variable	-	-	-	-	-	-	-
	Cash Bonus / Awards	-	-	-	355	-	161,000	265,855
3	Charge for defined benefit plan	-	-	-	-	-	12,994	32,308
4	Contribution to defined Contribution Plan	-	-	-	-	4,409	12,994	43,458
5	Rent & House Maintenance	-	-	-	438	22,156	53,587	175,676
6	Utilities	-	-	-	110	6,491	15,897	43,616
7	Medical	-	-	-	-	-	-	519
8	Conveyance	-	-	-	-	-	-	104
9	Ex-Gratia	-	-	-	-	132,533	11,182	2,850
9	Others	-	-	-	-	36,785	6,505	34,131
10	Total (1 - 10)	-	-	161,449	12,010	255,308	512,779	1,202,256
	Number of Persons	-	-	8	3	2	17	131

2019								
Sr. No.	Items	Chairman	Directors		Members Shariah Board *	President / CEO	Key Executives	Other MRTs / MRCs
			Executives (other than CEO)	Non-Executive				
(Rupees in '000)								
1	Fees and Allowances etc.	-	-	204,243	7,800	-	-	-
2	Managerial Remuneration	-	-	-	-	-	-	-
	(i) Fixed	-	-	-	2,410	38,867	221,077	581,706
	(ii) Variable	-	-	-	-	-	-	-
	Cash Bonus / Awards	-	-	-	-	90,000	136,500	229,782
3	Charge for defined benefit plan	-	-	-	-	3,237	12,086	28,212
4	Contribution to defined Contribution Plan	-	-	-	-	3,237	12,086	28,222
5	Rent & House Maintenance	-	-	-	456	15,547	57,675	151,075
6	Utilities	-	-	-	114	3,887	14,419	37,199
7	Medical	-	-	-	-	-	-	740
8	Conveyance	-	-	-	-	-	-	45
9	Others	-	-	-	5	-	480	34,330
10	Total (1 - 9)	-	-	204,243	10,785	154,775	454,323	1,091,311
11	Number of Persons	-	-	7	3	1	15	115

The Chief Executive and certain Executives have been provided with the free use of cars, household equipment and fuel.

A certain portion of variable compensation of the CEO, Key Executives, MRTs/MRCs shall be subject to mandatory deferrals for a defined period. The deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the CEO, Key Executives, MRTs/MRCs. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award. The deferred portion of the variable remuneration shall be paid to the CEO, Key Executives, MRTs/MRCs on vesting, proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. During the year, bonus amounting to Rs. 101.854 million (2019: nil) was deferred. The deferred portion of the bonus is managed internally within the Bank. The Bank provides for the return on deferred portion according to the rate of return earned on government securities according to the time horizon for deferral.

- * includes salaries and allowance of resident member of Shariah Board who is an employee of the Bank.

40.1.2 Subsidiary - Alfalah CLSA Securities (Private) Limited (formerly: Alfalah Securities (Private) Limited)

Total Compensation expense to the CEO and key executives of the subsidiary is Rs. 42.257 million (2019: 38.825 million).

40.2 Remuneration Paid to Directors for Participation in Board and Board Committees Meetings - Holding Company

2020

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committees Meetings						
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nominations Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee
1	H.H. Sheikh Nahayan Mubarak Al Nahayan	-	-	-	-	-	-	-
2	Mr. Abdulla Nasser Hawweli Al Mansoori	4,879	-	-	-	-	-	-
3	Mr. Abdulla Khalid Al Nahyan	9,033	5,086	-	3,743	3,743	3,743	5,519
4	Mr. Khalid Muna Saad Al Dhalbi	9,033	5,086	-	3,743	3,743	4,543	4,543
5	Mr. Efstathios Georgios Anagnostou	8,083	5,086	-	-	3,743	3,743	4,543
6	Dr. George Thomas Ladies	5,479	-	-	3,743	4,543	-	-
7	Mr. Shalwan Nageh*	1,543	3,086	-	1,234	-	1,234	8,331
8	Mr. Khalid Qureshi	5,760	1,920	-	8,075	-	1,600	2,400
9	Dr. Aysha Khan	5,343	5,878	-	1,183	-	-	3,200
	Total	50,365	26,092	-	18,546	15,782	14,879	18,239
								800
								3,200
								19,954
								161,449

2019

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committees Meetings						
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nominations Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee
1	H.H. Sheikh Nahayan Mubarak Al Nahayan	-	-	-	-	-	-	-
2	Mr. Abdulla Nasser Hawweli Al Mansoori	2,959	-	-	-	-	-	-
3	Mr. Abdulla Khalid Al Nahyan	7,566	7,311	2,506	6,071	4,813	7,311	9,138
4	Mr. Khalid Muna Saad Al Dhalbi	7,566	7,311	2,506	6,071	4,813	9,138	7,311
5	Mr. Efstathios Georgios Anagnostou	7,566	7,311	2,506	-	4,813	7,311	7,311
6	Dr. George Thomas Ladies	7,566	-	-	6,071	6,071	-	-
7	Mr. Shalwan Nageh*	5,906	7,415	-	4,692	-	5,932	5,932
8	Dr. Aysha Khan	7,495	7,490	3,055	7,423	-	-	-
	Total	45,654	36,839	10,583	30,328	20,455	29,652	29,652
								2,555
								44,716
								44,716
								36,818
								19,653
								29,907
								23,474
								204,243

* Director resigned during 2020.

** Committee formed in 2020.

40.3 Remuneration paid to Shareholder Board Members

2020

Sr. No.	Items	Chairman	Non-Resident Member	Total	Chairman	Resident Member	Total
1	Fees/Remuneration and Allowances	6,224	-	6,224	5,437	2,400	7,837
2	Managerial Remuneration - Fixed	-	1,117	1,117	-	-	1,117
3	Rent & House Maintenance	-	408	408	-	-	408
4	Utilities	-	110	110	-	-	110
5	Others	-	305	305	-	-	305
	Total	6,224	3,140	9,364	5,437	2,400	7,837
	Total Number of Persons:	1	1	2	1	1	2

2019

Sr. No.	Items	Chairman	Non-Resident Member	Total	Chairman	Resident Member	Total
1	Fees/Remuneration and Allowances	6,224	-	6,224	5,437	2,400	7,837
2	Managerial Remuneration - Fixed	-	1,117	1,117	-	-	1,117
3	Rent & House Maintenance	-	408	408	-	-	408
4	Utilities	-	110	110	-	-	110
5	Others	-	305	305	-	-	305
	Total	6,224	3,140	9,364	5,437	2,400	7,837
	Total Number of Persons:	1	1	2	1	1	2

41 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

41.1 Fair value of financial assets

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:

	2020			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	425,835,272	-	425,835,272
Shares	5,800,321	-	-	5,800,321
Non-Government Debt Securities	12,072,000	7,329,178	-	19,401,178
Foreign Securities	-	44,331,463	-	44,331,463
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	30,506,972	-	30,506,972
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,359,187	-	1,359,187
Forward sale of foreign exchange	-	(2,145,283)	-	(2,145,283)
Derivatives purchases	-	(921,919)	-	(921,919)

	2019			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	195,930,753	-	195,930,753
Shares	7,640,919	-	-	7,640,919
Non-Government Debt Securities	-	6,213,346	-	6,213,346
Foreign Securities	-	33,735,403	-	33,735,403
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	49,648,885	-	49,648,885
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,436,300	-	2,436,300
Forward sale of foreign exchange	-	(3,658,322)	-	(3,658,322)
Derivatives purchases	-	(14,408)	-	(14,408)

- 4L2** Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 12. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.
- 4L3** The Group's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer, occurred. There were no transfers between levels 1 and 2 during the current year.
- 4L4 Valuation techniques used in determination of fair values:**
- (a) Financial instruments in level 1**
- Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies and Non government debt securities.
- (b) Financial instruments in level 2**
- Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, GoP Euro Bonds, Overseas Government Sukuks, Overseas and Euro Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts and interest rate swaps.
- (c) Financial instruments in level 3**
- Currently, no financial instruments are classified in level 3.
- 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.

4L4.1 Valuation techniques

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills (MTB) / Pakistan Investment Bonds (PIB), GoP Sukuks (GIS) and GoP Euro Bonds	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Fixed assets and non banking assets acquired in satisfaction of claims	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 can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

42. SEGMENT INFORMATION

42.1 Segment Detail with respect to Business Activities

2020

	Capital	Islamic	Treasury	Digital	Overseas	Brands	Others	Total
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(Rupees in '000)

Profit & Loss

Net bank-up/return/profit	17,520,037	8,720,019	22,925,818	15,353	2,684,125	(10,059)	(598,048)	44,694,474
Net segment revenue - net	(1,073,679)	(925,284)	(2,685,914)	5,855,952	22,613	-	1,107,506	-
Net bank-up / profit / loss net income	1,764,742	1,090,732	53,483,882	407,158	580,866	20,680	507,889	18,545,790
Total income	8,212,100	8,885,937	6,592,686	1,007,759	3,657,504	220,588	520,247	58,340,354
Segment direct expenses	352,884	3,955,455	551,378	1,721,273	1,807,666	176,365	9,354,889	32,207,841
Net segment expense allocation	893,759	1,407,161	310,350	181,336	254,571	-	(9,357,259)	-
Total expenses	1,895,682	5,392,916	861,738	1,902,609	2,132,236	176,365	(2,369)	32,207,841
Provision/ reversal	18,35,468	1,077,476	(6,05,583)	2,148	10,949	-	4,250,000	7,589,369
Profit before tax	4,529,590	2,415,025	6,396,431	(896,975)	1,554,306	42,215	(3,727,368)	18,443,554

	Capital	Islamic	Treasury	Digital	Overseas	Brands	Others	Total
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(Rupees in '000)

Balance Sheet

Cash & Bank balance	101,93,222	14,780,115	17,295,558	470,783	13,214,929	199,838	-	105,723,334
Investment	1,057,759	47,420,548	425,225,414	-	7,034,381	-	3,09,830	548,358,558
Net inter segment lending	-	-	-	8,256,388	-	-	86,790,920	46,267,888
Lending to financial institutions	383,141,506	1,01,673,272	51,747,855	-	11,254,524	-	-	77,306,556
Advances - performing	4,577,817	1,605,900	-	165,96	25,066,003	1,831	5,900,802	58,775,452
Advances - non-performing	11,194,130	6,555,230	7,063,905	202	11,279	-	37,534	7,542,324
Others	22,501,621	-	-	1,562,318	3,689,654	390,554	15,007,182	77,971,376
Total assets	31,074,434	86,338,221	50,138,372	11,286,138	12,429,778	531,293	10,798,028	1,05,042,291
Borrowing	66,943,742	23,967,885	185,932,565	-	13,560,921	94,638	1,497,637	315,054,817
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000
De posits and other securities	116,774,009	139,037,883	-	10,189,614	68,979,200	-	10,449	88,790,452
Net inter segment borrowing	106,134,754	97,65,912	309,886,466	-	37,621,716	-	-	462,367,888
Others	21,322,702	27,733,944	3,605,361	146,524	4,001,824	2,062,74	14,870,759	51,208,374
Total liabilities	31,074,047	19,450,554	499,373,392	11,286,138	12,418,661	301,905	23,378,845	17,57,381,791
Net Assets	(1,07,838)	(1,602,667)	(1,964,980)	-	116,107	231,328	87,419,183	92,660,500
Equity	-	-	-	-	-	-	-	92,660,500
Contingent and commitments	118,634,144	52,780,786	165,893,738	17,951	52,765,343	450,000	1,266,936	462,37,338

2019

	Bank	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
(Rupees in '000)									
Profit & Loss									
Net interest-upturn/return/profit	(5,562,350)	22,582,218	8,766,835	17,786,906	(2,446)	2,659,180	4,488	(1,314,351)	44,900,449
Inter-segment revenue - net	31,635,838	(15,253,812)	(644,840)	(7,576,597)	507,876	553,471	-	668,068	-
Net mark-up / return / interest income	3,947,588	1,388,373	10,97,637	2,331,369	434,362	584,281	12,0703	1,158,966	11,024,259
Total income	30,081,061	8,697,779	9,219,612	2,571,308	519,292	3,796,912	125,171	9,2772	55,924,407
Segment direct expenses	12,765,188	1,016,123	3,636,424	402,268	2,015,406	1,660,201	138,777	8,336,982	29,980,389
Inter-segment expense allocation	5,657,570	630,276	1,365,429	239,369	187,244	2,066,629	-	(8,337,467)	-
Total expenses	18,422,758	1,707,389	4,991,853	641,637	2,202,650	3,726,830	138,777	(1,475)	39,980,389
Provisions/ (reversals)	1,395,853	466,642	94,846	1,024,164	-	80,038	-	(32,981)	3,028,585
Profit before tax	10,263,489	6,529,738	4,132,918	895,507	(1,392,857)	1,890,058	(13,606)	5,47,198	27,915,433

	Bank	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
(Rupees in '000)									
Balance Sheet									
Cash & Bank balances	51,07,179	11,906,006	13,687,542	16,301,602	324,046	12,143,278	226,102	-	106,683,754
Investments	1,372,585	914,973	13,738,131	227,969,855	-	53,548,116	103,280	3,223,317	300,905,557
Net inter-segment lending	30,411,607	-	-	-	6,760,322	-	-	85,910,486	396,386,425
Lending to financial institutions	146,947,933	2,40,367,593	87,226,466	-	5,030	34,183,451	1,831	7,828,662	906,580,966
Advances - performing	1,406,401	2,796,345	285,911	-	-	107,824	-	80,322	4,676,813
Advances - non-performing	27,365,192	9,325,333	12,267,215	5,633,281	941,522	1,521,910	412,609	21,037,192	78,512,454
Others	532,278,917	2,65,30,929	164,996,273	274,865,772	803,1919	100,223,932	743,822	117,636,979	1,464,135,664
Total Assets	12,437,067	31,182,760	6,97,3,823	30,360,377	-	21,888,303	230,243	-	103,133,573
Borrowings	-	-	-	-	-	-	-	11,987,000	11,987,000
Subordinated debt	-	-	-	-	-	-	-	-	-
Deposits and other accounts	4,92,087,776	103,088,182	122,073,365	-	7,827,966	57,360,323	-	7,248	782,274,660
Net inter-segment borrowing	-	129,412,730	14,896,407	238,755,902	-	19,380,376	-	-	396,386,425
Others	26,832,583	7,695,578	20,888,994	2,406,630	20,3,953	1,999,871	21,471	21,228,493	81,079,819
Total liabilities	5,91,367,426	2,65,30,929	164,722,559	274,523,909	803,1919	100,658,873	936,960	33,272,741	1,374,652,677
Net Assets	911,491	-	273,674	3,341,863	-	15,059	237,862	84,463,238	83,183,187
Equity	-	-	-	-	-	-	-	-	-
Contingent and Commitments	60,523,866	98,407,250	46,150,780	384,890,878	5,142	44,060,060	480,000	603,000	595,090,916



42.3 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2020				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	41,800,449	693,831	1,710,571	489,623	44,694,474
Inter segment revenue - net	(222,613)	83,287	4,451	134,875	-
Non mark-up / return / interest income	12,964,924	138,293	264,500	178,073	13,545,790
Total Income	54,542,760	915,411	1,979,522	802,571	58,240,264
Segment direct expenses	30,330,156	474,777	1,025,797	377,111	32,207,841
Inter segment expense allocation	(254,570)	99,444	95,437	59,689	-
Total expenses	30,075,586	574,221	1,121,234	436,800	32,207,841
Provisions/ (reversals)	7,578,326	26,675	(7,423)	(8,309)	7,589,269
Profit before tax	16,888,848	314,515	855,711	374,080	18,443,154
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Balance Sheet					
Cash and Bank balances	92,507,407	1,633,652	3,308,231	8,273,044	105,722,334
Investments	478,424,162	31,444,860	21,294,844	18,194,687	549,358,553
Net inter segment lendings	462,367,888	-	-	-	462,367,888
Lendings to financial institutions	66,041,012	3,063,607	5,995,179	2,205,737	77,305,535
Advances - performing	544,690,448	5,460,182	19,624,760	62	569,775,452
Advances - non-performing	7,431,045	-	111,279	-	7,542,324
Others	74,280,552	1,122,927	2,504,291	62,435	77,970,205
Total Assets	1,725,742,514	42,725,228	52,838,584	28,735,965	1,850,042,291
Borrowings	301,493,895	7,861,487	5,379,763	319,672	315,054,817
Subordinated debt	7,000,000	-	-	-	7,000,000
Deposits and other accounts	812,770,962	13,374,634	30,507,148	25,097,418	889,750,162
Net inter segment borrowing	424,736,172	21,097,027	13,043,579	3,491,110	462,367,888
Others	87,197,099	1,143,143	2,779,963	88,719	91,208,924
Total Liabilities	1,633,198,128	43,476,291	51,710,453	28,996,919	1,757,381,791
Net Assets	3,358,940,642	86,201,519	104,549,037	57,732,884	92,660,500
Equity					92,660,500
Contingencies and Commitments	409,551,988	35,930,445	12,232,435	4,701,463	462,317,331

2019

	Pakistan	Middle East	Bangladesh	Afghanistan	Total
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	42,240,988	610,229	1,635,469	413,462	44,900,148
Inter segment revenue - net	(53,471)	190,976	147,376	215,119	-
Non mark-up / return / interest income	10,439,978	51,867	286,137	246,277	11,024,259
Total Income	52,127,495	853,072	2,068,982	874,858	55,924,407
Segment direct expenses:	28,320,188	391,552	985,173	283,476	29,980,389
Inter segment expense allocation	(206,629)	79,804	87,543	39,282	-
Total expenses	28,113,559	471,356	1,072,716	322,758	29,980,389
Provisions/ (reversals)	2,948,554	(425)	83,172	(2,716)	3,028,585
Profit before tax	21,065,382	382,141	913,094	554,816	22,915,433

	Pakistan	Middle East	Bangladesh	Afghanistan	Total
(Rupees in '000)					
Balance Sheet					
Cash & Bank balances	93,515,475	2,653,628	4,083,827	5,405,823	105,658,754
Investments	247,357,441	29,386,632	10,088,200	14,073,284	300,905,557
Net inter segment lendings	19,380,375	-	-	-	19,380,375
Lendings to financial institutions	62,722,732	-	4,386,173	4,325,990	71,434,895
Advances - performing	482,377,515	3,421,442	19,583,794	1,178,215	506,560,966
Advances - non-performing	4,568,989	-	107,824	-	4,676,813
Others	76,983,354	531,866	955,993	41,241	78,512,454
Total Assets	986,905,883	36,993,568	39,205,811	25,024,553	1,087,129,815
Borrowings	81,245,270	21,869,134	19,169	-	103,133,573
Subordinated debt	11,987,000	-	-	-	11,987,000
Deposits and other accounts	724,974,537	7,895,095	27,561,173	21,844,056	782,274,860
Net inter segment borrowing	-	6,024,102	10,191,280	3,164,984	19,380,376
Others	79,470,949	375,425	1,224,446	-	81,070,819
Total Liabilities	897,677,755	36,163,756	38,996,067	25,009,050	997,846,628
Net Assets	89,228,128	(70,188)	209,744	15,503	89,288,187
Equity					<u>89,288,187</u>
Contingencies and Commitments	491,030,916	34,234,180	5,165,054	4,660,846	535,090,996

43 TRUST ACTIVITIES

The Holding Company undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Group and therefore, are not included as such in these consolidated financial statements.

14 RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, associates, employee benefit plans, its directors, key management personnel and other related parties.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	As at Dec 31, 2020				As at Dec 31, 2019			
	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Landings to financial institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	140,523,678	-	-	-	(21,936,072)
Repaid during the year	-	-	-	(38,777,848)	-	-	-	(21,936,072)
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	1,745,830	-	-	-	-
Investments								
Opening balance	-	-	3,138,787	1,101,425	-	-	3,761,612	992,661
Investment redemption / disposed off during the year	-	-	-	(20)	-	-	-	(570,466)
Equity method adjustment	-	-	532,675	-	-	-	547,196	-
Transfer in / (out) - net	-	-	-	50,000	-	-	(1,170,023)	769,230
Closing balance	-	-	3,671,462	1,241,405	-	-	3,138,787	1,191,425
Provision for diminution in value of investments	-	-	-	3,936	-	-	-	3,936
Advances								
Opening balance	91,120	662,464	-	4,200,404	105,650	461,375	-	3,354,510
Addition during the year	87,827	285,114	-	7,713,243	-	394,025	-	2,783,243
Repaid during the year	(83,816)	(187,066)	-	(8,967,370)	(14,533)	(170,463)	-	(1,037,349)
Transfer in / (out) - net	(17,368)	40,000	-	-	-	(12,473)	-	-
Closing balance	78,132	701,512	-	3,346,277	91,120	662,464	-	4,200,404
Fixed Assets								
Right-of-use assets	-	-	-	15,961	-	-	-	17,782
Other Assets								
Interest / mark-up accrued	2,580	88,005	-	45,434	10,030	60,142	-	99,163
Receivable from staff retirement fund	-	-	-	602,399	-	-	-	1,019,377
Prepayment / rent receivable	-	-	1,560	55,672	-	-	-	35,759
Advance against shares	-	-	-	-	-	-	-	82,312
Others	-	-	763	-	-	8,484	573	-
Borrowings								
Opening balance	-	-	-	404,646	-	-	-	200,000
Borrowings during the year	-	-	-	44,475,567	-	-	-	1,288,678
Settled during the year	-	-	-	(42,585,364)	-	-	-	(974,032)
Closing balance	-	-	-	2,384,849	-	-	-	404,646

	As at Dec 31, 2020				As at Dec 31, 2019			
	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Deposits and other accounts								
Opening balance	12,076	257,120	588,140	4,584,694	7,438	194,328	1,057,143	3,194,114
Received during the year	329,082	2,222,012	137,408,368	70,878,153	509,337	3,179,089	25,280,433	32,405,316
Withdrawn during the year	(223,154)	(2,026,743)	(112,409,865)	(71,465,963)	(594,695)	(2,976,405)	(25,783,192)	(31,104,520)
Transfer in / (out) - net	(8,612)	13,905	-	(290,366)	(4)	(19,755)	30,765	(216)
Closing balance	103,392	307,294	5,586,652	3,706,518	12,076	257,120	588,140	4,584,694
Other Liabilities								
Interest / mark-up payable	73	433	-	5,303	-	156	-	7,007
Lease Liabilities	-	-	-	9,216	-	-	-	9,243
Unearned rent	-	-	-	-	-	-	1,560	-
Others	-	5,143	-	27,47	-	3,428	-	3,952
Contingencies and Commitments								
Other contingencies	-	-	79,97	139,987	-	-	302,657	-
	For the year ended Dec 31, 2020				For the year ended Dec 31, 2019			
	(Rupees in '000)				(Rupees in '000)			
Income								
Mark-up / return / interest earned	7,906	40,726	-	378,846	5,438	39,251	-	613,453
Fee and commission income	-	-	77,810	-	-	-	155,319	-
Dividend income	-	-	90,000	21,409	-	-	-	12,510
Other income	560	3,638	12,515	20,374	-	461	10,332	39,322
Expense								
Mark-up / return / interest paid	572	11,384	133,389	428,162	44	13,687	81,883	243,840
Borrowing cost on leased properties	-	-	-	1,293	-	-	-	412
Operating expenses								
Directors' fee	161,449	-	-	-	204,248	-	-	-
Managerial remuneration	255,308	1,347,612	-	-	154,775	1,320,700	-	-
Depreciation on right-of-use assets	-	-	-	10,542	-	-	-	10,036
Rent paid in respect of premises	-	-	-	-	-	-	-	-
Software maintenance	-	-	-	34,936	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	30,119
Travelling and accommodation	-	-	-	2,187	-	-	-	7,219
Communication cost	-	-	-	57,804	-	-	-	35,615
Charge for defined benefit plan	-	-	-	170,884	-	-	-	106,243
Contribution to defined contribution plan	-	-	-	455,029	-	-	-	390,250
Others	-	-	-	-	-	-	-	4,671
Other Information								
Dividend paid	1,026,830	20,030	9,996	3,314,984	966,735	30,174	15,131	2,918,611
Insurance premium paid	-	-	706,920	-	-	-	866,033	-
Insurance claims settled	-	-	378,009	-	-	-	391,015	-

45 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2020 2019
(Rupees in '000)

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

17,771,651 17,771,651

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

71,794,350 67,625,018

Eligible Additional Tier 1 (AT1) Capital

7,012,500 7,011,045

Total Eligible Tier 1 Capital

78,806,851 74,636,063

Eligible Tier 2 Capital

23,252,207 20,039,768

Total Eligible Capital (Tier 1 + Tier 2)

102,059,057 94,675,831

Risk Weighted Assets (RWAs):

Credit Risk

536,528,874 494,671,653

Market Risk

11,821,313 7,089,963

Operational Risk

75,075,838 65,601,200

Total

623,526,024 567,362,816

Common Equity Tier 1 Capital Adequacy ratio:

11.51% 11.92%

Tier 1 Capital Adequacy Ratio

12.64% 13.15%

Total Capital Adequacy Ratio

16.37% 16.69%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio:

6.00% 6.00%

Tier 1 Capital Adequacy Ratio

7.50% 7.50%

Total Capital Adequacy Ratio

11.50% 12.50%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit & Market Risk related exposures and Alternative Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital

78,806,851 74,636,063

Total Exposures

1,836,893,841 1,315,453,291

Leverage Ratio

4.29% 5.67%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

372,370,246 285,456,439

Total Net Cash Outflow

199,316,286 174,614,928

Liquidity Coverage Ratio

187% 163%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

850,376,458 687,962,685

Total Required Stable Funding

626,369,922 499,005,864

Net Stable Funding Ratio

136% 138%

45.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP Instructions has been placed on the website. The link to the full disclosure is available at <https://www.bankalfalah.com/financial-reports/>.

The variety of business activities undertaken by the Bank require 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 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 supervise risk management activities within their respective scopes. CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee (IC), Information Technology Steering Committee (ITSC), Control & Compliance Committee (C&CC), Process Improvement Committee (PIC) and Corona Virus Crisis Management 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; and
- 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 savings and to protect the interests of the Bank's depositors and shareholders.

The Holding Company's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, information security risk, trade pricing, environment and social risk. There was enhanced monitoring onset of COVID-19 details mentioned below.

46.1 COVID-19

46.1.1 Risk management in the current economic scenario

The outbreak of coronavirus has severely affected national and global economies. Various businesses are facing different issues with a certain degree of losses. Particularly, businesses are facing problems such as a decrease in demand, supply chain disruptions, raw material shortages, and transportation disruptions among others. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate Covid-19 impact.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent, (ii) increasing the regulatory limit for retail asset classification by 44 percent to Rs.300 million, thus resulting in reduced risk weighted assets, (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent, (iv) allowing banks to defer clients' payment of principal on loan obligations by one year and (v) relaxing regulatory criteria for restricted/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

COVID-19 has impacted the banks in Pakistan from various facets which include increase in overall credit risk pertaining to loans and advances portfolio in certain sectors; reduced fee income due to slowdown in economic activity; operational issues such as operations of branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate loans; debt and capital advisory services etc. Major aspects of COVID-19 on the Bank are discussed below:

46.1.2 Assets quality and credit risk

As the current economic crisis unfolds against the backdrop of a public health emergency, the disruption to economic activity put strain on the solvency of customers and companies. A large number of distressed customers sought help for financial hardships across consumer and commercial lending portfolios. The Risk Management Group of the Bank is monitoring the situation to identify and support borrowers operating in various sectors which are most affected.

Many of the covid affected borrowers availed the SBP enabled deferment / restructuring and rescheduling relief. The full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The Bank anticipates that it is appropriate to maintain a general loan loss reserve given the uncertainty that may prevail until the pandemic is over. Accordingly, the management of the Bank has estimated a general provision of Rs. 4,250 million which approximates to 2.76% of the restructured customers as at December 31, 2020. Had this change of estimate not been made, advances and the profit-after-tax for year ended would have been higher by Rs. 4,250 million and Rs. 2,763 million respectively.

The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank conducted various stress tests on the credit portfolio and is confident that the CAR currently maintained is sufficient to adhere all regulatory and business needs.

46.1.3 Liquidity management

The Bank has provided customers with relief measures such as payment deferrals and loan restructuring/re-scheduling. Such interventions, while necessary to provide temporary relief to customers, also accompanied enhanced risk management actions on liquidity of the bank. The Asset and Liability Committee (ALCO) of the Bank is monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress tests on its liquidity ratios and is confident that the liquidity buffer (in terms of liquid assets) currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

46.1.4 Equity investments

The PSX-300 Index improved 7.4% YoY despite of Covid-19 uncertainties. The index corrected itself from its low of -27,200 pts in March to end the year at -43,800 pts which reflected the rebound in confidence of market participants post the Covid crash. Business reopening after lockdown, expected better corporate results and improved economic indicators in 2021 are anticipated to further push the index upward. The Investment Committee and Market Risk Unit are monitoring the equity position and believes that it has no impact on profit and loss account other than that booked.

##1.5 Foreign Exchange Risk

The currency remained largely stable compared to last year, depreciating by a measured -3.2% to close at 159.63 : as compared to a depreciation of -11.0% last year. This is mostly attributable to the improvement in the external account position, deferment of debt repayment to Q20, and expected inflows with the launch of Freshen Digital Account. The exchange rate is expected to remain stable despite uncertainty around COVID 19. The ALCO continuously monitors Net Open Positions and believes that it has no significant impact on profit and loss account.

##1.6 Operations

The Bank invoked required actions to ensure safety and security of staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using Virtual Private Network (VPN) connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

##1.7 Capital Adequacy Ratio

During the year, to provide more headways for banks to focus on responding to the Covid 19 pandemic, the SBP relaxed the Capital Conservation Buffer (CCB) requirements for the banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Bank for its Tier 2 capital. Furthermore, the regulatory limit for retail loans has also been increased by SBP to Rs. 180 million, which will now result in reduced Risk-Weighted Assets (RWA) for some of its loans in this asset class. In addition to the measures by SBP, the senior management of the Bank is continuously monitoring the impacts of various decisions on the Bank's CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

##1.8 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 lending, hedging, settlement and other financial transactions. Credit risk management processes encompass identification, assessment, 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 quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Holding Company has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by Board of Directors (BOD). Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasising 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, Retail & SME banking, Agricultural Financing, and Overseas Operations. For Consumer & Digital products, loans are booked against defined eligibility criteria as per product programs and they have separate credit risk unit.

The Holding Company 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 Credit & Risk Management Group.

For domestic operations, the Bank determines the amount for specific and general provisions as per the Prudential Regulations issued by the State Bank of Pakistan (SBP) and management estimates. Provisions at overseas branches are held to meet the requirements of regulatory authorities of the respective countries in which overseas branches operate.

A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party and 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 expected LGD (Loss Given Default). This has been implemented for Corporate, Islamic and Retail segments. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail 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, Medium Enterprise, Small Enterprise and Agri rating models. It covers both discrimination and calibration statistical tests as per best 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 compute 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 Credit & Risk Management Group is working towards ensuring that terms of approval of credit conditions and regulatory stipulations are complied, all documentation including security documentation is regular and fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD.

Credit Policy & Portfolio Management under Credit & Risk Management Group keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies worsening accounts relationships and reports it to the appropriate authorities with a view to address further 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. 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 Credit Policy Management Group also monitors the KPI portfolio of the Bank and reports the same to the Board.

Credit Risk System unit is primarily responsible for development and management of Credit Risk Systems including Credit Initiation & Internal Rating System (CIRS) and its related modules like Bank Alfalah CAR Calculator (BACC). It also supports other credit related automation & optimization initiatives like eCB automation and ECL calculation under IFRS 9.

46.2.1 Credit Risk – General Disclosures Based Specific

The Holding Company 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-parties for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

46.2.2 Disclosures for portfolio subject to the Standardized Approach & Supervisory risk weights

46.2.2.1 External ratings

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely Pakistan Credit Rating Agency Limited (PACRA), Vital Information Services Credit Rating Co. Limited, Moody's Rich and Standard & Poor's.

The State Bank of Pakistan through its letter number BSI/BM-2/201/1300/2005 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and Credit Rating Information and Services Limited (CRISL). The Bank uses these ECAs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Holding Company uses external ratings for the purposes of computing the risk weights as per the Basel III framework. Where exposure is rated by two or more ratings agencies – the lowest rating is considered.

46.2.3 Disclosures with respect to Credit Risk Mitigation for Standardized Approach

46.2.3.1 Credit Risk mitigation policy

The Holding Company 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.

46.2.3.2 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 II guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collateral 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 'haircut', to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

46.2.3.3 Types of collateral taken by The Holding Company

The Bank 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 term 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 are generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be obtained. 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 and automobile being financed respectively.

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.

46.2.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers of types of financial collateral 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 recognised credit rating agencies, 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.

46.2.3.5 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 limit of maximum exposure to single borrower, group borrowers and related parties. 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 industry. 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 less category). Concentration in customers that are rated in high risk category is also monitored against the approved appetite set by the management.

Particulars of bank's on-balance sheet and off-balance sheet credit risk by various sectors are analysed as follows:

46.2.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public Sector	22,696,890	22,044,132	-	-	-	-
Private Sector	54,648,583	49,400,581	-	-	-	-
	77,305,473	71,444,713	-	-	-	-

46.2.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Textile	167,888	167,888	167,888	167,888	167,888	167,888
Chemical and Pharmaceuticals	65,301	591,239	65,301	591,239	65,301	591,239
Electronics and electrical appliances	1,785	1,785	1,785	1,785	1,785	1,785
Power (electricity), Gas, Water, Sanitary	13,690,252	6,350,748	-	-	-	-
Transport, Storage and Communication	374,525	331,571	374,524	331,571	374,524	331,571
Financial	22,111,384	24,007,175	58,768	58,768	58,768	58,768
	42,411,135	31,450,406	668,266	1,151,251	668,266	1,151,251

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public Sector	13,690,252	6,297,485	-	-	-	-
Private Sector	22,720,883	25,192,921	668,266	1,151,251	668,266	1,151,251
	42,411,135	31,490,406	668,266	1,151,251	668,266	1,151,251

46.2.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	63,797,348	38,965,049	2,261,334	584,628	603,072	399,561
Automobile and transportation equipment	8,729,526	8,655,389	434,453	35,173	383,971	266,435
Cement	13,351,689	14,295,707	-	-	-	-
Chemical and Pharmaceuticals	20,765,414	22,137,088	228,450	985,207	127,453	853,776
Construction	1,267,378	10,685,448	505,053	507,780	500,406	493,902
Electronics and electrical appliances	11,639,948	10,933,492	1,303,888	145,517	720,082	102,887
Exports / Imports	4,660,724	6,428,193	646,112	723,342	629,030	656,420
Financial	13,156,063	10,481,741	774,807	905,547	774,807	905,547
Food & Allied Products	18,883,291	55,134,590	3,136,692	3,241,633	2,754,130	3,193,852
Footwear and Leather garments	2,895,086	2,581,820	153,748	158,052	153,748	158,052
Glass and Ceramics	311,572	452,831	42,563	42,563	42,563	42,563
Individuals	66,894,796	56,104,789	1,332,475	715,400	824,475	547,554
Insurance	1,630,670	6,370	-	-	-	-
Metal & Allied Industries	25,633,187	18,645,909	1,195,795	1,275,184	1,191,801	748,741
Mining and Quarrying	3,383,560	2,628,967	-	-	-	-
Oil and Allied	13,415,544	11,768,129	1,831,119	-	931,119	-
Paper and Board	4,961,463	4,153,007	9,192	7,792	8,492	7,792
Power (electricity), Gas, Water, Sanitary	89,842,169	93,662,347	2,872,659	2,543,959	1,436,330	254,412
Services	10,778,694	6,184,807	62,158	48,503	54,602	47,518
Sugar	18,545,855	19,670,518	1,111,385	619,007	742,109	619,017
Technology and Communication	437,238	108,557	-	-	-	-
Textile	118,114,637	92,435,308	3,315,359	4,482,645	2,227,270	3,971,119
Transport, Storage and Communication	5,038,437	4,707,145	1,303,770	1,566,981	1,300,052	1,566,981
Wholesale & Retail Trade	31,864,457	19,724,245	1,908,521	2,046,755	1,756,215	1,879,763
Others	18,982,731	19,463,202	1,431,316	1,463,830	1,156,798	1,015,793
	600,902,472	529,974,048	25,860,849	22,418,498	18,318,525	17,741,685

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public Sector	109,222,826	90,633,597	1,076,029	-	-	-
Private Sector	491,679,646	439,340,451	24,784,820	22,418,498	18,318,525	17,741,685
	600,902,472	529,974,048	25,860,849	22,418,498	18,318,525	17,741,685

46.27 Contingencies and Commitments

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	343,736	493,167
Automobile and transportation equipment	11,205,017	3,672,861
Chemical	2,270,712	961,095
Chemical and Pharmaceuticals	5,897,133	4,928,094
Construction	7,648,195	6,282,089
Electronics and electrical appliances	3,472,706	2,782,289
Exports / Imports	2,078,270	3,383,560
Financial	16,896,034	20,147,963
Food & Allied Products	14,149,391	5,913,781
Footwear and Leather products	173,192	887,374
Glass and Ceramics	686,830	394,924
Individual	351,081	264,904
Insurance	907,247	513,549
Metal & Allied Industries	11,311,487	995,338
Mining and Quarrying	93,326	3,541,155
Oil and Allied	14,957,611	10,282,735
Paper and Board	663,025	534,961
Power (electricity), Gas, Water, Sanitary Services	15,405,563	11,099,054
Sugar	3,448,195	318,270
Technology and Communication	1,142,065	192,676
Textiles	173,189	249,385
Transport, Storage and Communication	29,875,867	30,337,416
Wholesale and Retail Trade	2,317,162	1,632,528
Others	11,396,219	9,315,236
	38,154,870	39,292,960
	194,978,122	157,152,964

Credit risk by public / private sector

Public/ Government	37,509,175	29,472,553
Private	157,468,947	127,680,411
	194,978,122	157,152,964

46.28 Concentration of Advances

The Holding Company top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 144,993 billion (2019: Rs. 117,530 billion) are as following:

Funded	96,641,045	78,905,012
Non-Funded	48,351,854	38,624,736
Total Exposure	144,992,899	117,529,748

The sanctioned limits against these top 10 exposures aggregated to Rs. 206,053 billion (2019: Rs. 100,337 billion).

Total funded classified loans

	2020		2019	
	Amount	Provision held	Amount	Provision held
	(Rupees in '000)			
Good	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-

For the purpose of this note, exposure means outstanding funded facilities and unfunded non-funded facilities as at the reporting date.

46.29 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2020						
	Disbursements	Punjab	Sindh	Utilization KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	1,232,398,112	1,196,493,582	22,214,745	17,390	1,285	13,607,366	627,84
Sindh	1,154,152,784	20,856,321	1,132,853,291	321	48,781	39,497,8	92
KPK including FATA	16,513,609	-	-	16,513,609	-	-	-
Balochistan	6,803,690	-	62,511	-	6,741,139	-	-
Islamabad	136,343,697	58,631,449	-	11,406,372	67,886	57,238,040	-
AJK including Gilgit-Baltistan	806,536	-	-	-	42,109	-	764,433
Total	2,547,018,389	1,275,980,352	1,155,130,547	26,937,602	6,902,194	81,240,394	627,305

Province/Region	2019						
	Disbursements	Punjab	Sindh	Utilization KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	1,151,672,254	1,133,258,377	3,473,225	49,478	7,299	14,798,931	84,944
Sindh	892,254,631	14,204,218	877,649,365	-	47,112	354,046	-
KPK including FATA	20,016,279	22,322	-	19,371,240	-	227,17	-
Balochistan	5,064,169	-	-	-	5,064,169	-	-
Islamabad	88,798,398	37,828,421	-	492,387	175,157	90,302,433	-
AJK including Gilgit-Baltistan	656,757	-	-	-	-	-	656,757
Total	2,158,662,488	1,185,313,339	881,122,590	20,513,105	5,283,627	65,478,127	941,701

4.3.3 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 comprehensive Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines a well-defined risk control structure, responsibilities of relevant stakeholders with respect to market risk management and methods to measure and control market risk 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.

Under the Board approved policy, 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 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. Furthermore, the Bank carries out risk assessment via diversified tools including Value at Risk (VaR), PV01 (price value per basis point) and Duration on a regular basis. The Bank also ascertains the impact of market risk on relevant factors through stress testing and Internal Capital Adequacy Assessment processes.

4.3.4 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. FX risk is mainly managed through matched positions.

The Holding Company manages FX risk by setting and monitoring dealer and currency-wise limits. 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. Risk Assessment with respect to FX risk is also conducted on a regular basis through VaR analysis.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2020				2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	-(Rupees in '000)-				-(Rupees in '000)-			
United States Dollar	119,789,302	138,015,294	30,030,485	904,493	91,735,825	137,000,822	56,257,834	912,835
Great Britain Pound Sterling	1,681,027	5,947,478	4,314,795	(1,656)	738,326	4,553,379	3,820,967	5,914
Euro	2,734,535	5,535,278	2,847,180	46,437	2,177,394	3,926,923	1,775,948	26,209
Japanese Yen	14,658	171	(13,057)	1,631	19,090	7,326	285	11,989
Other currencies	48,583,802	48,583,071	79,569	90,200	34,383,577	34,296,190	(32,224)	55,163
	172,753,525	199,081,392	27,258,972	931,105	119,053,941	179,864,640	61,822,810	1,012,110

Impact of 1% adverse movement in foreign exchange rates on:

- Profit and loss account
- Other comprehensive income

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	-(Rupees in '000)-			

	-	(9,301)	-	(10,122)
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4.3.4.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	-(Rupees in '000)-					
Cash and balances with treasury banks	99,348,862	-	99,348,862	100,731,903	-	100,731,903
Balances with other banks	6,373,472	-	6,373,472	4,926,851	-	4,926,851
Landings to financial institutions	77,305,535	-	77,305,535	71,434,895	-	71,434,895
Investments	478,311,578	71,046,975	549,358,553	373,795,233	27,181,324	400,976,557
Advances	577,317,776	-	577,317,776	511,237,779	-	511,237,779
Fixed assets	30,994,793	-	30,994,793	29,107,720	-	29,107,720
Intangible assets	1,287,734	-	1,287,734	1,260,320	-	1,260,320
Other assets	45,687,678	-	45,687,678	48,144,414	-	48,144,414
	1,316,627,428	71,046,975	1,387,674,403	1,040,639,115	27,181,324	1,067,820,439

4.3.4.2 Equity position Risk

Equity position risk arises due to adverse movements in the prices of equities and instruments exhibiting behaviour similar to equities 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 Unit of RMD monitors portfolio and scalp level internal and regulatory limits. Bank also has dealer and management action plan limits in place.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	-(Rupees in '000)-			
Impact of 5% adverse movement in equity prices on:				
- Profit and loss account	-	(24,786)	-	(27,018)
- Other comprehensive income	(265,230)	-	(355,150)	-

4.6.5 Yield / Harvest Rate (in this Ranking Book (2009)) - Based on Specific

Exposure Yield/ Interest rate	Total	Exposure to Yield / Interest risk										Non-Interest bearing financial instruments
		Up to 1 Month	Over 1 to 3 Months	Over 3 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	Over 1 to 3 Years		
Deposits in USD												
Banks' short financial instruments												
Assets												
0.25%	333,716,803	32,684,807	-	-	-	-	-	-	-	-	69,064,876	-
1.67%	4,325,801	812,145	-	-	-	-	-	-	-	-	4,323,706	-
32.31%	76,494,446	19,198,272	3,367,285	-	-	-	-	-	-	-	-	-
8.77%	303,905,537	41,832,498	84,526,885	40,794,320	31,657,821	16,408,869	14,947,000	33,558,420	32,846	52,798,055	-	-
22.27%	52,237,779	190,131,817	141,840,824	28,000,057	7,660,838	2,247,986	3,053,344	21,857,548	3,397,395	2,779,299	-	-
-	45,849,253	37,105	136	8,523	-	-	-	-	-	-	45,853,745	-
-	1,295,046,186	294,179,514	252,796,528	63,883,085	29,279,577	16,057,283	22,214,031	54,776,868	2,446,240	133,094,781	-	-
Liabilities												
0.00%	17,639,059	-	-	-	-	-	-	-	-	-	17,639,059	-
4.80%	123,139,579	46,523,795	7,446,148	6,528,820	585,649	322,369	2,876,287	18,242,707	2,815,180	-	-	-
2.00%	792,274,460	297,052,482	59,632,346	34,381,034	2,216,276	1,285,819	346,181	246	-	-	161,053,742	-
23.77%	11,947,550	15,962,000	-	-	-	-	-	-	-	-	-	-
-	8,374,289	240,897	422,875	1,612,283	431,416	436,616	879,612	1,779,240	2,815,400	-	-	-
-	42,812,171	-	-	-	-	-	-	-	-	-	42,812,171	-
-	884,033,808	334,645,805	99,670,696	42,833,159	3,252,879	3,298,990	8,098,100	16,412,636	8,631,830	816,803,879	-	-
Banks' short gap												
-	63,073,240	2,429,210	100,124,187	21,728,483	28,025,822	16,408,137	17,322,028	59,384,375	7,499,552	127,608,157	-	-
Off-balance sheet financial instruments												
Derivatives and short-term trade-related transactions												
-	157,352,944	4,652,249	40,032,493	18,582,263	11,401,443	6,298,713	9,659,520	3,648,460	-	-	-	-
Contingent liabilities												
-	595,094,250	83,188,321	8,717,392	56,463,557	-	-	-	-	-	-	-	-
-	233,384,868	218,879	28,644,880	20,386,240	-	-	-	-	-	-	-	-
-	1,381,534	1,381,534	-	-	-	-	-	-	-	-	-	-
-	6,001,252	2,251,023	9,48,770	-	-	-	-	-	-	-	-	-
-	17,745,526	7,432,485	10,312,800	-	-	-	-	-	-	-	-	-
-	12,745,526	-	-	-	-	-	-	-	-	-	-	-
-	238,382,580	95,188,417	95,848,068	18,297,298	18,694,818	794,298	8,851,844	14,002,233	3,498,376	-	-	-
-	82,649,026	187,874,405	365,861,520	29,632,746	35,820,254	12,777,875	22,771,276	56,545,852	19,877,548	127,608,157	-	-
Cumulative Yield/Interest Risk Sensitivity Gap												
-	82,649,026	187,874,405	365,861,520	29,632,746	35,820,254	12,777,875	22,771,276	56,545,852	19,877,548	127,608,157	-	-

45.5 Operational Risk

Basel II defines Operational risk as, the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational risk management policy of the Bank is duly approved by the Board. 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 Holding Company.

45.5.1 Operational Risk Disclosures – Basel II Specific

The Holding Company is among the first few banks in the industry to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on operational risk in December 2013. The Bank started calculating its capital charge for operational risk using ASA 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 were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of capital floor for calculation of capital charge under ASA was extended in line with international developments and consultations of the Basel Committee on Banking Supervision (BCBS). State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

The Holding Company'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 ORD (Operational Risk Division) 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, procedures and systems of the Bank are reviewed from the operational risk perspective and the recommendations of ORD 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. Furthermore, ORD also reviews functional specification documents (FSDs) and reviews the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems are in place and the reports are submitted to Control & Compliance Committee and Board Risk Management Committee.

45.5.2 Information Security Risk

The Holding Company 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 Information Security Division, functioning within Credit & Risk Management Group manages IT and Information security risks to bank's technology assets by developing information security baseline for IT solutions that support products and services; security solutions selection, and acquisition including vendor and/or service provider selection managed by Information Security in close coordination with ITG and procurement/control administration; monitoring of threats and vulnerabilities through Security Operations Centre (24/7); investigation of reported information security incidents; reinforcement of information 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 information security risk to the management and Board IT Committee (BITC)/Information Technology Steering Committee (ITSC)/Board.

45.5.3 Environmental Risk Unit

The Bank has integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental & Social Management System (ESMS) have been put in place.

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

- International finance corporation exclusion list;
- Applicable national laws on environment, health, safety and social issues; and
- International finance corporation performance standards.

This framework is an integral part of the credit approval process. All relevant credit proposals require review of Environmental Risk Unit prior to approval of the competent authority. The Environmental Risk Unit, part of AMD, is responsible for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

46.6.4 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 net investment in foreign operations, foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage 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 country's willingness to honour its 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 managed at head office level and country risk exposures are reported to the relevant committees at a defined frequency.

46.7 Liquidity Risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital and reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, Bank Alfalah calculates Liquidity Coverage Ratio (LCR) on a monthly basis. Based on December 31, 2020 numbers Bank's LCR is 178 or 178% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 435,827,425 million and Net Cash Outflows of PKR 244,406,851 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2020 numbers Bank Alfalah's NSFR is 136% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 850,376,458 million and Total Required Stable Funding of PKR 626,269,922 million.

The Bank manages and controls liquidity risk through a detailed risk management framework, which includes BoD approved policy, management level procedural document and Asset & Liability Committee (ALCO) level guidelines. Under this framework, various liquidity metrics are implemented and monitored on a regular basis.

At BAFL, BoD approves the Liquidity Risk Policy. Further, BoD also approves the Bank's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Bank's ALCO is primarily responsible for the implementation of BoD's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Bank's liquidity on day to day basis and is the Bank's first line of defence against liquidity risk. Under Risk Management Division, Liquidity Risk Management Unit is responsible for independent monitoring of the overall liquidity & in line with regulatory requirements and Bank's own risk appetite.

The Bank's overall funding strategy is based on the principles of diversification and stability. The Bank has a diverse funding base, which includes stable funding in the form of equity, sub-ordinated loans, retail and small business deposits and non-stable funding in form of large volume depositors. The Bank has in place internally approved limits to monitor and manage risk arising from volatile funding concentration. Moreover, the Bank is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of high quality liquidity assets in relation to its liability profile.

At BAFL, stress testing is used in an attempt to highlight the vulnerability of the Bank's balance sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. BAFL carries out the stress testing based on SBP stress tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At BAFL, Contingency Funding Plan (CFP), is implemented to address liquidity issues in times of stress / crisis situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the Bank's assets and net cash outflow is mainly determined through volatility of the Bank's liability profile. The table below showcases the composition of HQLA as of December 31, 2020.

HQLA*	Market Value	Weighted Amount
	— (Rupee in '000) —	
Level 1 Assets	430,216,755	430,216,755
Level 2A Assets	4,936,130	4,195,710
Level 2B Assets	2,879,920	1,414,960
	<u>437,982,805</u>	<u>435,827,425</u>

* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

4E7.1. Maturity of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2020

	Total	Up to 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Deposits in 000)														
Assets														
Cash and balances with monetary bodies	99,348,882	99,348,882	-	-	5,901,010	8,100,616	14,411,088	2,842,156	-	-	-	-	-	-
Balances with other banks	6,373,472	5,783,442	-	-	4,125,378	-	-	-	-	-	-	-	-	-
Lending to financial institutions	77,105,535	60	-	-	-	-	-	-	-	-	-	-	-	-
Loans to clients	540,258,553	914,519	14,122,082	29,319,653	29,319,653	38,940,139	85,816,534	47,511,089	46,244,120	1,172,100	22,799,826	22,650,150	12,191,010	16,102,086
Advances	517,317,716	2,364,642	7,207,320	6,106,654	14,413,129	48,106,077	65,283,900	44,682,365	14,973,203	12,056,938	42,423,025	33,353,571	60,010,640	95,319,275
Fixed assets	31,984,793	5,032	25,547	20,880	72,464	132,184	132,182	709,369	4,302,862	404,388	19,462,107	2,814,008	4,155,352	20,647,618
Intangible assets	1,207,734	607	4,144	4834	11,740	21,400	21,400	64,646	64,227	64,273	257,137	255,903	513,915	245,000
Other assets	45,687,578	4,150,760	5,120,526	6,887,365	17,581,365	2,085,403	2,280,100	1,151,913	15,775	842,833	1,731,080	342,980	1,121,355	271,065
	1,387,674,403	112,767,107	77,600,723	20,788,503	20,581,328	97,164,418	65,988,653	97,583,212	67,053,851	15,620,812	102,867,355	58,816,634	168,714,182	286,018,265
Liabilities														
Bills payable	22,571,122	22,571,122	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	315,154,817	1,627,415	43,779,849	7,881,141	7,881,141	24,415,170	16,703,683	11,787,651	16,031,950	54,210	20,024,251	29,587,773	47,992,964	26,570,620
Deposits and other accounts	881,750,162	714,815,519	14,738,410	5,968,169	21,078,054	18,255,588	24,481,828	21,410,476	23,521,208	35,162,782	17,261,444	3,981,633	437,288	-
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	2,100,000
Deferred tax liabilities	2,295,254	-	-	-	-	-	-	-	13,611,527	-	-	-	-	87,410
Other liabilities	66,402,549	59,508,616	4,046,106	5,050,846	13,519,973	3,318,654	4,352,078	4,412,598	17,980,721	13,981,000	1,875,843	1,644,471	41,201,291	5,965,571
	1,286,083,903	739,410,142	120,362,824	55,708,698	42,410,168	46,065,946	45,488,880	37,610,725	28,244,377	4,913,073	32,627,138	4,938,197	57,550,438	4,041,8404
Net assets														
	92,660,500	(626,643,125)	(42,553,581)	(26,920,161)	(63,402,000)	5,198,013	110,501,164	59,972,487	33,809,474	(62,503,261)	(36,580,217)	(53,807,751)	(6,163,684)	245,589,771
Share capital	17,771,651													
Reserves	27,891,022													
Unappropriated profit	36,972,971													
Surplus on realization of assets	10,528,419													
Non-controlling interests	107,437													
	92,660,500													

2020

- Report in 1000 -														
Assets														
Cash and balances with monetary bodies	110,731,019	10,073,103	-	-	800,657	-	-	-	-	-	-	-	-	-
Balance of financial bodies	4,035,851	4,305,389	-	-	107,430	-	-	-	-	-	-	-	-	-
Lending to financial bodies	71,439,825	8,320,892	688,375	2,388,545	34,300,947	14,798,387	24,120,435	2,304,295	15,119,771	23,552,019	24,535,451	15,400,854	15,400,854	-
Investments	30,000,557	2,772,050	-	-	-	-	-	-	-	-	-	-	-	-
Advances	511,297,779	1,302,756	10,391,042	7,522,530	172,500,000	40,781,539	31,578,501	50,785,456	15,802,729	13,145,247	13,377,935	15,530,449	5,120,945	75,030,489
Fixed assets	29,807,220	3,620	21,781	25,412	6,174	714,409	114,409	64,650	36,101	370,069	1,537,751	178,048	3,585,640	20,450,519
Intangible assets	126,030	576	-	472	11,402	20,955	20,955	62,868	62,868	62,868	251,472	251,056	502,945	2,500
Other assets	481,444.4	2,029,285	851,180	97,583	23,572,780	119,870	1,201,055	278,445	67,670	585,259	1,237,95	351,02	331,300	372,554
	1,157,740,439	11,007,882	13,407,548	24,885,945	24,979,074	64,853,858	13,273,268	57,895,088	34,082,184	37,825,425	4,105,446	35,077,55	18,137,425	24,000,770
Liabilities														
Deposits	17,800,000	17,800,000	-	-	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
Deposits to and from accounts	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
Deposits to and from accounts	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
Subordinated debt	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
Deferred tax liabilities	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,255	15,248,629
	10,133,573	-	248,003	7,539,440	-	-	-	-	-	-	-	-	-	-
	78,227,482	623,208,223	13,830,947	11,455,171	12,221,031	23,676,934	35,035,625	22,103,307	12,553,205	24,000,538	2,077,000	1,241,375	445,001	2,300
	11,987,000	-	-	-	-	-	10,000	-	-	10,000	40,850,000	-	-	7,000,000
	4,137,405	585,413	-	-	-	-	-	-	-	-	-	-	-	-
	50,764,255	1,388,599	3,400,350	4,070,367	9,538,015	1,820,510	1,320,510	5,501,783	9,657,770	9,652,864	1,140,737	143,747	3,354,779	7,724,388
	17,800,000	17,800,000	248,003	7,539,440	8,822,015	13,889,579	14,888,055	7,401,148	679,016	5,841,824	555,883	500,320	2,875,2	

4.5.2.2 Movement of assets and liabilities - Based on expected maturities of the assets and liabilities of the Group

Assets	2020									
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	More than 10 Years
Assets										
Cash and balances with money banks	90,348,862	64,592,123	9,400,083	1,442,670	2,825,743	5,880,919	17,000,650	3,309,297	8,407,710	10,108,360
Balances with other banks	6,373,472	6,373,472	-	-	-	-	-	-	-	-
Lending to financial institutions	77,305,535	64,830,065	9,547,734	2,847,556	-	-	-	-	-	-
Investments	549,358,563	49,892,710	1,243,691,773	47,501,088	40,416,728	227,090,826	22,659,158	62,916,000	16,439,290	5,447,627
Advances	577,307,776	160,000,725	114,489,967	44,092,285	27,031,139	42,423,105	33,363,571	60,017,640	71,724,185	23,996,040
Fixed assets	30,004,793	13,274,410	264,106	7,293,669	930,400	1,946,107	2,184,008	416,5354	9,807,044	11,407,014
Intangible assets	1,287,734	21,410	42,888	64,647	128,500	257,136	256,907	533,896	2,500	-
Other assets	45,697,678	34,387,095	514,6193	179,993	977,896	1,731,180	342,900	1,103,665	270,056	-
	1,387,674,403	380,276,280	254,794,038	98,095,934	81,388,906	74,064,273	60,507,283	132,13,441	254,001,304	50,772,950
Liabilities										
Bills payable	22,571,122	22,571,122	-	-	-	-	-	-	-	-
Entrustings	315,064,807	63,898,463	41,078,853	11,767,661	1,658,240	2,034,251	2,065,773	47,530,964	72,895,429	3,701,827
Deposits and other accounts	881,750,162	60,380,809	61,690,409	9,900,010	112,925,629	117,959,536	34,432,670	68,460,280	169,854,202	20,992,380
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	7,000,000
Deferred tax liabilities	2,226,254	-	-	-	1,383,152	-	-	-	-	874,102
Other liabilities	65,407,548	25,071,500	7,593,672	4,407,598	15,688,571	1,897,344	164,447	4,100,251	2,703,725	3,764,036
	1,295,013,803	281,862,394	110,581,904	68,881,368	13,03,693	148,860,130	39,032,914	130,973,504	186,533,366	39,889,740
Net assets	92,660,599	118,413,886	144,212,134	30,214,566	68,304,217	73,895,657	21,474,370	11,530,937	58,467,938	108,083,210

Share capital	17,771,651
Reserves	28,180,072
Unappropriated profit	36,572,971
Surplus on revaluation of assets	10,528,419
Non-controlling interest	37,437
	92,660,599

2010

	Total	Up to 1 Month	10 to 30 Days	31 to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Over 5 to 10 Years	Over 10 Years
		Months	Months	Months	Months	Months	Months	Months	Months
Assets									
Cash and balances with money banks	100,731,009	89,209,774	5,512,725	2,018,820	3,401,306	10,555	115,020	42,000	27
Balances with other banks	4,025,851	4,025,851	-	-	-	-	-	-	-
Lending to financial institutions	71,484,895	50,119,372	9,320,788	3,967,335	-	-	-	-	-
Investments	300,905,557	40,403,537	43,927,833	2,304,305	20,742,680	24,576,451	15,403,854	13,682,402	4,554,229
Advances	51,230,779	10,707,377	72,360,019	50,785,455	20,947,976	13,577,976	1,551,448	9,209,045	9,209,116
Receivables	29,109,720	12,537	2,080,938	64,600	745,176	1,537,753	1,780,486	3,556,640	8,858,793
Interest receivables	1,250,370	20,956	41,987	62,868	1,25,880	25,407	25,185	917,945	2,500
Other assets	48,144,414	44,172,588	240,076	328,445	1,351,053	1,221,705	215,102	33,350	37,654
	1,067,740,430	408,830,772	13,659,881	50,977,777	75,305,001	4,351,073	35,203,675	81,180,433	180,172,680
									338,88,307

Liabilities									
Bills payable	1,102,050	17,109,859	-	7,401,148	6,500,000	565,883	900,350	2,875,255	13,252,707
Borrowings	103,133,573	41,152,725	28,777,534	40,135,427	81,337,038	101,818,233	50,565,896	58,025,625	145,102,405
Deposits and other accounts	302,274,860	51,712,628	78,495,039	-	1,000	4,985,090	-	-	-
Securities held	11,987,000	-	1,000	-	3,400,992	-	-	-	-
Deferred tax liabilities	4,137,405	605,413	-	-	10,310,634	1,148,737	1,407,748	3,154,719	5,107,104
Other liabilities	50,764,355	18,229,312	3,620,020	5,501,789	10,620,564	108,538,053	37,904,012	64,955,680	164,907,206
	978,465,252	128,948,857	10,932,887	62,029,358	100,620,564	108,538,053	37,904,012	64,955,680	164,907,206
									84,084,805

Net assets	89,283,187	20,889,915	20,727,004	(2,051,571)	(25,315,563)	(6,186,980)	2,299,663	16,224,753	15,264,474
									(50,806,508)

Share capital	17,771,031								
Reserve	25,045,079								
Unappropriated profit	33,905,620								
Surplus on realisation of assets	1,315,517								
Minority interest	92,301								
	89,283,187								

In line with SBI BSR Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a balance sheet study of non-redeemable deposits for 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 withdrawn in order to arrive at an estimated deposit withdrawal pattern. This withdrawal pattern is then used to study the deposit and withdrawal pattern.

46.8 Derivative Risk

The Holding Company currently deals in derivative instruments namely interest rate swaps and futures with the principle view to hedge risks associated with interest rates risk.

Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bonds portfolio against interest rate swaps and futures on a periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/revisited in coordination with Treasury to align the outcomes with established risk parameters.

46.9 Trade Pricing Risk

Trade Pricing Risk – TPRD has been established under the umbrella of Risk Management Division – RMD and is responsible to ascertain commodity price of trade transactions to curb under / over invoicing on best effort basis through various reliable sources such as internet search, custom valuation ruling, newspaper, bloomberg etc.

The unit has been established as required by SBP framework for managing risk of Trade Based Money Laundering and Terrorist Financing.

47 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 3, 2021 has announced final cash dividend of Rs.2.0 per share (20%) (2019: Rs. 2.0 per share (20%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2020 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2021. The Board had earlier declared and paid an interim cash dividend of Rs. 2.0 (2019: cash dividend: Rs. 2.0) per share.

48 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 3, 2021 by the Board of Directors of the Holding Company.

49 GENERAL

49.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements, wherever necessary to facilitate comparison.

49.2 The effect of reclassification, rearrangement, restatement in the comparative information presented in the consolidated financial statement for the year ended December 31, 2020 is as follows:

Description of Item	Nature	Rs '000	From	To
Receivable from Visa, Mastercard and other switches	Asset	886,234	Other Assets - Branch adjustment account	Other Assets - Due from card issuing banks
Receivable against DGC/SSC and overseas government securities	Asset	259,983	Other Assets - Others	Other Assets - Receivable against DGC/SSC and overseas
Receivable against tradeable market securities	Asset	145,087	Other Assets - Others	Other Assets - Receivable against marketable securities
Receivable against tradeable market securities	Asset	730,033	Other Assets - Account receivable	Other Assets - Receivable against marketable securities
Payable against ATM / A/C settlement accounts	Liability	405,493	Other Assets - Branch adjustment account	Other Liabilities - A/C settlement accounts

Description of Item	Nature	Rs '000	From	To
Trade payable against sale of share	Liability	230,572	Other liabilities - Others	Other Liabilities - Payable against marketable securities
Commission on bill discounting	Income	38,198	Fee and commission income - Commission on trade	Markup income - Loans and advances
Late payment fee financing	Income	19,711	Fee and commission income - Consumer finance related fees	Fee and commission income - Credit related fees
IBFT fee reversal	Income	34,899	Fee and commission income - Card acquiring business	Fee and commission income - Branch banking customer fees
Cheque return fee	Income	890	Fee and commission income - Card related fees (debit and credit cards)	Fee and commission income - Branch banking customer fees
Online merchant commission	Income	251	Fee and commission income - Alternate Delivery Channel (ADC)	Fee and commission income - Card acquiring business
IBFT fee on remittances processing	Income	8,229	Fee and commission income - Alternate Delivery Channel (ADC)	Fee and commission income - Commission on remittances including home remittances
Loss on short sale transactions	Income	19,150	Other income	Gain on securities
Depreciation on properties acquired under debt asset swap arrangements	Expense	8,490	Administrative Expenses - Other Operating expense	Administrative Expenses - Depreciation on non-banking assets acquired in satisfaction of
Point of Sale connectivity	Expense	13,810	Administrative Expenses - Network Charges	Administrative Expenses - Communication

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Pattern of Shareholding

As at December 31, 2020

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1951	1	-	100	47,084
1839	101	-	500	523,511
1735	501	-	1000	1,270,778
4083	1001	-	5000	12,112,235
1048	5001	-	10000	7,583,923
280	10001	-	15000	3,448,741
140	15001	-	20000	2,489,130
123	20001	-	25000	2,831,889
83	25001	-	30000	2,330,415
55	30001	-	35000	1,791,124
37	35001	-	40000	1,403,422
26	40001	-	45000	1,109,106
41	45001	-	50000	1,984,444
34	50001	-	55000	1,828,974
24	55001	-	60000	1,394,119
15	60001	-	65000	930,845
16	65001	-	70000	1,083,491
13	70001	-	75000	949,642
10	75001	-	80000	775,790
10	80001	-	85000	832,029
9	85001	-	90000	790,899
3	90001	-	95000	281,274
20	95001	-	100000	1,981,263
10	100001	-	105000	1,026,411
17	105001	-	110000	1,865,750
4	110001	-	115000	451,675
4	115001	-	120000	469,961
8	120001	-	125000	983,722
6	125001	-	130000	769,689
2	130001	-	135000	267,423
14	135001	-	140000	1,927,284
5	140001	-	145000	710,727
6	145001	-	150000	890,289
4	150001	-	155000	607,812
4	155001	-	160000	635,500
3	160001	-	165000	488,875



Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
3	165001	-	170000	509,034
5	170001	-	175000	872,098
3	175001	-	180000	532,899
6	180001	-	185000	1,096,025
2	185001	-	190000	375,400
1	190001	-	195000	191,875
7	195001	-	200000	1,394,873
2	200001	-	205000	403,796
2	205001	-	210000	413,670
5	210001	-	215000	1,057,774
8	215001	-	220000	1,751,271
1	220001	-	225000	224,766
2	225001	-	230000	455,289
3	230001	-	235000	695,246
3	235001	-	240000	717,537
2	245001	-	250000	495,850
5	250001	-	255000	1,263,474
3	255001	-	260000	770,044
3	260001	-	265000	788,362
2	265001	-	270000	540,000
9	270001	-	275000	2,459,235
1	275001	-	280000	275,112
2	280001	-	285000	564,320
1	285001	-	290000	288,959
3	290001	-	295000	877,274
3	295001	-	300000	900,000
3	300001	-	305000	907,735
2	305001	-	310000	616,818
1	310001	-	315000	311,048
1	320001	-	325000	325,000
6	325001	-	330000	1,978,000
1	335001	-	340000	338,800
2	345001	-	350000	696,450
3	350001	-	355000	1,060,768
2	355001	-	360000	714,700
3	360001	-	365000	1,086,973

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
1	365001	-	370000	369,958
1	370001	-	375000	375,000
3	380001	-	385000	1,146,931
1	385001	-	390000	387,696
1	390001	-	395000	391,550
2	395001	-	400000	792,700
2	410001	-	415000	826,424
1	425001	-	430000	426,800
4	435001	-	440000	1,760,000
1	440001	-	445000	442,486
1	445001	-	450000	450,000
1	460001	-	465000	460,764
3	465001	-	470000	1,404,952
1	480001	-	485000	484,000
1	490001	-	495000	495,000
3	495001	-	500000	1,499,000
1	505001	-	510000	506,250
1	510001	-	515000	514,080
2	515001	-	520000	1,038,100
1	520001	-	525000	522,843
3	540001	-	545000	1,627,017
3	545001	-	550000	1,647,250
2	550001	-	555000	1,101,831
1	565001	-	570000	568,243
1	590001	-	595000	590,983
1	595001	-	600000	600,000
2	600001	-	605000	1,206,598
1	605001	-	610000	606,000
2	610001	-	615000	1,225,395
2	615001	-	620000	1,232,004
1	630001	-	635000	632,498
1	685001	-	690000	686,187
2	690001	-	695000	1,384,084
1	730001	-	735000	730,239
1	740001	-	745000	742,252
1	760001	-	765000	764,150

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	765001	-	770000	769,450
1	775001	-	780000	780,000
1	805001	-	810000	809,469
1	815001	-	820000	816,550
1	820001	-	825000	824,999
1	835001	-	840000	838,250
2	845001	-	850000	1,697,732
1	850001	-	855000	850,932
2	855001	-	860000	1,714,580
1	860001	-	865000	863,500
2	865001	-	870000	1,733,748
1	870001	-	875000	872,450
1	875001	-	880000	875,631
1	905001	-	910000	909,700
1	910001	-	915000	914,949
2	985001	-	990000	1,973,850
2	995001	-	1000000	2,000,000
1	1020001	-	1025000	1,023,550
1	1045001	-	1050000	1,047,750
1	1075001	-	1080000	1,077,999
1	1090001	-	1095000	1,091,605
2	1095001	-	1100000	2,200,000
1	1135001	-	1140000	1,139,613
1	1150001	-	1155000	1,151,392
1	1215001	-	1220000	1,217,879
1	1300001	-	1305000	1,303,000
1	1320001	-	1325000	1,325,000
2	1330001	-	1335000	2,663,321
2	1370001	-	1375000	2,747,800
1	1400001	-	1405000	1,401,618
3	1430001	-	1435000	4,300,834
1	1470001	-	1475000	1,475,000
3	1495001	-	1500000	4,500,000
1	1525001	-	1530000	1,530,000
1	1530001	-	1535000	1,535,000
1	1540001	-	1545000	1,543,434

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	1570001	-	1575000	1,571,343
1	1675001	-	1680000	1,675,450
1	1715001	-	1720000	1,720,000
1	1750001	-	1755000	1,754,183
1	1760001	-	1765000	1,765,000
1	1795001	-	1800000	1,800,000
1	1800001	-	1805000	1,803,888
1	1820001	-	1825000	1,822,300
1	1975001	-	1980000	1,978,850
1	2065001	-	2070000	2,066,395
1	2190001	-	2195000	2,194,000
1	2295001	-	2300000	2,300,000
1	2305001	-	2310000	2,310,000
1	2365001	-	2370000	2,369,400
1	2385001	-	2390000	2,387,820
1	2440001	-	2445000	2,443,900
1	2495001	-	2500000	2,500,000
1	2515001	-	2520000	2,519,051
1	3040001	-	3045000	3,044,150
1	3420001	-	3425000	3,424,380
1	3545001	-	3550000	3,550,000
1	3785001	-	3790000	3,787,000
2	3815001	-	3820000	7,634,353
1	3820001	-	3825000	3,822,400
2	3880001	-	3885000	7,766,505
1	4010001	-	4015000	4,012,631
1	4055001	-	4060000	4,058,500
1	4090001	-	4095000	4,093,422
1	4120001	-	4125000	4,125,000
1	4235001	-	4240000	4,236,013
1	4280001	-	4285000	4,284,981
1	4315001	-	4320000	4,318,000
1	4545001	-	4550000	4,549,500
1	4630001	-	4635000	4,634,424
1	4790001	-	4795000	4,791,994
1	4795001	-	4800000	4,800,000

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	5695001	-	5700000	5,695,500
1	6340001	-	6345000	6,342,816
1	7040001	-	7045000	7,040,488
1	7580001	-	7585000	7,583,114
1	9005001	-	9010000	9,006,562
1	10405001	-	10410000	10,407,278
1	10475001	-	10480000	10,478,050
1	10995001	-	11000000	11,000,000
1	13005001	-	13010000	13,008,399
1	13070001	-	13075000	13,073,939
1	14060001	-	14065000	14,064,500
1	14845001	-	14850000	14,850,000
1	16065001	-	16070000	16,068,314
1	18415001	-	18420000	18,415,330
1	19175001	-	19180000	19,177,387
1	20000001	-	20005000	20,001,763
1	21040001	-	21045000	21,041,084
1	33640001	-	33645000	33,643,661
1	35360001	-	35365000	35,364,941
1	40360001	-	40365000	40,363,866
1	42420001	-	42425000	42,422,788
1	58395001	-	58400000	58,399,658
1	59360001	-	59365000	59,362,875
1	60545001	-	60550000	60,548,683
1	75685001	-	75690000	75,685,854
1	76035001	-	76040000	76,039,810
1	83255001	-	83260000	83,255,882
1	84785001	-	84790000	84,785,740
2	113525001	-	113530000	227,057,562
1	131185001	-	131190000	131,189,776
1	261895001	-	261900000	261,895,095
11968				1,777,165,119

Categories of Shareholders

As at December 31, 2020

S.No.	Categories of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer their Spouse(s) and Minor Children.	278,749,676	15.69
2	Associated Companies, Undertakings and Related Parties.	827,840,649	46.58
3	NIT and ICP	6,458,123	0.36
4	Banks Development Financial Institutions, Non Banking Financial Institutions.	18,547,784	1.04
5	Insurance Companies	121,068,773	6.81
6	Modarabas and Mutual Funds	51,391,689	2.89
7	General Public		
	a) Local	164,448,782	9.25
	b) Foreign	77,826,564	4.38
	Others		
	a) Foreign Companies	87,876,053	4.94
	b) Joint Stock Companies	135,297,775	7.61
	c) Provident Funds, Pension Funds, Gratuity Funds and other entities	7,659,251	0.43
		1,777,165,119	100.00

Shareholders holding 10% or more Shares

	<u>Shareholding</u>	<u>Percentage</u>
H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman	189,589,434	10.67
M/S. International Finance Corporation	261,895,095	14.74

Sale/Purchase of Shares of the Bank

By directors/executives and their spouses and minor children during the year 2020

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)	Nature of Transaction
			Purchase	Sale		
1	Mr. Muhammad Umer Farooq Mallick	09/01/2020		15,000	Rs. 49.20	Sold
		22/01/2020		20,000	Rs. 52.48	Sold
		18/02/2020		1,000	Rs. 47.76	Sold
		18/02/2020		1,000	Rs. 47.81	Sold
		18/02/2020		3,000	Rs. 47.75	Sold
		18/02/2020	5,000		Rs. 48.00	Purchased
		19/02/2020		5,000	Rs. 49.30	Sold
		26/02/2020		4,500	Rs. 47.50	Sold
		26/02/2020		132	Rs. 46.00	Sold
		28/02/2020		5,000	Rs. 47.00	Sold
		28/02/2020	5,000		Rs. 46.99	Purchased
		27/03/2020		3,500	Rs. 30.85	Sold
		27/03/2020		1,500	Rs. 31.00	Sold
		27/03/2020	5,000		Rs. 31.10	Purchased
		06/05/2020		5,165	Rs. 29.72	Sold
		19/05/2020		5,000	Rs. 29.55	Sold
		28/05/2020		5,000	Rs. 29.40	Sold
		28/05/2020	5,000		Rs. 29.50	Purchased
		26/06/2020	5,000		Rs. 32.80	Purchased
		26/06/2020		5,000	Rs. 32.10	Sold
		09/07/2020	15,000		Rs. 34.70	Purchased
		20/07/2020	10,000		Rs. 35.98	Purchased
		27/07/2020		25,000	Rs. 37.30	Sold
		30/07/2020	5,000		Rs. 37.48	Purchased
		30/07/2020		5,000	Rs. 37.45	Sold
		05/08/2020	10,000		Rs. 37.10	Purchased
		05/08/2020		10,000	Rs. 37.30	Sold
		06/08/2020	10,000		Rs. 37.90	Purchased
		06/08/2020		10,000	Rs. 37.52	Sold
		28/08/2020	10,000		Rs. 34.85	Purchased
		28/08/2020		12,500	Rs. 34.84	Sold

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)	Nature of Transaction
			Purchase	Sale		
		01/09/2020	5,000		Rs. 36.00	Purchased
		02/09/2020		5,000	Rs. 36.00	Sold
		02/09/2020		12,500	Rs. 35.51	Sold
2	Mr. Muhammad Omer	13/01/2020		20,000	Rs. 53.75	Sold
3	Mr. Mohammad Hussain	08/01/2020		15,000	Rs. 47.32	Sold
		10/01/2020		33,000	Rs. 51.30	Sold
4	Mr. Syed Ali Sultan	13/01/2020		153,500	Rs. 54.00	Sold
		24/12/2020		73,795	Rs.35.00	Sold
		24/12/2020		5	Rs.35.00	Sold
		24/12/2020		200	Rs.35.02	Sold
		24/12/2020		400	Rs.35.05	Sold
		24/12/2020		99	Rs.35.06	Sold
		24/12/2020		19,000	Rs.35.07	Sold
		24/12/2020		34,000	Rs.35.08	Sold
		24/12/2020		50,000	Rs.35.10	Sold
		24/12/2020		49,000	Rs.35.20	Sold
5	Mr. Aasim Wajid Jawad	21/01/2020		10,000	Rs. 53.00	Sold
		03/11/2020		5,000	Rs. 33.15	Sold
		27/11/2020		10,000	Rs. 35.00	Sold
6	Syed Talal Ali Raza	13/02/2020		5,000	Rs. 50.00	Sold
		13/02/2020	5,000		Rs. 50.13	Purchased
7	Mr. Wasim Akhter	29/09/2020		3,000	Rs. 34.95	Sold

As required under Rule Book of Pakistan Stock Exchange Limited, the threshold for Executives, set by the Board of Directors of the Bank 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 the Bank working in salary Range VIII and IX.

Bank Alfalah Limited

NOTICE OF THE 29TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 29th Annual General Meeting ('AGM') of Bank Alfalah Limited ('the Bank') will be held on Tuesday, March 9, 2021 at 10:00 AM through electronic means/weblinks to transact the following business:

Ordinary Business:

1. To confirm Minutes of the Annual General Meeting held on 27th March 2020.
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended 31st December, 2020 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 Note No. 39 of the Annual Accounts, in compliance with SBP Prudential Regulations.
3. To approve as recommended by the Board of Directors, payment of Final cash dividend at the rate of Rs. 2/- per share i.e. 20% for the year ended 31st December 2020. This is in addition to the Interim Cash Dividend already paid by the Bank at the rate of Rs. 2/- per share i.e. 20%.
4. To appoint Auditors of the Bank for the year 2021 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

Karachi

Dated: 16th February 2021

By Order of the Board

MUHAMMAD AKRAM SAWLEH
Company Secretary

NOTES:

1. Closure of Share Transfer Books

The Share Transfer Books of the Bank will be closed from March 6, 2021 to March 9, 2021 (both days inclusive). Transfers received at the office of the Share Registrar of the Bank, M/s. F. D. Registrar Services (Pvt.) Limited, Room No. 1705, 17th Floor, Saima Trade Tower 'A', I. I. Chundrigar Road, Karachi-74000 Phone: (92-21) 32271905-6 and (92-21) 32213243 Fax: (92-21) 32621233 before the close of business on March 5, 2021 will be treated in time for the purpose of above entitlements and attending meeting by the transferees.

2. Participation in AGM through electronic means:

In view of the prevailing situation of Pandemic Covid-19, particularly in the wake of its second wave and concerning the well-being of the participants of the AGM, this General Meeting is being conducted as per guidelines circulated by SECP vide its Circular No. 5 of 2020 dated 17th March, 2020. Accordingly, the following arrangements have been made by the Bank to facilitate the participation of the shareholders in the 29th AGM through online platform/facility, either in-person or through appointed proxies:

The shareholders are requested to please provide below information at our Email: cossec@bankalfalah.com, at least 24 hours before the time of AGM i.e. latest by 10:00 am on 08th March, 2021.

Folio/CDC Account No.	Name	CNIC No.	Cell No.	Email address

Upon receipt of the above information from shareholders, the Bank will send login details to their email address, which will enable them to join the said AGM through web/internet on Tuesday, 9th March, 2021 at 10:00 am.

3. Members' Right to Appoint Proxy

Members may exercise their right to vote as per provisions of the Companies Act, 2017 and the Companies (Postal Ballot) Regulations, 2018. 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.

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 Office of Share Registrar of the Bank, F. D. Registrar Services (Pvt.) Limited, not less than 48 hours before the time of the Meeting.

In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participant's ID 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).

4. Change of address and/or email address

Shareholders having physical scrip of shares are requested to promptly notify change in their postal address and/or email address, if any, to our Share Registrar, in writing, whereas CDC account holders are requested to contact their CDC Participant/CDC Investor Account Services.

5. Mandatory submission of CNIC

The shareholders are informed that SECP vide its letter No. EMD/233/655/2004/2106 dated 20th April, 2016, has allowed the Bank to withhold all future cash dividends of those shareholders, who have not provided a copy of their valid Computerised National Identity Card (CNIC) to the Bank. In view of this, those shareholders are once again requested to submit a valid copy of CNIC to our Share Registrar at their address mentioned under Note No. 1.

A list of such shareholders, updated from time to time, who have not yet provided copies of their valid CNICs is available on the Bank's website, www.bankalfalah.com.

6. Payment of Cash Dividend Electronically (e-Dividend)/Dividend Mandate

In accordance with the Companies (Distribution of Dividends) Regulations, 2017, those shareholders who have not yet provided their dividend mandate/bank account details are requested to provide the same including IBAN to their respective Participants/Brokers (if shares are held electronically) or to the Share Registrar (if shares are held in physical form) for credit of cash dividends directly into their designated bank accounts through electronic modes.

The required dividend mandate information must include 1) IBAN; 2) Title of Bank Account; 3) Bank Account No.; 4) Bank Code and Branch Code; 5) Bank Name, Branch Name and Address; 6) Cell Number; 7) CNIC Number; and 8) Email Address. Further note that, as per provisions of the Companies (Distribution of Dividends) Regulations, 2017, the Bank is required to withhold cash dividend payment of those shareholders whose dividend mandate information and/or CNIC detail is not available at the time of payment of cash dividend.

7. 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 the Bank's Share Registrar.

8. Video Conference Facility for Attending General Meetings

According to the provisions of the Companies Act, 2017, members holding in aggregate 10% or more shareholding in the paid up capital of the Bank, residing in a city, may avail video conference facility to attend the meeting.

The members should provide their consent as per the following format and submit to the registered address of the Bank, 7 days before holding of AGM.

<p style="text-align: center;"><u>Consent Form for Video Conference Facility</u></p> <p>"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).</p> <p style="text-align: right;">_____ Signature of member</p>
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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 7 days prior to date of the meeting, the Bank will arrange video conference facility in that city to such shareholders.

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.

9. Un-claimed Dividends / Shares

The shareholders are hereby informed that in accordance with Section 244 of the Companies Act, 2017 and the Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are undelivered/unclaimed for a period of three (3) years or more from the date it is due and payable. The notices to this fact have already been dispatched to the relevant shareholders.

Shareholders who have not yet collected/received their dividends/shares are advised to contact our Share Registrar for details.

10. Withholding Tax on dividends

Shareholders are informed that the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as (a) 15% for filers of income tax returns and (b) 30% for non-filers of income tax returns.

Those shareholders, whose name will not be appeared (at the time of issuance/process of dividend) in the Active Tax Payers List of filers, as updated by the Federal Board of Revenue at its website, will be subject to 30% withholding tax deduction on the dividend income.

The corporate shareholders having CDC accounts are requested to provide their National Tax Numbers (NTNs) to their respective CDC Participants/CDC Account Services, whereas corporate shareholders having shares in physical form should send a copy of their NTN certificate to the Bank's Share Registrar.

11. Tax in case of Joint Shareholders

The Federal Board of Revenue has clarified that where the shares are held in joint accounts/names, each account/joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding proportion. If the share proportion (of joint holders) is not determined then each account/joint holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

In view of the above, shareholders are requested to provide, if not provided earlier, shareholding proportion of each joint shareholder(s) to the Banks's Share Registrar latest by 3rd March 2021 in the following manner:

Folio / CDC A/c No.	Name of Shareholders (Joint Holders)	# of shares (proportion)	CNIC No. (valid copy attached)	Signature
	1)			
	2)			
	3)			
	4)			
	Total Shares			

Glossary and Definition of Terms

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.

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 chief executives with the provision that all other liability

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 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
HRLG	Human Resource and Learning Group

BANK ALFALAH LIMITED

FORM OF PROXY

Folio/CDC Account No.

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 29th Annual General Meeting of the Bank to be held on 9th March, 2021 at 10:00 am and at any adjournment thereof.

Signed under my/our hand this _____ day of _____ 2021.

(Member's signature on Rs. 5/- Revenue Stamp)

Signed in the presence of:

Signature of Witness
Name: _____
CNIC/Passport No. _____
Address: _____

Signature of Witness
Name: _____
CNIC/Passport No. _____
Address: _____

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 (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 along with 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 مسمیٰ/مسماء _____ فولیو/سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____

ضلع _____ بحیثیت ممبر بینک الفلاح لمیٹڈ مسمیٰ/مسماء _____

فولیو/سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____ یا ان کی غیر حاضری کی صورت میں مسمیٰ/مسماء _____

_____ فولیو/سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____

کو بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 29 ویں سالانہ اجلاس عام جو بتاریخ 9 مارچ 2021 بروز منگل کو صبح 10:00 بجے منعقد ہو رہا ہے، میں اور اس کے کسی ملتی شدہ اجلاس میں ووٹ ڈالے۔

بتاریخ _____ 2021 کو گواہان کی موجودگی میں دستخط کئے۔

گواہ (وٹنس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

گواہ (وٹنس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

(ممبر/رکن کے دستخط)
5 روپے کی رسیدی ٹکٹ پر

اہم نکات

- ایسا ممبر جو میٹنگ میں شمولیت اوووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر کو اپنے/اپنی پراکسی کے طور پر میٹنگ میں شمولیت اور ووٹ دینے کے لیے نامزد کر سکتا ہے۔ علاوہ ازیں، کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔
- ہر لحاظ سے مکمل پراکسی فارم اور پاور آف اٹارنی یا کوئی اور متعلقہ اتھارٹی جس کے تحت اس فارم کو مکمل کیا گیا ہو، لازمی طور پر بینک کے شیئر رجسٹرار ایف ڈی رجسٹرار سروسز پرائیویٹ لمیٹڈ کے دفتر واقع، آفس نمبر 1705، سترہویں منزل، صائمہ ٹریڈ ٹاور اے، آئی آئی چندریگر روڈ، کراچی پر میٹنگ سے 48 گھنٹے قبل جمع کروادیا جائے۔
- سی ڈی سی اکاؤنٹ ہولڈر فرد کے لیے ضروری ہے کہ وہ ممبر کی تصدیق شدہ شناختی کارڈ کی کاپی بمع سی ڈی سی اکاؤنٹ کی تفصیل شیئر رجسٹرار کو جمع کروائے۔ جبکہ پراکسی کامیٹنگ کے وقت اصل شناختی کارڈ مہیا کرنا ضروری ہے۔



Bank Alfalah

Bank Alfalah Limited

B. A. Building, I. I. Chundrigar Road

Karachi, Pakistan.

111 777 786

bankalfalah.com



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