

RESILIENT IN CHALLENGING TIMES

THE DIGITAL WAY FORWARD
ANNUAL REPORT 2020



Bank Alfalah
The Way Forward

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

Efstathios 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



Bank's complete annual report is available at:

<https://www.bankalfalah.com/financial-reports/>

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

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.e.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، لیکونڈیٹی 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، سکیور 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، ریمونڈیشن اینڈ نوٹیشن کمیٹی

۷. بورڈ انفارمیشن ٹیکنالوجی کمیٹی

۷۱. بورڈ کمپننیشن 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 تھمیںہ 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 ریمونڈیشن 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 میٹنگز 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 آپریشنل 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 ناپہندہ 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 منسلک 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 ریویونیو 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 ہوئی۔ 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۔

بونس 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 از 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 سرٹیفیکٹس (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 جاتے ہیں، جن میں 3 سال یا زائد عرصے کی میچورٹی کے انفرادی انٹرمیڈیٹ 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 کیپیٹل لائڈ 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 بندیوں 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 مقابلتاً 8.6% تھا۔

بینکنگ سیکٹر کا آؤٹ لک

اسٹیٹ بینک آف پاکستان کی طرف سے اٹھائے 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 انٹرنل 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 قابل بحث رہی۔ وبائی مرض کے نتیجے میں لاک ڈاؤنز اور احتیاطی تدابیروں 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 ٹرانزلزے 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 فنانس 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 سی 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 اقتتاح۔ علاقائی اتحادوں کی تشکیل نو کے ساتھ، ایف اے ٹی ایف کی گئے 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، سیکٹرز 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۔

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	How the matter was addressed in our audit
<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, 1962 and the Companies Act, 2017 (XIX 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, 1962 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 Omer 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
----- (Rupees in '000) -----			
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
		1,384,873,549	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		<u>91,017,319</u>	<u>88,027,576</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	10,508,837	11,367,004
Unappropriated profit		35,056,809	32,842,902
		<u>91,017,319</u>	<u>88,027,576</u>
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 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 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				Revenue Reserves	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	4,695,600	5,051,449	13,273,115	30,590	43,730	7,339,220	27,469,542	75,646,875
Profit after taxation	-	-	-	-	-	-	-	12,695,517	12,695,517
Other comprehensive income - net of tax	-	-	1,720,854	-	-	4,001,228	83,991	62,104	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	-	-	-	-	-	-	(101,165)	101,165	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,201)	-	-	-	(5,201)
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, 2018 - 15%	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)
Interim cash dividend for the half year ended June 30, 2019 - 20%	-	-	-	-	-	-	-	(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	4,731,049	6,772,303	14,542,667	-	4,044,958	7,322,046	32,842,902	88,027,576
Profit after taxation	-	-	-	-	-	-	-	10,474,910	10,474,910
Other comprehensive income - net of tax	-	-	586,512	-	-	(781,967)	31,354	(212,406)	(376,507)
Transfer to statutory reserve	-	-	-	1,047,491	-	-	-	(1,047,491)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(107,554)	107,554	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2019 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Interim cash dividend for the nine months period ended September 30, 2020 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at December 31, 2020	17,771,651	4,731,049	7,358,815	15,590,158	-	3,262,991	7,245,846	35,056,809	91,017,319

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



Bank Alfalah

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Unconsolidated Cash Flow Statement

For the year ended December 31, 2020

	Note	2020	2019
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		17,878,322	22,381,841
Dividend income		(403,276)	(338,989)
		<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	3,028,585
Unrealised loss on revaluation of investments classified as held for trading - net		(91,188)	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>13,871,836</u>	<u>8,683,350</u>
		<u>31,346,882</u>	<u>30,726,202</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(22,017,279)	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	(18,819,166)
Borrowings		211,524,143	(20,887,515)
Deposits		99,482,886	79,388,916
Other liabilities (excluding current taxation)		1,715,862	(10,409,393)
		<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		(170,884)	(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)	(2,275,693)
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>
		<u>(16,599,697)</u>	<u>34,553,336</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		136,581,016	104,341,676
Effects of exchange rate changes on cash and cash equivalents		(1,526,284)	(3,840,280)
		<u>135,054,732</u>	<u>100,501,396</u>
Cash and cash equivalents at end of the year	34	<u>118,455,035</u>	<u>135,054,732</u>

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

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 of 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 (IIFS). 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 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 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 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

- 2.3.1** 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 Murabaha, 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 financings is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP 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'.

4.5 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 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.

4.5.3 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 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.

4.5.4.1 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 Modaraba.

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

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

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

Rab-ul-Maal (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.

4.9 Foreign currencies

4.9.1 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.

4.9.2 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 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 & SMME portfolio (including EOBI, 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
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. 3,465.118 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
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>
		77,305,535	71,444,713
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).

7.4 Particulars of lending - gross

In local currency	66,041,011	62,722,732
In foreign currencies	11,264,524	8,721,981
	<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

Note

8.1 Investments by type:

	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								
Market Treasury Bills	56,821,307	-	(9,388)	56,811,919	20,533,478	-	(14,058)	20,519,420
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	449,778	-	4,858	454,636
Foreign Securities								
Overseas Bonds - Sovereign	6,142,136	-	56,800	6,198,936	915,694	-	2,043	917,737
	70,951,341	-	91,188	71,042,529	27,047,001	-	(19,952)	27,027,049
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	145,099,588	-	102,559	145,202,147	72,573,764	-	(14,777)	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 Sukus	24,322,881	-	(439)	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	3,390,701	(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	(59,661)	-	1,141,624	1,151,285	(59,661)	-	1,091,624
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	1,596,910	(452,530)	(11,209)	1,133,171	1,753,977	(409,577)	(22,887)	1,321,513
Sukus	18,250,653	(96,511)	113,865	18,268,007	4,817,886	(96,510)	170,457	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	-	330,542	19,740,015
Redeemable Participating Certificates	2,904,675	-	-	2,904,675	2,727,165	-	-	2,727,165
	420,208,229	(1,166,034)	6,576,932	425,619,127	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	25,968,179	-	-	25,968,179
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
Sukus	1,136,216	(94,545)	-	1,041,671	1,255,831	(120,898)	-	1,134,933
Foreign Securities								
Overseas Bonds - Sovereign	19,629,502	-	-	19,629,502	13,901,861	-	-	13,901,861
Overseas Bonds - Others	798,356	-	-	798,356	771,808	-	-	771,808
	49,182,170	(119,225)	-	49,062,945	49,828,311	(645,164)	-	49,183,147
Associates	8.1.2	1,177,606	-	1,177,606	1,177,606	-	-	1,177,606
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	541,819,346	(1,397,534)	6,668,120	547,089,932	295,102,514	(2,445,435)	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 unconsolidated financial statements.

8.1.2 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

8.2 Investments by segments:

Federal Government Securities:

	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)								
Market Treasury Bills	201,920,895	-	93,171	202,014,066	93,107,242	-	(28,835)	93,078,407
Pakistan Investment Bonds	214,520,725	-	2,411,504	216,932,229	123,348,260	-	3,207,322	126,555,582
Government of Pakistan Euro Bonds	1,956,045	-	147,772	2,103,817	1,925,652	-	40,577	1,966,229
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Government of Pakistan Sukuks	24,322,881	-	(439)	24,322,442	4,212,347	-	86,367	4,298,714
Naya Pakistan Certificates	466,435	-	-	466,435	-	-	-	-
	450,403,347	-	2,652,008	453,055,355	229,809,867	-	3,305,431	233,115,298

Shares:

Listed Companies	3,977,265	(532,332)	2,327,186	5,772,119	6,164,460	(1,138,120)	2,511,299	7,537,639
Unlisted Companies	1,226,285	(84,661)	-	1,141,624	1,176,285	(84,661)	-	1,091,624
	5,203,550	(616,993)	2,327,186	6,913,743	7,340,745	(1,222,781)	2,511,299	8,629,263

Non Government Debt Securities

Listed	15,163,010	(1,785)	21,381	15,182,606	651,745	(1,785)	12,091	662,051
Unlisted	6,218,782	(666,481)	81,275	5,633,576	7,890,215	(1,149,466)	135,479	6,876,228
	21,381,792	(668,266)	102,656	20,816,182	8,541,960	(1,151,251)	147,570	7,538,279

Foreign Securities

Government securities	42,323,709	-	870,015	43,193,724	25,023,890	-	146,194	25,170,084
Non Government Debt securities	21,029,342	-	716,255	21,745,597	22,908,446	-	330,542	23,238,988
	63,353,051	-	1,586,270	64,939,321	47,932,336	-	476,736	48,409,072

Associates

Alfalsh Insurance Company Limited	68,990	-	-	68,990	68,990	-	-	68,990
Sapphire Wind Power Company Limited	978,123	-	-	978,123	978,123	-	-	978,123
Alfalsh GHP Investment Management Limited	130,493	-	-	130,493	130,493	-	-	130,493
	1,177,606	-	-	1,177,606	1,177,606	-	-	1,177,606

Subsidiaries

Alfalsh Securities (Private) Limited	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

	541,819,346	(1,397,534)	6,668,120	547,089,932	295,102,514	(2,445,435)	6,441,036	299,098,115
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8.2.1 Investments given as collateral

	2020	2019
	(Rupees in '000)	
Market Treasury Bills	99,091,373	10,243,269
Pakistan Investment Bonds	82,733,120	10,841,800
Overseas Bonds	-	4,630,519
Sukus	-	4,641,103
	181,824,493	30,356,691

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	2,445,435	1,423,999
Exchange and other adjustments	495	3,548
Charge / reversals		
Charge for the year	1,042,001	1,589,125
Reversals for the year	(26,352)	(49,130)
Reversal on disposals	(1,564,459)	(522,107)
	(548,810)	1,017,888
Written off	(499,586)	-
Closing Balance	1,397,534	2,445,435

8.3.2 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, the bank during the year has written off Rs. 499.586 million in respect Term Finance Certificate 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	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:

8.4.1	Federal Government Securities - Government guaranteed	Note	2020	2019
			Cost ----- (Rupees in '000) -----	
	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.

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	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	5,605,847
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
	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

		2020	2019
		Cost	
		----- (Rupees in '000) -----	
8.4.3	Non Government Debt Securities		
8.4.3.1	Listed		
	<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	2,376,563	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 Chile	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

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>

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 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>

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>13,901,861</u>	

8.5.3.2 Non Government Debt Securities

Unlisted

2020 2019
Cost
----- (Rupees in '000) -----

- BBB+, BBB, BBB-	798,356	771,808
	<u>798,356</u>	<u>771,808</u>

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

	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	20,686,613	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		14,657,070	17,203,494	1,109,786	198,336	15,766,856	17,401,830
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	-	-	(18,317,255)	(17,740,415)	(18,317,255)	(17,740,415)
- General	9.5	(5,266,170)	(994,583)	-	-	(5,266,170)	(994,583)
		(5,266,170)	(994,583)	(18,317,255)	(17,740,415)	(23,583,425)	(18,734,998)
Advances - net of provision		569,773,622	506,559,136	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	3,347,400
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 charges 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 BPRD/BRD/Citi/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 SBP'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 2039).

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	559,355,778	490,264,805
In foreign currencies	41,543,594	39,706,142
	600,899,372	529,970,947

9.4 Advances include Rs. 25,859.580 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	579,152
Doubtful	7,895,994	3,332,683	1,918,480	947,661
Loss	13,769,638	13,656,009	15,868,239	15,777,510
	25,307,278	17,876,232	21,881,659	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

Note	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	5,939,978	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	2,039,062	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)	(17,041)	-	(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	18,317,255	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	16,774,351	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. 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 to 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 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.

	Note	2020	2019
		----- (Rupees in '000) -----	
9.6 PARTICULARS OF WRITE OFFS:			
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	3,107,852	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. 2,784.442 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 LOAN 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 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.

	Note	2020	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	<u>9,542,580</u>	<u>9,187,267</u>
		<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	295,383
Others		<u>30,339</u>	<u>19,524</u>
		<u>748,769</u>	<u>643,413</u>

10.2 Property and Equipment

2020								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total
----- (Rupees in '000) -----								

At January 1, 2020

Cost / Revalued amount	6,151,946	3,086,200	1,655,333	3,174,993	5,881,693	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>1,859,815</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	1,859,815	353,610	3,020,685	94,277	19,256,348
Additions	27,665	-	34,527	56,499	271,318	153,087	2,365,353	115,076	3,023,525
Disposals	-	-	-	(13,927)	(8,552)	(1,043)	(11,913)	(15,581)	(51,016)
Depreciation charge	-	-	(61,085)	(100,785)	(334,829)	(96,633)	(1,258,061)	(53,738)	(1,905,131)
Exchange rate adjustments	-	-	-	-	542	347	2,233	1,550	4,672
Other adjustments / transfers	-	-	355,735	-	(149)	90	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	3,216,835	6,179,542	2,239,241	15,213,237	377,753	38,544,361
Accumulated depreciation	-	-	(114,757)	(193,241)	(4,391,397)	(1,829,783)	(11,094,127)	(236,169)	(17,859,474)
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 fixture	Office equipment	Vehicles	Total
------(Rupees in '000)-----								

At January 1, 2019

Cost / Revalued amount	6,150,446	3,278,701	1,440,029	3,038,083	5,272,656	1,996,822	11,520,228	349,844	33,046,809
Accumulated depreciation	-	-	-	-	(3,695,795)	(1,654,117)	(9,361,666)	(238,355)	(14,949,933)
Net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	342,705	2,158,562	111,489	18,096,876

Year ended December 2019

Opening net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	342,705	2,158,562	111,489	18,096,876
Additions	-	-	215,304	141,288	591,629	100,953	1,922,612	39,135	3,010,921
Disposals	(61,950)	(192,501)	-	(2,700)	(646)	(750)	(13,589)	(8,024)	(280,160)
Depreciation charge	-	-	(39,725)	(83,576)	(291,695)	(94,039)	(1,056,370)	(50,453)	(1,615,858)
Exchange rate adjustments	-	-	-	-	810	4,855	8,930	2,130	16,725
Other adjustment / transfer	63,450	-	(7,600)	(11,288)	(17,144)	(114)	540	-	27,844
Closing net book value	6,151,946	3,086,200	1,608,008	3,081,807	1,859,815	353,610	3,020,685	94,277	19,256,348

At December 31, 2019

Cost / Revalued amount	6,151,946	3,086,200	1,655,333	3,174,993	5,881,693	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	6,151,946	3,086,200	1,608,008	3,081,807	1,859,815	353,610	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 Akbani & Javed Associates, M/s Harvester Service (Private) Limited and M/s Hamid Mukhtar & 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	1,291,138	3,086,200	1,291,148	3,086,200
Buildings on freehold land	1,472,210	1,937,185	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).

	Note	2020	2019
		------(Rupees in '000)-----	
10.2.3 Carrying amount of idle and held for sale properties.	10.2.3.1	-	42,000

- 10.2.3.1** During the year, properties having book value of Rs. 355.735 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 Annexure III to these unconsolidated financial statements.

	Note	2020 ----(Rupees in '000)----	2019
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		<u>9,187,267</u>	<u>9,399,241</u>
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		<u>9,542,580</u>	<u>9,187,267</u>
At December 31			
Cost / Revalued amount		13,367,701	10,973,872
Accumulated depreciation		(3,825,121)	(1,786,605)
Net book value		<u>9,542,580</u>	<u>9,187,267</u>
Rate of depreciation (percentage)		<u>5% - 100%</u>	<u>5% - 100%</u>
11 INTANGIBLE ASSETS			
Capital work-in-progress / Advance payment to suppliers		268,225	253,483
Software	11.1	<u>1,016,314</u>	<u>1,003,878</u>
		<u>1,284,539</u>	<u>1,257,361</u>
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		<u>1,003,878</u>	<u>1,102,615</u>
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		<u>1,016,314</u>	<u>1,003,878</u>
At December 31			
Cost		4,593,888	4,140,395
Accumulated amortisation and impairment		(3,577,575)	(3,136,517)
Net book value		<u>1,016,313</u>	<u>1,003,878</u>
Rate of amortisation (percentage)		<u>20%</u>	<u>20%</u>
Useful life		<u>5 years</u>	<u>5 years</u>
11.2	Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 2,420.016 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
			<u>45,472,539</u>	<u>47,743,433</u>
	Less: Provision held against other assets	12.3	<u>(258,857)</u>	<u>(230,236)</u>
	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
			<u>45,318,864</u>	<u>47,755,956</u>
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 Bank have been revalued by independent professional valuers as at December 31, 2020. The revaluation was carried out by M/s. Josheph 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		<u>(2,506)</u>	<u>(9,278)</u>
	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		173,070	7,350
	- Impairment / Depreciation		<u>(3,790)</u>	<u>(7,350)</u>
			169,280	-
	Gain/Loss		<u>19,510</u>	<u>7,350</u>

- 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
		199,471,683	54,899,200

Repurchase agreement borrowings	14.8	42,126,121	16,064,786
Bai Muajjal	14.9	35,250,474	19,192,374
Pre IPO Subscription against Medium Term Note	14.10	9,000,000	-
Total secured		<u>285,848,278</u>	<u>90,156,360</u>

Unsecured

Call borrowings	14.11	14,032,513	10,126,463
Overdrawn nostro accounts	14.12	1,532,864	939,151
Bai Muajjal	14.13	8,766,071	-
Others			
- Pakistan Mortgage Refinance Company	14.14	1,388,140	494,646
- Karandaz Risk Participation	14.15	650,087	502,375
- Other financial institutions	14.16	2,742,233	623,335
Total unsecured		<u>29,111,908</u>	<u>12,685,970</u>
		<u>314,960,186</u>	<u>102,842,330</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 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 book 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 6.85% 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 Karandaaz 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	318,869,466	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	578,883,567	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
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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	295,877,710	283,879,917
	<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).

		2020	2019
		----- (Rupees in '000) -----	
16	SUBORDINATED DEBT		
16.1	Term Finance Certificates V - Quoted, Unsecured	-	4,987,000
<p>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.</p>			
16.2	Term Finance Certificates - Additional Tier-I (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 earning 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.		
		<u>7,000,000</u>	<u>11,987,000</u>

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 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) -----			
(682,296)	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
(6,983)	38,899	-	31,916
2,261,346	-	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	(18,402)	(11,752)	1,299,030
(2,882)	-	2,264,228	2,261,346
1,284,793	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	295,257
	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

	2020 ------(Rupees in '000)-----	2019 ------(Rupees in '000)-----
18.1 Provision against off-balance sheet obligations		
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: 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 ------(Rupees in '000)-----	2019 ------(Rupees in '000)-----
18.2 Lease liabilities		
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 ------(Number of shares)-----		2020 ------(Rupees in '000)-----	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 ------(Number of shares)-----		2020 ------(Rupees in '000)-----	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.

	Note	2020 ------(Rupees in '000)-----	2019 ------(Rupees in '000)-----
20 SURPLUS ON REVALUATION OF ASSETS			
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

2020 **2019**
-----**(Rupees 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)	(17,604)
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)	(17,604)
	1,277,421	1,263,070

7,141,899	7,115,247
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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	105,182	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	(5)	(798)
	1,235	35,960

103,947	206,799
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		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
			69,451,917	63,456,341
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
			184,793,857	305,449,119
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
			12,239,653	4,392,826
21.2.3	Commitments in respect of derivatives (Interest Rate Swaps)			
22.2.3.1	Interest Rate Swaps			
	Purchase		18,317,022	17,745,535
	Sale		-	-
			18,317,022	17,745,535

21.2.4 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines and other commitments to lend	21.2.4.1	32,818,826	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
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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.

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	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) -----						
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)

22.2 Maturity Analysis

Remaining Maturity	2020				
	----- (Rupees in '000) -----				
	No. of Contracts	Notional 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 Years	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	357,091	-	(357,091)
5 to 10 years	8	5,434,370	421,219	-	(421,219)
Total	31	18,317,022	921,919	-	(921,919)

Remaining Maturity	2019				
	----- (Rupees in '000) -----				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
3 to 6 months	2	1,548,476	743	1,169	426
6 months to 1 Year	4	1,780,747	5,523	1,303	(4,220)
1 to 2 Years	5	3,561,495	14,733	7,780	(6,953)
2 to 3 Years	10	4,800,276	54,741	22,361	(32,380)
3 to 5 Years	9	6,054,541	5,669	34,388	28,719
Total	30	17,745,535	81,409	67,001	(14,408)

22.3 The Risk management policy related to derivatives is discussed in note 45.8

	Note	2020 ------(Rupees in '000)-----	2019
23 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		49,231,083	58,554,745
b) Investments		37,990,320	21,187,154
c) Lendings to financial institutions		3,751,139	5,639,126
d) Balances with banks		59,627	50,543
e) On securities purchased under resale agreements / Bai Muajjal		1,583,721	7,087,485
		<u>92,615,890</u>	<u>92,519,053</u>
24 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	2,257,269
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		1,322,183	1,226,672
g) Reward points		97,437	126,105
		<u>47,911,316</u>	<u>47,623,373</u>
25 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		214,547	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		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
Others		79,916	181,574
		<u>6,559,300</u>	<u>6,996,147</u>
26 GAIN ON SECURITIES			
Realised gain	26.1	2,193,692	84,742
Unrealised gain / (loss) - held for trading	8.1	91,188	(19,952)
		<u>2,284,880</u>	<u>64,790</u>
26.1 Realised gain on:			
Federal Government Securities		2,875,349	365,944
Shares		(585,163)	(331,264)
Non Government Debt Securities		(122,397)	-
Foreign Securities		25,903	50,062
		<u>2,193,692</u>	<u>84,742</u>
27 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>
27.1 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>

	Note	2020 ----- (Rupees in '000) -----	2019
28 OPERATING EXPENSES			
Total compensation expense	28.1	14,519,188	12,830,796
Property expense			
Rent and taxes		137,619	249,914
Utilities cost		1,120,325	1,051,429
Security (including guards)		779,850	640,692
Repair and maintenance (including janitorial charges)		672,580	497,757
Depreciation on right-of-use assets	10.3	2,038,516	1,786,605
Depreciation on non-banking assets acquired in satisfaction of claims		8,853	8,490
Depreciation on owned assets	10.2	496,698	414,997
		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 Shariah Board	39.3	8,990	7,800
Legal and professional charges		461,956	287,896
Outsourced services costs	28.2	850,506	993,012
Travelling and conveyance		425,030	564,594
Clearing and custodian charges		86,220	81,503
Depreciation	10.2	935,147	839,769
Training and development		61,981	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	231,035
Repairs and maintenance		518,359	450,093
Insurance		1,042,731	889,221
Cash handling charges		719,447	511,387
CNIC verification		122,147	138,729
Others		599,158	524,233
		8,486,116	8,799,483
		<u>31,442,922</u>	<u>29,065,738</u>
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	106,243
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
Severance Allowance		197,627	21,410
Grand Total		<u>14,519,188</u>	<u>12,830,796</u>
		----- No of persons -----	
Sign- on Bonus		5	32
Severance Allowance		6	7

28.2 Total cost for the year included 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	2019
	----- (Rupees in '000) -----	
Association for Children with Emotional and Learning Problems	2,165	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 Polio Plus Trust	900	-
Patients Aid Foundation for Emergency COVID Fund	1,500	-
Parents Voice Association (Ujala)	280	-
Prime Minister's Ehsaas Emergency Rashan 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	3,640	-
	<u>19,731</u>	<u>11,426</u>

28.3.1 None of the directors, sponsor shareholders, key management personnel or their spouses have any direct interest in the Donees.

28.4 Auditors' remuneration

	2020			2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----					
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
	<u>26,631</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	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	1,285
		<u>94,491</u>	<u>269,203</u>
31 PROVISIONS & WRITE OFFS - NET			
Reversal against lending to financial institutions		(10,466)	(10,638)
(Reversal) / provisions for diminution in value of investments	8.3.1	(548,810)	1,017,888
Provisions against loans & advances	9.5	8,171,550	2,133,512
Provisions against other assets	12.3.1	32,190	17,568
(Reversal) / provisions against off-balance sheet obligations	18.1	(5,731)	39,686
Other provisions / operational loss - net		110,277	110,300
Recovery of written off / charged off bad debts		(159,741)	(279,731)
		<u>7,589,269</u>	<u>3,028,585</u>

	Note	2020 ------(Rupees in '000)-----	2019
32 TAXATION			
Current		9,581,757	9,846,370
Prior years		(46,772)	555,908
Deferred		(2,131,573)	(715,954)
	32.1	<u>7,403,412</u>	<u>9,686,324</u>
32.1 Relationship between tax expense and accounting profit			
Accounting Profit before taxation		<u>17,878,322</u>	<u>22,381,841</u>
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	89,830
- adjustment of prior years		-	603,587
- Super tax		969,087	995,030
- others		98,412	69,836
Tax expense for the year		<u>7,403,412</u>	<u>9,686,324</u>
32.2 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 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 Leasehold 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. 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.			
b) 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.			
33 BASIC AND DILUTED EARNINGS PER SHARE		2020 ------(Rupees in '000)-----	2019
Profit for the year		<u>10,474,910</u>	<u>12,695,517</u>
		----	----
		------(Number of shares in '000)----	
Weighted average number of ordinary shares		<u>1,777,165</u>	<u>1,776,205</u>
		-----	-----
		-----Rupees-----	
Basic and diluted earnings per share		<u>5.89</u>	<u>7.15</u>
33.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.			
	Note	2020 ------(Rupees in '000)-----	2019
34 CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks	5	99,348,197	100,731,873
Balance with other banks	6	6,234,299	4,709,968
Call / clean money lendings		14,405,403	30,552,042
Overdrawn nostro accounts	14.12	<u>(1,532,864)</u>	<u>(939,151)</u>
		<u>118,455,035</u>	<u>135,054,732</u>

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	9,367,014	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	-	7,108,660
7,000,000	10,456,029	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

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
-	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
-	-	-	3,554,330
-	2,801,303	(10,060)	6,215,874
11,987,000	9,367,014	17,771,651	93,040

35 STAFF STRENGTH

STAFF STRENGTH	2020			2019		
	----- (Number of employees) -----					
	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

35.1 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 681 (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 ------(Number)-----	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 ------(Per annum)-----	2019 ------(Per annum)-----
Withdrawal rates	Moderate	Moderate
Mortality rates	SLIC 2001 - 2005	SLIC 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

	Note	2020 ------(Rupees in '000)-----	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	1,474,598
Current service cost	301,303	254,421
Interest cost	186,845	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	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
36.7 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	36.8.2	326,778	(95,544)
Closing balance		<u>(692,399)</u>	<u>(1,019,177)</u>

36.8 Charge for defined benefit plans

36.8.1 Cost recognised in profit and loss

Current service cost	36.5	301,303	254,421
Net interest on defined benefit asset / liability	36.5 & 36.6	<u>(130,419)</u>	<u>(148,178)</u>
		<u>170,884</u>	<u>106,243</u>

36.8.2 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		375,633	(60,024)
Total re-measurements recognised in OCI		<u>326,778</u>	<u>(95,544)</u>

36.9 Components of plan assets

Cash and cash equivalents - net	299,517	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	343,276	309,665
	<u>2,654,442</u>	<u>2,684,542</u>

36.10 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	1,953,601	(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	(17,100)

2020
(Rupees in '000)

36.11 Expected contributions to be paid to the fund in the next financial year	216,848
36.12 Expected charge / (reversal) for the next financial year	216,848

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
	<u>5,521,842</u>

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	265,855
3	Charge for defined benefit plan	-	-	-	-	-	12,994	32,308
4	Contribution to defined Contribution	-	-	-	-	4,409	12,994	43,468
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	6,505	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	-	-	-	-	3,237	12,086	28,212
4	Contribution to defined Contribution	-	-	-	-	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.

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 Committee 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 Mabarak Al Nahayan	-	-	-	-	-	-	-	-	
2	Mr.Abdullah Nasser Hawaileel Al Mansoori	4,879	-	-	-	-	-	-	4,879	
3	Mr. Abdulla Khalil Al Mutawa	9,039	5,086	-	3,743	3,743	3,743	5,519	3,200	
4	Mr. Khalid Mana Saeed Al Otaiba	9,039	5,086	-	3,743	3,743	4,559	4,543	3,200	
5	Mr. Efrstratios Georgios Arapoglou	8,083	5,086	-	-	3,743	3,743	4,543	3,840	
6	Mr. Gorgy Tamas Ladics	6,479	-	-	3,743	4,559	-	-	3,200	
7	Mr. Shehzad Naqvi*	1,543	3,086	-	1,234	-	1,234	1,234	8,331	
8	Mr. Khalid Qurashi	5,760	1,920	-	800	-	1,600	2,400	800	
9	Dr. Ayesha Khan	5,543	5,828	-	5,383	-	-	-	3,200	
	Total	50,365	26,092	-	18,646	15,788	14,879	18,239	17,440	
									161,449	

2019

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee 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	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-	
2	Mr. Abdullah Nasser Hawaileel Al Mansoori	2,959	-	-	-	-	-	-	2,959	
3	Mr. Abdulla Khalil Al Mutawa	7,566	7,311	2,506	6,071	4,813	7,311	9,138	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. Efratios 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 Naqvi	5,936	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	46,654	36,839	10,583	30,328	20,455	29,692	29,692	204,243	

* Director resigned during 2020.

** Committee formed in 2020.

39.3 Remuneration paid to Shariah Board Members

2019

Sr. No.	Items	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	-	2,410	-	2,410
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	2,985	2,400	10,785
	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	5,772,119	-	-	5,772,119
Non-Government Debt Securities	12,072,000	7,329,178	-	19,401,178
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	-	(2,146,281)	-	(2,146,281)
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	7,537,639	-	-	7,537,639
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 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.

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 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.

41 SEGMENT INFORMATION

41.1 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	22,929,818	(15,353)	2,894,025	(998,047)	44,704,574
Inter segment revenue - net	31,868,796	(11,073,679)	(925,284)	(21,685,904)	585,952	222,613	1,007,506	-
Non mark-up / return / interest income	3,582,080	1,764,742	1,090,782	5,348,692	437,159	580,866	(9,459)	12,794,862
Total Income	29,103,951	8,212,100	8,885,517	6,592,606	1,007,758	3,697,504	-	57,499,436
Segment direct expenses	13,595,917	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	893,798	1,427,461	310,360	181,316	254,571	(9,357,253)	-
Total expenses	19,885,664	1,856,682	5,392,916	861,738	1,902,589	2,132,256	-	32,031,845
Provisions / (reversals)	1,028,797	1,825,468	1,077,476	(605,563)	2,148	10,943	4,250,000	7,589,269
Profit before tax	8,189,490	4,529,950	2,415,125	6,336,431	(896,979)	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	49,627,891	10,193,222	14,780,115	17,295,558	470,783	13,214,927	-	105,582,496
Investments	1,648,811	1,067,759	47,420,548	425,225,444	-	70,934,391	792,979	547,089,932
Net inter segment lending	367,340,730	-	-	-	8,236,238	-	86,790,920	462,367,888
Lendings to financial institutions	-	-	14,293,146	51,747,865	-	11,264,524	-	77,305,535
Advances - performing	153,956,442	283,141,506	101,673,272	-	16,596	25,085,003	5,900,803	569,773,622
Advances - non-performing	1,209,592	4,577,817	1,605,920	-	202	111,279	37,515	7,542,325
Others	22,501,621	11,194,130	16,555,220	7,069,505	1,562,319	3,689,654	15,007,190	77,579,639
Total Assets	596,285,087	310,174,434	196,328,221	501,338,372	10,286,138	124,299,778	108,529,407	1,847,241,437
Borrowings	23,057,436	66,943,742	23,967,885	185,932,565	-	13,560,921	1,497,637	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	68,979,200	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	19,311,536	21,322,702	27,733,944	3,605,361	146,524	4,011,824	13,997,071	90,128,962
Total liabilities	595,194,169	310,176,047	194,505,554	499,373,392	10,286,138	124,183,661	22,505,157	1,756,224,118
Net Assets	1,090,918	(1,613)	1,822,667	1,964,980	-	116,117	86,024,250	91,017,319
Equity								91,017,319

Contingencies and Commitments	70,508,424	118,634,144	52,780,786	165,893,738	17,961	52,765,343	1,266,935	461,867,331
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2019							
Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
(Rupees in '000)							
(5,562,330)	22,562,218	8,766,835	17,786,506	(2,446)	2,659,160	(1,314,263)	44,895,680
31,695,833	(15,253,812)	(644,840)	(17,526,597)	507,876	553,471	668,069	-
3,947,558	1,389,373	1,097,617	2,311,399	414,362	584,281	612,765	10,357,355
30,081,061	8,697,779	9,219,612	2,571,308	919,792	3,796,912	(33,429)	55,253,035
12,765,199	1,016,123	3,636,424	412,268	2,015,405	1,660,201	8,336,989	29,842,609
5,657,520	691,276	1,355,429	239,369	187,244	206,629	(8,337,467)	-
18,422,719	1,707,399	4,991,853	651,637	2,202,649	1,866,830	(478)	29,842,609
1,395,853	466,642	94,846	1,024,164	-	80,031	(32,951)	3,028,585
10,262,489	6,523,738	4,132,913	895,507	(1,282,857)	1,850,051	-	22,381,841

Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
(Rupees in '000)							
51,080,368	11,905,006	13,687,542	16,301,602	324,045	12,143,278	-	105,441,841
1,372,585	914,973	13,738,131	227,999,155	-	53,548,116	1,525,155	299,098,115
304,115,617	-	-	-	6,760,322	-	85,510,486	396,386,425
-	-	37,791,008	24,931,724	-	8,712,163	-	71,434,895
146,947,933	240,367,593	87,226,466	-	5,030	24,183,451	7,828,663	506,559,136
1,406,411	2,796,345	285,911	-	-	107,824	80,322	4,676,813
27,365,192	9,325,333	12,267,215	5,633,291	942,522	1,529,100	21,037,692	78,100,345
532,288,106	265,309,250	164,996,273	274,865,772	8,031,919	100,223,932	115,982,318	1,461,697,570
12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	-	102,842,330
-	-	-	-	-	-	11,987,000	11,987,000
492,107,112	103,018,182	122,023,365	-	7,827,966	57,300,323	7,248	782,284,196
-	123,412,730	14,836,417	238,756,902	-	19,380,376	-	396,386,425
26,832,583	7,695,578	20,888,994	2,406,630	203,953	1,599,871	20,542,434	80,170,043
531,376,762	265,309,250	164,722,599	271,523,909	8,031,919	100,168,873	32,536,682	1,373,669,994
911,344	-	273,674	3,341,863	-	55,059	83,445,636	88,027,576
							88,027,576
60,523,866	98,407,250	46,150,780	284,890,878	5,142	44,060,060	603,000	534,640,976

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	489,623	44,704,574
Inter segment revenue - net	(222,613)	83,287	4,451	134,875	-
Non mark-up / return / interest income	12,213,996	138,293	264,500	178,073	12,794,862
Total Income	53,801,932	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	865,711	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	544,688,618	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	2,504,291	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
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(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

Pakistan	Middle East	Bangladesh	Afghanistan	Total
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(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	21,869,134	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	21,844,056	782,284,196
Net inter segment borrowing	-	6,024,102	10,191,280	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.

43 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans, its directors, key management personnel and other related parties.

The Banks 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 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	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	140,523,678	-	-	-	-	21,936,072
Repaid during the year	-	-	-	-	(138,777,848)	-	-	-	-	(21,936,072)
Closing balance	-	-	-	-	1,745,830	-	-	-	-	-
Investments										
Opening balance	-	-	300,000	1,177,606	1,191,425	-	-	430,493	1,816,343	992,661
Investment redeemed / disposed off during the year	-	-	-	-	(20)	-	-	-	-	(570,466)
Transfer in / (out) - net	-	-	-	-	50,000	-	-	(130,493)	(638,737)	769,230
Closing balance	-	-	300,000	1,177,606	1,241,405	-	-	300,000	1,177,606	1,191,425
Provision for diminution in value of investments	-	-	42,981	-	3,936	-	-	42,981	-	3,936
Advances										
Opening balance	91,129	661,838	-	-	4,200,405	105,650	449,323	-	-	3,354,510
Addition during the year	87,827	286,114	-	-	7,713,243	-	394,810	-	-	2,783,243
Repaid during the year	(83,516)	(196,441)	-	-	(8,567,370)	(14,521)	(169,822)	-	-	(1,937,348)
Transfer in / (out) - net	(17,308)	40,010	-	-	-	-	(12,473)	-	-	-
Closing balance	78,132	791,521	-	-	3,346,278	91,129	661,838	-	-	4,200,405
Fixed Assets										
Right-of-use assets	-	-	-	-	15,961	-	-	-	-	17,782
Other Assets										
Interest / mark-up accrued	2,580	88,905	-	-	45,434	10,939	69,192	-	-	98,163
Receivable from staff retirement fund	-	-	-	-	692,399	-	-	-	-	1,019,177
Prepayment / rent receivable	-	-	-	1,560	55,672	-	-	-	-	35,759
Advance against shares	-	-	-	-	-	-	-	-	-	82,312
Borrowings										
Opening balance	-	-	-	-	494,646	-	-	-	-	200,000
Borrowings during the year	-	-	-	-	44,475,567	-	-	-	-	1,268,678
Settled during the year	-	-	-	-	(42,585,364)	-	-	-	-	(974,032)
Closing balance	-	-	-	-	2,384,849	-	-	-	-	494,646

	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)				
Deposits and other accounts										
Opening balance	12,076	257,121	9,335	588,149	4,584,695	7,438	193,954	48,155	1,056,941	3,193,911
Received during the year	323,082	2,209,565	781,799	117,408,368	70,878,153	599,337	3,114,936	2,374,943	25,280,433	32,495,316
Withdrawn during the year	(223,154)	(2,083,397)	(774,214)	(112,409,865)	(71,465,963)	(594,695)	(2,912,486)	(2,382,998)	(25,779,990)	(31,104,316)
Transfer in / (out) - net	(8,612)	13,905	-	-	(290,366)	(4)	(139,283)	(30,765)	30,765	(216)
Closing balance	103,392	397,194	16,920	5,586,652	3,706,519	12,076	257,121	9,335	588,149	4,584,695
Other Liabilities										
Interest / mark-up payable	73	433	-	-	5,393	-	156	-	-	7,007
Lease liabilities	-	-	-	-	9,216	-	-	-	-	9,243
Unearned rent	-	-	-	-	-	-	-	-	1,560	-
Others	-	-	421	-	2,747	-	-	283	-	3,962
Contingencies and Commitments										
Other contingencies	-	-	-	79,917	139,987	-	-	-	202,657	-
	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	7,996	40,715	-	-	378,845	5,431	30,251	-	-	613,453
Fee and commission income	-	-	-	77,810	-	-	-	-	155,319	-
Dividend income	-	-	-	90,000	21,409	-	-	-	-	12,511
Other income	560	3,034	-	7,887	20,374	-	461	-	8,447	20,322
Expense										
Mark-up / return / interest paid	572	11,384	168	133,387	428,162	44	13,687	285	81,883	243,840
Borrowing cost on leased properties	-	-	-	-	1,293	-	-	-	-	412
Operating expenses										
Directors fee	161,449	-	-	-	-	204,243	-	-	-	-
Managerial remuneration	255,308	1,339,200	-	-	-	154,775	1,297,908	-	-	-
Depreciation right-of-use assets	-	-	-	-	10,542	-	-	-	-	10,036
Software maintenance	-	-	-	-	34,936	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-	-	30,119
Travelling and accommodation	-	-	-	-	2,187	-	-	-	-	7,219
Communication cost	-	-	-	-	57,804	-	-	-	-	36,615
Brokerage and commission	-	-	2,993	-	-	-	-	1,004	-	-
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	1,095,830	20,031	-	9,996	3,314,984	966,735	20,174	-	15,131	2,918,611
Insurance premium paid	-	-	-	705,992	-	-	-	-	566,033	-
Insurance claims settled	-	-	-	378,009	-	-	-	-	391,015	-

44 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
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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 Banks 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 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.

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.

45.1.7 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 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 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 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 the same to CCC/ BRMC.

Credit Risk System unit is primarily responsible for development and management of Credit Risk Systems including Credit Initiation & Internal Rating System (CIIRS) and its related modules like Bank Alfalah CAR Calculator (BACK). It also supports other credit related automation & optimization initiatives like eCIB 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, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by 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 III guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

45.2.3.3 Types of collaterals

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 tenor 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, 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.

45.2.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by 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.

45.2.3.5 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 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:

45.2.4 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	22,656,890	22,044,132	-	-	-	-
Private Sector	54,648,583	49,400,581	-	-	-	-
	77,305,473	71,444,713	-	-	-	-

45.2.5 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	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

45.2.6 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	63,797,343	38,965,049	2,261,334	584,628	603,072	399,561
Automobile and transportation equipment	8,729,526	8,665,189	434,453	355,173	383,971	266,435
Cement	13,351,689	14,295,707	-	-	-	-
Chemical and Pharmaceuticals	20,765,414	22,137,088	228,450	985,217	127,453	853,776
Construction	11,267,378	10,685,448	505,053	507,780	500,406	493,902
Electronics and electrical appliances	11,639,948	9,456,734	1,303,888	145,517	720,082	102,887
Exports / Imports	4,660,724	6,185,746	646,112	723,342	629,030	656,420
Financial	13,156,063	10,431,741	774,807	905,547	774,807	905,547
Food & Allied Products	48,883,291	55,134,590	3,136,692	3,241,613	2,754,130	3,193,852
Footwear and Leather garments	2,836,086	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	56,101,688	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	1,275,184	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	4,153,007	9,192	7,792	8,492	7,792
Power (electricity), Gas, Water, Sanitary Services	89,842,169	95,139,105	2,872,659	2,543,959	1,436,330	264,412
Sugar	10,778,694	6,182,078	62,158	48,503	54,602	47,518
Technology and Communication	18,545,855	19,670,518	1,111,385	619,017	742,109	619,017
Textile	437,238	108,557	-	-	-	-
Transport, Storage and Communication	119,114,637	92,835,214	3,315,359	4,482,645	2,227,270	3,971,119
Wholesale & Retail Trade	5,018,437	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	90,633,597	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

45.2.7 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	11,205,017	3,672,861
Cement	2,270,712	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	264,904
Insurance	907,247	513,549
Metal & Allied industries	11,311,487	9,224,972
Mining and Quarrying	93,326	327,429
Oil and Allied	14,957,611	13,638,359
Paper and Board	663,025	534,961
Power (electricity), Gas, Water, Sanitary Services	15,405,563	11,286,706
Sugar	3,448,195	638,333
Technology and Communication	1,142,065	192,676
Textile	173,189	249,385
Transport, Storage and Communication	29,875,867	30,210,403
Wholesale and Retail Trade	2,317,162	1,812,465
Others	11,396,218	10,214,956
	38,154,870	29,595,122
	194,978,122	157,152,964

Credit risk by public / private sector

	2020	2019
Public/ Government	37,509,175	29,472,553
Private	157,468,947	127,680,411
	194,978,122	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	<u>144,992,899</u>	<u>117,529,748</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 206.053 billion (2019: Rs. 190.337 billion).

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	------(Rupees in '000)-----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

For the purpose of this note, exposure means outstanding funded facilities and utilised 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	1,232,398,112	1,196,493,582	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	-	-	-	42,103	-	764,433
Total	<u>2,547,018,388</u>	<u>1,275,980,352</u>	<u>1,155,130,547</u>	<u>26,937,602</u>	<u>6,902,194</u>	<u>81,240,384</u>	<u>827,309</u>

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	84,944
Sindh	892,254,631	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	<u>2,158,662,488</u>	<u>1,185,313,338</u>	<u>881,122,590</u>	<u>20,513,105</u>	<u>5,293,627</u>	<u>65,478,127</u>	<u>941,701</u>

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), PVO1 (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	20,030,485	804,493	81,735,823	137,080,822	56,257,834	912,835
Great Britain Pound Sterling	1,631,027	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	2,177,184	3,926,923	1,775,948	26,209
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
	<u>172,753,525</u>	<u>199,081,392</u>	<u>27,258,972</u>	<u>931,105</u>	<u>119,053,940</u>	<u>179,864,640</u>	<u>61,822,810</u>	<u>1,012,110</u>

	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	-	(9,311)	-	(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
	<u>1,313,831,020</u>	<u>71,042,529</u>	<u>1,384,873,549</u>	<u>1,038,284,096</u>	<u>27,027,049</u>	<u>1,065,311,145</u>

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 regulators 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	-	(24,564)	-	(22,732)
- Other comprehensive income	(264,042)	-	(354,150)	-

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets, liabilities and off-balance sheet interest sensitive instruments within a certain range of maturity or re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management (IRR) framework which establishes aggregate and tenor-wise balance sheet level PV01 (Price Value of 1bp) limits to manage interest rate risk within the Board approved risk appetite. Treasury and Capital Markets Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Department of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

Impact of 1% increase in interest rates on
- Profit and loss account
- Other comprehensive income

	2020	2019
	Banking book	Trading book
	(Rupees in '000)	(Rupees in '000)
	2,315,523	1,724,567
	(5,264,231)	(3,518,412)
		(40,471)
		-

45.5.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	2020										Non-interest bearing financial instruments
		Total	Exposed to Yield/ Interest risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.05%	99,348,197	23,491,896	-	-	-	-	-	-	-	-	75,856,301
Balances with other banks	0.94%	6,234,299	590,030	-	-	-	-	-	-	-	-	5,644,269
Lending to financial institutions	8.60%	77,305,535	64,920,055	9,541,724	2,843,756	-	-	-	-	-	-	-
Investments	8.78%	547,089,932	52,336,379	216,617,691	107,705,765	50,216,766	22,799,826	9,275,925	31,513,643	45,362,622	8,271	11,253,044
Advances	9.76%	577,315,947	200,379,783	163,345,740	128,561,589	35,712,158	8,082,717	3,052,848	8,496,225	23,485,008	3,923,724	2,276,155
Other assets	-	33,936,439	-	-	-	-	-	-	-	-	-	33,936,439
		1,341,230,349	341,718,143	389,505,155	239,111,110	85,928,924	30,882,543	12,328,773	40,009,868	68,847,630	3,931,995	128,966,208
Liabilities												
Bills payable	-	22,571,122	-	-	-	-	-	-	-	-	-	22,571,122
Borrowings	5.13%	314,960,186	153,783,832	41,178,853	11,787,651	1,658,241	29,024,251	2,955,773	47,992,964	22,875,429	3,703,192	413,339,308
Deposits and other accounts	4.06%	881,767,082	347,200,111	40,825,780	23,104,499	55,045,774	1,626,593	347,859	277,158	-	-	-
Subordinated debt	12.94%	7,000,000	-	7,000,000	-	-	-	-	-	-	-	-
Other liabilities		10,456,029	199,662	392,882	586,103	1,172,207	540,345	540,345	1,080,690	2,701,725	3,242,070	-
Lease liability against right-of-use asset	13.97%	41,817,699	-	-	-	-	-	-	-	-	-	41,817,699
Others		1,278,572,118	501,183,605	89,397,515	35,478,253	57,876,222	31,191,189	3,843,977	49,350,812	25,577,154	6,945,262	477,728,129
On-balance sheet gap												
		62,658,231	(159,465,462)	300,107,640	203,632,857	28,052,702	(308,646)	8,484,796	(9,340,944)	43,270,476	(3,013,267)	(348,761,921)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		194,978,122	14,190,028	21,329,475	29,143,207	93,096,429	11,988,242	11,287,823	1,598,463	7,522,593	4,821,862	-
Commitments in respect of:												
- Forward exchange contracts - purchase		106,574,908	54,142,271	26,398,092	24,384,394	1,650,151	-	-	-	-	-	-
- Forward exchange contracts - sale		(78,218,949)	(42,058,689)	(14,585,435)	(20,957,376)	(617,449)	-	-	-	-	-	-
- Forward security - purchase		1,378,869	935,471	-	-	443,398	-	-	-	-	-	-
- Forward security - sale		(10,860,784)	(4,796,769)	(3,048,003)	(489,820)	-	(2,028,992)	(497,200)	-	-	-	-
- Interest Rate Swaps - purchase		18,317,022	8,790,892	9,526,130	-	-	-	-	-	-	-	-
- Interest Rate Swaps - Sale		(18,317,022)	(719,255)	(319,669)	(4,155,694)	(1,278,675)	(6,409,359)	(5,434,370)	-	-	-	-
Off-balance sheet gap		213,852,166	30,483,949	39,300,590	27,924,711	93,293,854	3,549,891	5,365,253	1,598,463	7,522,593	4,821,862	-
Total Yield/Interest Risk Sensitivity Gap												
		(128,981,513)	339,408,230	231,557,568	121,346,556	3,241,245	13,841,049	(7,742,481)	50,793,069	1,808,595	(348,761,921)	
Cumulative Yield/Interest Risk Sensitivity Gap												
		(128,981,513)	210,426,717	441,984,285	563,330,841	566,572,086	580,413,135	572,670,654	623,463,723	625,272,318	276,510,397	

	Effective Yield/ Interest rate	Total	2019										Non-Interest bearing financial instruments
			Exposed to Yield/ Interest risk										
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
------(Rupees in '000)-----													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.25%	100,731,873	32,666,897	-	-	-	-	-	-	-	-	68,064,976	
Balances with other banks	1.63%	4,709,968	600,262	-	-	-	-	-	-	-	-	4,109,706	
Lending to financial institutions	10.91%	71,434,895	58,139,272	9,328,288	3,967,335	-	-	-	-	-	-	-	
Investments	9.77%	299,098,115	39,848,725	98,626,885	20,535,718	40,780,606	21,657,921	16,409,864	14,947,031	33,489,415	10,895	12,791,055	
Advances	12.27%	511,235,949	180,531,817	143,840,824	120,977,408	23,035,781	7,560,160	2,247,386	7,058,344	21,267,546	2,137,385	2,579,298	
Other assets	-	45,364,202	-	-	-	-	-	-	-	-	-	45,364,202	
		1,032,575,002	311,786,973	251,795,997	145,480,461	63,816,387	29,218,081	18,657,250	22,005,375	54,756,961	2,148,280	132,909,237	
Liabilities													
Bills payable	-	17,169,059	-	-	-	-	-	-	-	-	-	17,169,059	
Borrowings	4.90%	102,842,330	40,861,483	28,777,634	7,491,148	6,520,920	566,883	500,369	2,875,255	13,232,707	2,015,931	-	
Deposits and other accounts	5.00%	782,284,196	297,062,197	58,632,941	37,029,746	34,163,005	2,210,276	1,281,908	346,133	248	-	351,557,742	
Subordinated debt	12.77%	11,987,000	-	11,987,000	-	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	
Lease liability against right-of-use asset	11.30%	9,367,014	240,337	472,921	705,506	1,411,011	435,816	435,816	871,632	2,179,080	2,614,895	-	
Others	-	41,864,829	-	-	-	-	-	-	-	-	-	41,864,829	
		965,514,428	338,164,017	99,870,496	45,226,400	42,094,936	3,212,975	2,218,093	4,093,020	15,412,035	4,630,826	410,591,630	
On-balance sheet gap													
		67,060,574	(26,377,044)	151,925,501	100,254,061	21,721,451	26,005,106	16,439,157	17,912,355	39,344,926	(2,482,546)	(277,682,393)	
Off-balance sheet financial instruments													
Documentary credits and short term trade related transactions	-	157,152,964	9,692,269	57,513,979	40,012,451	19,392,323	11,405,469	4,299,713	9,650,920	3,689,462	1,496,378	-	
Commitments in respect of:	-	-	-	-	-	-	-	-	-	-	-	-	
- Forward exchange contracts - purchase	-	185,084,250	69,191,321	8,717,102	58,459,557	48,716,270	-	-	-	-	-	-	
- Forward exchange contracts - sale	-	(120,364,869)	(319,975)	(39,844,993)	(30,186,243)	(50,013,658)	-	-	-	-	-	-	
- Forward security - purchase	-	1,391,534	1,391,534	-	-	-	-	-	-	-	-	-	
- Forward security - sale	-	(3,001,292)	(2,251,522)	(749,770)	-	-	-	-	-	-	-	-	
- Interest Rate Swaps - purchase	-	17,745,535	7,432,685	10,312,850	-	-	-	-	-	-	-	-	
- Interest Rate Swaps - Sale	-	(17,745,535)	-	-	(1,548,476)	-	(1,780,747)	(3,561,495)	(4,800,276)	(6,054,541)	-	-	
Off-balance sheet gap													
		220,262,587	85,136,312	35,949,168	66,737,289	18,094,935	9,624,722	738,218	4,850,644	(2,365,079)	1,496,378	-	
Total Yield/Interest Risk Sensitivity Gap		58,759,268	187,874,669	166,991,350	39,816,386	35,629,828	35,629,828	17,177,375	22,762,999	36,979,847	(966,168)	(277,682,393)	
Cumulative Yield/Interest Risk Sensitivity Gap		58,759,268	246,633,937	413,625,287	453,441,673	489,071,501	489,071,501	506,248,876	529,011,875	565,991,722	565,005,554	287,323,161	
Reconciliation of Assets and Liabilities exposed to yield / Interest rate risk with Total Assets and Liabilities													
45.5.2													
Reconciliation of Assets and Liabilities exposed to yield / Interest rate risk with Total Assets and Liabilities													
2019													
------(Rupees in '000)-----													
Total financial assets as per note 45.5.1												1,341,230,349	
Add: Non financial assets												1,032,575,002	
Operating fixed assets												30,976,236	
Intangibles												1,284,539	
Other assets												1,382,425	
Total assets as per statement of financial position												1,384,873,549	
Total financial liabilities as per note 45.5.1												1,278,572,118	
Add: Non financial liabilities												1,361,152	
Deferred tax liabilities												13,922,960	
Other liabilities												1,293,856,230	
Total liabilities as per statement of financial position												977,283,569	

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) 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.

45.6.2 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/central 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 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 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 exposures 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 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 1.78 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 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 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 / crises 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.

45.7.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

[illegible]

2019

	Total	Upto 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
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	100,731,873	100,731,873	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	4,709,968	4,109,706	-	-	600,262	-	-	-	-	-	-	-	-	-
Lending to financial institutions	71,434,895	810,982	41,381,114	5,205,916	10,741,260	9,018,518	309,770	3,967,335	-	-	-	-	-	-
Investments	299,098,115	1,067,888	878,844	2,388,545	34,300,547	14,798,397	29,129,436	2,104,195	16,179,771	23,559,165	24,576,451	16,409,864	15,488,396	118,216,616
Advances	511,235,949	1,302,756	10,381,042	7,522,610	172,590,969	40,781,518	31,578,501	50,786,456	16,802,729	13,143,913	13,577,480	16,519,448	61,209,045	75,039,482
Fixed assets	29,087,028	3,630	21,781	25,412	61,714	114,499	20,956	646,609	369,383	369,384	1,535,678	1,780,485	3,584,441	20,459,513
Intangible assets	1,257,361	676	4,056	4,732	11,492	20,956	20,956	62,868	62,868	62,868	251,472	251,472	502,945	-
Other assets	47,755,956	2,029,798	8,344,431	9,735,169	23,642,554	119,970	119,970	328,445	676,706	676,707	1,221,796	215,102	322,654	322,654
	1,065,311,145	110,057,309	61,011,268	24,882,384	241,948,798	64,853,858	61,273,132	57,895,908	34,091,457	37,812,037	41,162,877	35,176,371	81,107,481	214,038,265
Liabilities														
Bills payable	17,169,059	17,169,059	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	102,842,330	-	24,509,118	7,519,449	8,832,915	13,889,579	14,888,055	7,491,148	679,096	5,841,824	566,883	500,369	2,875,255	15,248,639
Deposits and other accounts	782,284,196	623,307,558	13,830,947	11,456,171	12,221,031	23,676,924	35,065,626	22,103,387	12,155,325	24,700,531	2,077,010	1,241,375	446,011	2,300
Subordinated debt	11,987,000	-	-	-	-	-	1,000	-	-	1,000	4,985,000	-	-	7,000,000
Deferred tax liabilities	3,450,993	-	-	-	-	-	-	-	3,450,993	-	-	-	-	-
Other liabilities	59,549,991	1,198,954	3,359,363	3,919,257	9,518,196	1,829,510	1,829,510	5,501,783	9,652,207	9,652,208	1,192,940	1,437,747	3,133,933	7,324,383
	977,283,569	641,675,571	41,699,428	22,894,877	30,572,142	39,396,013	51,784,191	35,096,318	25,937,621	40,195,563	8,821,833	3,179,491	6,455,199	29,575,322
Net assets	88,027,576	(531,618,262)	19,311,840	1,987,507	211,376,656	25,457,845	9,488,941	22,799,590	8,153,836	(2,383,526)	32,341,044	31,996,880	74,652,282	184,462,943
Share capital	17,771,651													
Reserves	26,046,019													
Unappropriated profit	32,842,902													
Surplus on revaluation of assets	11,367,004													
	88,027,576													

Current and Saving deposits have been classified under maturity upto one day as these do not have any contractual maturity. Further, the Bank, on the basis of behavioural pattern, estimates these deposits are a core part of its liquid resources and will not fall below the current year's level.

45.7.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2020

		2020								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Total		---(Rupees in '000)								
Assets										
Cash and balances with treasury banks	99,348,197	64,566,458	940,961	1,412,621	2,825,243	5,806,919	1,700,659	3,399,257	8,497,710	10,198,369
Balances with other banks	6,234,299	6,234,299	-	-	-	-	-	-	-	-
Lending to financial institutions	77,305,535	64,920,055	9,541,724	2,843,756	-	-	-	-	-	-
Investments	547,089,932	49,892,719	124,369,173	47,511,083	49,416,728	22,799,826	22,669,158	62,916,000	164,336,239	3,179,006
Advances	577,315,947	159,999,896	114,489,967	44,682,395	27,030,139	42,423,105	33,353,571	60,017,649	71,724,185	23,595,040
Fixed assets	30,976,236	132,634	264,126	721,203	930,059	1,942,553	2,183,695	4,159,348	9,170,704	11,471,914
Intangible assets	1,284,539	21,410	42,818	64,227	128,454	256,907	256,907	513,816	-	-
Other assets	45,318,864	34,161,174	5,145,193	1,751,963	977,896	1,731,180	180,037	1,101,365	270,056	-
	1,384,873,549	379,928,645	254,793,962	98,987,248	81,308,519	74,960,490	60,344,027	132,107,435	253,998,894	48,444,329
Liabilities										
Bills payable	22,571,122	22,571,122	-	-	-	-	-	-	-	-
Borrowings	314,960,186	153,783,832	41,178,853	11,787,651	1,658,241	29,024,251	2,955,773	47,992,964	22,875,429	3,703,192
Deposits and other accounts	881,767,082	60,397,829	61,690,419	51,980,119	112,925,629	117,958,535	34,432,670	68,460,289	169,954,202	203,967,390
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	7,000,000
Deferred tax liabilities	1,361,152	-	-	-	1,361,152	-	-	-	-	-
Other liabilities	66,196,688	24,870,474	7,691,632	4,406,748	15,667,909	1,851,408	1,644,471	4,120,251	2,701,725	3,242,070
	1,293,856,230	261,623,257	110,560,904	68,174,518	131,612,931	148,834,194	39,032,914	120,573,504	195,531,356	217,912,652
Net assets										
	91,017,319	118,305,388	144,233,058	30,812,730	(50,304,412)	(73,873,704)	21,311,113	11,533,931	58,467,538	(169,468,323)
Share capital	17,771,651									
Reserves	27,680,022									
Unappropriated profit	35,056,809									
Surplus on revaluation of assets	10,508,837									
	91,017,319									

2019

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	100,731,873	89,291,244	5,532,725	2,081,829	3,471,305	195,625	116,920	42,008	217	-
Balances with other banks	4,709,968	4,709,968	-	-	-	-	-	-	-	-
Lending to financial institutions	71,434,895	58,139,272	9,328,288	3,967,335	-	-	-	-	-	-
Investments	299,098,115	38,635,824	43,927,833	2,104,195	39,738,936	24,576,451	16,409,864	15,488,396	113,662,397	4,554,219
Advances	511,235,949	191,797,377	72,360,019	50,786,456	29,946,642	13,577,480	16,519,448	61,209,045	57,299,116	17,740,366
Fixed assets	29,087,028	112,537	228,998	646,609	738,767	1,535,678	1,780,485	3,584,441	8,865,791	11,593,722
Intangible assets	1,257,361	20,956	41,912	62,868	125,736	251,472	251,472	502,945	-	-
Other assets	47,755,956	43,751,952	239,940	328,445	1,353,413	1,221,796	215,102	322,654	322,654	-
	1,065,311,145	426,459,130	131,659,715	59,977,737	75,374,799	41,358,502	35,293,291	81,149,489	180,150,175	33,888,307
Liabilities										
Bills payable	17,169,059	17,169,059	-	-	-	-	-	-	-	-
Borrowings	102,842,330	40,861,482	28,777,634	7,491,148	6,520,920	566,883	500,369	2,875,255	13,232,707	2,015,932
Deposits and other accounts	782,284,196	51,721,963	78,495,034	49,936,427	81,337,018	101,818,233	30,565,896	58,935,626	146,112,405	183,361,594
Subordinated debt	11,987,000	-	1,000	-	1,000	4,985,000	-	-	-	7,000,000
Deferred tax liabilities	3,450,993	-	-	-	3,450,993	-	-	-	-	-
Other liabilities	59,549,991	17,995,770	3,659,020	5,501,783	19,304,415	1,192,940	1,437,747	3,133,933	5,617,094	1,707,289
	977,283,569	127,748,274	110,932,688	62,929,358	110,614,346	108,563,056	32,504,012	64,944,814	164,962,206	194,084,815
Net assets										
	88,027,576	298,710,856	20,727,027	(2,951,621)	(35,239,547)	(67,204,554)	2,789,279	16,204,675	15,187,969	(160,196,508)
Share capital	17,771,651									
Reserves	26,046,019									
Unappropriated profit	32,842,902									
Surplus on revaluation of assets	11,367,004									
	88,027,576									

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a behavioural study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

45.8 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 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.

45.9 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.

46 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.

47 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 3, 2021 by the Board of Directors of the Bank.

48 GENERAL

48.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements, wherever necessary to facilitate comparison.

48.2 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 DSC/SSC and overseas government securities	Asset	259,983	Other Assets - Others	Other Assets - Receivable against DSC/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 comission	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	13,810	Administrative Expenses - Network Charges	Administrative Expenses - Communication

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2020

S.No.	Name and address of the borrower	Name of Individuals / Partners / Directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01, 2019					Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total (9+10+11)	Product Name
				Others than Interest / Mark-up				Total (5+6+7)					
				Principal	Interest / Mark-up	Others than Interest / Mark-up	Others than Interest / Mark-up						
1	2	3	4	5	6	7	8	9	10	11	12	13	
1	Muhammad Faizan Masud House No. 18-C/1, Shahr Shahzad road, Model Town A, Bahawalpur	Muhammad Faizan Masud CNIC: 31202-3776102-1	Masud Ashraf Sheikh	391	423	-	814	391	423	-	-	814	Amex Card
2	Muhammad Faisal House # 2650-1, Mohallah Ashrafabad Colony, Shah Shams Road, Tehsil & Distt. Multan.	Muhammad Faisal CNIC: 36302-7856754-9	Haji Sharafat Ali	1,061	141	-	1,202	1,061	161	-	-	1,222	Auto Finance
3	Muhammad Booda Shahid Mahallah Bhagel Singhwala, Kot Radha Kishan, Kasur	Muhammad Booda Shahid CNIC: 35104-0344922-3	Muhammad Saifque	468	58	-	526	468	68	-	-	536	Auto Finance
4	Hamza Mohsin Dar House # 06, Street # 21, Mohallah Muhammad Park, Damanzai Sabir Street, Sandhu & Distt. Lahore	Hamza Mohsin Dar CNIC: 35202-4332007-1	Anjum Fiaz Dar	1,449	195	-	1,644	1,449	227	-	-	1,676	Auto Finance
5	Bismillah Textiles Limited 1-Km, Jaranwala Road, Khurrianwala, Faisalabad	1. Abdul Majid Sheikh CNIC: 33000-2860788-7 2. Abdul Hafweze Sheikh CNIC: 33000-0960636-5 3. Muhammad Abdul Hameed Sheikh CNIC: 33000-1073622-1	Haji Jalil Din Abdul Majid Sheikh Abdul Majid Sheikh	-	12,211	-	12,211	-	12,211	-	-	12,211	FAIRC-I TF P-Own
6	Mesha Allah Enterprises 153-Khawalja Colony, Railway Road, Multan	Muhammad Riaz CNIC: 36302-9725474-7	Sheikh Nazir Ahmad	3,396	-	1,117	4,473	-	8	639	-	647	CF HYPO
7	Faisal Hayat Block-1, Flat No.6, B-Type, Printing Press Colony, G-7/4, Islamabad	Faisal Hayat CNIC: 33202-5544006-3	Ahmad Baluch	531	111	-	642	531	127	-	-	658	Personal Loan
8	Ashfaq Hussain Shah Sumaira Katherine Block, Awan Town, Near Rawan Masjid, Lahore	Ashfaq Hussain Shah CNIC: 36304-1208102-1	Syed Fida Hussain Shah	750	133	-	883	750	177	-	-	927	Personal Loan
9	Sumaira Katherine House No.88, Street No.5, Ghori Town, Phase-II, Islamabad	Sumaira Katherine CNIC: 6101-8277816-8	Tohmed Jan	551	70	-	621	551	89	-	-	640	Personal Loan
10	M Asif Iqbal House No. 34-Y, Street No.8, Scheme No.2, Wasan Pura, Lahore	M Asif Iqbal CNIC: 35202-36395044-7	M Iqbal	754	127	-	881	754	144	-	-	898	Personal Loan
11	M Riazwan Sarwar Farid Town, House # 1/V, Near Admore Petrol Station, Sahiwal	M Riazwan Sarwar CNIC: 36502-866728-3	M Sarwar	466	92	-	558	466	105	-	-	571	Personal Loan
12	Ahmad Hassan Malik Zeeshan Meqbool House No. 124 Merat, P.O. Khaw Tehsil Chishtian, District, Bahawalnagar	Ahmad Hassan CNIC: 3303-7997516-1	Ghulam Ali	696	130	-	826	696	148	-	-	844	Personal Loan
13	Malik Zeeshan Meqbool House No. 124 Merat, P.O. Khaw Tehsil Chishtian, District, Bahawalnagar	Malik Zeeshan Meqbool CNIC: 35201-1405178-3	Malik Meqbool Ahmad Joyla	472	347	-	819	464	347	-	-	811	Credit Card
14	Musaddiq Riaz House No # 257, Main Margalla Road F-11/2, Islamabad	Musaddiq Riaz CNIC: 6101-6007258-3	Sheikh Riaz Ahmad	432	198	-	630	432	198	-	-	630	Credit Card
15	Rao Muhammad Amir Ahmad House # 97/0-A, Nisar Road/Nisar Colony Lahore Cantt. Lahore	Rao Muhammad Amir Ahmad CNIC: 35201-2819469-3	Abdul Ahsan Khan	678	317	-	995	695	613	-	-	1,308	Credit Card
16	Mirza Pervez Ashraf Belg House No. 84-1001, Street 3, Chirah Road, Muslim Town, Rawalpindi	Mirza Pervez Ashraf Belg CNIC: 37405-3263988-9	Mirza Inayat Baig	508	53	-	561	508	53	-	-	561	Credit Card
17	Beroon Dhill Gate House No # 1532/5-WG-M-Iqbal Nagar Near Science School, Multan	Rao Basit CNIC: 36302-2610835-9	Qasim Ali Khan	396	350	-	746	396	562	-	-	958	Credit Card
18	Ahmad Raza Mohini Ahmad P.O. Talabat Mahal Tehsil & District Bahawalnagar	Ahmad Raza CNIC: 3101-3850604-1	Riaz Ahmad	1,998	782	-	2,780	1,998	782	-	-	2,780	AMZS
19	Muhammad Sohail Chak No. 124 Merat, P.O. Khaw Tehsil Chishtian, District, Bahawalnagar	Muhammad Sohail CNIC: 3102-9274702-5	Muhammad Anwar	1,075	555	-	1,630	1,075	555	-	-	1,630	AMZS
20	Raz Ahmed Meqbool Sialkot & Nanokay, Tehsil Daska & District Sialkot	Eljaz Ahmed CNIC: 34601-343043-9	Abdullah Khan	400	20	-	420	598	232	-	-	830	AMZS
21	Village Khat Lashkar, Po Khan Lashkar Taluka Khanpur Nathan Shah District Bahawalnagar	Abdul Sattar CNIC: 41203-7292715-5	Abdul Rasool Hingoro	468	121	-	589	418	121	-	-	539	AMZS
22	Hameem Ghaffoor Mouza Daula Pukhtia, Tehsil Degapur District Okara	Hameem Ghaffoor CNIC: 35201-8301607-5	Babarwaz	5,399	-	-	5,399	5,399	1,348	-	-	6,747	AMZS
23	Mani Muhammad Hussain R/O Mouza Luthiwal, Tehsil Degapur District Okara	Mani Muhammad Hussain CNIC: 35201-3463283-1	Mani Muhammad Yousaf	2,085	-	-	2,085	2,085	488	-	-	2,573	AMZS
24	Abid Fayyaz Khan R/O Mouza Juglian Azam Dakhli Saba Wala, Po Besapur, Tehsil Degapur District Okara	Abid Fayyaz Khan CNIC: 35301-6441217-3	Mani Fayyaz Ahmad	849	-	-	849	849	249	-	-	1,098	AMZS
25	Mehmood Akhtar Chak No.153 Merat, P.O. Khaw Tehsil Chishtian, District, Bahawalpur	Mehmood Akhtar CNIC: 31203-127147-3	Wali Muhammad	699	212	-	911	699	212	-	-	911	AMZS
26	Zaher Anjum Chak No.86 Fateh Tehsil Hasilpur District Bahawalpur	Zaher Anjum/31203-1580149-1	Muhammad Bashir	694	220	-	914	694	220	-	-	914	AMZS
27	Muhammad Azam Kadhar R/O Mouza Luthiwal, Tehsil Distt. Mandi Bahaudin	Muhammad Azam CNIC: 34402-4626986-5	Ahmed Khan	1,721	817	-	2,538	1,721	817	-	-	2,538	AMZS
28	Khadim Hussain R/O Mouza Minchurian, Tehsil Degapur District Okara	Khadim Hussain CNIC: 35301-2840455-1	Ch. Muhammad Sharif	729	400	-	1,129	729	400	-	-	1,129	AMZS
29	Shahzad Akram Chak Muewal, Pakastan	Shahzad Akram CNIC: 36402-8867878-3	Haji Muhammad Akram	281	312	-	603	281	312	-	-	603	AMZS
30	Shahzad Akram Chak Muewal, Pakastan	Shahzad Akram CNIC: 36402-8867878-3	Haji Muhammad Akram	562	119	-	681	562	119	-	-	681	AMZS
31	Muhammad Umar Jalil Bhindora House # 3331 Sector A-1 Town Ship, Lahore	Muhammad Umar Jalil Bhindora CNIC: 35202-3958347-3	Nasir Jalil Bhindran	1,497	388	-	1,885	1,497	388	-	-	1,885	AMZS
32	Abdul Latif House # 14, Ward # 14, Block 15, Mohallah Shahmahan Colony, Sanghar.	Abdul Latif CNIC: 44203-7274578-3	Sain Dad	999	217	-	1,216	999	217	-	-	1,216	AMZS

(Rupees in '000)

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				Principal	Interest / Mark-up	Others than Interest / Markup	Total (5+6+7)					
33	Fakhar-Ul-Zaman R/O Near Punjab Public School Bessan Road Muzia & Mouza Chahan Meran Tehsil Shujabad District Multan	Fakhar-Ul-Zaman CNIC: 36304-1403943-1	Muhammad Asad Khan	2,938	889	-	3,822	1,533	601	-	2,134	AMZS
34	Faraz Khan R/O Chah Sidran Wala Jhok Wayance P/O Tehsil Multan Syster District, Multan	Muhammad Sharif CNIC: 36303-4715963-9	Muhammad Ramzan	647	203	-	850	647	203	-	850	AMZS
35	Malik Akhtar Abbas R/O Chah Aaslan Wala, Jhok Wains Warli, P.O. Same, Tehsil Multan Syster District, Multan	Malik Akhtar Abbas CNIC: 36303-5044607-5	Malik Muhammad Khan	879	381	-	1,260	879	381	-	1,260	AMZS
36	Muhammad Kabir Khan Khakwani R/O Mouza Wahi Rakh, Tehsil Shujabad, District Multan & Al Jamshed Marzli Quarnabad Road Memmoodabad Colony, Multan	Muhammad Kabir Khan Khakwani CNIC: 36302-4327284-1	Muhammad Jamshaid Iqbal Khan (Khakwani)	2,897	890	-	3,787	2,897	890	-	3,787	AMZS
37	Abdul Baqir R/O Chah Aaslan Wala, Jhok Wains Warli, P.O. Same, Tehsil Multan Syster District, Multan	Abdul Baqir CNIC: 61017-6615268-9	Muhammad Faiz	16,693	8,572	750	26,015	-	8,823	750	9,579	FAPC II
38	Muhammad Ram R/O Kallbar, Tehsil & District Mandi Bahaudin	Muhammad Azam CNIC: 34402-4528696-5	Ahmad Khan	1,721	731	213	2,665	-	595	70	665	AMZS
39	Tahir International Shop # 0/822, Ferozpur, Opposite Naz Caneena, Murree Road, Rawalpindi	Muhammad Tahir CNIC: 37403-612103-1	Muhammad Yaqub	10,500	1,629	1,718	13,847	-	851	3,770	4,628	CF Hypo
40	Ishrat Ali House # 18, Fed Avenue Multan Public School Road & District Multan	Ishrat Ali CNIC: 33304-1842566-1	Chaudhary Shafat Ali	1,265	112	-	1,377	1,265	181	-	1,446	Auto Finance
41	Waqas Imtiaz R/O Chah Aaslan Wala, Jhok Wains Warli, P.O. Same, Tehsil Multan Syster District, Multan	Waqas Imtiaz CNIC: 34002-2075637-1	Imtiaz Hussain	775	56	-	831	775	83	-	858	Auto Finance
42	Muhammad Akhtar Khan Jatoi Chak No. 26/A1/P.O. Sher Garh Tehsil Renala Khurdokara	Muhammad Akhtar Khan Jatoi CNIC: 35308-205829-9	Khan Muhammad	531	53	-	584	531	85	-	616	Auto Finance
43	Muhammad Fakir Sher House No. # 127 Faisal Town/Laqaat Pur District, Bahim Yar Khan	Muhammad Fakir Sher CNIC: 33302-999817-9	Muhtaq Ahmad	539	53	-	592	539	84	-	623	Auto Finance
44	Mohsin Abbas House # 26-413, Gali # 27 Faiz Colony, Pindwah, Rawalpindi	Mohsin Abbas CNIC: 37405-842350-7	Syed Mubairk Hussain Shah	993	113	-	1,106	993	133	-	1,126	Auto Finance
45	Zubair Khalid R/O Chah Aaslan Wala, Jhok Wains Warli, P.O. Same, Tehsil Multan Syster District, Multan	Zubair Khalid CNIC: 90309-018216-9	Khalid Mahmood	482	81	-	563	465	118	-	583	Personal Loan
46	Malik Masood Hussain Naz Plot No.64, St. No.2, Razzan Shahed Valley, Opp Clay Oven, Islamabad	Malik Masood Hussain Naz CNIC: 37405-8075568-1	Malik Syed Alam	766	76	-	842	766	146	-	912	Personal Loan
47	Shahid Latif House No.142-B, Street No.17, Safar Villa No.1, Extension High Court Road, Bahria Town, Rawalpindi	Shahid Latif CNIC: 37405-0647203-3	Abdul Latif Khalid	706	89	-	795	706	140	-	846	Personal Loan
48	Muhammad Gulzar Besti Sedar On Circular Road, Opp. Masjid Qureshi, House No. 179, Bahria Town, Rawalpindi	Muhammad Gulzar CNIC: 31001-6399905-9	M Siddique	571	59	-	630	571	115	-	686	Personal Loan
49	Hamid Mahmood Malik House No.1-204, Nibher Bazar, Tehl Mohallah, Rawalpindi	Hamid Mahmood Malik CNIC: 37405-0675290-7	Malik Abdul Hafeez	741	80	-	821	741	164	-	905	Personal Loan
50	Zarish Inayat House No. 23, Street No. 5, Khokhar Road, Rehman Ganj Badami Bagh, Lahore	Zarish Inayat CNIC: 36502-6382989-2	Inayat Masih	596	64	-	660	579	139	-	718	Personal Loan
51	Amir Qayyum House No. 402-A-Block, 2nd Avenue North West, MTC Employees Housing Society, Lahore	Amir Qayyum CNIC: 35202-9000412-7	Chaudhary Abdul Qayyum	308	36	-	344	317	245	-	562	Credit Card
52	Amir Qayyum House No. 23, Street No. 5, Khokhar Road, Rehman Ganj Badami Bagh, Lahore	Amir Qayyum CNIC: 35202-9000412-7	Pir Akbar	499	92	-	591	499	304	-	803	Credit Card
53	Amir Qayyum House No. 15-A, Civil Line, Cantt. Near Keshar, Rawalpindi	Amir Qayyum CNIC: 35202-9000412-7	Naseeb Ahmad Sarfi	244	107	-	351	407	304	-	711	Credit Card
54	Kashif Haqq House No.15-A, Civil Line, Cantt. Near Keshar, Rawalpindi	Kashif Haqq CNIC: 42301-505320-1	Muhammad Main Haqq	959	448	-	1,407	759	448	-	1,207	Credit Card
55	Faisal Umer House # 208, Block E, Near Allah Hoshchow, Jhar Town, Lahore	Faisal Umer CNIC: 35202-6920865-3	Qaiser Alam Qaiser	1,082	328	-	1,410	1,082	772	-	1,854	Credit Card
56	Muhammad Abu Bakar Siddiq House # 87, Talika Hussain Bux Mar, Dist. Mirpurkhas	Muhammad Abu Bakar Siddiq CNIC: 34001-290794-9	Muhammad Murtaza	303	61	-	364	316	202	-	518	Credit Card
57	Salim Dawood Dadaabhy 47/1, 197B, Street/Highway-E-Mulajid/Phase V D.H.A, Karachi	Salim Dawood Dadaabhy CNIC: 42301-1080087-7	Dawood Ibrahim Dadaabhy	574	106	-	680	574	466	-	1,040	Credit Card
58	Saffraz Nawaz House No. # 6, Street # 1, Muzamil Shah Town, Singhar Road, Nawabshah	Saffraz Nawaz CNIC: 44205-7746461-9	Ahmed Nawaz	288	46	-	334	288	248	-	536	Credit Card
59	Muhammad Elie Shynaki Taha Homes, F-3M Pk1474/M, Street/Khatiyabare-E-Muslim, Dha Phase -4, Karachi	Muhammad Elie Shynaki CNIC: 42301-1030160-9	Ali Shynaki	328	55	-	383	323	197	-	520	Credit Card
60	Syed Raza Ali Giani R/O Chah Aaslan Wala, Jhok Wains Warli, P.O. Same, Tehsil Multan Syster District, Multan	Syed Raza Ali Giani CNIC: 32103-7975440-7	Syed Muhammad Akbar	1,005	52	-	1,057	1,005	252	-	1,257	AMZS
61	Masood Ahmad Mauza Jams Abad, The, Kabiwalla, Dist. Khanewal.	Masood Ahmad CNIC: 38002-1079808-9	Masood Ahmad	600	38	-	638	600	63	-	663	AMZS
62	Baluch Khan Dh: 87, Talika Hussain Bux Mar, Dist. Mirpurkhas	Baluch Khan CNIC: 44003-0307100-5	Pharal Khan Mar	496	47	-	543	496	99	-	595	AMZS
63	Iqbal Ahmad Khan Bhaim Wala, Teh. & Distt. Muzaffargarh	Iqbal Ahmad Khan CNIC: 33304-1648615-3	Karim Bukhsh Khan	1,998	108	-	2,106	1,998	761	-	2,759	AMZS
64	Atah Jawaya Khan Mauza Turra, Teh. Arifwala, Dist. Pakpattan	Atah Jawaya Khan CNIC: 35401-0886160-5	Mehmood Khan	1,863	840	-	2,703	1,863	840	-	2,703	AMZS

(Rupees in '000)

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				Principal	Interest / Mark-up	Interest / Mark-up	Interest / Mark-up	Interest / Mark-up					
65	M/S. Pak Sajid Petroleum & Oil Station 16/17-Km. Burj Attari Sharqpur Jarmwala Road, Sheikhupura.	1. Chaudhary Muhammad Sajid CNIC: 35-401-3003765-5 2. Mrs. Farzana Sajid CNIC: 35-401-2446702-8	Abdul Hameed Chaudhary Muhammad Sajid	1,696	5	1,147	2,848	-	-	-	868	868	Term Finance
66	Amber Apparel 975-C Canal View Society Lahore	Abdul Rehman Baig CNIC: 35202-6892327-5	Abdul Rauf Baig	7,500	-	6,139	13,639	-	-	-	6,283	6,283	CF-Hypo
67	A/R Enterprises 975-C Canal View Society Lahore	Mrs. Ambreen Rehman CNIC: 35202-3652973-0	Abdul Rehman Baig	4,556	-	3,070	7,626	-	-	-	2,888	2,888	CF-Hypo
68	975-C Canal View Society Lahore	Hassan Saeed Baig CNIC: 42201-8246286-1	Muhammad Sharif Baig	83	18	-	101	-	236	314	-	550	Credit Card
69	Syed Masood Ali Baza Square Apartment 135 Block-10 Gulshan-E-Iqbal, Karachi	Syed Masood Ali CNIC: 42301-1049247-5	Syed Mohammad Ali	-	-	-	-	-	328	181	-	509	Credit Card
70	Irshad Ahmed Faisal Khanwala	Irshad Ahmed Faisal CNIC: 35202-8707746-7	Muhammad Yunus	347	15	-	362	-	347	171	-	518	Credit Card
71	Umer Iqbal House No. # 94, Moh. Madina Colony Near New Ghulam Mandi, Multan	Umer Iqbal CNIC: 36302-7913723-9	Muhammad Iqbal	369	76	-	445	-	369	353	-	722	Credit Card
72	Umer Iqbal House # 5, Street # 11, Muhammad Nagar Garhi Shahu, Near Jamia Naemila, Bahria Town Phase VIII, Islamabad	Ghulam Mustafa Khan Mirani CNIC: 32103-9084053-7	Chahq Dad Khan Mirani	356	122	-	478	-	371	279	-	650	Credit Card
73	Muhammad Muzaffar Ali Tufail Shahad Road Ayesha Parkview Lines, Sheikhupura	Muhammad Muzaffar Ali CNIC: 35-404-4271443-3	Talib Hussain	365	28	-	393	-	385	196	-	586	Credit Card
74	Muhammad Mubeen House No. # D-272, Mihalbi Mandir Ki Haweli, Grotti	Muhammad Mubeen CNIC: 45102-2337319-9	Muhammad Azeem	389	203	-	592	-	389	261	-	650	Credit Card
75	Asad Ashraf Garni Sharif Sher Zaman House # 5, Street # 11, Muhammad Nagar Garhi Shahu, Near Jamia Naemila, Bahria Town Phase VIII, Islamabad	Asad Ashraf CNIC: 35202-919270-5	M Ashraf Ansari	430	41	-	471	-	409	319	-	728	Credit Card
76	Mimani House, Mohallah Muzaffar Abad Al Hussain School/Sher Shah Road, Multan	Muhammad Sher Zaman CNIC: 36302-5625865-9	Haji M Zaman	427	37	-	464	-	427	314	-	741	Credit Card
77	Ahmed Tanweer House No. # 63/1, 21 Lano Khyabani-E-Badshan, Phase-7 Dhar, Karachi	Ahmed Tanweer CNIC: 42201-4834029-5	Tanweer Yunus	397	60	-	457	-	433	555	-	988	Credit Card
78	Muhammad Saleem House No. # 100, Street # 13, Awami Villas 01, Bahria Town Phase VIII, Islamabad	Muhammad Saleem CNIC: 34201-055271-9	Abdul Latif	465	28	-	493	-	465	320	-	785	Credit Card
79	Muhammad Mansoor House # 2708 Block N, Model Town, Lahore	Muhammad Mansoor Yousaf CNIC: 35203-2277554-9	Mian Mohammad Yousaf	131	80	-	271	-	636	253	-	889	Credit Card
80	Anjad Ali House No. 100, Block-A,Dha, Eng Sector, Multan Road, Multan	Anjad Ali CNIC: 35202-3484353-5	Muhammad Tufail	286	46	-	332	-	332	303	-	957	Credit Card
81	Umer Iqbal House No. # 94, Moh. Madina Colony Near New Ghulam Mandi, Multan	Umer Iqbal CNIC: 36302-7913723-9	Muhammad Iqbal	299	63	-	362	-	299	385	-	684	Credit Card
82	Shahid Iqbal House No. # 76 St # 3 Moh. Ghareebabad Main Channu	Shahid Iqbal CNIC: 36004-7800364-5	Khalid Javed	471	13	-	484	-	464	99	-	563	Personal Loan
83	Qurat Ul Ain Butt Street # 7, Inter Road, Sharfabad Guljampura, Bagumpru Gt Road, Near Ch. Ghaffar Bagumpru Road, Pk Sdkh Talt	Qurat Ul Ain Butt CNIC: 35201-0236308-6	Muhammad Shafiq	475	14	-	489	-	475	103	-	578	Personal Loan
84	Samina Victor New Hasan Parwana Colony, Multan	Samina Victor CNIC: 36502-1305354-6	Victor John	542	33	-	575	-	531	88	-	619	Personal Loan
85	Asif Khalil House No. # 91-V, Block-J-I, Johar Town, Near Educator School, Lahore	Asif Khalil CNIC: 35202-4679260-3	Khushi Muhammad	725	19	-	744	-	711	134	-	845	Personal Loan
86	Zafar Iqbal House No. # P-181, Street # 03, Mohallah Mukhtar Colony/Jhang Road, Sarfabad # 02 Near Madina Masjid Faisalabad	Zafar Iqbal CNIC: 33300-437600-5	Abdul Raza Khan	868	22	-	890	-	858	167	-	1,025	Personal Loan
87	Muhammad Hanif OGDCL Regional Office Room No 04 Na, Multan	Muhammad Abbas CNIC: 3401-4352241-5	Salamat Amin	497	57	-	554	-	497	178	-	675	Personal Loan
88	Muhammad Hanif OGDCL Regional Office Room No 04 Na, Multan	Muhammad Hanif CNIC: 32103-963767-7	Nazar Hussain	600	27	-	627	-	600	118	-	718	Personal Loan
89	Rana Imran Javed House-964 - VIII Punjib	Rana Imran Javed CNIC: 32304-1592873-3	Rana Javed Iqbal	944	25	-	969	-	930	167	-	1,097	Personal Loan
90	Muhammad Afzal House No. # 29 A Coal Bagh Ubi Bank, Shadbagh	Muhammad Afzal CNIC: 35202-5777663-9	Haron Khan	500	-	-	500	-	500	122	-	622	Personal Loan
91	Umana Tahir House No. # 29 A Coal Bagh Ubi Bank, Shadbagh	Umana Tahir CNIC: 35202-2864655-7	Tahir Mahmood	-	-	-	-	-	700	119	-	819	Personal Loan
92	Muhammad Umar Anwar Jalilpur Pirwala Tehsil Jalilpur Pirwala District, Multan	Muhammad Umar Anwar CNIC: 36301-9965997-1	Muhammad Anwar Gauri	-	-	-	-	-	441	64	-	506	Personal Loan
93	Nazeer Hussain House No. # 74 Block-27 Dera Ghazi Khan Near Pather Bazar Dera Ghazi Khan	Nazeer Hussain CNIC: 32102-2029891-1	Karim Baksh	-	-	-	-	-	281	425	-	706	Amex Card
94	Muhammad Shafiq Mughal Chak, Islami, P.O. Khas, Gulamwala, Gulamwala	Muhammad Shafiq CNIC: 3401-2402098-7	Muhammad Suleman	-	-	-	-	-	462	184	-	646	Amex Card
95	Muhammad Azeem Chak No. 4575-L, P.O. Manowal Near Manowal Textile Mills, Man Channu, Khanwala	Irshad Ahmed Faisal CNIC: 35202-8707746-7	Muhammad Yunus	-	-	-	-	-	364	193	-	557	Amex Card
96	Muhammad Ameer Ilyas Sultan Colony, Street No. 2 Near Masjid Faisal E Madina, Man Channu, Khanwala	Muhammad Ameer Ilyas CNIC: 36104-7983093-3	Haji Muhammad Akhtar	-	-	-	-	-	495	358	-	853	Amex Card
97	Muhammad Javed Urfi Judge Ward # 02, Theering Jattan, Near Aspa Masjid, Exchange Bazar, Rehlabad Distt, Kasur	Muhammad Javed Urfi Judge CNIC: 35102735923	Ghulam Muhammad	911	71	-	982	-	911	155	-	1,066	Auto Finance

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				Principal	Interest / Mark-up	Others than Interest / Mark-up	Total (5+6+7)					
98	Muhammad Waqem Aftab Mamool Bangla Post Office, Daska, Tehsil Daska & Distt. Sialkot	Muhammad Waqem Aftab CNIC: 34601-5840521-7	Aftab Hussain	477	25	-	502	477	45	-	522	Auto Finance
99	Samina Yasmeen House No. # 3, Street No. 1, Mohallah-Baharabad, Nawa Kili, Quetta	Samina Yasmeen CNIC: 54400-3674-90-6	Younis Nadir	444	34	-	478	444	76	-	520	Auto Finance
100	Waqas Imiaz Street No.1, Massan Town, Near Abu Baker Sufi Masjid, Hafizabad	Ajmal Hussain Dilbar CNIC: 34301-0409725-7	Dilbar Hussain	809	49	-	858	809	124	-	933	Auto Finance
101	Raza Street, Mohallah Raza Abad, Line Par, Kamoke, Tehsil Kamoke & Distt. Gujranwala	Waqas Imiaz CNIC: 34102-2075637-1	Imtiaz Hussain	1162	71	-	1233	1162	169	-	1331	Auto Finance
102	Gulzar Ahmed Geth Marzoor Hussain Lasharizor Ghar, Usta Muhammad	Gulzar Ahmed CNIC: 53202-3050283-7	Fazal Muhammad	485	35	-	520	485	82	-	567	Auto Finance
103	Henna Shores 3099-8065-2800, Bala Khana Ar-2010, Qissa Khwani Bazar, Dighlwar	Abid Hussain CNIC: 17301-9029862-3	Abdul Rehman	1,997	501	1,544	4,042	-	-	1,040	1,040	ANF
104	Shahid Gulzar House No. # 739, Street #13, V/B-A, Islamabad	Abdul Baqit CNIC: 61107-6615268-9 1. Brig. Hafeez Ullah Khan CNIC: 17201-9503417-9 2. Col. Asad Nauman (Retd) CNIC: 42501-7319209-9 3. Col. Rashid Javed Butt CNIC: 17201-2258690-5 4. Col. Mubarak Ali Mazhar (Retd) CNIC: 35202-2458512-7 5. Col (Retd) Anshad Qader Sheikh CNIC: 42100-1643040-3 6. Muhammad Isha Handani CNIC: 42301-3539396-9 7. Anwaram Noor CNIC: 42301-3585557	Muhammad Fazl Nasrullah Khan Saeed Ur Rehman Qureshi Muhammad Jingeer Butt Muhammad Sharif Abdul Qader Sadiq Ali Handani Noor U Hassan	16,193	3,550	1,988	21,731	-	-	4,300	4,300	APAC II
105	M/S. Dha Cogen Limited 2-8, East Street, Pakistan Defence Officers Housing Authority, Phase 1, Karachi	1. Gulam Abbas CNIC: 34403-2164163-9 2. Riazat Ali CNIC: 34403-4808981 3. Abid Hussain CNIC: 34405-6224344-1 4. Nasar Ahmed CNIC: 34403-4801066-7 1. Gulam Abbas CNIC: 34403-2164163-9 2. Riazat Ali CNIC: 34403-4808981 Shahid Gulzar CNIC: 35200-1404399-7	Karam Rasool Sardar Khan Karam Rasool Sardar Khan Sh M Gulzar	249,531	55,704	162,499	467,734	233,951	25,198	189,010	452,159	Cash Finance
106	Ammer Year Kinnow Processing Factory (Gulam Abbas Abid Hussain, Yps Chak # 43 Tehsil Phalia District Mandi Bahaudin)	1. Gulam Abbas CNIC: 34403-2164163-9 2. Riazat Ali CNIC: 34403-4808981 3. Abid Hussain CNIC: 34405-6224344-1 4. Nasar Ahmed CNIC: 34403-4801066-7	Karam Rasool Sardar Khan Karam Rasool Sardar Khan	3,075	332	1,641	5,048	-	-	1,597	1,597	CF- M2S
107	Chak # 43 Tehsil Phalia District, Mandi Bahaudin	1. Gulam Abbas CNIC: 34403-2164163-9 2. Riazat Ali CNIC: 34403-4808981	Karam Rasool Sardar Khan	3,028	321	1,713	5,062	-	-	1,123	1,123	CF- M2S
108	Shahid Gulzar House No. 16, Phase 1 Block J, D/H-A, Lahore	Shahid Gulzar CNIC: 35200-1404399-7	Majid D M	466	-	-	466	524	342	-	866	Credit Card
109	House No. # 98, Canal City, Wazirabad Road, Ugeki, Near Sahowala Canal Bridge, Sahowala	Tamveer Majid CNIC: 34603-6402006-5	Majid D M	21	-	-	21	275	235	-	510	Credit Card
110	Aneeka Amir House No. 138-E, Adjacent Liberty Round about Summit Gulberg-II, Lahore	Aneeka Amir CNIC: 35202-4796089-2	Amir Mahmood	146	-	-	146	372	326	-	698	Credit Card
111	Malik Riazan Anwar House No. # 17-A, Model Town-C, Faisalabad	Malik Riazan Anwar CNIC: 33101-3897036-9	Malik Muhammad Anwar	496	21	-	517	491	384	-	875	Credit Card
112	Malik Muhammad Anwar House No. 10, Block G, Sector 5-G, Faisalabad	Malik Muhammad Anwar CNIC: 33101-3897036-9	Malik Muhammad Anwar	520	46	-	566	468	414	-	882	Credit Card
113	Humayun Nasar House No. 82, Block G, Margazar Colony, Multan Road, Lahore	Humayun Nasar CNIC: 35202-4888389-9	Nasir Iqbal	373	27	-	400	429	346	-	775	Credit Card
114	Syed Irfan Haidar House No. 12/4, Habbullah Road, Lahore	Syed Irfan Haidar CNIC: 35202-7944764-7	Syed Fida Hussain	80	15	-	95	537	280	-	787	Credit Card
115	Abdul Shakoor All Inran Town Margot, Fort Abbas	Abdul Shakoor CNIC: 33303-6493974-3	Abdul Gaffoor	451	11	-	462	431	77	-	528	Personal Loan
116	Ayisha Anwar Tawana House No. # 350, St No. 21, Aqoch Colony, Near Pwd, Near Lohi Dher Thana, Faisalabad	Ayisha Anwar Tawana CNIC: 35201-1066221-6	Muhammad Anwar Tawana	434	11	-	445	450	81	-	531	Personal Loan
117	Sameer Javed Bhatti House No. # 01, Street # 01, Rehman Pura, Fatima Market, Opp Abi Sargodha Road, Faisalabad	Sameer Javed Bhatti CNIC: 36302-6818420-9	Muhammad Javed Bhatti	479	14	-	493	441	122	-	563	Personal Loan
118	Tariq Ismail House No. # 01, Street # 01, Rehman Pura, Fatima Market, Opp Abi Sargodha Road, Faisalabad	Tariq Ismail CNIC: 42201-0713219-5	Muhammad Ismail	474	-	-	474	466	101	-	567	Personal Loan
119	Muhammad Javed House No. 39, Block A, Gulshan Shalimar Scheme Bashaart Road, Faisalabad	Muhammad Javed CNIC: 35201-4218913-1	Jan Muhammad	961	29	-	990	938	218	-	1,156	Personal Loan
120	Talha Saeed House No. # 118/B, Sector 5-G, New Karachi, Near Chand Market & Sindh Hotel, Karachi	Talha Saeed CNIC: 42201-9930765-9	Muhammad Saeed	725	117	-	842	697	181	-	878	Personal Loan
121	Abdul Baqit Main Street Near Madras Darul Alam, Eid Gah, Kalbawala	Abdul Baqit CNIC: 36302-420145-1	Abdul Wahed	458	28	-	486	428	105	-	533	Personal Loan
122	Saffraz Ali New Abadi New Rehman Pura Street # 10, House # 1, Po Same Change	Saffraz Ali CNIC: 35103-1319048-3	Abdul Sattar	945	29	-	974	921	212	-	1,133	Personal Loan
123	Yasir Waqar Shah House No. 10, Block G, Sector 5-G, New Karachi, Near Chand Market & Sindh Hotel, Karachi	Yasir Waqar Shah CNIC: 36102-5377037-5	Zahoor Hussain Shah	921	107	-	1,028	893	219	-	1,117	Personal Loan
124	Muhammad Farman Nayi Abadi, Sangot, Mirpur	Muhammad Farman CNIC: 81302-753947-3	Shahraz Begam	969	31	-	1,000	926	253	-	1,179	Personal Loan
125	Adil Shaukat Adil Shaukat S/O Shaukat Ali Thana Road Near Pungab	Adil Shaukat CNIC: 34102-8795908-3	Shaukat Ali	972	51	-	1,023	858	132	-	990	Personal Loan
126	Adnan Ahmad By Pass Road Jamal Morr Na, Shikhabad	Adnan Ahmad CNIC: 36304-875333-9	Inshad Ahmad	491	15	-	506	466	132	-	598	Personal Loan
127	Umer Farooq House No. # 430 Mohallah Johar Colony, Sargodha	Umer Farooq CNIC: 38403-3210077-5	Muhammad Ibrahim	500	10	-	510	470	76	-	546	Personal Loan

(Rupees in '000)

S.No.	Name and address of the borrower	Name of individuals / Partners / Directors (with CNC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01, 2019				Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total (9-10-11)	Product Name
				Principal	Interest / Mark-up	Others than interest / Mark-up	Total (9+6+7)					
128	Babar Ali 2nd Floor Alwan-E-Ilan Plaza JB Urdu Bazar, Lahore	Babar Ali CNC: 35202-0274088-9	Rahmat Ali	500	-	-	500	491	135	-	626	Personal Loan
129	Shah Faial Street No 09 House No 28 New Sadq Colony, Bahawalpur	Shah Faial CNC: 31201-4853725-9	Syed Jameel Ahmad Shah	-	-	-	-	495	113	-	608	Personal Loan
130	Shahid Nawaz Jaffri Town, Bagpur Po Box, Bahawalpur	Shahid Nawaz CNC: 31202-4595343-9	Muhammad Nawaz	-	-	-	-	330	258	-	588	Area Card
131	Ali Hussain Jaganwala Road, Hafizabad/Mohallah Karmahar Colony, Near Shahpur Shah	Ali Hussain CNC: 34301-4433938-5	Muhammad Zaman Tarar	-	-	-	-	374	199	-	573	Area Card
132	House No 77 Main Jinnah Street Sect-07 Airport Housing Society Gulzar -E- Quaid Rawalpindi near Gulzar -E- Quaid, Rawalpindi	Muhammad Yaseen Khan Durani CNC: 16101-9546769-9	Abdul Sattar Khan Durani	-	-	-	-	311	224	-	535	Area Card
133	Fareez Haider 57-A, Block E-2, Johar Town, Lahore	Fareez Haider CNC: 34201-7952482-5	Zulfiqar Hussain Anjum	-	-	-	-	306	275	-	580	Area Card
134	Adler Executive 192-B, Gulgaht Colony, Multan	Kamwar Zahid Akhtar CNC: 36302-9910466-5	Akhtar Ali Kamwar	1	277	1,387	1,665	-	-	664	664	CF Hypo
135	Waqas Ali Hassan 102/1, Block 17, Gulshan-e-Iqbal, Karachi	Waqas Ali Hassan CNC: 36501-6075260-5	Raz Ahmad	981	50	-	1,031	968	160	-	1,128	Auto Finance
136	Gauhar Ali Nisbat Road, Moh Khara Baba, Mingora, Swat	Gauhar Ali CNC: 15603434935	Fazal Haq	934	32	-	966	934	143	-	1,077	Auto Finance
137	Muhammad Yameen Flat No. 102, Bakhshi Comfort Soldier Bazar Police Station Garden East, Soldier Bazar, Karachi	Muhammad Yameen CNC: 42101-6788607-3	Muhammad Akraf	1,017	41	-	1,058	1,017	166	-	1,183	Auto Finance
138	Intiaz Enterprises D 247, Block 17, Gulshan-e-Iqbal, Karachi	Muhammad Intiaz Ahsan CNC: 42001-0556837-3	Muhammad Aziz Ahsan	-	-	-	-	-	7,142	-	7,142	Export Refinance-SBP
139	Muhammad Shahbaz Shah Muhammad Shahbaz Shah, Makdroom Rashid, P.O Same, Tehsil Multan Sadhar, District Multan	Muhammad Shahbaz Shah CNC: 36303-9758331-3	Haji Amer Shah	745	225	-	-	745	225	-	970	AMZS

During the current year, the bank's BOD has accorded certain write off approvals for the purpose of balance sheet cleaning, in line with SBP BPRD Circular 6 of 2007. The following list of defaulted relationships are part of the balance sheet cleaning exercise; hence being reported as write off relationships separately. It is hereby confirmed that, financial relief was neither requested by the clients nor allowed by the bank, and that Bank shall continue to pursue legal proceedings against these borrowers and retain the right to recover as in all other write-offs.

140	Angora Textile Limited 15 Km Multan Road Shajpur, Lahore	1. Ayes Mazhar Hussain CNC: 35202-3003292-7 2. Muhammad Sajjad Khan CNC: 35201-683383-3 3. Shahryar Hussain CNC: 35202-3003387-7	Muhammad Mazhar Hussain Muhammad Siddiq Khan Ayes Mazhar Hussain	220,738	15,413	222,270	458,421	220,738	15,369	222,270	458,377	CF/TF/FATB/FAPC-II/Overdue Accp
141	Agriotech Limited 2nd Floor Asia Centre, 8 Babar Block, New Garden Town, Lahore	1. Amera Zafar Cheema CNC: 36202-3782922-0 2. Asim Murtaza Khan CNC: 42201-0482620-9 3. Abdul Karim Sultan Ali (Nominee Of Summit Bank Ltd.) CNC: 42301-3056750-3 4. Sardar Azmat Babar Chaudhri (Nominee Of National Bank Ltd.) CNC: 42301-6486487-7 5. Hassan Raza (Nominee Of Silk Bank Ltd.) CNC: 36201-1697386-1 6. Asim Khan (Nominee Of Payal Bank Ltd.) CNC: 36404-5923272-3 7. Sheikh Amjad Rafi CNC: 36302-7508339-9 8. Sheikh Shabid Rafi CNC: 36302-0327860-3	Zafar Iqbal Cheema Ghulam Murtaza Khan Sultan Ali Habib Late Babar Hameed Syed Humayun Meqsood Jilani	757,476	658,866	22,734	1,440,076	757,476	658,869	22,734	1,440,079	CF Hypo/TF-I/TF-II/PPTFCs
142	Arshad Industries Mezra Kohala Near Bull Bango Tehsil Kalinwala District, Khanewal	1. Sheikh Magdood Esh CNC: 36302-6586487-9 2. Mst. Brijes Fatima CNC: 36302-4647507-2	Sheikh Muhammad Rafi Sheikh Magdood Esh	9,781	4,367	8,465	22,613	9,781	4,367	8,465	22,613	Term Finance
143	Meqsood Usman Fibres Pvt Ltd Chowk, Kumharanwala, Khanewal Road, Multan/11-Km Faisalabad Road, Sheikhupura	1. Sheikh Magdood Esh CNC: 36302-6586487-9 2. Mst. Brijes Fatima CNC: 36302-4647507-2	Sheikh Muhammad Rafi Sheikh Magdood Esh	50,000	-	35,562	85,562	50,000	4,636	35,562	90,198	CF Pledge
144	A. S. Babar Rice Mills 5-Km, Faisalabad Road, Abdul Hakim	Muhammad Tahir Babar CNC: 36102-470825-3	Abdul Salam Babar	30,519	2,101	34,662	67,282	30,519	2,888	34,662	68,069	CF Pledge/CF Hypo/TF
145	Al-Anam Darin Pvt. Limited A/4 Site, Mangochir Road, Karachi	1. M. Yousuf Bandukda CNC: 42301-1409338-7 2. Shaukat Bandukda CNC: 42301-0900100-7 3. Mrs. Kamir Fatima CNC: 42301-9287189-2 4. Mr. Asim Sajid CNC: 42301-9792158-9 5. Mr. Farukh Sajid CNC: 42301-9792158-9 6. Mr. Farukh Sajid CNC: 42301-9792158-9 7. Mr. Farukh Sajid CNC: 42301-9792158-9 8. Mr. Farukh Sajid CNC: 42301-9792158-9 9. Mr. Farukh Sajid CNC: 42301-9792158-9 10. Mr. Farukh Sajid CNC: 42301-9792158-9 11. Mr. Farukh Sajid CNC: 42301-9792158-9 12. Mr. Farukh Sajid CNC: 42301-9792158-9 13. Mr. Farukh Sajid CNC: 42301-9792158-9 14. Mr. Farukh Sajid CNC: 42301-9792158-9 15. Mr. Farukh Sajid CNC: 42301-9792158-9 16. Mr. Farukh Sajid CNC: 42301-9792158-9 17. Mr. Farukh Sajid CNC: 42301-9792158-9 18. Mr. Farukh Sajid CNC: 42301-9792158-9 19. Mr. Farukh Sajid CNC: 42301-9792158-9 20. Mr. Farukh Sajid CNC: 42301-9792158-9 21. Mr. Farukh Sajid CNC: 42301-9792158-9 22. Mr. Farukh Sajid CNC: 42301-9792158-9 23. 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S.No.	Name and address of the borrower	Name of Individuals / Partners / Directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01, 2019				Principal written-off	Interest / Mark-up up to written-off / waived	Other financial relief provided	Total (9+10+11)	Product Name	
				Principal	Interest / Mark-up	Others than Interest / Mark-up	Total (5+6+7)						
148	Dewan Khalid Textile Mills Limited Dewan Center 3A, Lalazar Beach Hotel Road, Karachi	1. Mr. Ghaznifar Babar Siddiqi CNIC: 42101-4251415-9	Nazamul Din										
		2. Mr. Aziz Ul Haq CNIC: 42301-894003-5	Noor Ul Haq										
		3. Mr. Ishfaq Ahmed CNIC: 42101-0300293-3	Abdul Rasheed										
		4. Mr. Muhammad Baqar Jaffer CNIC: 33202-1194635-9	Faiz Ahmed										
		5. Mr. Imran Ahmed Javed CNIC: 42201-0985640-9	Muhammad Ishaq Ul Haq	55,811	41,953	39,457	137,221	55,811	41,953	39,457	137,221	Current Finance	
		6. Mr. Zafar Asim CNIC: 42101-0140093-3	Muhammad Fahim										
		7. Mr. Syed Maqsood Ali CNIC: 42201-7764217	Abdul Baqar Ferooqi										
149	Dewan Farooque Spinning Mills Limited, Dewan Center 3A, Lalazar Beach Hotel Road Karachi	1. Mr. Ghaznifar Babar Siddiqi CNIC: 42101-4251415-9	Nazamul Din										
		2. Mr. Aziz Ul Haq CNIC: 42301-894003-5	Noor Ul Haq										
		3. Mr. Ghaznifar Babar Siddiqi CNIC: 42101-4251415-9	Syed Muhammad Ijaz	39,893	-	29,810	68,703	39,609	-	29,807	69,416	Current Finance	
		4. Mr. Syed Muhammad Anwer CNIC: 42101-5101001-1	Muhammad Ishaq Ul Haq										
		5. Mr. Imran Ahmed Javed CNIC: 42201-0985640-9	Faiz Ahmed										
		6. Mr. Muhammad Baqar Jaffer CNIC: 33202-1194635-9	Faiz Ahmed										
		7. Mr. Syed Maqsood Ali CNIC: 42201-7764217	Abdul Sattar Zahid										
150	Gulistan Spinning Mills Limited Second Floor, Finlay House, 11, Chundrigar Road Karachi	1. Mr. Ghaznifar Babar Siddiqi CNIC: 42101-4251415-9	Nazamul Din										
		2. Mr. Aziz Ul Haq CNIC: 42301-894003-5	Malik Aziz Anjad										
		3. Muhammad Arif CNIC: 35201-1641307-5	Abdul Hameed Anwer	161,359	51,825	83,490	296,674	161,359	51,825	83,490	296,674	Current Finance	
		4. Muhammad Asif Akram CNIC: 35404-2976207-1	Muhammad Akram										
		5. Muhammad Akhter Mirza CNIC: 35201-9676042-3	Karamad Khan										
		6. Muhammad Ashraf Khan CNIC: 35201-1346603-5	Muhammad Dildhad Khan										
		7. Shahid Maqsood CNIC: 35201-4701433-5	Maqsood										
151	Gulistan Textile Mills Limited Second Floor, Finlay House, 11, Chundrigar Road Karachi	1. Mr. Ghaznifar Babar Siddiqi CNIC: 42101-4251415-9	Nazamul Din										
		2. Mr. Aziz Ul Haq CNIC: 42301-894003-5	Information Not Held On Record										
		3. Mr. Khan Khalid Naseem CNIC: 33160-666827-1	Information Not Held On Record										
		4. Muhammad Arif CNIC: 35201-1641307-5	Muhammad Ramzan	305,896	175,766	158,275	639,937	305,896	175,766	158,275	639,937	Current Finance	
		5. Mr. Muhammad Arshad CNIC: 35202-410421-1	Muhammad Saddique										
		6. Mr. Zafar Iqbal CNIC: 81102-7446239-1	Muhammad Sharif										
		7. Mr. Zubair Hussain Akhter CNIC: 33002-2956751-5	Gulshan Nabil										
152	Gulistan Textile Mills Limited Second Floor, Finlay House, 11, Chundrigar Road Karachi	1. Shahid Maqsood CNIC: 35201-4701403-5	Maqsood										
		2. Muhammad Ashraf Khan CNIC: 35201-1346603-5	Muhammad Dildhad Khan										
		3. Abdul Sattar CNIC: 35202-2306906-3	Abdul Sattar Zahid										
		4. Muhammad Ashraf Khan CNIC: 35201-1346603-5	Muhammad Dildhad Khan	294,206	162,591	154,129	610,926	294,207	162,591	154,129	610,927	Current Finance	
		5. Muhammad Asif Akram CNIC: 35404-2976207-1	Muhammad Akram										
		6. Muhammad Arif CNIC: 35201-1641307-5	Abdul Hameed Anwer										
		7. Muhammad Junaid CNIC: 35202-6261900-0	Information Not Held On Record										
153	Gulshan Weaving Mills Limited Second Floor, Finlay House, 11, Chundrigar Road Karachi	1. Mr. Jahangir Ahmed Shaikori CNIC: 42201-0546325-7	Abdul Shaikori	11,035	919	6,703	18,657	11,035	919	6,704	18,658	Current Finance	
		2. Mr. Masood Ahmed CNIC: 35202-6192908-5	Asayad Ullah										
		3. Farhad Ullah CNIC: 35603-4837709-3	Abdul Shaikori										
		4. Muhammad Akhter Mirza CNIC: 35201-9676042-3	Muhammad Akram										
		5. Abdul Sattar CNIC: 35202-2306906-3	Karamad Khan										
		6. Muhammad Ashraf Khan CNIC: 35201-1346603-5	Muhammad Dildhad Khan	128,897	21,704	61,608	212,209	128,897	21,704	61,608	212,209	Current Finance	
		7. Muhammad Asif Akram CNIC: 35404-2976207-1	Muhammad Akram										
154	Paramount Spinning Mills Limited Second Floor, Finlay House, 11, Chundrigar Road Karachi	1. Muhammad Arif CNIC: 35201-1641307-5	Abdul Hameed Anwer										
		2. Muhammad Junaid CNIC: 35202-6261900-0	Information Not Held On Record										
		3. Zahid Maqsood CNIC: 42201-3534946-3	Maqsood										
		4. Muhammad Ashraf Khan CNIC: 35201-1346603-5	Muhammad Dildhad Khan										
		5. Syed Maqsood CNIC: 42101-9842463-9	Syed Maqsood										
		6. Muhammad Arif CNIC: 35201-1641307-5	Abdul Hameed Anwer										
		7. Zahid Maqsood CNIC: 42201-3534946-3	Maqsood										
155	Sajid Textile Industries Private Limited Plot # 6 Sector 12A North Karachi Industrial Area, Karachi	1. Mr. Ghaznifar Babar Siddiqi CNIC: 42101-4251415-9	Nazamul Din										
		2. Mr. Aziz Ul Haq CNIC: 42301-894003-5	Noor Ul Haq										
		3. Syed Maqsood CNIC: 42101-9842463-9	Syed Maqsood	398,611	392,626	230,642	1,021,879	398,465	392,626	230,643	1,021,734	Current Finance	
		4. Muhammad Ashraf Khan CNIC: 35201-1346603-5	Muhammad Dildhad Khan										
		5. Syed Maqsood CNIC: 42101-9842463-9	Syed Maqsood										
		6. Muhammad Arif CNIC: 35201-1641307-5	Abdul Hameed Anwer										
		7. Zahid Maqsood CNIC: 42201-3534946-3	Maqsood										
156	Union Industries Private Limited B-46, Estate Avenue, Site, Karachi	1. Mr. Muhammad Javed Habib CNIC: 42301-107672-3	Abdul Habib Ahmed										
		2. Mr. Mirza Kuran Ali Khan CNIC: 42101-791682-5	Zulfiqar Ali Khan	6,636	-	6,761	13,397	6,636	-	6,761	13,397	Current Finance	
		TOTAL				3,189,030	1,979,167	1,542,096	6,710,293	3,107,852	1,976,895	1,570,114	6,654,861

TOTAL

ANNEXURE - II

ISLAMIC BANKING BUSINESS

The bank is operating 186 Islamic banking branches including 1 sub branch (December 31, 2019: 163 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		13,519,229	12,870,647
Balances with other banks		1,260,886	816,895
Due from financial institutions	1	14,293,146	37,791,008
Investments	2	47,420,548	13,738,131
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		196,335,878	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)	159,203
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
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		1,762,634	1,837,884
Unappropriated/ Unremitted profit	6	7,965,912	11,472,207
		11,528,546	15,110,091
CONTINGENCIES AND COMMITMENTS			
	7		

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	13,948,134
Profit / return expensed	9	4,697,549	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
1 Due from Financial Institutions	------(Rupees in '000)-----					
Unsecured	10,800,061	-	10,800,061	21,830,061	-	21,830,061
Bai Muajjal Receivable						
from State Bank of Pakistan	-	-	-	9,018,518	-	9,018,518
from other Financial Institutions	3,493,085	-	3,493,085	6,942,429	-	6,942,429
	14,293,146	-	14,293,146	37,791,008	-	37,791,008

	2020				2019			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
2 Investments by segments:	------(Rupees in '000)-----							
Federal Government Securities:								
-Ijarah Sukuks	20,486,855	-	(58,785)	20,428,070	496,004	-	(1,004)	495,000
-Others Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
-Naya Pakistan Certificates	466,435	-	-	466,435	-	-	-	-
	28,169,656	-	(58,785)	28,110,871	7,712,370	-	(1,004)	7,711,366
Non Government Debt Securities								
-Listed	-	-	-	-	-	-	-	-
-Unlisted	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)	169,454	13,738,131

	Note	2020	2019
		------(Rupees in '000)-----	
3 Islamic financing and related assets			
Ijarah	3.1	14,353,395	13,316,958
Murabaha	3.2	3,353,347	8,513,403
Musharaka		22,481,095	37,119,860
Diminishing Musharaka		2,179,926	1,798,472
Salam		3,658,498	3,160,589
Muajjal Financing		24,999,194	-
Islamic Staff financing		1,721,900	1,377,545
Advances against Islamic assets		14,808,757	15,870,982
Inventory related to Islamic financing		4,117,183	3,742,307
SBP Islamic Refinance		8,698,588	3,871,996
Islamic Long Term Finance Facility Plant & Machinery		433,900	-
SBP Refinance Scheme For Wages & Salaries		4,793,796	-
Islamic Refinance Renewable Energy Consumer		3,163	-
Other Islamic Modes		72,059	70,119
Gross Islamic financing and related assets		105,674,801	88,842,231
Less: provision against Islamic financings			
- Specific		(2,321,391)	(1,246,416)
- General		(74,218)	(83,438)
		(2,395,609)	(1,329,854)
Islamic financing and related assets - net of provision		103,279,192	87,512,377

3.1

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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	(1,348,151)	12,385	(606,814)	(193,699)	799,620	(893)	11,492
Vehicles	18,210,425	3,282,286	21,492,711	(5,647,189)	(3,080,642)	1,577,023	(7,150,808)	14,341,903
Total	19,570,961	1,934,135	21,505,096	(6,254,003)	(3,274,341)	2,376,643	(7,151,701)	14,353,395

	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	345,617	1,360,536	(386,185)	(294,102)	73,473	(606,814)	753,722
Vehicles	15,312,763	2,897,662	18,210,425	(4,473,561)	(2,570,378)	1,396,750	(5,647,189)	12,563,236
Equipment	7,492	(7,492)	-	(3,135)	-	3,135	-	-
Total	16,335,174	3,235,787	19,570,961	(4,862,881)	(2,864,480)	1,473,358	(6,254,003)	13,316,958

3.1.1 Future Ijarah 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) -----							
2,610,695	11,742,700	-	14,353,395	2,422,180	10,894,778	-	13,316,958

3.2 Murabaha

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Murabaha financing	3.2.1	3,353,347	8,513,403
Inventory for Murabaha	3.2.3	431,248	1,787,301
Advances for Murabaha		666,339	1,602,681
		<u>4,450,934</u>	<u>11,903,385</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		(412,198)	(578,274)
Murabaha financings		<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		(5,326,132)	-
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		(51,783,200)	(57,848,091)
		<u>431,248</u>	<u>1,787,301</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) -----					
59,536,285	4,628,277	64,164,562	49,796,551	3,924,311	53,720,862
50,866,656	2,396,749	53,263,405	42,140,823	2,579,906	44,720,729
13,534,046	475,505	14,009,551	14,952,359	245,276	15,197,635
820,136	245,643	1,065,779	2,359,360	181,527	2,540,887
124,757,123	7,746,174	132,503,297	109,249,093	6,931,020	116,180,113
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	7,746,174	133,037,813	115,092,345	6,931,020	122,023,365

4.1 Composition of deposits

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
- Individuals	92,490,254	75,312,810
- Government / Public Sector Entities	4,771,030	2,794,493
- Banking Companies	72	5,500,092
- Non-Banking Financial Institutions	534,444	343,160
- Private Sector / Others	<u>35,242,013</u>	<u>38,072,810</u>
	<u>133,037,813</u>	<u>122,023,365</u>

4.2 Deposits include eligible deposits of Rs. 114,112.591 million (2019: Rs. 96,026.411 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

		2020	2019
	Note	----- (Rupees in '000) -----	
5 Charity Fund			
Opening Balance		25,272	24,146
Additions during the period			
Received from customers on account of delayed payment		39,860	22,699
Other Non-Shariah compliant income		777	3,486
Profit on charity saving account		716	841
		41,353	27,026
Payments / utilization during the period			
Education		(9,650)	(9,000)
Health		(9,200)	(8,900)
Others		(17,300)	(8,000)
	5.1	(36,150)	(25,900)
Closing Balance		30,475	25,272
5.1 Donations paid during the year are as follows:			
Afzaal Memorial Thalassemia Foundation (AMTF)		3,000	-
Akhuwat		4,500	-
Al Mustafa Welfare Society		1,200	-
Alif Noon Parents Foundation (ANPF)		6,000	-
Al-Khidmat Foundation Pakistan		2,000	-
Dar Us Shifa Foundation		5,000	-
Developments in Literacy (DIL)		900	-
Institute of Business Administration, Karachi (IBA)		4,250	-
Karwan-e-Hayat		2,000	3,000
Memon Health and Education Foundation (MHEF)		3,000	-
Memon Medical Institute Hospital		-	5,000
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	25,900
6 Islamic Banking Business Unappropriated Profit			
Opening Balance		11,472,207	8,586,749
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 - net of tax		908	456
Less: Transferred / Remitted to Head Office		(5,500,000)	-
Closing Balance		7,965,912	11,472,207
7 CONTINGENCIES AND COMMITMENTS			
-Guarantees		3,163,586	3,044,844
-Commitments		49,617,200	43,105,936
		52,780,786	46,150,780
8 Profit/Return Earned of Financing, Investments and Placement			
Financing		7,895,382	8,267,389
Investments		2,380,262	987,137
Placements		3,141,924	4,693,608
		13,417,568	13,948,134
9 Profit on Deposits and other Dues Expensed			
Deposits and other accounts		3,986,143	4,368,126
Due to Financial Institutions		254,209	116,583
Cost of foreign currency swaps against foreign currency deposits / borrowings		102,051	319,679
Borrowing cost on lease liability		345,803	366,685
Reward Points		9,343	10,226
		4,697,549	5,181,299

DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

A-II.2 1. The pools, their key features and risk and reward characteristics.

The profit and loss sharing between the Rabbul Maal (depositor) and Mudarib (Bank - IBG) is based upon the underlying principles of Mudaraba, where Bank also contributes its equity to general pool of funds, and becomes the capital provider.

Currently IBG is managing following pools:

- 1) General pool for LCY depositors
- 2) FCY pool for foreign currency (USD, GBP, EURO, AED, SAR and CAD) depositors
- 3) Fls 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	3,545,699	2,953,882
Construction	3,092,356	2,385,646
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	18,409,257	14,678,109
Insurance	3,277	6,370
Metal & Allied industries	2,697,096	2,634,532
Mining and Quarrying	-	1,745
Oil and Allied	1,975,563	17,178
Paper and Board	769,653	398,132
Power (electricity), Gas, Water, Sanitary	6,669,217	12,379,177
Services	1,471,220	1,789,679
Sugar	1,665,422	1,347,178
Technology and Communication	21,352	14,027
Textile	19,921,320	17,915,169
Transport, Storage and Communication	545,157	-
Wholesale and Retail Trade	3,235,734	3,773,126
Others	1,294,831	729,962
Total Gross Islamic Financing and Related Assets	105,674,801	88,842,231
Total Gross Investments	47,460,014	13,689,575
Total Islamic Placements	14,293,146	37,791,008
Total Invested Funds	167,427,961	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 ijarah assets, brokerage, CIB charges, bad debts write off on advances and loss on sale of investments etc are charged to the pool. Expenses of pool(s) do not include general and specific provisioning created against non-performing financings and diminution in the value of investments.

4. The Bank managed the following general and specific pools during the year:

Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share/Fee	Rabbul Maal Share	(Rupees in '000)			(Rupees in '000)

General Pool

PKR Pool	Monthly	9.47%	50.00%	50.00%	3,232,413	5.39%	8.61%	311,013
USD Pool	Monthly	0.92%	85.00%	15.00%	63,095	0.57%	13.60%	8,320
GBP Pool	Monthly	4.86%	85.00%	15.00%	12,038	0.98%	0.00%	-
EUR Pool	Monthly	4.92%	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	0.14%	0.00%	-
CAD Pool	Monthly	7.49%	85.00%	15.00%	-	0.00%	0.00%	-

Special Pool

Special Pool (Saving)	Monthly	11.92%	33.83%	66.17%	18,117	7.91%	0.00%	-
Special Pool (TDR)	Monthly	12.01%	24.21%	75.79%	99,611	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%	86.74%	13.26%	1,108,683	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	Particular of purchaser
		------(Rupees in '000)-----				
Office equipment						
Electronic equipments	Various items	6,620	4,499	5,962	As Per Policy	Nauman Ansari
Tablet	Apple Ipad	223	74	76	As Per Policy	Nauman Ansari
Mobile	Apple Iphone	166	-	17	As Per Policy	Nauman Ansari
Mobile	Apple Iphone	21	-	2	As Per Policy	Nauman Ansari
Laptop	Apple Macbook Pro	250	82	84	As Per Policy	Nauman Ansari
Laptop	Laptop I7	106	62	62	As Per Policy	Bilal Asghar
Laptop	Laptop I7	107	23	27	As Per Policy	Chaudhry Sohail
Laptop	Laptop I5	90	-	9	As Per Policy	Fakhar Ahmad
Laptop	Laptop I5	71	17	20	As Per Policy	Hafsa Abbasy
Laptop	Laptop I5	65	-	6	As Per Policy	Hasan Ahmed Khan
Laptop	Laptop I5	90	-	9	As Per Policy	Khawaja Muhammad Ahmad
Laptop	Mac Book Pro	315	-	32	As Per Policy	Mohib Hasan Khan
Laptop	Laptop	82	-	8	As Per Policy	Muhamid Jamal Ansari
Laptop	Laptop Core I5	78	-	8	As Per Policy	Sarmed Ijaz Awan
Laptop	Laptop Core I5	74	-	7	As Per Policy	Shehzad Lalani
Laptop	Laptop I5	62	-	6	As Per Policy	Zaheer Elahi Babar
Mobile	Samsung Galaxy	50	-	5	As Per Policy	Amin Sukhiani
Mobile	Samsung Galaxy	50	-	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 Qamar Khan
Mobile	Samsung Galaxy	40	8	8	As Per Policy	Ghulam Shabbir
Mobile	Blackberry	25	-	3	As Per Policy	Hasan Ahmed Khan
Mobile	Samsung Galaxy	40	-	4	As Per Policy	Husnain Zaigham
Mobile	Samsung Galaxy	50	-	5	As Per Policy	Muhamid Jamal Ansari
Mobile	Samsung Galaxy	50	-	5	As Per Policy	Muhammad Ashraf
Mobile	Apple Iphone	50	6	7	As Per Policy	Muhammed Omer
Mobile	Apple Iphone	40	-	4	As Per Policy	Sarmed Ijaz Awan
Mobile	Apple Iphone	40	-	4	As Per Policy	Syed Irfan Akhtar Gillani
Mobile	Samsung Galaxy	50	-	5	As Per Policy	Zaheer Elahi Babar
Mobile	Sony Mobile	30	-	3	As Per Policy	Zia Mustafa
Tablet	Apple Ipad Pro	120	33	34	As Per Policy	Bilal Asghar
Tablet	Apple Ipad Pro	120	32	37	As Per Policy	Hafsa Abbasy
Electronic equipments	Access Control System	36	13	32	Insurance claim	Alfalal Insurance Company Limited
Electronic equipments	Air Conditioners	108	74	106	Insurance claim	Alfalal Insurance Company Limited
Electronic equipments	Anti Skimming Device	116	51	112	Insurance claim	Alfalal Insurance Company Limited
Electronic equipments	Atm Machines	945	135	341	Insurance claim	Alfalal Insurance Company Limited
Electronic equipments	Cash Sorting Machine	994	330	654	Insurance claim	Alfalal Insurance Company Limited
Computer	Computer	539	121	447	Insurance claim	Alfalal Insurance Company Limited
Electronic equipments	Generators	5,491	377	2,422	Insurance claim	Alfalal Insurance Company Limited
Mobile	Iphone	40	-	26	Insurance claim	Alfalal Insurance Company Limited
Laptop	Laptop	1,063	607	694	Insurance claim	Alfalal Insurance Company Limited
Mobile	Mobile	62	-	17	Insurance claim	Alfalal Insurance Company Limited
Electronic equipments	Note Counting/Binding Machines	92	53	87	Insurance claim	Alfalal Insurance Company Limited
Electronic equipments	Printer	23	10	21	Insurance claim	Alfalal Insurance Company Limited
Electronic equipments	Ups	4,100	1,244	1,850	Insurance claim	Alfalal Insurance Company Limited
		22,874	7,851	13,282		
Furniture & Fixtures	Various furniture items	4,846	4,126	3,231	As Per Policy	Nauman Ansari
Vehicle						
Vehicle	Mercedes Benz E-200	13,798	-	1,380	As Per Policy	Bilal Asghar
Vehicle	Honda City	1,483	-	148	As Per Policy	Najam Uz Zaman
Vehicle	Mercedes Benz E-300	20,266	6,902	6,888	As Per Policy	Nauman Ansari
Vehicle	Toyota Land Cruiser Vx	25,488	8,680	8,662	As Per Policy	Nauman Ansari
Vehicle	Mercedes Benz E-200	13,536	-	1,354	As Per Policy	Mehreen Ahmed
		74,571	15,582	18,432		
		102,291	27,559	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 Omer Chughtai.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 12th February, 2021

Consolidated Statement of Financial Position

As at December 31, 2020

	Note	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
		1,387,674,403	1,067,749,439
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
		1,295,013,903	978,466,252
NET ASSETS		92,660,500	89,283,187
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		92,553,063	89,190,886
Non-controlling interest	21	107,437	92,301
		92,660,500	89,283,187
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	6,786,997	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



Bank Alfalah

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Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	2020	2019
	----- (Rupees in '000) -----	
Profit after taxation	10,843,240	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				Revenue Reserves	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	Sub -total	Non Controlling Interest	Total
	(Rupees in '000)										
Balance as at January 1, 2019	17,743,629	4,695,600	5,051,449	13,273,115	30,590	49,907	7,339,220	28,323,585	76,507,095	514,757	77,021,852
Profit after taxation	-	-	-	-	-	-	-	13,046,800	13,046,800	(14,993)	13,031,807
Other comprehensive income - net of tax	-	-	1,720,854	-	-	4,004,564	83,991	69,872	5,879,281	4,248	5,883,529
Transfer to statutory reserve	-	-	-	1,269,552	-	-	-	(1,269,552)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(101,165)	101,165	-	-	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,201)	-	-	-	(5,201)	-	(5,201)
Transfer to Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-	-	-
Cost of issuance of shares by the subsidiary company	-	-	-	-	-	-	-	(15,299)	(15,299)	(9,701)	(25,000)
Movement in reserves due to capital injection by non-controlling interest	-	-	-	-	-	-	-	47,035	47,035	(47,035)	-
Reclassification of subsidiary and associate - net of tax	-	-	-	-	-	-	-	(91,033)	(91,033)	(512,475)	(603,508)
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2018 - 15%	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)	-	(2,661,544)
Interim cash dividend for the half year ended June 30, 2019 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	157,500	157,500
Shares issued under stock option scheme by the Bank during the year	28,022	10,060	-	-	-	-	-	-	38,082	-	38,082
Balance as at January 1, 2020	17,771,651	4,731,049	6,772,303	14,542,667	-	4,054,471	7,322,046	33,996,699	89,190,886	92,301	89,283,187
Profit after taxation	-	-	-	-	-	-	-	10,832,130	10,832,130	11,110	10,843,240
Other comprehensive income - net of tax	-	-	586,512	-	-	(771,898)	31,354	(207,261)	(361,293)	4,026	(357,267)
Transfer to statutory reserve	-	-	-	1,047,491	-	-	-	(1,047,491)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(107,554)	107,554	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2019 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Interim cash dividend for the nine months period ended September 30, 2020 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balance as at December 31, 2020	17,771,651	4,731,049	7,358,815	15,590,158	-	3,282,573	7,245,846	36,572,971	92,553,063	107,437	92,660,500

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



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	22,915,433
Dividend income		(313,526)	(339,149)
Share of profit from associates		(612,617)	(547,198)
		<u>17,517,011</u>	<u>22,029,086</u>
Adjustments			
Depreciation		3,958,425	3,417,774
Amortisation		439,042	473,541
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	106,243
Charge for staff compensated absences		71,106	41,990
		<u>13,886,575</u>	<u>8,705,517</u>
		31,403,586	30,734,603
(increase) / Decrease in operating assets			
Lendings to financial institutions		(22,017,279)	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>(138,971,274)</u>	<u>26,161,338</u>
Increase in operating liabilities			
Bills payable		5,402,063	(18,819,166)
Borrowings		211,327,531	(20,875,766)
Deposits		99,475,302	79,427,735
Other liabilities (excluding current taxation)		1,707,405	(10,499,900)
		<u>317,912,301</u>	<u>29,232,903</u>
		210,344,613	86,128,844
Contribution made to gratuity fund		(170,884)	(106,243)
Income tax paid		(6,191,613)	(4,949,854)
Net cash generated from operating activities		<u>203,982,116</u>	<u>81,072,747</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(203,458,637)	(29,387,896)
Net investments in held-to-maturity securities		146,555	(7,091,196)
Dividends received from associated companies		90,000	-
Dividends received		312,213	340,847
Investments in operating fixed assets		(3,596,491)	(3,867,027)
Proceed from sale proceeds of fixed assets		118,331	403,122
Effect of translation of net investment in foreign branches		586,512	1,720,854
Net cash used in investing activities		<u>(205,801,517)</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, 510 (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. 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 (IIFS). 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 effect 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 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 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, 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 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 on 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 Modaraba.

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

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

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

Rab-ul-Maal (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 EOBI, 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
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	2,418,292
		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	681,448	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
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><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).

	2020 ------(Rupees in '000)-----	2019 ------(Rupees in '000)-----
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
Note
8.1 Investments by type:

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							
Market Treasury Bills	-	(9,388)	56,811,919	20,533,478	-	(14,058)	20,519,420
Pakistan Investment Bonds	-	30,229	7,540,398	5,148,051	-	(12,795)	5,135,256
Shares							
Ordinary shares / units - Listed	-	14,249	495,722	537,793	-	118	537,911
Foreign Securities							
Overseas Bonds - Sovereign	-	56,800	6,198,936	915,694	-	2,043	917,737
70,955,085	-	91,890	71,046,975	27,135,016	-	(24,692)	27,110,324
Available-for-sale securities							
Federal Government Securities							
Market Treasury Bills	-	102,559	145,202,147	72,573,764	-	(14,777)	72,558,987
Pakistan Investment Bonds	-	2,381,275	189,388,114	92,232,030	-	3,220,117	95,452,147
Government of Pakistan Sukuks	-	(439)	24,322,442	4,212,347	-	86,367	4,298,714
Government of Pakistan Euro Bonds	-	147,772	2,103,817	1,925,652	-	40,577	1,966,229
Naya Pakistan Certificates	-	-	466,435	-	-	-	-
Shares							
Ordinary shares - Listed	(423,497)	2,326,352	5,304,599	5,616,886	(1,029,285)	2,515,407	7,103,008
Ordinary shares - Unlisted	(59,661)	-	1,141,624	1,151,285	(59,661)	-	1,091,624
Preference Shares - Listed	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities							
Term Finance Certificates	(452,530)	(11,209)	1,133,171	1,753,977	(409,577)	(22,887)	1,321,513
Sukuks	(96,511)	113,865	18,268,007	4,817,886	(96,510)	170,457	4,891,833
Foreign Securities							
Overseas Bonds - Sovereign	-	813,215	17,365,286	10,206,335	-	144,151	10,350,486
Overseas Bonds - Others	-	716,255	18,042,566	19,409,473	-	330,542	19,740,015
Redeemable Participating Certificates	-	-	2,904,675	2,727,165	-	-	2,727,165
420,219,272	(1,166,034)	6,589,645	425,642,883	216,760,635	(1,728,868)	6,469,954	221,501,721
Held-to-maturity securities							
Federal Government Securities							
Pakistan Investment Bonds	-	-	20,003,717	25,968,179	-	-	25,968,179
Other Federal Government Securities	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities							
Term Finance Certificates	(24,680)	-	373,333	714,266	(524,266)	-	190,000
Sukuks	(94,545)	-	1,041,671	1,255,831	(120,898)	-	1,134,933
Foreign Securities							
Overseas Bonds - Sovereign	-	-	19,629,502	13,901,861	-	-	13,901,861
Overseas Bonds - Others	-	-	798,356	771,808	-	-	771,808
49,182,170	(119,225)	-	49,062,945	49,828,311	(645,164)	-	49,183,147
Associates (valued at equity method)	-	-	3,675,044	3,138,787	-	-	3,138,787
General provision and expected credit loss-							
Overseas operations	(69,294)	-	(69,294)	-	(28,422)	-	(28,422)
Total Investments	(1,354,553)	6,681,535	549,358,553	296,862,749	(2,402,454)	6,445,262	300,905,557

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 reported and measured under "Available for Sale" investments in these unconsolidated financial statements.

8.1.2 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)	Balance as at December 31
	(Rupees in '000)					
Alfalah Insurance Company Limited	396,575	82,119	13,640	-	-	492,334
Sapphire Wind Power Company Limited	2,341,597	465,358	-	(90,000)	-	2,716,955
Alfalah GHP Investment Management Limited	400,615	65,140	-	-	-	465,755
	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)	Balance as at December 31
	(Rupees in '000)					
Alfalah Insurance Company Limited	340,921	55,654	-	-	-	396,575
Sapphire Wind Power Company Limited	1,905,883	435,714	-	-	-	2,341,597
TriconBoston Consulting Corporation (Private) Limited	793,893	-	-	-	(793,893)	-
Alfalah GHP Investment Management Limited	-	55,830	-	-	344,785	400,615
Alfalah GHP Money Market Fund	298,913	-	-	-	(298,913)	-
Alfalah GHP Income Multiplier Fund	6	-	-	-	(6)	-
Alfalah GHP Sovereign Fund	75,600	-	-	-	(75,600)	-
Alfalah GHP Income Fund	157,437	-	-	-	(157,437)	-
Alfalah GHP Islamic Income Fund	5,827	-	-	-	(5,827)	-
Alfalah GHP Pension Fund	86,881	-	-	-	(86,881)	-
Alfalah GHP Islamic Pension Fund	85,951	-	-	-	(85,951)	-
Alfalah GHP Cash Fund	10,300	-	-	-	(10,300)	-
	3,761,612	547,198	-	-	(1,170,023)	3,138,787

8.1.3 Particulars of assets and liabilities of associates

	Audited / Un-audited	Financial statements date	2020			
			Assets	Liabilities	Revenue	Profit for the year
			(Rupees in '000)			
Alfalah 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
Alfalah GHP Investment Management Limited	Un-audited	December 31, 2020	1,390,159	232,128	469,183	161,959

	Audited / Un-audited	Financial statements date	2019			
			Assets	Liabilities	Revenue	Profit for the year
			(Rupees in '000)			
Alfalah Insurance Company Limited	Audited	December 31, 2019	4,009,075	2,659,419	1,583,734	185,514
Sapphire Wind Power Company Limited	Un-audited	December 31, 2019	16,641,391	9,643,298	3,400,281	1,452,381
Alfalah GHP Investment Management Limited	Audited	December 31, 2019	1,246,271	250,200	469,739	138,812

	2020				2019			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
8.2 Investments by segments:	------(Rupees in '000)-----							
Federal Government Securities:								
Market Treasury Bills	201,920,895	-	93,171	202,014,066	93,107,242	-	(28,835)	93,078,407
Pakistan Investment Bonds	214,520,725	-	2,411,504	216,932,229	123,348,260	-	3,207,322	126,555,582
Government of Pakistan Euro Bonds	1,956,045	-	147,772	2,103,817	1,925,652	-	40,577	1,966,229
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Government of Pakistan Sukuks	24,322,881	-	(439)	24,322,442	4,212,347	-	86,367	4,298,714
Naya Pakistan Certificates	466,435	-	-	466,435	-	-	-	-
	450,403,347	-	2,652,008	453,055,355	229,809,867	-	3,305,431	233,115,298
Shares:								
Listed Companies	3,992,052	(532,332)	2,340,601	5,800,321	6,263,514	(1,138,120)	2,515,525	7,640,919
Unlisted Companies	1,226,285	(84,661)	-	1,141,624	1,176,285	(84,661)	-	1,091,624
	5,218,337	(616,993)	2,340,601	6,941,945	7,439,799	(1,222,781)	2,515,525	8,732,543
Non Government Debt Securities								
Listed	15,063,010	(1,785)	21,381	15,082,606	651,745	(1,785)	12,091	662,051
Unlisted	6,318,782	(666,481)	81,275	5,733,576	7,890,215	(1,149,466)	135,479	6,876,228
	21,381,792	(668,266)	102,656	20,816,182	8,541,960	(1,151,251)	147,570	7,538,279
Foreign Securities								
Government securities	42,323,709	-	870,015	43,193,724	25,023,890	-	146,194	25,170,084
Non Government Debt securities	21,029,342	-	716,255	21,745,597	22,908,446	-	330,542	23,238,988
	63,353,051	-	1,586,270	64,939,321	47,932,336	-	476,736	48,409,072
Associates (valued at equity method)	3,675,044	-	-	3,675,044	3,138,787	-	-	3,138,787
General provision and expected credit loss- Overseas operations	-	(69,294)	-	(69,294)	-	(28,422)	-	(28,422)
Total Investments	544,031,571	(1,354,553)	6,681,535	549,358,553	296,862,749	(2,402,454)	6,445,262	300,905,557

8.2.1 Investments given as collateral	Note	2020	2019
		------(Rupees in '000)-----	
Market Treasury Bills		99,091,373	10,243,269
Pakistan Investment Bonds		82,733,120	10,841,800
Overseas Bonds		-	4,630,519
Sukuk Bonds		-	4,641,103
		<u>181,824,493</u>	<u>30,356,691</u>

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	2,402,454	1,381,018
	Exchange and other adjustments	495	3,548
	Charge / reversals		
	Charge for the year	1,042,001	1,589,125
	Reversals for the year	(26,352)	(49,130)
	Reversal on disposals	(1,564,459)	(522,107)
		(548,810)	1,017,888
	Written off	(499,586)	-
	Closing Balance	<u>1,354,553</u>	<u>2,402,454</u>

8.3.2 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, the Bank during the year has written off Rs. 499.586 million in respect Term Finance Certificate 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 modarba pools in Naya Pakistan Company limited in accordance with S.R.O 964 (I) / 2020 dated October 05, 2020.

	2020	2019
	Cost	
----- (Rupees in '000) -----		
8.4.2 Shares		
8.4.2.1 Listed Companies		
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	1,666,312
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
	<u>3,401,744</u>	<u>5,616,886</u>
Preference Shares		
Fertilizer	108,835	108,835
	<u>3,510,579</u>	<u>5,725,721</u>

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
	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

		2020	2019
		Cost	
8.4.3 Non Government Debt Securities		----- (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 Chile	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-	239,754	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	<u>7,216,366</u>	<u>7,216,366</u>
	<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	<u>309,226</u>	<u>645,164</u>
	<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	<u>1,588,645</u>	AA-	<u>1,537,546</u>	AA-
	<u>19,629,502</u>		<u>13,901,861</u>	

8.5.3.2 Non Government Debt Securities

Unlisted

	2020	2019
	Cost ----- (Rupees in '000) -----	
- BBB+, BBB, BBB-	<u>798,356</u>	<u>771,808</u>

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

ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1	458,637,062	403,042,104	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	9.5	(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	738,799	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 charges 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 BPRD/BRD/Citi/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 SBP'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 2039).

9.2 These represents financing and related assets placed under shariah permissible modes and presented in Annexure-II to the unconsolidated financial statements.

	2020	2019
----- (Rupees in '000) -----		
9.3 Particulars of advances (Gross)		
In local currency	559,358,878	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
	----- (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	579,152
Doubtful	7,895,994	3,332,683	1,918,480	947,661
Loss	13,770,907	13,657,279	15,869,509	15,778,780
	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	535,569	427,745
	552,302	441,023	535,569	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
	----- (Rupees 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	2,039,062	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)	(17,041)	-	(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	5,266,171	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
	----- (Rupees 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 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. 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 to 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 restructured 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 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.

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
9.6 PARTICULARS OF WRITE OFFS:			
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	3,107,852	88,452
- Overseas		-	-
Write Offs of Below Rs. 500,000		232,755	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. 2,784.442 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 LOAN 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 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 ----- (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	20,694,822	19,268,783
Right-of-use assets	10.3	9,551,202	9,195,524
		<u>30,994,793</u>	<u>29,107,720</u>
10.1 Capital work-in-progress			
Civil works		416,527	328,506
Equipment		301,903	295,383
Others		30,339	19,524
		<u>748,769</u>	<u>643,413</u>

10.2 Property and Equipment

2020								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total

----- (Rupees in '000) -----

At January 1, 2020

Cost / Revalued amount	6,151,946	3,086,200	1,655,333	3,174,993	5,881,693	2,108,507	13,272,506	367,227	35,698,405
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,021,878)	(1,747,359)	(10,246,943)	(272,931)	(16,429,622)
Net book value	<u>6,151,946</u>	<u>3,086,200</u>	<u>1,608,008</u>	<u>3,081,807</u>	<u>1,859,815</u>	<u>361,148</u>	<u>3,025,563</u>	<u>94,296</u>	<u>19,268,783</u>

Year ended December 2020

Opening net book value	6,151,946	3,086,200	1,608,008	3,081,807	1,859,815	361,148	3,025,563	94,296	19,268,783
Additions	27,665	-	34,527	56,499	271,318	153,126	2,366,468	115,076	3,024,679
Disposals	-	-	-	(13,927)	(8,552)	(1,043)	(11,913)	(15,589)	(51,024)
Depreciation charge	-	-	(61,085)	(100,785)	(334,829)	(97,922)	(1,260,410)	(53,746)	(1,908,777)
Subsidiary classified as associate during the year	-	-	-	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	542	347	2,233	1,550	4,672
Other adjustments / transfers	-	-	355,735	-	(149)	90	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>415,746</u>	<u>4,122,754</u>	<u>141,587</u>	<u>20,694,822</u>

At December 31, 2020

Cost / Revalued amount	6,179,611	3,086,200	2,051,942	3,216,835	6,179,542	2,252,234	15,235,267	377,753	38,579,384
Accumulated depreciation	-	-	(114,757)	(193,241)	(4,391,397)	(1,836,488)	(11,112,513)	(236,166)	(17,884,562)
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>415,746</u>	<u>4,122,754</u>	<u>141,587</u>	<u>20,694,822</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 fixture	Office equipment	Vehicles	Total
(Rupees in '000)								

At January 1, 2019

Cost / Revalued amount	6,150,446	3,278,701	1,440,029	3,038,083	5,272,656	2,025,376	11,598,377	358,827	33,162,495
Accumulated depreciation	-	-	-	-	(3,695,795)	(1,662,650)	(9,417,251)	(245,096)	(15,020,792)
Net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	362,726	2,181,126	113,731	18,141,703

Year ended December 2019

Opening net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	362,726	2,181,126	113,731	18,141,703
Additions	-	-	215,304	141,288	591,629	100,953	1,924,572	39,135	3,012,881
Disposals	(61,950)	(192,501)	-	(2,700)	(646)	(750)	(13,589)	(8,024)	(280,160)
Depreciation charge	-	-	(39,725)	(83,576)	(291,695)	(95,326)	(1,059,833)	(50,502)	(1,620,657)
Subsidiary classified as associate during the year	-	-	-	-	-	(11,197)	(16,183)	(2,174)	(29,554)
Exchange rate adjustments	-	-	-	-	810	4,855	8,930	2,130	16,725
Other adjustments / transfers	63,450	-	(7,600)	(11,288)	(17,144)	(113)	540	-	27,845
Closing net book value	6,151,946	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	6,151,946	3,086,200	1,655,333	3,174,993	5,881,693	2,108,507	13,272,506	367,227	35,698,405
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,021,878)	(1,747,359)	(10,246,943)	(272,931)	(16,429,622)
Net book value	6,151,946	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%	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 Akbani & Javed Associates, M/s Harvester Service (Private) Limited and M/s Hamid Mukhtar & 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	1,291,138	3,086,200	1,291,148	3,086,200
Buildings on freehold land	1,472,210	1,937,185	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. 12,676.428 million (2019: Rs. 11,750.590 million).

	Note	2020	2019
		(Rupees in '000)	
10.2.3 Carrying amount of idle and held for sale properties.	10.2.3.1	-	42,000

- 10.2.3.1** During the year, properties having book value of Rs. 355.735 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 Annexure III to the unconsolidated financial statements.

10.3	Right-of-use assets	Note	2020 ------(Rupees in '000)-----	2019
	At January 1			
	Cost / Revalued amount		10,996,707	9,417,669
	Accumulated depreciation		(1,801,183)	-
	Net book value		<u>9,195,524</u>	<u>9,417,669</u>
	Year ended December			
	Opening net book value		9,195,524	9,417,669
	Additions		2,405,326	1,574,972
	Depreciation charge		(2,049,648)	(1,797,117)
	Closing net book value		<u>9,551,202</u>	<u>9,195,524</u>
	At December 31			
	Cost / Revalued amount		13,402,033	10,996,707
	Accumulated depreciation		(3,850,831)	(1,801,183)
	Net book value		<u>9,551,202</u>	<u>9,195,524</u>
	Rate of depreciation (percentage)		<u>5% - 100%</u>	<u>5% - 100%</u>
11	INTANGIBLE ASSETS			
	Capital work-in-progress / Advance payment to suppliers		268,225	253,483
	Software	11.1	<u>1,019,509</u>	<u>1,006,837</u>
			<u>1,287,734</u>	<u>1,260,320</u>
11.1	At January 1			
	Cost		4,149,922	3,822,430
	Accumulated amortisation and impairment		(3,143,085)	(2,686,060)
	Net book value		<u>1,006,837</u>	<u>1,136,370</u>
	Year ended December 31			
	Opening net book value		1,006,837	1,136,370
	Additions - directly purchased		451,840	373,824
	Amortisation charge		(439,042)	(473,541)
	Exchange rate adjustments		96	398
	Subsidiary classified as associate during the year		-	(29,992)
	Other adjustments		(222)	(222)
	Closing net book value		<u>1,019,509</u>	<u>1,006,837</u>
	At December 31			
	Cost		4,603,935	4,149,922
	Accumulated amortisation and impairment		(3,584,426)	(3,143,085)
	Net book value		<u>1,019,509</u>	<u>1,006,837</u>
	Rate of amortisation (percentage)		<u>20% - 25%</u>	<u>20% - 25%</u>
	Useful life		<u>4 - 5 years</u>	<u>4 - 5 years</u>
11.2	Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 2,426.423 million (2019: Rs. 1,931.099 million).			

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees 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	23.1	-	20,977
Stationery and stamps on hand		28,390	23,164
Defined benefit plan	37.1.4	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>

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees 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. Josheph 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 ----- (Rupees in '000) -----	2019 ----- (Rupees 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	(173,070)	(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		173,070	7,350
- Impairment / Depreciation		(3,790)	(7,350)
		<u>169,280</u>	<u>-</u>
Gain/Loss		<u>19,510</u>	<u>7,350</u>

12.2 This represents fraud and forgery amount receivable from the insurance company and other sources. Provision has been held against non-recoverable amount.

	Note	2020	2019
		----- (Rupees in '000) -----	
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	928,885
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>797,976</u>	<u>769,355</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
		199,471,683	54,899,200

Repurchase agreement borrowings	14.8	42,126,121	16,064,786
Bai Muajjal	14.9	35,250,474	19,192,374
Pre IPO Subscription against Medium Term Note	14.10	9,000,000	-
Others	14.11	94,631	291,243

Total secured

		<u>285,942,909</u>	<u>90,447,603</u>
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Unsecured

Call borrowings	14.12	14,032,513	10,126,463
Overdrawn nostro accounts	14.13	1,532,864	939,151
Bai Muajjal	14.14	8,766,071	-
Others			
- Pakistan Mortgage Refinance Company	14.15	1,388,140	494,646
- Karandaaz Risk Participation	14.16	650,087	502,375
- Other financial institutions	14.17	2,742,233	623,335

Total unsecured

		<u>29,111,908</u>	<u>12,685,970</u>
		<u>315,054,817</u>	<u>103,133,573</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 book 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 6.85% to 7.06% 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 Karandaaz 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	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>

15 DEPOSITS AND OTHER ACCOUNTS
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	270,761,170	66,720,895	337,482,065
236,071,010	29,757,610	265,828,620	191,837,354	33,470,756	225,308,110
114,847,092	51,044,885	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
683,670,012	156,306,440	839,976,452	578,883,567	154,775,228	733,658,795
2,046,064	1,078,065	3,124,129	1,877,599	468,616	2,346,215
26,590,246	197,558	26,787,804	28,410,962	56,425	28,467,387
8,803,246	1,161,129	9,964,375	17,579,094	78,196	17,657,290
1,817,607	79,795	1,897,402	144,086	1,087	145,173
39,257,163	2,516,547	41,773,710	48,011,741	604,324	48,616,065
722,927,175	158,822,987	881,750,162	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	2019
------(Rupees in '000)-----	
420,057,714	361,511,449
63,503,148	31,193,413
60,537,880	57,074,016
4,575,977	6,225,840
37,197,733	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. 417,047.985 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

15.3 Current deposit includes amount related to prepaid cards Rs. 42.164 million (2019: 53.876 million).

16 SUBORDINATED DEBT
16.1 Term Finance Certificates V - Quoted, Unsecured

- 4,987,000

During the year, the Holding Company, 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-I (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 earning 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

		2020			
		At January 1, 2020	Recognised in P&L A/C	Recognised in OCI	Other adjustments (reclassification of subsidiary & associate)
		------(Rupees in '000)-----			
Deductible Temporary Differences on:					
- Provision against investments	(682,296)	237,856	-	-	(444,440)
- Provision against advances	(566,205)	(2,490,070)	-	-	(3,056,275)
- Provision against other assets	(343,011)	(11,355)	-	-	(354,366)
- Provision against lending to financial institutions	(1,997)	1,997	-	-	-
	(1,593,509)	(2,261,572)	-	-	(3,855,081)
Taxable Temporary Differences on:					
- Surplus on revaluation of fixed assets and non banking assets	1,299,030	(21,526)	1,152	-	1,278,656
- Unrealised (loss) / gain on revaluation of HFT investments	(7,438)	38,899	-	-	31,461
- Surplus on revaluation of available for sale investments	2,262,421	-	40,580	-	2,303,001
- Share of profit and other comprehensive income from associates	686,413	182,916	4,774	-	874,103
- Accelerated tax depreciation	1,490,488	112,626	-	-	1,603,114
	5,730,914	312,915	46,506	-	6,090,335
	4,137,405	(1,948,657)	46,506	-	2,235,254
		2019			
		At January 1, 2019	Recognised in P&L A/C	Recognised in OCI	Other adjustments (reclassification of subsidiary & associate)
		------(Rupees in '000)-----			
Deductible Temporary Differences on:					
- Provision against investments	(168,568)	(513,728)	-	-	(682,296)
- Provision against advances	(266,938)	(299,267)	-	-	(566,205)
- Provision against other assets	(224,973)	(118,038)	-	-	(343,011)
- Provision against lending to financial institutions	(5,720)	3,723	-	-	(1,997)
- Ijarah depreciation taxed	(16,690)	16,690	-	-	-
- Unrealised loss on revaluation of HFT investments	(14,532)	7,859	-	(765)	(7,438)
	(697,421)	(902,761)	-	(765)	(1,600,947)
Taxable Temporary Differences on:					
- Surplus on revaluation of fixed assets and non banking assets	1,329,184	(18,402)	(11,752)	-	1,299,030
- Surplus on revaluation of available for sale investments	(2,882)	-	2,264,228	1,075	2,262,421
- Share of profit from associates	428,524	191,519	-	66,370	686,413
- Accelerated tax depreciation	1,286,460	205,209	-	(1,181)	1,490,488
- Exchange translation reserve	156,232	-	(156,232)	-	-
	3,197,518	378,326	2,096,244	66,264	5,738,352
	2,500,097	(524,435)	2,096,244	65,499	4,137,405

18 OTHER LIABILITIES

		Note	2020	2019
			------(Rupees in '000)-----	
Mark-up/ Return/ Interest payable in local currency			4,111,339	3,541,232
Mark-up/ Return/ Interest payable in foreign currency			534,341	710,032
Unearned fee commission and income on bills discounted and guarantees			962,482	295,257
Accrued expenses			5,795,511	5,439,895
Current taxation			9,577,044	6,334,458
Acceptances			14,414,532	16,645,791
Dividends payable			135,345	93,040
Mark to market loss on forward foreign exchange contracts			2,146,281	3,658,322
Mark to market loss on derivatives		23.1	921,919	35,385
Branch adjustment account			310,518	233,567
ADC settlement accounts			1,516,463	405,493
Provision for Compensated absences			611,106	540,000
Payable against redemption of customer loyalty / reward points			413,874	372,334
Charity payable			8,375	3,685
Provision against off-balance sheet obligations		18.1	127,428	129,249
Security deposits against leases, lockers and others			8,581,281	7,121,497
Worker's Welfare Fund			1,973,020	1,478,588
Payable to vendors and suppliers			846,433	637,962
Payable against marketable securities			186,163	230,572
Indirect Taxes Payable			1,144,088	754,542
Lease Liabilities		18.2	10,463,042	9,374,239
Others			1,621,963	1,729,215
			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
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: 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	2,570,205	1,574,972
Borrowing cost	1,322,614	1,227,986
Payments	(2,804,016)	(2,286,856)
As at December 31	10,463,042	9,374,239
Current lease liability	2,357,366	2,835,994
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	8.1	6,589,645	6,469,954
- Available for sale securities of associates		11,966	-
- Fixed Assets	20.1	8,419,320	8,378,317
- Non-banking assets acquired in satisfaction of claims	20.2	105,182	242,759
		15,126,113	15,091,030
Deferred tax on surplus on revaluation of:			
- Available for sale securities		2,301,926	2,261,346
- 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	3,560,376
Derivatives		(1,012,015)	(154,684)
Surplus on revaluation of available for sale securities attributable to non-controlling interest		(909)	547
		10,528,419	11,376,517

		2020	2019
		----- (Rupees in '000) -----	----- (Rupees 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)	(17,604)
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)	(17,604)
		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		105,182	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		(5)	(798)
		1,235	35,960
		<u>103,947</u>	<u>206,799</u>
21 NON-CONTROLLING INTEREST			
Name	Principal activity	Principal place of Business	Ownership interest held by NCI
			2020
			2019
Alfalsh CLSA Securities (Private) Limited, Pakistan	Stock Brokerage	Pakistan	38.80%
Formerly: Alfalah Securities (Private) Limited			38.80%
Key financial information of the subsidiary			
			2020
			2019
			----- (Rupees in '000) -----
Assets			616,192
Liabilities			339,327
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
Expenses			209,571
Profit / (loss) for the year			<u>28,629</u>
			<u>(39,983)</u>
Other Comprehensive income / (loss)			<u>39,004</u>
			<u>(29,037)</u>
Cash Flows:			
Cash Flows from Operating Activities			54,246
Cash Flows from Investing Activities			85,149
Cash Flows from Financing Activities			(12,140)
Net increase / (decrease) in cash and cash equivalent			<u>127,255</u>
			<u>131,561</u>

	Note	2020	2019
		----- (Rupees in '000) -----	
22 CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	69,451,917	63,456,341
-Commitments	22.2	380,590,829	461,483,748
-Other contingent liabilities	22.3	12,274,585	10,150,887
		<u>462,317,331</u>	<u>535,090,976</u>
22.1 Guarantees:			
Financial guarantees		507,942	639,642
Performance guarantees		36,636,998	34,663,032
Other guarantees		<u>32,306,977</u>	<u>28,153,667</u>
		69,451,917	63,456,341
22.2 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	22.2.1	184,793,857	305,449,119
- forward government securities transactions	22.2.2	12,239,653	4,392,826
- derivatives	22.2.3	18,317,022	17,745,535
- forward lending	22.2.4	38,125,107	38,052,512
Commitments for acquisition of:			
- operating fixed assets		895,707	1,283,925
- intangible assets		243,278	413,208
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		106,574,908	185,084,250
Sale		<u>78,218,949</u>	<u>120,364,869</u>
		184,793,857	305,449,119
22.2.2 Commitments in respect of forward government securities transactions			
Purchase		1,378,869	1,391,534
Sale		<u>10,860,784</u>	<u>3,001,292</u>
		12,239,653	4,392,826
22.2.3 Commitments in respect of derivatives (Interest Rate Swaps)			
22.2.3.1 Interest Rate Swaps			
Purchase		18,317,022	17,745,535
Sale		<u>-</u>	<u>-</u>
		18,317,022	17,745,535

	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	32,818,826	32,688,405
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 Pari 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	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional 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	Notional Principal	Mark to Market		Net
			Negative	Positive	
3 to 6 months	2	719,255	5,946	-	(5,946)
6 month 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	357,091	-	(357,091)
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	Notional 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 46.8

	Note	2020 ----- (Rupees in '000) -----	2019
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	5,639,126
d) Balances with banks / Financial Institutions		66,720	59,220
e) On securities purchased under resale agreements / Bai Muajjal		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		4,689,291	2,200,291
c) Securities sold under repurchase agreements		5,551,541	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	126,105
		<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	964,192
Credit related fees		180,764	156,606
Investment banking fees		223,497	207,481
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		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>6,786,997</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) on:			
Federal Government Securities		2,848,496	365,944
Shares		(558,849)	(325,853)
Non Government Debt Securities		(39,291)	-
Foreign Securities		(57,203)	50,062
		<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	122,962
Gain on sale of non banking assets - net	12.1.2 & 28.1	19,510	7,350
Profit on termination of leased contracts (Ijarah)		55,560	43,511
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		15,720	-
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 expense			
Rent and taxes		137,619	249,759
Utilities cost		1,122,329	1,053,173
Security (including guards)		779,850	640,692
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
		5,271,224	4,661,985
Information technology expenses			
Software maintenance		1,201,880	1,243,004
Hardware maintenance		671,349	311,352
Depreciation	10.2	473,286	361,092
Amortisation	11.1	439,042	473,541
Network charges		404,394	404,068
Others		1,254	238
		3,191,205	2,793,295
Other operating expenses			
Directors' fees and allowances	40.2	161,449	204,243
Fees and allowances to Shariah Board	40.3	8,990	7,800
Legal and professional charges		464,338	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		659,504	665,172
Marketing, advertisement and publicity		603,209	1,385,260
Donations	29.3	19,731	11,426
Auditors Remuneration	29.4	45,821	48,930
Brokerage and Commission		204,261	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	511,387
CNIC Verification		122,147	138,729
Others		599,899	502,426
		8,527,389	8,825,582
		<u>31,618,668</u>	<u>29,203,218</u>

	Note	2020 ------(Rupees in '000)-----	2019
29.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		10,796,309	9,565,374
ii) Variable			
Cash Bonus / Awards etc.		1,896,331	1,863,909
Charge for defined benefit plan	37.1.9	170,884	106,243
Contribution to defined contribution plan	38	455,029	390,250
Medical		570,666	506,958
Conveyance		265,875	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		<u>14,628,850</u>	<u>12,922,356</u>
		----- No of persons -----	
Sign- on Bonus		5	32
Severance Allowance		6	7

29.2 Total cost for the year included 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.

	2020 ------(Rupees in '000)-----	2019
29.3 Donations		
Association for Children with Emotional and Learning Problems	2,165	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 Polio Plus Trust	900	-
Patients Aid Foundation for Emergency COVID Fund	1,500	-
Parents Voice Association (Ujala)	280	-
Prime Minister's Ehsaas Emergency Roshan 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	3,640	-
	<u>19,731</u>	<u>11,426</u>

29.3.1 None of the directors, sponsor shareholders, key management personnel or their spouses have any direct interest in the donees.

	2020			2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----					
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	1,386	-	1,386
	<u>27,637</u>	<u>18,184</u>	<u>45,821</u>	<u>31,688</u>	<u>17,242</u>	<u>48,930</u>

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 ------(Rupees in '000)-----	2019
31 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	94,135	267,918
Penalties imposed by other regulatory bodies	606	1,585
	<u>94,741</u>	<u>269,503</u>

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
32 PROVISIONS & WRITE OFFS - NET			
Reversal against lending to financial institutions		(10,466)	(10,638)
(Reversal) / provisions for diminution in value of investments	8.3.1	(548,810)	1,017,888
Provisions against loans & advances	9.5	8,171,550	2,133,512
Provisions against other assets	12.3.1	32,190	17,568
(Reversal) / provisions against off-balance sheet obligations	18.1	(5,731)	39,686
Other provisions / operational loss - net		110,277	110,300
Recovery of written off / charged off bad debts		(159,741)	(279,731)
		<u>7,589,269</u>	<u>3,028,585</u>
33 TAXATION			
Current		9,595,343	9,852,153
Prior years		(46,772)	555,908
Deferred		(1,948,657)	(524,435)
	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%)		6,455,104	8,020,402
Effect of:			
- impact of different tax rate of subsidiary		(1,189)	10,544
- permanent differences		43,572	94,397
- tax charge pertaining to overseas branches		34,928	89,830
- adjustment of prior years		-	603,587
- Super tax		969,087	995,030
- others		98,412	69,836
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 Leasehold 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 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Profit attributable to equity holders of the bank		<u>10,832,130</u>	<u>13,046,800</u>
		----- (Number of shares in '000) -----	
Weighted average number of ordinary shares		<u>1,777,165</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 has 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	99,348,862	100,731,903
Balance with other banks	6	6,373,472	4,926,851
Call / clean money lendings		14,405,403	30,552,042
Overdrawn nostro accounts	14.13	(1,532,864)	(939,151)
		<u>118,594,873</u>	<u>135,271,645</u>

35.1 Reconciliation of debt arising from financing activities

	2020			
	Liability		Equity	
	----- (Rupees in '000) -----			
Reconciliation of debt arising from financing activities	Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable
Balances as at January 01, 2020	11,987,000	9,374,239	17,771,651	93,040
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	(4,987,000)	-	-	-
Payment of leased liability	-	(2,804,016)	-	-
Dividend Paid	-	-	-	(7,066,355)
	(4,987,000)	(2,804,016)	-	(7,066,355)
Other changes				
Additions / renewals of leases	-	2,570,205	-	-
Borrowing cost on lease liability	-	1,322,614	-	-
Final cash dividend for the year ended December 31, 2019 - 20%	-	-	-	3,554,330
Interim cash dividend for the nine months period ended September 30, 2020 - 20%	-	-	-	3,554,330
	-	3,892,819	-	7,108,660
Balances as at December 31, 2020	7,000,000	10,463,042	17,771,651	135,345

	2019			
	Liability		Equity	
	----- (Rupees in '000) -----			
Reconciliation of debt arising from financing activities	Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable
Balances as at January 01, 2019	11,989,000	-	17,743,629	84,229
Impact of adoption of IFRS 16	-	8,858,137	-	-
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	(2,000)	-	-	-
Payment of leased liability	-	(2,286,856)	-	-
Shares issued to employees	-	-	38,082	-
Dividend Paid	-	-	-	(6,207,063)
	(2,000)	(2,286,856)	38,082	(6,207,063)
Other changes				
Additions / renewals of leases	-	1,574,972	-	-
Borrowing cost on lease liability	-	1,227,986	-	-
Share issued to employee on premium	-	-	(10,060)	-
Final cash dividend for the year ended December 31, 2018 - 15%	-	-	-	2,661,544
Interim cash dividend for the half year ended June 30, 2019 - 20%	-	-	-	3,554,330
	-	2,802,958	(10,060)	6,215,874
Balances as at December 31, 2019	11,987,000	9,374,239	17,771,651	93,040

36	STAFF STRENGTH	2020			2019		
		(Number of employees)					
		Domestic	Overseas	Total	Domestic	Overseas	Total
	Permanent	10,496	210	10,706	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: 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 681 (2019: 967) 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	10,442	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 - 2005	SLIC 2001 - 2005
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	37.1.5	1,962,043	1,665,365
Fair value of plan assets	37.1.6	(2,654,442)	(2,684,542)
(Receivable) / payable	37.1.7	(692,399)	(1,019,177)

	Note	2020 ------(Rupees in '000)-----	2019
37.1.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		1,665,365	1,474,598
Current service cost		301,303	254,421
Interest cost		186,845	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	332,018
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	37.1.10	<u>(375,633)</u>	<u>60,024</u>
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)
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	37.1.10	<u>326,778</u>	<u>(95,544)</u>
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	<u>(130,419)</u>	<u>(148,178)</u>
		<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		(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>
37.1.11 Components of plan assets			
Cash and cash equivalents - net		299,517	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	2,161,637	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	1,953,601	(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	(17,100)

2020
(Rupees. in '000)

37.1.13 Expected contributions to be paid to the funds in the next financial year 216,848

37.1.14 Expected charge / (reversal) for the next financial year 216,848

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	94,167
Year 4	108,143
Year 5	98,041
Year 6 to Year 10	598,795
Year 11 and above	4,434,975
	<u><u>5,521,842</u></u>

37.1.16 Funding Policy

The Holding Company's policy for funding the staff retirement benefit scheme, is given in note 4.8 (a).

37.1.17 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.

37.2 Subsidiary - Alfalah CLSA Securities (Private) Limited (formerly: Alfalah Securities (Private) Limited)

The Company operates an unfunded 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:

	Note	2020 -----'(Per annum)'-----	2019 -----'(Per annum)'-----
Valuation discount rate		10.25%	11.75%
Salary increase rate		9.00%	11.75%

Mortality rates		SLIC 2001 - 2005	
Rates of employee turnover		Moderate	Moderate

37.2.2 Amount recognised in the balance sheet

		2020 -----'(Rupees in '000)'-----	2019 -----'(Rupees in '000)'-----
Defined benefit obligation	37.2.3	21,985	20,786
Fair value of plan assets		-	-
Net liability		<u>21,985</u>	<u>20,786</u>

37.2.3 Reconciliation of payable to defined benefit plan

Opening net liability		20,786	22,636
Charge for the year	37.2.4	7,823	10,843
Other comprehensive income	37.2.5	(6,624)	(12,693)
Closing net liability		<u>21,985</u>	<u>20,786</u>

37.2.4 Charge for the defined benefit plan

Current service cost		5,381	7,730
Net interest		2,442	3,113
		<u>7,823</u>	<u>10,843</u>

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		<u>5,352</u>	<u>4,833</u>

37.2.6 Sensitivity analysis on significant actuarial assumptions: actuarial liability

Discount rate +1%		1,981	18,623
Discount rate -1%		24,493	23,359
Salary increases +1%		24,618	23,438
Salary increases -1%		19,724	18,522

		2020	2019
		------(Years)-----	
37.2.7	Weighted average duration of the present value of defined benefit obligation	10.53	11.39

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	930	525
Year 3	889	782
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. 6.781 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 unutilized leaves up to maximum of 45 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.	-	-	161,449	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	43,468
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
9	Others	-	-	-	-	36,785	6,505	34,131
10	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) 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

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings								
		2020								
		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 **	Total
(Rupees in '000)										
1	H.H. Sheikh Nahayan Mubarak Al Nahayan	-	-	-	-	-	-	-	-	-
2	Mr. Abdullah Nasser Hawaleel Al Mansoori	4,879	-	-	-	-	-	-	-	4,879
3	Mr. Abdulla Khalil Al Mutawa	9,039	5,086	-	3,743	3,743	3,743	5,519	3,200	34,073
4	Mr. Khalid Mana Saeed Al Otaiba	9,039	5,086	-	3,743	3,743	4,559	4,543	3,200	33,913
5	Mr. Efstratios Georgios Arapoglou	8,083	5,086	-	-	3,743	3,743	4,543	3,840	29,038
6	Dr. Gyorgy Tamas Ladics	6,479	-	-	3,743	4,559	-	-	3,200	17,981
7	Mr. Shehzad Naqvi*	1,543	3,086	-	1,234	-	1,234	1,234	-	8,331
8	Mr. Khalid Qurashi	5,760	1,920	-	800	-	1,600	2,400	800	13,280
9	Dr. Ayesha Khan	5,543	5,828	-	5,383	-	-	-	3,200	19,954
	Total	50,365	26,092	-	18,646	15,788	14,879	18,239	17,440	161,449

2019

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings								
		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-Crises Management Committee	Total Amount Paid
		(Rupees in '000)								
1	H.H. Sheikh Nahayan Mubarak Al Nahayan	-	-	-	-	-	-	-	-	-
2	Mr. Abdullah Nasser Hawaleel Al Mansoori	2,959	-	-	-	-	-	-	-	2,959
3	Mr. Abdulla Khalil Al Mutawa	7,566	7,311	2,506	6,071	4,813	7,311	9,138	-	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 Naqvi	5,936	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	46,654	36,839	10,583	30,328	20,455	29,692	29,692	-	204,243

* Director resigned during 2020.

** Committee formed in 2020.

40.3 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	-	2,410	-	2,410
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	2,985	2,400	10,785
	Total Number of Persons	1	1	1	3	1	1	1	3

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	-	44,511,463	-	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	-	(2,146,281)	-	(2,146,281)
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	7,640,919	-	-	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)

41.2 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.

41.3 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.

41.4 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 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.

41.4.1 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 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.

2020									
(Rupees in '000)									
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
Profit & Loss									
Net mark-up/return/profit	(6,346,925)	17,521,037	8,720,019	22,929,818	(15,353)	2,894,025	(10,099)	(998,048)	44,694,474
Inter segment revenue - net	31,868,796	(11,073,679)	(925,284)	(21,685,904)	585,952	222,613	-	1,007,506	-
Non mark-up / return / interest income	3,582,080	1,764,742	1,090,782	5,348,692	437,159	580,866	230,680	510,789	13,545,790
Total Income	29,103,951	8,212,100	8,885,517	6,592,606	1,007,758	3,697,504	220,581	520,247	58,240,264
Segment direct expenses	13,595,917	962,884	3,965,455	551,378	1,721,273	1,877,685	178,365	9,354,884	32,207,841
Inter segment expense allocation	6,289,747	893,798	1,427,461	310,360	181,316	254,571	-	(9,357,253)	-
Total expenses	19,885,664	1,856,682	5,392,916	861,738	1,902,589	2,132,256	178,365	(2,369)	32,207,841
Provisions/ (reversals)	1,028,797	1,825,468	1,077,476	(605,563)	2,148	10,943	-	4,250,000	7,589,269
Profit before tax	8,189,490	4,529,950	2,415,125	6,336,431	(896,979)	1,554,305	42,216	(3,727,384)	18,443,154
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
(Rupees in '000)									
Balance Sheet									
Cash & Bank balances	49,627,891	10,193,222	14,780,115	17,295,558	470,783	13,214,927	139,838	-	105,722,334
Investments	1,648,811	1,067,759	47,420,548	425,225,444	-	70,934,391	-	3,061,600	549,358,553
Net inter segment lending	367,340,730	-	-	-	8,236,238	-	-	86,790,920	462,367,888
Lendings to financial institutions	-	-	14,293,146	51,747,865	-	11,264,524	-	-	77,305,535
Advances - performing	153,956,442	283,141,506	101,673,272	-	16,596	25,085,003	1,831	5,900,802	569,775,452
Advances - non-performing	1,209,592	4,577,817	1,605,920	-	202	111,279	-	37,514	7,542,324
Others	22,501,621	11,194,130	16,555,220	7,069,505	1,562,319	3,689,654	390,564	15,007,192	77,970,205
Total Assets	596,285,087	310,174,434	196,328,221	501,336,372	10,286,138	124,299,778	532,233	110,798,028	1,850,042,291
Borrowings	23,057,436	66,943,742	23,967,885	185,932,565	-	13,560,921	94,631	1,497,637	315,054,817
Subordinated debt	-	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	552,808,277	116,774,809	133,037,813	-	10,139,614	68,979,200	-	10,449	881,750,162
Net inter segment borrowing	-	105,134,794	9,765,912	309,835,466	-	37,631,716	-	-	462,367,888
Others	19,311,536	21,322,702	27,733,944	3,605,361	146,524	4,011,824	206,274	14,870,759	91,208,924
Total Liabilities	595,177,249	310,176,047	194,505,554	499,373,392	10,286,138	124,183,661	300,905	23,378,845	1,757,381,791
Net Assets	1,107,838	(1,613)	1,822,667	1,964,980	-	116,117	231,328	87,419,183	92,660,500
Equity									92,660,500
Contingencies and Commitments	70,508,424	118,634,144	52,780,786	165,893,738	17,961	52,765,343	450,000	1,266,935	462,317,331

2019

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
Profit & Loss									
Net mark-up/return/profit	(5,562,330)	22,562,218	8,766,835	17,786,506	(2,446)	2,659,160	4,468	(1,314,263)	44,900,148
Inter segment revenue - net	31,695,833	(15,253,812)	(644,840)	(17,526,597)	507,876	553,471	-	668,069	-
Non mark-up / return / interest income	3,947,558	1,389,373	1,097,617	2,311,399	414,362	584,281	120,703	1,158,966	11,024,259
Total Income	30,081,061	8,697,779	9,219,612	2,571,308	919,792	3,796,912	125,171	512,772	55,924,407
Segment direct expenses	12,765,199	1,016,123	3,636,424	412,268	2,015,405	1,660,201	138,777	8,335,992	29,980,389
Inter segment expense allocation	5,657,520	691,276	1,355,429	239,369	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	138,777	(1,475)	29,980,389
Provisions/ (reversals)	1,395,853	466,642	94,846	1,024,164	-	80,031	-	(32,951)	3,028,585
Profit before tax	10,262,489	6,523,738	4,132,913	895,507	(1,282,857)	1,850,051	(13,606)	547,198	22,915,433
Balance Sheet									
Cash & Bank balances	51,071,179	11,905,006	13,687,542	16,301,602	324,045	12,143,278	226,102	-	105,658,754
Investments	1,372,585	914,973	13,738,131	227,999,155	-	53,548,116	103,280	3,229,317	300,905,557
Net inter segment lending	304,115,617	-	-	-	6,760,322	-	-	85,510,486	396,386,425
Lendings to financial institutions	-	-	37,791,008	24,931,724	-	8,712,163	-	-	71,434,895
Advances - performing	146,947,933	240,367,593	87,226,466	-	5,030	24,183,451	1,831	7,828,662	506,560,966
Advances - non-performing	1,406,411	2,796,345	285,911	-	-	107,824	-	80,322	4,676,813
Others	27,365,192	9,325,333	12,267,215	5,633,291	942,522	1,529,100	412,609	21,037,192	78,512,454
Total Assets	532,278,917	265,309,250	164,996,273	274,865,772	8,031,919	100,223,932	743,822	117,685,979	1,464,135,864
Borrowings	12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	291,243	-	103,133,573
Subordinated debt	-	-	-	-	-	-	-	11,987,000	11,987,000
Deposits and other accounts	492,097,776	103,018,182	122,023,365	-	7,827,966	57,300,323	-	7,248	782,274,860
Net inter segment borrowing	-	123,412,730	14,836,417	238,756,902	-	19,380,376	-	-	396,386,425
Others	26,832,583	7,695,578	20,888,994	2,406,630	203,953	1,599,871	214,717	21,228,493	81,070,819
Total liabilities	531,367,426	265,309,250	164,722,599	271,523,909	8,031,919	100,168,873	505,960	33,222,741	1,374,852,677
Net Assets	911,491	-	273,674	3,341,863	-	55,059	237,862	84,463,238	89,283,187
Equity									89,283,187
Contingencies and Commitments	60,523,866	98,407,250	46,150,780	284,890,878	5,142	44,060,060	450,000	603,000	535,090,976

42.2 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	41,800,449	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	865,711	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	881,750,162
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	35,831,445	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	(553,471)	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	93,515,476	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	19,380,376	-	-	-	19,380,376
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	35,993,568	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	27,561,172	21,844,056	782,274,860
Net inter segment borrowing	-	6,024,102	10,191,280	3,164,994	19,380,376
Others	79,470,948	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	(170,188)	209,744	15,503	89,283,187
Equity					89,283,187
Contingencies and Commitments	491,030,916	34,234,160	5,165,054	4,660,846	535,090,976

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.



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 person 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)-----			
Lendings to financial institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	140,523,678	-	-	-	21,936,072
Repaid during the year	-	-	-	(138,777,848)	-	-	-	(21,936,072)
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	1,745,830	-	-	-	-
Investments								
Opening balance	-	-	3,138,787	1,191,425	-	-	3,761,612	992,661
Investment redeemed / disposed off during the year	-	-	-	(20)	-	-	-	(570,466)
Equity method adjustment	-	-	532,675	-	-	-	547,198	-
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	91,129	662,464	-	4,200,404	105,650	451,375	-	3,354,510
Addition during the year	87,827	286,114	-	7,713,243	-	394,025	-	2,783,243
Repaid during the year	(83,516)	(197,066)	-	(8,567,370)	(14,521)	(170,463)	-	(1,937,349)
Transfer in / (out) - net	(17,308)	40,010	-	-	-	(12,473)	-	-
Closing balance	78,132	791,522	-	3,346,277	91,129	662,464	-	4,200,404
Fixed Assets								
Right-of-use assets	-	-	-	15,961	-	-	-	17,782
Other Assets								
Interest / mark-up accrued	2,580	88,905	-	45,434	10,939	69,192	-	98,163
Receivable from staff retirement fund	-	-	-	692,399	-	-	-	1,019,177
Prepayment / rent receivable	-	-	1,560	55,672	-	-	-	35,759
Advance against shares	-	-	-	-	-	-	-	82,312
Others	-	-	763	-	-	8,494	573	-
Borrowings								
Opening balance	-	-	-	494,646	-	-	-	200,000
Borrowings during the year	-	-	-	44,475,567	-	-	-	1,268,678
Settled during the year	-	-	-	(42,585,364)	-	-	-	(974,032)
Closing balance	-	-	-	2,384,849	-	-	-	494,646

	-----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	588,149	4,584,694	7,438	194,191	1,057,143	3,194,114
Received during the year	323,082	2,222,012	117,408,368	70,878,153	599,337	3,179,089	25,280,433	32,495,316
Withdrawn during the year	(223,154)	(2,095,743)	(112,409,865)	(71,465,963)	(594,695)	(2,976,405)	(25,780,192)	(31,104,520)
Transfer in / (out) - net	(8,612)	13,905	-	(290,366)	(4)	(139,755)	30,765	(216)
Closing balance	103,392	397,294	5,586,652	3,706,518	12,076	257,120	588,149	4,584,694
Other Liabilities								
Interest / mark-up payable	73	433	-	5,393	-	156	-	7,007
Lease Liabilities	-	-	-	9,216	-	-	-	9,243
Unearned rent	-	-	-	-	-	-	1,560	-
Others	-	5,143	-	2,747	-	3,428	-	3,962
Contingencies and Commitments								
Other contingencies	-	-	79,917	139,987	-	-	202,657	-
	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	7,996	40,726	-	378,845	5,431	30,251	-	613,453
Fee and commission income	-	-	77,810	-	-	-	155,319	-
Dividend income	-	-	90,000	21,409	-	-	-	12,511
Other income	560	3,638	12,515	20,374	-	461	10,312	20,322
Expense								
Mark-up / return / interest paid	572	11,384	133,387	428,162	44	13,687	81,883	243,840
Borrowing cost on leased properties	-	-	-	1,293	-	-	-	412
Operating expenses								
Directors fee	161,449	-	-	-	204,243	-	-	-
Managerial remuneration	255,308	1,347,612	-	-	154,775	1,329,709	-	-
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	-	-	-	36,615
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	1,095,830	20,031	9,996	3,314,984	966,735	20,174	15,131	2,918,611
Insurance premium paid	-	-	706,920	-	-	-	566,033	-
Insurance claims settled	-	-	378,009	-	-	-	391,015	-

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,771,651
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	71,794,350	67,625,018
Eligible Additional Tier 1 (ADT 1) 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	75,175,838	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 Alternate 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	1,315,453,231
Leverage Ratio	4.29%	5.67%

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%

Net Stable Funding Ratio (NSFR):

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%

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 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 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 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:

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 Banks 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 -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 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.

46.1.5 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.

46.1.6 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.

46.1.7 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 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.

46.2 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 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 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 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 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 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 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 the same to CCC/ BRMC.

Credit Risk System unit is primarily responsible for development and management of Credit Risk Systems including Credit Initiation & Internal Rating System (CIIRS) and its related modules like Bank Alfalah CAR Calculator (BACK). It also supports other credit related automation & optimization initiatives like eCIB automation and ECL calculation under IFRS 9.

46.2.1 Credit Risk - General Disclosures Basel 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 Standardised 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, Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by 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 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 Standardised 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 III guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

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 tenor 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, 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 all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by 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 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:

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	22,656,890	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	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

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	63,797,343	38,965,049	2,261,334	584,628	603,072	399,561
Automobile and transportation equipment	8,729,526	8,665,189	434,453	355,173	383,971	266,435
Cement	13,351,689	14,295,707	-	-	-	-
Chemical and Pharmaceuticals	20,765,414	22,137,088	228,450	985,217	127,453	853,776
Construction	11,267,378	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	10,431,741	774,807	905,547	774,807	905,547
Food & Allied Products	48,883,291	55,134,590	3,136,692	3,241,613	2,754,130	3,193,852
Footwear and Leather garments	2,836,086	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	26,633,187	18,645,909	1,195,795	1,275,184	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	4,153,007	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	264,412
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	619,017	742,109	619,017
Technology and Communication	437,238	108,557	-	-	-	-
Textile	119,114,637	92,435,308	3,315,359	4,482,645	2,227,270	3,971,119
Transport, Storage and Communication	5,018,437	4,707,145	1,303,770	1,566,981	1,300,052	1,566,981
Wholesale & Retail Trade	21,864,457	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	1,462,830	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	1,176,029	-	-	-
Private Sector	491,679,646	439,340,451	24,684,820	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

46.2.7 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	11,205,017	3,672,861
Cement	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	16,856,034	20,147,563
Food & Allied Products	14,149,391	5,913,781
Footwear and Leather garments	173,192	187,374
Glass and Ceramics	686,830	384,924
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	15,405,563	11,099,054
Services	3,448,195	818,270
Sugar	1,142,065	192,676
Technology and Communication	173,189	249,385
Textile	29,875,867	30,337,416
Transport, Storage and Communication	2,317,162	1,632,528
Wholesale and Retail Trade	11,396,218	9,315,236
Others	38,154,870	38,292,960
	<u>194,978,122</u>	<u>157,152,964</u>

Credit risk by public / private sector

Public/ Government	37,509,175	29,472,553
Private	157,468,947	127,680,411
	<u>194,978,122</u>	<u>157,152,964</u>

46.2.8 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	<u>144,992,899</u>	<u>117,529,748</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 206.053 billion (2019: Rs. 190.337 billion).

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

46.2.9 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2020						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	1,232,398,112	1,196,493,582	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	-	-	-	42,103	-	764,433
Total	<u>2,547,018,388</u>	<u>1,275,980,352</u>	<u>1,155,130,547</u>	<u>26,937,602</u>	<u>6,902,194</u>	<u>81,240,384</u>	<u>827,309</u>

Province/Region	2019						
	Utilization						
	Disbursements	Punjab	Sindh	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	-	47,002	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	<u>2,158,662,488</u>	<u>1,185,313,338</u>	<u>881,122,590</u>	<u>20,513,105</u>	<u>5,293,627</u>	<u>65,478,127</u>	<u>941,701</u>

46.3 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.

46.4 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	139,015,294	20,030,485	804,493	81,735,823	137,080,822	56,257,834	912,835
Great Britain Pound Sterling	1,631,027	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	2,177,184	3,926,923	1,775,948	26,209
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
	<u>172,753,525</u>	<u>199,081,392</u>	<u>27,258,972</u>	<u>931,105</u>	<u>119,053,940</u>	<u>179,864,640</u>	<u>61,822,810</u>	<u>1,012,110</u>
					2020		2019	
	Banking book		Trading book		Banking book		Trading book	
	------(Rupees in '000)-----				------(Rupees in '000)-----			
Impact of 1% adverse movement in foreign exchange rates on								
- Profit and loss account	-	-	(9,311)	-	-	-	-	(10,121)
- Other comprehensive income	-	-	-	-	-	-	-	-

46.4.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	------(Rupees in '000)-----			------(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
Lendings 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	273,795,233	27,110,324	300,905,557
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
	<u>1,316,627,428</u>	<u>71,046,975</u>	<u>1,387,674,403</u>	<u>1,040,639,115</u>	<u>27,110,324</u>	<u>1,067,749,439</u>

46.4.2 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 regulators 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)	-	(27,116)
- Other comprehensive income	(265,230)	-	(355,150)	-

46.5 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets, liabilities and off-balance sheet interest sensitive instruments within a certain range of maturity or re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management (IRR) framework which establishes aggregate and tenor-wise balance sheet level PV01 (Price Value of 1bp) limits to manage interest rate risk within the Board approved risk appetite. Treasury and Capital Markets Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Department of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

Impact of 1% increase in interest rates on
- Profit and loss account
- Other comprehensive income

	2020	2019
	Banking book	Trading book
	(Rupees in '000)	
	2,315,270	1,725,681
	(5,264,231)	(3,518,412)
		(40,471)
		-

46.5.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/Interest rate	Total	2020										Non-interest bearing financial instruments	
			Exposed to Yield/ Interest risk											
			(Rupees in '000)											
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial Instruments														
Assets														
Cash and balances with treasury banks	0.05%	99,348,862	23,491,896	-	-	-	-	-	-	-	-	-	-	75,856,966
Balances with other banks	0.94%	6,373,472	643,485	-	-	-	-	-	-	-	-	-	-	5,729,987
Lending to financial institutions	8.60%	77,305,535	64,920,055	9,541,724	2,843,756	-	-	-	-	-	-	-	-	-
Investments	8.78%	549,358,553	52,336,379	216,617,691	107,705,765	50,216,766	22,799,826	9,275,925	31,513,643	45,362,622	8,271	-	-	13,521,665
Advances	9.76%	577,317,776	200,381,612	163,345,740	128,561,589	35,712,158	8,082,717	3,052,848	8,496,225	23,485,008	3,923,724	-	-	2,276,155
Other assets	-	34,302,113	-	-	-	-	-	-	-	-	-	-	-	34,302,113
		1,344,006,311	341,773,427	389,505,155	239,111,110	85,928,924	30,882,543	12,328,773	40,009,868	68,847,630	3,931,995	-	-	131,686,886
Liabilities														
Bills payable	-	22,571,122	-	-	-	-	-	-	-	-	-	-	-	22,571,122
Borrowings	5.13%	315,054,817	153,878,463	41,178,853	11,787,651	1,658,241	29,024,251	2,955,773	47,992,964	22,875,429	3,703,192	-	-	-
Deposits and other accounts	4.06%	881,750,162	347,183,191	40,825,780	23,104,499	55,045,774	1,626,593	347,859	277,158	-	-	-	-	413,339,308
Subordinated debt	12.94%	7,000,000	-	7,000,000	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	10,463,042	199,662	392,882	591,953	1,172,869	540,846	540,345	1,080,690	2,701,725	3,242,070	-	-	-
Lease liability against right-of-use asset	13.97%	41,991,461	-	-	-	-	-	-	-	-	-	-	-	41,991,461
Others		1,278,830,604	501,261,316	89,397,515	35,484,103	57,876,884	31,191,690	3,843,977	49,350,812	25,577,154	6,945,262	-	-	477,901,891
		65,175,707	(159,487,889)	300,107,640	203,627,007	28,052,040	(309,147)	8,484,796	(9,340,944)	43,270,476	(3,013,267)	-	-	(346,215,005)
On-balance sheet gap														
Off-balance sheet financial Instruments														
Documentary credits and short-term trade-related transactions														
Commitments in respect of:														
- Forward exchange contracts - purchase		106,574,908	54,142,271	26,398,092	24,384,394	1,650,151	-	-	-	-	-	-	-	-
- Forward exchange contracts - sale		(78,218,949)	(42,058,689)	(14,585,435)	(20,957,376)	(617,449)	-	-	-	-	-	-	-	-
- Forward government security - purchase		1,378,869	935,471	-	-	443,398	-	-	-	-	-	-	-	-
- Forward government security - sale		(10,860,784)	(4,796,769)	(3,048,003)	(489,820)	-	(2,028,992)	(497,200)	-	-	-	-	-	-
- Interest Rate Swaps - purchase		18,317,022	8,790,892	9,526,130	-	-	-	-	-	-	-	-	-	-
- Interest Rate Swaps - Sale		(18,317,022)	(719,255)	(319,669)	(4,155,694)	(1,278,675)	(6,409,359)	(5,434,370)	-	-	-	-	-	-
		213,852,166	30,483,949	39,300,590	27,924,711	93,293,854	3,549,891	5,356,253	1,598,463	7,522,593	4,821,862	-	-	-
Off-balance sheet gap														
		(129,003,940)	339,408,230	231,551,718	121,345,894	3,240,744	13,841,049	(7,742,481)	50,793,069	1,808,595	(346,215,005)	-	-	-
Total Yield/Interest Risk Sensitivity Gap														
Cumulative Yield/Interest Risk Sensitivity Gap														
		(129,003,940)	210,404,290	441,956,008	563,301,902	566,542,646	580,383,695	572,641,214	623,434,283	625,242,878	279,027,873	-	-	-

2019

Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk								Non-interest bearing financial instruments		
		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	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years	
(Rupees in '000)												
0.25%	100,731,903	32,666,927	-	-	-	-	-	-	-	-	68,064,976	
1.63%	4,926,851	817,145	-	-	-	-	-	-	-	-	4,109,706	
10.91%	71,434,895	58,139,272	9,328,288	3,967,335	-	-	-	-	-	-	-	
9.77%	300,905,557	41,632,418	98,626,885	20,535,718	40,784,350	21,657,921	16,409,864	14,947,031	33,509,420	10,895	12,791,055	
12.27%	511,231,779	180,531,817	143,840,824	120,977,408	23,037,115	7,560,656	2,247,386	7,058,344	21,267,546	2,137,385	2,579,298	
-	45,848,203	371,035	136	-	8,550	-	-	8,736	-	-	45,459,746	
	1,035,085,188	314,158,614	251,796,133	145,480,461	63,830,015	29,218,577	18,657,250	22,014,111	54,776,966	2,148,280	133,004,781	
0.00%	17,169,059	-	-	-	-	-	-	-	-	-	17,169,059	
4.90%	103,133,573	41,152,726	28,777,634	7,491,148	6,520,920	566,883	500,369	2,875,255	13,232,707	2,015,931	-	
5.00%	782,274,860	297,052,862	58,632,941	37,029,746	34,163,004	2,210,276	1,281,908	346,133	248	-	351,557,742	
12.77%	11,987,000	-	11,987,000	-	-	-	-	-	-	-	-	
-	9,374,239	240,337	472,921	705,506	1,417,230	435,816	435,816	871,632	2,179,080	2,615,901	-	
11.30%	42,117,177	-	-	-	-	-	-	-	-	-	42,117,177	
	966,055,908	338,445,925	99,870,496	45,226,400	42,101,154	3,712,975	2,218,093	4,093,020	15,412,035	4,631,832	410,843,978	
	69,029,280	(24,287,311)	151,925,637	100,254,061	21,728,861	26,005,602	16,439,157	17,921,091	39,364,931	(2,483,552)	(277,839,197)	
	157,152,964	9,692,269	57,513,979	40,012,451	19,392,323	11,405,469	4,299,713	9,650,920	3,689,462	1,496,378	-	
	185,084,250	69,191,321	8,717,102	58,459,557	48,716,270	-	-	-	-	-	-	
	(120,364,869)	(319,975)	(39,844,993)	(30,186,243)	(50,013,658)	-	-	-	-	-	-	
	1,391,534	1,391,534	-	-	-	-	-	-	-	-	-	
	(3,001,292)	(2,251,522)	(749,770)	-	-	-	-	-	-	-	-	
	17,745,535	7,432,685	10,312,850	-	-	-	-	-	-	-	-	
	(17,745,535)	-	-	(1,548,476)	-	(1,780,747)	(3,561,495)	(4,800,276)	(6,054,541)	-	-	
	220,262,587	85,136,312	35,949,168	66,737,289	18,094,935	9,624,722	738,218	4,850,644	(2,365,079)	1,496,378	-	
	60,849,001	187,874,805	166,991,350	39,823,796	35,630,324	17,177,375	22,771,735	(987,174)	36,999,852	(987,174)	(277,839,197)	
	60,849,001	248,723,806	415,715,156	455,538,952	491,169,276	508,346,651	531,118,386	567,131,064	568,118,238	567,131,064	289,291,867	

46.5.2 Reconciliation of Assets and Liabilities exposed to yield / Interest rate risk with Total Assets and Liabilities

	2020	2019
	----- (Rupees in '000) -----	
Total financial assets as per note 45.5.1	1,344,006,311	1,035,085,188
Add: Non financial assets		
Operating fixed assets	30,994,793	29,107,720
Intangibles	1,287,734	1,260,320
Other assets	11,385,565	2,296,211
Total assets as per statement of financial position	1,387,674,403	1,067,749,439
Total financial liabilities as per note 45.5.1	1,278,830,604	966,055,908
Add: Non financial liabilities		
Deferred tax liabilities	2,235,254	4,137,405
Other liabilities	13,948,045	8,272,939
Total liabilities as per statement of financial position	1,295,013,903	978,466,252

On-balance sheet financial instruments

Assets	
Cash and balances with treasury banks	
Balances with other banks	
Lending to financial institutions	
Investments	
Advances	
Other assets	
Liabilities	
Bills payable	
Borrowings	
Deposits and other accounts	
Subordinated debt	
Other liabilities	
Lease liability against right-of-use asset	
Others	

On-balance sheet gap

Off-balance sheet financial instruments

Documentary credits and short-term trade-related transactions

Commitments in respect of:

- Forward exchange contracts - purchase
- Forward exchange contracts - sale
- Forward government security - purchase
- Forward government security - sale
- Interest Rate Swaps - purchase
- Interest Rate Swaps - Sale

Off-balance sheet gap

Total Yield/Interest Risk Sensitivity Gap

Cumulative Yield/Interest Risk Sensitivity Gap

46.6 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 Holding Company.

46.6.1 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.

46.6.2 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 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/central 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.

46.6.3 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 RMD, 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 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 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 / crises 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.

46.7.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2020

	Total	Upto 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
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	99,348,862	99,348,862	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,373,472	5,783,442	-	-	590,030	-	-	-	-	-	-	-	-	-
Lending to financial institutions	77,305,535	60	59,236,679	1,567,938	4,115,378	8,100,616	1,441,108	2,843,756	-	-	-	-	-	-
Investments	549,358,553	914,507	5,487,027	14,122,032	29,369,153	38,549,639	85,819,534	47,511,083	46,244,628	3,172,100	22,799,826	22,669,158	62,916,000	169,783,866
Advances	577,317,776	2,554,642	7,217,321	6,166,654	144,063,108	48,196,077	66,293,890	44,682,395	14,973,201	12,056,938	42,423,105	33,353,571	60,017,649	95,319,225
Fixed assets	30,994,793	5,052	25,547	29,680	72,464	132,184	132,012	729,369	436,082	494,318	1,946,107	2,184,008	4,165,352	20,642,618
Intangible assets	1,287,734	692	4,144	4,834	11,740	21,409	21,409	64,646	64,227	64,273	257,137	256,907	513,816	2,500
Other assets	45,687,678	4,159,760	5,728,515	6,897,365	17,581,395	2,864,493	2,280,700	1,751,963	135,713	842,183	1,731,180	342,990	1,101,365	270,056
	1,387,674,403	112,767,017	77,699,233	28,788,503	195,803,268	97,864,418	155,988,653	97,583,212	61,853,851	16,629,812	69,157,355	58,806,634	128,714,182	286,018,265
Liabilities														
Bills payable	22,571,122	22,571,122	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	315,054,817	1,627,495	100,667,978	43,779,849	7,803,141	24,475,170	16,703,683	11,787,651	1,603,950	54,291	29,024,251	2,955,773	47,992,964	26,578,621
Deposits and other accounts	881,750,162	714,615,539	14,738,740	5,968,999	21,078,054	18,255,581	24,431,828	21,410,476	23,521,203	35,167,782	1,726,044	398,633	437,283	-
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000,000
Deferred tax liabilities	2,235,254	-	-	-	-	-	-	-	1,361,152	-	-	-	-	874,102
Other liabilities	66,402,548	595,986	4,946,106	5,959,845	13,519,973	3,338,654	4,352,978	4,412,598	1,758,072	13,911,000	1,876,843	1,644,471	4,120,251	5,965,771
	1,295,013,903	739,410,142	120,352,824	55,708,693	42,401,168	46,069,405	45,488,489	37,610,725	28,244,377	49,133,073	32,627,138	4,998,877	52,550,498	40,418,494
Net assets	92,660,500	(626,643,125)	(42,653,591)	(26,920,190)	153,402,100	51,795,013	110,500,164	59,972,487	33,609,474	(32,503,261)	36,530,217	53,807,757	76,163,684	245,599,771
Share capital	17,771,651													
Reserves	27,680,022													
Unappropriated profit	36,572,971													
Surplus on revaluation of assets	10,528,419													
Non-controlling interest	107,437													
	92,660,500													

2019

2022													
(Rupees in '000)													
Total	Upto 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
Assets													
Cash and balances with treasury banks	100,731,903	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	4,926,851	-	-	600,262	-	-	-	-	-	-	-	-	-
Lending to financial institutions	71,434,895	41,381,114	5,205,916	10,741,260	9,018,518	309,770	3,967,335	-	-	-	-	-	-
Investments	300,905,557	2,772,050	2,388,545	34,300,547	14,798,397	29,129,436	2,104,195	16,179,771	23,562,909	24,576,451	16,409,864	15,488,396	118,236,621
Advances	511,237,779	1,302,756	7,522,610	172,590,969	40,781,518	31,578,501	50,786,456	16,802,729	13,145,247	13,577,976	16,519,448	61,209,045	75,039,482
Fixed assets	29,107,720	3,630	25,412	61,714	114,499	114,499	646,609	376,110	370,068	1,537,751	1,780,485	3,595,649	20,459,513
Intangible assets	1,260,320	676	4,732	11,492	20,956	20,956	62,868	62,868	62,943	251,472	251,856	502,945	2,500
Other assets	48,144,414	2,029,296	9,759,731	23,672,780	119,970	120,106	328,445	676,706	685,258	1,221,796	215,102	331,390	322,654
	1,067,749,439	111,977,882	24,906,946	241,979,024	64,853,858	61,273,268	57,895,908	34,098,184	37,826,425	41,165,446	35,176,755	81,127,425	214,060,770
Liabilities													
Bills payable	17,169,059	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	103,133,573	24,800,361	7,519,449	8,832,915	13,889,579	14,888,055	7,491,148	679,096	5,841,824	566,883	500,369	2,875,255	15,248,639
Deposits and other accounts	782,274,860	623,298,223	11,456,171	12,221,031	23,676,924	35,065,625	22,103,387	12,155,325	24,700,531	2,077,010	1,241,375	446,011	2,300
Subordinated debt	11,987,000	-	-	-	-	1,000	-	-	1,000	4,985,000	-	-	7,000,000
Deferred tax liabilities	4,137,405	-	-	-	-	-	-	3,450,992	-	-	-	-	-
Other liabilities	59,764,355	1,198,599	3,420,350	9,538,016	1,829,510	1,829,510	5,501,783	9,657,770	9,652,864	1,148,737	1,437,747	3,154,719	7,324,383
	978,466,252	642,352,294	42,051,658	30,591,962	39,396,013	51,784,190	35,096,318	25,943,183	40,196,219	8,777,630	3,179,491	6,475,985	29,575,322
Net assets													
	89,283,187	(530,374,412)	19,355,890	211,387,062	25,457,845	9,489,078	22,799,590	8,155,001	(2,369,794)	32,387,816	31,997,264	74,651,440	184,485,448
Share capital													
Share capital	17,771,651	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	26,046,019	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	33,996,699	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	11,376,517	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	92,301	-	-	-	-	-	-	-	-	-	-	-	-
	89,283,187	-	-	-	-	-	-	-	-	-	-	-	-

Current and Saving deposits have been classified under maturity upto one day as these do not have any contractual maturity. Further, the Group on the basis of behavioural pattern, estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

46.7.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

2020										
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	99,348,862	64,567,123	940,961	1,412,621	2,825,243	5,806,919	1,700,659	3,399,257	8,497,710	10,198,369
Balances with other banks	6,373,472	6,373,472	-	-	-	-	-	-	-	-
Lending to financial institutions	77,305,535	64,920,055	9,541,724	2,843,756	-	-	-	-	-	-
Investments	549,358,553	49,892,719	124,369,173	47,511,083	49,416,728	22,799,826	22,669,158	62,916,000	164,336,239	5,447,627
Advances	577,317,776	160,001,725	114,489,967	44,682,395	27,030,139	42,423,105	33,353,571	60,017,649	71,724,185	23,595,040
Fixed assets	30,994,793	132,741	264,196	729,369	930,400	1,946,107	2,184,008	4,165,354	9,170,704	11,471,914
Intangible assets	1,287,734	21,410	42,818	64,647	128,500	257,136	256,907	513,816	2,500	-
Other assets	45,687,678	34,367,035	5,145,193	1,751,963	977,896	1,731,180	342,990	1,101,365	270,056	-
	1,387,674,403	380,276,280	254,794,032	98,995,834	81,308,906	74,964,273	60,507,293	132,113,441	254,001,394	50,712,950
Liabilities										
Bills payable	22,571,122	22,571,122	-	-	-	-	-	-	-	-
Borrowings	315,054,817	153,878,463	41,178,853	11,787,651	1,658,241	29,024,251	2,955,773	47,992,964	22,875,429	3,703,192
Deposits and other accounts	881,750,162	60,380,909	61,690,419	51,980,119	112,925,629	117,958,535	34,432,670	68,460,289	169,954,202	203,967,390
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	7,000,000
Deferred tax liabilities	2,235,254	-	-	-	1,361,152	-	-	-	-	874,102
Other liabilities	66,402,548	25,021,900	7,691,632	4,412,598	15,668,571	1,877,344	1,644,471	4,120,251	2,701,725	3,264,056
	1,295,013,903	261,852,394	110,560,904	68,180,368	131,613,593	148,860,130	39,032,914	120,573,504	195,531,356	218,808,740
Net assets										
	92,660,500	118,423,886	144,233,128	30,815,466	(50,304,687)	(73,895,857)	21,474,379	11,539,937	58,470,038	(168,095,790)
Share capital										
Share capital	17,771,651									
Reserves										
Reserves	27,680,022									
Unappropriated profit	36,572,971									
Surplus on revaluation of assets	10,528,419									
Non-controlling interest	107,437									
	92,660,500									

2019

		(Rupees in '000)								
Total		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	100,731,903	89,291,274	5,532,725	2,081,829	3,471,305	195,625	116,920	42,008	217	-
Balances with other banks	4,926,851	4,926,851	-	-	-	-	-	-	-	-
Lending to financial institutions	71,434,895	58,139,272	9,328,288	3,967,335	-	-	-	-	-	-
Investments	300,905,557	40,419,517	43,927,833	2,104,195	39,742,680	24,576,451	16,409,864	15,488,396	113,682,402	4,554,219
Advances	511,237,779	191,797,377	72,360,019	50,786,456	29,947,976	13,577,976	16,519,448	61,209,045	57,299,116	17,740,366
Fixed assets	29,107,720	112,537	228,998	646,609	746,176	1,537,753	1,780,485	3,595,649	8,865,791	11,593,722
Intangible assets	1,260,320	20,956	41,912	62,868	125,811	251,472	251,856	502,945	2,500	-
Other assets	48,144,414	44,122,988	240,076	328,445	1,361,963	1,221,796	215,102	331,390	322,654	-
	1,067,749,439	428,830,772	131,659,851	59,977,737	75,395,911	41,361,073	35,293,675	81,169,433	180,172,680	33,888,307
Liabilities										
Bills payable	17,169,059	17,169,059	-	-	-	-	-	-	-	-
Borrowings	103,133,573	41,152,725	28,777,634	7,491,148	6,520,920	566,883	500,369	2,875,255	13,232,707	2,015,932
Deposits and other accounts	782,274,860	51,712,628	78,495,033	49,936,427	81,337,018	101,818,233	30,565,896	58,935,626	146,112,405	183,361,594
Subordinated debt	11,987,000	-	1,000	-	1,000	4,985,000	-	-	-	7,000,000
Deferred tax liabilities	4,137,405	686,413	-	-	3,450,992	-	-	-	-	-
Other liabilities	59,764,355	18,227,332	3,659,020	5,501,783	19,310,634	1,148,737	1,437,747	3,154,719	5,617,094	1,707,289
	978,466,252	128,948,157	110,932,687	62,929,358	110,620,564	108,518,853	32,504,012	64,965,600	164,962,206	194,084,815
Net assets		89,283,187	299,882,615	20,727,164	(2,951,621)	(67,157,780)	2,789,663	16,203,833	15,210,474	(160,196,508)
Share capital		17,771,651								
Reserves	26,046,019									
Unappropriated profit	33,996,699									
Surplus on revaluation of assets	11,376,517									
Non-controlling interest	92,301									
	89,283,187									

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting", the Bank conducted a behavioural study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

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 account	Other Assets - Due from card issuing banks
Receivable against DSC/SSC and overseas government securities	Asset	259,983	Other Assets - Others	Other Assets - Receivable against DSC/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 / ADC settlement accounts	Liability	405,493	Other Assets - Branch account	Other Liabilities - ADC 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	From	Shareholding	To	Number of Shares Held
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	Shareholding			Number of Shares Held
	From		To	
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	Shareholding			Number of Shares Held
	From		To	
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			

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 ہوئی 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

- 1۔ 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۔
- 2۔ 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۔
- 3۔ 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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