



A N N U A L R E P O R T 2 0 2 2



Bank Alfalah
The Way Forward



Bank Alfalah

The Way Forward

HOW IT ALL BEGAN!

Over 25 years ago, the Abu Dhabi Group shareholders, led by the **Founder Chairman, His Highness Sheikh Nahayan Mubarak Al Nahayan**, acquired Habib Credit and Exchange Bank Limited with a vision to transform the banking landscape and improve access to finance. The Founder Chairman has always had a great affinity with Pakistan, and this investment was a testament to his belief in the great potential of the people in the country.

The institution was subsequently renamed '**Bank Alfalah**' and became known as the caring bank, with customer-centricity and innovation at the heart of its values. These values continue to guide the institution 25 years on.

For over two decades now, Bank Alfalah has evolved into a **leading Commercial, Retail, Islamic and Digital Bank**, which is recognised for its dynamism, innovation and customer-centricity.

The Chairman's commitment to Bank Alfalah demonstrates his dedication to elevating financial services and bridging the gap between customers and the financial industry.

Thanks to the guidance and leadership of the Chairman, the Board, and the dedication of the employees in Pakistan, Bank Alfalah has evolved into an institution that significantly contributes to the growth and prosperity of the industry.





2022 Crossed 890 branches

2022 Becomes largest corporate donor in Pakistan:
Pledged USD 10 million to flood-impacted communities

2022 First Bank in Pakistan to offer digital onboarding
to customers of conventional and Islamic Banking
through Asaan Accounts and mobile banking app

2022 Launched special banking infrastructure for PwDs

2022 Expanded Bank Alfalah Premier to 55 cities with
50 Premier lounges nationwide, becoming a leading
bank in Pakistan for priority customers

2022 First Bank in Pakistan to successfully execute a
share Buyback transaction. The largest Buyback
transaction in Pakistan's capital market history

2022 First Bank to offer unconditional transactional
waivers on key banking services such as cheque book,
pay orders, online banking and much more

2022 First in the Industry to Near Field Communication
(NFC) acquiring

2022 First to adopt Swift Go in Pakistan



2022



BANK ALFALAH HISTORY THROUGH DECADES

The legacy and greatness of Bank Alfalah spans over a timeline of 25 successful years, with achievements to quantify exponential growth in the nation and in people's lives.



THE PIONEERING YEARS

Abu Dhabi Group acquired 'Habib Credit & Exchange Bank Ltd' (Now Bank Alfalah Limited)



UNWAVERING INVESTMENT

2002 Established Credit Cards Business
2003 Bank Alfalah Islamic Banking was established as a dedicated Islamic Banking Division
2003 Incorporation of Alfalah CLSA Securities (Private) Limited
2004 Incorporation of Alfalah GHP Investment Management Limited
2004 Listing of Bank Alfalah on Stock Exchange

FROM LOCAL TO REGIONAL

2005 Crossed 100 Branches
2005 Incorporation of Alfalah Insurance Limited
2005 First International Branch – Bangladesh
2006 First Bank in Pakistan to acquire T24 core banking solution
2007 Entered Afghanistan and Bahrain
2009 Crossed 300 Branches
2010 Launched Need Based Bancassurance Products

ADOPTING CLIENT-FOCUS PHILOSOPHY

2012 Crossed '100 Branches' mark for Islamic Banking Group
2013 Investments in Sapphire Wind Power Company Limited
2013 Crossed 500 branches
2014 International Finance Corporation (IFC) Equity Investment in Bank Alfalah Limited
2014 Introduced Mutual Fund solutions

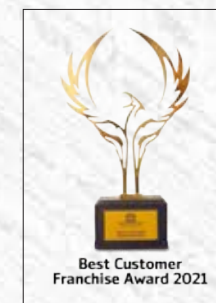
STRENGTHENING STRATEGIC PARTNERSHIPS

2019 Launched Pakistan's first Cash Deposit Machines (CDMs)
2019 Launched Pakistan's first prepayment e-commerce marketplace, AlfaMall
2019 Launched Buy Now, Pay Later (BNPL) on AlfaMall
2019 Became the second Bank to offer exclusive deposit product suite for women under the Pehchaan brand
2020 Established Bank Alfalah Islamic Premier
2020 Launched Roshan Digital Account (RDA) in collaboration with the State Bank of Pakistan
2020 Launched Alfa Green for Islamic Banking
2020 Issuance of AAA-rated Medium Term Note
2020 Crossed 700 branches
2020 Implemented Robotics Process Automation RBA



THE WAY FORWARD

2015 Revamped the Corporate Brand - The Way Forward
2015 First-time issuance of shares as a result of Employee Stock Options
2015 Inaugurated Premier Banking
2015 Issuance of shares as a result of Employee Stock Options
2016 Inaugurated Premier Banking
2016 Launched Mobile App 'Alfa'
2016 Launched One Bank One Core Banking system
2016 Introduction of EOBI cards – great convenience for the retired employees
2017 Premier Airport lounge for domestic and international at Jinnah International Airport
2017 Launched AMEX cards
2017 Launched customer loyalty program ORBIT
2018 Dr. Ayesha K. Khan joined the Board as the first female director



TOWARDS INCLUSION, INNOVATION AND DIGITIZATION, 2020 AND ONWARDS

2021 Launched RDA umbrella products including (Roshan Apna Ghar, Roshan Apni Car, Roshan Samaaji Khidmat, and Roshan Equity Investments)
2021 Pioneered and launched RAPID Portal (a digital onboarding platform) under pilot approval from the State Bank of Pakistan
2021 Corporate Branch became the first branch to have PKR 100 billion in deposit
2021 Achieved the milestone of PKR 1 trillion deposit
2021 Recognized amongst Top 25 Companies by Pakistan Stock Exchange
2021 Launched WhatsApp Banking
2021 Launched Islamic Term Deposit Receipts (TDR) and Islamic Premier Banking for customers at Alfa
2021 Introduced RAPID – a complete solution for online account opening and banking services
2021 Launched Foreign Exchange Portal for corporate customers for trade transactions

OUR HERITAGE AND PRIDE

The story of bringing the Founder Chairman's vision of the transformation of the banking industry to life started with three branches in Karachi, Lahore and Rawalpindi, laying the groundwork for future expansion centered on customer-centricity and innovation.



Built before partition in 1914, Shaahdin Manzil, a heritage landmark with historical significance, was home to one of the three branches. In 2001, Bank Alfalah worked with stakeholders and financed the upgradation of the architectural monument.

The Bank has played a vital role in revitalising another stunning heritage landmark building on Il Chundrigar, which has been the cornerstone of the financial industry of Pakistan for decades. The hallmark building now serves as the Bank's Head Office.





RECOGNITION OVER THE YEARS



ACHIEVEMENTS AND AWARDS

10 YEARS' SUCCESS STORIES AT A GLANCE

2022

Pakistan Banking Awards

- Best Digital Banking
- Best Bank in Housing Finance

Top 25 Companies Award

Top 25 Listed Companies by the Pakistan Stock Exchange (PSX)

Annual Report Awards

- Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and Management Accountants of Pakistan (ICMAP) - Best Corporate Report
 - First Joint Position in the banking category
 - Second Joint Position across sectors
- South Asian Federation of Accountants (SAFA) - Best Presented Annual Report
 - Second Joint Position in the Banking category at South Asia level

CFA Society Pakistan Awards

- Runner up - Best Bank of the Year
- Best Investor Relations
- Best Transaction of the Year

Pakistan Digital Awards (PDA)

- Best High Impact Campaign for Savings Account Campaign
- Best Digital Campaign for Home Remittance Campaign
- Best Payment Technology Solution for Alfa Business App
- Best Mobile Banking App for Alfa App

Global Diversity, Equity and Inclusion Awards (GDEIB)

- The Best Place to Work
 - Runner up for the Best Place to in the Financial Services Industry
 - Ranked amongst the top 11 Best Places to work in Pakistan
- Best Practice SC
 - DEI Structure and Implementation
 - DEI Communications
 - Work-Life Integration, Flexibility and Benefits
- Progressive Awards
 - Assessment, Measurement and Research
 - Vision, Strategy and Business Impact

Effie Award for Home Remittance Campaign

- Bronze Effie for Home Remittance Campaign

Global Transaction Innovation Awards 2022

- Best Bank for Trade Finance
- Best Bank for Cash Management

2021

Pakistan Banking Awards

- Institute of Bankers of Pakistan
 - Best Customer Franchise

Annual Report Awards

- Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and Management Accountants of Pakistan (ICMAP) - Best Corporate Report
 - Second Position in the Banking Category
- South Asian Federation of Accountants - Best Presented Annual Report
 - Joint Second Runner-up in the Banking Category

CFA Society Pakistan Awards

- Best Investor Relations

Global Diversity, Equity and Inclusion Benchmarks (GDEIB) Awards

- Best Practice
 - DEI Structure and Implementation
 - Work-life Integration, Flexibility and Benefits
 - DEI Communications
- Progressive Awards at GDEIB
 - Vision, Strategy and Business Impact
 - Assessment, Measurement and Research
- Best Place to Work
 - Best Place to Work in Financial Services-Runner Up
 - Ranked amongst the Top 10 Best Places to Work.

Pakistan Digital Awards

- Best Lifestyle Application for Alfa App
- Best Digital Campaign for Roshan Digital Account
- Best Digital Innovation for Alfa App

Global Transaction Banking Innovation Awards

- Best API Initiative of the Year
- Best Bank for Transaction Banking Services

2020

Annual Report Awards

- Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and Management Accountants of Pakistan (ICMAP) - Best Corporate Report Award
 - Second Position in the banking category

- South Asian Federation of Accountants Best
 - Presented Annual Report
 - Merit Certificate in the Banking Category

Pakistan Digital Awards

- Best High Impact Campaign (Alfalah Kifayat Account Campaign)
- Best Content Marketing (for its Alfa World Cup Campaign)

Global Islamic Finance Awards (GIFA)

- Most Innovative Islamic Banking Window
- Best Islamic Savings Product – Alfalah Islamic Recurring Value Deposit

Effie Award for Remittance Account Campaign

- Silver Effie by the Pakistan Advertisers Society for Bank's Remittance Account Campaign

2019

Pakistan Banking Awards

- Best Bank of the year
- Best Customer Franchise

Annual Report Awards

- Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and Management Accountants of Pakistan (ICMAP) - Best Corporate Report
 - Third Position in the banking category
- South Asian Federation of Accountants - Best Presented Annual Report
 - Merit Certificate in the banking category

Global Diversity, Equity and Inclusion Benchmarks (GDEIB) Awards

- Best Practice in the following categories:
 - Benefits, Work-life Integration and Flexibility
 - D&I Structure and Implementation

2018

Pakistan Banking Awards

- Best Customer Franchise
- Best Small and Medium enterprise Bank (SME)

Annual Report Awards

- Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and Management Accountants of Pakistan (ICMAP) - Best Corporate Report
 - Fourth Position in the banking category

2017

Pakistan Banking Awards

- Best Bank of the year
- Best Customer Franchise

Annual Report Awards

- Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and Management Accountants of Pakistan (ICMAP) - Best Corporate Report
 - Fourth Position in the banking category

CFA Society Pakistan Awards

- Best Investor Relations

Others

- Best Website of the Year
- Best Loyalty and Rewards Programme

2016

Pakistan Banking Awards

- Best Customer Franchise

Annual Report Awards

- Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and Management Accountants of Pakistan (ICMAP) - Best Corporate Report
 - Fourth Position in the banking category

Others

- Best Consumer Choice
- Best International Finance Magazine
- Best Credit Cards Offerings
- Best Corporate Credit Card

2015

Pakistan Banking Awards

- Best Customer Franchise

Global Islamic Finance Award (GIFA)

- Best Islamic Banking Window
- Best Shariah Authenticity Award
- Islamic Finance Best Research and Development

Others

- Corporate Finance House of the Year – Equity and Advisory
- Most Popular Auto Financing Bank
- Most Popular Bank for Conventional Auto Finance

2014

Global Islamic Finance Award (GIFA)

- Best Islamic Banking Window

2013

Global Islamic Finance Award (GIFA)

- Best Islamic Banking Window



LEAPING INTO THE DIGITAL FUTURE

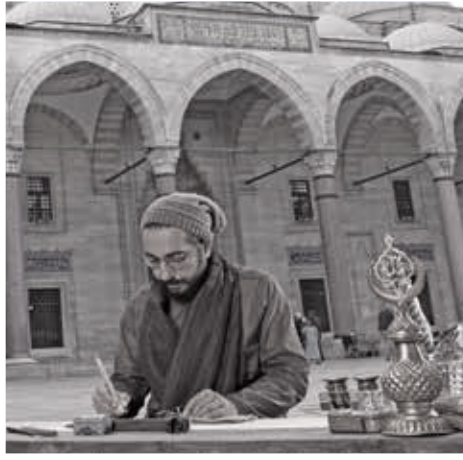
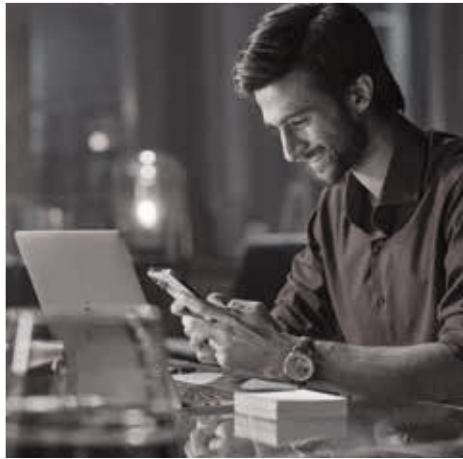
Staying ahead of the curve, the Bank embarked on its digital journey a decade ago by investing in and launching **internet and branchless banking**.

2016 saw the launch of its **first mobile app**, allowing customers to access their accounts, perform transactions, and manage their finances from anywhere and at any time.

In 2018, Bank Alfalah launched its **Digital Banking Group**, setting high standards for the industry to follow with its **Alfa app**. This revolutionary new application combines an unprecedented range of services combining e-commerce marketplace and banking needs, all under one convenient platform.

During five years, the group established itself as a premier digital bank by introducing a range of features such as Alfa Mall, Buy Now, Pay Later, Term Deposits Receipts, Alfa Payment Gateway, Digital Instant Loans, Digital Account Opening, Digital Salary Management, all addressing customers' evolving needs with a focus on **affordability, convenience and speed**.





JOURNEY IS THE DESTINATION

The Bank's focus on customer satisfaction and innovation has established it as a leading financial institution in Pakistan. Today, 25 years after its acquisition, it operates **894 branches in 200 cities** and has a regional presence in the UAE, Bahrain, Bangladesh, and Afghanistan.

The Bank offers a comprehensive suite of products and services which includes Digital, Islamic, Corporate Investment, Consumer banking and financing for small-to-medium-sized enterprises and agriculture-focused businesses, along with Securities Brokerage and Asset Management through its associates and subsidiaries catering to both public and private sectors.

With '**The Way Forward**' as its guiding principle, the Bank has become a symbol of progress, creativity, and financial expertise. Dedicated to fulfilling the vision of its Founder Chairman, His Highness Sheikh Nahayan Mubarak Al Nahayan and the Board to simplify and improve financial accessibility to the people in Pakistan.

The caring Bank is seen as a futurist and energetic entity with a keen emphasis on technology. It has attained commercial success while also showing care for its employees, and the communities in which it operates. The pursuit of excellence is never-ending and signifies the Bank's character, which aligns with the vision of its Chairman and the collective efforts of all its employees. The Bank is constantly striving to enhance and rejuvenate the organization and is only at the outset of its journey to reach significant achievements.



The Way Forward...

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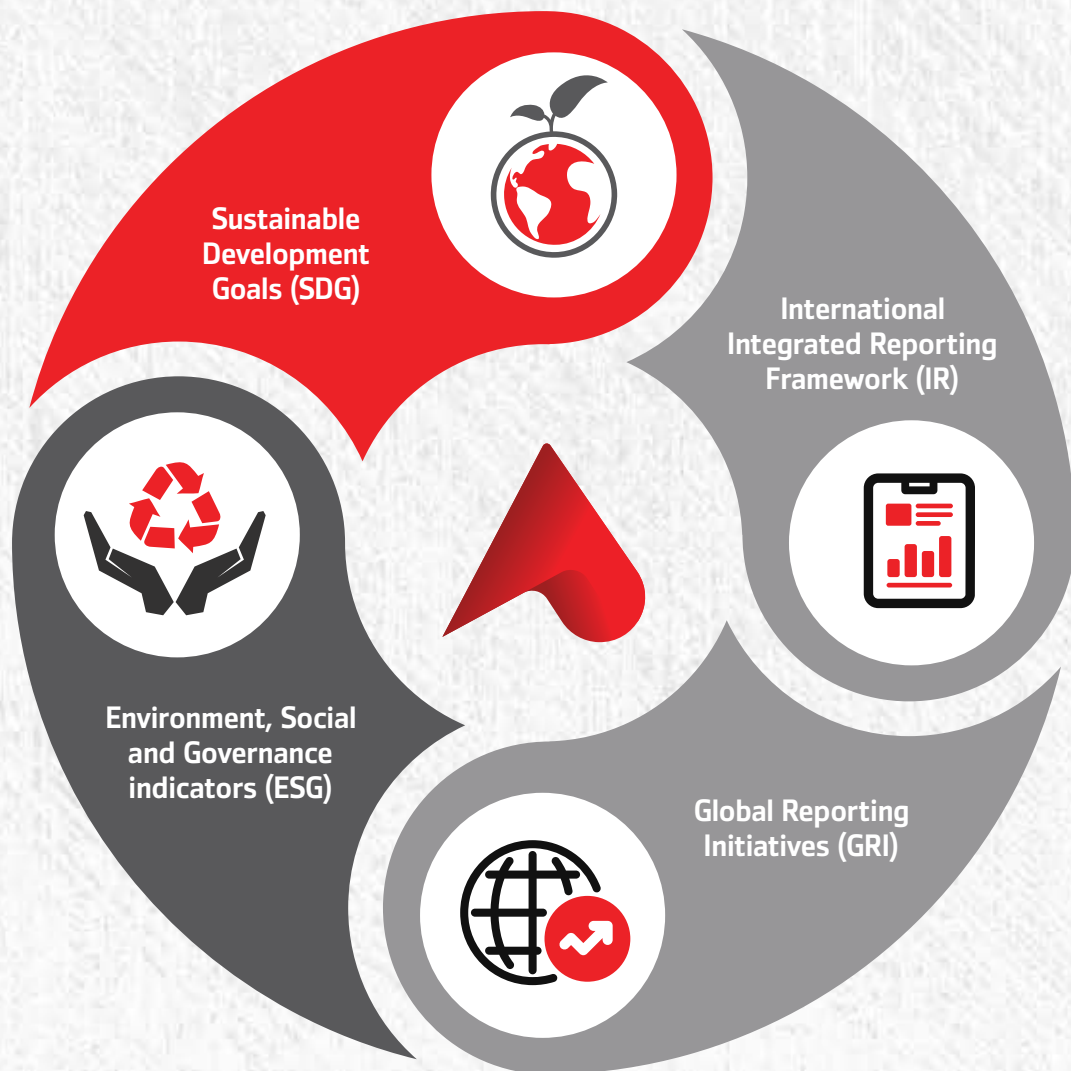


The Bank's financial statements are available at:
<https://www.bankalfalah.com/financial-reports/>



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

INTEGRATED REPORT 2022



About this Annual Integrated Report

Scope, Contents, Boundaries and Cross Referencing with BCR Criteria

The Bank has published its Annual Integrated Report along with audited financial statements for the year ended December 31, 2022.

Scope

Annual Integrated Report is the Bank's primary publication for its stakeholders, potential investors, and the public at large. It encapsulates the communication of all financial and non-financial activities of the Bank during the year in the form of a detailed qualitative, quantitative, and visual presentation.

The document has been drafted to present fairly, the state of affairs of the Bank and discusses topics like the Bank's overview, stakeholders, strategy, outlook, risks, governance, sustainability and performance. Further, it shows prospects in the context of external environment and creation of value to achieve short, medium and long-term objectives.

It is the aim of the report to disseminate a 360-degree view about the Bank to customers, investors, and analysts in order to foster their trust in the form of bank reputation, higher investment, increased product and service subscription and more business opportunities for the Bank.

The Bank considers materiality approach for disclosing relevant information in this Annual Report.

Contents

The report incorporates all the items required by ICAP and ICMAP Best Corporate Rewards Criteria 2021. The nine sections covered in the report are listed below along with brief description about their contents:

- Organizational Overview:** This section discusses the foundations of the bank at length starting from its vision, mission, values, culture, code-of-conduct, and beliefs as a leading organization in the country. It further explains, products and services, business model and how it derives value for the society and its customers through synergies. Further, the Bank's business model describes the inputs, value addition and outputs generated as a result of Bank's operations. This section also covers how the bank is making the customers' life easy through innovation.
- Stakeholders Relationship and Engagement:** This section contains information about stakeholders and how the Bank identifies them. It presents a detailed commentary on the Bank's interaction and connection with customers, employees, shareholders and institutional investors, vendors and service providers, analysts and rating agencies, regulatory bodies, society, and media. The section covers various events and initiatives undertaken by the organization to strengthen relationships with internal as well as external stakeholders.
- Strategy, Key Performance Indicators and Resource Allocation:** This section entails the strategic direction which the Bank takes in the form of its short, medium and long term objectives, process for strategy formulation, and the resources it utilizes to achieve those objectives. The methods and assumptions used in compiling the Key Performance Indicators, liquidity management and contingency planning, significant plans and decisions are also part of this section. The Bank's resources are its capitals namely Financial, Human, Intellectual, Manufactured, Social/Relationship and Natural.
- Risks and Opportunities:** This section covers the Bank's risk management framework, risk assessment and risk management methodology. A detailed analysis of the key risks and opportunities, the ability to mitigate risks and create value from opportunities in interest of the Bank are part of this section.
- Outlook:** The Bank's forward-looking statement for 2022 and performance against last year's forward-looking statement are covered as part of this section. Further, it highlights the Bank's view via its projections and forecasts, prospects going forward with respect to external environment, and how bank respond to critical challenges.
- Sustainability and Corporate Social Responsibility:** This section emphasizes the Bank's commitment towards the environment and its people. With sustainability in mind, the Bank takes measures to empower its customers, employees and the economy through the best possible products, services, benefits, and compliance. The section discusses the contributions of the bank towards education, health, safety, and environment through various philanthropic and responsible initiatives. The Bank also contributes towards UN's Sustainability Goals and Green Banking initiatives.

- **Governance:** This section discusses the governance structure of the Bank in terms of its leadership and decision-making process. The Board of Directors (BoD) sets strategic objectives and day-to-day business affairs are performed by the Management. The BoD, its Committees, and the Managements' established policies and controls to safeguard the Bank and its stakeholders are also part of this section. The governance framework also comprises of regulators (SBP, SECP, PSX and FBR) and external auditors (EY Ford Rhodes) of the Bank.
- **Information Technology Governance and Cybersecurity:** This section lays down the IT governance policy and gives details of the Bank's cybersecurity assessment along with preparedness against possible threats. Further, this section mentions about IT advancements that the Bank made. Moreover, it highlights on Enterprise Resource Planning software and related aspects.
- **Performance and Position:** This section contains a comprehensive analysis of the financial and non-financial performance of the Bank through past and present trend comparisons, financial ratios, financial statements, segmental review of the Bank's businesses and key insights through graphical presentations.
- **Other information:** Various other items are disclosed in addition to the BCR criteria. This includes regulatory information including directors' report, chairman's message, statement of compliance with code of corporate governance, Shariah report and external auditors' reports.
- **Financial Statements:** The Bank has prepared annual unconsolidated and consolidated financial statements. These financial statements have been audited by the external auditors, EY Ford Rhodes.

Boundaries

The Annual Report is made for the general public to assess and analyse the Bank's business and performance. The audience of the report, depending upon its interest, can refer to different sections of the report.

Other boundaries of the report are dependent on external parties such as brokers and analysts for the dissemination of their analysis and reports to their clients. Further, the information given solely applies to the Bank's areas of geographical operations i.e. Pakistan, UAE, Bahrain, Bangladesh and Afghanistan.

This report exhaustively deals with the Best Corporate Report criteria laid out by ICAP / ICMAP and at the same time, the Bank has kept the presentation user friendly.

- Corporate Reporting

The Bank's applicable financial reporting framework comprises of International Financial Reporting Standards (issued by IAASB), International Financial

Accounting Standards (issued by ICAP), Companies Act, 2017, Banking Companies Ordinance, 1962 and various directives issued by State Bank of Pakistan (SBP). The Bank has prepared its financial statements based on the format prescribed by the SBP.

- International Integrated Reporting Framework (IR), Sustainability Development Goals (SDG), Global Reporting Initiatives (GRI) and Environment, Social and Governance (ESG) disclosures

The Bank has adopted International Integrated Reporting Framework (IR) and has disclosed statement of adoption under Governance section of this Annual Report. Further, the bank contributes towards Sustainability Development Goals (SDGs), Global Reporting Initiatives (GRIs) and Environment, Social and Governance (ESG) frameworks. Please refer 'Sustainability' section of this Annual Integrated Report for these disclosures.



Best Corporate Report criteria cross referenced with annual report's page numbers

Information disclosed in accordance with BCR criteria as well as beyond BCR criteria is available on our website <https://www.bankalfalah.com/financial-reports/best-corporate-report/best-corporate-report-checklist-2022/>

Board of Directors

His Highness Sheikh Nahayan Mubarak Al Nahayan
Chairman/Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
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

Chief Human Resource Officer

Faisal Rabbani

Chief Risk Officer

Haroon Khalid

Group Head, Compliance and Control

Khawaja Muhammad Ahmad

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

Pervez Shahbaz Khan

Group Head, Treasury and Financial Markets

Saad ur Rahman Khan

Group Head, Corporate, Investment Banking and International Business

Tahir Khurshid

Group Head, Audit and Inspection

Zahid Anjum

Group Head, Special Assets Management

Chief Financial Officer

Anjum Hai

Company Secretary

Muhammad Akram Sawleh

Chief Internal Auditor

Tahir Khurshid

Auditors

EY Ford Rhodes

Chartered Accountants

Registered/Head Office

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

Share Registrar

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

Legal Advisor

Mandviwalla & Zafar
Advocates and Legal Consultants



CHAIRMAN'S MESSAGE

Chairman's Message - 2022

It gives me immense pleasure to present the Annual Report of Bank Alfalah Limited. The year 2022 has been one of subdued growths for Pakistan, with damage and disruption caused by catastrophic floods, a tight monetary stance, high inflation, and a less conducive global environment. The floods had a substantial negative impact on Pakistan's economy and on the poor, mostly through the disruption of agricultural production. Our prayers and thoughts are with those who were impacted by the flood.

Global growth remained relatively slow in 2022 despite eased COVID-19 restrictions. Key impediments to growth were higher than expected inflation worldwide, global output contraction, climate change impact, tighter financial conditions and spillovers from the war in Ukraine. These challenges continue to impact global economies including Pakistan.

Marking 25 years

2023 marks the 25th year of Bank Alfalah in Pakistan.

The Abu Dhabi Group acquired the operations of Bank Alfalah in 1997 and since then the Bank has evolved as one of the most preferred financial partners of corporate, SME and retail customers. The Bank has over 850 branches across Pakistan and is connected with its customers through 60,000+ touchpoints. It offers a comprehensive suite of products and services to cater to the growing needs of customers from various business segments.

During the last 25 years, the Bank remained fundamentally true to its vision, its ethos and purpose have grown and evolved. Bank Alfalah has accorded highest priority to providing quality service and great customer experience. Our motto is to nurture the best teams, develop strong relationships with the right vendors and suppliers, and to give back to the community.

Today, Bank Alfalah is a tech savvy bank with strategic focus on accessibility and digital inclusion. We continue to innovate and invest in our digital capabilities to complement our strong branch network, enabling our customers to bank how and where they want. We strive every day to improve and make it both simple and easy for customers to manage their finances with us. We

continue to create innovative, convenient and comprehensive digital solutions for our customers.

The performance of the Bank in terms of growth and profitability, and our strong equity base is a result of the focused execution of our strategy over the years. The Bank's consistent focus on growing its deposit franchise, especially deposits at low or no cost, has enabled it to be a competitive lender. The balance sheet is now more resilient, and the business model is more robust to ride out volatile periods and achieve long-term growth and profitability.

Over the years, Bank Alfalah has been a leading facilitator of national economic development; the Bank is a trusted partner in SME lending, and a leading player in trade, cash management, home remittance and employee banking business. We have also garnered a strong reputation as a preferred employer. All of this has contributed towards the Bank receiving numerous accolades locally and internationally.

Our employees have demonstrated immense professionalism and dedication throughout our journey since 1997. On behalf of the Board, I would like to thank all employees for their commitment and hard work, and for upholding the ethos of the Bank Alfalah brand.

The Board is committed to ensuring that Bank Alfalah is a forward looking and resilient organisation with a focus on long-term value creation. Our business is grounded by strong corporate governance and risk management practices, and our philosophy of being a reliable and dependable bank. Our commitment to becoming Pakistan's leading bank is stronger than ever and we continue to value and build our brand and image.

Flood Relief

Bank Alfalah stands firm on its promise to help rebuild flood affected areas and has formulated a two-phase plan of redeveloping communities in a sustainable, equitable and financially inclusive way. Earlier in August 2022, Bank Alfalah's Board of Directors approved USD 10 million (PKR 2,180 million) to help with the extensive relief and rebuilding efforts. The pledged amount is being distributed through donations via select NGOs and organizations to provide immediate relief, with a substantial amount earmarked for rebuilding

infrastructure in the medium to long term. While no financial sum suffices in the face of such devastation and irreversible loss, we are hopeful that our contribution will serve to partially alleviate the suffering of the affected. This gesture by the Board of Bank Alfalah is a testament to the strong bond between UAE and Pakistan and reaffirms the strong positioning of Bank Alfalah as a truly caring bank.

Banking Awards

Bank Alfalah, for its efforts and success in introducing innovative and transformative offerings and simplifying and easing customers' banking experience through its digital services, was commemorated by the prestigious Institute of Bankers Pakistan (IBP) at the Pakistan Banking Awards. The Bank was conferred with 'Best Digital Banking' and 'Best Bank in Housing Finance' awards at the Pakistan Banking Awards 2022. It was recognised for winning its customers' trust and providing end-to-end banking services and the convenience of financial transactions from the comfort of the customer's location. It remains our strategic focus and vision to innovate and continually evolve our product suite to exceed customer expectations.

Economic Opportunities

Optimally located at the crossroads of Asia, Pakistan has the potential to become a regional economic hub, ideal for investments and opportunities leading to job creation. Pakistan can leverage its strategic location through connectivity and economic integration with its neighbours creating an economic corridor which could provide impetus to ambitious projects and business goals. This would help in upskilling local communities, which continue to strive for localized value development, effectively turning Pakistan's growing population into an asset. Additionally, implementation of a more conducive policy framework would enhance the business ecosystem and increase Foreign Direct Investment (FDI) and investor interest.

Pakistan is also blessed with a diverse geography, which allows diverse livestock farming and crops, as well as production of food commodities and other related products. Planned investment in agriculture would be helpful on multiple fronts including food security, poverty alleviation and provision of quality raw material for industries, particularly the textile sector. This will help earn critical foreign exchange directly and indirectly, and build reserves. Structural reforms in key areas, including rationalizing regulations and taxation of businesses, are crucial to propelling the country's economic growth.

Forward Looking Statement

Our vision is to continue to build our deposit base, grow our market share in low-cost deposits, and expand our domestic footprint to widen our reach while continuing to provide unparalleled services to our customers. We will focus on harnessing technology to ensure that our customers' banking needs are satisfied. Emphasis will remain on facilitating trade, aiming to maintain our leadership position in home remittances and increasing penetration in cash management and bank-at-work space.

To cope with changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering. Most importantly, we will continue to invest in human capital and foster a caring culture that encourages collaboration, creativity, and innovation.

Entering our 25th year of business, our commitment to becoming Pakistan's leading bank is stronger than ever.

Acknowledgement

On behalf of the sponsors, I would like to reiterate our commitment to the Bank and to the people of Pakistan. Despite the challenges, we will remain focused on the way forward, and will achieve new milestones in the coming years. We will stay devoted to our customers and their needs and will continue to serve them with innovative products and services.

As Chairman of the Board, I thank all shareholders for their patronage, the regulatory authorities for their counsel and guidance, the Management team and employees for their arduous efforts and contributions, and above all our customers for their trust in Bank Alfalah.

NAHAYAN MABARAK AL NAHAYAN

Abu Dhabi

February 2, 2023



PRESIDENT AND CEO MESSAGE

In 2022, the world experienced a transition as it began recovering from the pandemic's impacts. While some stability was achieved through economic recovery, we soon started facing new challenges due to a global economic downturn fueled by supply-chain disruptions and the unprecedented destruction caused by floods in Pakistan.

Despite the numerous complexities, our performance has been outstanding. I extend my sincerest gratitude to all teams for embodying our values and living up to our **One Bank, One Team** motto, thus enabling the Bank to deliver exceptional service to our customers and communities.

We continued the journey with an impressive growth trajectory in 2022 with our transformative strategy, which places customer-centricity at the forefront of all our initiatives. By working in collaboration, we have created synergies throughout the Bank based on strategic pillars centered on the accomplishment of these five crucial elements:

- Amplifying market shares and improving profitability.
- Enhancing transactional convenience and capabilities across customer segments.
- Developing a unique Bank Alfalah culture based on customer-centricity, teamwork and engagement with colleagues, families, and communities.
- Engendering innovation, driving investment in technology and digital capabilities.
- Establishing strategic partnerships to enhance our range of products and services.

Amid the unparalleled disaster caused by floods in our country, we stepped up to provide aid to those affected. Our benevolent Chairman, His Highness Sheikh Nahayan Mubarak Al Nahayan, and the Board were moved by the remarkable resilience and strength of character demonstrated by the people of Pakistan. To alleviate the suffering of those impacted, the Chairman and Board pledged USD 10 million towards relief and reconstruction efforts.

The Bank and its vast network of branches made a concerted effort to help those in need, showing our commitment to being a caring Bank. Thanks to the Chairman and the Board's generous support, we were at the forefront of providing relief and rescue to the impacted ones. The Bank continues to disburse the pledged amount to over 21 reliable and trusted charity partners across Pakistan. Going forward in 2023, as the efforts enter the rebuilding phase, we are working with renowned foundations to focus on long-term recovery and rebuilding efforts. We are ensuring that all Bank staff and their families affected by the torrential floods are adequately looked after. The Bank has allocated funds to specifically address the needs of staff, their families, including rebuilding their damaged homes and replacing lost vehicles.

With an evolving banking landscape, we are mindful that customers' needs are changing, new ideas are budding, and requirements are mounting. In 2023, we will remain unwavering in our commitment to putting our customers first and continuously raising the bar for service standards through ongoing innovation and technological progress.

In 2023, we will be confronted with various socio-economic challenges. To overcome these hurdles, we must firmly stand together, be committed to our values and continuously look for opportunities to positively contribute towards finding a better way forward.

Atif Bajwa

President and CEO



The video on the Bank's overview, business performance, strategy and outlook is uploaded on the website.

<https://www.bankalfalah.com/financial-reports/ceo-review-2022/>

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 auditor's reports for the year ended December 31, 2022.

Economic Review

Global Economy

2022 has been marked by the advent of the Russia-Ukraine war which has compounded economic challenges globally. Spillovers from the war in the wake of Covid, just as restrictions were being eased, had an adverse effect on the energy supply-chain across Europe with repercussions across the globe. Heightened fear of a global recession pushed central banks to tighten money supply in an attempt to contain inflation.

During 2022, US Fed expeditiously increased its benchmark rate from a modest 0.25% to 4.5% in seven consecutive meetings, triggering US Dollar demand and depreciating global currencies which led to monetary tightening across the globe. While this helped on the inflation front, global economic growth suffered; resurgence in demand due to zero Covid policy and economic resurgence in China dampened. As a result, global economic growth is expected to slow down to 3.2% in 2022 from 6% in 2021 and is forecasted to drop below 3% in 2023, as per IMF. On a positive note, global inflation is likely to come under control in 2023, down to 6.5% compared to an estimated 8.8% in 2022.

Domestic Economy

In addition to the challenging global conditions, domestic politics and governance turmoil drastically changed the economic landscape. Following the initial success of securing the crucial IMF loan tranche of USD 1.0 bn and resulting growth momentum, signs of overheating started emerging as expansionary policies worsened Balance of Payments and the fiscal position. Later, spike in energy prices and PKR devaluation posed inflationary pressures which were augmented by policy delays. Lastly, devastation caused by countrywide floods resulted in loss of life, infrastructure, livestock and agriculture. This, along with a susceptible external account position, depleting foreign exchange reserves and depreciating PKR, translated into

worsened key economic indicators and rating downgrade.

Pakistan closed FY2022 (Jul-Jun) with GDP growth of 5.97%, surpassing the 5.0% target and previous year growth rate of 5.7%. This is attributable to policies supporting consumption, production and post-Covid recovery. All major economic sectors registered impressive growth:

- i) agriculture sector +4.4%
- ii) industrial sector +7.2% and iii) services sector +6.2%.

However, growth trends were largely neutralized by challenges faced later in the year.

Headline inflation averaged 19.7% in 2022 compared to 9.5% in 2021, as a result of commodity super-cycle, flooding, tariff hikes, subsidy reversal and PKR devaluation. Food inflation remained elevated throughout the year, peaking during the floods while energy prices increased as the Government increased utilities tariffs, reduced subsidies and passed on petroleum price surges. Ripple effects have translated into more persistent core inflation that hovered around 16% during the last quarter of 2022. In response to this and to manage the Balance of Payments, SBP hiked policy rate to 17% from 9.75% at the start of the year.

Balance of Payments remained under pressure during the year with commodity surge inflating Current Account Deficit (CAD). However, with effective policy action on both monetary and fiscal front, CAD during Jul-Nov 2022 eased to USD 3.1 bn, down 57% YoY. Trade Deficit reduced by 7% to USD 31.6 bn in 11MCY22, whereas Remittances reduced by 3.8% to USD 27.5 bn in 11MCY22.

Pakistan's Foreign Exchange Reserves held by the SBP on Dec 30, 2022 stood at USD 5.6 bn compared to USD 17.7 bn on Dec 31, 2021. This translates into an import cover of less than a month. As a result, Pakistani Rupee remains extremely volatile. During 2022, the Rupee was at a low of 174.5 and high of 239.9 to the US Dollar and closed the year at 22% devaluation. However, Pakistan repaid its USD 1.0 bn Sukuk Eurobond as scheduled, negating markets fears of default. Though some stability has been achieved with a new Finance Minister assuming charge and taking regulatory and administrative measures, the widening gap between Interbank and Open Market rate and a growing parallel grey market remains a concern.

Fiscal side also remains challenging with the deficit increasing to 7.9% of GDP in FY22 compared to 6.1% in FY21. During the year, tax collection increased by a decent 28%, however, there has been a 21% drop in non-tax

revenue due to non-materialization of budgeted inflows resulting in effective overall revenue growth of 16%. Current expenditures increased by 27% due to rising debt servicing cost and subsidies and grants. Recently announced austerity measures in the Federal Budget are steps in the right direction however, rehabilitation costs for flood impact would keep the fiscal deficit elevated.

As the macroeconomic and political situation unfolded, Pakistan equities remained bearish and volatile with the benchmark KSE-100 index falling by 9.4% in 2022. The equity market started the year on a positive note amid foreign buying, IMF tranche disbursement and international sukuk bond issuance. However, political uncertainties, macroeconomic deterioration and floods marred market sentiment as the year progressed. Foreign investors remained sellers; net outflow of USD 48 mn was witnessed, within which foreign corporates sold stocks of USD 127 mn. Locally, mutual funds and insurance sector remained on the selling side which was absorbed by individuals, companies and banks.

Outlook of the economy

Fiscal and monetary actions are hard steps but would help in bringing sustainability and resilience to the macro outlook. Import control measures have started reflecting in trade numbers while some relief on the commodity prices could contain inflation reading in 2H2023 although a lot would ride on the timing of energy price adjustments. Concrete diplomatic efforts brought stability and have helped in the recently convened Geneva conference, with pledges of more than USD 9.0 bn by donors to help Pakistan recover from devastating floods. However, resumption of IMF program remains vital along with the continuity of sustainable economic policy by building consensus.

Banking Sector Review

Despite a challenging year on the economic front, Pakistan's banking sector remains resilient while posting improved profitability. Decent balance sheet growth and asset repricing improved core interest earnings and improving volumes helped non-interest income as well. Balance sheet growth was largely led by borrowing and most of the ADR adjusted liquidity was deployed in Govt. securities as fiscal borrowing needs remained elevated. The cautious approach improved financial soundness of the sector, enabling banks to absorb impacts of macro-economic challenges and nation-wide floods.

During the year, SBP remained aggressive and further increased key policy rate by 625bps in CY22 to 16.0% amid persistent global and domestic supply shocks, PKR weakness and falling reserves. However, despite the attractive saving rates, banking sector deposits adopted a modest pace in 2022, rising 6% YoY, in line with M2 growth.

Growth remained concentrated in transactional deposits with 88% of the increase in 9M 2022 reflected in Current Accounts and Saving Accounts (CASA). CASA ratio slightly improved from 75.8% in 2021 to 76.2% in Sep 2022.

The bulk of the funding (both from deposits and borrowing) was deployed on the investments side particularly in shorter tenor government securities. During 2022, scheduled banks' investment book increased 30% YoY with IDRs rising to 82.1% on Dec 23, 2022 vs. 67.3% on Dec 31, 2021.

Advances growth was recorded at 12.5% YoY to PKR 11.4 tn on Dec 23, 2022. The slower growth rate, compared to 19.4% in 2021, is attributable to tough macroeconomic environment, lower disbursement under TERF financing, and regulatory changes affecting growth in consumer financing. Since the overall growth trend still outpaced deposits, ADR increased to 51.1% as on Dec 23, 2022 vs. 48.4% on Dec 31, 2021.

Asset quality remained stable with Gross NPL Ratio improving marginally from 7.9% in Dec 2021 to 7.6% in Sep 2022. NPL stock rose 4.4% while coverage levels remained stable around 92%.

While the sector maintains adequate capital buffers to withstand the impact of economic stress, SBP has recently reduced Additional CET-1 requirements for Domestic Systemically Important Banks (D-SIB) by 50bps. Overall, the Capital Adequacy Ratio (CAR) of the banking sector remained stable at around 16.6% in Sep 2022 vs. 16.7% in Dec 2021.

Outlook of the banking sector

Despite the challenges of inflation, FX volatility and trade, banking sector outlook remains positive. Improved banking spreads are likely to continue while credit quality and capital adequacy are likely to remain core focus areas.

The SBP introduced Licensing and Regulatory Framework for digital banks in line with international best practices early last year. The regulator received 20 applications and it has recently issued licenses to five applicants to kick-start the journey of digital banking.

The Government has enhanced the quantum of additional taxation applicable on banks that have low ADR. The ADR of Bank Alfalah remains comfortably above the threshold, however banks with low ADR would continue to focus on cautious advances growth or modest balance sheet growth to avoid higher tax incidence. Meanwhile, in time, implementation of IFRS-9 will shift the industry's approach towards risk-based pricing for loans.

Success of the IMF program will determine economic conditions and will be pivotal in framing the outlook. Additionally, 2023 being an election year, with structured reforms and expected resolution of IMF standoff, the banking sector is likely to remain robust and resilient.

The Bank's Performance

The highlights of the financial results for the year ended December 31, 2022, are as follows:

	2022	2021
Financial Position	Rupees in Millions	
Shareholders' Equity	100,015	100,003
Total Assets	2,253,197	1,734,321
Total Deposits	1,486,845	1,139,045
Advances – net	732,375	673,881
Investments – net	1,114,407	809,214

	2021	2020
Financial Performance	Rupees in Millions	
Net Markup Income	77,340	46,268
Non-Markup Income	21,786	16,254
Non-Markup Expenses	50,497	36,840
Operating Profit	48,629	25,682
Provisions and write-offs (net)	12,468	2,312
Profit before Tax	36,160	23,370
Profit after Tax	18,206	14,217
Basic and Diluted earnings per share – Rupees	10.27	8.00

Bank Alfalah kept its growth trajectory. The bank posted profit after taxation growth of 28.1% from last year; which stood at Rs. 18.206 billion as compared to Rs. 14.217 billion last year. This translates into earnings per share (EPS) of Rs. 10.27 (2021: Rs. 8.00). The growth in profit before tax of 54.7% helped absorb the impact of one-time super tax imposed by the Federal Government.

Revenue increased by 58.5% year-on-year (YoY) and stands at Rs. 99.126 billion as compared to Rs. 62.522 billion last year. Markup income grew significantly by 67.2%. Well positioned ALM book along with strong earning assets growth led to this growth. Non-markup income stood at Rs. 21.786 billion, higher by 34.0% from SPLY; growth was visible in all non-fund-based income lines with exception of capital gains due to rapid increase in the discount rates by the central bank to curb inflation and one-off gain last year. FX income increased on back of better trade and remittance flows and higher market volatility. Dividend income doubled due to better corporate earnings and positioning in high yielding dividend stocks.

The Bank continues to keep a check on expenses and manage costs prudently while focusing on building revenue momentum through expansion and without compromising on investments in new ventures. This is evident through new branches opening, investment in

digital technologies and information technology platforms and professional consultancies. Further, higher marketing costs, PKR depreciation and inflation related effects also led to an increase in operating expenses. The Bank also played its role of corporate social responsibility through donations and announced cost of living allowance for staff to counter inflation. During 2022, the Bank opened 100+ new branches, which are helping us in customer acquisition, deposit mobilization, increasing throughput and hence growing revenue. The bank is also investing in digital technologies with a focus on areas where we can deepen our relationships and gain market share. The best evidence of that success is our market share growth over the last three years. The bank's cost to income ratio improved to 50.0% as against 58.1% SPLY, taking support from strong revenue growth.

The exceptional efforts of the network, a diversified product suite and well-executed strategic plan resulted in Bank Alfalah achieving an impressive deposit growth of 30.5% in 2022. The bank's deposits closed the year at Rs. 1.487 trillion. The increase is mainly due to the strong growth of 32.1% in current accounts, which stood at Rs. 661.365 billion as at Dec 31, 2022. CA mix closed at 44.5%.

The bank grew loans by 9.5% YoY, while maintaining

credit discipline. The growth is reflective of the Bank's strategy to focus on consumer finance, SME lending and penetration in digital lending space. Despite challenging market fundamentals, the bank's credit performance was quite strong during the current year. As at the year end, our gross advances to deposits ratio (ADR) stood at 51.5%, higher than 50% on which higher income tax rate becomes applicable. Our underwriting discipline and rigorous client selection continued to serve us well which reflects in our non-performing loans ratio which stood at 4.0%. This is despite some prudent classifications. Further non-performing loans remain fully covered with coverage being 107.6%. Moreover, the bank, in light of uncertain economic conditions has taken a general provision against the high-risk and flood impacted credit portfolio, which is showing higher economic vulnerability. This portfolio excludes GoP backed exposures, staff loans, loans secured against liquid collaterals.

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 13.83% 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 9.51% against the regulatory requirement of 7.50% (including CCB of 1.5%). Detailed disclosures on CAR and Risk Management are given in notes 44 & 45 respectively, in the annexed unconsolidated financial statements.

Business Performance Review

Business development, performance and position of the Bank, and its impact on the environment are discussed in detail in Organisational Review, Outlook, Performance and Position sections of this Annual Report.

Government of Pakistan (GoP) and State Bank of Pakistan (SBP) policies and their impact on the Bank's business performance

In line with the Government's vision to achieve growth in construction and export, and to improve the business environment for local manufacturers, SBP continued with its enabling role towards Government policies for economic development and effective resource utilization. As focus remained on promoting financial inclusion, financial development and documentation of

financial transactions, SBP, with the support of local banks and DFIs, has launched various schemes. Bank Alfalah consistently demonstrated its dedication towards achieving these developmental goals and has been recognized time and again for its remarkable performance and contribution to economic growth.

1. Digitisation for financial inclusion

Focus on digital financial solutions is of great significance to financial inclusion. As digital channels can increase the outreach of the financial sectors more effectively and economically, the SBP has initiated plans on many fronts, including licensing of digital banks, RAAST, Asaan Mobile Account etc.

a. Digital Products

As a thought leader in the industry, we accelerated our efforts to enhance digital banking offerings, and to develop innovative ways to connect with customers, while continuing to prioritise our customer-centric approach. We continue to innovate and invest in our digital capabilities to complement our strong branch network, enabling our customers to bank how and where they want. Our strategy is aligned with SBP objectives to promote financial inclusion; provide credit access to unserved and underserved; and to provide affordable/cost effective digital financial services.

b. RAAST

SBP launched Pakistan's first instant payment system Raast, to provide instant, reliable and zero-cost digital payment services in Pakistan. Raast is an end-to-end digital payments solution and is targeted to be used to settle small-value retail payments of individuals and small businesses in real time. In the first phase, bulk payment module was launched in early 2021 while in the second phase, P2P (person to person) payments were initiated in early 2022. Users can now transfer funds using their bank's mobile application, internet banking or over-the-counter services without paying any transaction cost. Bank Alfalah has been very active in promoting this new payment gateway. As a result, more than half a million bank customers have been linked to Raast, channeling 2.7 mn transactions valuing PKR 198 bn during 2022.

2. Financial Inclusion and Financial Literacy

During the year, the Bank, in line with SBP's vision continued to take measures to improve financial inclusion and financial literacy. To this end, the Bank launched Banking on Equality and implemented Customers' Digital Onboarding Framework.

a. Banking on Equality

Diversity & Inclusion has been an important initiative in our culture change journey. The State Bank of Pakistan's Banking on Equality introduced in the year 2022 has enabled our robust Diversity & Inclusion strategy and helped us align our initiatives with the guidelines provided. Our initiatives designed to drive diversity ratio, sensitization of workplace, financial inclusion of women and specially abled customers, learning and development of women and many others have had a positive impact on the business. Increasing number of accounts and other products and services for women have helped financial inclusion and empowerment. Further, learning & development has facilitated women branch managers in outperforming their male counterparts. Sensitization has helped in creating a conducive environment at BAFL and many other initiatives have helped us in attracting and motivating women to take up careers at Bank Alfalah. The Global Diversity and Inclusion Benchmark forum has also awarded us for exceeding their set benchmarks in ten categories in 2022.

b. Digital Onboarding

Bank Alfalah reimagined customer experience right at the point of origination, going through successive iterations from rationalization of paper-based application forms to tablet-based banking and culminating at a fully digitized, self-initiated customer digital onboarding experience. We are the pioneers in introducing digital onboarding and were given exclusive pilot approval by the regulator. The sophistication and capabilities acquired during the innovation process were greatly applied towards both segments of our target markets i.e. Resident Pakistanis (residing in Pakistan) as well as Non-resident Pakistanis (living abroad) for a fully digital onboarding process.

Bank Alfalah RAPID, through its universal set of products and services catering to the financial needs of all strata of society, will go a long way towards digitalizing financial services and improving financial inclusion and access to finance

for marginalized segments by offering fully digital banking anytime, anywhere as an alternative to brick and mortar branches. This will complement national effort on post-Millennium Development Goals and poverty reduction to achieve the UN Sustainable Development Goals.

3. Roshan Digital Account (RDA)

RDA is the SBP flagship program to bring banking solutions to Non-Resident Pakistanis (NRPs), which has also been helping the country in terms of remittance inflows. Under the scheme, SBP has built many much-needed products around RDA including i) Naya Pakistan Certificates (NPCs), ii) Roshan Apni Car (RAC), iii) Roshan Apna Ghar (RAG), iv) Roshan Samaaji Khidmat (RSK), and v) Roshan Equity Investments. Through the RDA channel, NRPs can digitally open/operate FCY/LCY accounts through internet banking and mobile apps without lengthy documentation gaining access to a savings tool providing attractive returns through NPCs. Bank Alfalah successfully opened more than 43 thousand RDAs since inception till Dec 31, 2022. Total investment made in Naya Pakistan Certificates (NPCs) through Bank Alfalah amounted to PKR 62.1 bn since inception, till Dec 31, 2022.

4. SME Asaan Finance (SAAF) Scheme

Small and Medium Enterprises (SMEs) contribute about 40% of Pakistan's GDP and remain critical to economic development. In this regard, SBP, in collaboration with Govt. of Pakistan, launched SAAF which is a refinance and credit guarantee facility for creditworthy SMEs facing challenges in accessing funding. Its features include: i) option for Shariah-compliant products, ii) facility for Working Capital and Term Loans, and iii) acceptance of personal guarantees. By Jun 30, 2022, total lending under the scheme reached PKR 13.8 bn. Bank Alfalah, being already active in this segment and helping towards the ultimate Government goal of economic development, remained at the forefront. During 2022, the Bank processed around 1,700 loan applications and disbursed more than PKR 3.0 bn.

5. Mera Pakistan Mera Ghar (MPMG)

With forward and backward linkages to various industries, revival of construction and housing is of great significance. A mark-up subsidy facility was announced by the Government in 2021 for the middle-income segment to buy/construct their first house. Until Jun 30, 2022, total loans approved reached PKR 236 bn while disbursement stood at PKR 100 bn at the industry level. Bank Alfalah has disbursed more than PKR 7.0 bn under this scheme in 2022. Considering Bank Alfalah's strong

contribution towards housing finance in the country (including MPMG), the Bank was recognized and awarded in the Pakistan Banking Awards 2022.

6. Refinance Facilities

In order to ensure adequate supply of financing to industries, especially export-oriented industries, SBP launched various schemes to meet business growth needs. Major schemes include Temporary Economic Refinance Facility (TERF) under which the Bank has disbursed around PKR 19.0 bn during 2022, and LTFF for export-oriented sector under which the Bank has disbursed around PKR 7.0 bn during 2022.

The Group's Performance

Bank Alfalah posted consolidated profit after tax (PAT) of Rs. 18.397 billion for the year ended December 31, 2022 (2021: Rs. 14.460 billion). Earnings per share (EPS) attributable to equity holders of the Bank was measured at Rs. 10.38 in comparison to Rs. 8.12 for the last year. The key contributor to the increase in the consolidated profit is the share of profit from associates amounting to Rs. 669.831 million (pre-tax).

The Bank has 62.50% shareholding in Alfalah CLSA Securities (Private) Limited, which is engaged in the business of stock brokerage, investment banking, corporate finance and fund placements. Further, the Bank has associated entities with equity investment of 30% in Alfalah Insurance Limited, 30% in Sapphire Wind Power Limited and 40.2% in Alfalah GHP Investment Management Limited.

Performance of Subsidiary:

Alfalah CLSA Securities (Private) Limited incurred an operating loss of Rs. 11.741 million as compared to an operating profit of Rs. 74.075 million for the last year mainly because of significant reduction in the trading values at PSX which affected the entire industry. On the contrary, Alfalah CLSA managed to increase its revenue through an aggressive retail expansion strategy and addition of new business segments. This business expansion resulted in an increase in financing cost and administrative expenses offsetting brokerage, advisory and bank profits. Accordingly, earning per share (EPS) for the year declined to Rs. 0.19 as compared to Rs. 1.53 last year.

For the upcoming year, the company expects economic growth to continue, albeit, at a slower pace. Market volumes are expected to remain at a lower level due to impaired macroeconomic factors; while a slight upward revision in interest rates during the year may slow the pace of growth in the benchmark index.

Dividend, Bonus Shares And Other Appropriations

The directors have recommended final cash dividend of Rs. 2.5 per share (25%) for the year ended December 31, 2022, subject to an approval of the shareholders in the upcoming Annual General Meeting, bringing the total cash dividend for the year to Rs. 5.0 per share. Treasury stock will not be eligible for dividend. The Board had earlier declared and paid an interim cash dividend of Rs. 2.5 per share (25%).

Other appropriations:

The Board has approved an appropriation of Rs. 1.821 billion from the current year's profit to the statutory reserve in compliance with the requirements of the Banking Companies Ordinance, 1962.

Additionally, during the year, the Bank, pursuant to the approvals of the Board of Directors and Shareholders in their meetings held on 10th November 2022 and 6th December 2022 respectively, bought back 200 million shares at spot / market share price during the buy-back period. The shares were cancelled subsequent to the year end.

Credit Rating

The Bank has been assigned following ratings by PACRA:

- Entity rating: 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term, with Outlook assigned as 'Stable'.
- Instruments rating:
 - Unsecured Tier 1 Capital (Term Finance Certificate) of the Bank has been awarded a credit rating of 'AA-' (Double A Minus), with 'Stable' Outlook. During the year, the Bank issued another tranche of Tier 1 Capital with the same rating and outlook.
 - Medium Term Note (MTN): AAA (Triple-A) rating. The instrument is a Rated, Secured, Listed, and Redeemable Fixed Rate Term Finance Certificate (TFC).

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 repayment 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 Auditor's Review Report thereon is annexed to this Annual Report.

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

1. The total number of directors are eight:
 - i. Male - Seven
 - ii. Female - One
2. The composition of the Board is as follows:
 - i. Independent Directors (including a female Director): Three
 - ii. Non-executive Directors: Four
 - 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 Crises Management Committee
 - viii. Board Real Estate Committee

For committees' members and committees' terms of reference, please refer to the Governance section of this Annual Report.
4. The Bank has a formal policy and transparent procedure for remuneration of Directors, in accordance with regulatory requirements. The Policy was initially unanimously approved by the shareholders of the Bank in the 28th Annual General Meeting ("AGM"), held on 27th March 2020 and was subsequently amended in the 30th AGM held on 29th March 2022 to align the same with SBP's Corporate Governance Regulatory Framework. The remuneration policy and framework related disclosures have been given as part of the Governance section of this Annual Report. The payment of Directors' meeting fees, as reported in note 39 of the financial statements, is approved annually by

the members along with annual audited financial statements in the AGM.

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 control is sound in design and has been effectively implemented and monitored;
- f. There are no significant doubts about the Bank's ability to continue as a going concern;
- g. There has been no material departure from best practices of corporate governance;
- h. Summarized 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 2022 and attendance by each Director are disclosed in Governance section of this Annual Report;
- j. As at 31st December 2022, the Bank is compliant with respect to the Directors' training requirement provided in the Code of Corporate Governance Regulations;
- k. The Pattern of Shareholding, in accordance with The Companies (General Provisions and Forms) Regulations, 2018, 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, substantial shareholders,

- a. executives, their spouses and minor children have been disclosed as part of the Annual Report; and
- b. The Board's performance review for the year 2021 was conducted during 2022 through Pakistan Institute of Corporate Governance as an external evaluator.

Risk Management

The Board, through its Board Risk Management Committee, has carried out a robust assessment of principal risks. Under the governance of the Board, the Bank has a well-structured and strong risk management approach executed by management committees and a Risk Management Division. Our risk management framework, risk assessment, risk mitigation methodology, key risks and opportunities have been disclosed in the 'Risk and Opportunities' section of this Annual Report.

Internal Controls

The management believes that the Bank's existing system of Internal Controls is reasonable in design and is being effectively implemented and monitored. There is a continuous improvement in the Bank's control environment including technological solutions. The Board endorses the management's evaluation of effectiveness of overall Internal Controls, including Internal Controls over Financial Reporting, as detailed in the Statement of Internal Controls in the 'Governance' section of this Annual Report.

Corporate Social Responsibility

At Bank Alfalah, our success goes hand in hand with the accomplishment of our communities, customers and employees. We aim to conduct business by creating shared values for all our stakeholders. Corporate Social Responsibility (CSR) is an instrument of sustainable change and continues to be one of the most critical 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. The Bank donated Rs. 332.015 million to different educational and other charitable institutions during the year. Majority of the funds were donated for relief and rehabilitation of flood victims. As a Bank, we are focused on sustainability. For details on the Bank's efforts, please refer to the 'Sustainability' section of this Annual Report.

During the year, the Bank's Chairman, His Highness Sheikh Nahyan Mubarak Al Nahyan, and the Board of Directors graciously announced a donation of USD 10 million for relief efforts in the aftermath of the devastating floods and unprecedented rains across the country. The pledged amount is being distributed by the Bank for flood relief activities including donations through selected NGOs and organizations to provide immediate relief. A substantial amount is earmarked for rebuilding infrastructure in the medium to long term to help the affected areas. The Prime Minister of Pakistan thanked the Chairman for his contribution and said that the nation will always remember his strong support and immense affection for the people of Pakistan and his compassion for humanity.

External Audit

The Bank has received an unqualified audit report for the year ended December 31, 2022, from its external auditors, M/s EY Ford Rhodes, Chartered Accountants.

The present auditors, M/s EY Ford Rhodes, Chartered Accountants, have completed their term of five years from 2018 through 2022, and are not eligible for re-appointment as per the Code of Corporate Governance Regulations. We would like to thank and appreciate the retiring auditors for their services and the support extended to the Bank throughout the period of their appointment.

On the recommendation of the Board Audit Committee, the Board has proposed the appointment of M/S A. F. Ferguson & Co., Chartered Accountants, as statutory auditors of the Bank for the year 2023. This appointment shall be subject to approval in the forthcoming Annual General Meeting.

The proposed firm of auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

Future Outlook

Looking ahead, Bank Alfalah is well positioned for sustainable growth and building long-term shareholder value despite challenges on the macroeconomic front. We will continue to build our deposit base and grow our market share in low-cost deposits and expand our domestic footprint to widen our reach and continue to provide unparalleled services to our customers. Keeping in view the operating environment of the country and

the Government and SBP's economic goals, the Bank will decide its course of action including focusing on the consumer space, helping SMEs grow their business, harnessing technology to ensure that customers' banking needs are fully met, boosting trade volumes and increasing penetration in cash management. To cope with changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering. We will continue to partner with fintechs to gain technological edge, accelerating digital adoption by leveraging our core competencies with their disruptive technologies and solutions. Most importantly, we will continue to invest in human capital and foster a caring culture that encourages collaboration, creativity and innovation.

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:

- Global macroeconomic conditions impacting overall economic activity;
- Impact of climate conditions on economic activity and business operations;
- Geopolitical risks and uncertainties across the geographies that we operate in;
- Global AML/CFT compliance in accordance with FATF;
- Trade policies of trade partner countries;
- Economic decisions on discount rate/monetary policy;
- Disciplined fiscal policy and corporate taxation measures;
- Law and order situation/political environment within the country;
- Local government rules and regulations;
- Emergence of disruptive technologies; and
- Risk of cyberattacks.

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

The Bank proactively monitors these uncertainties and risks, whilst ensuring that corrective and protective

measures are undertaken to maintain operating performance and protect shareholder interests.

A detailed overview is given in the 'Outlook' and 'Strategy' sections of this Annual Report.

Subsequent Events

There are no significant post balance sheet events that 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.

Over the years, we have laid the foundations to deliver great value and service to our customers, while improving profitability and strengthening our balance sheet. We will remain focused on serving our customers and playing a key role in supporting economic recovery. In doing this, we will be mindful of our responsibilities to our staff and communities, and of continuing to deliver high returns to our shareholders.

Atif Aslam Bajwa

President and Chief Executive Officer

Abu Dhabi

February 2, 2023

Khalid Qurashi

Director

بینک کارسک مینجمنٹ گروپ کسی بھی ممکنہ نقصان کے اثرات کا تجزیہ کرنے اور یہ تعین کرنے کے لیے کہ آیا بینک کے پاس مخفی پیش رفت کے اثرات کو برداشت کرنے کے لیے کافی سرمایہ موجود ہے، مختلف پہلوؤں سے طے شدہ منظر ناموں کے خلاف باقاعدگی سے تناؤ کے ٹیسٹ کرتا ہے۔ اس طرح کے ٹیسٹوں کے نتائج نے ظاہر کیا ہے کہ بینک کے پاس کسی بھی نقصان کو برداشت کرنے کے لیے کافی سرمایہ، لیکویڈیٹی اور منافع ہے۔

بینک ان غیر یقینی صورتحال اور خطرات کی مسلسل نگرانی کرتا ہے، جبکہ اس بات کو یقینی بناتا ہے کہ آپریٹنگ کارکردگی کو برقرار رکھنے اور شیئرز ہولڈرز کے مفادات کے تحفظ کے لیے اصلاحی اور حفاظتی اقدامات کیے گئے ہیں۔

اس سالانہ رپورٹ کے 'آؤٹ لک' اور 'حکمت عملی' کے سیکشنز میں ایک تفصیلی جائزہ دیا گیا ہے۔

بعد کے واقعات

کوئی اہم پوسٹ بیلنس شیٹ واقعات نہیں ہیں جو کمپنی کی کارکردگی کو مادی طور پر متاثر کر سکتے ہیں جیسا کہ ان مالیات میں پیش کیا گیا ہے یا حقائق کے انکشاف کی ضرورت ہو سکتی ہے۔

اعتراف

بورڈ کی جانب سے، ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی مسلسل رہنمائی اور تعاون کا شکریہ ادا کرنا چاہتے ہیں۔ اس کے ساتھ ساتھ، ہم اپنے شیئرز ہولڈرز، اپنے صارفین اور کاروباری شراکت داروں کی مسلسل سرپرستی پر اظہار تشکر کرنا چاہیں گے۔

سالوں کے دوران، ہم نے اپنے صارفین کو بہترین قدر اور خدمات فراہم کرنے کے لیے بنیادیں رکھی ہیں، جبکہ منافع میں بہتری اور اپنی بیلنس شیٹ کو مضبوط بنایا ہے۔ ہم اپنے صارفین کی خدمت کرنے اور معاشی بحالی میں کلیدی کردار ادا کرنے پر توجہ مرکوز رکھیں گے۔ ایسا کرنے میں، ہم اپنے عملے اور کمیونٹی کے لیے اپنی ذمہ داریوں کا خیال رکھیں گے، اور اپنے شیئرز ہولڈرز کو زیادہ منافع فراہم کرتے رہیں گے۔

خالد قریشی

ڈائریکٹر

عاطف اسلم باجوہ

صدر اور چیف ایگزیکٹو آفیسر

ابوظہبی

2 فروری 2023

بیرونی آؤٹ

بینک کو 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے اپنے بیرونی آؤٹریز، میسرز ای وائے فورڈ روڈز چارٹرڈ اکاؤنٹنٹس سے ایک نائل آؤٹ رپورٹ موصول ہوئی ہے۔

موجودہ آؤٹریز، میسرز ای وائے فورڈ روڈز چارٹرڈ اکاؤنٹنٹس نے 2018 سے 2022 تک اپنی پانچ سال کی مدت پوری کر لی ہے، اور کارپوریٹ گورننس کے ضابطوں کے کوڈ کے مطابق دوبارہ تقرری کے اہل نہیں ہیں۔ ہم ریٹائر ہونے والے آؤٹریز کا شکریہ ادا کرنا چاہتے ہیں اور ان کی خدمات اور ان کی تقرری کی پوری مدت کے دوران بینک کو فراہم کی جانے والی مدد کے لیے ان کی تعریف کرنا چاہتے ہیں۔

بورڈ کی آؤٹ کمیٹی کی سفارش پر، بورڈ نے میسرز ای وائے فورڈ روڈز چارٹرڈ اکاؤنٹنٹس کو سال 2023 کے لیے بینک کے قانونی آؤٹریز کے طور پر تقرری کی تجویز پیش کی ہے۔ یہ تقرری آئندہ سالانہ اجلاس عام میں منظوری سے مشروط ہوگی۔

آؤٹریز کی مجوزہ فرم نے تصدیق کی ہے کہ انٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوالٹی کنٹرول رپورٹ پروگرام کے تحت انہیں تسلی بخش درجہ بندی دی گئی ہے، اور یہ کہ فرم اور ان کے تمام شرکاء دارائے فاضل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے مطابق ہیں۔ ضابطہ اخلاق سے متعلق رہنما خطوط، جیسا کہ انٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان نے اپنایا ہے، اور تمام قابل اطلاق قوانین کے تحت تقرری کے تقاضوں کو پورا کرتے ہیں۔

مستقبل کا آؤٹ لک

آگے دیکھتے ہوئے، بینک الفلاح میکرو اکٹناک محاذ پر چیلنجوں کے باوجود پائیدار ترقی اور طویل مدتی شیئر ہولڈرز کی قدر بڑھانے کے لیے اچھی پوزیشن میں ہے۔ ہم اپنا ڈیپازٹس میں بنانا جاری رکھیں گے اور کم لاگت والے ڈیپازٹس میں اپنا مارکیٹ شیئر بڑھاتے رہیں گے اور اپنی رسائی کو وسیع کرنے اور اپنے صارفین کو بے مثال خدمات فراہم کرنے کے لیے اپنے گھریلو نقش کو بڑھاتے رہیں گے۔ ملک کے آپریٹنگ ماحول اور حکومت اور اسٹیٹ بینک کے معاشی اہداف کو مد نظر رکھتے ہوئے، بینک اپنے لائحہ عمل کا فیصلہ کرے گا جس میں صارفین کی جگہ پر توجہ مرکوز کرنا، SMEs کو اپنے کاروبار کو بڑھانے میں مدد کرنا، صارفین کی بینکنگ ضروریات کو مکمل طور پر پورا کرنے کو یقینی بنانے کے لیے ٹیکنالوجی کا استعمال کرنا شامل ہے۔ تجارتی حجم کو بڑھانا اور نقدی کے انتظام میں دخول بڑھانا۔ بدلتی ہوئی کاروباری حرکیات سے نمٹنے کے لیے، ہم ڈیجیٹل تبدیلی کو تیز کریں گے اور کاروباری عمل کی دوبارہ انجینئرنگ پر توجہ مرکوز کریں گے۔ ہم فنٹیکس کے ساتھ شراکت داری جاری رکھیں گے تاکہ ان کی خلل ڈالنے والی ٹیکنالوجی اور حل کے ساتھ اپنی بنیادی صلاحیتوں کا فائدہ اٹھاتے ہوئے، ڈیجیٹل اپنانے میں تیزی لائیں گے۔ سب سے اہم بات یہ ہے کہ ہم انسانی سرمایے میں سرمایہ کاری جاری رکھیں گے اور ایک خیال رکھنے والے کلچر کو فروغ دیں گے جو تعاون، تخلیقی صلاحیتوں اور اختراع کی حوصلہ افزائی کرتا ہے۔

غیر یقینی صورتحال جو بینک کے وسائل، محصولات اور آپریشنز کو متاثر کر سکتی ہے۔

تمام تخمینے، فطرت کے مطابق، خطرات اور غیر یقینی صورتحال کے تابع ہیں، کچھ قابو سے باہر ہیں۔ وہ عوامل جو ممکنہ طور پر بینک کے وسائل، محصولات اور آپریشنز کو متاثر کر سکتے ہیں:

- مجموعی اقتصادی سرگرمی پر اثر انداز ہونے والے عالمی معاشی حالات؛
- اقتصادی سرگرمیوں اور کاروباری کاموں پر موسمیاتی حالات کا اثر؛
- تمام جغرافیوں میں جغرافیائی سیاسی خطرات اور غیر یقینی صورتحال جن میں ہم کام کرتے ہیں۔
- FATF کے مطابق عالمی AML/CFT تعینات؛
- تجارتی شراکت دار ممالک کی تجارتی پالیسیاں؛
- ڈسکونٹ ریٹ / مانیٹری پالیسی پر اقتصادی فیصلے؛
- نظم و ضبط مالیاتی پالیسی اور کارپوریٹ ٹیکس کے اقدامات؛
- ملک کے اندر امن و امان کی صورتحال / سیاسی ماحول؛
- مقامی حکومت کے قواعد و ضوابط؛
- خلل ڈالنے والی ٹیکنالوجی کا ظہور؛ اور
- سامعہ حملوں کا خطرہ۔

- (j) 31 دسمبر 2022 تک، بینک کوڈ آف کارپوریٹ گورننس ریگولیشنز میں فراہم کردہ ڈائریکٹرز کی تربیت کی ضرورت کی تعمیل کرتا ہے؛
- (k) کمپنیز (جنرل پروویژنز اینڈ فارمز) ریگولیشنز 2018 کے مطابق شیئر ہولڈنگ کا پیٹرن اس سالانہ رپورٹ کے حصے کے طور پر منسلک کیا گیا ہے۔
- (l) کوئی قرضہ، TFCs، سکوک یا کوئی دوسرا قرضہ انشرومنٹ نہیں ہے جس میں بینک نادمندہ ہے یا نادمندہ ہونے کا امکان ہے۔
- (m) بینک کے حصص میں ٹریڈنگ پیٹرن، ڈائریکٹرز، کافی شیئر ہولڈرز، ایگزیکٹوز، ان کی شریک حیات اور نابالغ بچوں کی طرف سے سالانہ رپورٹ کے حصے کے طور پر ظاہر کیا گیا ہے۔ اور
- (n) سال 2021 کے لیے بورڈ کی کارکردگی کا جائزہ 2022 کے دوران پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس کے ذریعے ایک بیرونی جائزہ کار کے طور پر کیا گیا۔

رہنما

بورڈ نے اپنی بورڈ ریسک مینجمنٹ کمیٹی کے ذریعے بنیادی خطرات کا ایک مضبوط جائزہ لیا ہے۔ بورڈ کے نظم و نسق کے تحت، بینک کے پاس انتظامی کمیٹیوں اور ریسک مینجمنٹ ڈویژن کے ذریعے ایک اچھی ساختہ اور مضبوط ریسک مینجمنٹ اپروچ ہے۔ ہمارے ریسک مینجمنٹ فریم ورک، خطرے کی تشخیص، خطرے میں کمی کی طریقہ کار، اہم خطرات اور مواقع کا انکشاف اس سالانہ رپورٹ کے خطرہ اور مواقع سیکشن میں کیا گیا ہے۔

اندرونی کنٹرول

انتظامیہ کو یقین ہے کہ بینک کا اندرونی کنٹرول کا موجودہ نظام ڈیزائن کے لحاظ سے معقول ہے اور اسے مؤثر طریقے سے لاگو کیا جا رہا ہے اور اس کی نگرانی کی جا رہی ہے۔ تکنیکی حل سمیت بینک کے کنٹرول کے ماحول میں مسلسل بہتری آ رہی ہے۔ بورڈ مجموعی داخلی کنٹرولوں کی تاثیر کے انتظام کے جائزے کی توثیق کرتا ہے، بشمول مالیاتی رپورٹنگ پر اندرونی کنٹرول، جیسا کہ اس سالانہ رپورٹ کے گورننس سیکشن میں اندرونی کنٹرول کے بیان میں تفصیل سے بتایا گیا ہے۔

کارپوریٹ سماجی ذمہ داری

بینک الفلاح میں، ہماری کامیابی ہماری کمیونٹی، صارفین اور ملازمین کی کامیابیوں کے ساتھ ہے۔ ہمارا مقصد اپنے تمام اسٹیک ہولڈرز کے لیے مشترکہ اقدار بنا کر کاروبار کرنا ہے۔ کارپوریٹ سماجی ذمہ داری (CSR) پائیدار تبدیلی کا ایک ذریعہ ہے اور یہ ہمارے کاروبار کے سب سے اہم پہلوؤں میں سے ایک ہے۔

ہم سماجی و اقتصادی ترقی میں اپنا حصہ ڈالتے ہوئے اخلاقی فریم ورک کے اندر کام کرنے کے اپنے عزم پر پختہ ہیں۔ جیسا کہ ہم پورے بینک میں ذمہ دارانہ کاروباری طرز عمل کی تشکیل جاری رکھتے ہیں، ہم اس بات کو یقینی بناتے ہیں کہ ہم ہر موقع کو حاصل کریں، اپنی کارپوریٹ سماجی ذمہ داری اور انسان دوستی کے اثرات کو گہرا کرتے ہوئے۔ بینک نے سال کے دوران مختلف تعلیمی اور دیگر خیراتی اداروں کو 332.015 ملین روپے کا عطیہ دیا۔ زیادہ تر فنڈز سیلاب زدگان کی امداد اور بحالی کے لیے دیے گئے۔ ایک بینک کے طور پر، ہماری توجہ پائیداری پر ہے۔ بینک کی کوششوں کے بارے میں تفصیلات کے لیے، براہ کرم اس سالانہ رپورٹ کے 'پائیداری' سیکشن سے رجوع کریں۔

سال کے دوران، بینک کے چیئرمین، عزت مآب شیخ نبیان بن مبارک النہیان، اور بورڈ آف ڈائریکٹرز نے ملک بھر میں تباہ کن سیلابوں اور بے مثال بارشوں کے بعد امدادی سرگرمیوں کے لیے 10 ملین امریکی ڈالر کے عطیہ کا اعلان کیا۔ گروہ کی رکنی گئی رقم بینک کی جانب سے سیلاب کی امدادی سرگرمیوں کے لیے تقسیم کی جا رہی ہے جس میں منتخب این جی او اور تنظیموں کے ذریعے عطیات بھی شامل ہیں تاکہ فوری ریلیف فراہم کیا جاسکے۔ متاثرہ علاقوں کی مدد کے لیے درمیانی سے طویل مدت میں بنیادی ڈھانچے کی تعمیر نو کے لیے کافی رقم مختص کی گئی ہے۔ وزیراعظم پاکستان نے چیئرمین کا شکریہ ادا کرتے ہوئے کہا کہ قوم ان کی بھرپور حمایت اور پاکستانی عوام کے لیے بے پناہ پیار اور انسانیت کے لیے ان کی شفقت کو ہمیشہ یاد رکھے گی۔

آنے والے سال کے لیے، کمپنی کو توقع ہے کہ معاشی نمو جاری رہے گی، اگرچہ سست رفتاری سے۔ خراب معاشی عوامل کی وجہ سے مارکیٹ کا حجم کم سطح پر رہنے کی توقع ہے۔ جبکہ سال کے دوران شرح سود میں معمولی اوپر کی نظر ثانی بیچ مارک انڈیکس میں ترقی کی رفتار کو سست کر سکتی ہے۔

ڈیویڈنڈ، بونس شیئرز اور دیگر اپروپریٹرز

ڈائریکٹرز نے روپے کے فاسٹل کیش ڈیویڈنڈ کی سفارش کی ہے۔ 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے 2.5 روپے فی شیئر (25%)، آئندہ سالانہ جنرل میٹنگ میں حصص یافتگان کی منظوری سے مشروط ہے، جس سے سال کے لیے کل کیش ڈیویڈنڈ 5.00 روپے فی شیئر ہو جائے گا۔ ٹریڈری اسٹاک ڈیویڈنڈ کے لیے اہل نہیں ہو گا۔ بورڈ نے اس سے قبل 2.5 روپے فی حصص (25%) کے عبوری نقد منافع کا اعلان اور ادا نیگی کی تھی۔

دیگر تفصیلات:

بورڈ نے بینکنگ کمپنیز آرڈیننس 1962 کے تقاضوں کی تعمیل کرتے ہوئے رواں سال کے منافع سے قانونی ذخائر کے لیے 1.821 ملین روپے کی تخصیص کی منظوری دی ہے۔

مزید برآں، سال کے دوران، بینک نے، 10 نومبر 2022 اور 6 دسمبر 2022 کو بالترتیب منعقد ہونے والی اپنی میٹنگوں میں بورڈ آف ڈائریکٹرز اور شیئر ہولڈرز کی منظوریوں کے مطابق، بائیں بیک کے دوران 200 ملین شیئرز اسپاٹ / مارکیٹ شیئر کی قیمت پر خریدے۔ مدت سال کے آخر میں حصص منوع کر دیے گئے۔

کریڈٹ ریٹنگ

بینک کو PACRA کی طرف سے درج ذیل ریٹنگ تفویض کی گئی ہے:

بہترین ریٹنگ:

طویل مدتی کے لیے AA+، (ذیل اے پلس) اور مختصر مدت کے لیے A1+، (OnePlus-A)، آؤٹ لک کو 'مستحکم' کے طور پر تفویض کیا گیا۔

انسٹرمنٹس ریٹنگ:

بینک کے غیر محفوظ ٹائز 1 کیپٹل (ٹرم فنانس سرٹیفکیٹ) کو، 'سٹیبل' آؤٹ لک کے ساتھ AA-، (ذیل اے مائنس) کی کریڈٹ ریٹنگ دی گئی ہے۔ سال کے دوران، بینک نے اسی ریٹنگ اور آؤٹ لک کے ساتھ ٹائز 1 کیپٹل کی ایک اور قسط جاری کی۔

درمیانی مدت کا نوٹ (MTN): AAA (A-Triple) ریٹنگ:

انسٹرومنٹ ایک ریڈیٹ، محفوظ، لسٹڈ، اور ریڈیم ایبل فکسڈ ریٹ ٹرم فنانس سرٹیفکیٹ (TFC) ہے۔

تفویض کردہ ریٹنگ بینک کے متنوع آپریشنز، صحت مند مالیاتی رسک پروفائل، مضبوط اسپانسرز اور موجودہ مارکیٹ میں موجودگی کی عکاسی کرتی ہے۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع، طویل مدت میں مالی وعدوں کی بروقت ادائیگی کی مضبوط صلاحیت اور مختصر مدت میں بروقت ادائیگی کی بلند ترین صلاحیت کو ظاہر کرتی ہیں۔

کارپوریٹ گورننس

بینک لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے اہم تقاضوں کی تعمیل کر رہا ہے۔ انتظامیہ کی طرف سے تجویز کردہ بیان اور اس پر آڈیٹر کی جائزہ رپورٹ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز کو باب XII کے تحت درکار درج ذیل بیانات پیش کرنے پر خوشی ہے۔ مذکورہ بالا ضوابط کی رپورٹنگ اور انکشاف:

1۔ ڈائریکٹرز کی کل تعداد آٹھ ہے:

- (i) مرد - سات
- (ii) خاتون - ایک

2۔ بورڈ کی تشکیل حسب ذیل ہے:

- (i) آزاد ڈائریکٹرز (بشمول ایک خاتون ڈائریکٹر) تین
- (ii) غیر ایگزیکٹو ڈائریکٹرز چار
- (iii) ایگزیکٹو ڈائریکٹرز ایک

3۔ بورڈ، وقتاً فوقتاً، اپنی ذمہ داریوں کو نبھانے کے لیے کمیٹیاں قائم کرتا ہے۔ بورڈ کی ہر کمیٹی کے لیے، بورڈ ایک باضابطہ ٹرمز آف ریفرنس (TORS) کو اپناتا ہے جس میں تشکیل، کردار، افعال، ذمہ داریوں اور انتظامیہ سے متعلقہ معاملات طے کیے جاتے ہیں۔ بورڈ کی جانب سے درج ذیل کمیٹیاں تشکیل دی گئی ہیں۔

- (i) بورڈ آؤٹ کمیٹی
- (ii) بورڈ کی حکمت عملی اور مالیاتی کمیٹی
- (iii) بورڈ رسک مینجمنٹ کمیٹی
- (iv) بورڈ ہیومن ریسورس، معاوضہ اور نامزدگی کمیٹی
- (v) بورڈ انفارمیشن ٹیکنالوجی کمیٹی
- (vi) بورڈ معاوضہ کمیٹی
- (vii) بورڈ کراسز مینجمنٹ کمیٹی
- (viii) بورڈ ریل اسٹیٹ کمیٹی

کمیٹیوں کے اراکین اور کمیٹیوں کی شرائط کے لیے، براہ کرم اس سالانہ رپورٹ کے گورننس سیکشن کو دیکھیں۔

4۔ ریگولیٹری تقاضوں کے مطابق، بینک کے پاس ڈائریکٹرز کے معاوضے کے لیے ایک باضابطہ پالیسی اور شفاف طریقہ کار ہے۔ اس پالیسی کو ابتدائی طور پر 27 مارچ 2020 کو منعقدہ 28 ویں سالانہ جنرل میٹنگ میں بینک کے شیئر ہولڈرز نے متفقہ طور پر منظور کیا تھا اور اس کے بعد 29 مارچ 2022 کو ہونے والی 30 ویں سالانہ جنرل میٹنگ میں اس میں ترمیم کی گئی تھی تاکہ اسے اسٹیٹ بینک آف پاکستان کے کارپوریٹ گورننس کے ساتھ ہم آہنگ کیا جاسکے۔ ریگولیٹری فریم ورک معاوضے کی پالیسی اور فریم ورک سے متعلق انکشافات اس سالانہ رپورٹ کے گورننس سیکشن کے حصے کے طور پر دیئے گئے ہیں۔ ڈائریکٹرز کی میٹنگ فیس کی ادائیگی، جیسا کہ مالیاتی بیانات کے نوٹ 39 میں بتایا گیا ہے، سالانہ جنرل میٹنگ میں سالانہ آؤٹ شدہ مالیاتی گوشواروں کے ساتھ ممبران کی طرف سے سالانہ منظوری دی جاتی ہے۔

بہترین عمل کے طور پر، ڈائریکٹرز مندرجہ ذیل بیانات دینے میں خوش ہیں:

- (a) انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، بینک کی حالت، اس کے کاموں کے نتائج، نقدی کے بہاؤ اور ایجوپتی میں تبدیلیوں کو منصفانہ طور پر پیش کرتے ہیں۔
- (b) بینک کے کھاتوں کی صحیح نمائندگی رکھی گئی ہے۔
- (c) مناسب اکاؤنٹنگ پالیسیاں، جیسا کہ مالیاتی گوشواروں کے نوٹوں میں بیان کیا گیا ہے، مالی بیانات کی تیاری میں مسلسل لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں؛
- (d) بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں بینکوں پر لاگو ہوتا ہے، مالی بیانات کی تیاری میں پیروی کی گئی ہے۔
- (e) اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔
- (f) ایک جاری تشویش کے طور پر جاری رکھنے کی بینک کی اہلیت کے بارے میں کوئی خاص شک نہیں ہے؛
- (g) کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی رخصتی نہیں ہوئی ہے۔
- (h) گزشتہ چھ سالوں کے کلیدی آپریشننگ اور مالیاتی ڈیٹا کا خلاصہ سالانہ رپورٹ کے حصے کے طور پر پیش کیا گیا ہے۔
- (i) سال 2022 کے دوران منعقدہ بورڈ اور بورڈ کمیٹی کے اجلاسوں کی تعداد اور ہر ڈائریکٹر کی حاضری اس سالانہ رپورٹ کے گورننس سیکشن میں ظاہر کی گئی ہے۔

2- مالی شمولیت اور مالی خواندگی

سال کے دوران، بینک نے اسٹیٹ بینک آف پاکستان کے وژن کے مطابق مالی شمولیت اور مالی خواندگی کو بہتر بنانے کے لیے اقدامات جاری رکھے۔ اس مقصد کے لیے، بینک نے مساوات پر بینکنگ کا آغاز کیا اور صارفین کے ڈیجیٹل آن بورڈنگ فریم ورک کو نافذ کیا۔

(a) بینکنگ، مساوات کی بنیاد پر

تنوع اور شمولیت ہماری ثقافت کی تبدیلی کے سفر میں ایک اہم اقدام رہا ہے۔ اسٹیٹ بینک آف پاکستان کی 2022 میں متعارف کرائی گئی مساوات پر بینکنگ نے ہماری مضبوط تنوع اور شمولیت کی حکمت عملی کو فعال کیا ہے اور فراہم کردہ رہنما خطوط کے ساتھ اپنے اقدامات کو ہم آہنگ کرنے میں ہماری مدد کی ہے۔ تنوع کے تناسب کو چلانے، کام کی جگہ کو حساس بنانے، خواتین اور خاص طور پر قابل صارفین کی مالی شمولیت، خواتین کی سیکھنے اور ترقی اور بہت سے دوسرے لوگوں کے لیے ہمارے اقدامات نے کاروبار پر مثبت اثرات مرتب کیے ہیں۔ خواتین کے لیے اکاؤنٹس اور دیگر مصنوعات اور خدمات کی بڑھتی ہوئی تعداد نے مالی شمولیت اور بااختیار بنانے میں مدد کی ہے۔ مزید، سیکھنے اور ترقی نے خواتین برانچ مینجرز کو اپنے مرد ہم منصبوں کو پیچھے چھوڑنے میں سہولت فراہم کی ہے۔ حساسیت نے بینک الفلاح لمیٹڈ میں ایک سازگار ماحول پیدا کرنے میں مدد کی ہے اور بہت سے دوسرے اقدامات نے خواتین کو بینک الفلاح میں کیریئر بنانے کے لیے راغب کرنے اور تحریک دینے میں ہماری مدد کی ہے۔ گلوبل ڈائیورسٹی اینڈ انکلوژن شیئنگ مارک فورم نے 2022 میں دس مردوں میں اپنے مقررہ معیارات سے تجاوز کرنے پر بھی ہمیں نوازا ہے۔

(b) ڈیجیٹل آن بورڈنگ

بینک الفلاح نے آغاز کے مقام پر ہی کسٹمرز کے تجربے کا از سر نو تصور کیا، کاغذ پر مبنی درخواست فارم کی معقولیت سے لے کر میبلٹ پر مبنی بینکنگ تک مسلسل نگرار سے گزرتے ہوئے اور مکمل طور پر ڈیجیٹائزڈ، خود شروع کردہ کسٹمر ڈیجیٹل آن بورڈنگ کے تجربے پر اختتام پذیر ہوا۔ ہم ڈیجیٹل آن بورڈنگ کو متعارف کرانے میں پیش پیش ہیں اور ریگولیٹری طرف سے خصوصی پائلٹ منظوری دی گئی۔ جدت طرازی کے عمل کے دوران حاصل کی گئی نفاست اور صلاحیتوں کا ہماری ٹارگٹ مارکیٹس کے دونوں حصوں یعنی رہائشی پاکستانیوں (پاکستان میں رہنے والے) کے ساتھ ساتھ غیر رہائشی پاکستانیوں (بیرون ملک میں رہنے والے) پر مکمل طور پر ڈیجیٹل آن بورڈنگ کے عمل کے لیے بہت زیادہ اطلاق کیا گیا۔

بینک الفلاح ریپڈ، معاشرے کے تمام طبقوں کی مالی ضروریات کو پورا کرنے والی مصنوعات اور خدمات کے عالمگیر سیٹ کے ذریعے، کسی بھی وقت مکمل طور پر ڈیجیٹل بینکنگ کی پیشکش کرتے ہوئے، مالیاتی خدمات کو ڈیجیٹل کرنے اور مالی شمولیت کو بہتر بنانے اور پسماندہ طبقات کے لیے فنانس تک رسائی کی جانب ایک طویل سفر طے کرے گا۔ اینٹوں اور مارٹر شاخوں کے متبادل کے طور پر کہیں بھی۔ یہ مہینے کے بعد کے ترقیاتی اہداف اور اقوام متحدہ کے پائیدار ترقیاتی اہداف کے حصول کے لیے غربت میں کمی کے لیے قومی کوششوں کی تکمیل کرے گا۔

3- روشن ڈیجیٹل اکاؤنٹ (RDA)

آرڈی اے غیر مقامی پاکستانیوں (NRPs) کے لیے بینکنگ سلوشنز لانے کے لیے SBP کا فلگ شپ پروگرام ہے، جو کہ ترقیاتی زر کی آمد کے معاملے میں بھی ملک کی مدد کر رہا ہے۔ اسٹیم کے تحت، SBP نے RDA کے ارد گرد بہت سی انتہائی ضروری مصنوعات تیار کی ہیں جن میں (i) نیا پاکستان سرٹیفیکیٹس (NPCs)، (ii) روشن اپنی کار (iii)، (RAC) روشن اپنا گھر (iv)، (RAG) روشن سماجی خدمت (RSK)، اور (v) روشن ایکویٹی انویسٹمنٹس۔ RDA چینل کے ذریعے، NRPs انٹرنیٹ بینکنگ اور موبائل ایپس کے ذریعے FCY / LCY اکاؤنٹس کو ڈیجیٹل طور پر کھول / آپریٹ کر سکتے ہیں بغیر طویل دستاویزات کے اور NPCs کے ذریعے پرکشش منافع فراہم کرنے والے بچت کے آلے تک رسائی حاصل کر سکتے ہیں۔ بینک الفلاح نے اپنے قیام سے لے کر 31 دسمبر 2022 تک کامیابی کے ساتھ 43 ہزار سے زائد آرڈی اے کھولے ہیں۔ نیا پاکستان سرٹیفیکیٹس (NPCs) میں بینک الفلاح کے ذریعے کی گئی کل سرمایہ کاری 31 دسمبر 2022 تک شروع سے 62.1 ملین روپے تھی۔

4- ایس ایم ای آسان فنانس (SAAF) اسکیم

چھوٹے اور درمیانے درجے کے کاروبار (SMEs) پاکستان کے جی ڈی پی میں تقریباً 40% حصہ ڈالتے ہیں اور اقتصادی ترقی کے لیے اہم ہیں۔ اس سلسلے میں، اسٹیٹ بینک، حکومت کے تعاون سے۔ پاکستان نے SAAF کا آغاز کیا جو کہ قرض کے قابل SMEs کے لیے ری فنانس اور کریڈٹ گارنٹی کی سہولت ہے جو فنڈنگ تک رسائی میں چیلنجز کا سامنا کر رہے ہیں۔ اس کی خصوصیات میں شامل ہیں: (i) شریعت کے مطابق مصنوعات کے لیے اختیار، (ii) ورکنگ کیسینٹل اور ٹرم لون کے لیے سہولت، اور (iii) ذاتی ضمانتوں کی منظوری۔ 30 جون 2022 تک، اسکیم کے تحت کل قرضے 13.8 بلین روپے تک پہنچ گئے۔ بینک الفلاح، پہلے سے ہی اس شعبے میں سرگرم ہے اور معاشی ترقی کے حتمی حکومتی ہدف کی طرف مدد کر رہا ہے، سب سے آگے رہا۔ 2022 کے دوران، بینک نے تقریباً 1,700 قرض کی درخواستوں پر کارروائی کی اور 3.0 بلین روپے سے زیادہ کی رقم تقسیم کی۔

5- میر پاکستان میرا گھر (MPMG)

مختلف صنعتوں سے آگے اور پسماندہ روابط کے ساتھ، تعمیرات اور مکانات کی بحالی بہت اہمیت کی حامل ہے۔ حکومت کی طرف سے 2021 میں متوسط آمدنی والے طبقے کے لیے اپنا پہلا مکان خریدنے / تعمیر کرنے کے لیے مارک اپ سبسڈی کی سہولت کا اعلان کیا گیا تھا۔ 30 جون، 2022 تک، کل منظور شدہ قرضے 236 ارب روپے تک پہنچ گئے جبکہ صنعت کی سطح پر ادائیگی 100 ارب روپے تھی۔ بینک الفلاح نے 2022 میں اس اسکیم کے تحت 7.0 بلین روپے سے زیادہ کی رقم تقسیم کی ہے۔ ملک میں ہاؤسنگ فنانس (بشمول MPMG) کے لیے بینک الفلاح کی مضبوط شراکت کو دیکھتے ہوئے، بینک کو پاکستان بینکنگ ایوارڈز 2022 میں تسلیم کیا گیا اور اس سے نوازا گیا۔

6- ری فنانس کی سہولیات

صنعتوں، خاص طور پر برآمد پر مبنی صنعتوں کو مالی اعانت کی مناسب فراہمی کو یقینی بنانے کے لیے، اسٹیٹ بینک نے کاروبار کی ترقی کی ضروریات کو پورا کرنے کے لیے مختلف اسکیمیں شروع کیں۔ اہم اسکیموں میں عارضی اقتصادی ری فنانس سہولت (TERF) شامل ہے جس کے تحت بینک نے 2022 کے دوران تقریباً 19.0 بلین روپے تقسیم کیے ہیں، اور LTFF برآمدی شعبے کے لیے جس کے تحت بینک نے 2022 کے دوران تقریباً 7.0 بلین روپے تقسیم کیے ہیں۔

گروپ کی کارکردگی

بینک الفلاح نے روپے کے بعد ٹیکس (PAT) کا مجموعی منافع پوسٹ کیا۔ 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے 18.399 بلین روپے (2021: 14.460 بلین روپے)۔ بینک کے ایکویٹی ہولڈرز سے منسوب فی حصص آمدنی (EPS) روپے کے مقابلے میں 10.38 روپے کی گئی تھی۔ گزشتہ سال کے لیے 8.12۔ کنسولیدٹڈ منافع میں اضافے کا کلیدی حصہ ایسوسی ایٹس کی جانب سے 669.831 ملین روپے (قبل ٹیکس) کے منافع کا حصہ ہے۔

بینک کے پاس الفلاح سی ایل ایس اے سیکوریٹیز (پرائیویٹ) لمیٹڈ میں 62.50% شیئر ہولڈنگ ہے، جو اسٹاک بروکر، ایچ، انویسٹمنٹ بینکنگ، کارپوریٹ فنانس اور فنڈ پلیسمنٹ کے کاروبار میں مصروف ہے۔ مزید، بینک نے الفلاح انشورنس لمیٹڈ میں 30%، سفاٹرو ونڈ پاور لمیٹڈ میں 30% اور الفلاح GHP انوسٹمنٹ مینجمنٹ لمیٹڈ میں 40.2% کی ایکویٹی سرمایہ کاری کے ساتھ اداروں کو منسلک کیا ہے۔

ذیلی ادارے کی کارکردگی:

الفلاح سی ایل ایس اے سیکوریٹیز (پرائیویٹ) لمیٹڈ کو گزشتہ سال کے 74.075 ملین روپے کے آپریٹنگ منافع کے مقابلے میں 11.554 ملین روپے کا آپریٹنگ نقصان ہوا جس کی بنیادی وجہ PSX میں تجارتی قدروں میں نمایاں کمی تھی جس نے پوری صنعت کو متاثر کیا۔ اس کے برعکس، الفلاح CLSA ایک جارحانہ خوردہ توسیعی حکمت عملی اور نئے کاروباری طبقات کے اضافے کے ذریعے اپنی آمدنی بڑھانے میں کامیاب رہی۔ اس کاروبار کی توسیع کے نتیجے میں مالیاتی لاگت اور انتظامی اخراجات میں اضافہ ہوا جو بروکر، ایڈوائزری اور بینک کے منافع کو پورا کرتا ہے۔ اس کے مطابق، سال کے لیے فی حصص آمدنی (EPS) پچھلے سال کے 1.53 روپے کے مقابلے میں گھٹ کر 0.23 روپے رہ گئی۔

بینک الفلاح نے اپنی ترقی کی رفتار برقرار رکھی۔ بینک نے گزشتہ سال کے مقابلے میں 28.1% ٹیکس لگانے کے بعد منافع ظاہر کیا۔ جو گزشتہ سال 14.217 ارب روپے کے مقابلے میں 18.206 ارب روپے رہا۔ یہ 10.27 روپے (2021:8.00) کی فی شیئر آمدنی (EPS) کی عکاسی کرتا ہے۔ ٹیکس سے قبل منافع میں 54.7% اضافے نے وفاقی حکومت کی طرف سے عائد کردہ ایک وقتی سپر ٹیکس کے اثرات کو برداشت کرنے میں مدد کی۔

آمدنی میں سال بہ سال (YoY) 58.5% کا اضافہ ہوا اور گزشتہ سال 62.522 ارب روپے کے مقابلے میں 99.126 ارب روپے رہا۔ مارک اپ آمدنی میں 67.2% نمایاں اضافہ ہوا۔ اچھی پوزیشن والی ALM بک کے ساتھ ساتھ مضبوط آمدنی والے اثاثوں میں اضافہ اس نمو کا باعث بنا۔ غیر مارک اپ آمدنی 21.786 بلین روپے رہی، جو SPLY سے 34.0% زیادہ ہے۔ مرکزی بینک کی جانب سے مہنگائی کو روکنے کے لیے رعایتی شرحوں میں تیزی سے اضافے اور پچھلے سال ایک طرف فائدہ کی وجہ سے تمام غیر فنڈ پر مبنی آمدنی کی خطوط میں نمو نمایاں تھی۔ بہتر تجارت اور ترسیلات زر کے بہاؤ اور مارکیٹ میں زیادہ اتار چڑھاؤ کی وجہ سے FX آمدنی میں اضافہ ہوا۔ بہتر کارپوریٹ آمدنی اور زیادہ پیداوار والے ڈیویڈنڈ اسٹاکس میں پوزیشننگ کی وجہ سے ڈیویڈنڈ کی آمدنی دوگنی ہو گئی۔

بینک اخراجات پر نظر رکھتا ہے اور اخراجات کو سمجھداری سے منظم کرتا ہے جبکہ توسیع کے ذریعے اور نئے منصوبوں میں سرمایہ کاری پر سمجھوتے کے بغیر آمدنی کی رفتار بڑھانے پر توجہ مرکوز کرتا ہے۔ یہ نئی شاخیں کھولنے، ڈیجیٹل ٹیکنالوجیز اور انفارمیشن ٹیکنالوجی پلیٹ فارمز میں سرمایہ کاری اور پیشہ ورانہ مشاورت سے ظاہر ہوتا ہے۔ مزید برآں، مارکیٹنگ کے زیادہ اخراجات، پاکستانی روپے کی قدر میں کمی اور افراط زر سے متعلق اثرات بھی آپریٹنگ اخراجات میں اضافے کا باعث بنے۔ بینک نے عطیات کے ذریعے کارپوریٹ سماجی ذمہ داری کا اپنا کردار بھی ادا کیا اور مہنگائی کا مقابلہ کرنے کے لیے عملے کے لیے اخراجات کی زندگی کے الاؤنس کا اعلان کیا۔ 2022 کے دوران، بینک نے 100 سے زائد نئی برانچیں کھولیں، جو صارفین کے حصول، ڈپازٹ موڈلزیشن، تھروپٹ میں اضافہ اور اس وجہ سے آمدنی میں اضافہ کرنے میں ہماری مدد کر رہی ہیں۔ بینک ڈیجیٹل ٹیکنالوجیز میں بھی سرمایہ کاری کر رہا ہے اور ان شعبوں پر توجہ مرکوز کر رہا ہے جہاں ہم اپنے تعلقات کو گہرا کر سکتے ہیں اور مارکیٹ شیئر حاصل کر سکتے ہیں۔ اس کامیابی کا بہترین ثبوت پچھلے تین سالوں میں ہمارے مارکیٹ شیئر میں اضافہ ہے۔ مضبوط آمدنی میں اضافے سے تعاون حاصل کرتے ہوئے، بینک کی لاگت سے آمدنی کا تناسب SPLY 58.1% کے مقابلے میں 50.0% تک بہتر ہوا۔

نیت ورک کی غیر معمولی کوششوں، ایک متنوع پروڈکٹ سوٹ اور اچھی طرح سے عمل میں لائے گئے اسٹریٹجک پلان کے نتیجے میں بینک الفلاح نے 2022 میں 30.5% کی شاندار ڈپازٹ نمو حاصل کی۔ بینک کے ڈپازٹس سال 1.487 ٹریلین روپے پر بند ہوئے۔ یہ اضافہ بنیادی طور پر کرنٹ اکاؤنٹس میں 32.1% کی مضبوط نمو کی وجہ سے ہوا ہے، جو کہ روپے پر تھا۔ 31 دسمبر 2022 تک 661.365 ملین CA مکس 44.5% پر بند ہوا۔

بینک نے کریڈٹ ڈسپن کو برقرار رکھتے ہوئے قرضوں میں 9.5% سالانہ اضافہ کیا۔ یہ ترقی بینک کی کنزرویوٹو فنانس، ایس ایم ای قرضے اور ڈیجیٹل قرضے کی جگہ میں رسائی پر توجہ دینے کی حکمت عملی کی عکاسی ہے۔ چیلنجنگ مارکیٹ کے بنیادی اصولوں کے باوجود، بینک کی کریڈٹ کارکردگی رواں سال کے دوران کافی مضبوط رہی۔ جیسا کہ سال کے آخر میں، ہماری مجموعی ایڈوانسز نوڈپازٹس ریشو (51.5% ADR) رہی جو کہ 50% سے زیادہ ہے جس پر انکم ٹیکس کی بلند شرح لاگو ہوتی ہے۔ ہمارا انڈر رائٹنگ ڈسپن اور سخت کلائنٹ کا انتخاب ہماری اچھی طرح سے خدمت کو تارباہو ہمارے غیر فعال قرضوں کے تناسب سے ظاہر ہوتا ہے جو کہ 4.0% تھا۔ یہ کچھ ہوشیار درجہ بندی کی باوجود ہے۔ مزید غیر فعال قرضے 107.6% کی کوریج کے ساتھ مکمل طور پر محیط ہیں۔ مزید برآں، بینک نے غیر یقینی معاشی حالات کی روشنی میں ہائی رسک اور سیلاب سے متاثرہ کریڈٹ پورٹ فولیو کے خلاف ایک عمومی پروویژن لیا ہے، جو کہ زیادہ اقتصادی کمزوری کو ظاہر کر رہا ہے۔ اس پورٹ فولیو میں GoP کے حمایت یافتہ ایکسپوزرز، عملے کے قرضے، مائع کو لیٹرلز کے خلاف محفوظ کردہ قرضے شامل نہیں ہیں۔

بینک کے سرمائے کی ساخت

بینک ریگولیٹری شیڈ مارکس اور بیسل کیپٹل کی ضروریات سے کافی اوپر کیپٹل میں کے ساتھ اچھی طرح سے سرمایہ دار رہا۔ یہ اپنی رسک برداشت کرنے کی صلاحیت کو بڑھانے کے لیے کافی منافع برقرار رکھنے کی پالیسی کے ساتھ جاری ہے۔ بینک کا کل کیپٹل ایڈیلیکسی ریشو 11.50% کی ضرورت کے مقابلے میں 13.83% ہے (جس میں کل رسک ویٹڈ اثاثوں (RWA) کے 1.50% کے کیپٹل کنزرویشن بفر بھی شامل ہے)۔ سرمائے کا معیار بینک کے کامن ایکویٹی ٹائر 1 (CET1) سے ظاہر ہوتا ہے۔ کل رسک ویٹڈ اثاثہ جات کے تناسب سے، جو کہ 7.50% کی ریگولیٹری ضرورت کے مقابلے میں 9.51% پر آتا ہے (بشمول CCB 1.5% CAR اور رسک میجمنٹ کے بارے میں تفصیلی اعثافات بالترتیب نوٹ 44 اور 45 میں، منسلک غیر متفقہ مالی بیانات میں دیے گئے ہیں۔

کاروباری کارکردگی کا جائزہ

اس سالانہ رپورٹ کے تنظیمی جائزہ، آؤٹ لک، کارکردگی اور پوزیشن سیکشنز میں کاروباری ترقی، بینک کی کارکردگی اور پوزیشن اور ماحول پر اس کے اثرات پر تفصیل سے بات کی گئی ہے۔

حکومت پاکستان (GoP) اور اسٹیٹ بینک آف پاکستان (SBP) کی پالیسیاں اور بینک کی کاروباری کارکردگی پر ان کے اثرات

تغییرات اور برآمدات میں نمو حاصل کرنے اور مقامی صنعت کاروں کے لیے کاروباری ماحول کو بہتر بنانے کے حکومت کے وژن کے مطابق، اسٹیٹ بینک نے معاشی ترقی اور وسائل کے موثر استعمال کے لیے حکومتی پالیسیوں کے لیے اپنے فعال کردار کو جاری رکھا۔ چونکہ مالی شمولیت، مالیاتی ترقی اور مالیاتی لین دین کی دستاویزات کو فروغ دینے پر توجہ مرکوز رکھی گئی ہے، اسٹیٹ بینک نے مقامی بینکوں اور DFIs کے تعاون سے مختلف اسکیمیں شروع کی ہیں۔ بینک الفلاح نے ان ترقیاتی اہداف کے حصول کے لیے مسلسل اپنی لگن کا مظاہرہ کیا اور اسے اپنی شاندار کارکردگی اور اقتصادی ترقی میں شراکت کے لیے بار بار تسلیم کیا گیا۔

1- مالی شمولیت کے لیے ڈیجیٹلائزیشن

ڈیجیٹل مالیاتی حل پر توجہ دینا مالی شمولیت کے لیے بہت اہمیت کا حامل ہے۔ چونکہ ڈیجیٹل چینلز مالیاتی شعبوں کی رسائی کو زیادہ مؤثر اور اقتصادی طور پر بڑھا سکتے ہیں، اسٹیٹ بینک نے نئی محاذوں پر منصوبے شروع کیے ہیں، جن میں ڈیجیٹل بینکوں کا انسٹنٹ، راست، آسان موبائل اکاؤنٹ وغیرہ شامل ہیں۔

(a) ڈیجیٹل پروڈکٹس

صنعت میں ایک رہنما کے طور پر، ہم نے ڈیجیٹل بینکنگ کی پیشکشوں کو بڑھانے کے لیے اپنی کوششوں کو تیز کیا، اور صارفین کے ساتھ جڑنے کے لیے اختراعی طریقے تیار کرنے کے لیے، اپنے کسٹمر پر مبنی نقطہ نظر کو ترجیح دیتے ہوئے جاری رکھا۔ ہم اپنے مضبوط برانچ نیٹ ورک کی تکمیل کے لیے اپنی ڈیجیٹل صلاحیتوں میں جدت اور سرمایہ کاری کرتے رہتے ہیں، اپنے صارفین کو اس قابل بناتے ہیں کہ وہ کیسے اور کہاں چاہتے ہیں بینکنگ کر سکیں۔ ہماری حکمت عملی مالی شمولیت کو فروغ دینے کے لیے اسٹیٹ بینک کے مقاصد سے ہم آہنگ ہے۔ ضرورت مند افراد اور صارفین کو کریڈٹ تک رسائی فراہم کرنا؛ اور سستی / لاگت سے موثر ڈیجیٹل مالیاتی خدمات فراہم کرنا۔

(b) راست

اسٹیٹ بینک آف پاکستان نے پاکستان میں فوری، قابل بھروسہ اور صفر لاگت والی ڈیجیٹل ادائیگی کی خدمات فراہم کرنے کے لیے پاکستان کا پہلا فوری ادائیگی کا نظام راست شروع کیا۔ راست ایک اینڈ ٹو اینڈ ڈیجیٹل ادائیگیوں کا حل ہے اور اس کا مقصد افراد اور چھوٹے کاروباروں کی چھوٹی قیمت کی خوردہ ادائیگیوں کو حقیقی وقت میں طے کرنے کے لیے استعمال کیا جاتا ہے۔ پہلے مرحلے میں، بلک بیسٹ ماڈیول 2021 کے اوائل میں شروع کیا گیا تھا جبکہ دوسرے مرحلے میں P2P (پرسن ٹو پرسن) کی ادائیگی 2022 کے اوائل میں شروع کی گئی تھی۔ صارفین اب اپنے بینک کی موبائل ایپلیکیشن، انٹرنیٹ بینکنگ یا اوور دیکوڈڈ سروسز کا استعمال کرتے ہوئے رقم کی منتقلی کر سکتے ہیں۔ کسی بھی لین دین کی قیمت ادا کیے بغیر۔ بینک الفلاح اس نئے پینٹ گیٹ وے کی تشہیر کے لیے بہت سرگرم ہے۔ نینچٹا، نصف ملین سے زائد بینک صارفین راست سے منسلک ہو چکے ہیں، جو 2022 کے دوران 198 ملین روپے کی 2.7 ملین ٹرانزیکشنز کر رہے ہیں۔

اور ملک گیر سیلاب کے اثرات کو برداشت کرنے میں مدد ملی۔

CET-1 کی ضروریات کو 50bps تک کم کر دیا ہے۔ مجموعی طور پر، بینکنگ سیکٹر کا کیپٹل ایڈکلیسی ریشو (CAR) ستمبر 2022 میں تقریباً 16.6% پر مستحکم رہا جبکہ دسمبر 2021 میں یہ 16.7% تھا۔

بینکنگ سیکٹر کا آؤٹ لک

افراط زر، FX اتار چڑھاؤ اور تجارت کے چیلنجوں کے باوجود، بینکنگ سیکٹر کا آؤٹ لک مثبت رہتا ہے۔ بہتر بینکنگ اسپرڈز جاری رہنے کا امکان ہے جبکہ کریڈٹ کوالٹی اور سرمائے کی مناسبت بنیادی توجہ کے شعبوں میں رہنے کا امکان ہے۔

ایس بی پی نے پچھلے سال کے شروع میں بین الاقوامی بہترین طریقوں کے مطابق ڈیجیٹل بینکوں کے لیے لائسنسنگ اور ریگولیٹری فریم ورک متعارف کرایا تھا۔ ریگولیٹر کو 20 درخواستیں موصول ہوئی ہیں اور اس نے حال ہی میں ڈیجیٹل بینکنگ کے سفر کو شروع کرنے کے لیے پانچ درخواست دہندگان کو لائسنس جاری کیے ہیں۔

حکومت نے کم ADR والے بینکوں پر لاگو اضافی ٹیکس کی مقدار کو مزید بڑھا دیا ہے۔ بینک الفلاح ADR تھریشلڈ سے اوپر رہتا ہے، تاہم کم ADR والے بینک زیادہ ٹیکس کے واقعات سے بچنے کے لیے محتاط ایڈوانس نمویا ٹیلنس شیٹ کی معمولی نمویا توجہ دیتے رہیں گے۔ دریں اثنا، وقت کے ساتھ ساتھ، IFRS-9 کا نفاذ صنعت کے نقطہ نظر کو قرضوں کے لیے خطرے پر مبنی قیمتوں کے تعین کی طرف بدل دے گا۔

آئی ایم ایف پروگرام کی کامیابی معاشی حالات اور مہنگائی کا تعین کرے گی اور آؤٹ لک کی تشکیل میں اہم ہوگی۔ مزید برآں، 2023 ایک انتخابی سال ہے، جس میں ساختی اصلاحات اور آئی ایم ایف کے تعطل کے متوقع حل کے ساتھ، بینکنگ سیکٹر کے مضبوط اور پکڑا رہنے کا امکان ہے۔

سال کے دوران، اسٹیٹ بینک آف پاکستان جارحانہ رہا اور عالمی اور گھریلو رسد کے مسلسل شناس، پاکستانی روپے کی کمزوری اور گرتے ہوئے ذخائر کے درمیان CY22 میں کلیدی پالیسی کی شرح کو 625bps تک بڑھا کر 16.0% کر دیا۔ تاہم، پرکشش بچت کی شرحوں کے باوجود، بینکنگ سیکٹر کے ڈپازٹس نے 2022 میں ایک معمولی رفتار اختیار کی، جو M2 نمو کے مطابق سال بہ سال 6% بڑھ رہی ہے۔ 2022 M2 میں 88% اضافے کے ساتھ لین دین کے ذخائر میں ترقی مرکوز رہی جس کی عکاسی کرنٹ اکاؤنٹس اور سیونگ اکاؤنٹس میں ہوئی۔ CASA کا تناسب 2021 میں 75.8% سے ستمبر 2022 میں 76.2% تک بڑھ گیا۔

فنانسنگ کا بڑا حصہ (جمع اور قرض لینے دونوں سے) سرمایہ کاری کی طرف خاص طور پر مختصر مدت کی سرکاری سیکیورٹیز میں لگایا گیا تھا۔ 2022 کے دوران، شیڈول بینکوں کی سرمایہ کاری کی کتاب میں سال بہ سال 30% اضافہ ہوا جس کے ساتھ IDR23 دسمبر 2022 کو 82.1% تک بڑھ گیا جو 31 دسمبر 2021 کو 67.3% تھا۔

ٹیکنیکی نمو 23 دسمبر 2022 کو سالانہ 12.5% پر 11.4 ٹریلین روپے ریکارڈ کی گئی۔ 2021 میں 19.4% کے مقابلے میں مست شرح نمو، سخت معاشی ماحول، TERF فنانسنگ کے تحت کم ادائیگی، اور نمو کو متاثر کرنے والی ریگولیٹری تبدیلیوں سے منسوب ہے۔ صارفین کی مالی اعانت میں۔ چونکہ مجموعی ترقی کاربھان ابھی بھی ذخائر سے آگے ہے، 23 دسمبر 2022 کو ADR بڑھ کر 51.1% ہو گیا جبکہ 31 دسمبر 2021 کو یہ 48.4% تھا۔

مجموعی NPL تناسب دسمبر 2021 میں 7.9% سے ستمبر 2022 میں 7.6% ہونے کے ساتھ اثاثوں کا معیار مستحکم رہا۔ NPL اسٹاک میں 4.4% اضافہ ہوا جبکہ کوریج کی سطح تقریباً 92% مستحکم رہی۔

جب کہ یہ شعبہ معاشی دباؤ کے اثرات کو برداشت کرنے کے لیے کافی سرمائے کے بفرز کو برقرار رکھتا ہے، اسٹیٹ بینک آف پاکستان نے حال ہی میں گھریلو نظامی طور پر اہم بینکوں (D-SIB) کے لیے اضافی

بینک کی کارکردگی کا جائزہ

31 دسمبر، 2022 کو ختم ہونے والے سال کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں:

2021	2022	مالیاتی پوزیشن
100,003	100,015	شیئر ہولڈرز کی ایکوسیٹی
1,734,321	2,253,197	جمع شدہ کل رقوم (ڈپازٹس)
1,139,045	1,486,845	اثاثوں کی مجموعی مالیت
673,881	732,375	ایڈوانسز۔ خالص
809,214	1,114,407	سرمایہ کاریاں۔ خالص
2021	2022	مالیاتی کارکردگی
46,268	77,340	خالص مارک آپ آمدنی
16,254	21,786	نان مارک آپ آمدنی
36,840	50,497	نان مارک آپ اخراجات
25,682	48,629	آپریٹنگ پروفٹ
2,312	12,468	پروویڈنز اور رائٹ آفز (خالص)
23,370	36,160	قبل از ٹیکس منافع
14,217	18,206	بعد از ٹیکس منافع
8.00	10.27	بنیادی اور ڈائیلیٹڈ آمدنی فی شیئر۔ روپے

ڈائریکٹرز کی رپورٹ برائے شیئر ہولڈرز

معزز شیئر ہولڈرز،

ہم بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2022 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

عالمی معیشت

سال 2022 میں روس-یوکرین جنگ نمایاں رہی جس نے عالمی سطح پر معاشی چیلنجوں کو بڑھا دیا ہے۔ کووڈ کے تناظر میں جنگ سے پھیلنے والے اثرات، جس طرح پابندیوں میں نرمی کی جارہی تھی، اس کے پورے یورپ میں توانائی کی سپلائی چین پر منفی اثرات مرتب ہوئے۔ عالمی کساد بازاری کے شدید خوف نے مرکزی بینکوں کو افراط زر پر قابو پانے کی کوشش میں رقم کی فراہمی کو سخت کرنے پر مجبور کیا۔

2022 کے دوران، Fed US نے مسلسل سات اجلاسوں میں تیزی سے اپنی بینچ مارک کی شرح کو معمولی 0.25% سے بڑھا کر 4.5% کر دیا، جس سے امریکی ڈالر کی مانگ میں اضافہ ہوا اور عالمی کرنسیوں کی قدر میں کمی آئی جس کی وجہ سے پوری دنیا میں مالیاتی سختی ہوئی۔ اگرچہ اس سے افراط زر کے محاذ پر مدد ملی، عالمی اقتصادی ترقی کو نقصان پہنچا۔ صفر کوویڈ پالیسی اور چین میں معاشی بحالی کی وجہ سے طلب میں دوبارہ اضافہ کم ہوا۔ اس کے نتیجے میں، عالمی اقتصادی ترقی 2021 میں 6% سے 2022 میں کم ہو کر 3.2% رہنے کی توقع ہے اور IMF کے مطابق 2023 میں اس کے 3% سے نیچے گرنے کی پیش گوئی ہے۔ مثبت طور پر، عالمی افراط زر 2023 میں قابو میں آنے کا امکان ہے، جو 2022 میں 8.8% کے تخمینہ کے مقابلے میں کم ہو کر 6.5% رہ جائے گا۔

ملکی معیشت

چیلنجنگ ملکی حالات کے علاوہ، ملکی سیاست اور حکومتی انتشار نے معاشی منظر نامے کو یکسر تبدیل کر دیا۔ 1.0 بلین امریکی ڈالر کی اہم IMF قرض کی قسط کو حاصل کرنے کی ابتدائی کامیابی اور اس کے نتیجے میں ترقی کی رفتار کے بعد، توسیعی پالیسیوں کی وجہ سے ادائیگیوں کے توازن اور مالیاتی پوزیشن کو خراب ہونے کے باعث حالات میں خرابی کے آثار ابھرنے لگے۔ بعد میں، توانائی کی قیمتوں میں اضافہ اور پاکستانی روپے کی قدر میں کمی نے افراط زر کے دباؤ کو جنم دیا جو پالیسی میں تاخیر سے بڑھا۔ آخر میں، ملک بھر میں سیلاب کی وجہ سے ہونے والی تباہی کے نتیجے میں زندگی، انفراسٹرکچر، مویشیوں اور زراعت کا نقصان ہوا۔ یہ، خارجی اکاؤنٹ کی حساس پوزیشن کے ساتھ، غیر ملکی زرمبادلہ کے ذخائر میں کمی اور پاکستانی روپے کی قدر میں کمی، اہم اقتصادی اور درجہ بندی میں کمی کا باعث بنا۔

پاکستان نے مالی سال 2022 (جولائی جون) کو جی ڈی پی کی شرح نمو 5.97% کے ساتھ بند کیا، جو 5.0% ہدف اور گزشتہ سال کی شرح نمو 5.7% سے تجاوز کر گئی۔ یہ اخراجات، پیداوار اور کووڈ کے بعد کی بحالی کی حمایت کرنے والی پالیسیوں سے منسوب ہے۔ تمام بڑے معاشی شعبوں نے متاثر کن نمو درج کی: (i) زرعی شعبہ 4.4%، (ii) صنعتی شعبہ 7.2% اور (iii) خدمات کا شعبہ 6.2%۔ تاہم، سال کے آخر میں درپیش چیلنجوں کی وجہ سے ترقی کے رجحانات کو بڑی حد تک بے اثر کر دیا گیا۔

کووڈی سپر سائیکل، سیلاب، ٹیرف میں اضافہ، سبسڈی کی تبدیلی اور پاکستانی روپے کی قدر میں کمی کے نتیجے میں 2021 میں 9.5% کے مقابلے 2022 میں ہڈی لائن افراط زر کی اوسط اوسط 19.7% رہی۔ خوراک کی افراط زر سال بھر بلند رہی، سیلاب کے دوران عروج پر جبکہ حکومت کی جانب سے یوٹیلیٹیز ٹیرف میں اضافہ، سبسڈی میں کمی اور پیٹرولیم کی قیمتوں میں اضافے کے باعث توانائی کی قیمتوں میں اضافہ ہوا۔ لہروں کے اثرات نے مزید مستقل بنیادی افراط زر کی عکاسی کی ہے جو 2022 کی آخری سہ ماہی کے دوران 16% کے قریب رہی۔ اس کے جواب میں اور ادائیگیوں کے توازن کو منظم کرنے کے لیے، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو سال کے شروع میں 9.75% سے بڑھا کر 17% کر دیا۔

کرنٹ اکاؤنٹ خسارے کو بڑھانے والے اجناس میں اضافے کے ساتھ سال کے دوران ادائیگیوں کا توازن دباؤ میں رہا۔ تاہم، مالی اور مالیاتی دونوں محاذوں پر موثر پالیسی کارروائی کے ساتھ، جولائی-نومبر 2022 کے دوران کرنٹ اکاؤنٹ خسارہ 57% سالانہ کم ہو کر 3.1 بلین یو ایس ڈالر تک پہنچ گیا۔ تجارتی خسارہ 22MCY 11 میں 7% کم ہو کر 31.6 بلین یو ایس ڈالر ہو گیا، جب کہ ترسیلات زر 3.8% کم ہو کر 22MCY 11 میں 27.5 بلین یو ایس ڈالر ہو گیا۔

اسٹیٹ بینک آف پاکستان کے پاس 30 دسمبر 2022 کو پاکستان کے زرمبادلہ کے ذخائر 31 دسمبر 2021 کو 17.7 بلین یو ایس ڈالر کے مقابلے میں 5.6 بلین یو ایس ڈالر رہے۔ یہ ایک ماہ سے بھی کم کے درآمدی احاطہ کی عکاسی کرتا ہے۔ اس کے نتیجے میں پاکستانی روپیہ انتہائی غیر مستحکم ہے۔ 2022 کے دوران، روپیہ امریکی ڈالر کے مقابلے میں 174.5 کی کم ترین اور 239.9 کی بلند ترین سطح پر تھا اور سال 22% کی قدر میں کمی پر بند ہوا۔ تاہم، پاکستان نے اپنے 1.0 بلین یو ایس ڈالر سکوک یورو بانڈ کو شیڈول کے مطابق ادا کر دیا، مارکیٹوں کے ڈیفالٹ کے خدشات کو مسترد کر دیا۔ اگرچہ نئے وزیر خزانہ کے چارج سنبھالنے اور ریگولیٹری اور انتظامی اقدامات کرنے سے کچھ استحکام حاصل ہوا ہے، لیکن انٹر بینک اور اوپن مارکیٹ ریٹ کے درمیان بڑھتا ہوا فرق اور بڑھتی ہوئی متوازی گرس مارکیٹ تشویش کا باعث ہے۔

مالی سال 21 میں 6.1% کے مقابلے میں مالی سال 22 میں خسارہ جی ڈی پی کے 7.9% تک بڑھنے کے ساتھ مالیاتی پہلو بھی چیلنج ہے۔ سال کے دوران ٹیکس محصولات 28% بہتر ہوئے حالانکہ غیر ٹیکس ریونیو کی وجہ سے بجٹ کی آمدن کو مادی نہیں بنایا گیا جس کے نتیجے میں مجموعی طور پر محصول میں 16% کی موثر اضافہ ہوا۔ قرض کی خدمت کی بڑھتی ہوئی لاگت اور سبسڈیز اور گرانٹس کی وجہ سے موجودہ اخراجات میں 27% اضافہ ہوا۔ وفاقی بجٹ میں حال ہی میں اعلان کردہ کفایت شعاری کے اقدامات درست سمت میں اقدامات ہیں تاہم سیلاب کے اثرات کی بحالی کے اخراجات مالیاتی خسارے کو بلند رکھیں گے۔

جیسے جیسے معاشی اور سیاسی صورتحال سامنے آئی، پاکستان کی ایکوئیٹی مندی کا شکار رہیں اور 2022 میں KSE-100 انڈیکس میں 9.4% کی کمی واقع ہوئی۔ غیر ملکی خریداری، IMF کی قسط کی تقسیم اور بین الاقوامی سکوک بانڈ کے اجراء کے درمیان ایکویٹی مارکیٹ نے سال کا آغاز ایک مثبت نوٹ پر کیا۔ تاہم، سیاسی غیر یقینی صورتحال، معاشی بگاڑ اور سیلاب نے سال کے آگے بڑھنے کے ساتھ ساتھ مارکیٹ کے جذبات کو متاثر کیا۔ غیر ملکی سرمایہ کار بیچنے والے رہے۔ 48 بلین امریکی ڈالر کا خالص اخراج دیکھا گیا، جس کے اندر غیر ملکی کارپوریٹوں نے 127 بلین امریکی ڈالر کے اسٹاک فروخت کیے۔ مقامی طور پر میوچل فنڈز اور انشورنس کا شعبہ فروخت کی طرف رہا جس سے افراط، کمپنیوں اور بینکوں کو فائدہ ہوا۔

معیشت کا آؤٹ لک

مالی اور مالیاتی کارروائیاں سخت اقدامات ہیں لیکن یہ میکرو آؤٹ لک میں پائیداری اور پلک لانے میں مددگار ثابت ہوں گے۔ درآمدی کنٹرول کے اقدامات تجارتی تعداد میں ظاہر ہونا شروع ہو گئے ہیں جبکہ اجناس کی قیمتوں پر کچھ ریلیف 2023 کی دوسری ششماہی میں افراط زر کی شرح پر مشتمل ہو سکتا ہے حالانکہ بہت کچھ توانائی کی قیمتوں میں ایڈجسٹمنٹ کے وقت پر سامنے آئے گا۔ ٹھوس سفارشی کو ششوں سے استحکام آیا اور حال ہی میں بلائی گئی جیویو اکائونٹس میں مدد ملی، جس میں ڈونرز کی طرف سے پاکستان کو تباہ کن سیلاب سے بحالی میں مدد کے لیے 9.0 بلین امریکی ڈالر سے زیادہ کے وعدے کیے گئے۔ تاہم، اتفاق رائے پیدا کرتے ہوئے پائیدار اقتصادی پالیسی کے تسلسل کے ساتھ ساتھ آئی ایم ایف پروگرام کی بحالی بہت ضروری ہے۔

بینکنگ سیکٹر کا جائزہ

اقتصادی محاذ پر ایک چیلنجنگ سال کے باوجود، پاکستان کا بینکنگ سیکٹر بہتر منافع بخش پوسٹ کرتے ہوئے لچکدار ہے۔ بیلنس شیٹ میں اچھی نمو اور اثاثوں کی دوبارہ قیمتوں میں بنیادی سود کی آمدنی میں بہتری اور حجم میں بہتری نے غیر سودی آمدنی میں بھی مدد کی۔ بیلنس شیٹ کی نمو بڑی حد تک قرض لینے کے ذریعے ہوئی اور زیادہ تر ADRI ایڈجسٹ لیکویڈٹی کو حکومت میں تعینات کیا گیا۔ مالی قرض لینے کی ضروریات کے طور پر سکیورٹیز بلند رہیں۔ محتاط انداز فکر نے سیکٹر کی مالی استحکام کو بہتر بنایا، جس سے بینکوں کو میکرو اتاناک چیلنجز



ORGANISATIONAL OVERVIEW



ABOUT BANK ALFALAH

Bank Alfalah is one of the largest banks in Pakistan, with a network of 894 branches across more than 200 cities in the country, and an international presence in UAE, Bangladesh, Bahrain, and Afghanistan. The Bank also has a representative office in Abu Dhabi. Bank Alfalah is owned and operated by the Abu Dhabi Group. Incorporated as a public limited company on 21st June 1992 under the Companies Act, 2017, Bank Alfalah commenced its banking operations in the same year.

The Bank provides financial solutions to consumers, corporations, institutions, and governments through a broad spectrum of products and services, including corporate and investment banking, consumer banking and credit, securities brokerage, commercial, SME, agrifinance, Islamic, and asset financing solutions.!

SHAAHDIN MANZIL
1914



Bank Alfalah

An aerial photograph of a city, likely Singapore, showing a mix of modern high-rise buildings and older, lower-density residential areas. A prominent red rectangular box is overlaid on the left side of the image, containing the word "VISION" in large white letters and a mission statement below it. The sky is hazy and overcast.

VISION

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





MISSION

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



VALUES

YOU – CUSTOMER CARE

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

YOUR NEEDS – COLLABORATION

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

YOUR WAY – CREATIVITY AND INNOVATION

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

THE RIGHT WAY – CONDUCT AND INTEGRITY

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





ETHICS AND CODE OF CONDUCT

Integrity and honesty are at the heart of our business and brand. Our internal ethical standards and code of business conduct are the results of shared moral convictions. The objectives of our underlying policies are to ensure that the Bank is recognised as a professionally run and successfully managed institution with high ethical standards.

A detailed statement of the Code of Ethics and Business Practices is in place and is signed by every employee and submitted to the Bank's Human Capital Group on an annual basis. The Code of Ethics is available on the Bank's website. The Code contains detailed guidelines, which aim to facilitate the Bank's employees to:

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

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



CULTURE

At Bank Alfalah, we strongly believe that a conducive culture has the ability to express our strategy through values and beliefs. It opens the doorways to a more diverse and inclusive environment where employees find their purpose.

We have adopted a culture that imprints our values and is aligned with our strategy.

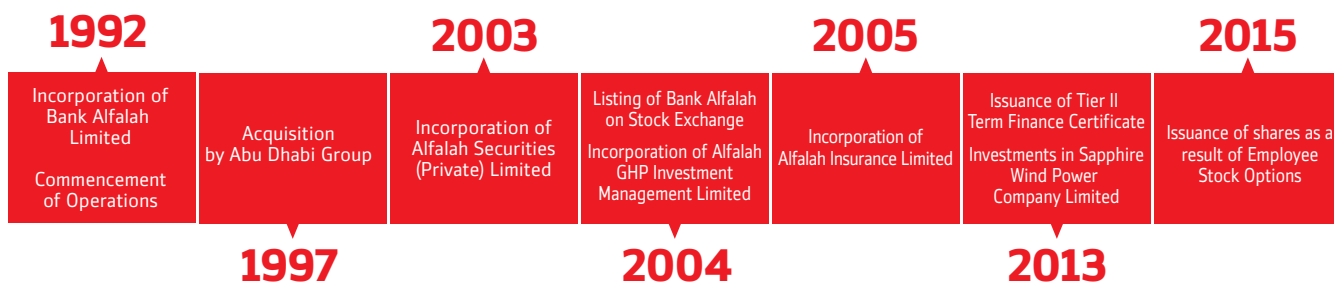
Our Culture Strategy rests on the following pillars:

- **One Bank, One Team**
- **Focus on Customers**
- **Inspiring and Empowering our People**





Major Corporate Events



Financial Calendar

2022

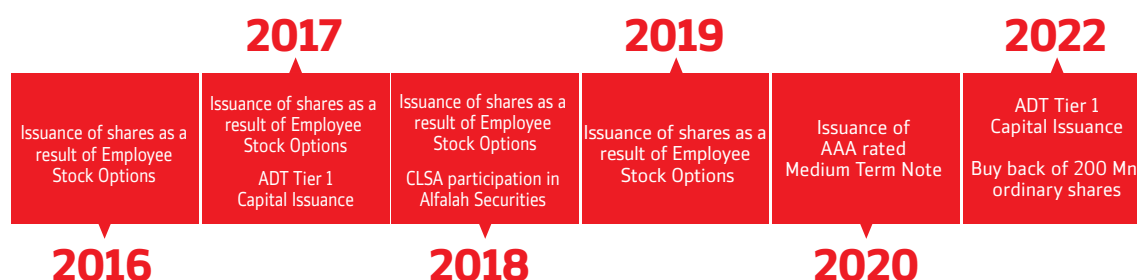
1st Quarter Results approved on	26th April, 2022
2nd Quarter Results approved on	28th July, 2022
3rd Quarter Results approved on	17th October, 2022
Annual budget approved on	17th October, 2022
4th Quarter Results approved on	2nd February, 2023
Annual Accounts to be approved in 31st	
Annual General Meeting scheduled on	20th March, 2023

2021

1st Quarter Results approved on	22nd April, 2021
2nd Quarter Results approved on	25th August, 2021
3rd Quarter Results approved on	24th October, 2021
Annual Budget approved on	24th October, 2021
4th Quarter Results approved on	2nd February, 2022
Annual Accounts approved in 30th	
Annual General Meeting held on	15th March, 2022

2020

1st Quarter Results approved on	26th April, 2020
2nd Quarter Results approved on	25th August, 2020
3rd Quarter Results approved on	21st October, 2020
Annual Budget approved on	21st October, 2020
4th Quarter Results approved on	3rd February, 2021
Annual Accounts approved in	
29th Annual General Meeting held on	9th March, 2021



2019

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

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

27th March, 2020

2018

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

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

28th March, 2019

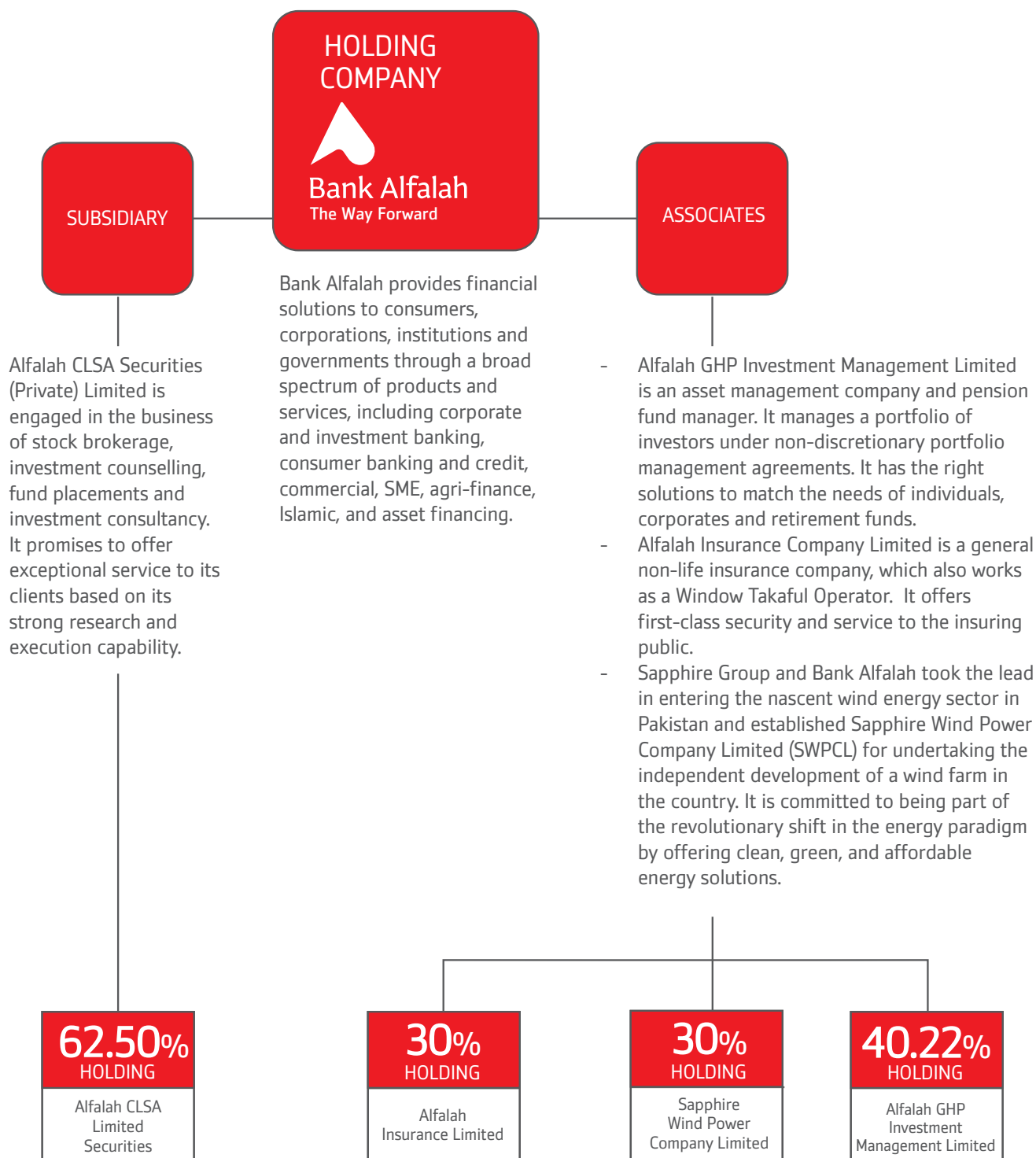
2017

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

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

28th March, 2018

Group Ownership Structure



Nature of relationship: Shareholding and nomination of directors on the boards of subsidiaries and associates.

Country of origin: Holding, subsidiary and associates are companies incorporated in Pakistan.

Our Presence

Bank Alfalah is connected with you via 60,000+ touchpoints.



Branch Network

PAKISTAN

Bank Alfalah is one of the largest private banks in Pakistan with a network of 894 branches in more than 200 cities across Pakistan.

AFGHANISTAN

Branch Banking Operations

Largest foreign bank in terms of assets in Afghanistan.
Services offered to clients include retail and wholesale banking.

BAHRAIN

Offshore Banking Unit

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

UAE

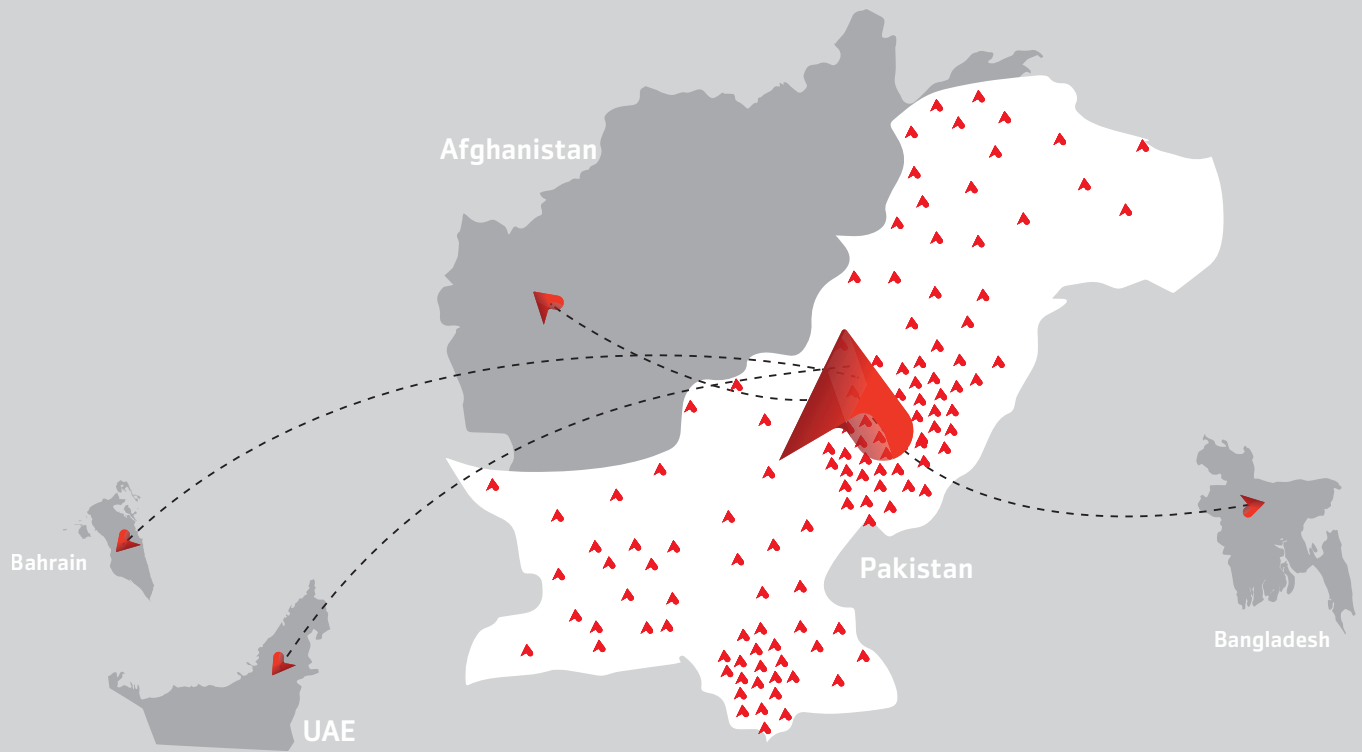
Wholesale Banking Branch in Dubai and One Representative Office in Abu Dhabi.

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

BANGLADESH

Branch Banking Operations

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



CATEGORIES AND TYPES OF BRANCHES

Category	Branch & Sub-Branch
Conventional	593
Corporate	5
Islamic	285
Domestic	883
Overseas	11
Grand Total	894

OVERSEAS OPERATIONS-COUNTRIES

Country	Branch & Sub-Branch
Bangladesh	7
Afghanistan	2
Bahrain	1
UAE	1
Total	11
Country	Representative office
UAE (Abu Dhabi)	1

PAKISTAN OPERATIONS-PROVINCES

Province	Branch & Sub-Branch
Punjab	566
Sindh	184
KPK	80
Balochistan	38
Gilgit Baltistan	8
AJK	7
Grand Total	883

PAKISTAN OPERATIONS-REGIONS*

Regions	Branch & Sub-Branch
Conventional	
North	174
South	161
East	126
West	132
Corporate	5
Islamic	
North	82
South	65
East	46
West	92
Grand Total	883

*Bank's internal categorisation

Pakistan Operations – Cities: Please visit the Bank's website for branch network - <https://www.bankalfalah.com/list-of-branch-network/>

Our Business Model

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

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

Bank Alfalah always puts its customers' needs first through its progressive, customer-centric business model, serving clients from across Pakistan through more than 60,000+ digital, electronic and corporeal touchpoints. We generate revenue and deliver value through our integrated business functions, including retail and corporate banking, treasury and financial institutions and Islamic banking. Each wing has its own cohesive management team, which demonstrates extraordinary passion for innovation and customer experience.

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

Our Shariah compliant Islamic Banking solutions cover deposit products, investment services, payment solutions and financing facilities. We extend financing and take deposits across all sectors for both retail and corporate clients. This division has its own distinct financing and

operations, as well as its own Shariah Board dedicated to the appraisal of products that our Islamic banking business offers.

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

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

Our Digital Banking services make banking effortless for our customers, ensuring that their evolving financial needs are constantly met. Our portfolio covers digital deposits, lending channels, lifestyle features and corporate solutions for our customers, offered through the unique banking app 'Alfa'.

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

We invest capital to generate value through core business activities for our key stakeholders including shareholders, investors, customers, employees, regulators, vendors, media, analysts, rating agencies and the society as a whole. Our capital comprises financial, human, manufactured, intellectual, social and relationship, as well as natural capital. The engine driving our core business activities consists of our Board, Senior Management, and our employees who drive growth through strategy and outlook, governance, performance, risk management and stakeholder management.

Business Model in accordance with International Integrated Reporting (IR) Framework

The business model diagrams highlights key elements and illustrates the relationship of the Bank's capital resources, which are inputs for the Bank's business, with its various business activities that are upheld through the Bank's engine, value and growth drivers, key activities and principles of operation in order to produce outputs and outcomes for shareholders, customers, employees, regulators, rating agencies, investors, media and the society.

Stakeholders

The Bank's key stakeholders are shareholders, investors, customers, regulators, rating agencies, media, vendors and suppliers, the Board of Directors, Senior Management, employees, potential customers and the society in which it operates.

Factors affecting External Environment

For details on the external environment affecting the Bank, please refer to the Outlook section of this Annual Report.

Inputs

Key inputs for the Bank are its financial, intellectual, human, manufactured, natural, social and relationship capital. They are a source of differentiation for the organisation due to their strengths and capabilities. The organisation largely depends on these capitals to add value and provide outputs for its stakeholders. They play a key role in the robustness and resilience of the business model.

Business Activities

- Our business model adapts to continuous changes in the external environment, capital, business activities, and in turn, outputs and outcomes are improved.
- Our differentiating factors are product suite, focused market segmentation, delivery channels, marketing, and cutting-edge technology to provide better services to customers and other stakeholders.
- We target long-term success through process improvements, employee training, relationship management and product innovation.

Outputs

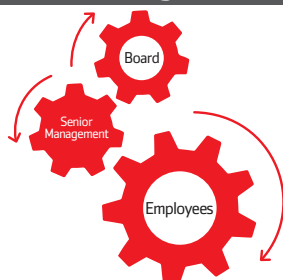

The Bank's products and services to its customers serve as the outputs of the business model. Please refer to our products and services on the coming pages within this section of the Annual Report.

Outcomes

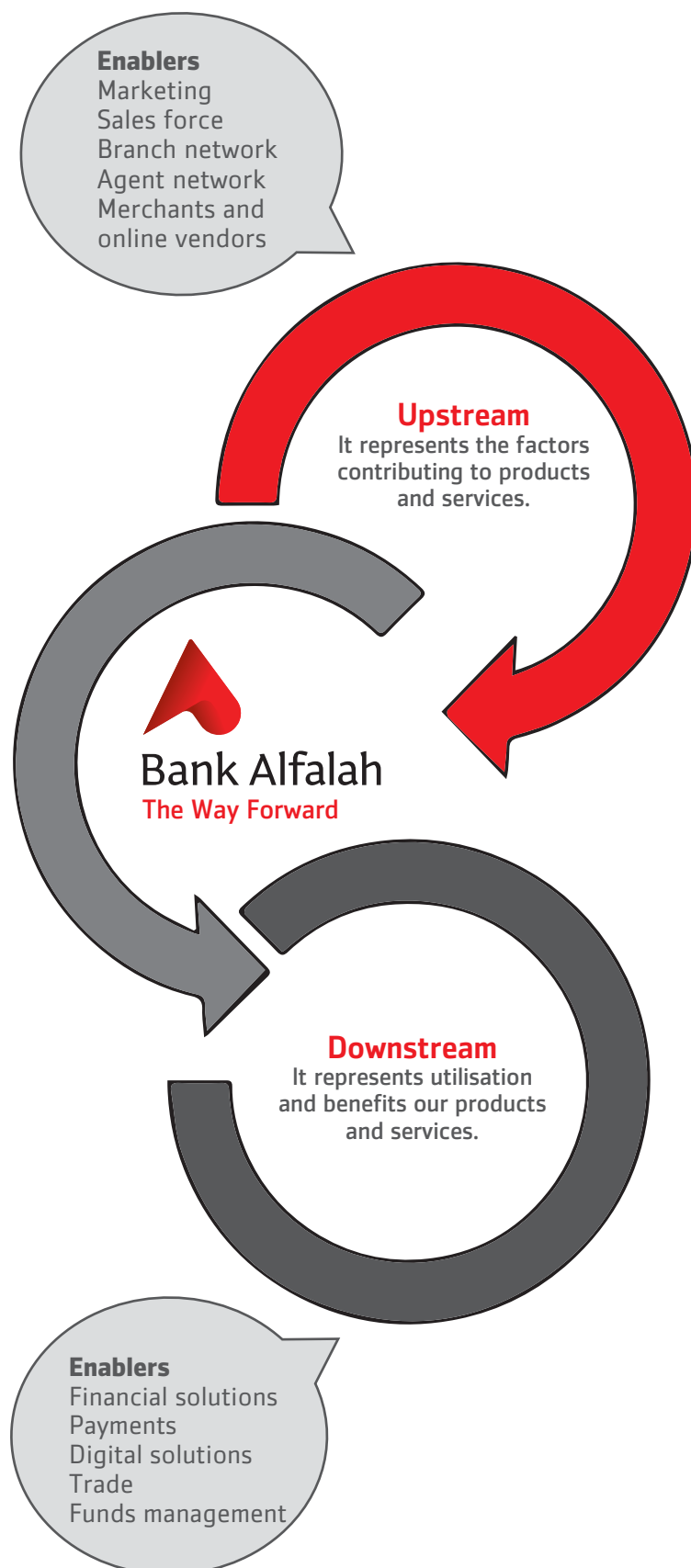
Our internal outcomes (e.g. employee morale, organisational reputation, revenue, cash flows, etc.) and external outcomes (customer satisfaction, tax payments, brand loyalty, social and environmental effects, etc.) are part of our business model, and are an outcome of top-notch services and products offered by the Bank. We focus on improving our services and operating standards to produce positive outcome.

BAFL Business Model and SDGs



CAPITALS		CREATING VALUE		VALUE ADDITION																																	
INPUTS		CORE BUSINESS ACTIVITIES		OUTPUTS AND OUTCOMES																																	
Financial Capital Share Capital Rs. 15.8 Bn Total Equity Rs. 100 Bn Deposits Rs. 1.50 Trn Subordinated Debt Rs. 14.0 Bn Medium Term Note (MTN) Rs. 11.0 Bn		Our Engine 		Shareholders Profit after Tax Rs. 18.2 Bn Earnings per Share Rs. 10.27 Dividend per Share Rs. 5.0 Return on Assets 1.06 % Return on Equity 19.23 % Cost to Income Ratio 50.0 % Capital Adequacy Ratio 13.83 %																																	
Human Capital Head Count 13,862		Value and Growth Drivers 		Customers Deposits Growth 30.5 % Advances Growth 9.5 % Trade Growth 8.0 % NPL Ratio 4.0 % ATM Uptime 96.0 % CASA Mix 71.7 % CA Mix 44.5 %																																	
Manufactured Capital Branches and Sub-branches 894 ATMs and CDMs 1,300+ Intangible Assets Rs. 1.3 Bn Property and Equipment Rs. 48.4 Bn		Core activities through products and services <p>Generating maximum shareholder returns through efficient fund generation and effective fund management.</p> <p>Deliver superior customer experience through product innovation.</p> <p>Focus on growth through optimising low cost deposits, High Net Worth clients, consumer lending, SME, trade, cash management and home remittances.</p> <p>Perpetual adaptation to the disruptive digital landscape in order to keep pace with the industry.</p> <p>Continue to uphold a strong capital base and efficient risk management policies in order to maintain a sound liquidity profile.</p>		Employees Salaries and Benefits Rs. 21.2 Bn Trainings Rs. 120.1 Mn Employee Attrition Rate 20 %																																	
<p>Additional Touchpoints: POS Machines, Social Media Platforms, QR Scanners, Booths, Representative Offices, Call Centres, Drop Boxes and Complaint Centres</p>		Principles to Operate		Vendors and Suppliers Timely Payments against Supplies and Services																																	
Intellectual Capital Experienced Board Competent Management Strong Risk Management Secured and Updated IT Infrastructure Compliance Framework Policies and Procedures Brand Image Secured Systems		<table><tr><td>Customer Experience</td><td>Managed Risk</td><td>IT & Digital Advancement</td><td>Health and Safety</td></tr><tr><td>Depositors' Protection</td><td>Compliance with Laws</td><td>Reputation Management</td><td>Digital Innovation</td></tr><tr><td>Governance</td><td>Strategy</td><td>Maximising Shareholder Returns</td><td>Service Agility</td></tr><tr><td>Digital Solutions</td><td>Regulator Facilitation</td><td>Data Analytics</td><td>Green Banking</td></tr><tr><td>CSR</td><td>Transparency</td><td>Record Safety</td><td>Ethics & Culture</td></tr><tr><td>Employee Happiness and talent retention</td><td>Market Share</td><td>Profitability</td><td>Data Security</td></tr><tr><td>Secured Lending</td><td>Staff Training</td><td>Gender Diversity</td><td>Preferred Employer</td></tr><tr><td>Asset Security</td><td>Environment Protection</td><td>Sustainability</td><td>Process Improvement</td></tr></table>		Customer Experience	Managed Risk	IT & Digital Advancement	Health and Safety	Depositors' Protection	Compliance with Laws	Reputation Management	Digital Innovation	Governance	Strategy	Maximising Shareholder Returns	Service Agility	Digital Solutions	Regulator Facilitation	Data Analytics	Green Banking	CSR	Transparency	Record Safety	Ethics & Culture	Employee Happiness and talent retention	Market Share	Profitability	Data Security	Secured Lending	Staff Training	Gender Diversity	Preferred Employer	Asset Security	Environment Protection	Sustainability	Process Improvement	Regulators - Compliant Financial Statements and Periodical Returns to the Regulators - Trusted Partner of the Regulator - Compliant Regulatory Limits and Ratios - Timely Tax Payments	
Customer Experience	Managed Risk	IT & Digital Advancement	Health and Safety																																		
Depositors' Protection	Compliance with Laws	Reputation Management	Digital Innovation																																		
Governance	Strategy	Maximising Shareholder Returns	Service Agility																																		
Digital Solutions	Regulator Facilitation	Data Analytics	Green Banking																																		
CSR	Transparency	Record Safety	Ethics & Culture																																		
Employee Happiness and talent retention	Market Share	Profitability	Data Security																																		
Secured Lending	Staff Training	Gender Diversity	Preferred Employer																																		
Asset Security	Environment Protection	Sustainability	Process Improvement																																		
Social and Relationship Capital Number of customers 5.8 Mn + Trade partners (merchants and agents)				Investors and other Lenders - High and Sustainable Returns - Credit Worthiness and Timely Repayments - Informed Shareholder																																	
Natural Capital Solar Branches/ATMs/Inverters Health and safety considerations at all premises Green banking initiatives Responsible renewable energy financing				Media - Responsible and Honest Communication - Full Disclosure of Facts																																	
				Rating Agencies Short-term Rating A1+ Long-term Rating AA+ Outlook Stable																																	
				Analysts - Regular Correspondence - Fair and Open Investor Calls																																	
				Society/Local Community Contribution to Local Society/CSR (including Flood Relief) 332.0 Mn Customer Relations Job Creation Improved Workplace Protected Natural Environment Improved Environmental Effects through Renewable Energy Financing																																	

Bank Alfalah and the Value Chain



Upstream

Capitals: Financial, Human, Intellectual, Social, Manufactured and Natural

Environment: Economic, Political, Legal, Social, Tecnological, Natural Environment and Commercial

Vendors and Suppliers: Entities offering various supplies and services in order to enable the Bank to optimally offer all of its products and services

Others: Set of regulations within which the Bank operates, brand loyalty, and customers' trust

Bank Alfalah in the Value Chain

Primary Activities: The Bank aims to channel its customer deposits into lucrative lending and investments in order to gain from the mobilisation of deposits. In return, the Bank offers returns in the form of interest/profit to its customers through various products and service offerings.

Deposits focus on CASA, credits, profitable lending, quality lending and low infection, investment returns, trade, procurement, financial advisory, withholding tax agent, cash management, investment banking, Digital Banking etc.

Supporting Activities: The Bank ensures that the right processes and policies are in place with regards to the banking operations. The Bank supports activities that enables it to provide primary services to its customers.

Strategy, Corporate Governance, Risk Management, Administrative Services, Branch Operations, Information Technology, Human Resources, Compliance, Marketing, and Finance.

Downstream

Customers: They are the core of the Bank's business and drive profitability. The Bank is customer-centric in product development and looks to retain and gain customers through research, feedback and digitisation at all times.

Competitors: Healthy competition keeps the Bank updated. The Bank constantly innovates and emphasises on quality service standards.

Regulators: The Bank acts as a trusted partner of the regulators. The Bank also aims at being a responsible tax paying and collection agent.

Investors and Analysts: The Bank maintains regular interaction and keep them updated with performance and actions taken in the normal course of business.

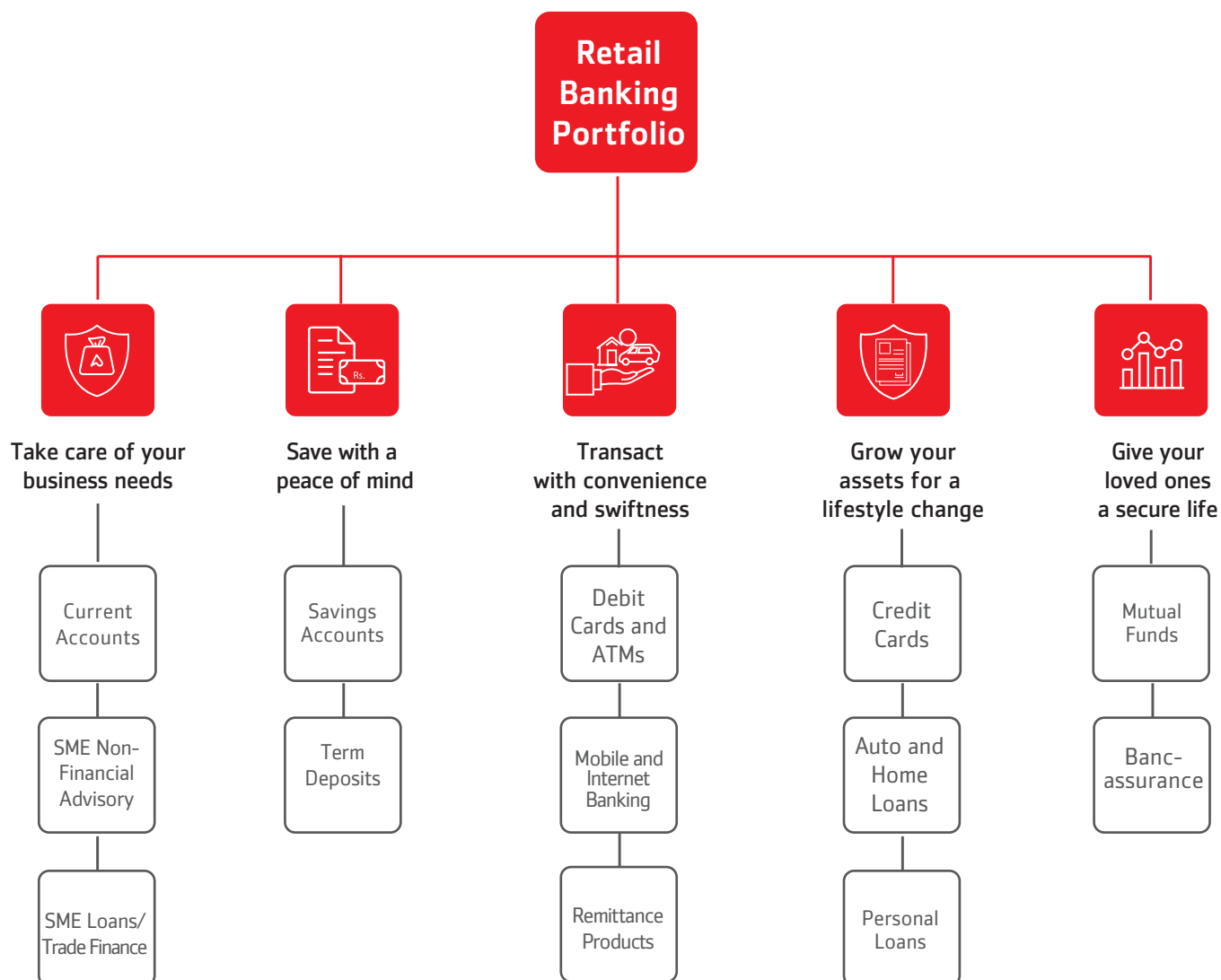
Society: The Bank prioritises giving back to the society.

Our Business, Products and Services



Retail Banking (Conventional)

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



RETAIL DEPOSITS
860.878 BILLION

RETAIL FINANCE
221.934 BILLION

Deposit Products

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

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

Asset Products

The Bank continues to evolve in light of evolving customers' needs, emerging technologies, rising middle-class and demographic changes, social behaviour and the economic scenario.

Consumer Financing

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

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

SME Lending/Agricultural Financing/Trade

Bank Alfalah's mission is to empower its customers to succeed. Keeping this in mind, we strive to provide the best possible lending solutions to our customers. Our goal is to increase our SME advances, and in doing so support financial inclusion, onboard new customers, reach out to maximum SMEs, engage with new business sectors, and empower and educate our customers. Our SME division strives to grow the SME portfolio by providing market standard services to all our existing and new customers.

SME and Agri Loan Offerings	
SME	Agri Loans
<ul style="list-style-type: none"> • Alfalah Bill and Cash • Alfalah Fleet Finance • Alfalah Merchant Line • Alfalah Quick Finance • Alfalah Karobar Finance • Alfalah Value Chain Financing • Alfalah Milkiat Finance • Alfalah Green Energy • SBP Financing Scheme for Renewable Energy • Refinance Facility for Modernization of SMEs • Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises • Refinance and Credit Guarantee Scheme for Women Entrepreneurs • Small Enterprise (SE) Financing and Credit Guarantee Scheme for Special Persons • Temporary Economic Refinance Facility • Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB & AL) • SME Asaan Finance Scheme (SAAF) 	<ul style="list-style-type: none"> • Agriculture Loans • Alfalah Paidawari Zarie Sahulat • Alfalah Musalsal Zarie Sahulat • Alfalah Tractor and Transport Zarie Sahulat • Alfalah Machinery and Equipment Zarie Sahulat • Alfalah Aabpaash Zarie Sahulat • Alfalah Islah-e-Araazi Zarie Sahulat • Alfalah Poultry Zarie Sahulat • Alfalah Dairy and Livestock Zarie Sahulat • Alfalah Fisheries Zarie Sahulat Inland • Alfalah Silos/Storage Zarie Sahulat • Alfalah Marketing Zarie Sahulat • Alfalah Agri Industrial Zarie Sahulat • Alfalah Bills/Guarantees Zarie Sahulat • Alfalah Lease Zarie Sahulat • Financing Facility for Storage of Agriculture Produce • Mark-up Subsidy and Guarantee Facility for Rice Husking Mills in Sindh



Bank Alfalah

Premier

Premier Banking

At Bank Alfalah Premier, we are committed to exceeding our clients' expectations through best-in-class services and innovative product offerings designed exclusively for our customers. Bank Alfalah Premier offers an unparalleled banking experience with a key element of our strategy being introducing industry firsts including:

- Seamless onboarding (instant account opening and debit card issuance)
- Personalized management with dedicated Relationship Managers
- Premium & wide spread lounge network across the country
- Differentiated Premier Card offerings
- Access to Premier Proposition at 300+ branches in 55+ cities across the country

Bank Alfalah Premier is now available in all major cities, including Karachi, Islamabad, Lahore, Sialkot, Rawalpindi, Abbottabad, Faisalabad, Multan, Peshawar, Quetta, Wah Cantt, Jhelum, Gujranwala, Hyderabad, Mandi Bahauddin, Mardan, Rahim Yar Khan, Jhang, Gujrat, Bahawalpur and Dera Ghazi Khan.

Investment Services

Bank Alfalah through its Investment Services division offers a variety of financial solutions managed by professional, reputable and seasoned Asset Management company. Bank Alfalah Investment Services includes the distribution of mutual funds, structured products, government securities/bonds/bills, equities and fixed income instruments to the Retail, Corporate and SME segments. Working with a reputable AMC, Alfalah GHP Investment Management Limited, Investment Services helps clients protect, grow and manage their finances.

All these funds are managed by Alfalah GHP Investments Management Limited, and the Bank acts as the distributor of these products.

Investment Product Offerings	
Conventional	Islamic
Money Market Funds <ul style="list-style-type: none"> • Alfalah GHP Money Market Fund • Alfalah GHP Money Cash Fund 	Islamic Money Market Funds <ul style="list-style-type: none"> • Alfalah GHP Islamic Rozana Amdani Fund
Income Funds <ul style="list-style-type: none"> • Alfalah GHP Fixed Income Fund • Alfalah GHP Sovereign Fund • Alfalah GHP Income Multiplier Fund 	Income Funds <ul style="list-style-type: none"> • Alfalah GHP Islamic Income Fund
Asset Allocation Funds <ul style="list-style-type: none"> • Alfalah GHP Value Fund 	Asset Allocation Funds <ul style="list-style-type: none"> • Alfalah GHP Islamic Value Funds
Equity <ul style="list-style-type: none"> • Alfalah GHP Equity Fund • Alfalah GHP Stock Fund 	Equity <ul style="list-style-type: none"> • Alfalah GHP Islamic Stock Fund
Stable Return Funds <ul style="list-style-type: none"> • Alfalah GHP Stable Return Fund-I 	Funds of Funds Schemes/CPPI <ul style="list-style-type: none"> • AGHP Islamic Active Allocation Plan-II • AGHP Islamic Active Allocation Plan-III • AGHP Islamic Balance Allocation Plan • AGHP Islamic Moderate Allocation Plan • AGHP Islamic Capital Preservation Plan IV • AGHP Islamic Capital Preservation Plan V • AGHP Islamic Capital Preservation Plan VI

In addition, the Bank offers **IPs Accounts for Govt Securities** – PIBs, Tbills and sukuk.

Bancassurance

Bank Alfalah's Bancassurance solutions are especially designed to help customers protect and secure a stable future for themselves and their loved ones. Partnering with leading insurance and Takaful companies in the country, the Bank offers a diverse range of solutions, customised to meet protection and saving needs of our customers at every stage of their life.

Bank Alfalah's Bancassurance product suite comprises need-based solutions for both conventional and Islamic clientele, including unit linked and bonus linked savings and protection plans, health plans, term life plans and general insurance plans.

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

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

Retail Payment Solutions

Bank Alfalah provides comprehensive retail payments solution services to all customer segments. The key services include:

- Point of Sales Acceptance – Network of 22K+ machines including big fleet of android machines (first bank to launch android machines in the market);
- Online Payment Acceptance – 7 aggregators, multiple market places and 600+ merchants;
- Bank at Work – Employee Banking – catering 2,300+ companies & 256K+ employee accounts;
- Standard Cash Management Services – Payments and Collections of 590+ mandates;
- Customizable solutions for payments and collections; and

- Ecosystem and partnerships - Providing a suite of banking and payment services to 130+ clients; including 5 EMIs, 20+ Fintechs and 90+ Startups.

Orbit Rewards Programme

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

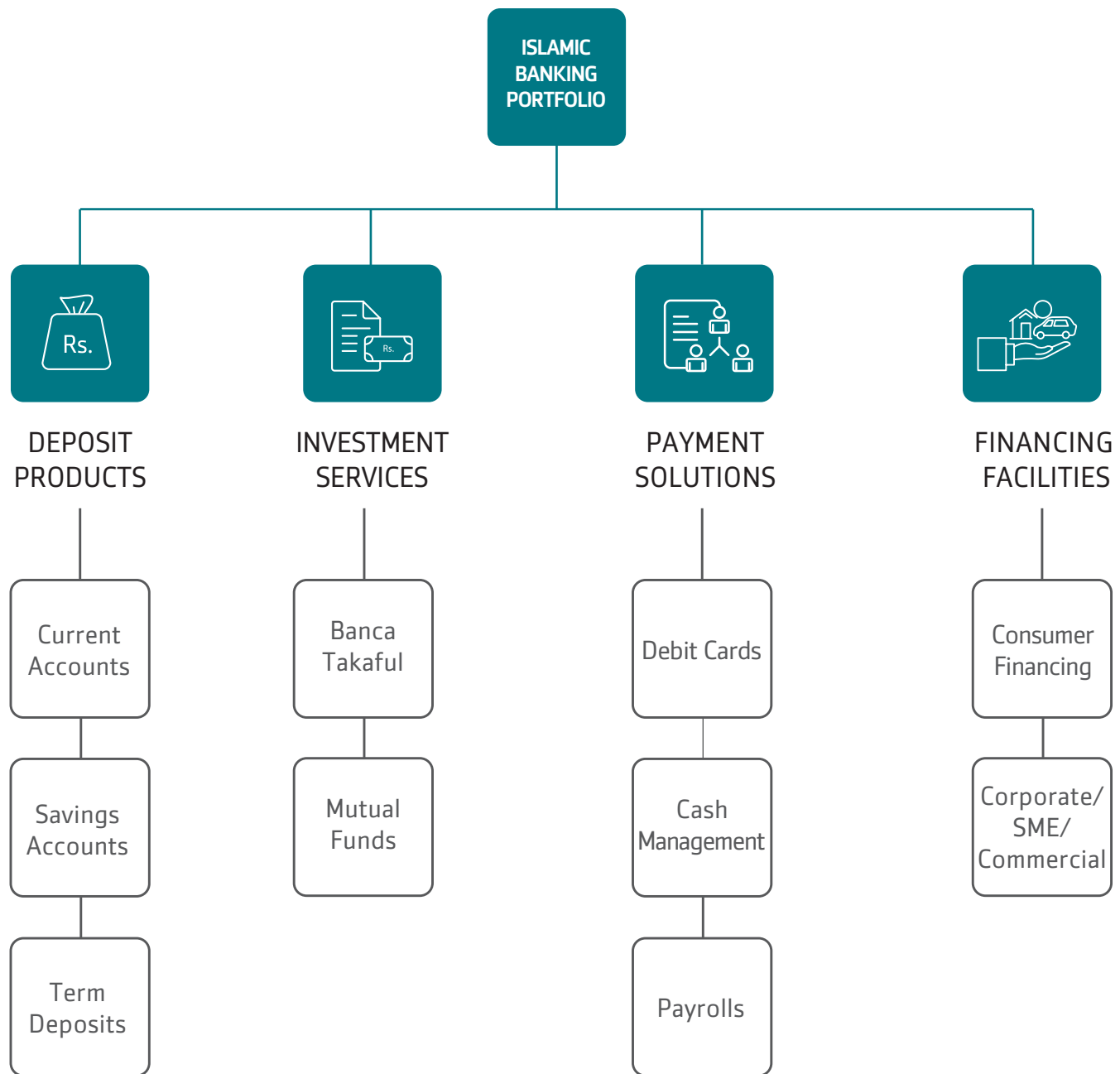




Bank Alfalah
Islamic

Islamic Banking

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



ISLAMIC DEPOSITS
255.672 BILLION

ISLAMIC ADVANCES
149.691 BILLION

Deposit Products

Bank Alfalah Islamic offers a wide choice of deposit accounts that are Shariah compliant, i.e. designed with strict adherence to Shariah principles. Through current deposits, savings deposits, instalment-based term deposits and regular term deposits, daily banking services can easily be disseminated through the Bank's vast branch network and self-service banking solutions. Moreover, to keep up with the era of digitization, the product suite has numerous digital accounts for different customer segments.

Current Accounts

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

Savings Accounts

Bank Alfalah Islamic savings accounts are based on the concept of Mudarabah, and aim at providing necessary saving solutions for various segments of the consumer market, including individuals, sole proprietors, traders, businessmen, government entities, corporate clients and commercial customers to facilitate their banking activities nationwide.

Term Deposits

Based on the concept of Mudarabah, TDRs offer attractive short-term, mid-term and long-term investment options with flexibility and convenience. With various tenor options available for different target markets, combined with different profit pay-out options, customers can choose the term deposit that best suits their needs. Shariah compliant instalment based TDRs offered by bank Alfalah Islamic enable customers to opt for their choice of customised savings plan.

Current Deposit Products	Savings Deposit Products	Term Deposit Products
<ul style="list-style-type: none"> Falah Islamic Current Account Falah Islamic Basic Banking Account Alfalah Islamic FCY Current Account Alfalah Islamic Asaan Current Account Alfalah Islamic Asaan Remittance Current Account Alfalah Islamic Special Foreign Currency Current Account Islamic Roshan Digital Current Account Alfalah Islamic Business Way and Payroll Alfalah Islamic Asaan Digital Current Account Alfalah Islamic Freelancer Digital Current Account Alfalah Islamic Asaan Digital Remittance Savings Account Asaan Islamic Roshan Digital Current Account- PKR Asaan Islamic Roshan Digital Current Account- FCY 	<ul style="list-style-type: none"> Falah Classic Savings Account Alfalah Islamic Musharakah Savings Account Falah Business Account Falah Mahana Amdani Account Alfalah Islamic Asaan Savings Account Alfalah Islamic Asaan Remittance Savings Account Alfalah Islamic Collection Savings Account Alfalah Islamic Special Foreign Currency Savings Account FCY Savings Account Alfalah Islamic Profex Account Falah Senior Citizens Savings Account Islamic Roshan Digital Savings Account Islamic Home Remittance Account Alfalah Islamic Asaan Digital Savings Account Alfalah Islamic Asaan Digital Remittance Savings Account Alfalah Islamic Freelancer Digital Savings Account Falah Asaan Women Digital Savings Account Asaan Islamic Roshan Digital Savings Account- PKR Asaan Islamic Roshan Digital Savings Account- FCY 	<ul style="list-style-type: none"> Alfalah Islamic Premium Deposits Falah Mahana Munafa Term Deposit Falah Term Deposits Foreign Currency Term Deposits Alfalah Islamic Recurring Value Deposit Falah Senior Citizens Term Deposit Target Savings Deposit Falah 3 Year Term Deposit (Monthly Income Certificate) Alfa Term Deposit- Islamic

Asset Products

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

Consumer Financing

We provide our retail segment with the option to avail financing facilities, including Alfalah Islamic Auto Finance and Alfalah Islamic Home Musharakah with multiple variants including Roshan Digital Accounts, Residual Value and Solar & Hybrid vehicles financing.

SME/Commercial/Corporate Financing

Small and Medium Enterprises (SMEs) are considered the engine of growth for developing countries like Pakistan. In order to efficiently cater to their needs and thus enhance economic growth and increase economic activity in the country, Bank Alfalah Islamic offers various financing products for the SME segment. The Bank also offers financing facilities for different customer requirements like purchase of goods/raw materials, manufacturing, construction, working capital needs, finished goods financing, trade financing and financing of corporate and commercial assets.

Corporate/Commercial	SME	Trade	Consumer
<ul style="list-style-type: none"> Alfalah Running Musharakah Murabaha/Import Murabaha Alfalah Musawamah/Import-Musawamah Falah Tijarah Alfalah Istisna Commodity Salam Diminishing Musharakah Ijarah Islamic Temporary Economic Refinance Facility Islamic Financing Facility for Storage of Agriculture Produce Islamic Financing Facility for Renewable Energy 	<ul style="list-style-type: none"> Alfalah Islamic Karobar Finance Alfalah Islamic Fleet Finance Alfalah Islamic Milkiat Finance Alfalah Islamic Distributor Financing - Supply Chain Financeing Islamic Refinance Facility for Modernisation of SME Islamic SME Asaan Finance (ISAAF) Prime Minister Kamyab Jawan – Youth Entrepreneurship Scheme (PMKJ-YES) Agri Financing Islamic Refinance & Credit Guarantee Scheme for Women Entrepreneurship (IRCGS-WE) Islamic Working Capital Finance (IWCF) 	<ul style="list-style-type: none"> Islamic Export Refinance Scheme (IERS) Currency Salam Forward Contracts Guarantee Letters of Credit Islamic Long-Term Financing Facility (ILTFF) FCY Import / Export Financing Shariah compliant alternatives to Bill Discounting 	<ul style="list-style-type: none"> Alfalah Islamic Auto Finance (Standard, and RV) Alfalah Islamic Roshan Apni Car (RAC) Alfalah Islamic Home Musharakah (Standard) Alfalah Islamic Hybrid Home Financing Alfalah Green Finance (Solar Solutions) Alfalah Islamic Ghar Asaan MPMG/GSS Alfalah Islamic Roshan Apna Ghar Alfalah Islamic Roshan Apni Car

Treasury Financing

Bank Alfalah Islamic also offers Bai-Muajjal of Sukuk. Bai-Muajjal transactions represent sale of Shariah compliant instruments on deferred payment basis. They are undertaken with either GoP or other financial institutions. Mudarabah based financing facility (MFF) & Open Market Operations (OMO) –Injections with SBP are also available with Treasury.

Wealth Management

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



Bank Alfalah

Islamic Premier

Islamic Premier Banking

Bank Alfalah Islamic Banking Group has achieved revolutionary landmark by launching Bank Alfalah Islamic Premier proposition and expanding its footprints across the nation. Within a span of three years, we have inaugurated 19 state of the art designer Islamic Premier lounges in renowned cities such as Karachi, Lahore, Islamabad, Multan, Rawalpindi, Faisalabad, Peshawar, Gujranwala and Sialkot. Our lounges have also opened gates for establishment of non – lounge strategy through which accessibility of Islamic Premier proposition is provided to over 185 branches in these respective cities.

Under this versatile proposition, high net worth customers of the bank are dealt with priority and benefit from exclusive facilities, including but not limited to:

- Up to 50% offers, locally and internationally, at top notch outlets through Islamic Premier Debit Card
- Key to Islamic Premier benefits – our Islamic Premier Debit Card that offers higher spending and transaction limits, access to over 1,100 global airport lounges across 300 cities through LoungeKey, unmatched benefits at hotels worldwide, concierge services and a lot more!
- Up to PKR 2,000,000 worth of complimentary Takaful coverage for various uncertainties through Islamic Premier deposit accounts
- Fee waivers on banking products and services
- Fast tracked services and system functionalities supporting expedited turnaround time for all banking service requests
- Dedicated and highly skilled Islamic Premier relationship management team at all Islamic Premier lounges
- Up to 8 times accelerated Orbit reward program
- Dedicated helpline for fast tracked complaint resolution
- Bank Alfalah Islamic Premier customers across the nation, also have accessibility to designer Islamic Premier lounges which are exclusively tailored to meet their individual needs. The lounge provides with conference room facility for customer's business meetings which is very well appreciated by our customers. We also provide refreshed way of banking through Espresso coffee and snacks, dedicated teller counter and a lot more for a lifestyle based banking experience
- With the world moving towards digital innovations, Bank Alfalah Islamic Premier has also kept a strong presence digitally by launching Alfa Islamic Premier application with an appealing UX/ UI enhancement and new features such as the nearest lounge locator, nearest alliances locator and Call my Premier Relationship Manager option. Further, we have launched Islamic Premier SMS banking and an Islamic Premier WhatsApp forum.

Takaful Coverage

We offer Free Takaful Coverage for Accidental Death and Permanent Disability on all Bank Alfalah Islamic Current and Savings Accounts upon maintaining monthly average balance of Rs. 10,000 or more. With all these accounts, customers can qualify for coverage of up to PKR 2 million as per the coverage plan. In addition to this coverage, Islamic account holders and debit card holders also get Household Takaful Coverage, Cash Withdrawal, Wallet and Cash over Counter Takaful Coverage. Through the support of Takaful service provider, Bank Alfalah Islamic extend virtual OPD service to its accountholders.



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

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



Corporate Banking

Bank Alfalah's Corporate Banking offers a comprehensive array of financing solutions for medium and large-sized corporate clients. The product offering includes long-term and short-term funded solutions with flexibility for structured products, including, but not limited to, working capital, import-export refinance, commodity finance, long-term finance, bill discounting, documentary credits, guarantees and foreign exchange. Corporate banking also synergises with other groups within the Bank to capitalise on cross-sell opportunities like cash management solutions, payroll, vendor/dealer financings, digital offerings, etc. Also, part of corporate banking is deposit management and mobilization from various corporates. Strong corporate relationships form the basis for bringing mandates related to project financing, syndicates, large scale public sector lending, digital solutions and trade based solutions.

Investment Banking

Investment Banking Division offers a diverse product suite providing tailor-made financial solutions to for our clients. The team is driven by industry leaders with extensive knowledge and expertise, working with a diverse set of clients, including corporations, institutions and the government, to deliver comprehensive strategic advice, capital raising solutions, risk management expertise, structured products, project finance and capital market advisory.

We are only one of the leading players in the industry offering tailor made solutions in Project Finance, Debt Syndications and Equity & Advisory. Our coverage spans industry sectors and product groups include but not limit to infrastructure, renewable energy, real estate, water, steel, mergers and acquisitions (M&A), green financing, shareholder engagement and more.

We believe that our greatest asset is the breadth and depth of our client base. Our approach to serve clients has always focused on doing first-class business in an exceptional way. Striving to build trusted and long-term partnerships, Bank Alfalah takes a holistic and forward-looking view of relationships, identifying ways to help clients accomplish their most important business objectives. The Investment Banking team has been recognized for prowess amongst peers – both locally and globally – with the team receiving accolades from CFA Society Pakistan (Transaction of the Year), Asian Banking & Finance Awards (Innovative Renewable Deal of the Year & Social Impact Deal of the Year) and International Finance Awards (Best Green Initiatives).

Our team aims to leave a prominent footprint in the industry and continue its commitment to proactively contribute towards economic development by supporting private sector credit.

Financial Institutions and Home Remittance Business

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

Our aim is to strengthen further the infrastructure that we have built with our correspondent banks to finance/refinance trade and commercial transactions between Asia, ME, EU and Africa through our network. The NBFIs desk offers bespoke solutions catering to sectoral needs by providing structured finance and cash management solutions to meet the capital and liquidity requirements of our clients. The desk is further venturing into various agreements with the development sector and is partnering with key players, aligning the Bank with the national initiative of financial inclusion and poverty alleviation.

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

Given the considerable contribution of home remittances to the country's economy, Bank Alfalah will continue to endeavour that

its remittance solutions are safe, efficient, reliable and best-in-class. To achieve this, Bank Alfalah has taken multiple steps to invest in technology, system capacity, personnel, and marketing to help increase the flow of home remittances through banking channels.

Transaction Banking

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

Cash Management

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

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

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

Trade Financing

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

Supply Chain Financing

Bank Alfalah's SCF business is based on global best practices and was initiated under the road map and advisory from IFC. Anchor led and non-collateralized nature of programs remain our corner stone USP that has put us as a front runner in the supply chain finance space in Pakistan. Our objective of creating easy access to working capital without formal collateral augments financial inclusion and has enabled many SME's to contribute in the country's economic activity. We are fully cognizant of new challenges and remain engaged with the SBP for introduction of SCF guidelines, products, MIS and technology to develop this market according to its potential. Our eSCF platform enables corporates and their supply chain partners to perform transactions digitally creating ease of business and is a testament of Bank Alfalah's digital roadmap. We are fully aware that SME is the growth engine of the economy and based on anchor led programs, we intend to increase our market share and create product offerings suitable for this segment.

CORPORATE DEPOSIT
210.843 BILLION

CORPORATE ADVANCE
307.817 BILLION



Treasury and Financial Markets

Treasury and Financial Markets is responsible for managing Bank Alfalah's market and liquidity risk along with providing comprehensive financial market products to its local and global clients. The Bank's treasury is an active player in Pakistan's banking industry. We aim to leverage our market positioning and global footprint to serve our clients' specific business needs. We have an experienced, diversified and energetic team enabling us to be competitive and efficient in our dealing activities.

Treasury Front Office

Treasury Front Office is pillared on three core desks, i.e. Assets and Liabilities Management (ALM), trading, and sales desks. Treasury manages interest rate risk, liquidity risk, foreign exchange risk and equity price risk emanating from the Bank's assets and liabilities. The Group maintains a flexible approach, responsive to changes in the market environment, in order to ensure robust performance. Simultaneously, we manage the market and liquidity risk of the Bank under a comprehensive framework approved by the Board of Directors. Being a key player in the financial market and a leading primary dealer in government securities, the Group aspires to create value for all stakeholders.

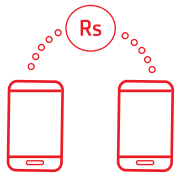
With an experienced team, our trading desk plays a critical role in both foreign exchange and fixed income markets. Our treasury and institutional sales desks provide optimal solutions with respect to interest rates and foreign exchange exposures for its diverse customer base. The desks actively conduct roadshows to market government debt and securities to foreign investors. The Group endeavours to provide our clients with a wide range of conventional and Islamic solutions catering to their specific business needs. We offer structured treasury products to meet the investment and hedging needs of a diverse clientele.

Capital Markets

The Bank's Capital Markets desk offers comprehensive equity solutions for in-house as well as clients' needs. Leveraging its active role in Capital Markets and their development, the Bank has established an award winning equity advisory and investor relations franchise.

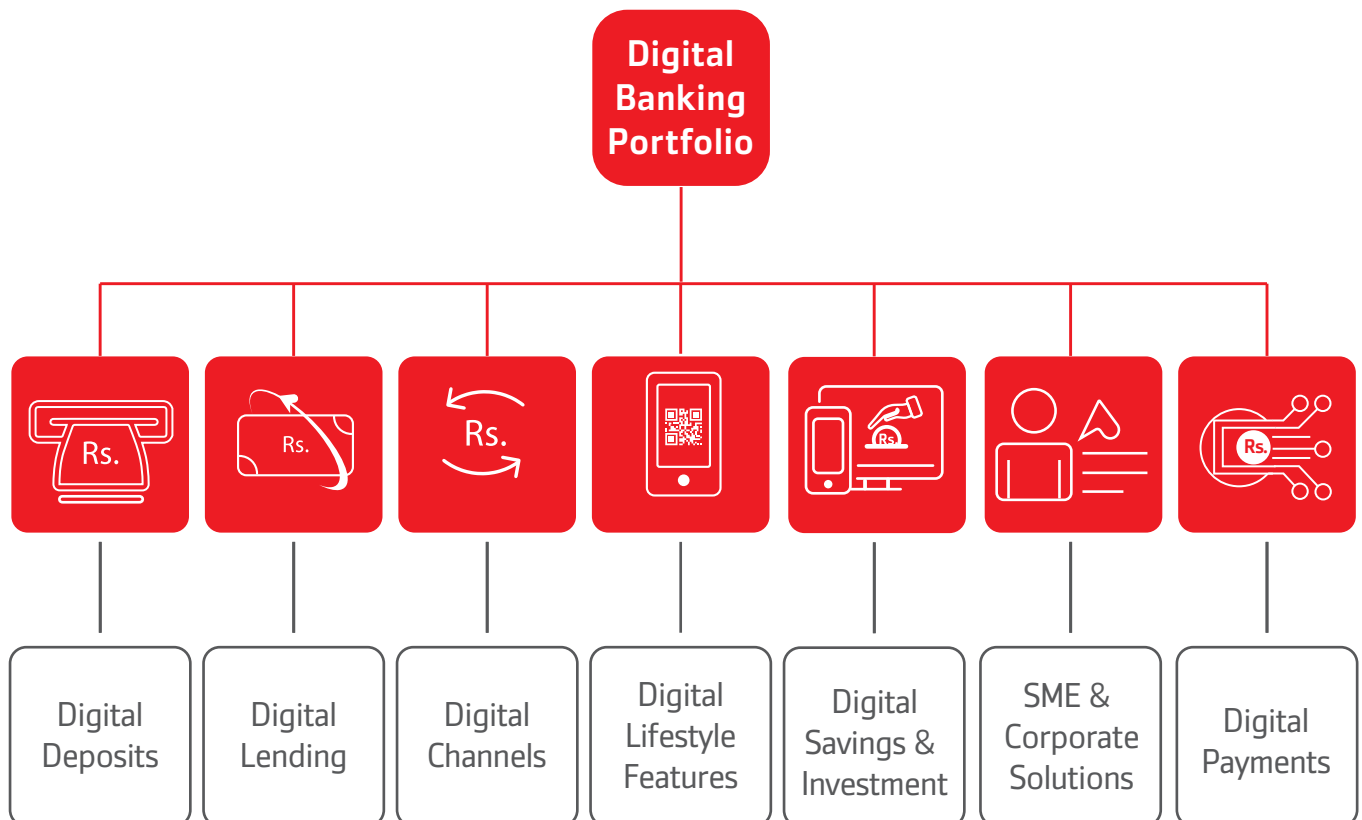
FX EARNINGS
9.218 BILLION

GAIN ON SECURITIES
4.128 BILLION



Digital Banking

As it is said, banking is not somewhere you go, it is something you do; therefore, Bank Alfalah has successfully positioned 'Alfa' - Bank Alfalah's proprietary mobile-based application - as a leading premier lifestyle and financial app in Pakistan, within a very short span of time. Additionally, with a wide array of financial products catering to both conventional and Islamic customers, including digital payments and lending solutions, ATMs, cheque and cash deposit machines, payroll wallet accounts, digital savings products, and as one of the largest banks providing social disbursements in both rural and urban areas. The Bank has successfully positioned itself at the forefront of digital expansion by providing best-in-class digital banking solutions in Pakistan.



Digital Deposits

- **Digital Current and Savings Accounts**

Bank Alfalah introduced the first of its kind, completely digital current and savings accounts, allowing customers to open an account from anywhere on Alfa with a seamless account opening process, and earn market competitive rates on their daily balances and enjoy the convenience of payment through Alfa.

- **Roshan Digital Account**

Bank Alfalah introduced a new real-time digital service for overseas Pakistanis with the option to open an account in multiple currencies, including PKR, USD, GBP, EUR, AED and SAR, allowing customers to invest in Naya Pakistan Certificate, Pakistan Stock Exchange (PSX) and Real Estate, and repatriation of funds from abroad without any regulatory approval. RDA holders can also apply for car and house loans under Roshan Apni Car and Roshan Apna Ghar products. Customers also enjoy 24/7 access to funds through alternate channels accessible globally (free Internet Banking, mobile banking app, debit card), and easily perform basic financial transactions such as bills payment, e-commerce, fee payments, QR payments, goal-based savings, etc.

- **Alfa Current and Savings Islamic Account**

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

- **Alfa Term Deposit (Conventional and Islamic)**

Bank Alfalah is the first bank in the industry to introduce Alfa Term Deposit, both Conventional and Islamic, allowing customers to invest in term deposits instantly through Alfa within 'ten seconds' with the flexibility of changing maturity instructions post-booking and early encashment along with the added convenience of downloading the digital receipt and tax certificate. Given the low cost to serve via self-serve digital channels, the Bank is offering higher profit rates than those available at branch counters.

- **Goal-based Savings**

'Alfa Goal-based Savings' offers a systematic savings facility with an auto-debit option to help customers save a designated amount at regular intervals to achieve their savings goal in a hassle-free manner.

- **Digital Home Remittances Account (HRA)**

Bank Alfalah launched its Home Remittance Account (HRA) wallet whereby the customer can open HRA wallet on the go and subsequently receive remittance in wallet account via Alfa app without visiting branch and avail free airtime of PKR 2 against each USD remitted into the beneficiary's HRA wallet. The Bank is also actively working on converting Cash-over-the-Counter (CoC) transactions to HRA wallet credits.

Digital Lending

- **Merchant Financing**

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

- **Advance Salary**

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

- **Alfa Overdraft**

'Alfa Overdraft' is the first-ever digital overdraft facility in Pakistan that provides a credit line of up to PKR 50,000 to Bank Alfalah staff and Bank-at-Work customers to manage and overcome their monthly financial need.

- **Easy Instalments**

A smooth, end-to-end digitised, buy-now-pay-later process through which eligible blue collar payroll customers can apply for loans of up to PKR 50,000 against any product, while shopping from AlfaMall.

- **Instant Loan**

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

- **Agent Financing**

Bank Alfalah has enabled the agents enrolled with the Bank's Agent Network to avail a credit facility of up to PKR 100,000 based on their average throughput

volumes to meet short-term working capital requirements in order to carry out their branchless banking transactions.

- **Embedded Financing:** Bank Alfalah has launched this digital lending embedded in non-Alfalah app and ecosystems. It aims to provide subscribers of educational institutes and UBPs to cover monthly bill through an easy monthly instalment based loan with no markup.
- **Alfa Credit:** It's a high value revolving line facility offered to existing-to-bank liability customers. Throughput financial line is also available for Alfa app customers via Alfa Credit.
- **Instant Credit Card**
Bank Alfalah launched Pakistan's first ever seamless digital credit card approval procedure, complete with real-time card and limit approval. The consumer no longer needs to go to the branch in order to apply for the card directly through the primary banking application. This facility is available to pre-screened ETB customers based on their liability/asset relationship with the bank, with no physical application necessary, and the card is supplied to the customer within 3 to 5 working days.
- **Ready Cash – Digital Nano Loans**
Bank Alfalah is providing JazzCash wallet account holders with small ticket sized loans through the ReadyCash model, which is the first of its kind interoperable Digital Nano Lending model between a commercial bank and a fintech. It is a seamless customer journey through which customers can get a loan up to PKR 30,000 within minutes. Repayment is completely digital, customers can repay at any time through the JazzCash App, during the 8-week long loan cycle. Automatic deduction of funds from the customer's wallet account takes place if they fail to repay in time.
- **Buy Now, Pay Later**
With the 'Buy Now, Pay Later' feature of the Alfa App, Bank Alfalah customers can now use QR at point of sales to buy goods instantly and pay the due amount with ease in installments through Alfa App.

Digital Channels

- **Alfa**
Alfa, Bank Alfalah's digital banking premier app, has successfully digitised offline procedures such as account opening, money transfers including RAAST, bill payments, savings and investments, while also meeting the requirements associated with the modern lifestyle, which includes traveling, enjoying exquisite cuisines, staying connected with friends

via chat, shopping online and discounts.

- **Internet Banking**

Bank Alfalah continuously strives to make lives of its customers simpler than ever before. Internet Banking facilitates customers to use our convenient and swift digital banking services round-the-clock from anywhere in the world. Customers can use Internet Banking to carryout financial transactions like utility bill payments, mobile top-ups, credit card bill payments, funds transfers, etc. Additionally, customers can also access value added services like requests for cheque book, banker's cheque, SMS alerts, etc.

- **AlfaChat**

The first of-its-kind facility in Pakistan, a P2P chat platform in banking was launched in May 2019, with a wide array of features from user-to-user chat, group chat, stories and picture uploading, voice notes, picture sharing as well as likes and viewing features. In addition, it provides money transfer and mobile balance top-up functionality in chat, making it a holistic banking and financial communications platform within Alfa. 'AskAlfa' is a feature in Alfa Chat where customers can communicate their queries and grievances as well as share files and documents to update their account credentials 24/7. This feature enabled remote submission of documents without visiting branches.

- **WhatsApp Banking Channel BOT**

WhatsApp service is a new and convenient channel used for general query management and customer support. WhatsApp Banking Channel was launched initially to connect with customers and agents. Later in the year, the Bank launched WhatsApp BOT with rule based machine learning responses that increased customer convenience even more. Through WhatsApp, customers can get information related to account balance, mini-statement, credit and debit card, RAPID account, Roshan Digital Account, Premier Banking, loans, offers and discounts, or even chat with a Live Agent.

- **SMS Banking**

Bank Alfalah offers its customers, via its SMS banking channel, which is the freedom to get their account information and carry out financial transactions (including mobile bill payment and Bank Alfalah credit card bill payment through their Bank Alfalah account) by sending an SMS to 8287. By subscribing to this service, customers can now get details about their account balance, last 5 transactions and credit card, process permanent blocking of debit cards and temporary blocking of Internet Banking and ALFA, activation/deactivation e-Commerce transactions, initiate cheque book

requests, inquire about Orbits points, and pay off the bill of their registered mobile number and credit card through their Bank Alfalah account by sending predefined texts to Bank Alfalah shortcode 8287. This facility primarily targets non-smartphone users and helps the Bank achieve financial inclusion of customers from tier 2 and tier 3 cities/towns. In addition, customers can also keep track of their transactions 24/7. Customers receive real-time SMS alerts for transactions performed in their account along with their available balance and Orbit (points) information, besides the option to receive their debit and credit alerts in the language of their choice.

- **Self-Service Kiosks – CDMs and CCDMs**

Bank Alfalah has the largest network of Cash and Cheque Deposit Machines in Pakistan with 340+ active CDMs & CCDMs placed in the ATM lobbies of various branches in multiple cities throughout the country. This facility is available 24/7 for any walk-in-customer and offers a variety of transactions on the go, including

- Instant cash or cheque deposit into Bank Alfalah or any other bank account
- Card-less experience
- End-to-end security
- 24x7x52 services
- Customised infrastructure

- **RAPID**

Alfalah RAPID is an innovative and revolutionary banking solution geared to fulfil all onboarding and self-service needs of our customers. Now customers can open new accounts, apply for debit and credit cards, avail personal loans, and much more from the comfort of their homes/offices through a completely digitised and convenient online process.

Digital Payments

- **Proximity Payments**

Alfa Business has aced the universe of proximity payments in Pakistan with top position in market share, being one of the only few mobile apps accepting QR payments scheme, i.e. MasterCard and VISA. Being the first in the industry with QR interoperability on both the issuing and the acquiring side. Alfa Business is embedded with instant financing offerings for merchants along with business-to-business large payment for manufacturers and distributors.

- **Alfa Business App**

Bank Alfalah has launched Alfa Business App - an exceptional, out-of-the-box experience for business merchants with digital onboarding - allowing them

to accept QR payments from any MasterCard and VISA app, enabling them:

1. Real-time reporting
2. Activity dashboards
3. Dynamic QR
4. Virtual e-Shop

The B2B Digital Platform seeks to make business-to-business transactions simpler. Retailers and cash handlers can transfer up to PKR 50 million per day in real-time using Bank Alfalah's B2B Digital Payments, a novel solution that digitizes the cash management process without the burden of visiting bank branch or carrying cash. In addition, this solution offers both parties real-time alerts through email and text message, as well as a 24/7 access for reviewing transactions, history, and account statements.

- **Supply Chain Digitisation**

As part of our initiative to digitise the supply chain, we are in the process to enable an ordering mechanism on the Alfa Business App. This will facilitate our business customers in paying for their orders digitally without the hassle of getting into lengthy cash-based transactions.

- **AlfaMall**

AlfaMall is Pakistan's first e-commerce buy-now-pay-later (BNPL) marketplace within a banking app, i.e. Alfa, where merchants market their products and services, and customers buy digitally. AlfaMall comprises of mostly local market businesses and individuals offering products to online shoppers on lower than market prices, with free delivery at customers' doorsteps. AlfaMall offering revolves around building trust by offering the following benefits to both customers and merchants.

Key strategic pillars for expansion:

- Buy-Now-Pay-Later (BNPL) with self pick-up
- Same day delivery in partnership with courier companies
- Easy returns

- **School Fee Payment**

The digital fee payment feature enables parents to pay school fee digitally, even after banking hours and in few minutes. Fee collection service is also enabled on our agent network and CDMs to provide multiple collection channels to customers.

- **Alfa Payment Gateway**

Bank Alfalah launched its state-of-the-art Alfa Payment Gateway, enabling e-commerce merchants with much needed secure payment solutions, allowing them to collect online payments from their customers via multiple payment modes, including VISA and MasterCard credit/debit cards (domestic and

international), Bank Alfalah account, pay via link and Alfa wallet. APG enables customers to pay from 11+ bank accounts.

Digital Savings and Investments

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

- **Digital Investments**

Without the hassle of branch visits and tedious paper work, Alfa customers can now digitally invest in various Mutual Fund options starting from an amount of PKR 500 only. In 2022, Bank Alfalah launched full-fledged Sarmayakari Account whereby customer can digitally invest in up to 12 funds depending on their risk profile. Further, they can also track all their investments and returns within the App.

- **Digital Insurance**

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

Digital Lifestyle Features

- **Discount Vouchers**

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

- **Alfa Health**

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

Government-to-persons and Corporate and Micro/SME Solutions

- **Employee Old Age Benefits (EOBI)**

As the exclusive banking services partner for EOBI, Bank Alfalah continues to provide pension disbursement and contribution collection services to over 400K EOBI pensioners every month.

- **Digital Payroll Account**

Alfa Payroll Solution is a secure, reliable and cost-effective digital solution by Bank Alfalah that primarily targets the corporates. It allows these entities to disburse salaries directly into mobile accounts of hundreds of employees, mainly blue-collar workers who are generally paid in cash.

BAFL's Corporate Portal enables companies to run their salaries with flexibility at their own time as per their own convenience. The maker/checker model allows a two-way check to ensure smooth processing and minimizes chances of error.

- **Benzair Income Support Programme (BISP)**

Bank Alfalah works with Pakistan's largest social welfare programme i.e. BISP, disbursing funds transparently and efficiently to achieve the shared goal of reducing poverty and serving the underprivileged masses in Khyber Pakhtunkhwa, Gilgit Baltistan and Azad Jammu & Kashmir. With Bank Alfalah's vast digital network, funds are disbursed transparently and efficiently to achieve the shared goal of reducing poverty and serving the underprivileged masses.

- **Agent Network (Branchless Banking Network)**

Bank Alfalah has an established agent network of more than 15,000 agents across the country, through which customers can avail the facility of money transfer, bill payments, International remittance, QR merchant fee collections, Buy now pay later (BNPL), airtime top-up, school fee payments and multiple collection modules. In addition, our agent network successfully disbursed quarterly payments under the BISP programme (Government mandate).

- **Cash Management and Digitization Solutions**

Bank Alfalah is at the forefront of providing customized digital solutions to leading Fintechs and start-ups in Pakistan, by offering them a 360-degree solution for both collection and disbursement which includes Interbank Funds Transfers, Cash Deposit Machines, Alfa Payment Gateway, QR and branchless banking agents, thereby, promoting the agenda of cash less transactions and shifting from traditional banking to digital banking.

Making Customers' Life Easy Through Innovation

Innovating the customer experience means adding more value to the customer's relationship with bank's business. While there are many ways to do this, Bank Alfalah remains at the forefront of digital innovation and technological advancement. It is our priority to provide best-in-class services to our customers. Given below are the initiatives that the Bank has taken to enable and promote innovation:

Digital Account Opening (RAPID)

To enhance the onboarding experience of new customers, the Bank digitally transformed the account opening process for both, domestic and international customers. Anyone with a valid CNIC and documents can open a full-fledged bank account from the comfort of their smartphone. A workflow is developed to promote a paperless environment and also reduce turn-around-time (TAT) of account opening



- Instant cheque deposit
- Cash management for SMEs
- Loan payments
- Value added services
- New CNIC update
- E-Statement subscription
- SMS subscription
- Cheque book request
- Mobile number update
- Instant wallet account opening and upgrade
- Credit card payment
- Mobile airtime purchase
- Utility bill payments
- School fee payment
- Donations

Mutual Funds Investment on Alfa starting as low as PKR 500

The customer can invest in mutual funds from any location of their convenience in 4 easy steps, with a full-fledged customer account opening option with online risk profiling.

The initial investment can be as low as PKR 500 and can be supplemented in similar denominations, as and when the customer wishes.



In-app investment feature allows customers to view their investment details and the present value of their investment.

Cash and Cheque Deposit Machines (CDMs/CCMDs)

BankAlfalah is the only bank to have around 400 CDMs installed across the country. Apart from focusing on the expansion plan, a lot of work has also been done in improvements of user experience, new service offering and onboarding new clients for cash-based transactions to maximize the capabilities of CDMs and benefit from the outcome for the organization.

The feature-set allows individual customers as well as SMEs and other businesses to greatly benefit from BAFL CDM network round the clock:

- Instant cash deposit into Bank Alfalah, or any other local bank account

Debit Card Management enabled on ATM, Internet banking & Mobile (ALFA)

Creating control on debit card is just a tap away. ATM, Internet Banking and AlfaApp offer a multitude of debit card management functions that create control and convenience.

- Card activation and deactivation
- Pin generation and pin change
- Enabling/Disabling International transactions
- Account linking/de-linking
- Visibility of last ten transactions
- Enabling Value-added Services on Internet Banking and Mobile (Alfa)
- Bankers Cheque issuance
- Account Statement request
- Cheque Book request
- Data Cleansing (address change and CNIC expiry update)
- Tax certificates (Credit Card and Account holder)
- Biometric Login
- Card Management
- Complaint Management



In-app Biometric Verification

For customers' ease and convenience, the in-app biometric verification a secure and accurate solution linked with NADRA's APIs has been enabled on Alfa to reduce the account opening TAT and allow for customers to get their accounts updated and verified without visiting a branch at the convenience of their homes.

Instant Credit Card

Bank Alfalah introduced the first ever seamless digital credit card approval mechanism in Pakistan with a real-time card and limit approval facility. This has reduced the need for the customer to visit the branch and directly apply for the card via the main banking application.

It is offered to selected pre-screened customers based on their liability/asset relationship with the bank where no physical application will be required while the card will be delivered to the customer within 3 to 5 working days.



Instant Personal Loan on Alfa

Bank Alfalah launched Digital Personal Loan with instant loan disbursement of up to PKR 1 million based on the customer's credit information and transaction patterns, processed in less than 1 minute.

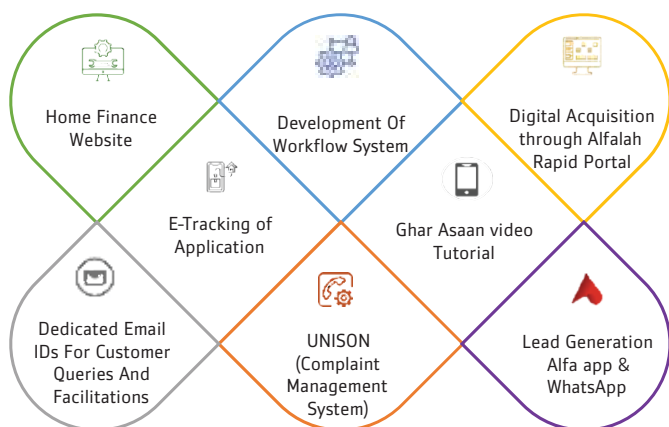
It offers an end-to-end digitized process for application initiation, credit assessment, and loan repayment through the Bank's mobile application, Alfa; quick and easy process with no processing fee and zero paperwork.

Credit Card Activation Process through Alternate Digital Channels

In order to make the Credit Card Application process convenient and less time consuming for our customers, we enabled this feature through the ALFA App and WhatsApp Banking. As a by-product, this also helped reduce the load off the Contact Center and allows the customers to instantly activate their credit cards through a self-service Digital Channel.

Home Finance

Bank Alfalah is a brand name in Housing Finance, offering a wide range of financing solutions and having a tradition of caring for our clients. Bank Alfalah offers Conventional as well as Sharia Compliant Islamic Mode of Financing in Housing Finance. Bank Alfalah not only overachieved SBP mandatory targets of Housing & Construction Finance but also surpassed SBP mandatory GMSS targets by 87% (units) & 33% (volume). We maintain leading role by introducing 09 innovative products in Housing Finance product suite in last 3 years. In supporting the Housing Finance eco-system, Bank Alfalah entered into partnerships with renowned builders and digital real estate aggregators, conducted various road shows, awareness sessions on housing finance, on-boarded Solar Vendors for Green Homes and launched campaign for financial inclusion of women. Bank Alfalah performed exceptionally to support Govt. of Pakistan and SBP led initiatives for promotion of housing & construction finance in Pakistan. In 2021, Prime Minister of Pakistan and SBP recognized Bank Alfalah as No. 1 Bank in "Mera Pakistan Mera Ghar (MPMG)" with highest disbursements in the industry as an accolade. During the year, Bank Alfalah has been awarded as "Best Bank in Housing Finance 2022" at Pakistan Banking Awards. This award is recognition of the Bank's efforts in providing state-of-the-art services by innovation. Necessary technology alignment and automation in Home Finance business was key focus area with the objective to enhance the loan processing capabilities and efficient customer service experience. Bank Alfalah made high level innovation in all aspects of Housing Finance as given below:



i Development of Workflow system

Process automation was made to enhance the loan processing capabilities and better customer services.

ii. Alfalah Home Finance Webpage

Bank Alfalah developed Home Finance webpage having product awareness to facilitate our customers. It includes:

- Salient features
- FAQs
- Query/lead generation
- Calculator
- Eligibility criteria
- Documentation requirements (resident & NRPs)
- List of designated branches
- Home Finance designated staff
- List of project/builders
- Builder/New project assessment criteria

iii. Lead Generation Alfa app, website, RAPID & Whatsapp

BAFL has also introduced the lead generation through Alfa application website and WhatsApp banking. This is an innovative step towards the digital lead generation and sales acquisition.

iv. Dedicated Email IDs for customer queries and facilitations

For customer facilitations, BAFL has created dedicated email IDs for Home Finance where customers can directly share the queries as well as solicitation of home finance application. This is a more convenient way for the customers to interact directly with the relevant home finance staff and get their queries attended at the earliest.

Home.finance@bankalfalah.com

Home.musharakah@bankalfalah.com

Homefinance.rda@bankalfalah.com

Hm.rda@bankalfalah.com

v. E-Tracking of Application

To update the customers about the status of his/her application for housing finance, Bank Alfalah introduced E-Tracking application. The customer can easily know the status by inserting identification number.

vi. Digital Acquisition – Roshan Apna Ghar (RApG)

In collaboration with SBP, Bank Alfalah developed digital journey for solicitation of Roshan Apna Ghar cases. The digital portal was developed in Q2-2021 where RDA customers can submit Home Finance application.

vii. Systematic Customer Services & Complaint Management

Bank Alfalah has enterprise level system that is used for centralized capturing of customer service

requests & complaints. All Home Finance service requests are captured in the system.

viii. Video Tutorial – Alfalah Ghar Asaan

A video tutorial was designed to have a complete product awareness of Alfalah Ghar Asaan. The tutorial was disseminated to branches through WhatsApp for having on the spot information of the product on their mobile phone for better customer services.

Auto Finance

Leading the State Bank of Pakistan's initiative Alfalah Auto Loan established an online channel to facilitate non-resident Pakistanis under "Alfalah Roshan Apni Car" facility. Through our Digital Rapid Portal overseas Pakistanis can avail auto loan facility for their relatives in Pakistan from anywhere in the world. This Global Connect truly put us forward and opened new & exciting market avenues. Further, Bank Alfalah Auto Loan partnered with Pak Suzuki for Suzuki Finance Arrangement Program – A digital financing platform and till date remains an exclusive partner-bank, since inception of the program. Bank Alfalah has also collaborated with Indus Motor Company Limited for Toyota Smart Finance (TSF), a one window financing solution offering Toyota vehicle to mutual customers of Bank Alfalah & Toyota. These channels enable a tri-party connect bringing Bank, OEM & the customer on one digital platform. Further, during the year 2022 the bank has laid extensive foundation to enhance customer journey by proving an end to end digital auto financing experience. The model is in testing phase and will be available to the customers in the year 2023. This digital financing model will ensure speed and transparency.

Cards

One of the growing consumer banking segment is card transactions. Need of instant and secured payments has called for rapid innovations in this section. Keeping this in view, the Bank has taken following measures to make our card holders perform their transactions with ease and peace of mind.

Acquiring

- EMV 3DS 2.0: Bank Alfalah has enabled 3DS 2.0 on Internet Payment Gateway services to stay at the forefront of international payment standards. EMV 3DS 2.0 is a new standard for protecting sensitive financial information. It offers richer data across variety of devices, improving the payment experience for merchants and consumer.
- ECR integration: Bank Alfalah Acquiring has successfully integrated merchant's Electronic

Cash Registers (ECR) with POS terminals to support our merchant base with their reporting and reconciliation. The integration has supported with the orientation of better cash payment strategy.

- Union pay integration with MPGS: In order to expand customer outreach and encourage card-based money system in the market, Bank Alfalah has supported the acceptance of union pay cards on its payment channel.

WhatsApp Banking

WhatsApp Banking was launched for the customers as an instant response channel for their queries, by-passing the Contact Center wait times and calling.

Customer Link Account Opening

Customers can now open a Link Account in case they want to open another account with the Bank. The aim to introduce this process is to make it less time consuming and easier for the customer to open another bank account with us instead of going through the whole acquisition journey all over again.

Innovative and Diversified Product Suite

Our diverse product suite of Current, Savings and Term Deposits is one of the best in the industry with respect to pricing, various processing, and accessibility. Our featured products including Pehchaan Account, Care Account, Kaamyab Karobar Account and others are specially designed for various consumer segments such as businesses, self employed individuals, females, senior citizens, and minors for customized banking services to fulfill the needs of the targeted segments in an optimal way. The Bank has further introduced the Asaan Digital Account, Asaan Digital Remittance Account, Freelancer Digital Account, and Asaan Pehchaan Digital Account (Female only offering) in addition to the current Savings and Current Account categories to offer an easier documentation process for customer onboarding, encourage home remittances, advocate gender diversity, and promote financial inclusion in the country.

AB HUI NA, BANKING TENSION FREE!

Bank Alfalah now offers free banking transactions for everyone.

Avail free banking services:

- Free Online Banking
- Free Cheque Book Issuance
- Free Pay Order Issuance
- Free Cheque Clearing

Scan QR Code to Access Bank Alfalah Whatsapp @021 111 225 111 | bankalfalah.com

Endless Possibilities

Bank Alfalah offers a full range of services to bring you convenience.

Start Investing in Pakistan's Stock Markets

Bank Alfalah offers a full range of services to bring you convenience.

Alfalah KAMYAB KAROBAR ACCOUNT

Bank Alfalah now offers a full range of services to bring you convenience.

- Free Online Banking
- Free Cheque Book Issuance
- Free Pay Order Issuance
- Free Cheque Clearing

enjoy Multiple FREE Facilities on Alfalah Islamic Business Way Payroll (Remunerative Current Account)

- Free Online Banking
- Free Cheque Book Issuance
- Free Pay Order Issuance
- Free Cheque Clearing

No Cash? Don't worry. Bank Alfalah Credit Card has got you covered.

Bank Alfalah offers Credit On Phone facility through which you can get a pay order instantly against your Alfalah Credit Card available limit.

To apply just text "COP" to 8267 or Call us at 021 111 225 111

Or simply log in with your Alfa App

- Go to > Services
- Select > Credit Card Facilities
- Select > Credit On Phone

Bank Alfalah Credit Cards

Significant Changes in Organisation

There are no significant changes from prior years with respect to:

- ownership (except for change in ownership structure due to buy back of 200 million ordinary shares); and
- business model of the Bank.



STAKEHOLDER RELATIONSHIP & ENGAGEMENT



Stakeholders' Information

Customers

According to global research, customer satisfaction and loyalty through whichever channel customers deem fit to serve them is one of the most significant differentiating factors between choosing an organisation's services. Bank Alfalah recognizes that customers over time have become more financially informed as well as aware of their needs. Therefore, the ideology of Customer Centricity acts as a guiding tool, and a moral compass, for us as a Bank to serve our customers better and for us to design products and services that best serve their needs and interests. It keeps us not only geared towards excellence in service but also excellence in catering to the customers' needs and convenience.

Keeping the above at the heart of our design for the quality of experience, Customer Experience drove a focus on innovation in the digital realm. The Bank strengthened feedback platforms and governance to aid customers and employees, boost and encourage customer loyalty, and proactive mass incidents handling mechanism. The focus areas were diverse collaborations with the stakeholders while pushing the innovation envelope.

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

Bank Alfalah's diverse product proposition consisting of branch banking, consumer finance products, corporate and SME products, wealth management services, Islamic banking operations and digital banking platforms, underlines our commitment to customer-centricity.

Bank Alfalah always aims to maintain service performance visibility across various product streams, branch networks, and other service touchpoints to ensure that the Bank meets its commitments to its customers. These engagements are not only limited to the interactions made through the branch network, but are extended to multiple channels like call centers, social media platforms, surveys, awareness sessions, roadshows, and various other advertising campaigns.

Employees

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

- Periodic employee happiness surveys
- Recognition of success stories of individuals
- A platform for employees to express gratitude towards each other
- Sponsorship Programme to seek guidance for development from a senior leader
- Learning and development programs
- Assistance schemes for professional qualifications for top performers
- Sabbatical for employees who wish to pursue higher education
- Availability of learning courses on the Bank's Learning Management System
- Activities to keep employees engaged

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

Shareholders/Institutional Investors

One of the Bank's significant goals is to deliver long-term value to its shareholders. Shareholders' trust sets the strategic direction of any institution, and their support further facilitates the achievement of key objectives. Engagement through AGMs and EOGMs certify that shareholders actively participate to ensure that the business remains sustainable in the years to come. Press releases and financial reports (quarterly, semi-annually, and annually) are disseminated promptly to ensure shareholders' engagement at all times.

Suppliers, Service Providers and Vendors

Bank Alfalah considers suppliers at every stage of the product lifecycle as they have a significant role in providing end-to-end services, ranging from sourcing raw materials to help ramping up production and finding better options for the organizations. When the market starts becoming saturated, companies need to work closely with their suppliers to get the best out of their products for fulfilling their requirements.

The goal of suppliers is to ensure that they meet or exceed the buyer's expectations in terms of quality, delivery, and cost. There are many benefits of effective supplier management, including improved quality and delivery of goods and services, reduced costs, and strategic relationships with suppliers.

Analysts and Rating Agencies

The Bank regularly engages with analysts on details of projects already disclosed to the regulators, with due regard for regulatory restrictions imposed on inside information and/or trading to avoid any impact on the Bank's reputation or share price. The Bank organises Analyst briefings/conference calls to apprise the attendees on operational and financial performance. The Bank also engages with Credit Rating Agencies, which assign ratings to the Bank's equity as well as its financing arrangements (ADT1 and Medium Term Note).

Regulatory Bodies

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

Community/Society

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

Media

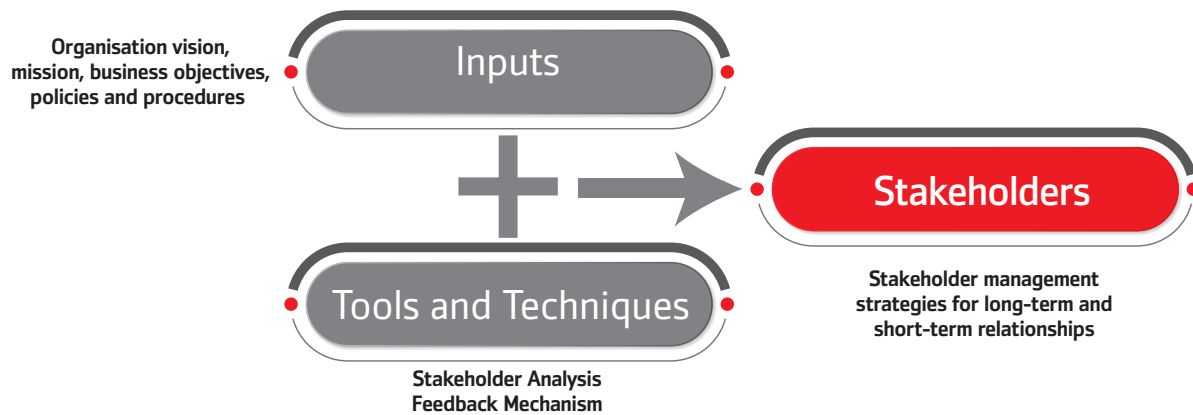
Media plays an important role in today's technological era. Be it traditional or social media platforms, quick communication and widespread reach of media have become the need of the time. The Bank remains abreast of developments in media channels to maintain its digital footprint and public reach, and promote a positive brand image.



Stakeholders' Engagement Policy

Please refer to the 'Governance' section of this Annual Report for disclosure on this policy.

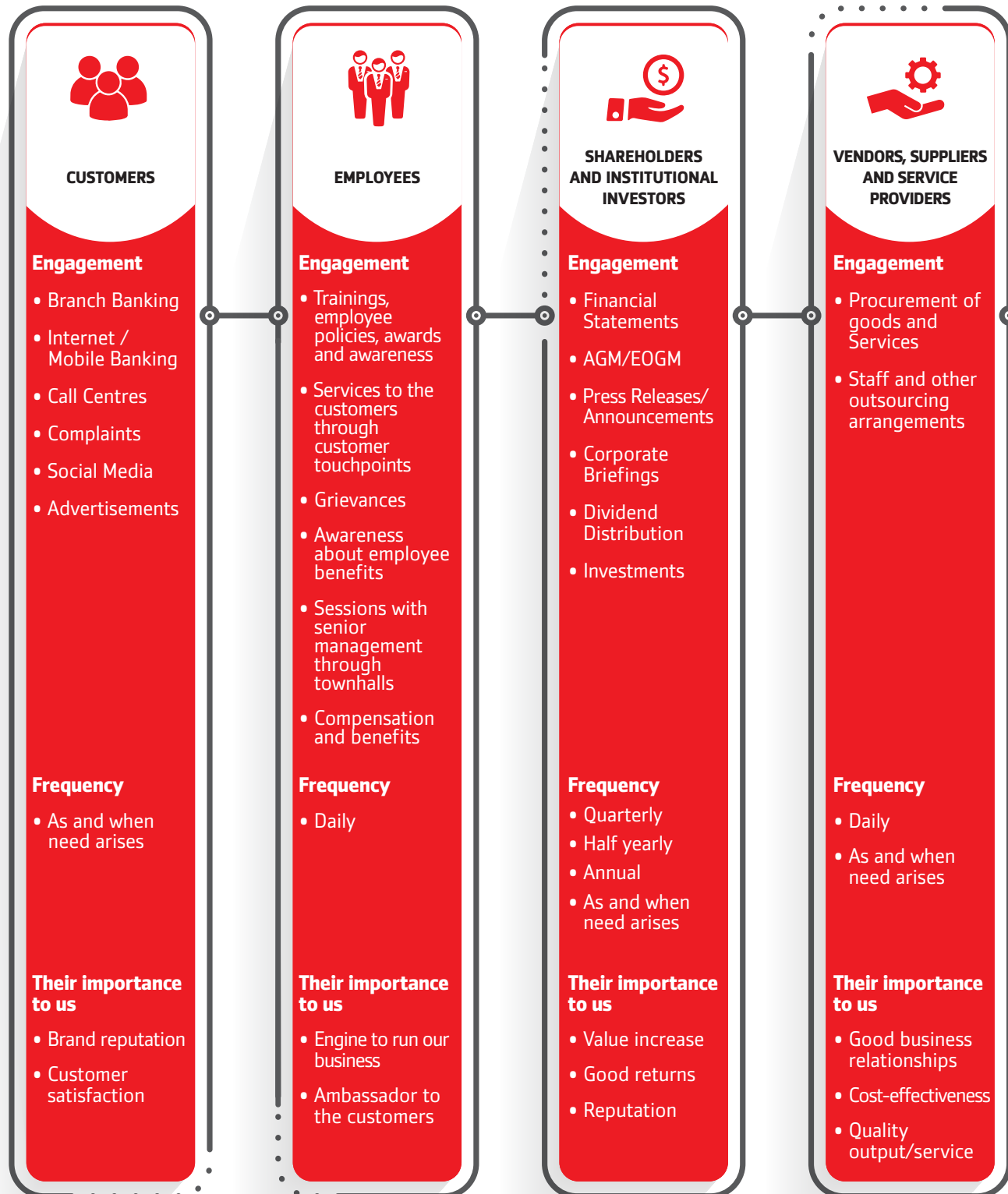
Stakeholders' Identification Process

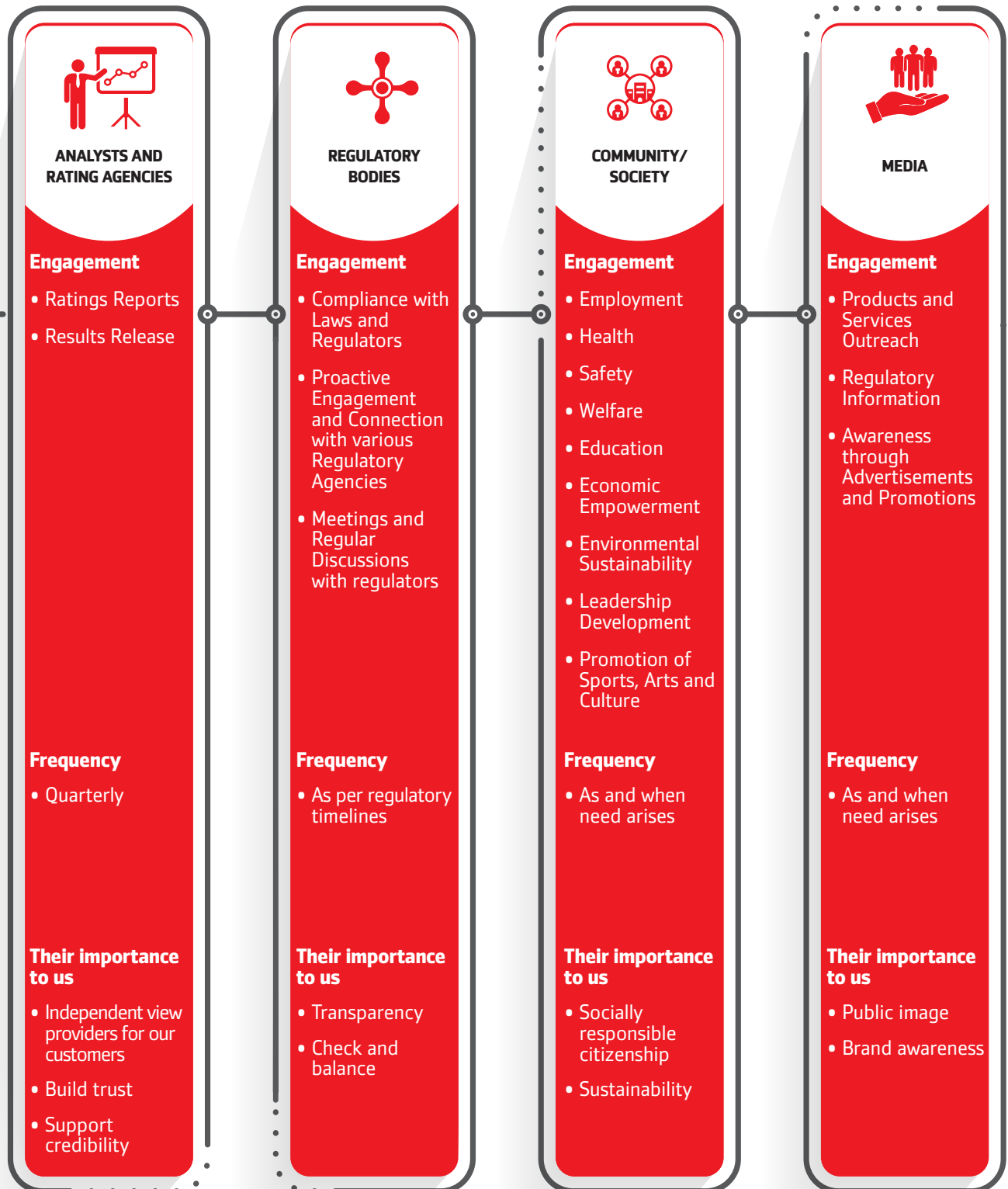


Board's Focus on Stakeholders' Engagement

The Board has set a framework and guiding principles for the Management to ensure transparency and regular interaction with stakeholders, particularly shareholders, and investors. The Bank's Management strives, through various platforms such as branches, digital channels, media, and social media platforms, to understand the views and sentiments of its stakeholders.

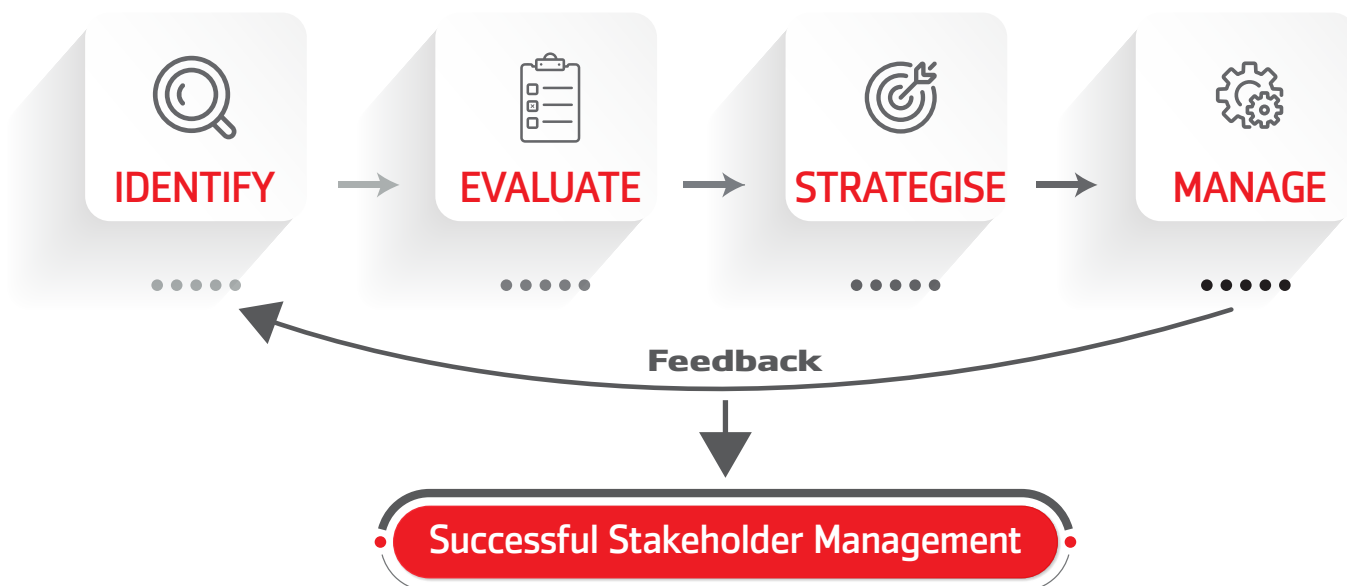
Stakeholder Engagement Process and Frequency of Such Engagements





Relationships Affecting the Bank's Performance and Value

The Bank's key stakeholders are at the core of its strategy. We set our objectives in accordance with their requirements, protecting and promoting their interests, and aligning our operations through stakeholder relationship management. The diagram below depicts how stakeholders are linked to our performance and value-addition process.



Managing the Relationships

The Bank holds its key stakeholders in high regard and follows an end-to-end engagement process to keep them informed and involved. Internal as well as external stakeholders are engaged regularly or as and when needed. The Bank continually improves its offerings and services, aiming to meet and exceed stakeholders' expectations.

Legitimate needs, interests of key stakeholders, and industry trends

Stakeholder	Legitimate needs and interests	Industry trends
Customers	Best-in-class products and services	Innovation; Digital platforms for providing services; Service agility
Employees	Career progression; Work-life balance; Belonging needs; Transparency	Timely pay; Training; Swift on & off-boarding; Health and Well being
Shareholders and investors	Maximised returns and regular dividends; Timely dissemination of material information in accordance with the regulatory requirement.	Profitability; ongoing engagement
Vendors, suppliers and service providers	<ul style="list-style-type: none"> Fair and transparent competition among the vendors. Timely payments. Long-term relationship via strategic sourcing deals and agreements. Preserve the confidentiality of vendor information. Highest professional and ethical standard and absolute business integrity at all times. 	<ul style="list-style-type: none"> Transparent competitive bidding process Robust enlistment process of vendors who have sound track record of service delivery
Analysts and Rating agencies	Accurate information; Regular connectivity	Forward-looking opinion on credit worthiness of underlying entity or instrument
Regulatory Bodies	Compliance with laws and regulation;	Trusted partner
Community / Society	Social welfare and community support	Sustainability; Corporate Social Responsibility
Media	Timely and accurate information	Timely and accurate information

The Bank takes care of all legitimate needs of its stakeholders, aligns itself with industry trends and also remains upto the benchmark.

Stakeholders' Engagement

Customers

Customer Experience and Complaint Management

The Customer Experience Unit functions as the center point for promoting customer interests and serves the customer-centric agenda of the Bank which majorly revolves around the following:

- the Bank's conduct with customers
- improving our service levels
- pushing service innovation
- understanding the customer via consistent research
- service culture evolution within the Bank

Specifically, the Customer Experience unit works on the following to promote customer centric culture.

- **Consumer Protection Policy** - Bank Alfalah has a comprehensive consumer protection policy that encompasses broad guidelines to manage customers throughout their journey with the Bank, ranging from product development, sales practices, marketing activities, communication protocols, and handling of customers. Further, through the Live Service Monitoring Program, real-time remediation is driven at the branches by taking corrective measures on aspects that can be dealt with immediately.
- **Promoting a Service-Oriented Culture (in collaboration with HR)** - Customer Experience and HR together have undertaken long running initiatives in order to inculcate and promote a customer centric and service oriented culture at Bank Alfalah. Through the introduction of the "At Your Service" program, the aim is to create a welcoming environment for the customers and to serve them right and on time through six basic behaviors that we can mindfully adapt. Through the Digital Soft Skills training, we are trying to train the employees on handling different kinds of customers through situation based learning. Furthermore, Customer Experience designs and runs internal campaigns to drive awareness on various attributes of serving the customers – e.g. ABC of Business Etiquettes which talks about the appearance, behavior, and communication of the employees with the customers; Workplace Ethics campaign was directed towards greeting culture, body language, soft skills, and data privacy awareness; Customer Diversification was

targeted towards dealing with different kinds of customers.

- **Quality Assurance** - The Bank has a comprehensive Quality Assurance framework that spans various products and channels, including digital channels, branch banking, consumer finance, centralised operations, corporate payroll accounts, contact center, and support segments with an aim to identify gaps resulting in high turnaround times, and drive efforts to meet its committed service standards.
- **Knowledge Initiatives** - Customer Experience drives a robust knowledge enhancement program focused towards increasing our staff awareness levels regarding not only products, processes, and services, but also soft skills and interaction basics at the branch level. To promote and embed customer-centricity, not only do we take the contemporary approach, we also use media such as service snippets, infographics, and online portals. We have a Knowledge Portal, a one-stop-shop for all product knowledge available with the click of a button through our portal in order to make the consultation experience for the frontline staff and the customers easier, more accurate and quicker.
- **Customer Insights** - Customer Insights focuses on enabling and generating feedback from customers on various journeys and touchpoints within the bank. These could include surveys based on satisfaction with products and processes or feedback on strategic aspects of service. Currently, these surveys are conducted through different manual and digital means (SMS and ROBO Calls) which allows us to reach out to a wider audience through the most effective tool. From conducting ~20,000 surveys in a year, this tool has helped reach more than 200,000 customers in 2022. Further, in 2022, we initiated the Voice of Employee Program pilot through pushing SMS Surveys to our employees and getting their feedback on the support they internally receive from the stakeholders.

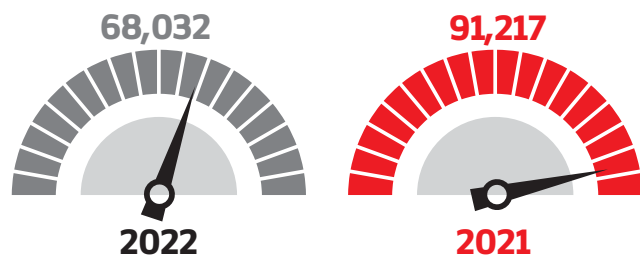


- Customer service quality level

- Areas for process improvement

- Avenues for digitisation and innovation

- **Attrition Management Unit** - In 2022, a new unit was set-up as a pilot based on the product cancellation analysis done. This was to generate insights on the reasons around why the customers are closing their bank accounts with us or are cancelling other products. Through this, the unit tried to retain the customer or to forward their concerns to be addressed to relevant stakeholders for higher customer retention and stronger relationship management.
- **Process Optimisation** - The Bank keeps a close eye on complaints, processes and channels to identify gaps and opportunities in order to increase operational efficiency and drive improvement across the organisation. This sub-unit creates synergies across the Bank to drive innovation and change in order to provide an enhanced experience and optimise the customers' journey. One of the major projects this year was to establish an Incidents Management mechanism at the Bank. Through this, any incidents that can potentially have a mass impact on the customer complains, contact center service levels, or the customer satisfaction are identified and are reported for the bank to proactively remediate. Another innovation this year was to develop the Branch Experience (BEX) mobile application which allows the branches to self-assess on service aspects. Furthermore, this helps anyone conducting a branch visit (ranging from the Senior Management to the officers) to log their feedback immediately.
- **Complaint Management Unit** - This Unit ensures diligent complaint closures, while maintaining high Fair Treatment of Customers standards. In 2022, we directly received a total of 68,032 complaints against 91,217 complaints last year, which were successfully resolved. Additionally, the Bank conducts thorough root-cause analyses to facilitate and drive continuous improvement in collaboration with the business and product management teams via various channels.



- **Video Mystery Shopping Programme**- Bank Alfalah regularly conducts a Video Mystery Shopping Program to gauge the interaction experience and other service impacting attributes like the ambiance, ATM experience, security experience etc. In 2022, we conducted this research twice with a 100% network coverage of Branches, Premier Lounges, and Consumer Finance Service Centers in order to build momentum before commissioning the study in 2023.

Employees

Culture at Bank Alfalah

At Bank Alfalah, we strongly believe that a conducive culture has the ability to create a satisfied workforce and open the doorway to a more diverse and inclusive environment where employees find their purpose and love coming to work.

We have devised a Culture Strategy that rests on the following pillars:

- One Bank, One Team
- Focus on Customers
- Inspiring and Empowering our People

Our Values are a subcategory of our Culture with which all our employees are mandated to align themselves:

- You (Customer Care)
- Your Needs (Collaboration)
- Your Way (Conduct and Integrity)
- The Right Way (Conduct and Integrity)

All Values have been well-defined by allotting behaviours and competencies to them, to help our people develop a holistic understanding of them. This facilitates an alignment to our values leading to a positive culture and a workplace that provides a conducive environment for everyone, irrespective of an employee's age, race, religion, gender, ability, and other attributes.

All initiatives we propose are a product of the feedback received from our employees, and as a result have a direct impact on the business, behavioural aspects, and customer loyalty. Our devised strategy has been inculcated into the Bank's overarching 5 year strategy, evidencing our senior management's commitment and zeal towards ensuring a positive Culture for our employees.

We embarked upon a journey to clearly define our Culture and Values, and create subsequent awareness of them within the organisation. In order to achieve this, we dedicated each month of the year to a Value or Cultural pillar, structured with the following elements:

- Engage
- Embed
- Empower

Talent Acquisition and Advisory

- Talent Acquisition** - To maintain an uninterrupted talent pipeline and to support our diverse business operations, the Bank inducts mid-level and fresh graduates through hiring programs. All prospective candidates are evaluated through a structured recruitment process. This year, we onboarded 4,616 individuals through lateral and batch programs with our primary focus on ramping up the frontline workforce.
- HR Advisory** - The HR Advisory function continues to support all business functions in areas such as employee retention, handling grievances, conducting employee engagement sessions, etc. As part of this function, the talent classification exercise was successfully carried out for critical positions in order to maintain bench strength of senior talent. There is a focused approach to build a talent pipeline through succession planning to ensure successors at all leadership levels and critical positions. Development plans are devised for high performers, which included their training and coaching needs.

Learning and Development

"Opportunity to Learn and Grow" is one of the main pillars of the Bank's People Happiness Charter. Our aim is to invest in employee development and training opportunities so that our employees continue to hone their skills and advance their careers. Specific focus is placed on job role enrichment, upskilling employees and professional development to enhance the skillset of our workforce.

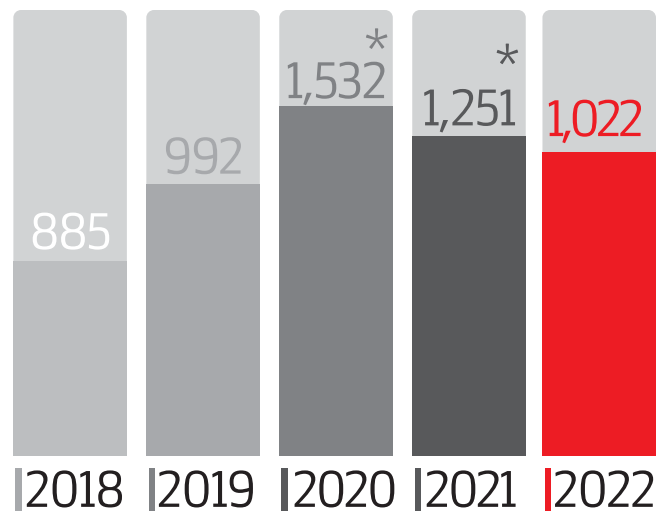
Strengthening the employee induction programs is another focus area to ensure smooth transition of new joiners by equipping them with knowledge about Code of Conduct, Culture, Systems, Policies & Compliance. The bank hosts two programs by the name of Start Right – for all new joiners, and Ready to Perform – for front line employees.

2022 remained an exceptional year for learning and development. The year witnessed digital transformation of learning methodologies, revamping our physical learning spaces. From virtual infrastructure up-gradation to extending innovative learning opportunities, the Learning Division made concerted efforts to equip employees with the best skill-set, enabling them to discover new and better ways to serve our customers.

In line with Employee Happiness Charter to extend opportunities to learn and grow, learning interventions were offered virtually as well as in person. Training interventions and e-Learning modules were offered in various disciplines.

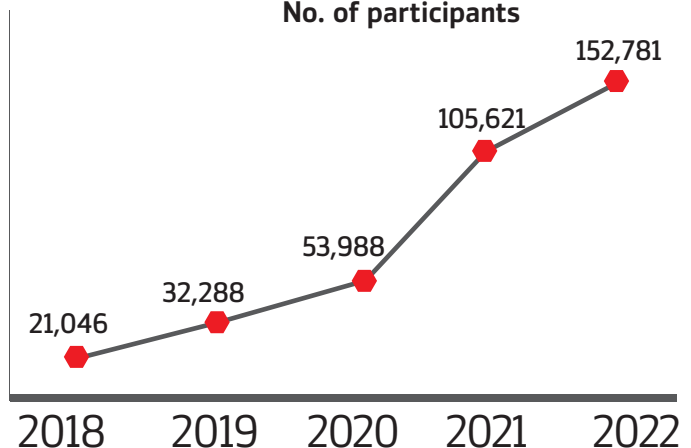
Given below is a glimpse of learning quantum for the last five years:

No. of training programs



* includes online training (multiple sessions per day) during covid period.

No. of participants



Our continued extended focus remained on capacity-building in line with regulatory frameworks and global compliance obligations, with several initiatives undertaken in this regard. With the help of in-house and external subject-matter experts, various learning programs were arranged on Anti-Money Laundering, TF Risk Assessment and CFT Obligations, Trade Based Money Laundering and Cyber Security Awareness. Realising contemporary trends and for future-proofing our employees, learning initiatives have been taken to increase their digital quotient. Frontline teams were upskilled on Product and Process knowledge, and enhanced levels of customer service.

Leadership trainings were organized for the executives. Knowledge sessions were organised for various businesses including special focus on SBP initiatives. Further, In order to induct young talent at Bank Alfalah,

a customised batch learning program was organised for Management Trainees.

We will continue to inculcate learning solutions for our people to enhance their personal and professional skills and nurture a learning culture for organisational growth. In line with the Employee Happiness Charter, we will be heavily investing in enhancing the Customer Happiness Journey by upskilling our employees on Service Quality Management.



Diversity, Equity and Inclusion

At Bank Alfalah we aim to become the employer of choice, by creating a conducive environment where people love coming to work and are respected and valued.

The organization's focus on Culture & Inclusion is evident from the fact that 'Culture' has been placed as a central pillar of Bank Alfalah's 5-year strategy demonstrating our senior leadership's commitment to improving diversity.

Bank Alfalah believes in diversity of ideas and highly encourages employees to do things differently which is an integral part of the organization's vision and mission.

Our Values are well defined by allotting behaviors and competencies to our employees providing a holistic understanding to them. This facilitates an alignment to our Values leading to a positive Culture and a workplace that has a conducive environment for everyone, irrespective of their diversities.

We believe that DE&I inspires creativity and innovation, unlocks productivity, and enhances profitability. Our D&I strategy rests on the following four pillars:



Developing gender intelligent leaders

Introducing and monitoring diversity indicators



Creating measures to facilitate work-life balance and conducive work culture

Helping women succeed and nurturing their ambition



The bank's commitment to build a diverse workforce and an inclusive work culture where everyone is valued, led us to win the following awards and accolades in 2022.

GDIB (Global Diversity, Equity and Inclusion Benchmarks) Awards.

Best Practice Awards

- Vision, Strategy & Business Impact
- DEI structure and implementation
- Work-life Integration, Flexibility, and Benefits

- DEI Communications
- Community, Government Relations and Philanthropy
- Services and Products Development
- Marketing and Customer service
- Progressive Awards
- Leadership and Accountability
- Assessment, Measurement and Research
- DEI Learning and Development

Overseas Investors Chamber of Commerce and Industry (OICCI)

Women Leaders Development

Global Diversity, Equity and Inclusion Benchmarks have been developed by the Centre of Global Inclusion, USA, and serve as standards for organisations around the world to compare and improve their D&I practices. In Pakistan, GDIB Awards are conducted by HR Metrics to recognise organisations' commitment towards DE&I.

We are humbled to receive these awards, and we will continue to advance our journey of becoming one of the most diverse and inclusive employers of Pakistan.

• Female Representation in our Workforce

We are proud to share that women now make up 19.13% of our entire workforce. We take pride that women serve the following key roles in our Management Committee and top leadership positions:

- Chief Financial Officer
- Group Head Retail Banking
- Secretary, Central Management Committee
- Head Corporate South
- Head Premier Proposition
- Head Service Distribution
- Head Systems, Policies and Procedures
- Head Corporate Credit Risk
- Head Cash Products
- Head Digital Operations
- Head Cost Control and Secretary CMC
- Head Proximity Payments and Secretary Digital Council
- Head Corporate Communications
- Area Manager(s)
- Team Leader(s) Asset Sales



Men: 11,204
(80.8%)

Gender positioning by
BAFL
Employment level



Women: 2,658
(19.2%)

• Female Friendly Policies

Since 2018, our focus has been on DE&I policies and programs. The following initiatives were launched and branded so far to promote D&I:

a) Childcare Allowance

In pursuit of becoming a family-friendly organisation, Bank Alfalah provides childcare allowance to its women employees and single parents. This initiative fulfills our commitment to working mothers/single parents as it helps them arrange day-care/care taker facilities, while setting their sights on their careers.



b) Maternity and Paternity Leave

We understand that both mothers and fathers have unique roles to play as parents, especially during the first few days with a newborn. Our women employees are eligible for a 6-month long maternity leave, while our male employees can avail 7-day paternity leave.

c) Maternity Cover Incentive

We have launched a Maternity Cover policy to ensure continuity of work while a woman is away on maternity leave. We offer our employees the opportunity to serve as 'Maternity Cover' for 6 months to take over work of the employees going away on maternity leave. The employee serving as Maternity Cover gets a special monetary incentive at the end of 6 months. Serving as the Maternity Cover offers development opportunities for employees as it diversifies their experience and gives them the chance to learn new skills.

d) Iddat Leave

This is a unique type of leave that Bank Alfalah is offering across all industries. We offer a fully paid 130-day long Iddat Leave for our women employees in the unfortunate event of their spouse's death or divorce so they may have job security and peace of mind during their grieving time.

e) Flexible Working Hours

Bank Alfalah aims to create an environment where the value of flexible working hours is understood and managers are receptive to the needs of their teams. This policy reinforces a culture of meritocracy through focus on outcomes rather than location or hours worked.

f) Communication Channel for Women

Bank Alfalah has a channel specifically dedicated to women through which the Bank regularly stays

engaged with its employees by sharing articles, counseling services, and reinforcing policies on how to handle harassment. This interactive approach helps create a more conducive work environment for them.

They can reach us through email and phone at any time so that we remain accessible to them, hear them out, and support them if they are facing any issue regarding work environment, work-life balance and growth opportunities.

g) Employee Volunteering Leave

Bank Alfalah offer leave of upto 2 working days during which employees can donate their time and talents to the communities around them.

h) Celebrating International Women's Day

In 2022, we celebrated the entire month of March as the month of happiness for women during which we:

- Sent out celebratory chocolates to all women at Bank Alfalah
- Rolled out communications to emphasize on the benefits for women
- Re-launched e-learnings for gender stereotypes
- Launched a logo for Diversity and Inclusion
- Meet and greet sessions

Conducted high impact meet and greet engagement sessions in Karachi and Lahore covering over 70% women bank-wide. We engaged the masses and created awareness on the DE&I agenda, culture, values and efforts Bank Alfalah is making to create a conducive environment for women in specific.

i) SheLEAD (Bank Alfalah's Signature Leadership Development Programme for Women)

Developing women to prepare them for leadership roles is at the heart of the Bank's D&I agenda. We have designed and launched SheLEAD as our in-house signature leadership development



programme for women, which enables women to drive their careers forward, overcome self-limiting beliefs, and build strategic networks. It uses discussions, self-reflection activities and videos as training methodologies programs.

j) Sponsorship Programme for Women

We have launched the Sponsorship Programme to provide our women employees the support and direction they need to advance their careers. Sponsorship, often confused with mentorship, is different from the latter in the sense that while mentors share advice and guidance with their mentees, sponsors advocate for their protégés, are personally interested in their upward movement, and highlight their achievements.

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

• Celebration of Festivals of the Minority Groups

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





• Disability Inclusion

We conducted sensitization sessions for line managers of employees with disabilities to ensure that they are treated fairly, and are offered equal opportunities to learn and succeed. Moreover, we have signed an MoU with ConnectHear to facilitate our deaf and mute employees.

Additionally, in line with State Bank of Pakistan's requirements, we formulated a policy for differently-abled individuals by hosting a focus group with all relevant stakeholders to ensure that we are a diverse, equitable and inclusive workforce. The policy focuses on providing equal employment opportunities and an inclusive infrastructural work environment for differently-abled individuals, while sensitizing our current employees' mindsets. The policy was approved by the Board of Directors following which an entire strategy along with the initiatives was decided as the way forward.



• Breast Cancer Awareness

Every year in October, we run a breast cancer awareness campaign in order to destigmatize this taboo topic and raise awareness about its risk factors and early detection methods. In our internal communications to employees, we shared facts, myths vs. facts, what symptoms women should not ignore, what to do when women are experiencing symptoms and who is recommended breast cancer screenings and self-exams in partnership with Shaukat Khanum. Furthermore, Bank Alfalah's head office was decorated with pink lights and pink masks and ribbons were distributed bank-wide to raise awareness.



• Engagement Session with Women and Persons with Disabilities

Creating a conducive work environment is one of the main pillars of our DE&I strategy at Bank Alfalah. We regularly host engagement sessions and roll out internal communications to create awareness of employees' rights and how they can raise grievances and be protected against all kinds of harassment.

One of our Board of Director members, Dr. Ayesha Khan also conducted an engagement session with the women of Bank Alfalah to understand and address the underlying challenges faced by a working woman.



People Happiness and Employee Engagement Survey

At Bank Alfalah, we believe that having a data-driven approach to every project we propose, ensures all our initiatives are people-orientated at their core. We have a multifaceted approach to measure Culture at Bank Alfalah. To ensure we have a healthy work culture and seamless employee experience, we conduct our

Happiness and Engagement Survey. The significance of our survey is as follows:

- Measures Engagement - A valid assessment of how engaged or disengaged our employees are using scales from validated psychometric surveys.
- A Venue for Open Feedback - Participants' direct voice reaches management.
- The 'How' to 'Increasing Employee Engagement' - Create direct initiatives and interventions to address problem areas and reduce attrition.
- Direct Organisational Growth - Receiving valuable actionable data to implement for organisational growth in all areas of business.





Bank Alfalah launched many initiatives for the well-being of its people, which helped improving bank-wide employees engagement:

Mental	Physical	Emotional	Financial	Career
<ul style="list-style-type: none"> Launching soft skills e-learning programmes such as: Empathy Becoming stress resilient Learning Bytes Gender Stereotypes 	<ul style="list-style-type: none"> Medical Policy for lower range staff Gym reimbursements Health benefits Work from home policy Fit Hi Hit Hai 	<ul style="list-style-type: none"> Thankful Thursdays DEI Initiatives for minorities differently abled, and female employees Virtual sessions on EQ & stress resilience Virtual sessions on mental well-being 	<ul style="list-style-type: none"> Quicker personal loans processing Revision in benefits (markup rates for house loan, SLCL) 	<ul style="list-style-type: none"> Focus on Culture & Values Engagement with new joiners (check-in surveys) Internal Elevations HR Help Desk for any HR Related inquiries for employee experience Leadership Development Program Welcome Back Program

ALFA LEAD Management Trainee Programme

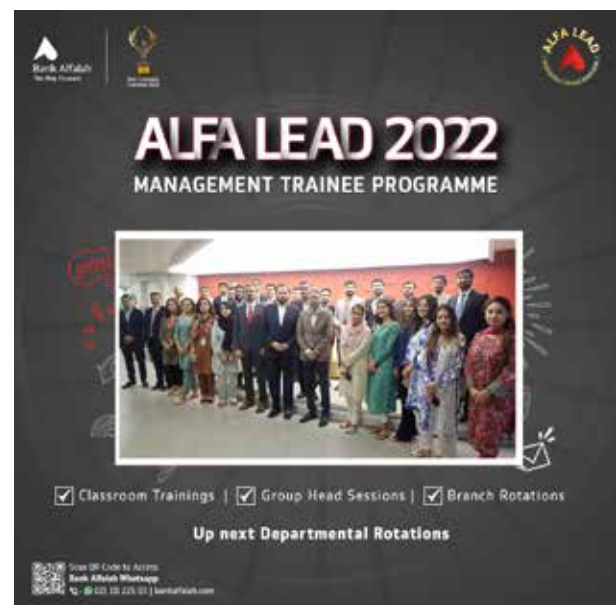
Each year, Bank Alfalah hires fresh graduates who go through a rigorous recruitment process. The process consists of 4 stages including Competency Based Game, Video Interviews, Virtual Assessment Center and Panel Interviews. BAFL continued to hire and develop young graduates into smart banking professionals. Bank inducted 27 talented individuals during the year to be upskilled as Future Leaders.

The Bank participated in Career Fairs that were held in multiple cities while focusing on its social media campaign to reach the majority of graduates across Pakistan.

There was particular focus on this program ensuring that they are well engaged via their enhanced learning plan and through Meet and Greet with the CEO and Senior Management of Bank Alfalah.

The in-depth learning plan, integrated with the Learning Management System and rotations in branches and all

businesses of Bank Alfalah, aimed to provide Management Trainees a wholesome idea of the organisation and shape them to become future leaders of the Bank.



Exceptional Employee Experience

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

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

Additionally, we send the following surveys to our new joiners to remain abreast of their onboarding experiences, challenges and learnings at work, their relationships with their line managers, and colleagues.

- **Welcome to Bank Alfalah Survey**

This survey is sent to the new employee within 30 days of joining through Oracle Human Capital Management System (HCM) to gain knowledge about their onboarding experience.

- **30 and 90 Day Check-In Survey**

This survey is sent to the employee within 30 and 90 days of joining through Oracle Human Capital Management System (HCM) to learn more about their overall employee experience regarding job role, location, expectations, challenges, culture, and supervisor-employee relationship.

- **First Work Anniversary Survey**

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

Furthermore, we send the following survey to all employees to remain abreast of their experiences, challenges and learnings at work, their relationships with line managers and colleagues.

- **Employee Well-being Survey**

Keeping the spirit of community in mind, and to maintain high morale, HR conducted sessions on mental well-being to allow the employees understand and learn about the importance of mental wellness. The Bank, as an organization, wanted to ensure that we are doing the best we can to protect our employees' health and well-being, while continuing to deliver excellent products and services to our customers.

- **Know Your Benefits Campaign**

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

benefits.

The campaign continues to be as it enables easy accessibility of benefits to employees.

- **Sabbatical Leave**

The bank offers sabbatical leave to its employees who intend to enhance their academic qualifications without the risk of losing their jobs.

- **Go Green Initiative**

In order to go paperless, we have digitised major HR processes that were otherwise consuming a lot of paper for application and operational processes. Now employees have easy access to the Human Capital Management System (HCM) links and fill e-forms for any of the digitised functions, including:

- Education Reimbursement
- Child care allowance
- Gym reimbursement
- Advance salary request
- Joining report submission

Further digitisation of other major processes is underway.

- **Learning Resources**

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

- **Employees get together, appreciations and family events**

The Bank organises events for its staff and their families. The aim of such events is to get employees more acquainted with the bank's value and learn something new about the organization and foster a sense of belonging and loyalty.



Employee Relations

• Conduct and Integrity

At Bank Alfalah, employees are expected to conduct themselves in accordance with high standards of personal and professional integrity, and in compliance with all the laws, regulations, corporate policies and procedures in force. In order to instill in our employees the true spirit of our culture based on our corporate values, we consider it one of our prime responsibilities to organise awareness sessions on conduct and integrity on a regular basis. Every possible effort is made to cover all aspects of the conduct an employee is expected to follow at the Bank.

We regularly host engagement sessions on Treating Employees Fairly with Line Managers to acquaint them with the skills and competencies required to enable a conducive environment.

A process to raise grievance is in place, and we run internal campaigns to reinforce and create awareness about Employee Relations and its processes.

This aims to create a safe working space for all employees with a solution-based approach where employees can raise their concerns regarding:

- Discrimination
- Maltreatment
- Harassment
- Intimidation
- Unfair Treatment
- False Accusations

Sessions were organised for the female staff to minutely cover the topic of 'Protection against Harassment of Women' at workplace to make them realise that Bank Alfalah is uncompromisingly committed to offering a work environment where all its staff feel safe and have equal growth opportunities. These sessions are meant to empower our employees so that they are able to make informed decisions and work with their full potential towards organisational growth, while securing against internal and external compliance issues.

INTERACTIVE AWARENESS PROGRAMS ON HARASSMENT AT WORKPLACE AND HOW TO HANDLE IT

Bank Alfalah is always uncompromisingly committed to offering a work environment where all its staff feel secure and have growth opportunities equally. In order to impart awareness on harassment at workplace and how to handle it, exclusive sessions were organized in collaboration with different stakeholders from the Business, Risk, Compliance, Diversity & Inclusion, Employee Relations, and Learning & Development.

The sessions conducted by Mr. Ghulam Shabbir, Head Employee Relations along with the female Inquiry Committee members, were attended by all the insured female staff from both the front and the back offices. In the gathering, not only was the Bank's harassment at workplace policy discussed but also the queries from the attendees on workplace harassment and its handling were clarified in detail.

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HR Rewards and Services

• Remuneration Policy Implementation

Bank Alfalah has a Remuneration Policy in place. The policy was prepared in accordance with the directives of the SBP. For details about the Remuneration Policy, please see the Governance section of this Annual Report.

• HR Quick Connect

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

• Adhoc Allowance

Owing to the rising inflationary pressures, BAFL gave an ad-hoc relief allowance for employees for 6 months. The allowance ranged from 11% to 22% of their base salary.

• Bank Alfalah Employee Welfare Programme

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

- i. Medical Grant: Provides funds for medical emergencies/treatment of employees and their families (insured dependents), where health insurance limit is exhausted as per the Bank's hospitalization policy.
- ii. Marriage Grant: Provides funds for daughters' marriages.
- iii. Educational Grant: Provides funds to pay admission fee for professional/postgraduate degrees of employee's children.

Employees contribute to the fund on a monthly basis and the monthly contributions are matched by the Bank. During 2022, 453 employees were facilitated through BAF Employee Welfare Programme.

• Assistance to staff affected by floods

In addition to this, special consideration was given to employees affected by the 2022 floods to support them during these testing times.

• Community Building

The organization is socially responsible and is generous in partnering with or supporting other social organizations to advance the holistic objective of uplifting the community. Employees are encouraged to participate in and support various community projects. Some examples include:

1. All employees make a monthly contribution to the Employee Welfare Program. Any permanent or third-party employee can avail support in times of financial hardships.
2. Collaborated with different foundations to conduct blood donation drives across Pakistan. All employees have access to blood provision in case of emergency.

Our actions in Human Capital relate to following SDGs.



3

To ensure safe & healthy workplace & overall well-being of our employees, various initiatives have been undertaken

5 10

Fair hiring process & no discrimination irrespective of locality, gender or ethnicity of employees

8

To improve professional efficiency Bank Alfalah gives highest importance on training & workshop

Shareholders and Investors (including Institutional Investors)

Bank Alfalah, being a public listed company, ensures timely disclosure of all material information to the shareholders through Pakistan Stock Exchange. The Bank has an Investor Relations (IR) Department to effectively inform all stakeholders of any material development through various forums and organises quarterly presentations on results, operations, and concerning material developments. Investors can easily access our financials and analyst briefings, which are available on the Bank's official website.

Shareholders can reach out with their complaints over the phone or in writing, and the same are addressed promptly by the Bank.

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

The Bank has dedicated staff in the Corporate Affairs Division for assisting with and handling shareholder/investor grievances.

Declaration, recommendation and payment of dividend

The Bank strives to maximise shareholders returns in the form of dividends. The Bank follows applicable regulatory framework for the declaration, approval and distribution of dividend. Annual dividend is approved by the shareholders at an Annual General Meeting (AGM) on the basis of recommendation of the Board. Dividend is recommended by the Board after consideration and approval of the financial statements which were considered by the Board Audit Committee prior to Board's approval. All requisite approvals and clearances, where necessary as applicable, are obtained before the declaration of dividend.

- **Shareholders Register:** For the purpose of determination and distribution of Cash dividend or Stock dividend, as applicable, the Bank, by appointing a share registrar, maintains detailed information of its shareholders

including bank account and contact details for the purpose of proper distribution of cash dividend or stock dividend.

- **Book closure:** The bank announces book closure dates, during which, share transfer books remain closed
- **Dividend entitlement:** Only the shareholders whose names appear in the Shareholders Register on the record date (book closure) fixed by the Bank are entitled to dividend.
- **Payment of dividend:** The Bank distributes dividend in the bank account of its shareholders.
- **Unpaid/Unclaimed dividend:** The Bank maintains detailed information of unpaid or unclaimed dividend. Unclaimed dividend is paid to the shareholders upon a formal request and as per the procedures.
- **Process:**



Steps taken to encourage minority shareholders to attend General Meetings

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

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

- Notice of the meeting is sent to all shareholders at least 21 days before the meeting. The notice details the agenda, venue and timing of the

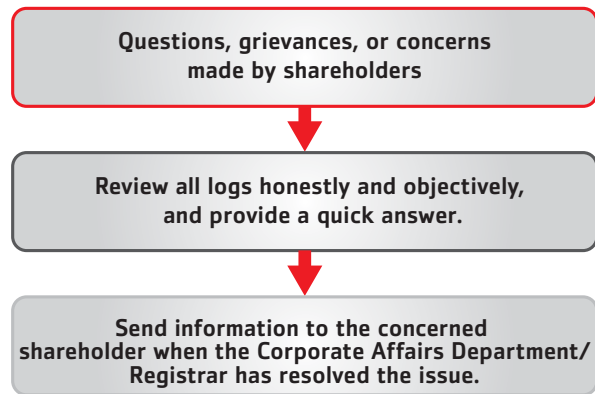
meeting along with the text of special resolution, if any, and other agenda requirements;

- Notice is published in English and Urdu languages in leading newspapers having nationwide circulation along with the Bank's website;
- Notice is also posted on Pakistan Stock Exchange portal;
- Annual Report of the Bank is sent in electronic (CD or email) and hard format (on request). This enables minority shareholders to review the Bank's performance;
- Notice of the meeting includes proxy form (annexed with the Annual Report), which is a mode whereby the shareholders (including minority shareholders) can nominate anyone on their behalf to attend and speak at the meeting, in their absence;
- During the meeting, a detailed briefing on the Bank's performance and future plans is given to the shareholders;
- All shareholders (including minority shareholders) are encouraged to ask questions and give suggestions relating to the Bank's operations.

Steps taken about redressal of investors' complaints

The Bank has an investor relations page on its corporate website. The contact details of the Bank's representative officers designated for assisting with and handling shareholders' grievances are mentioned on the investor relations webpage. For shares related issues (such as zakat deduction, withholding tax deduction, bank account details, etc.), shareholders are advised to contact the Shares Registrar of the Bank through contact details available on the Bank's corporate website. The Bank has also placed on its website, weblink of the SECP's complaint cell for taking up matters not addressed by the Bank in a timely manner.

Furthermore, to address general queries, suggestions and complaints, the Bank has also placed all relevant details on its website on the 'Contact Us' link.



Matters raised at the last Annual General Meeting (AGM)

The 30th Annual General Meeting 'AGM' of the Bank was held on 29th March, 2022 in Karachi. 753 shareholders (representing 65.72% of the total outstanding shares) attended the meeting via video link, in person or through proxies.

No significant issues were raised in the AGM, however, shareholders sought clarifications on the Bank's financials and commented on the progress of the Bank.

The CFO highlighted salient features of the audited annual accounts of the Bank for the year ended 31st December, 2021.

The following were the questions asked by the shareholders in the meeting:

- A shareholder enquired about Six Years Financial and Non-Financials Summaries provided on page # 264 of the Annual Report and said that in the last five years, the Bank added less branches as compared to the branches added by the peer banks. He sought some clarification on Cash Flow Summary.

The CFO replied that the Bank in addition to investing in the new branches is also investing in digital technologies. The branches are used to solicit the deposit whereas alternate delivery channels influence customer preferences for digital channels, increase stickiness, and at the same time strengthen relationships. The CEO added that we were slow in opening of new branches in the earlier years but in the last two years we added 92 new branches to the network and more than 100 branches will be added in 2022.

- Another shareholder enquired about investment in Sapphire Wind Power (SWPC), its profitability and update on MOU with the government.

The CEO replied that SWPC is a wind power project and is operational. CEO further added that SWPC is a profitable entity and MOU had been signed between SWPC and the government.

- On another query on trade market share, the CEO responded that the Bank's share is 7% of the total Pakistan trade and the same is increasing YoY.

One shareholder congratulated the Board and the Management for good results and expressed his wishes for further growth in the future. He also appreciated the presentation of the Annual Report 2021.

The meeting concluded with a vote of thanks to the Chair by the Company Secretary.

Investor Relations

The Bank believes in regular engagement with stakeholders to reinforce their confidence and maintain their trust. We strive to not only meet but exceed stakeholder expectations by fulfilling all their requirements.

In order to facilitate investors, we have a two-pronged strategy. Bank Alfalah houses a fully functional Investors Relations (IR) Department having relevant experience in Capital Markets. The second leg of the strategy pertains to operational logistics matters relating to the Bank's in-house staff and contracted third parties (Share Registrar).

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

Corporate Briefings and Road Shows

The Bank organises analyst briefings on the quarterly performance of the Bank, and also apprise them of our strategy going forward.

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

Our Investor Relations team also regularly connects institutions and potential investors virtually, or at our premises to apprise them of our performance and

strategy.

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

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

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

Summary of Analyst and Shareholder Briefings conducted during the year

Analyst and shareholder briefings are a unique opportunity to share business updates that are relevant to analysts' coverage areas, and provide input for their research into changing markets. The Bank apprises investors about the economic environment, business avenues and development indicators of the country, financial performance, competitive environment, investment decisions, and challenges faced as well as the business outlook. These factors support investors in their decision-making about the Bank. Quarterly analyst briefings are held through teleconferencing. Business analysts are also provided information as and when required without compromising on confidentiality.

During the year, the following briefings were held:

Results period	Date
Annual – 31st December, 2021	9th March 2022
Quarter ended – 31st March, 2022	11th May 2022
Half-year ended – 30th June, 2022 *	12th August 2022
Nine months ended – 30th September, 2022	31st October 2022

*Shareholders briefing

Investor Relations Section on Corporate Website

The Bank has a dedicated section on its website for investors. The section contains various reports and vital information for shareholders, including quarterly financial reports, annual reports and quarterly analyst briefing presentations. The URL to Investor Relations is <https://www.bankalfalah.com/investor-information>

Suppliers, Service Providers and Vendors/ Outsourcing Arrangements

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

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

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

Through this policy, the Bank achieves the following objectives:

- Improve vendor selection
- Harness cost savings

- Speed-up vendor onboarding
- Reduce the risk of supply chain disruption
- Strengthen supplier relationships
- Negotiate better rates

In order to enable financial institutions to effectively manage the risks arising out of outsourcing, State Bank of Pakistan updated the Guidelines on Outsourcing Arrangements. The instructions are called 'Framework for Risk Management in Outsourcing Arrangement by Financial Institutions'. The framework is based on international standards and best practices. These instructions aim to create a proactive approach in FIs on various aspects of outsourcing, including governance, risk management, in-sourcing of services, group outsourcing, information technology outsourcing, and collaboration/outsourcing arrangements by FIs for financial technologies.

Outsourcing Arrangements

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

Name of Outsourced Activity	Name of Service Provider	Nature of Service	Cost in 2022 (Mn)
Cash Transportation Services	<ul style="list-style-type: none"> - Wackenhut Pakistan (Pvt) Ltd. - Askari Guards (Pvt) Ltd. - Phoenix Armour (Pvt) Ltd. - Security Organizing System Pakistan (Pvt) Ltd. 	This includes physical transfer of banknotes from one location to another. The locations include branches, ATM points and cash processing cells.	Rs. 224.2 Rs. 21.8 Rs. 1.9 Rs. 570.9
Cheque Book Printing Services	<ul style="list-style-type: none"> - Constellation Printing Company - Apex Printery (Pvt) Ltd. 	This includes printing of cheque books.	Rs. 107.8 Rs. 44.1
Cash Management Services (Offsite ATMs/CDMs/CCDMs)	<ul style="list-style-type: none"> - Phoenix Armour (Pvt) Ltd. - Wackenhut Pakistan (Pvt) Ltd. - Security Organizing System Pakistan- (Pvt) Ltd. 	This include Offsite ATMs/ CDMs/ CCDMs cash & machine management.	Rs. 10.6 Rs. 11.4 Rs. 6.7
Total			Rs. 999.4

Analysts and Credit Rating Agencies

Credit rating agencies provide value for investors and market participants by rating the creditworthiness and ability of the Bank to repay its credit and debt obligations. By providing a rating, credit rating agencies put different entities on an equal footing, providing a comparable rating for different types of entities and different types of bonds. A credit rating takes into account many factors, including the financial health of the entity, cash flows, lien priority, entity governance, past history of debt repayment, bond term, and future economic outlook relevant to the entity.

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

Regulatory Bodies

Bank Alfalah assigns high importance to compliance with laws and regulations by implementing the same at all levels of the Bank in true letter and spirit. Promoting high standards of integrity and ethics, the Bank has developed and enforced a robust compliance model with three lines of defense across the organisation for ensuring effective management of compliance risks.

Furthermore, the Bank considers regulatory compliance and reporting a key responsibility, among other compliance requirements, which is carried out by the Bank appropriately as prescribed by various regulatory bodies. We believe in being fair and open in all our reporting to and dealings with the regulators with a vision to maintain a transparent relationship with regulatory bodies.

Society

Bank Alfalah considers contributing to society a prime responsibility of the Bank as a responsible corporate citizen.

As a prominent and responsible entity operating in the country, the Bank continually looks for opportunities to give back to society. The Bank believes in developing

the community in a sustainable way forward.

The Bank contributes to society through its Corporate Social Responsibility (CSR) initiatives, whereby it undertakes various activities to benefit society at large. This is done through multiple initiatives such as ration distribution and donations to communities in need, plantation drives to aid the environment, financial grants to enable quality education, medical treatment for the underprivileged, infrastructural developments, and interactive sessions aimed at personal development, whereby it undertakes various activities to benefit the society at large.

Please refer to the Sustainability section of this Annual Report for details on the engagement with community/society.

Media

The media is instrumental in communicating the Bank's vision, mission and core beliefs in order to inform and educate customers and potential customers. The Bank utilises conventional and digital media to reach its audience. Whether its television and print or the increasingly popular social media, the Bank aspires to expand its footprint, establish its brand, and inform and update its customers regarding its initiatives and tailor-made offerings. Without the press, the Bank would not be able to develop a relationship of trust with its stakeholders.

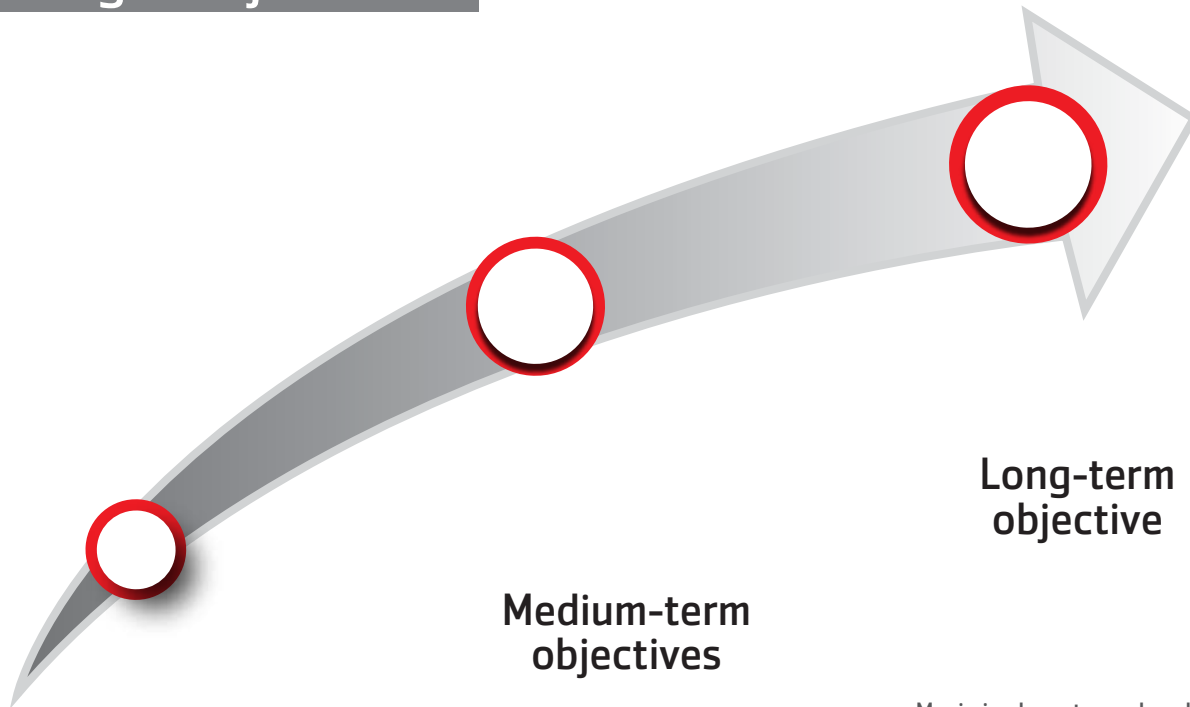
The Bank fully uses the power of media to keep all its stakeholders informed and aware of its performance. The role of the media is immense in the spread of information pertaining to the Bank, whether it's information on financial literacy, green banking, digitisation, DE&I initiatives, regulations, advertisements or promotions. The Bank strives to maintain frequent and open communication with the media at all times to create brand awareness and strengthen its brand image.



STRATEGY, KPI & RESOURCE ALLOCATION



Strategic Objectives



Short-term objectives

- Deliver superior customer service.
- Develop innovative products to serve customer needs.
- Continue to enhance our controls and compliance framework, and follow prudent and robust risk management practices.
- Continual improvement in processes to increase operational efficiencies.
- Invest in human capital and become the employer of choice.

Medium-term objectives

- Become the most customer centric and innovative bank in the country.
- Regain and increase market share in deposits, consumer lending and SME financing.
- Become a leading transactional bank in the country.
- Develop a culture, which is caring and compassionate and drives the right employee behaviour.
- Build strategic partnerships and investments in Fintechs.
- Maintain a sound capital base with a controlled Risk Management Framework.

Long-term objective

- Maximise long-term shareholder value and sustainable returns.

Strategies to Achieve Objectives and Key Performance Indicators

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

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

Strategic Objectives	Strategic Initiatives	Plans/Strategies for Meeting Objectives	Key Performance Indicator (KPI)
	Accelerate the supply chain finance initiative.	<ul style="list-style-type: none"> Leverage the first mover advantage to become a market leader in this space. Improve time-to-market and anchor onboarding for an enhanced customer onboarding experience. Leverage technology and automation for onboarding and transactional activities of the program 	Become a leading transactional bank
	Increase market share in home remittances.	<ul style="list-style-type: none"> Build on the home remittance business through high service standards and improved customer experience. Increasing partnerships with international remittance service providers. 	Become a leading transactional bank
<p>Investing in human capital and becoming the employer of choice.</p> <p>Developing a culture, which is caring and compassionate, and drives the right employee behaviour.</p>	Build the BAFL Culture.	<ul style="list-style-type: none"> Embed VMV (Vision, Mission, Values) across the organisation Develop a culture that is caring and compassionate, and drives the right employee behaviour Adopt a customer-centric approach that is people dependent 	Build employee driven culture
Becoming the most customer centric and innovative bank in the country.	Technology and Innovation.	<ul style="list-style-type: none"> Make the right investments, keep pushing the possibility frontier through technology, and foster an environment that unleashes the true potential and power of technology Acceleration of digital transformation and business process re-engineering in the mothership bank. Building a leaner operating model and introducing new agile ways of working 	Innovation
Build strategic partnerships and investments in Fintechs.	Strategic Partnerships.	<ul style="list-style-type: none"> Enter into strategic partnerships to build franchise value Partnerships and investments with Fintechs to develop a technological edge over competitors 	Partnership
Maintaining a sound capital base with a controlled Risk Management Framework.	High-rated capital instruments and other funding	<ul style="list-style-type: none"> Tier I and Tier II instruments to support the capital base. Optimizing Risk-Weighted Assets. 	Capital adequacy and compliance of liquidity ratios
Maximising long-term shareholder value and sustainable returns.	Focus on increased profitability and Return on Equity Lowering a Weighted Average Cost of Capital	<ul style="list-style-type: none"> Target revenue growth through new business opportunities Reduce costs leading to lower cost to income ratio 	Higher operational efficiency

Future Relevance of KPIs

The Bank monitors its progress against all KPIs regularly. The Management, under guidance from the Board, strives to achieve targets in accordance with our strategy. We ensure that short, medium and long-term KPIs remain relevant and the Bank realigns its short and medium-term objectives periodically, keeping achievements against KPIs in view.

President's video on the Bank's strategy



Please visit the link below for President's message on the Bank's strategy.

<https://www.bankalfalah.com/financial-reports/ceo-review-2022/>

Methods and Assumptions used in Compiling Key Performance Indicators (KPIs)

Key Performance Indicators are the metrics utilised by the Management to measure performance against strategic objectives. KPIs are designed carefully keeping in view quantitative and qualitative aspects.

- Quantitative aspects relate to the Bank's financial base, ability to generate funds, deployment of funds in the most profitable avenues, profitability, market share, growth in share price, value addition over the book price of shares, adequacy of capital, and liquidity.
- Qualitative aspects relate to customer and investor confidence, brand identity and loyalty, innovation, employee confidence, data security, strategic partnerships, and risk management.

KPIs are continually reviewed and worked upon by the Management of the Bank. They are analysed, correlated with the external environment, and aligned with factors affecting the Bank's strategies and performance. They are visibly communicated and followed, in line with the strategy of the Bank.

Methods in Compiling Indicators

Quantitative KPIs

- **Market share:** The Bank focuses on gaining market share in deposits, advances, trade, remittances and government initiatives such as RDA. Our growing share reflects the trust of our customers in the Bank and is an indication of customers' preference to choose Bank Alfalah as the preferred transaction bank. The Bank constantly assesses this indicator through a comparative analysis of the volumes of peers, in order to grow and decide on various growth strategies.
- **Share price and value addition over the book value of the share:** This is a measure of shareholders' and investors' confidence in the Bank's performance. The Bank monitors this KPI closely and aligns its financial performance to build momentum in investor confidence.
- **Profitability:** The main elements of profitability, markup income and non-fund based revenue, are derived from effective balance sheet management, high earning assets and a sound deposit level. Furthermore, while the costs of doing business due to investment in IT & Digital infrastructures may go up, the Bank willingly incurs such costs without compromising on profitable ventures. The Bank controls and manages the costs of driving sound profitability and evaluates its profitability levels (Earnings Per Share) in order to maximize shareholder return and ensure sustainable returns.
- **Dividend payouts:** Sustainable dividends are at the forefront of the Bank's strategy with a view of maximizing shareholders' long-term returns. The Bank will continue to prioritize a consistent and healthy dividend payout over the coming years.
- **Capital adequacy and liquidity ratios:** Maintaining capital well above the regulatory capital adequacy limits (including buffers) and strong liquidity ratios indicate the Bank's sound financial footing. These are calculated based on various regulatory instructions. The Bank keeps a check and balance on these ratios and does not deviate from regulatory requirements.
- **Ability to generate funds:** The Bank had successfully generated funds through a Medium Term Note and multiple ADT-1 instruments. These reflect institutional investors' confidence in the soundness of the Bank's balance sheet, efficient liquidity management, and our ability to repay debts.

Qualitative KPIs

These are closely linked with the above quantitative aspects. Hence, the outcomes of these quantitative KPIs have a strong correlation with qualitative KPIs. The Bank continually invests its capital in a manner that ensures that we simultaneously continue to achieve and exceed set qualitative indicators. Given below are some qualitative KPIs, which the management tracks:

- **Customer satisfaction:** The Bank has conducted various customer surveys to collect direct feedback and has improved its customer satisfaction level over the period of time. The methods used are Digital Survey Platform (calls and SMS) and Customer Experience Management (monitoring quality of service at customer touch points).
- **Quality service:** We do this by driving society towards digital innovation. The increased usage of our digital avenues such as Alfa app, QR Payments, Alfa Payment Gateway, CDMs, ATMs/KIOSK, and POS machines represent the quality of service that we have delivered to our customers. Further, the Bank's dedicated Customer Experience unit measures and manages performance quality through various service parameters across the Bank.
- **Employee happiness:** The Bank strives to enhance employee happiness since it has an important bearing on customer service and performance-oriented results. The bank has made employee happiness a core element of its culture. This is evident from the Bank's regular practice of following a People Happiness Framework and monitoring happiness scores based on annual feedback from all employees.

Assumptions in Compiling Indicators

Please refer to the 'Outlook' section of this Annual Report.

Resource Allocation Plans and Financial Capital Structure

The Bank's significant resources to achieve the objectives

The Bank considers all of its capitals as essential for operations and effectively ensures their availability, quality and affordability. Furthermore, the Bank plans its resources in a way that its ability to produce flows from them to meet future demand is always catered to while maintaining an optimum risk appetite and ensuring minimum regulatory thresholds.

With planning, the Bank ensures the connectivity of its capital with financial performance and outcomes. The Bank's strategies, resource allocation plans, and risk management arrangements are designed to enhance the future capital generation and maximize value creation for the bank's stakeholders.

Financial Capital

The financial capital includes shareholders' equity, liquidity, cash flows and financing arrangements.

Share Capital and Equity

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

Deposits

Deposits remain the core resource for any commercial banking unit. Core deposits comprise Current Accounts and Saving Accounts (CASA). Deposits, like any other source, have an attached cost, which includes competitive returns to the depositors, remuneration for deposit-gathering teams and additional services to facilitate customers. The Bank's CASA mix remains healthy, and behavioral maturity profiling appears adequate. The Bank raises term deposits at the right price, while accounting for their maturities. With a great emphasis on building a low cost deposit base, our total deposits stands at PKR 1.487 Trn and current deposits at PKR 661 Bn as at Dec'22. These numbers are achieved through a segmented sales approach based on ideal customer personas and selective branch expansion in key areas.

Long-Term Financing (TFC & ADT 1)

On the debt side, the principal component consists of long-term debt. Debt instruments include term finance certificates which are either repayable over a defined term or for perpetuity. Over the years, the Bank successfully issued 7 term finance certificates, of which 5 have matured. During the year, the Bank issued Additional Tier-I (ADT-1) capital instrument in the form of listed, perpetual, unsecured, subordinated, non-cumulative, and contingent convertible debt instruments in the aggregate amount of

PKR 7,000 million. The Issue Amount contributes toward the Bank's Additional Tier I Capital for capital adequacy ratio as per guidelines set by SBP. The funds raised are being utilized in the Bank's normal business operations.

Other Borrowing

The Bank arranges other short-term borrowings to match its liquidity needs. In 2021, the Bank issued a Medium-Term Note, which has a maturity of three years, and is secured against government securities.

Plans:

- Generate low-cost/no cost deposits through the branch network and by providing excellent customer service
- Issue TFC/ADT 1 instruments, if required.
- Improving customer services with conversion of conventional banking customers to digital channels

Linkage of this capital with SDGs



Human Capital

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

Our objective is to ensure the welfare of the Bank by keeping the welfare of employees at heart. Our performance management systems are intended to inspire employees to strive toward targets that help the

Bank accomplish its strategic goals. As a result, we have created a performance-based culture that promotes the generation of value over the long and short terms. Our most valuable resource for success and growth continues to remain our human capital.

Plans:

- Foster a culture of happiness to achieve employee satisfaction
- Train employees to better serve customers
- Focus on the concept of One Bank One Team

Linkage of this capital with SDGs



Intellectual Capital

The intellectual capital includes patents, copyrights, software, licenses, knowledge, system and procedures.

The Bank considers technological advancement vital for attaining long-term growth and for sustainability. The journey of integration of technology into the banking sector has witnessed significant breakthroughs like branchless banking through digital channels with multi-purpose solutions. Our vision to be the most innovative bank in Pakistan has seen the Bank deploy cutting-edge technology to equip our customers with end-to-end solutions.

Software upgrades, process reengineering, bringing technological solutions to meet customers' needs, secure channels, and digitization are at the core of our progress and sustainability.

Plans:

- Continuous adoption and implementation of latest digital solutions
- Build internal capacity to achieve technological advancement
- Prioritize customer satisfaction through constant innovation in products and processes

Linkage of this capital with SDGs



Manufactured Capital

The manufactured capital includes building, equipment and infrastructure. The ambiance and space of our customer touchpoints are of prime importance. Through effective utilization of our buildings, branch design, equipment, and infrastructure, we aim to offer an environment to our customers, that increases our footfall. Our Branch Design Manual focuses on safety, security, energy conservation, and getting the maximum benefit from natural capital. Our geographical reach is also focused to achieve maximum customer interaction, particularly in unbanked areas.

Plans:

- Increase the number of easily accessible touch-points
- Focus on creating branch spaces that enable and empower customers to relate and transact
- Molding an environment that fosters customer ease by leveraging the latest technology

Linkage of this capital with SDGs



Social and Relationship Capital

Our social and relationship capital includes customers, investors/shareholders, suppliers, vendors, partners, and employees. The Bank has taken various initiatives to collaborate with them and enhance its brand image. The more positively engaged people are with the Bank, the greater the mutual benefits.

Plans:

- Initiatives that help maintain customer loyalty
- Retain brand image to become a go-to bank
- Philanthropic activities to support society at large
- Complete transparency to win investor/shareholder confidence

Linkage of this capital with SDGs



Natural Capital

The Bank, in achieving its objectives, utilises all natural resources efficiently. Sustainable use of nature's capital is one of our prime goals. We have deployed lasting solutions for conservative usage of water and energy and implemented a Green Banking initiative to protect natural capital.

Plans:

- Conserve energy through solar panels, energy savers, etc.
- Positive contribution to the environment through plantation and cleanliness drives
- Promote a paperless environment
- Focus on renewable energy financing

Linkage of this capital with SDGs



Financial Capital Structure of the Bank

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

Our total Capital Adequacy Ratio stands at 13.83% against the required 11.50% (including a capital conservation buffer of 1.50%). Common Equity Tier-1 (CET-1) to total risk-weighted assets ratio stands at 9.51% against the required 6.00%.

The required capital adequacy ratio is achieved by the Bank through:

- (a) Adequate level of eligible capital
- (b) Adequate risk profile of asset mix
- (c) Ensuring better recovery management
- (d) Maintaining acceptable profit margins

The Bank prepares its Annual Budget, Business Plans, and Risk Appetite Statement for purpose of the drawing out a growth map and future direction as well as identifying Bank's Risk taking capacity. Bottom-up approach and detailed deliberations are used to prepare the annual budget. The growth prospects take into consideration prevailing economic and political factors in Pakistan and abroad.

We regularly assess our capital levels; all business plans and budgets are reviewed by Senior Management and approved by the Board, ensuring enterprise wide capital

adequacy. Additionally, the Bank aims to pay out a consistent stream of dividends to our shareholders, while maintaining adequate capital under all stress scenarios and accounting for future business requirements.

Furthermore, the State Bank of Pakistan has designated Bank Alfalah as a sample Domestic Systemically Important Bank (D-SIB) under the D-SIB framework, thereby mandating compliance with enhanced supervisory requirements. These include formulation of Risk Appetite statement, Internal Capital Adequacy Assessment Document (ICAAP), Macro Stress Testing/ Scenarios Analysis and preparation of Recovery Plan.

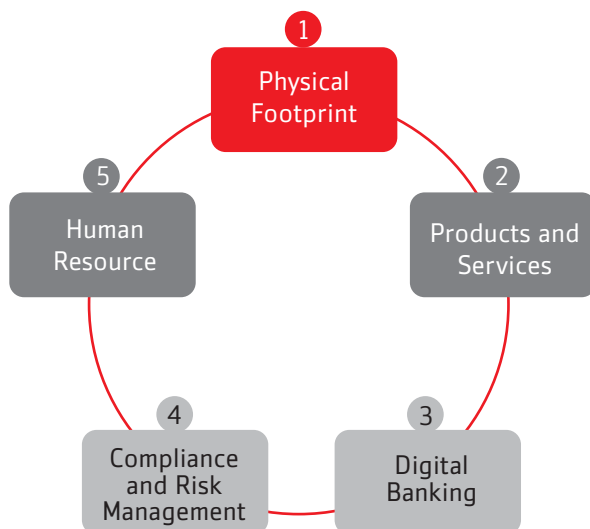
The Bank successfully issued Pakistan's first listed Additional Tier 1 Capital instrument of Rs. 7 Bn in 2018. Proceeds from the issue augmented our capital base and are being utilised for the expansion/growth of the Bank's business. The instrument has been rated 'AA-' (Double A Minus) with 'Stable' Outlook by PACRA, reflecting our diversified operations, healthy financial risk profile, strong sponsors and market presence. Further, during the year, the Bank issued another tranche of ADT1 of Rs. 7 Bn which is a 'AA-' (Double A Minus) rated instrument by PACRA.

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

Key resources and capabilities providing sustainable competitive advantage

Key Resources

The Bank has a sustainable competitive advantage through the following key resources:



Physical Footprint

The Bank continues to expand its branch network to promote financial inclusion and increase the accessibility of financial services across the country. As of December'22, the Bank has a network of over 890 branches committed to serving our customers' needs by offering innovative banking solutions.

Diversified Products and Services

The Bank offers a wide range of product and service propositions tailored to meet a diverse range of customer needs such as deposit accounts, consumer loans, wealth management products and other payment solutions. The product offerings are designed to accommodate all customer segments whether its SMEs, senior citizens, females or blue collar workers etc.

Digital Banking

On the digital front, Bank Alfalah continues to make breakthroughs with its cutting-edge solutions through its vast suite of 175+ digital products and services. This has significantly enhanced banking for customers by introducing ease of use, reliability, quick turnaround times. etc. In particular, the Bank's lifestyle digital application, Alfa, continues to empower customers with 360-degree services while the Bank's digital onboarding facility, RAPID, has revolutionized digital account opening and self-services like debit/credit card and loan applications.

Compliance and Risk Management

The robust compliance and risk management policies and procedures of the Bank ensures that it continues to operate at the highest level while mitigating all risks. The efficient compliance framework monitors transactions, screens sanctions, detects and looks after several other internal controls. Moreover, the strong risk

infrastructure of the bank monitors market, liquidity, operational, trade pricing and other risks to ensure the Bank has optimal exposures with appropriate risk-adjusted returns.

Human Resources

Bank Alfalah takes pride in the capabilities of its human resources and the platform available for its employees to continuously learn, develop and improve through various trainings and e-learning courses. The Bank's focus on One Bank One Team, Inspiring and Empowering our people and Employee Experience continues to foster a unified, customer-oriented, motivated and satisfied workforce.

Competitive Advantage

Overall, the Bank's various capitals are geared towards maintaining a sustainable competitive advantage. With these resources, the Bank ensures that it continues to perform at the optimal level and, as a result, provide the best-in-class services to all its stakeholders.

Through its capitals (financial/human/manufactured/intellectual/social and nature capital), the Bank possesses the capabilities to:

- Generate a strong equity, deposits and financing base
- Foster a high-performing and happy work culture
- Leverage technology to provide cutting-edge solutions
- Continually improve customer touchpoints and overall infrastructure
- Cement stakeholder trust by delivering on all fronts
- Promote initiatives and procedures that benefit the environment

These aspects allow the Bank to prioritize sustainable growth and gain a competitive advantage at all levels.

Value created by the business using these resources and capabilities

By using our resources and competencies, Bank Alfalah generates value for its stakeholders in the following way:

Delivering solid and sustainable investor returns

Shareholders

Providing personal and professional growth and nurturing an inclusive working environment for employees

Employees

Ensuring the provision of optimal customer experience at front and back offices

Customers

Contributing in health and social welfare of general public

Community

Maintaining a transparent working relationship with our regulators to promote overall business environment.

Regulators

Building and sustaining long term strategic supplier relationship with our partners

Suppliers

Effect of External Factors on Strategy and Resource Allocation

Technological Change

Technology has significant bearing on the Bank's strategies which must be aligned to quickly evolve and respond with potential changes in technological advancements. New market players, such as startups and FinTechs, are upending the status quo and helping to create a reconfigured competitive digital landscape that is providing new challenges and opportunities for cooperation and innovation. The Bank is continuously adapting itself to the changing technological landscape and the evolving needs of our customers.

- Operational efficiency is achieved by reduction in cost and implementation of latest technological updates. Banking through digital channels helps provide a new low cost opportunity for the bank helping to improve its capacities and reach while at the same time minimizing the per unit cost of customer acquisition. Bank Alfalah aims to not just meet but exceed the changing expectations of its diverse range of customers including banked, under-banked and unbanked individuals, corporates, merchants and SMEs.
- Our digital banking strategy addresses the banking and lifestyle needs of both existing core banking customers and newly acquired digital customers via multiple digital channels including app, web, tablets, self-service kiosks, SMS Banking, IVR, ATMs, CDMs, CCDMs and Alfa Agent Shops. The Bank is working to digitally transform and automate the internal banking process and its operation with a structured plan. Bank Alfalah aims to revolutionize the payments and lending landscape as a long-term strategy, by developing a conducive ecosystem and payments rails to extend credit to SME, Retail and Consumer sectors. In the age of digitization, Bank Alfalah's business model and digital infrastructure supports all requests for financial and non-financial transactions.
- Focus on adopting emerging technologies through ongoing infrastructure upgrades and big data analytics. Big data is a powerful tool that allows the Bank to maintain its digital edge. Additionally, the Bank invests significantly on its resources ensuring they are well equipped and skilled for the digital age.

Societal Issues

Societal concerns shape the Bank's strategy and how it deploys resources. Population and demographic changes, human rights, health, poverty, collective values and educational systems are key societal issues.

- The Bank, being a responsible corporate citizen, considers and executes its responsibility towards society. Giving back to the society is an important aspect of our business and the key to bringing about positive change. As a Bank, we focus on supporting health, education, social welfare, leadership development sectors and promotion of sports, arts and culture.
- The human, health, and economic crisis as a result of the floods in 2022 deeply affected and continues to wreak havoc on communities across Pakistan. Bank Alfalah remained at the forefront, playing its role in supporting the vulnerable and underserved segments of society by helping them fight cover the losses of the flood through CSR initiatives.
- Bank Alfalah initiated Flood Relief Program to support the fellow countrymen affected by the natural disaster. Through this program, Bank Alfalah partnered with credible charitable organizations who took the mantle and led distribution of food, medical suppliers, and other amenities to flood affectees. Earlier this year, the board of the bank led by the Chairman, His Highness Sheikh Nahayan Mubarak Al Nahayan, generously approved donation of USD 10Mn for flood relief efforts in Pakistan. The employees of Bank Alfalah also generously contributed a portion of their salaries, made donations and provided essential items towards the flood relief.

Environmental Challenges

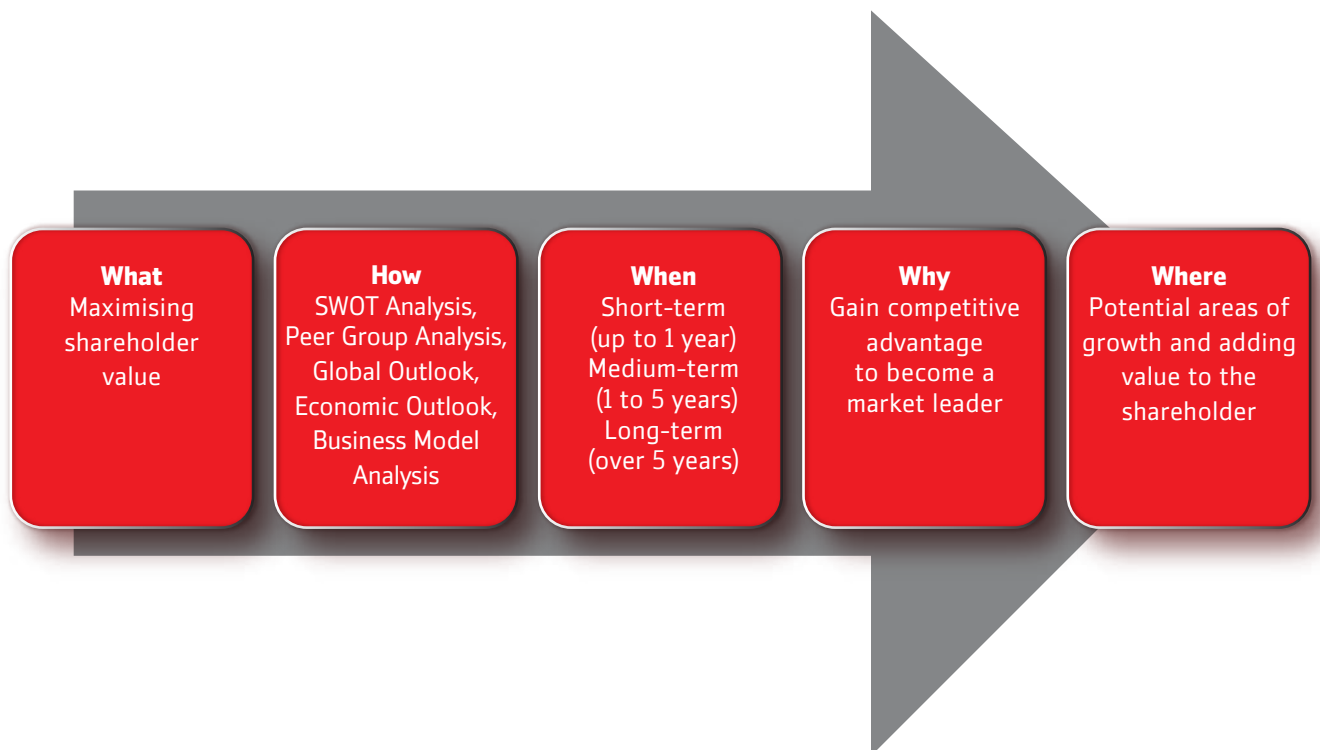
Environmental challenges such as climate change, the loss of ecosystems, global warming and resource shortages are major threats to our future.

As a Bank, we are focused on energy conservation initiatives, providing sustainable finance and are responsible for identifying and approving projects from an ESRM (Environmental and Social Management Risk) perspective. We encourage our clients to improve their operations and technologies by inculcating eco-friendly practices. We offer a green term finance product, Alfalah Green Energy, to our customers for installing solar energy equipment. The Bank focuses on reducing carbon footprint by financing the projects that use solar energy; we converted more than 150 ATMs on solar energy, and replaced select diesel-fueled generators with UPSs, regular saver lights with low consumption LEDs, and conventional ACs with inverter ACs.

Strategic Decision-Making Process

Strategy Development Process

The Bank's strategies are formulated with an objective of maximizing long-term shareholder value. Our strategy is based on economic outlook, competitive environment, legal framework, customer behaviours and geo-political situations. The Bank develops strategies to achieve objectives, and measures progress with Key Performance Indicators. The strategy development process has its roots in the Board's strategic outlook, and strategy trickles down through the Management's approach for achieving set objectives.



Stage 1 - Self Analysis

- Internal/External Environment Analysis**

The Bank assesses global and economic outlook, geo-political situation, competitors' profiles and their product offerings. It then conducts a SWOT Analysis and Business Model Assessment. Shareholders' return maximization and value addition are kept at the forefront during this entire process. It then identifies key influences on the present and future wellbeing of the Bank, and therefore decides on a strategy.

- Vision and Mission Analysis**

Analysing Vision and Mission statements helps identify what the Bank aspires to achieve in the future.

Stage 2 - Identifying Potential Areas of Growth and Value Addition

Based on the outcome of the analysis stage, the Bank identifies potential areas of growth to add value for all stakeholders, and to gain a competitive edge and unique position in the market.

Stage 3 - Strategy Formulation

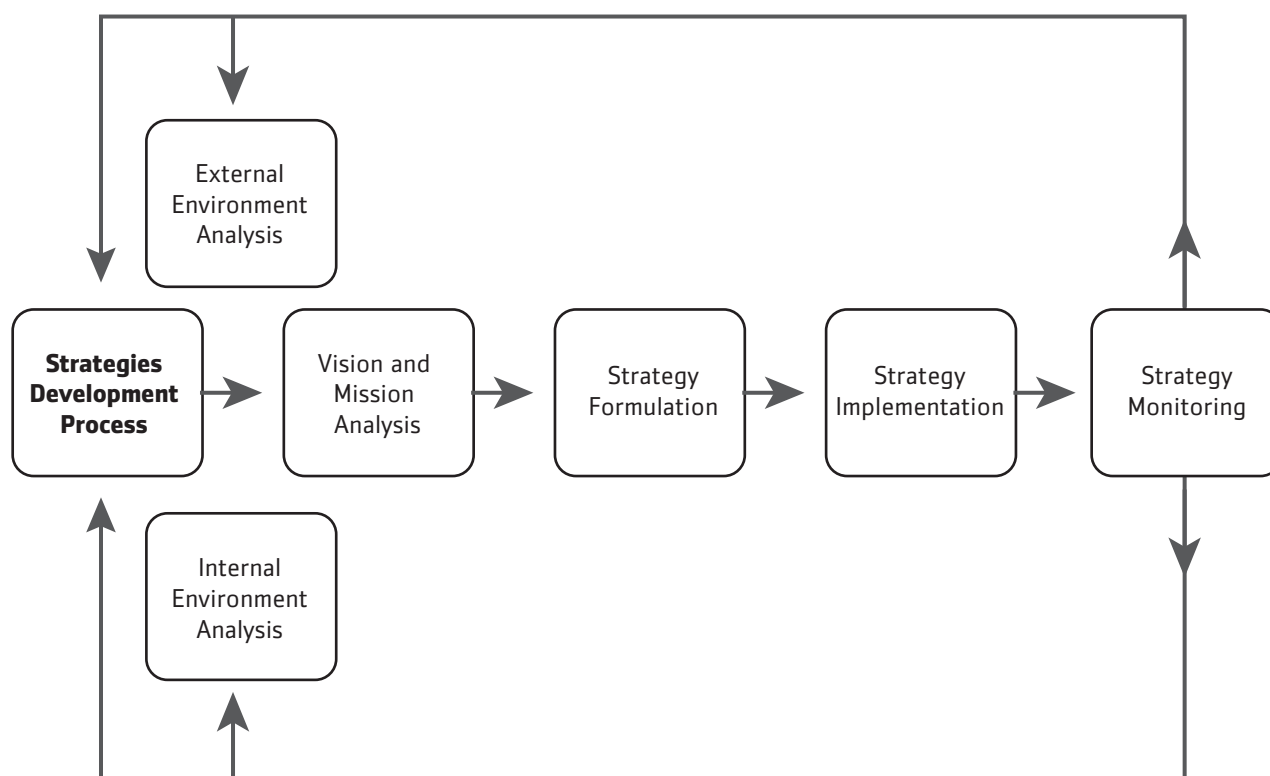
The Bank identifies strategies to achieve its objectives in accordance with the results of preceding stages. The Board of Directors governs the strategy making process. This stage drives strategic decision-making.

Stage 4 - Execution and Implementation

The Management of the Bank executes strategies, incorporating them in day-to-day business affairs.

Stage 5 - Monitoring

There is continuous monitoring of strategies implemented in order to identify further areas for value addition and realignment of strategies.



Organisational culture: The Bank's culture supports its strategy-building and monitoring process. The governing principles of culture set by the Board are followed by senior management and all employees.

- **Attitude towards risk:** The Bank has a robust risk management framework designed to identify, monitor, and resolve potential and existing risks arising from external as well internal factors. The Bank follows a zero-tolerance policy for carrying significant risks.
- **Mechanisms for addressing integrity and ethical issues:** Our culture is the foundation for inculcating principles of integrity and ethical boundaries in our people.

Through a centralized Project Management Office, the Bank monitors the implementation of its key strategic initiatives at Senior Management level. The Bank has a transparent monitoring system in place where all strategic projects are tracked on a monthly basis to ensure timely delivery. Projects that are lagging behind are immediately flagged to the Senior Management and required decisions or actions are taken to expedite these. A comprehensive progress update on the Bank's strategic initiatives is shared with the Senior Management on a monthly basis and with the Board of Directors semi-annually.

Significant Plans and Decisions

Given below are significant restructurings, business expansions or closure of operations during the year.

- a. Significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations during the year;
 - The Bank purchased/bought-back 200 million of its ordinary shares (constituting ~11.25% of the current issued and paid up share capital), having face value of PKR 10/- (Pak Rupees Ten) in order to improve the Bank's book value, return on equity, earning per share and ultimately the shareholder's stake in the Bank. Subsequent to year end, the Bank cancelled the shares.
 - The Bank successfully issued an Additional Tier-1 Term Finance Certificate of PKR 7,000 million in 2022. This investment into the Bank will significantly strengthen our capital buffers and allow the Bank to continue its expansion plans for the foreseeable future. This transaction was especially significant given the adverse economic challenges the country is facing and it highlights the confidence and trust our investors have in our institution.
 - During the year, the Bank opened 100+ branches, taking the total branch footprint to 894. The Bank also installed 99 ATMs and 66 CDMs to facilitate the customers.
 - Major capital expenditure planned for next year: The Bank plans to open new branches under Annual Branch Expansion Plan, renovate existing branches and continue to invest in its digital and IT infrastructure.
- b. Business rationale of major capital expenditure or projects started during the year and those planned for next year.
 - Major capital expenditure during the year: During the year the bank invested Rs. 8.7 billion on the purchase of fixed assets and intangibles which includes properties (land & buildings), equipment, fixtures, intangible assets, etc. A detailed disclosure of fixed assets is given in the financial statements. All the assets purchased were capitalized as the management intends to take benefit from them over their useful life, which spans more than a year. These additions are for meeting the business and operational needs of the Bank and includes digital infrastructure, new branches, existing branch/office renovations, and strengthening IT infrastructure with an aim to operate within a secured environment and with the best customer data protection.

Change in Objectives and Strategies

There was no significant change in objectives and strategies from last year.

A black and white photograph of a person in a suit, with a red text box overlaid. The person is wearing a dark suit jacket over a light-colored shirt. Their right hand is visible, wearing a dark watch with a metal link bracelet. The background is a plain, light-colored wall.

RISKS & OPPORTUNITIES



Risk Management Framework

The Way We Manage Risk

Phase 1

Risk Identification and Assessment (RIA)

Map and anticipate main identifiable risks and regularly update assessments.
Prioritise risks against the Bank's strategy and risk appetite.

Phase 2

Risk Ownership

Allocate risk ownership.

Phase 3

Risk Mitigation

Develop and implement policies and mitigation plans, which are executed based on prioritisation.

Phase 4

Risk Reporting

Risks are monitored continually against approved appetite. Deviations are logged, reviewed, owned, reported, and effectively mitigated.

Phase 5

Risk Framework Validation

Regularly check the effectiveness of the process through wider assessment of the framework, and make necessary improvements in the process.

How We Share Our Risk Management Responsibilities?

The Board

Responsibilities:

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

Board Committees:

- Board Risk Management Committee (BRMC)
- Board Information Technology Committee (BITC)
- Board Audit Committee (BAC)
- Board Strategy and Finance Committee (BSFC)
- Board Crisis Management Committee (BCMC)



Senior Management

Responsibilities

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

Management Committees:

- Central Management Committee
- Central Credit Committee
- Control and Compliance Committee
- Asset Liability Management Committee
- IFRS 9 Steering Committee
- Crisis Management Committee



Risk Management Division

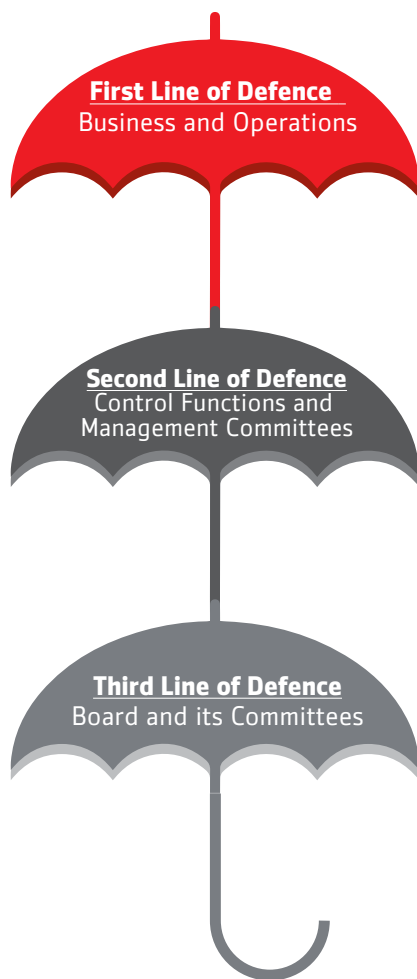
Responsibilities

- Develop risk policies, interpreting and guiding business units on risk standards, limits and regulations
- Monitor key ratios and risk levels through routine testing skills
- Reporting to the management, Board and regulator
- Managing audits

Risk Units:

- Risk Architecture Unit (Basel Implementation and IFRS 9)
- Market Risk Unit
- Liquidity Risk Unit
- Operational Risk Unit
- Information Security Unit
- Credit Risk Unit

Three lines of defense approach



First Line of Defence

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

Second Line of Defence

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

Third Line of Defence

Provides independent assurance of the effectiveness of the risk management, and internal control frameworks and activities

Risk Management Methodology

Bank Alfalah executes its risk strategy and undertakes controlled risk-taking within its risk management framework. The risk management methodology sets the best course of action under uncertainty by identifying, owning, mitigating, reporting and validating risk in line with its long-term objective of maximising shareholder value and ensuring sustainable returns. The Bank follows an integrated, structured and disciplined approach, which is materialised through implementation of effective and efficient risk management methodologies and policies that align strategies, processes, people, technology and knowledge for evaluating and managing uncertainties that the Bank faces as it creates value.

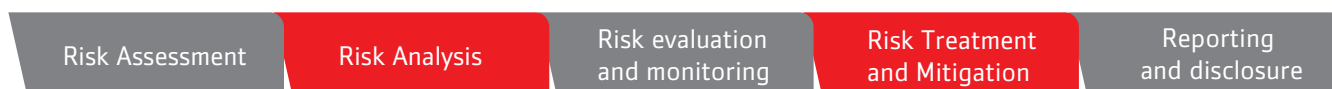
The methodology contains the following activities:

- Developing and implementing an enterprise risk management framework across all business groups in the country and locations outside the country;
- Identifying risks and maintaining risk exposure within the risk appetite of the stakeholders;
- Optimising resources in order to enhance value for shareholders;
- Establishing risk tolerance limits /risk appetite;
- Ensuring availability of sufficient capital as a buffer to absorb risks gauged through self-risk assessment as well as under the purview of regulatory guidelines; and
- Aligning risk management approach with regulatory and future business requirements.

An effective risk management framework along with a robust risk governance structure, strong capital, liquidity, market risk, compliance / money laundering and good quality of the credit portfolio, remain the cornerstones for the Bank's risk management methodology.

Risk Mitigation

These need to be dynamic for sound risk management. Effective communication across the Bank, well established policies and procedures, action plans are the tactics to face business risks. The Bank has established such techniques based on international standards and benchmarks, regulatory instructions and Board's guidelines. The sub-section named 'Key Risks' given below covers all mitigation strategies against key risks.

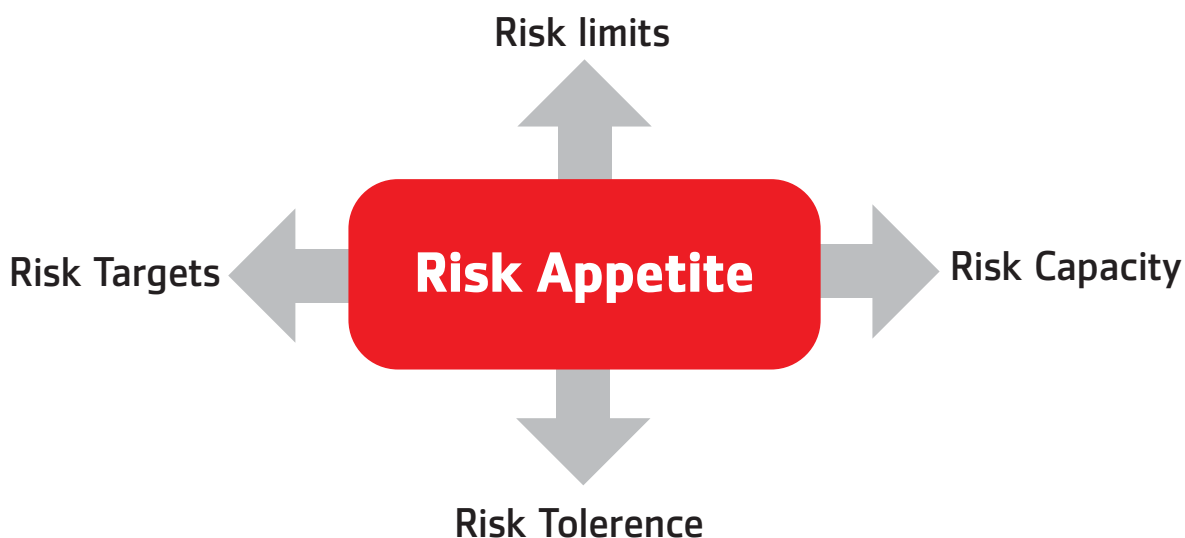


Risk Appetite

Risk Appetite (RA) refers to maximum threshold of risks level that the bank is willing to undertake in implementing its strategic and business objectives set by the Board of Directors. In setting the RA, including tolerance and limits, the Bank's resources including capital are allocated effectively and risk limits are set to remain within the boundaries of risk framework. RA strikes a balance between strategy, growth aspirations, operating plans, capital and risks that bank deem as material, based on its significance and regulatory requirements. Risk Management Division of the Bank devises risk appetite every year which is then approved by the Board considering the Business plans and macro economic environment. The Bank's RA for 2022 was established considering historical trend, regulatory requirements, stress test results and senior management's views about economic situations versus the business objectives. Application of the RA and its monitoring helps to ensure the Bank stays within appropriate risk boundaries.

Functions of Risk Appetite:

- Banks willingness to take a risk
- Internal (Soft) Risk Tolerance Limit
- Monitoring Risk strategies and approaches to mitigate risk
- Putting the Bank's risk capacity in best use



Risk Monitoring and Reporting

- Reporting to Board and Board's Risk Management Committee: Meeting of the Board's BRMC takes places on quarterly basis, at minimum. The agenda consists of various risk related analysis & decisions that are based on business needs and situations including but not limited to macro economic environment.
- ICAAP: The report covers risk areas like documentation lapses, concentration, liquidity, reputation, environmental, settlement, core risk etc. this is finally reported to Board.
 - ICAAP reporting is based on bank's own assessment of risks and calculating the adequate amount of capital that bank is required to maintain against those risks
 - The purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to inform the Board of the ongoing assessment of the bank's risks, how the bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors
 - ICAAP exercise attempts to assess the risk based capital as opposed to regulatory capital, which is generally not considered the complete reflection of the embedded risks; given that regulatory capital does not account for Pillar II risks and additional capital required in lieu of stress testing for pillar 1 risks
- Management / SBP's monitoring: Various reports are submitted to Senior Management / SBP covering risk aspects such as credit risk. The regulator conducts inspections to monitor bank's approach towards risk mitigation and compliance against the breaches, if any.
- Stress Testing: Bank Alfalah prepares and submits Scenario Analysis Stress Testing reports to SBP. The same are reviewed by Senior Management & Board as well. The report mainly encompasses of Statistical Models based on Macro Economic Variables Risk Management Tools (i.e. VAR, SVAR), Reverse Stress Testing. Furthermore, MST Framework proposes a multilayered approach for Stress Testing Model development, validation, approval and implementation; along with the identification of stakeholders for validation, control & oversight perspective. Results of the exercise are used to calibrate risk appetite, Annual Business plans, Capital and contingency planning.
- Risk Register: It is one of the effective tools for comprehensive risk management for identifying key business and financial risks. Further, it defines and implements respective controls and mitigating factors to reduce the risks. RMD and Compliance Divisions reviews risk register based on the reports provided by the business line managers, suggests the mitigation measures to the concerned units, and also submits the effectiveness of the mitigation measures to BRMC on a quarterly basis. The minimum components of the risk register are: date, risk number, risk description, controls, consequences, likelihood, overall risk score, risk ranking, trigger, management action and risk owners.
- Standards and Limits: The Bank follows Basel guidelines for capital adequacy monitoring. Further, there are various circulars from SBP in this regard. The bank ensures meticulous compliance with these standards, internal and regulatory limits as well as guidelines laid down in the circulars.
- Policies, Procedures, Manuals and SOPs: The Bank has well established policies and other documentary guidelines for every product and process. These serve as guidelines and monitoring tools for the staff performing various risk related activities. All relevant departments are responsible for ensuring compliance with documents.
- Business Resilience and Continuity Plan: The Business Resilience Plan tends to define the business continuity & recovery strategies and procedures. Business Resilience and Business Continuity are at times used as an alternate terms to align continuity of operations during or due to any disruption. For further details on policy, refer Governance section of this Annual Report.
- Contingency Funding Plan (CFP): The Bank prepares an annual CFP which covers the funding plans if a stress triggers. Refer to Liquidity Management subsection within this section of Annual Report.
- Recovery Plan: The Recovery Plan is submitted annually to State Bank of Pakistan. The Plan incorporates the Bank's critical systems vis-à-vis their impact on core business lines and critical functions as identified in approved Business Resilience Plan. Key trigger events & funding resources available to Bank are identified, in line with ALCO approved Contingency Funding Plan, in order to combat severe stress situations related to funding Liquidity. The context behind Recovery Plan is based on the assumption that Bank's Capital and/or Liquidity are in breach of the identified recovery thresholds as per the approved risk appetite. Key assumptions taken into account, while preparing the Recovery Plan include:
 - Materiality, Feasibility & timelines for implementation of Recovery Options.
 - Raising of Capital / liquidity, Market and/or Regulator, in a timely and cost effective manner
 - Expense rationalization.



Risk Culture

Risk Culture of the Bank promotes its business objectives and an environment that enables management to execute the business strategy in a more efficient and sustainable manner. The Board of Directors regularly reviews the risk profile of the Bank and makes every senior leader a responsible stakeholder in developing a strong risk culture within the Bank. Further, the Bank ensures that, every employee has a clear understanding of their responsibilities in terms of risks undertaken by them in every step they take in their regular business activities. Bank has developed a risk management framework which includes, risk management structure comprising different sub committees and clearly defined reporting lines ensuring risk management functions are operating independently. Risk governance of the Bank also includes setting the risk appetite statement, risk limits, risk management functions, capital planning, risk management policies, risk infrastructure and MIS and analysis to monitor Bank's risk profile.

Risk Assessment

Board's efforts to determine the level of risk tolerance

The Board of Directors is the ultimate governing body responsible for overseeing risk management to maximise shareholders' returns. It ensures that the required culture, practices and systems are in place to address the risks faced by the Bank. Under the valuable guidance of the Board, the Bank ensures a proactive approach in dealing with factors that influence its financial position, strives to maintain stable earnings, and attempts to maximise shareholders' value by achieving an appropriate balance between risk and return.

The Board:

- Has established a bank-wide strategy incorporating the risk management strategy;
- Has approved the overall risk appetite, tolerance levels and level of adequate capital; and
- Regularly reviews any significant risk issues to determine their impact on the Bank's strategy, aligning the strategy to address existing or potential risks.

The Board, through its Board Risk Management Committee (BRMC), has delegated oversight responsibilities. BRMC ensures the formulation and implementation of a comprehensive risk management framework. Under the Board's guidance, the Bank executed an effective risk strategy and continued controlled risk-taking activities within the risk management framework, combining core policies, procedures, and process design with active portfolio management.

The Board Risk Management Committee:

- Establishes and reviews compliance with the Risk Management framework;
- Ensures that the Bank's overall risk exposure is maintained at prudent levels and is consistent with available capital;
- Reviews and recommends to the Board, the risk appetite of the Bank; and
- Reviews risk management information reports, identifies exceptions, and provides guidance for corrective measures.

The functional and day-to-day management responsibilities have been delegated to the Chief Risk Officer (CRO). In line with this, the CRO functionally reports to the President and CEO. The roles and responsibilities are designed to ensure that risk is governed and managed independently and prudently.

The Board, through its Risk Management Committee, has carried out a robust assessment of the principal risks facing the Bank, including those that could threaten the business model, future performance, and solvency or liquidity.

Below are the key risks, which arise as a result of external factors affecting the organization and they have an impact on the availability, quality, and affordability of the capital:

Factors	Risks
Macroeconomic	Credit Risk, Market Risk, Liquidity Risk
Legal	Legal Risk, Compliance Risk (including Money Laundering), Operational Risk, Country Risk, Trade Pricing Risk
Social	Reputational Risk
Political	Operational Risk, Country Risk
Technological	Model Risk, Operational Risk, Information Security Risk
Environmental	Environmental Risk
Commercial	Reputational Risk, Concentration Risk

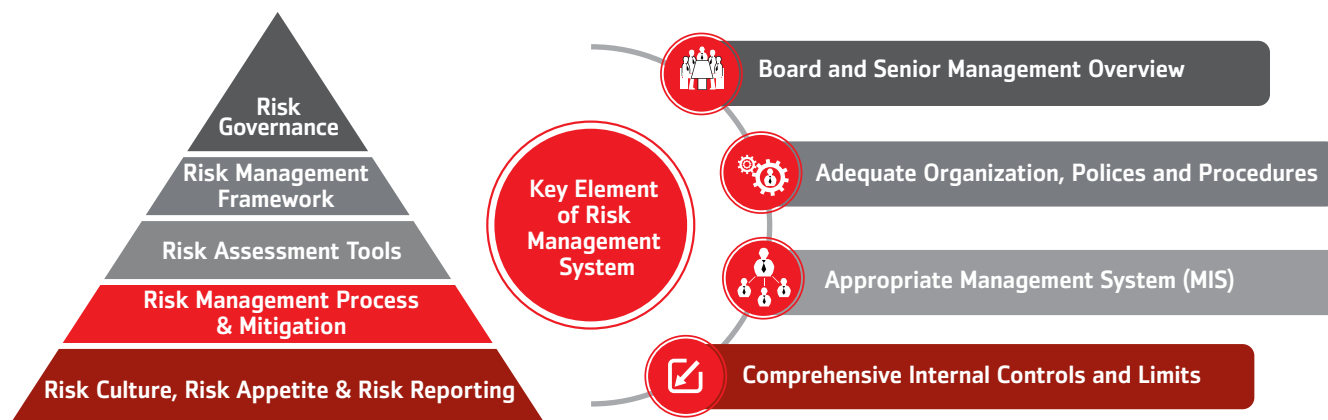
The Risk Assessment has been done for the following:

- **Business model:** Potential risks facing the Bank's business model which in turn affect the survival of the Bank. Sound business growth with managed risk is crucial for operations. The Bank considers expected level of profitability, market reputation, experienced personnel, logistic support, etc for business model. Relevant risks can be credit risk, market risk, liquidity risk, operational risk, model risk, reputational risk and concentration risk.
- **Future performance:** Technological obsolescence and inability to cope with recent technological developments can also threaten the existence. Further, the situations of the country/region where the Bank operates also cause impacts and is a necessary factor for consideration in risk assessment. The Bank considers reputation, ability to meet stakeholders expectations, capital adequacy, macro and microeconomic scenarios, risk management practices for its future performance. Relevant risks could be information security risk, environmental risk and legal risk.
- **Liquidity:** The ability to operate with sufficient funds to meet depositors obligations is key to operating as a bank. Further, this also include fulfilling regulatory requirements set by the regulator, hence, compliance plays an important role in this regard. The Bank considers fundamentals like maintaining adequate capital, liquidity and operational control at all times in order to safeguard the interests of depositors, borrowers, shareholders and other stakeholders and meet its obligations against these. Relevant risks could be liquidity risk, market risk, credit risk and compliance risk.

Other key focus areas are:

<ul style="list-style-type: none"> • Build a risk culture 	<ul style="list-style-type: none"> • Financial crime and economic vulnerability
<ul style="list-style-type: none"> • Client risk rating focus 	<ul style="list-style-type: none"> • Regulatory compliance
<ul style="list-style-type: none"> • Information and Cyber Security 	<ul style="list-style-type: none"> • New technologies
<ul style="list-style-type: none"> • Environment, Social & Governance (ESG) 	<ul style="list-style-type: none"> • Business resilience

The risk management and mitigation strategy is therefore fundamentally based on maintaining adequate capital, liquidity, and operational control at all times in order to safeguard the interests of depositors, borrowers, shareholders and other stakeholders.

Key Elements of Risk Assessment


Key Risks

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Credit Risk	High	High

It means the possibility of monetary loss to financial institutions arising due to the inability or unwillingness of a counterparty to perform a commitment per the agreed terms and conditions, among other things, on account of lending, trading, hedging, settlement, and other financial transactions.

Source: External

Impact: Financial

Capital Affected: Financial Capital

Assessment tools: Risk Ratings, Stress Testing, limit monitoring, exception monitoring and delinquency ratio.

Mitigation Strategy: The Bank is committed to the appropriate level of due diligence to ensure that credit risk is identified and analysed diligently, ensuring that credit commitments are appropriately structured, priced (in line with market practices), and documented. Bank Alfalah has a Credit Operational Manual (COM) and a Credit Policy Manual (CPM) in place to strategise and govern the Bank's overall lending strategy. Furthermore, the Bank has an internal Credit Initiation and Risk Rating System through which risk levels are assessed based on customers' risk profiles.

Bank Alfalah is also in the process of implementing IFRS-9 to measure and assess changes in credit risk. The timely recognition of and provision for credit losses promote a safe banking system and play an essential role in supervision. Furthermore, the portfolios and well-defined parameters are actively reviewed, and, if required, corrective actions are taken at a nascent stage.

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

Source: Internal and External

Impact: Financial

Capital Affected: Financial Capital

Assessment tools: Limits monitoring including Sectors, Tenors and Risk Weighted Assets.

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

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

Source: Internal and External

Impact: Financial/Non-Financial

Capital Affected: Financial, Social, Human and Intellectual Capital

Assessment tools: Risk Control Self Assessment, Operational losses viz-a-viz tolerance limit and Key Risk Indicators breaches.

Mitigation Strategy: Embedding a sustainable risk culture remains our core objective, which includes effective management of operational issues and emerging risks across the Bank and in our overseas operations via deployment of required resources, tools and continuous supervision. The new Operational Risk Framework, Policy and Standards, duly approved by the Board, have been rolled out along with new system platforms (Operational Risk System) for recording and tracking of risk events, including non-financial risks. We aim to implement a new process based Risk and Control Self-Assessment method across the Bank in order to effectively manage operational risks and continually monitor the effectiveness of defined controls through first-line self-assessment reviews, especially for the processes and activities that may significantly impacts the Bank's risk appetite. Furthermore, new and amended products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation and launch.

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Market Risk	High	High
<p>It is the risk arising from changes in the value of on and off-balance sheet positions of the Bank due to adverse movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, resulting in a loss to earnings and capital. Due to the external nature of the risk, and given the prevalent rising interest rate scenario, the likelihood of adverse price movements is currently high. However, stringent controls are in place to mitigate any material impact on profitability and capital. This risk includes Interest rate risk, Equity price risk, Foreign Exchange risk and Commodity risk.</p> <p>Source: External Impact: Financial Capital Affected: Financial Capital Assessment tools: Investment Limits, Exposure Limits and Sensitivity Analysis, tolerance Limits, Duration & PV 01 limits</p> <p>Mitigation Strategy: The Market and Liquidity Risk Unit monitors the impact of price and rate movements on the Bank's portfolios and periodically reports to the Asset and Liability Committee (ALCO) and Investment Committee (IC), which are primarily responsible for oversight of market risk. The Bank has developed various tools for risk measurement and its mitigation thereof, including Value at Risk (VaR), Duration, Price Value of a Basis Point (PVBP) and Re-pricing Gaps. In addition, the Bank carries out stress tests, using both internally developed scenarios and scenarios prescribed by the regulator. Moreover, the Bank has a comprehensive risk control limit framework, which defines exposure limits (for each portfolio, issuer, tenor, rating and sector), PVBP limits, money market gap limits, FX gap limits, currency-wise NOP limits, stop loss limits, tolerance limits, counterparty limits, dealer limits, and broker limits.</p> <p>The Bank uses a standardised approach to calculate market risk capital charge under the Basel framework.</p>		
Liquidity Risk	High	High
<p>It is the risk to the Bank's earnings, capital and reputation arising from its inability (real or perceived) to meet its contractual obligations promptly without incurring unacceptable losses when they become due.</p> <p>Source: Internal and External Impact: Financial/Non-Financial Capital Affected: Financial and Reputational Capital (franchise value) Assessment tools: Stress Testing, Advances to Deposits Ratio, Stable Funding Ratio, Statutory Liquidity Reserve Ratio, Liquidity Coverage Ratio, Liquid Assets to Liquid Liability ratio and Maturity Gaps.</p> <p>Mitigation Strategy: The Market and Liquidity Risk Unit performs independent monitoring and reporting of the overall liquidity position in line with regulatory requirements and the Bank's own risk appetite at the Bank and operations level. The Bank is fully compliant with Basel III liquidity standards, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), with a considerable cushion over the regulatory requirement. Stress Tests are performed (both SBP and internal for all operations and at the Bank level) under which liquidity risk factors are given major shocks to check the vulnerability of the Bank's balance sheet to those hypothetical shocks in various stress scenarios.</p>		
Model Risk	Medium	High
<p>The potential loss the Bank may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation, or use of such models.</p> <p>Source: Internal Impact: Financial Capital Affected: Financial Capital Assessment tools: Annual Validation exercise.</p> <p>Mitigation Strategy: Risk management is involved in periodic review of model accuracy and validation. A conservative approach, validation based on sensitivity analyses, the use of subjective elements, and on-going monitoring of the model's performance provide sufficient protection against such unfavourable impacts.</p>		

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Legal Risk	Medium	Medium

It is a wide concept that includes all aspects of a legal system. It can be defined as including potential for loss arising from the uncertainty of legal proceedings, exposure to fines, punitive damages resulting from supervisory actions as well as private settlements, unsuccessful recourse, and indemnification to customers and other parties.

Source: Internal and External

Impact: Financial

Capital Affected: Financial, Social, Human and Intellectual Capital

Assessment tools: Monitoring of cases filed against the bank.

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

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

Source: Internal and External

Impact: Financial and Reputational

Capital Affected: Financial, Social, Human and Intellectual Capital

Assessment tools: Regulatory Inspection Reports, Risk Control Self Assessment, Key Risk Indicators breaches, Internal Risk Assessment.

Mitigation Strategy: The Board and Senior Management have cascaded down the commitment to a strong compliance culture that reflects high ethical standards and integrity at all levels of the organisation by ensuring seamless and effective implementation of regulatory requirements/standards/practices and other laws in letter and spirit. Moreover, since compliance is everyone's responsibility, the Bank's Compliance and Control Group has created structures and systems to promote a compliance culture among the Bank's staff and departments. The Compliance Function focuses on having high standards as required by the relevant Policy and Procedure Framework, maintaining Regulatory Technology (name screening, transaction monitoring, trade AML, CDD and CFT) to combat money laundering, terrorist financing, and proliferation financing and tracking CDD quality, and on reviewing and implementing regulatory instructions. The function is further strengthened by the knowledge endeavors and ongoing improvement in the Bank's AML/CFT/CPF learning interventions, CDD Advisory, Regulatory Advisory, Onsite and Offsite Internal Control and Quality Assurance Reviews, and monitoring of fraud trends over consumer and digital banking channels.

Furthermore, to reinforce compliance culture at the front end, Governance Control and Diligence Division (GCDD) has been established within the Retail Group.

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

Source: Internal and External

Impact: Social, Environmental, Financial, and Reputational

Capital Affected: Natural and Manufactured Capital

Assessment tools: Green Asset targets

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

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Environmental Risk	Low to Medium	Medium

The Bank is in the process of implementing the new SBP ESRM manual whereby E&S due diligence of credit customers would be conducted by Business staff and credit underwriting staff would be involved in the validation of the same as part of normal credit extension. ERU would be involved for the high-risk transactions only.

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

Source: Internal and External

Impact: Financial and Reputational

Capital Affected: Financial, Intellectual and Social Capital

Assessment tools: Risk Appetite Monitoring, Penetration Testing, Vulnerability Assessment and Cyber Security Risk Assessment.

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

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

Source: Internal and External

Impact: Financial and Reputational

Capital Affected: Financial, Social, Human and Intellectual Capital

Assessment tools: Market news, Stock Exchange Information, Customer Surveys and review of regulatory compliance by Compliance Division.

Mitigation Strategy: Various departments within the Bank assess reputational risk associated with the Bank's activities in order to safeguard its interests at all times. This includes ensuring that contractual obligations are being met under agreements with multilateral and international agencies that cover partnerships and credit facilities extended to the Bank. Furthermore, the Bank has a dedicated customer experience department that works for the resolution of customer complaints and grievances. Additionally, the Compliance Division ensures compliance with all regulatory requirements and mitigation of reputational risk arising from business disruptions and operational issues. Furthermore, the Bank has devised a comprehensive Business Resilience/Disaster Recovery Plan to ensure continuity of its services during crisis periods.

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Country Risk	Low to Medium	Medium

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

Source: External

Impact: Financial

Capital Affected: Financial and Social Capital

Assessment tools: Country limit monitoring.

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

Trade Pricing Risk	Low to Medium	Medium
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It is a risk that customers use a legitimate trade to disguise their illegal proceeds from their unscrupulous sources. The main methods by which such people transfer value through legitimate trade transactions are under-invoicing, and over-invoicing which is the act of stating the price of goods/services on an invoice as being less / over than their fair market value. Trade Pricing Risk exposes the bank to the risk of financial losses and reputational risk.

Source: External

Impact: Financial

Capital Affected: Financial and Reputational Capital

Assessment Tools: Price assessment tool for trade related products.

Mitigation Strategy: The bank is committed to prevent potential money laundering and combat against terrorist financing. Trade Pricing Risk Department – TPRD under RMD ascertain and check commodities of trade transactions on best effort basis, through various reliable sources to prevent over / under invoicing. Moreover, the function was further strengthened through a solution acquired for price assessment of trade related products. Bank is also in the process of implementing (AI based solution offered by External vendor) to further strengthen the process of price assessment for trade operations.

Key Opportunities and Initiatives

TYPES OF OPPORTUNITIES	LIKELIHOOD	MATERIALITY
Opportunities in Home Finance	High	Medium to High

Pakistan is one of the most difficult countries in the world to get a home loan. Relatively few banks offer and actively market mortgages, and those that do often have onerous rules. That, combined with a reluctance among many Pakistanis to borrow from banks, means that mortgage lending is just minimal percent of gross domestic product.

That is slowly starting to change. Pakistan's government launched an ambitious push to build 5 million affordable homes and relaxed some rules governing mortgages, making it easier for low-income families to secure home loans.

Source: External

Impact: Financial and Reputational

Capital effected: Financial Capital, Regulatory Capital

Strategy for creating value from opportunity:

During the year, the Bank was awarded with 'Best Bank in Housing Finance 2022' by PBA. The award bestowed upon the Bank is a justifiable appreciation for its accomplishments in lending sector and providing services that suit customer needs for housing finance.

Further, in order to materialise the vision of affordable housing for all, the Government of Pakistan and the SBP launched a subsidised markup rate facility for housing through financial institutions. The scheme was valid until June 30, 2022. The Bank disbursed around Rs. 8 billion under the scheme to eligible customers.

Opportunities through Digitisation	High	Medium to High
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The era of smart technology is officially upon us. With it, comes an unprecedented overhaul to the financial industry marked by rapid customer integrational transformation, speedy adoption of new technology, and the ubiquity of financial services. At Bank Alfalah, putting the customer first is more than just a platitude.

Gaining experience from the lockdown and reduced business hours in 2020-21 amid the epidemic, and the response from the banked and unbaked population towards the earlier digitization initiatives, banks felt the need to increase their digital presence by aggressively investing in alternate delivery channels and innovation.

Source: Internal

Impact: Financial; Customer Centricity

Capital Affected: Financial Capital, Relationship Capital and Human Capital

Strategy for creating value from opportunity:

- **Remote Digital Onboarding (RAPID)** (High, High)
In order to facilitate the smooth onboarding of customers through online banking channels and in line with the demands of the customers for ease and convenience to attain banking services, the Bank launched a digital onboarding portal and provide access on Alfa application where customers can easily open a full-fledged bank account without visiting the branch.
The facility of a secured in-app biometric verification launched in 2022 helps scale the product further, keeping the onboarding costs at the branches low and the traffic at lower end.
- **WhatsApp Banking** (High, High)
WhatsApp service is a new and convenient channel used for general query management and customer support. WhatsApp Banking Channel was launched initially to connect with customers and agents with rule based machine learning responses that increased customer convenience even more. Through WhatsApp, customers can activate cards and get information related to account balance, mini-statement, credit and debit card, RAPID account, Roshan Digital Account, Premier Banking, loans, offers and discounts, or even chat with a Live Agent. Other transactional, activation, deactivation services allowed at voice channel are being replicated on the Chat channel to reduce the load at contact center agent network.

TYPES OF OPPORTUNITIES	LIKELIHOOD	MATERIALITY
Opportunities through Digitisation	High	Medium to High

- **Instant Credit Card** (High, Medium)
Bank Alfalah launched Pakistan's first ever seamless digital credit card approval procedure, complete with real-time card and limit approval directly through the primary banking application. The consumer no longer needs to go to the branch in order to apply for the card. It is available to pre-screened customers based on their liability/asset relationship with the bank, with no physical application necessary, and the card is supplied to the customer within 3 to 5 working days.

This is in line with the Bank's strategy to digitize onboarding and servicing of traditional banking products such as personal loans (branded Digital Instant Loans) and term deposits (Digital TDRs).

- **Embedded Digital Nano Loans** (High, Medium)
Bank Alfalah is providing JazzCash wallet account holders with small ticket sized loans through the ReadyCash model, which is the first of its kind interoperable Digital Nano Lending model between a commercial bank and a fintech.
- **Digital Wealth** (Medium, Medium)
In order to gain customer loyalty and to become their bank of choice, Bank Alfalah introduced an end-to-end digital platform for its customers, with multiple offerings of Mutual Funds of different AMCs, securities trading, buying/selling of government bond/securities, and insurance with multiple insurance underwriters. This allows customers to invest their wealth in different investment options and buy different kinds of insurance.

Untapped Potential in Small and Medium Enterprises	High	High
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There is great potential in the SME space to enhance profitability by offering tailored and unique SME product propositions and high service levels. SMEs are considered the engine of growth for developing countries like Pakistan and are sure to boost economic activity in the country.

Source: External

Impact: Financial

Capital Affected: Financial Capital

Strategy for creating value from opportunity:

Large menu of products and value-added services:

Various product offerings (refer to Organisational Review section for the Bank's SME product offerings) and value-added services such as financing facilities for different customer requirements and SME toolkits have been further enhanced to penetrate this thriving industry niche. This has been done through a cross-sell initiative by developing a complete set of business opportunities in a relationship, with a 360-degree view. The Bank conducts market-storming activities, visits various small and medium entities, provides consultancy for their business growth, and has created help desks. These have boosted the confidence of businessmen/entrepreneurs in the Bank. Bank Alfalah has a proud history concerning the development in the SME sector for Pakistan, where as a facilitator of banking products we offer the most extensive range of products ranging from working capital, long-term finance, fleet financing, bill discounting, invoice financing, supply chain financing and cash-flow based clean lending products for SME customers.

Partnership with Karandaaz:

Bank Alfalah and DigiServ, with support from Karandaaz, have designed an innovative method of calculating credit scores for SME obligors looking to avail credit from the Bank. Both partners bring forward their expertise to develop a credit assessment scorecard beyond conventional credit risk assessment methods.

Prime Minister's Kamyab Jawan Youth Entrepreneurship Program Scheme (PMKJ-YES)

It is an initiative by the Government of Pakistan to motivate the country's youth to utilise their entrepreneurial skills and contribute to the economy's growth. Bank Alfalah is pleased to be a partner in this novel initiative led by the Ministry of Youth Affairs, Government of Pakistan and regulated by the State Bank of Pakistan. Currently, the Bank has extended finance to 2,400+ customers with an outstanding amount of Rs. 2.5 Bn.

TYPES OF OPPORTUNITIES	LIKELIHOOD	MATERIALITY
Untapped Potential in Small and Medium Enterprises	High	High

SME Asaan Finance Scheme (SAAF)

It is an initiative by the State Bank of Pakistan in collaboration with the Government of Pakistan with the express aim of enabling SMEs that cannot offer security/collateral to access bank finance. Bank Alfalah has been selected as one of the participating banks under the SAAF Scheme. The Bank has extended finance to 900+ customers with an outstanding amount of Rs. 1.6 Bn.

Alfalah Kamyab Karobar (AKK)

AKK facilitates SMEs to leverage their business potential to contribute towards economic growth. With Alfalah Kamyab Karobar Account, SME customers get utmost transactional convenience along with attractive features and waivers on Banking services essential to manage day-to-day operations.

Penetration in Cash Management and Supply Chain Financing	High	Medium
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Cash management solutions are paramount to meet the capital and liquidity requirements of customers. They also hold the potential to unlock access to a large unbanked customer base by securing agreements with the development sector and other key players to align the Bank with the national initiative of financial inclusion and poverty alleviation.

Supply Chain Financing is becoming an increasingly common vertical within the banking industry. The trend is expected to accelerate over the next three to five years in three waves: deepening of established solutions targeted at suppliers, further integration and sophistication of products for buyers, and ultimately, convergence between buyer and supplier-oriented solutions.

Source: External

Impact: Financial

Capital Affected: Financial Capital, Reputational and Intellectual Capital

Strategy for creating value from opportunity:

Over the last few years, Bank Alfalah has effectively exposed and captured a significant market share in Cash Management and Supply Chain Finance. By Tapping into SME and commercial segments, the Bank has unlocked significant prospects to promote financial inclusion in line with SBP's mandate to accommodate the corporates and their supply chain partners with financial solutions to cater to their untapped needs.

Further, tapping into the SME and commercial segments has unlocked a huge opportunity for the Bank to promote the SBP's mandate of financial inclusion and digitisation.

Capitalise on Influx of Home Remittances	High	Medium
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Pakistan's Remittance Initiative continues to remain a priority for banks in Pakistan. In addition to supporting the country, the flow of home remittances is an important source of family support for countless households across the country. There are always avenues to enhance home remittance facilities by driving financial inclusion in the country, offering smarter and faster ways of sending home remittances to Pakistan. Remittances remain a prime focus of the Government as they ease pressure on the current account and forex reserves of the country.

Source: External

Impact: Financial

Capital Affected: Financial, Social, and Reputational Capital

Strategy for creating value from opportunity:

Given the considerable contribution of home remittances to the nation, the Bank ensures that its remittance solution continues to be safe, efficient, reliable, and best-in-class by staying in line with the regulations, and increasing the ease of remittance flow for overseas Pakistanis.

As an industry first, the Bank has integrated its remittance payment system with RippleNet, Ripple's global block-chain payments network, to offer a faster and more secure payment service to remittance customers. Through this integration, the Bank is able to scale its services and offer market launches with newly on-boarded RippleNet partners in a quicker way.

The Bank has also significantly invested in marketing, for creating awareness and promoting legal banking channels for sending remittances, in addition to signing various well known celebrities as joint brand ambassadors with our key partners.

Financial Obligations

The Bank has fulfilled all its financial obligations and has made timely repayments of its debt/borrowing during the year.

Strong Capital Base

The Bank is adequately capitalised to overcome liquidity problem, repay debts and meet operational losses, if any. The Bank's capital adequacy ratio as of 31st December, 2022 was 13.83%, which is higher than the minimum capital ratio of 11.5% required by the Central Bank, and is adequate to meet future business requirements. This CAR is as a result of efficient balance sheet management and operational effectiveness.

The Bank has disclosed its Capital Adequacy Ratio and other liquidity ratios (Liquidity Coverage Ratio and Net Stable Funding Ratio) in note 44 of unconsolidated financial statements. The note contains regulatory requirement as well as the Bank's actual position.

Further, the Bank has given detailed Basel disclosure on its website.
Refer <https://www.bankalfalah.com/financial-reports>.

Also, refer to note 45 of the unconsolidated financial statements for all Risk Management Disclosures.

Liquidity Management and Contingency Plan

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

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

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

The Bank has issued a Medium Term Note (MTN) of Rs. 11 Bn in 2020, which has a maturity of three years, and is secured against government securities. PACRA assigned 'AAA' (triple A) rating to this MTN. The 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.

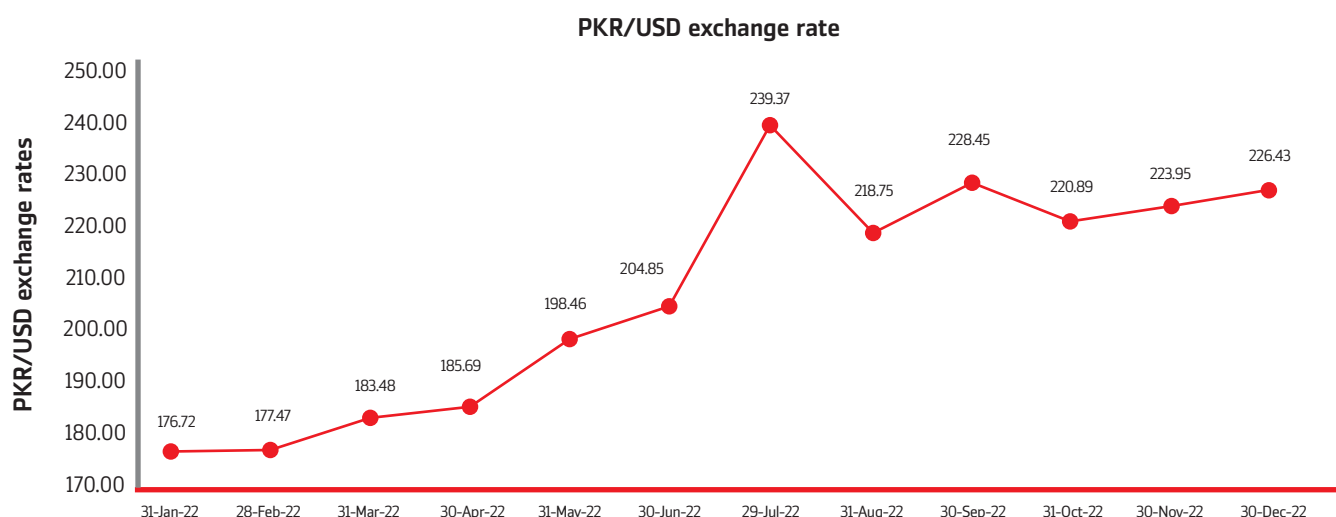
During the year, the Bank issued another tranche of ADT-1 amounting to Rs. 7.0 Bn. The funds so received are aimed at supporting tier one capital of the Bank. Further, the Bank may from time to time consider options for raising capital keeping in view of business needs and regulatory requirements.

The liquidity profile of the Bank is adequate to cater to unforeseen liquidity crises, and any operational losses occurring in the normal course of business. As of 31st December, 2022, our Basel III liquidity ratios, LCR and NSFR, stand at 185% and 150% respectively, well above the regulatory requirement of 100%. Our strong capital base is evident from our ability to withstand any liquidity challenge.

The Bank has adequate plans to discharge its liabilities in the normal course of business, including long-term debts.

Foreign Currency Sensitivity Analysis

The Year – 2022 proved to be quite challenging with respect to macro economic and political environment for the country. The rising political tensions during the first quarter of the outgoing current year created uncertainty in the country that led to the currency crisis and PKR devalued to Rs. 239.37 to US dollar within a span of three to four months. The delay in the restoration of IMF program and dwindling FX reserves further put pressure on the external account and exchange rate as well. The release of IMF installment was a breather for only a month or so but soon negative month on month growth in exports/remittance and with external loan repayments including International Sukuk of USD 1 billion during the first of week of Dec-2022, the SBP reserves dropped to USD 6.714 billion.



Source: SBP website

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

The Bank's currency-wise net open position limits and Foreign Exchange Exposure Limits (FEEL) are in place to monitor intraday and end of day FX risk. Besides the FX position limits, the pre-defined 'Stop Loss level for Management Action Plan' is also instituted to manage the said risk.

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

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

The background of the slide is a dark, textured surface. In the upper half, there are vertical streams of white and red binary code (0s and 1s) falling from the top, reminiscent of the 'Matrix' effect. In the lower half, there is a complex network diagram consisting of numerous small white and grey circular nodes connected by thin, light-grey lines, forming a web-like structure.

IT GOVERNANCE & CYBERSECURITY



Information Technology Governance Policy

At Bank Alfalah, our vision is to be recognised as a technology-driven bank and the leader in innovation, delivering superior customer experience. Our technology teams are geared to provide personalised customer experiences through innovative product offerings, leveraging big data analytics, Artificial Intelligence, and digital platforms, while extending partnerships with Fintech ecosystems. Our capacity and resource planning ensure that our people are equipped with the best skillsets and tools, delivering exceptional value and experience through high quality digital platforms powered by highly efficient transaction processing systems and fault tolerant self-healing infrastructures.

The Chief Information Officer (CIO) reports directly to the Chief Executive Officer and works in close coordination with other Business Groups, Board IT Committee (BITC), Central Management Committee (CMC), and IT Steering Committee (ITSC). The CIO leads the Information Technology Group (ITG) and is responsible for the implementation of the Enterprise Technology Governance Framework, and provides valuable strategic insights to keep the Bank abreast of new technological enhancements and system deliveries, ensuring that the Bank is equipped with innovative, world-class, and robust IT systems to maintain its competitive edge.

Bank Alfalah's IT Governance Framework, policies and procedures are benchmarked to international frameworks/standards and aim to yield the optimum level of compliance with regulatory requirements and best industry practices. IT governance team ensures effective implementation of the Bank's overall IT and digital strategy, and ensures strategic alignment between business needs and technology investments. The Bank, through a continued commitment to IT governance and emphasis on providing efficient and secure IT systems, has been meeting its customers' expectations in the most innovative and convenient manner.

To ensure continuous improvements and excellence in Technology Governance, the Bank has successfully carried

out an independent benchmarking assessment vis-à-vis the COBIT-2019 Framework (ISACA's globally accepted framework for Governance and Management of Enterprise IT) and has already embarked on the journey to upscale existing practices and frameworks in line with COBIT-2019 recommendations. The Bank has implemented Enterprise Project Management (EPM) to manage portfolios and projects by providing visibility and control across all projects. This has been done for effective decision-making, alignment with the Bank's vision and strategy, maximising resource utilisation, and enhancing project execution. Reporting and Business Intelligence (BI) tools have been integrated with EPM to assist in the proactive visibility and management of Projects, Programmes and Portfolios (3Ps). Technology Governance in the organisation is strengthened via the independent Information Security (InfoSec) function headed by CISO who reports to Chief Risk Officer and works in coordination with technology teams, ITSC and Board Risk Management Committee. IT and InfoSec teams are actively engaged to enhance cyber resilience of the organisation and protect its information assets and customers from the threats any unscrupulous or ill-intended actors can pose. Over time, Bank Alfalah has invested a great deal of time and effort to maintain its customers' confidence and stay true to its commitment to maintaining deterrence by employing in-depth defence involving industry security expert advisories.

To ensure efficient service delivery, an independent Service Quality Assurance (SQA) setup is also in place to focus on business requirements, customer satisfaction, high performance and strong security in line with industry best practices. Service standards for all ITG services offered to business units are commissioned through Operating Level Agreements (OLAs), whereas the IT Helpdesk, equipped with specialised technical support teams, ensures prompt resolution of incidents and service issues.

Cyber Security

Cyber Risks

Cyber risk is now amongst the top ranked Information Security risks that all organizations face and Bank Alfalah is cognizant of its significance and possible impacts. A dedicated Information Security Division, functioning within the aegis of Credit & Risk Management Group manages Information Security risks to the bank's technology assets by enforcing compliance to information security standards & baselines for IT solutions that support products and services. Information Security solutions selection, acquisition, and engagement with consultants, vendors or service providers are led by Information Security in close coordination with ITG.

Cybersecurity programs, policies, and procedures

The Bank has in place a well-defined Information Security Risk Management Policy/Framework duly approved by the Board of Directors. The framework is supplemented with comprehensive Information Security Risk Management procedures approved by the executive management as well as multiple technology/process/practices specific security baselines. The framework derives directly from the regulatory advisories and mandates as well as from international standards and best practices.

Based on periodic Cyber Security Risk Assessments, the bank has installed a multilayered Cybersecurity Action Plan which covers all the key domains of information security. Identified threats and vulnerabilities are suitably treated and revalidated. Furthermore, periodically, the Bank runs Cyber Risk awareness campaigns for staff and customers and has clearly defined standards for Acceptable Use of Information & Technology resources.

Industry-specific requirements for cyber-security and strategy in place

The State Bank of Pakistan has time and again issued advisories, circulars, and regulations for improvements in Bank's cyber security posture and these are being complied with on timely basis as well to provide a secure infrastructure for hosting our customers' data. Furthermore, Bank's approved strategy and industry specific best practices are also being followed.

The Board's evaluation and enforcement of legal and regulatory implications of cyber risks and responsibilities in case of any breaches

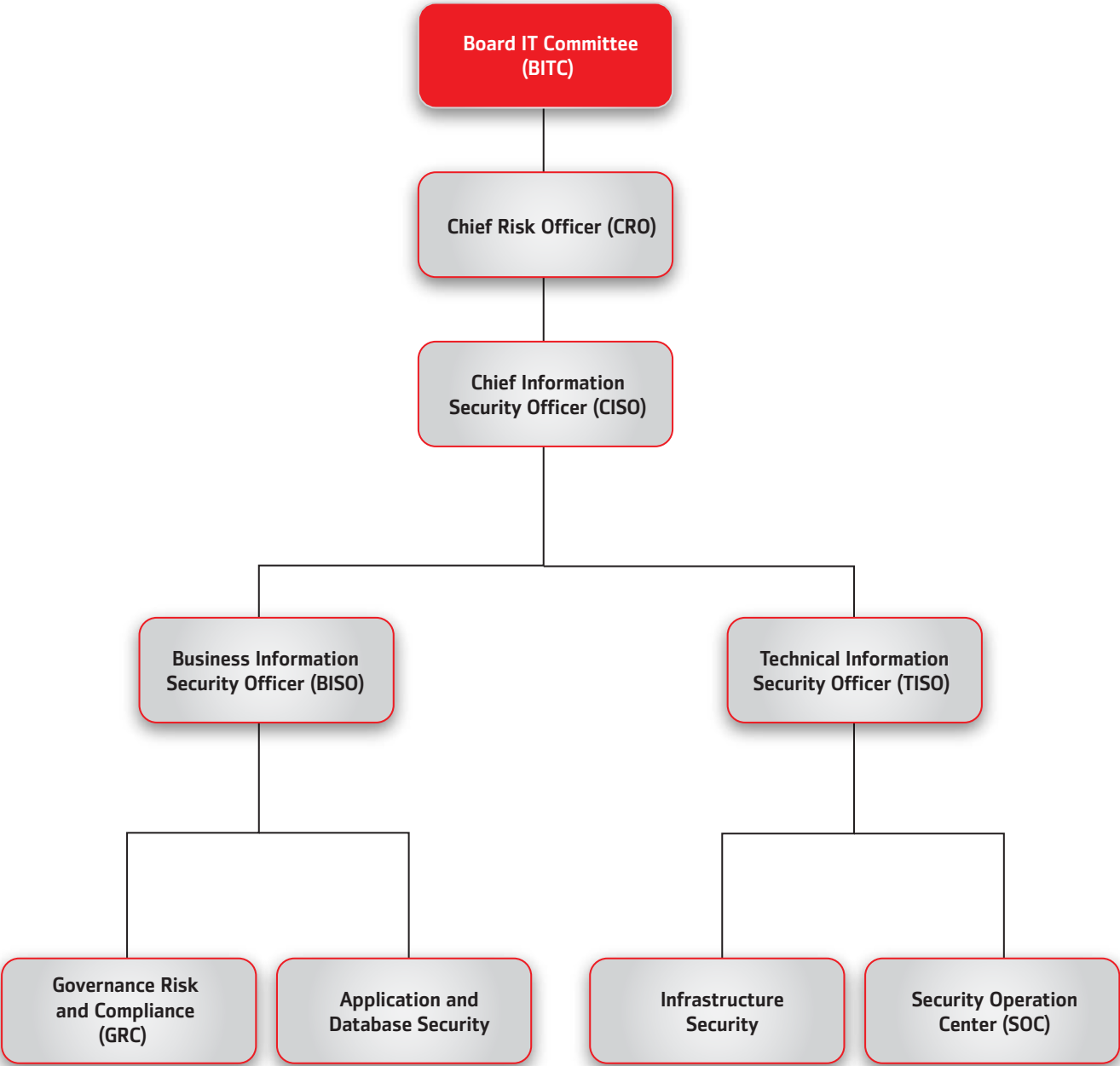
The Board has entrusted the Board Information Technology Committee to oversee Bank's technology direction and risk ensuring that Information Technology remains a key differentiator in Bank's strategy. The objective has fueled the organization ambitions for automation and digitalization thus fostering use of information and data as a key ingredient for innovative solution design and product delivery witnessed by positioning of our franchise as customers' first choice.

The Board and Executive management also remained mindful of associated risk – especially Cyber Risk – which is supported by a comprehensive strategy and plans – internal as well as by Independent 3rd parties – for periodic assessments of effectiveness of technology risks and controls. The organization is tuned to identification of risks – regulatory, operational, or cyber risks – and ensures that control designs are effective wherein people meticulously follow operational protocols. Besides, all products and services are marketed only after compliance and legal vetting and required risk transfer mechanisms are effective.

Board's risk oversight function for cybersecurity and board's engagement with management

Board Information Technology Committee (BITC) plays a supervisory/advisory role along with policy making authorities without infringing on the Management functions. It oversees and review the implementation of compliance and regulatory requirements. Its responsibilities inter-alia include to ensure that risk management strategies are designed and implemented to achieve resilience, such as the ability to effectively respond to wide-scale disruptions, including cyber-attacks and attacks on critical infrastructure.

The Board's risk oversight function engages with the management through Board IT Committee where it obtains status of Information Security Key Risk Indicators (KRIs) and overall cyber security risk posture of the Bank and subsequently providing advice on timely action against cyber threats.



Board-level committee charged with oversight of IT governance and cybersecurity matters and board's oversight on this risk

The Bank's Board IT Committee provides oversight of cyber security matters.

Board Information Technology Committee (BITC) plays a supervisory/advisory role along with policy making authorities without infringing on the Management functions. Its responsibilities inter-alia include ensuring that risk management strategies are designed and implemented to achieve resilience, such as the ability to effectively respond to wide-scale disruptions, including cyber-attacks and attacks on critical infrastructure. Besides, it also oversees the implementation of compliance and regulatory requirements.

The meetings of BITC are held on quarterly basis and the Chief Information Security Officer (CISO) appraises the Committee on the status of Cyber Security.

Controls and procedures about an "early warning system" to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents

The Bank has a dedicated 24/7 Security Operations Center (SOC) within Information Security Division. Technical and administrative controls have been implemented to identify, detect and respond to the cybersecurity events on a timely basis. The status of Information Security Key Risk Indicators (KRIs) and the overall cyber security risk posture of the Bank are communicated to the Board.

Resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and cyber insurance.

The Bank has dedicated BCP and DR sites in order to ensure the continuity of business and IT services. Furthermore, the Bank has a cyber-insurance policy covering security and privacy liability, privacy regulatory defense and penalties, crisis management, event costs and cyber extortion, loss of digital assets, and non-physical business interruption.

Education and training efforts to mitigate cybersecurity risks

To mitigate cyber security risks, the Bank has a security awareness program through which staff and customers are regularly advised on staying secure.

Security Assessment of Technology Environment

Policy related to independent comprehensive security assessment of technology environment including third party risks and frequency of review of such risks

Security assessment of technology infrastructure and services is of paramount significance to Bank's operating model. Accordingly, internal and external mandates and engagements have been effective for years now. Whilst the bank has institutionalized security assessment capabilities amongst Information Technology as well as Information Security teams, their veracity and effectiveness is further validated through quarterly engagement of independent third party engaged for periodic technical risk assessment of all critical systems and services. Furthermore, bank has engaged service providers for timely awareness and treatment of any unscrupulous activities against the Bank.

Information Technology Advancement

Advancement in digital transformation to leverage 4.0 Industrial revolution (RPA, Block Chain, AI, Cloud Computing etc.) to improve transparency, reporting and governance

With OpenShift container platform, we are able to innovate and scale up quickly to provide a fast and responsive customer experience. It empowers us to achieve our business goals with value-added propositions that benefit our customers. The OpenShift platform enables the bank to embrace the agile principles of delivering value and speed to both our external and internal stakeholders. It will strengthen our digital capabilities and enhance our systems, controls, and security features, as well as improve customer engagement.

The bank is using RPA, blockchain, AI and other advanced technologies to improve efficiency, transparency and governance. Below are some of the examples where the bank is making optimal use of these technologies:

- Using Robotic process automation (RPA) on credit card issuance, the bank has reduced data entry cost, improved operational efficiency as well as reduced risks.
- Using Chatbot on WhatsApp channels helped improve customer experience and products personalization. In today's banking services, the customer service suffers from long waiting lines, long response times, and viewing only online content. In this situation, the customer service is being devalued, and businesses and individuals are seeking new ways to interact with customers in more effective way. Use of Chatbot helps in improving the service quality.
- Using AI based trade pricing validations, the bank improved the operational efficiency of its centralized teams whilst reducing regulatory noncompliance risks.
- The bank has equipped its team with Block Chain capabilities and is actively on the lookout for implementation opportunities for the same.

Enterprise Resource Planning (ERP) Software

Enterprise Resource Planning (ERP) softwares

BAFL over the years has been on the path to consolidate its core enterprise systems and has strategically chosen solutions like Temenos T24, IRIS5, IBM EBS, Oracle ERP, Oracle OBDX etc. keeping in perspective the compatibility of existing offerings and future possibilities. These solutions promise, principal commitment to maintaining leadership position on solution boards, sustainability, scalability and synergic fit with in-house developed surround applications ecosystem which seeds diversity and innovation in BAFL propositions to its customers emanating from all segments and origins.

Design to manage and integrate the functions of core business processes / modules like finance, HR, supply chain and inventory management in a single system

At BAFL, the organization is systematically attuned to secure a 360-degree perspective for its customers, employees, suppliers, partners etc. to service their needs whilst having an elevated understanding of the balance between behaviors and organizational objectives. Such enabling platforms are a product of micro decision contributing to one strategic design and has been powered by synergies capitalized through integrations of core enterprise systems. The most mentionable catalysts here shall be our Big Data and BI solutions however it would not have been possible without core enterprise systems like Temenos T24, IRIS5, IBM EBS, Oracle ERP, Oracle OBDX etc. that are pivotal in management of core business processes including but not limited to finance, HR, Supply Chain, Inventory Management etc. leveraging core enterprise systems for each key internal segment of the organization.

Management support in the effective implementation and continuous updation

Technology investments have been amongst the key highlights of annual Capex / Opex. BAFL's Strategic and Executive Management are structurally involved and have always pledged substantial support to ITG and InfoSec whilst selecting solutions that are relevant, scalable and sustainable. They propel organizational commitment to maintain leadership position as a solution provider. This bonding yields synergies when leveraged with in-house organically

developed surround applications ecosystems thus seeding diversity and innovation in the Bank's propositions to its customers emanating from all segments and origins. Our strategic and executive management's resolve and dexterous leadership is frequently applauded and recognized through prestigious awards to BAFL that amongst others also feature Best Digital Bank.

User training of ERP software

All new users undergo formal training program before active engagement in operational activities whereas mandatory periodic reinforcement programs are also put in place. The training programs do not limit the scope only to the usage aspects of core enterprise systems but amongst other also provide coverage over delicate and critical areas (e.g. acceptable use of Information & IT resources standards and regulatory/reputa respectively).

Managing risks or controlling risk factors in ERP projects

ITG Project Management Office is staffed with seasoned professionals that plan and controls all the core enterprise including ERP projects. From the very outset, Information Technology Steering Committee maintains oversight of these projects, whereas it is supported by Project Steering Committee(s) and high-powered project teams usually including IT, InfoSec, Business, Operations, Compliance, Finance, Ops Risk. Teams carefully draw the project scope, objectives and tentative project plans that are presented to ITSC for approval and oversight. PMO

performs critical path analysis and maintains track of activities that could risk delays in the implementation or could adversely impact project scope & deliverables. Detailed risk registers are maintained and presented to executive management & ITSC for perusal and guidance. Our detailed approach has ensured that all ERP projects in the bank are successfully completed delivering the project objectives and value to the satisfaction of our stakeholders.

Assessment of system security, access to sensitive data and segregation of duties

As per in vogue project management approach, all key teams, i.e. InfoSec, Business, Operations, Finance, Ops Risk and Compliance and so on, are engaged at the RFP stage, thus ensuring that solution proposal brief capabilities in areas of Information Security, Role-based Access Control Mechanisms, handling, masking of Sensitive Personal / Cardholder data, process controls, as well as assurance regarding secure coding and quality assurance practices by solution providers. Besides, once core enterprise systems are ready for production, robust security and user testing by all key teams is ensured to ensure that the solution meets minimum defined standards for system security, access to sensitive data and/or segregation of duties.



SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY



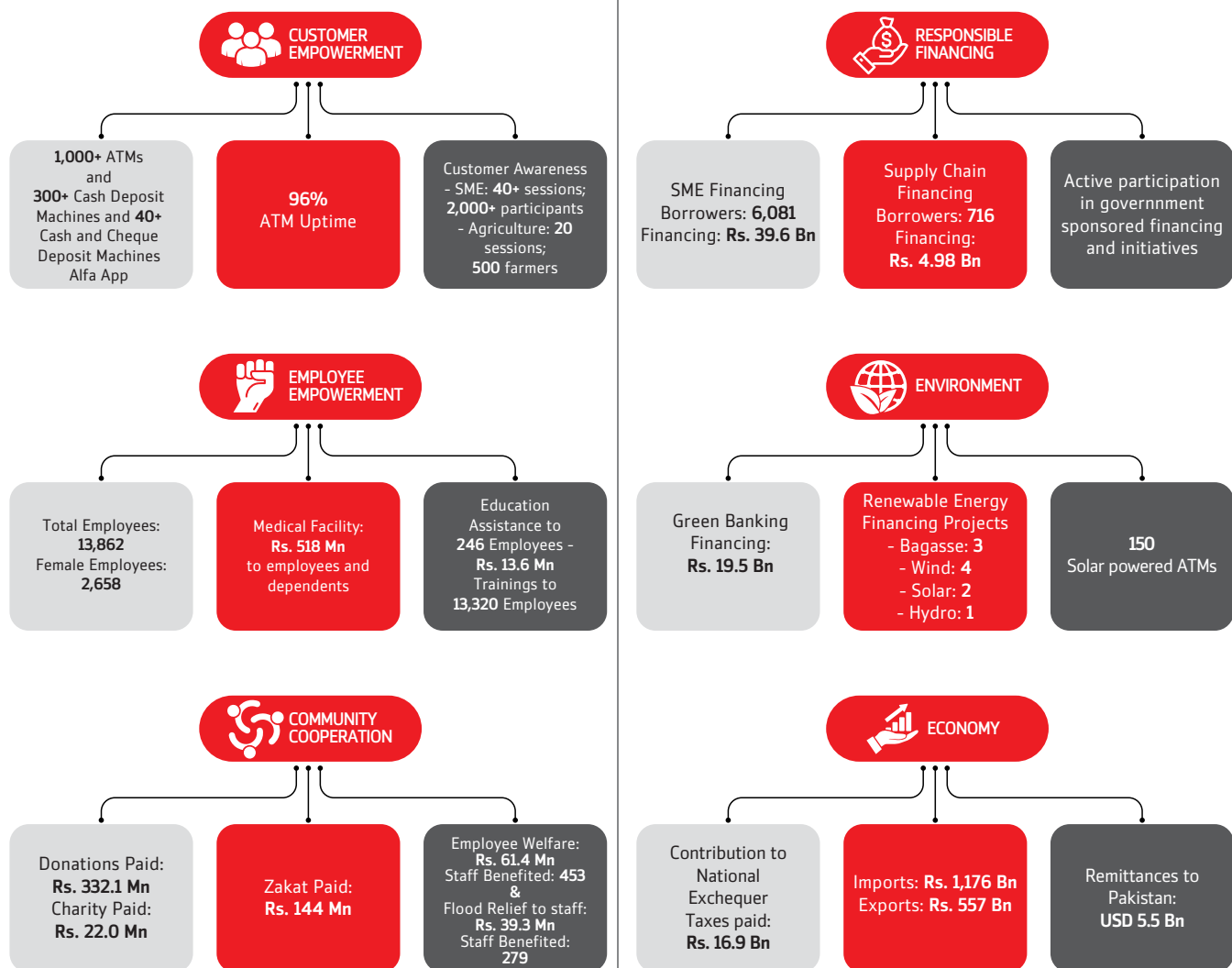
Sustainability Report

Philosophy

Sustainability is one of the key areas of Bank's focus. Every day the Bank works hard to ensure that operations are directed towards creating a more sustainable, healthier, safer, and community-caring organisation. As part of our sustainable approach, the Bank is keen to ensure effective controls, efficient procedures, community care, ethics and natural capital protection.

The Bank strive to increase the scale, efficiency and profitability of the operations in a way that helps enables them become a socially responsible corporate citizen.

Highlights of the Bank's Sustainability Programme:



Pillars of the Sustainability Philosophy

Customer Empowerment

Bank Alfalah puts customers and their needs at the front and centre. We do all we can to understand and anticipate what will help customers find their unique paths and achieve their ambitions. The Bank strives to do things differently, challenging the status quo to find new and better ways to move itself and its customers forward.

- **Service Leadership and Digital Innovation**

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

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

The Bank, through its Alfalah Transact (OBDX), extends trade and term deposit services to its customers through customer interface of the portal to transmit their transaction based request. Alfalah Transact (OBDX) extends Term Deposit services (issuance/amendment/encashment) for straight through process TDR at rack rates and special rate TDRs via service requests through customer interface of the portal to transmit their transaction based request. Further, this enables customers to make all types of business transactions on the go such as trade related payments and option to view LCs status, Cash Management Payments, Accounts Statement View, Loan and Finances Position. This digital platform with its quick and easy onboarding

process allows users to access their accounts globally with 24 hours accessibility, initiate transactions and get real time reporting as required.

- **Customer Protection**

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

In line with the Financial Consumer Protection policy, the Bank's philosophy is to treat customers with utmost care and responsibility and walk alongside customers throughout their financial journey. The end-to-end journey is viewed with a customer centric lens. Customers are able to find transparent data regarding the products and services on the website and through other touchpoints. They can also conveniently conduct their financial transactions around the clock through various physical and digital channels. In case of any grievances, frontline and 24/7 operative contact center is available for assistance before, during and after customers have availed products/services. With the introduction of WhatsApp and the Chatbot, customers can now avail instant response to their banking needs and queries. This allows the customer to reach out to the Bank without any additional cost associated and allows them to receive quick, convenient, and personalised service.

- **Customer Experience Management**

The infrastructure of Customer Experience (CE) Management at Bank Alfalah consists of several units, which monitors and oversees the quality of service at the touchpoints that make up a customer's journey.

- **Customer Satisfaction**

In order to track customer satisfaction, the Voice of Customer team conducts daily surveys to collect detailed feedback from the customers directly, so the Bank can proactively continue to identify gaps and make improvements to adapt to the changing needs of the customers. Digital Survey Platform allows us to widen the outreach and gather instant feedback from customers on a daily, real-time basis through ROBO Calls and SMS Surveys.

- **Process Optimisation**

At Bank Alfalah, we continue to keep a close eye on complaints, processes, and channels to identify gaps and areas of improvement, which are then undertaken as projects in order to improve operational efficiency and drive improvements

within the organisation. This is done to ensure that our customers are served with utmost care and their experience is as convenient and up to the standard as the Bank has committed.

• **Quality Assurance**

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

• **Transactions Success Rates**

Various score improvement initiatives were undertaken to accelerate the processing and transaction execution time. For example:

- Credit Card Transactions Success Rates improved in 2022 at 93% from 87%, an improvement of 6% compared to last year.
- Debit Card Transactions Success Rates improved in 2022 to 97% from 83%, an improvement of 14% compared to last year.

The above improvements were as a result of various steps such as SMS, notifications and spend based profiling.

• **Customer Engagement**

Bank Alfalah is a customer centric bank, which cultivates customer convenience by seeking ways to take the services a step further and to adapt to the evolving environment, to stay relevant and competitive. We target new customer segments, digitise product and service propositions, create greater efficiency through automation and innovation, and utilise analytics to effectively meet customers' needs. Bank Alfalah keeps the customers at the centre of the business, and enable them to conveniently engage and interact through different channels, always look towards targeting newer corporate segments through the diverse product propositions, and catering to new requirements of the corporate clients. These pursuits are complemented by an ever-increasing reach, via multiple communication channels through which the customers can connect.

The communication channels used by Bank Alfalah to engage with customers are as follows:

- ✓ Branch Banking
- ✓ Consumer Finance Centres
- ✓ Face-to-face meetings (at client premises)
- ✓ Vertika (screens displaying key information and these are placed in high footfall areas)
- ✓ Alfalah Contact Centre
- ✓ Email
- ✓ Website
- ✓ Internet Banking
- ✓ Mobile Banking/Alfa

- ✓ ATMs
- ✓ Facebook
- ✓ Instagram
- ✓ Twitter
- ✓ Letter
- ✓ Live Web Chat
- ✓ Television
- ✓ Radio
- ✓ Print Ads
- ✓ WhatsApp Banking Channel
- ✓ Ask Alfa
- ✓ Press

• **Safeguarding Customers' Information**

Bank Alfalah places high emphasis on security and safeguarding of customers' information and has made strategic investments in security control enhancements, including Advanced Threat Analytics and Protection, Cyber-attack incident response and forensics, along with enhanced automated technical vulnerability compliance management solutions and improved DDOS Protection. The Bank's Security Operating Centre operates proactively on a 24/7 basis. We take necessary proactive measures to counteract potential threats and have also deployed strong security controls at the critical touchpoints.

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

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

The Bank successfully implemented the Payment Card Industry Data Security Standard (PCI DSS); a set of Information Security standards that aims to secure credit and debit card data and transactions. It enhances cardholder data security and provides a baseline of technical and operational requirements designed to protect card data. The PCI Standard is mandated by card brands and administered by the Payment Card Industry Security Standards Council with the objective to enforce unbreakable controls over

cardholder data, to minimise the risk of fraud.

At the Bank, access to sensitive information is based on Two-Factor Authentication (2FA) token, sensitive data is encrypted and DLP (Data Loss Protection) policy is implemented. This ensures protected and secured access to the customers' data limiting unauthorized intrusion.

• Customer Awareness

The Bank is at the forefront in implementing various awareness programmes for customers. These programmes provide product specific awareness such as unique features of various account categories, including Key Fact Statements of products, profit rates, charges and other features, assisting customers in the pursuit of banking services that best suit their needs. Awareness is also provided through all our delivery channels for schemes such as Deposit Protection scheme, to keep customers abreast of critical developments in depositor insurance and other important areas.

To reach out to customers in untapped markets, the Bank continues to expand its branch network into new and remote areas along with activating digital onboarding through Rapid. We keep our customers updated with our products and services through all communication media like SMS, emails, flyers, etc. Our branches and staff are consistently trained to ensure that all existing customer queries are answered and needs are satisfied.

The Bank adopts various modes of communication to make its customers aware about banking products, services and key regulatory guidelines having an impact on customers having daily banking needs. Further, to promote and create awareness of legal banking channels amongst the masses, the Bank has consistently invested in marketing campaigns both here in Pakistan and in key remittance sending countries abroad. With these campaigns the Bank has strived to inform customers of the key benefits of sending remittances through legal channels, including free of charge remittance payments under the PRI model, competitive conversion rates, and other incentives such as prizes/gifts/giveaways, etc. In addition, the investment in technology by the Bank allows us to enhance and extend the scope of remittance payouts to include customer to business bill payments for 1,000+ companies in Pakistan and also business to customer payments to freelancers working in our country.

The Bank is committed to enhance its digital footprint and use unique and differentiated product and service propositions to increase the market outreach.

WhatsApp Banking Channel BOT:

WhatsApp Banking Channel enables customer to get

information related to Account Balance, Mini-Statement, Credit and Debit Card information, RAPID Account, Roshan Digital Account, Premier Banking, Loans, Offers and Discounts or Chat with Live Agent. WhatsApp service is used for general query management and customer support, which enabled customer services improvement via new channel.



AlfaChat

A P2P chat platform launched with a wide array of features from user to user chat, group chat, stories and picture uploading, voice notes, picture sharing as well as likes and viewing features. In addition, it provides money transfer and mobile balance top-up functionality in chat. AlfaChat is a feature with the name of 'AskAlfa' where customers can communicate their queries and grievances as well as share files & documents to update their account credentials 24/7. This feature also enables remote submission of document without visiting branch.

SMS Banking

Bank Alfalah offers its customers via SMS channel the freedom to get their account information and do financial transactions by sending SMS to 8287. Customers can now get their Account Balance, Last 5 transactions, Credit Card information, process Permanent Blocking of Debit Card, Temporary Blocking of Internet Banking and ALFA, Activation and Deactivation of E-Commerce transactions, initiate Cheque book requests, inquire about Orbits points, pay off the bill of their registered mobile number and Credit Card through their Bank Alfalah account.

In addition to above, they can also keep a track of their transactions 24/7. The customers receive real-time SMS Alerts for transactions performed in their account along-with their available balance and Orbit points information. Customers can also choose to receive their Debit and Credit alerts in the language of their choice.

• Financial Literacy

Bank Alfalah's Non-Financial Advisory Services (NFAS) and Agri Division have jointly developed and conducted various programmes and sessions across Pakistan to increase awareness of products and services available and impart valuable knowledge about business efficiency and management. NFAS has collaborated with multiple third party stakeholders and government institutions to tap into the undocumented segment of the society. Our market storming activities, helpdesks and awareness sessions have helped us broaden our horizons and allowed us to reach out to communities at the grassroots level. We engaged a considerable number of SMEs by switching to virtual sessions. We have successfully organised over forty (40+) awareness and knowledge sharing sessions on SME products and services along with specialised workshops with industry/subject matter experts to improve understanding of industries and business dynamics, and improve business affairs of the SMEs. We have interacted with over 5,000 SMEs and business owners during these sessions. Additionally, we have created a footprint in the digital sphere through SME Toolkit, which has attracted the attention of our potential clients. Over 35,000 users have made use of the digital platform.

Additionally, numerous awareness sessions and events were organised by the Agri Division to increase market outreach and develop an ecosystem for rural businesses to flourish and develop. The targeted financial literacy programmes and farmers' engagement sessions have reaped encouraging rewards. In 20 different events organised by the Agri Division across Pakistan, we have been able to interact with over 500 farmers and Agri related business owners.



• Women Economic Empowerment

Bank Alfalah's strategy for the financial inclusion of women is to provide handholding through awareness sessions and helpdesks, and continually introduce products and services tailored to the segment. Over the years, along with awareness sessions for SMEs, we conducted sessions for women-owned businesses in particular. We developed ties with Women Chamber of Commerce and Ladies Fund, and reached out to the wider women led business community of Pakistan.



● **Poverty Alleviation**

Bank Alfalah continues to contribute towards poverty alleviation by increasing financial inclusion of the underprivileged and vulnerable segments of the society with digitally advanced products like Digital Payroll, BISP and EOBI wallets. In line with this vision, the Bank is at the forefront, enabling Pakistan's largest welfare fund distribution under BISP Program to assist the under-privileged, excluded, marginalized and vulnerable sections of society.

● **Innovative Product Design**

The Bank launched various new and exciting products this year in order to meet the customers' needs. To reach underserved segments, we have introduced products that are aligned with government initiatives and meet current regulatory requirements, including the following new Islamic and conventional products:

Regulatory Products

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

Electronic Money Institutions Account

State Bank of Pakistan, with an objective to promote digital payments, foster innovation in payments industry, increase financial inclusion in the country and provide Regulatory framework to Electronic Money Institutions (EMIs), a non-banking entities in payments landscape, allowed the Banks to open EMI accounts.

Electronic Money Institutions offer a wide range of products, services and solutions in payment processing and alternative banking, ranging from merchant accounts and cross-border money transfers to elite payment cards and private banking approach to corporate clients.

As a first mover, Bank Alfalah offered an account for EMI institutions to cater to this emerging segment with a focus on creating operational excellence for EMIs in Pakistan by providing them its digital platforms and banking services.

SME Asaan Finance (SAAF) Scheme

SAAF aims to provide clean financing to Small and Medium Enterprises (SMEs) customers, under SBP initiative in collaboration with the Government of Pakistan, who cannot offer security / collateral to access bank finance. Bank Alfalah is among a few banks who has been mandated with a target under I-SAAF and extended extensive financing thereunder to promote the SME sector of Pakistan. The Bank offers both variants of SAAF i.e. Conventional and Islamic loans.

Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS)

Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS) is an initiative by the Government of Pakistan to motivate the country's youth to utilize their entrepreneurial skills and contribute to economy's growth. Bank Alfalah in support to the government's initiative is offering different financing products with respect to the requirements of prospective customers to enable them to build self-driven SME business set ups.

Other Products

The following improved and innovative products were launched during the year:

Distributor Financing

Distributor Financing (DF) Product has been introduced as one of the Supply Chain Finance (SCF) solution, which caters to the growing needs of clients' treasury, sales and supply chain requirements. Bank Alfalah Supply Chain Financing Program works with Corporates & their value chain partners to design customized solutions and products for their key buyers in order to optimize their working capital and provide liquidity.

Shariah compliant alternative to Bill Discounting

To excel the Islamic financing business, Bank Alfalah Islamic introduced Shariah compliant alternatives to conventional bill discounting for inland/local and export bills through its products offering of Running Musharakah, Istisna, Musawamah & Tijarah.

Running Musharakah FCY

BAFL introduced FCY financing through Islamic mode of Running Musharakah, to entertain the foreign currency financing requirement of the customers for import and export purpose.

Hybrid Financing under Home Musharakah

Hybrid Home Musharakah facility has been introduced to incentivize the customers to own a home at competitive pricing. The facility would allow customers to avail house finance facility for a fixed financing rate for a specified period. After lapse of the fixed rate period, customers will have the choice to either continue the fixed rate or choose a variable rate. This shall add more value to our product offering and attract customers due to a combination of fixed and variable rate pricing proposition.

Responsible Financing

• Non-Financial Advisory Service

Our Non-Financial Advisory Services focus on providing SMEs with relevant trainings, advisory services, management education, and tools and techniques to structure their business. This has played a significant role in financial inclusion and supported business growth for SMEs in the country. We understand that small businesses have different pain points like access to resources, markets, finance, and trainings to name a few, and it is important to meet these needs end-to-end. Enabling SMEs to be more bankable helps build financially educated customers and garner long-term customer loyalty.

Bank Alfalah is the first and only commercial bank in Pakistan to venture into a structured Non-Financial Advisory Services (NFAS) initiative for SMEs. Since its inception, NFAS has embarked upon an extensive countrywide awareness campaign to create visibility. Advisory services help reduce management risk and allow the Bank to understand business dynamics better. These services are focused towards various empowering and knowledge sharing initiatives to make our customers more efficient. We consider NFAS an important component of our core business line that can help develop and grow the SME portfolio, deepen our relationship with our existing SME customers, mitigate risks, and differentiate us in a growing competitive market.



• Green Financial Products and Services

In the midst of the continuous energy crisis that the country is experiencing, we are proud to be leaders in financing the renewable energy sector. By doing this, we seek to maintain our corporate responsibility to society and preserve the environment. The portfolio's product offers align with SBP's refinancing programme for renewable energy. The SME Division is proud to have introduced "Alfalah Green Energy," a product that is beneficial to the environment. We are prepared to

establish our footprint in this market as the globe progresses toward affordable and clean electricity, realising that green finance products may make a positive difference.

• Karandaaz Pakistan

Bank Alfalah partners with Karandaaz, an organization funded by the UK Department for International Development (DFID) and the Bill & Melinda Gates Foundation, to help small and medium-sized businesses by easing access to finance through well-defined product programs. Karandaaz provides capital to Micro, Small and Medium Enterprises (MSMEs) by entering into structured finance agreements with partner financial institutions under defined product programs. One of the objectives of these programs is to introduce viable credit schemes and channel capital to viable SMEs that generate positive corporate value and employment. Another goal is to develop and demonstrate sustainable investment models and product programs. These are replicated and expanded by private commercial financiers to enable the mobilization of private and development capital.

Through this collaboration, the bank funded the development and growth of a wide range of clients, including those with need of fleet scalability, supply chain improvements and other business needs. Karandaaz has provided over PKR 2.3 billion direct funding through Bank Alfalah to various commercial entities such as Al-Haj FAW, BF BioSciences and JSK Feeds.

• Pakistan Mortgage Refinance Company Limited

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

• Responsible Lending

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

Employees Empowerment

Human Capital Group focuses on establishing a link between people, strategy and performance in order to execute the Bank's overall strategy and make Bank Alfalah an employer of choice.

- **Equal Opportunity Employer**

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

- **Education and Well-being of Staff**

Inculcating a culture of 'Learning Something New' is a focal point at Bank Alfalah. The Bank consistently work towards improving the learning of employees to drive engagement, productivity, and improve their performance. We continue to develop and enrich human capital - from upskilling new joiners to offering employees competency-based learning programmes and courses on employee well-being.

The learning framework ensures that our people are equipped with the right capability to deliver results.

- **Business Ethics and Anti-corruption Measures**

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

- **Employee Engagement through Celebration of National Events**

The Bank engages with employees through celebration of international days, national and religious events, and team successes. They also roll out various well-being activities and learning initiatives. These practices enable them to create an environment where people enjoy coming to work.

- **Gender Diversity**

We have embarked upon a DEI journey because we strongly believe in the business and social impact created by a diverse workforce and an inclusive work culture. We believe that DEI inspires creativity, unlocks productivity, and enhances profitability.

The strategy is to increase diversity internally as well as improve financial inclusion of customers. Based on this there are multiple products and services to cater to specific target audiences. The Bank has specific targets for financial inclusion such as account opening, creating financial awareness, providing non-financial advisory and so on.

Similarly, our internal employee strategy is driven

by specific targets and KPIs that rest on the following pillars:

- Regularly monitor Diversity Analytics
- Recruitment
- Learning and Development
- Retention and Engagement

- **Competitive Reward**

Competitive reward system has a major impact on an organization's ability to acquire, retain and motivate high potential employees and ultimately get a higher level of performance. Performance of employees may include quality of work, quantity of work, presence at work and timelines of the output.

Market competitive salaries, rewards, and convenient staff financing are our key milestones. This is the best guarantee for the Bank's success and performance.

- **Employees' Welfare (health and life insurance, retirement benefits, etc.)**

The Bank has comprehensive health and life insurance benefit policies in place for employees. The post-retirement funds also reward employees for their services and association with the organisation. In addition, the Bank offers pay continuation benefits to employees suffering from medical issues.

- **Diversity for All – life experience, age, group, abilities and thoughts**

The Bank strongly believes in the business and social impact of a diverse workforce and an inclusive work culture. It wants to build a workforce that is representative of different genders, ages, ethnicities, backgrounds, experiences, working styles, thinking styles and abilities. Being a responsible corporate citizen, value differently-abled employees and facilitate them in achieving their life goals. We also value differently-abled employees and help them fulfill their endeavors.



- **HR Quick Connect (Employees Help Desk)**
HR Quick Connect is a centralised platform where employees can access updated HR policies and documents with a single click, ensuring hassle-free availability of important documents.
- **Education**
Bank Alfalah encourages its employees to enhance their professional competence and offers multiple rewards, early achiever allowances, reimbursements of professional courses and membership fees, besides educational financial assistance to meritorious staff.

Environment – Protecting the Natural Capital

Environment plays an important role in the well-being of people. Protection of the environment is thus integral to sustain life and for our physical and mental health.

Our professional and experienced HSE (Health, Safety and Environment) and Business Resilience teams continually strive to create a culture which ensures that our services are made available to customers in a safe manner, despite any disruptive events or crisis.

Our frameworks and emergency protocols, proactive planning, trainings, exercise programmes, advisories and alerts, premises inspections and hazard mitigation plans distinguish us as a standard setter in the industry.

• Renewable Energy

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

Bank Alfalah is striving in adoption of clean energy sources to develop sustainable means and reduce substantial amount of energy consumptions through various sources e.g. Solar Panel systems, long backup UPS, inverter ACs, LED lights, solar panel for ATMs etc.

• Paperless Operations

The business impact of going paperless manifests itself in an enhanced customer experience, increased productivity, improved operational efficiency, and reduced carbon footprint. Cash/Cheque Deposit Machines (CDMs), branch report digitisation, and various other initiatives are being implemented to eliminate and/or minimise the use of paper through digital transformation. Simultaneously, we are encouraging environmentally conscious employee behaviour, customer facilitation and processes improvement.

During the year, the Bank managed purchase requisitions amounting to Rs. 1.6 billion through its ERP with no paper usage. This was well handled with pre-approved standardized rates. Further, the Bank is taking measures to reduce its paper consumption through optimisation of various tasks.

• Building Design and Infrastructure

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

- All main entrances, including ATM vestibules must be accessible through ramps, where possible
- Railings are a mandatory feature at every facility

- with more than one step to climb
- Emergency exits with push-bar doors must be present for unhindered escape
- Ceiling mounted automatic/self-fire extinguishers are mandatory features for all unmanned and high hazardous locations
- Compartmentalisation has been introduced between UPS batteries and electrical installations to reduce fire hazards
- Cash routes at every branch are secured with HD cameras that are monitored from a centralised command and control centre
- All new buildings have access to natural light or direct sunlight, where possible, to reduce electric lighting and save energy
- As per SBP directives, 16 special branches for People with Disabilities (PWD) have been designed and implemented
- To ensure customer satisfaction in all areas, the bank also invests heavily in renovating its branches. This year over 100 existing branches have been renovated in minor, medium and major categories, making them fresh and vibrant for customers and staff.

● **Environment Protection Measures**

We aim to make the Bank's an environment-friendly organisation. Thus regular awareness campaigns and broadcasts to staff through various communication channels are a key feature of the strategy to encourage employees to efficiently use energy and protect the environment.

● **Energy Conservation**

The Bank has replaced nearly all conventional light fixtures and ACs with LED lights and invertor ACs through a disciplined life cycle replacement plan and smart investment in order to reduce maintenance cost and enhance efficiency levels. As part of energy conservation program, the Bank has adopted Work from Home on every Fridays at its main buildings.

● **Water Conservation and Sanitation**

We have installed sensor based water taps at dense locations to effectively conserve water. Since plastic bottles are one of the biggest source of plastic pollution in the oceans and harms aquatic creatures, water dispensers being installed in bank cafeterias and lobbies encouraging staff to use reusable glasses and refill their own bottles for drinking.

● **Waste Management and Responsible Consumption**

We use shredder machines to destroy sensitive / unwanted paper. Upon large collection of shredded papers, it is again converted into re-useable paper in industry through pulping recycling process. Offices are cleaned daily and waste is managed through proper

dumping mechanisms, i.e. government's waste management vehicles. During the year, the Bank managed dry paper waste of **60** tons for responsible recycling.

● **Services with Greener Impact**

We continue to work to help our customers reduce their environmental footprint through our services, with a focus on enhancing operational efficiency and reducing material and energy consumption. Our green services include e-statements/mini-statements, SMS alerts and WhatsApp Banking Channel.

Corporate Social Responsibility / Community Cooperation

Bank Alfalah CSR Programme

Over the years, Bank Alfalah has been active in giving back to the society and communities where it operates and continues to build responsible business practices across its activities. There is an opportunity to focus activities and raise the impact of the sustainability programmes. Creating a more robust business model that supports programs that solve societal problems, while also creating value and advantage for Bank Alfalah is essential.

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

Social Welfare

We are always keen to support causes that work towards the social welfare of the country. This includes extending support to underprivileged segments of the society so they may have access the basic necessities of life, i.e. food, education and health, leading towards a better standard of living.

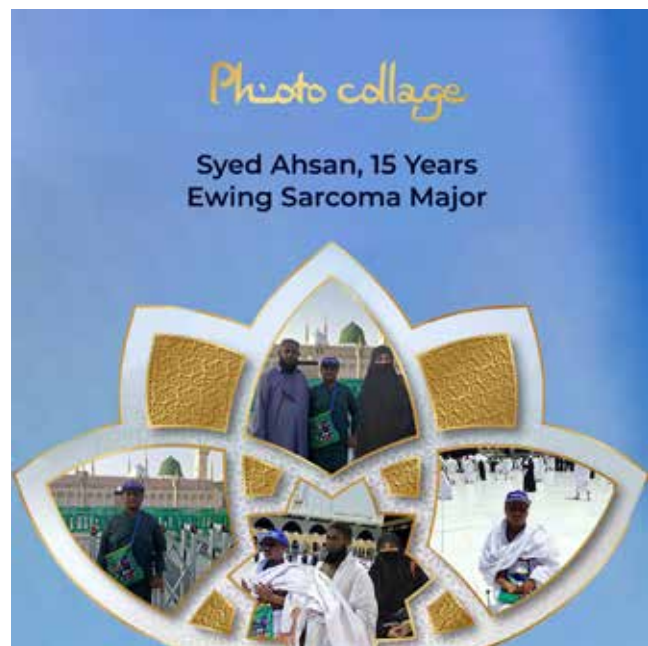
- **Alamgir Welfare Trust**

Alamgir Welfare Trust International has been serving the downtrodden community for the past 25 years. Their services include medical facilities, educational assistance, providing cooked food and Ration packages to destitute families. Last year in Ramadan, Bank Alfalah collaborated with Alamgir Trust and distributed Ration packages to the lower-level staff of Bank Alfalah and Alamgir Trust. The ration distribution was carried out in 8 major cities; Lahore, Karachi, Islamabad, Rawalpindi, Multan, Faisalabad, Quetta and Peshawar. The total donation amount was PKR 8 Million.



- **Make a Wish Foundation**

Make-A-Wish Pakistan is an affiliate member of Make-A-Wish Foundation International, dedicated to granting the most cherished wishes of critically ill children. Since its inception Make-A-Wish Foundation Pakistan has granted thousands of wishes to critically ill children, thereby enriching their lives with hope, strength and joy. At the request of Make a Wish Foundation, Bank Alfalah donated PKR 250,000 to the NGO, to fulfill the wish of Syed Ahsan, who is 15 and wished to perform Umrah. Ahsan is a patient of Ewing Sarcoma Major, and the bank is grateful to support him in fulfilling his noble wish.



- **Aziz Jehan Begum Trust**

Aziz Jehan Begum Trust is a public charitable trust, working for the education of blind people. An educational institute Aziz Jehan Begum Trust Institute for the Blind is a mega project of the AJB Trust, established in 1996. The Institute is dedicated to the noble cause of alleviating the sufferings of blind and visually impaired people by training, educating and rehabilitating them to live lives of honour and dignity with financial and physical independence. At the request of Aziz Jehan Begum Trust, Bank Alfalah provided financial assistance in the form of donation.

Education

Pakistan suffers from an extensive education crisis that needs attention. Through Bank's philanthropic investments, we aim to uplift our people's lives and empower them on their journey to gain education and technical knowledge. In 2022, we provided funds to the following institutes:

- **Karigar Training Institute**

Karigar Training Institute is accredited with the Trade Testing Board, Sindh and is involved in the training of young, illiterate and semi-literate men and women from less privileged sections of society. At present training is provided for motorcycle mechanics, electricians, pipefitters/plumbers, and refrigeration & air conditioning mechanics. The Institute also offers Qarz-e-Hasna to those who wish to work on their own. At the request of Karigar Training Institute, Bank Alfalah donated PKR 500,000 for the vocational training. The donation amount helps in training the youth, so they can earn a sustainable livelihood and create a positive impact on economic development.

- **Zafar and Atia Foundation**

College of Nursing and Allied Health Sciences, which is a project of Zafar and Atia Foundation Charitable Trust completed its structure with the support and donations of generous individuals. They required the funds to purchase world-class equipment, provision of the latest teaching & learning facilities institutional furnishing and a year's operational cost to run the institution efficiently in developing its alumni.

On the request of the College of Nursing and Allied Health Sciences, Bank Alfalah provided financial assistance in the form of donations. The contribution will help future generations in receiving essential support towards imparting proper health care. It will also help to create lucrative job opportunities locally and internationally for the much-needed qualified nurses, technicians and midwives for upcoming youths across the board, thereby economically uplifting all segments of society and the nation.

- **The Friends of Education Foundation**

Friends of Education Foundation, formed by the DOW'80 graduates is working in the health and education sectors. Currently, they are serving mid-day meals to more than 300 students of Montessori and Kindergarten every day. They have installed a Reverse Osmosis plant to provide clean and healthy water to all students and teaching staff to prevent them from Water Borne Diseases. FOEF have five schools, out of which four are in Karachi and one is in a village near Kot Dijji. The total strength of the students is more than 1400 (Girls/Boys). Two schools are from Montessori to Matric, while the other 3 are primary sections only.

FOEF is working on having a school in the village of Dano Dhandal - Thar since education is almost a rare commodity in Thar. At the request of the Friends of Education Foundation, Bank Alfalah provided financial assistance in the form of donations to the foundation.

Health

Health remained a priority area for Bank Alfalah in the year 2022 as it supported the following organisations:

- **Child Aid Association**

Child Aid Association is a non-governmental organization that provides free of cost treatment to cancer patients. The organization has established a state-of-the-art setup through which treatment of poor children suffering from cancer. Last year, Child Aid Association managed to provide free treatment to over 1,000 children suffering from cancer. At the request of the Child Aid Association, Bank Alfalah donated PKR 1 Million to the NGO.



- **AKUH - The Patients' Behbud Society**

The Patients Behbud Society has been providing high-quality care to children with multiple diseases often complicated ones. Majority of the treatment includes but not limited to cardiopulmonary, oncology, neurosciences and child development, gastroenterology, nutrition, endocrinology, nephrology, genetics, neonatal and infectious diseases. Mainly, these patients come to The Patients Behbud Society after being denied access to quality medical care elsewhere due to a lack of funds or lack of capacity to handle complex cases in other medical institutions. The Patients Behbud Society often becomes their saviour and last hope. On the request of The Patients Behbud Society for AKUH, Bank Alfalah donated PKR 1 Million to the hospital.

- **Autism Spectrum Disorders Welfare Trust**

The Patients' Behbud Society (PBS) for The Aga Khan University Hospital (AKUH) is a charitable organisation that collects and disperses funds to provide world-class health care to Zakat Mustahiq and indigent patients treated at AKUH. 100% of funds collected by PBS are used in direct patient care; none of the funds is used for administrative or other purposes. The Patients Behbud Society of

AKUH provides ideal medical care to marginalized families. At the request of The Patients Behbud Society for AKUH, Bank Alfalah donated PKR 1 Million to the hospital.

- **Patient Aid Foundation**

Patients' Aid Foundation is a non-profit organization established in 1990 to alleviate the burden on Jinnah Postgraduate Medical Centre. Over the years, an increasing volume of patients along with limited resources had put a strain on this renowned government hospital named after the founding father of the country. Patients' Aid Foundation took responsibility for building back on its lost glory through a private-public partnership. Bank Alfalah donated PKR 1,500,000 to financially support the foundation.

- **Child Life Foundation**

The management of Bank Alfalah visited the emergency ward of ChildLife Foundation and distributed gifts amongst young patients. ChildLife Foundation has saved 4 million children in the last decade, in partnership with the government, by providing 24/7 free-of-cost quality emergency care. They manage 11 children's Emergency Rooms (ER) and 56 Telemedicine Satellite Centers in Sindh, Baluchistan and Punjab.



- **Bait ul Sakoon**

Bait-ul-Sukoon is a free cancer hospital in Karachi. The 'Bait-ul-Sukoon foundation has constructed purpose-built premises with 50 beds for inpatients and diagnostic facilities for mammography, ultrasound radiography, pathological laboratory and in-house pharmacy offering a complete range of cancer treatment drugs. It provides a complete cancer treatment, including boarding and lodging. Since its inception, Bait-ul-Sukoon treated 32,000 cancer patients, where the average cost of treating one patient is PKR 1 million spread over a period of two to three years. Bank Alfalah donated PKR 500,000 to the hospital.

- **Murshid Hospital - The Patients Welfare Association**

Murshid Hospital & Health Care Centre was established in 1987. It is a 200 bedded hospital. The non-profit facility provides free medical treatment to the poor or non-affording patients living in the vicinity, especially in Karachi. Patients Welfare Association is a registered body with the Government of Sindh and is managed by Senior Members of the Hospital. The Bank donated PKR 500,000 to the hospital this year.

- **Shaukat Khanum Karachi**

Shaukat Khanum has a mission to bring cancer care closer to patients, hence, Pakistan's third Shaukat Khanum Memorial Cancer Hospital and Research Centre (SKMCH&RC) is being constructed in Karachi. Bank Alfalah has made a commitment of PKR 100 million towards the construction and dedication of the main reception and waiting area for clinical and radiation oncology along with the reception and waiting area for the Inpatient Unit. This contribution of Bank Alfalah is a source of relief and support to many indigent cancer patients who are to be treated at SKMCH&RC, Karachi.



- **Indus Hospital & Health Network**

Indus Hospital is the vision of Dr Abdul Bari and his colleagues who envisioned to establish a multi-disciplinary tertiary care hospital. The Indus Hospital is one of its kind in Pakistan and in 14 years, it has transformed itself into the nationwide Indus Hospital & Health Network (IHHN). The hospital has requested a medical equipment surgical drills. It helps a physician to in orthopaedic surgeries and can treat over 900 patients annually.



Environment

Bank Alfalah is making an effort to address priority environmental concerns of Pakistan and tackle them within the framework of the national environmental policies. The initiatives in this regard include plantation drives in the Northern Areas, and distribution of biodegradable bags to reduce the usage of plastic.

Youth Programmes

Youth programmes lead to numerous positive outcomes for young people. The Bank is keen to support opportunities and causes that promote healthy outcomes for the country's youth, particularly supporting special clubs and service programmes, scholarship programmes, community service organisations, academic enrichment programmes, etc.

Sports

The Bank believes that sports play an important role in fostering development and communication in any society and help shape the image of a country across local and international forums. Sports has always been an essential part of CSR agenda. Bank Alfalah partnered with the Pakistan Cricket Board (PCB) to boost Pakistan cricket team's performance by sponsoring. In 2022, the Bank sponsored appointment of Matthew Hayden as team mentor for PCB's for two tournaments T20 World Cup and Asia Cup.

Women Economic Empowerment

Women's economic empowerment is a prerequisite for inclusive and equitable economic growth. The CSR philosophy acknowledges women's economic empowerment. To put this into practice, Bank Alfalah has taken several initiatives, including a partnership with the Small and Medium Enterprises Development Authority's (SMEDA) Women Development Wing in order to create entrepreneurial awareness amongst women.

- **Indus Earth Trust**

Indus Earth Trust (IET) is Pakistan based, not-for-profit organization working in the area of sustainable development. It was established to combat the neglected rural communities in Sindh and Balochistan. Bank Alfalah partnered with IET and conducted Financial Literacy Training in rural areas for 1000+ women and donated PKR 4.75 mn for financial literacy.

- **Volunteering in the Community**

Employee Volunteering Leave: In order to become a socially responsible organisation and to provide employees with an opportunity to volunteer their time and talents for the communities around them, the Bank has introduced an Employee Volunteering Leave of up to two days.

Partnering with a Charity: The Bank has collaborated with The Citizen's Foundation to offer the following programmes for which employees can volunteer:

- Career Counseling - a one-day session with students of graduating batches to help them choose their career path.
- Rahbar Programme - a full day mentoring for students of grades eight and nine. The programme is run every Saturday for six weeks.
- Baghban Programme - a fundraising programme where volunteers brainstorm ideas to raise funds to support the education of TCF students.



• Employee Welfare

i. Bank Alfalah Employee Welfare Programme

Bank Alfalah care for its employees and their families' safety and well-being. The Bank always come forward with different welfare schemes for employees, specifically those in the lower grades/income class. These welfare schemes, in addition to providing security to employees, help the Bank in improving employee engagement, morale and motivation. This ultimately leads to higher productivity and greater loyalty.

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

- Medical Grant: Provides funds for medical emergencies/treatment of employees and their families (insured dependents), where health insurance limit is exhausted as per the Bank's hospitalisation policy.
- Marriage Grant: Provides funds for daughters' marriages.
- Educational Grant: Provides funds to pay admission fee for professional/postgraduate degrees of employee's children.

Employees contribute to the fund on a monthly basis and the monthly contributions are matched by the Bank. During 2022, 453 employees (including third party staff) were facilitated through BAF Employee Welfare Programme. Further, the Bank also supported 279 employees (including third party staff) who were the victims of recent floods.

ii. Learning Resources for Culture

As part of the strategy for 2021-2025 that focuses on developing the Bank's culture, this year, we have rolled out numerous e-learning and in-person programmes to provide easy access to employees to align themselves with the Bank's Culture and Values. The Bank took various initiatives to increase awareness about the four pillars of the BAFL Culture: One Bank, One Team; Focus on Customers; Empowering Employees; and Creativity and Innovation. Please refer to the Outlook Section of this Annual Report for further insight on the culture.

iii. Employee Well-being Survey

The Bank recognises that the employees require the Bank's support for better connectivity and strong association with the Bank. Keeping the spirit of community in mind, and to maintain high morale, HR conducts various surveys.

Ensuring that best efforts were made to protect employees' health and well-being, while continuing to deliver excellent products and services to the customers. Employee feedback was incorporated in policies and measures.

The Biggest Corporate Donor in 2022 with USD 10 million Pledged for Flood-impacted Communities

When floods hit significant parts of the country, Bank Alfalah came to the forefront with a determination to provide immediate relief and rebuild impacted areas and formulated a strategic plan for redeveloping communities in a sustainable, equitable and financially inclusive way. In August 2022, Bank Alfalah's Chairman, His Highness Sheikh Nahayan Mubarak Al Nahayan, and the Board of Directors graciously approved USD 10 million (PKR 2,180 million) to help with the extensive relief and rebuilding efforts.



Commitment to Pakistan

This gesture by the Chairman and Board of Bank Alfalah is unprecedented and is a testament to the strong bond between UAE and Pakistan while reaffirming the strong positioning of Bank Alfalah as being a truly aring bank. His Highness has always been a great supporter of Pakistan and expressed his concerns at the calamity that has recently overwhelmed the country. However, he has also been deeply impressed by the extraordinary fortitude and resilient spirit that characterizes the people of Pakistan as it advances to navigate a way to a safer shore.

He acknowledged that no amount of money is enough in the face of such devastation and irreversible loss; he was hopeful that this contribution will serve as a catalyst to partially alleviate the suffering of the victims.

In 2022, the pledged amount was being distributed by Bank Alfalah for the flood relief and rehabilitation efforts through select reliable and trusted NGOs to provide immediate relief and a substantial amount has been earmarked for infrastructure rebuilding in the medium to long term to help the affected areas attain normalcy.



Spirit of our employees Bank Alfalah is working for the relief of flood affectees from the beginning and used the strong network of its branches and front-line staff to help those who were hit by floods. The Bank established Flood Relief Camps and started in-kind donation drives at 32 locations including the Head Office and branches across the country to collect clothes, food items and medicine for the flood-hit communities.



بنك الفالاح
BANK ALFALAH

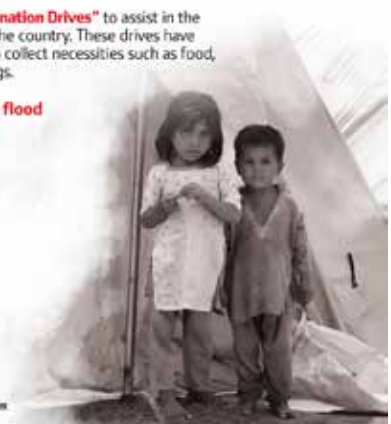
FLOOD RELIEF-IN KIND DONATION DRIVES & VOLUNTEERING SERVICES

Bank Alfalah has initiated "In-Kind Donation Drives" to assist in the rehabilitation of flood victims across the country. These drives have been organised at various branches to collect necessities such as food, water, and clothing, among other things.

These items will be distributed to flood victims through reputable NGOs.

#FloodRelief
#WeAreHereForYou
#RaheFalah

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Bank Alfalah Whatsapp
☎ +971 2 225 131 | bankalfalah.com



BANK ALFALAH IS PLAYING A PIVOTAL ROLE IN DISBURSING FUNDS TO HARD-HIT AREAS OF KPK

Bank Alfalah, as a banking partner of The Benazir Income Support Program (BISP) is disbursing funds of **PKR 25,000** to the flood victims in KPK.

#FloodRelief #WeAreHereForYou

Scan QR Code to Access
Bank Alfalah Whatsapp
☎ +971 2 225 131 | bankalfalah.com



Additionally, the employees voluntarily donated their one-day base salary for flood relief work. All permanent employees were requested to make a one-time voluntary deduction of 1 day's base salary or any other amount to support fellow countrymen affected by floods and torrential rain.

Two-pronged approach: Relief and Rebuild

Bank Alfalah emerged as a leader with a resolve to aid in the relief and rehabilitation of flood-hit areas and created a two-phase plan of community redevelopment that was sustainable, equitable, and financially inclusive.

In the first phase, the Bank partnered with reliable and trusted non-governmental organisations (NGOs) across Pakistan to rescue the flood-impacted people from hard-hit geographical locations. The second phase is dedicated to rehabilitating and rebuilding the communities. In 2022, over PKR 300 million were disbursed for immediate relief and rescue.



In pursuant to the financial support, the Bank's vast network of colleagues working in over 850 branches are volunteering to ensure transparency and provide assistance across the inundated areas.



By joining forces with its trusted partners, the Bank has provided 1.5 million meals, serving 280,000 households. As part of immediate rescue and relief, 94 medical camps were set up to provide urgent care to 27,500 patients with an epidemic of water-borne diseases, including dengue, malaria, cholera and typhoid. Furthermore, those in flood-hit locations were provided with 1,100 tents for immediate shelter.

Together with its 21 leading partners, the Bank provided relief and rehabilitation in 95 locations, including the remote areas of Dadu, Sibbi, Usta Muhammad, Kachi, Rajan Pur, Rojhan, Badin, Bala Nari, Chitral, Qilla Saifullah, Shadadkot and various locations across Pakistan.

Standing with Employees

The Bank ensured that the colleagues impacted by the torrential rain and floods were adequately looked after. The Bank allocated the funds to address the needs of staff, their families, and their nearby communities. The Bank received 400 requests from different cities and remote locations where the houses and other assets of employees were damaged or completely wiped out. A contribution of PKR 40 million was made to ensure that the Bank stands tall with the staff and their families until their life returns to normalcy.

Cricket for Humanity

The Bank has always been the biggest allies when it comes to supporting cricket in Pakistan. In 2022, Bank Alfalah pledged to donate \$1000 for every six scored in Pakistan vs. England T20 series.

Throughout the course of the series, a total of 73 sixes were scored and a total of \$73,000 was donated by the Bank to JDC Welfare Organization for flood relief efforts. The donation was a part of the USD 10 million.



In addition to immediate aid through relief and rehabilitation, it is also essential to focus on long-term recovery and rebuilding efforts. This includes rebuilding homes, restoring infrastructure, and supporting livelihoods.

Another important aspect of helping flood victims is providing education and awareness on disaster risk reduction.



Trusted and reliable charity organizations have played a huge role in helping flood victims. Overall, helping flood victims in Pakistan requires a multi-faceted approach, including immediate humanitarian aid, long-term recovery and rebuilding efforts, education and awareness on disaster risk reduction, and community-based organizations. By working together, we can ensure that those affected by floods receive the support and assistance they need to rebuild their lives and communities. Some key pillars of rehabilitation for flood-impacted communities include:

Housing and infrastructure: This includes rebuilding or repairing homes and other structures, restoring essential services such as electricity, water, and transportation.



- **Livelihoods and economic recovery:** This includes assisting individuals and businesses in getting back on their feet financially, such as small business loans and distribution of seeds and fertilisers.



Community-based approaches include involving the local community in planning and implementation of rehabilitation efforts and addressing the specific needs

and concerns of vulnerable groups such as women and children. The Bank has partnered with ChildLife Foundation, Aga Khan Foundation and Al-Khidmat Foundation to ensure quality healthcare to prevent child mortality in rural areas. The Bank is also supporting The Citizens Foundation to secure the future of flood-affected children by supporting their primary education.



Lastly, the Bank and Shahid Afridi Foundation have come together to build climate-resilient, low-cost homes to ensure a sustainable future. The Bank is also creating income opportunities for those affected to find a sustainable livelihood. Financial inclusion programs are being designed to facilitate farmers and provide them access to microfinance to get back on track and rebuild their lives.



Joining forces with trusted and reliable partners

1. Alamgir Welfare Trust International
2. Aga Khan Foundation
3. Patients Aid Foundation
4. Akhuwat Foundation
5. AL-Khidmat Welfare Society
6. Patient's Aid Foundation
7. Karachi Relief Trust (KRT)
8. Al Mustafa Trust
9. Saylani Welfare
10. The Citizens-Police Liaison Committee
11. JDC Foundation
12. The Citizens Foundation
13. Balochistan Rural Support Programme (BRSP)
14. HANDS
15. Sahil Foundation
16. Taraqee Foundation - Quetta
17. Baitussalam Welfare Trust

IMPACT & SUSTAINABILITY BULLETIN



"We pledge to provide continuous support to those impacted through our collective contribution."

Faisal Farooq Khan
Chief Human Resource Officer



"These small contributions and gestures can send big signals about who we are and what we care about."

Imran Assad Khan
Head-Branch Banking Operations Division

The Big Picture in 2022



PKR 308 million disbursed

Phase 1

Our Reach

Meals Served
1.5 MILLION

Reached
280,000
Households

Serving
1 MILLION
Beneficiaries

9,670
Winter Kits

Ration Bags
23,000

Tent City
1,100
Sehwan, Sukkur,
Larkana, Hyderabad

94 Medical Camps
27,500
Patients Treated

5,000
Water Filters

Phase 2

Children Healthcare

Education Support

Farmer's Livelihood

Financial Inclusion

Widespread network of operations
over **95 locations**



21+ Partners



Economy

Intermediation – Key Trade and Banking Figures

The Bank intermediated the economy by channeling business for various traders and firms, facilitating import and export business, and positively contributing to the economy. The Bank channeled Rs. 1,176 Bn in imports and Rs. 557 Bn in export payments during 2022.

- **Contribution to the Government**

The Bank contributed Rs. 17.3 Bn to the Government's tax revenue in the form of income taxes along with collecting and depositing indirect taxes. The Bank remains focused on being a responsible taxpayer.

- **Remittances from Workers Abroad**

The Bank has been a noticeable contributor in the flow of remittances to Pakistan through its global network of partner banks, money transfer operators and exchange companies that rely upon our technological rails to offer overseas Pakistanis

smarter and faster ways of sending home remittance to Pakistan. The Bank has invested in various initiatives for financial inclusion, notably the launch of Asaan and Digital Remittance Accounts, and marketing activities to promote cash over-the-counter payments through our network of over 890 branches in more than 200 cities across the country. During the year, the Bank contributed to the economy by facilitating over 10 million customer payments in Pakistan valued in excess of USD 5.5 billion, bringing the Bank's remittance market share to 19% for 2022.

- **Jobs**

The Bank has consistently created employment opportunities across Pakistan through its extensive recruitment programmes. In 2022, the Bank has on-boarded 4,658 resources to drive our vast business operations. The new hires include 3,453 male and 1,205 female employees. Moreover, through diverse batch hiring programmes, the Bank taps into the country's fresh talent pool in order to create worthwhile opportunities for young applicants.

Green Banking Initiatives

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

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

Due to their efficient credit approval systems, banks are well-equipped to weigh and the Bank asks customers to rectify negative carbon impact.

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



With its Green Banking Guidelines, the Central Bank introduced green banking in Pakistan and initiated the process of its incorporation in banks' systems. Bank Alfalah has an approved Green Banking Policy for implementation of SBP Guidelines. New joiners are given basic Green Banking awareness training during their orientation while existing staff are required to successfully complete an e-Learning module on 'Green Banking' every year. Further credit staff has to clear tests related to ESMS training to be eligible for ESMS review of low risk clients.

Green Banking is divided into the following three areas:

a) **Environmental Risk Management**, which requires banks to integrate green banking in their credit approval processes and adopt environmental risk management practices, as well as ensure compliance with environmental laws by the borrowers in banks' credit portfolio.

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

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



This framework is an integral part of the credit approval process and all relevant credit proposals require credit, environmental and social review prior to approval of the competent authority. The implementation of ESMS framework for clients of low risk sectors is being carried out by our credit professionals provided they clear ESMS module. For sectors of medium and high risk, the Environmental Risk Unit is responsible for identifying, vetting and rating projects from an Environmental and Social Management Risk (ESRM) perspective. All personnel working in this unit have acquired IFC online certification of 'Sustainability Training and E-Learning Program' (STEP). Additionally, in-house classroom trainings on Environmental and Social

Management System (ESMS) are conducted for client-dealing Relationship Managers and credit staff. As a result, our borrowers are now aware of the importance of the environment, the need for environmental due diligence, environmental laws, and the role of environmental protection agencies in each province. The bank helps the borrowers to comply with the environmental laws and in case of non-compliance, pushes the customers towards compliance by giving short deferrals and maintain periodic follow-ups with the customers.

During 2022, the State Bank of Pakistan (SBP) issued Environmental & Social Risk Management (ESRM) Implementation Manual, based on IFC performance standards, which is applicable to all banks in Pakistan. Bank Alfalah is currently aligning its procedures with the afore-mentioned SBP manual.

- b) Green Business Facilitation**, which entails providing finance to businesses (existing and/or fresh customers) willing to invest in operations and technologies bringing improvement in environmental risk management, and resource efficiency.

We encourage our clients to improve their operations and technologies by initiating eco-friendly schemes. We introduced a green financing product 'Alfalah Green Energy', which is a term finance facility for customers willing to install solar energy equipment for generation of electricity ranging from 4 KW to 1,000 KW with net metering. It allows repayment tenure of up to 5 years with 3 months' grace period.

Bank Alfalah has provided financing for the following mega green projects:

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

Achievements in this regard include 150 ATMs converted on solar energy, declining paper consumption, replacement of diesel-fueled generators with UPSs for backup power supply, replacement of regular saver lights with low consumption LEDs, and the replacement of conventional ACs with inverter ACs. The Bank is also continually bringing about resource efficiency and reducing cost by optimal utilisation of all resources.

The cumulative impact of all steps taken so far shows that the Bank has successfully started to achieve the objective of Green Banking as laid down in the SBP Guidelines.



S. No.	Name of Project	Source/Type	Capacity (in MW)
1	Fatima Energy Limited	Bagasse	118
2	Chiniot Power Limited	Bagasse	62
3	Hunza Steel (Pvt.) Ltd.	Bagasse	20
4	Gul Ahmed Wind Power Limited	Wind	49
5	Metro Power Company (Pvt.) Limited	Wind	49
6	Master Green Energy Limited	Wind	50
7	Din Energy Limited	Wind	50
8	Gharo Solar (Pvt.) Limited	Solar	50
9	Nizam Power (Pvt.) Ltd	Solar	9
10	Neelum Jhelum Hydropower Company (Pvt) Ltd	Hydro	969

Health, Safety and Environment

Occupational Health Awareness and Measures

We have a dedicated function to manage the Health, Safety & Environment (HSE) domain and build a culture of safety leading towards healthy and creative delivery of service, inside and outside the workplace. Our HSE team is running an active annual training programme, simulation exercises, incident tracking, and branch inspections to spread awareness and develop focused mitigation measures based on the preemptive knowledge rule. Awareness programmes include Premises Emergency Protocols, Dust and Rainstorm Precautions, Ramazan Advisory, Heat Wave Advisory, Housekeeping at Work, No Smoking, Inclement Weather Precautions, Eco-friendly Environment, Dengue Fever, SMOG, and communicable diseases precautions.



Automatic Fire Extinguishers

To protect the Bank's assets and staff, adequate control measures have been taken to reduce elements of fire hazard, which include installation of automatic fire extinguishers (AFE) at critical locations. Currently 850+ branches and 16 key buildings are equipped with AFEs.

Emergency Preparedness and Responses

The Bank's HSE team prepares staff through training and communication for possible adverse situations in a way that precautions become part of office culture and lifestyle. The emergency preparedness programme, includes delivering health and safety awareness communication, emergency evacuation and fire extinguishing trainings to the staff.



Blood Donation Drive

The Bank collaborated with Patient Aid Foundation and Fatimid Foundation to help the people in need. During the year blood donation drives were arranged in major cities i.e. Karachi, Lahore and Islamabad.

This year 200+ blood units were donated in five blood donation camps arranged by Bank Alfalah.

These blood units are available for the Bank's staff and their families, in case of need.

Rain Emergency Response Plan

Keeping in view heavy rains and its aftermaths, a detailed document was prepared on the basis of lessons learned and action taken to ensure safety of people, assets and business under rain crisis. All the actions and directives derived from CMT and execution teams at ground level were collaborated into form of a standard plan that shall act as a guiding tool while responding to emergency situation.



Sustainable Development Goals, GRIs and the Bank's Contribution

Background

Sustainable Development Goals (SDGs) are a universal movement to end poverty, protect the climate, and ensure that all people enjoy peace and prosperity. The United Nations member states adopted the 2030 Agenda for Sustainable Development to provide a better and sustainable future for all. There are 17 SDGs, the scope of which is to address climate change, economic inequality, health provisioning, quality education, gender equality, clean water and sanitation, decent work and economic growth, sustainable cities and communities, and other matters related to building and sustaining a prosperous, peaceful and environment-friendly world. The SDGs provide clear guidelines and targets for all countries to adopt in accordance with their own challenges and requirements.

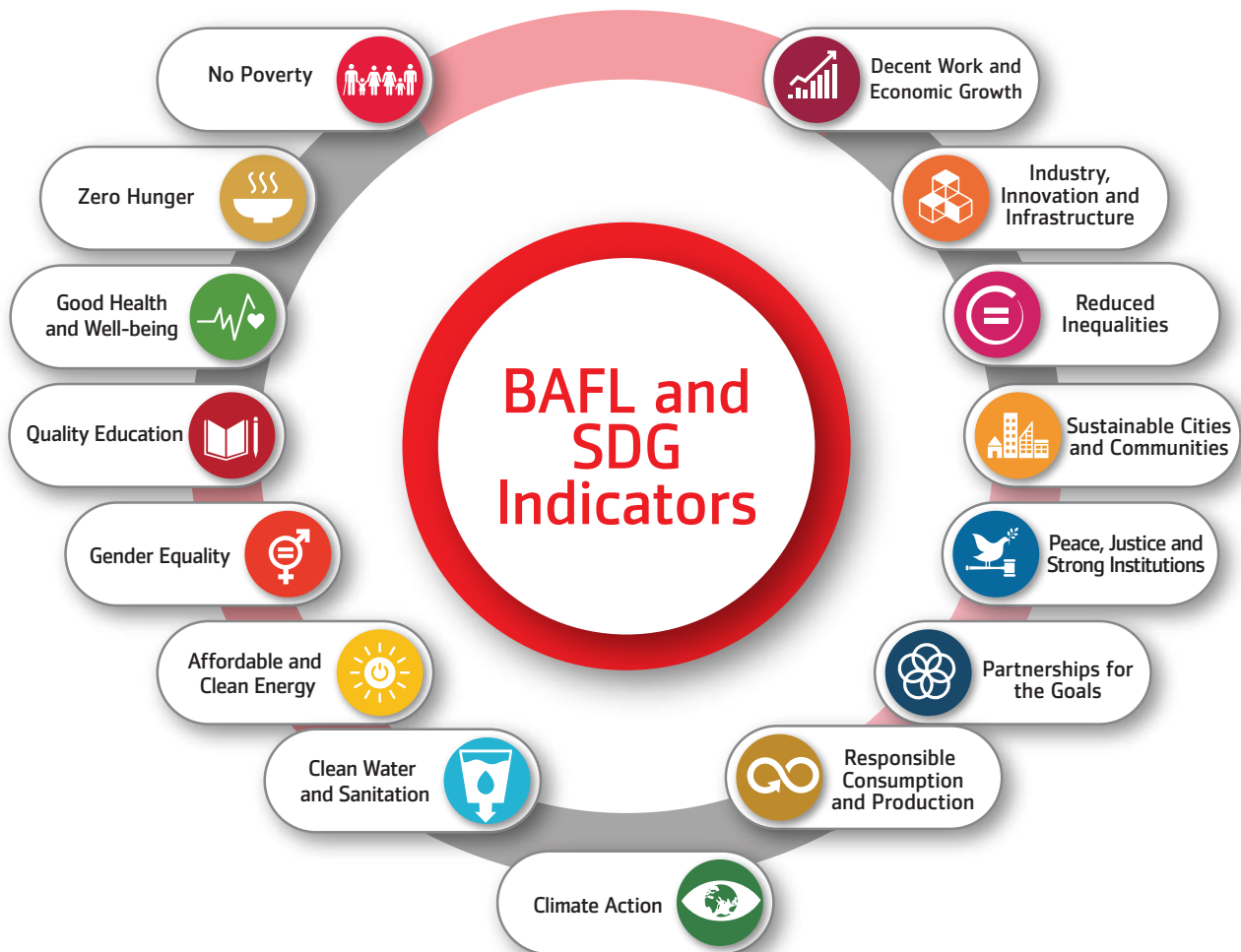
Global Reporting Initiatives (GRIs) are Sustainability Reporting Standards designed to be used by organizations to report about their impacts on the economy, the environment, and/or society.

Statement of Adoption



The Bank follows these goals/reporting initiatives and strives to establish itself as a contributor to environmental safety.


By contributing to these goals, the Bank aims to achieve the following:



1. Align itself with the priorities of the Government of Pakistan, which in turn is required to achieve the goals set by the UN
2. Mitigate business risks by addressing empirical risks
3. Attract new customers by building brand image
4. Increase the loyalty of its customers due to better brand reputation
5. Establish new business opportunities and markets
6. Bolster the company's financial performance
7. Access new capital




UN Sustainability Goals, GRI Standards and Bank Alfalah's Contributions


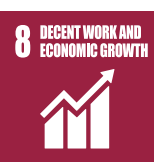
UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
 1 NO POVERTY	<ul style="list-style-type: none"> Equal rights to ownership, basic services, technology and economic resources (1.4) 	Significance of the indirect economic impacts [GRI Standard 203-2]	<ul style="list-style-type: none"> End extreme poverty in all forms 	<ul style="list-style-type: none"> Bank Alfalah has an MOU with Akhuwat Foundation to financially support their Fabrication Laboratory Initiative for the NJV school. The Bank generously supports various communities irrespective of their cast, creed, race and color. The purpose is to build the nation stronger. Refer to the CSR part within this section of annual report for more details.
	<ul style="list-style-type: none"> Eradicate extreme poverty (1.1) Reduce poverty (1.2) Mobilize resources to implement policies to end poverty (1.A) 	Significant proportion of employees are compensated based on wages subject to minimum wage rules. [GRI Standard 202-1] & 203-2]		<ul style="list-style-type: none"> The Bank ensures minimum wage payments to all its employees specially contractual staff. The guidelines followed are the ones relating to minimum wage prescribed by the provincial / federal government. Monthly ad-hoc allowance for third party staff during high inflationary time for six months. Bank Alfalah uplifted poverty-ridden communities by stepping forward and supporting government initiatives like the Government's Ehsaas emergency cash-disbursement, Ehsaas Kafaalat and, Prime Minister's Kamyab Jawan Programme and SBP low-cost housing programs Bank Alfalah supports the social initiative Roshan Samaaji Khidmat of State Bank of Pakistan (SBP) for Overseas Pakistanis who can now make Zakat & Donation payments digitally through their Roshan Digital Account (RDA) using their Alfa app or Internet Banking. Bank Alfalah has digitally integrated renowned institutions such as Indus Hospital JDC Welfare Organization, Al Khidmat Foundation, Al Khidmat Welfare Society, Akhuwat Foundation, Alamgir Welfare Trust and Sundus Foundation enabling BAFL customers to donate digitally. Bank Alfalah customers can help the poverty-stricken by sending their Zakat and donations via internet banking and the Alfa App.
	<ul style="list-style-type: none"> Build resilience to environmental, economic and social disasters (1.5B) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> Bank Alfalah provides financing under SBP Refinance Schemes for Temporary economic Refinance Facility. These low rate financing schemes are aimed at making the funds available targeted towards the low income class that strives towards economic development of the country.
 2 ZERO HUNGER	<ul style="list-style-type: none"> Universal access to safe and nutritious food (2.1) 	[GRI Standard 203-2]	<ul style="list-style-type: none"> Achieve food security through sustainable agriculture Meet nutritional needs of all people 	<ul style="list-style-type: none"> In Ramadan of the current year, Bank Alfalah used CSR funds (approximately PKR 8 million) to distribute ration bags by partnering with an NGO i.e. Alamgir Welfare Trust. Further, during floods, the Bank disbursed 1.5 million meals in various flood impacted locations via different NGOs and distributed 23000 ration bags. Bank Alfalah's Agri department is active in disbursing agricultural loans to farmers and allied industries. During the year, the Bank disbursed Rs. 45.3 Bn agricultural loans.

UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> Achieve Universal Health Coverage (3.8) 	<p>Organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided</p> <p>[GRI Standard 403-6a & 203-2]</p>	<ul style="list-style-type: none"> Ensure health coverage across the board for employees and their dependents Easy access to medicines and vaccines 	<ul style="list-style-type: none"> Bank Alfalah provides medical coverage to all employees and their dependents, which not only includes hospitalization but follow up treatments as well. Bank Alfalah, under the BAF Employee Welfare Program, facilitates employees with additional medical grants during emergencies or for treatment of employees and their families (insured dependents), where health insurance limit is exhausted as per Bank's hospitalization policy. The welfare program supports employees and provides grants for education and marriage also. Bank Alfalah designs its employee experience strategy around a Happiness Framework which covers the five well-being areas including emotional, mental, physical, financial and career well-being. It focuses on physical fitness awareness and competitions, discounts on health checks, making people resilient to stress via learning. All initiatives and engagements for employees are developed to enhance these areas.
	<ul style="list-style-type: none"> Tobacco Control (3.A) 	<p>[GRI Standard 203-2]</p>		<ul style="list-style-type: none"> All of Bank Alfalah's offices/branches are no smoking zones. Bank Alfalah complies with IFC guidelines whereby the Bank does not support any activity pertaining to trade in tobacco. The Bank does not entertain any new customers of tobacco sector.
	<ul style="list-style-type: none"> Fight communicable diseases (3.3) Support research, development and universal access to affordable vaccines and medicines (3.B) 	<p>Voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organization facilitates workers' access to these services and programs.</p> <p>[GRI Standard 403 - 6b & 203-2]</p>		<ul style="list-style-type: none"> Bank Alfalah conducted a pan-Pakistan COVID-19 booster vaccination drive in 2021 and 2022 at its offices premises across the country for employees, their family members and third party staff. Bank's HSE team is fully engaged to raise health and hazard related risks awareness among staff by running an active communication program via emails, class rooms trainings etc. Bank Alfalah conducted blood donation campaigns in major cities with Fatimid Foundation, Patient AID Foundation & Hussaini Blood bank to support the noble cause and commitment to play its role towards humanitarian and welfare causes in the society. All employees have access to blood provision in case of emergency.
	<ul style="list-style-type: none"> Increase health financing and support health workforce in developing countries (3.C) 	<p>[GRI Standard 203-2]</p>		<ul style="list-style-type: none"> Bank Alfalah donated to health organizations such as Patients' Aid Foundation, Child Aid Association, AKUH - The Patients' Behbud Society, Autism Spectrum Disorders Welfare Trust, Make a Wish Foundation, Bait ul Sakoon, Murshid Hospital and Shaukat Khanum Karachi Further, the Bank gave charity to Memon Health & Education Foundation, Alamgir Welfare Trust, The Citizens Foundation and Al Mustafa Welfare Society. Bank Alfalah provided financing to hospitals through SBP refinancing schemes for capacity enhancement.

UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
4 QUALITY EDUCATION 	<ul style="list-style-type: none"> Free primary and secondary education (4.1) Equal access to quality pre-primary education (4.2) 	[GRI Standard 203-2]	<ul style="list-style-type: none"> Provide primary education to all children Universal access to higher education and vocational training 	<ul style="list-style-type: none"> Bank Alfalah financially supported the following NGO/institutions to promote education: <ul style="list-style-type: none"> Karigar Training Institute Zafar and Atia Foundation The Citizen Foundation Family Education Service Foundation (FESF) and Aziz Jehan Begam Trust
	<ul style="list-style-type: none"> Equal access to affordable technical, vocational and higher education (4.3) 	Hours of training that the organization's employees have undertaken during the reporting period. [GRI Standard 404-1]		<ul style="list-style-type: none"> The Bank believes in developing its employees through technical and soft skills trainings. The Bank conducts various training programs for its employees. During the year, 11,866 hours of training were imparted to the Bank's staff. Bank Alfalah signed MoUs with educational institutions such as: <ul style="list-style-type: none"> TCF, to provide funds to build schools IBA, to fund scholarships for deserving candidates
	<ul style="list-style-type: none"> Eliminate all discrimination in education (4.5) 	[GRI Standard 404-1]		<ul style="list-style-type: none"> Bank Alfalah provided funds to entities such as Family Education Services Foundation (FESF), and The Association of Children with Emotional and Learning Problems (ACELP) to empower children with education. Bank Alfalah's Rah-e-Falah initiative allows the Bank's staff to voluntarily support organizations like TCF in career counseling sessions, and Rahbar and Baghban programs.
	<ul style="list-style-type: none"> Higher education scholarships (4.B) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> Bank Alfalah offers educational benefits in the form of cash rewards, career progression benefits, fee reimbursements and financial assistance to augment continued development of its people. During 2022, Bank Alfalah extended educational benefits of PKR 13.6 Million to 246 staff members. Bank Alfalah gave PKR 4.5 million under the Alfalah Islamic Scholarship program to IBA students.
5 GENDER EQUALITY 	<ul style="list-style-type: none"> End discrimination against women and girls (5.1) 	Number and rate of new employee hires by gender Percentage of individuals within the governance bodies by gender [GRI Standard 202-1, 401-1 & 3, 405-1]	<ul style="list-style-type: none"> Overcome inequalities faced by women and girls in education, work and pay End discrimination against women and girls everywhere 	<ul style="list-style-type: none"> The Bank, in compliance with the SBP, has developed a Shari'ah compliant 'Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs' to provide financing facilities to women entrepreneurs in order to meet financing needs of their businesses. With an intent of making women financially independent, the Bank focuses on improving female participation in the banking sector through Accessibility, Usage, Quality and Promotions of the financial services offered to them. Bank Alfalah now has propositions under the ambit of "Falah Women" as a separate brand identity. Bank Alfalah Islamic partnered with IBA to provide




UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
			<ul style="list-style-type: none"> Achieve a work environment where all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and can contribute fully to the organization's success. To provide a safe work environment for its women employees that is free from all forms of abuse, harassment, and discrimination. 	<p>scholarships to 5 students of which 4 were female.</p> <ul style="list-style-type: none"> Bank Alfalah focuses on inclusion of more women in its workforce, evidenced by the rise in our female representation ratio from 12% in 2018 to 19.2% in 2022. During the year, 1,205 new female employees were hired. This represents 26%. For a holistic approach to manage the strategy execution, the Bank established a D&I Council with Senior Management and a D&I Secretary. We have gender diversity of 13.3% female ratio at Senior Management level. This is in addition to female representation in governance bodies or management committees. Bank Alfalah launched a woman specific program – Welcome Back Program to improve institutional diversity and to position the Bank as an organization that values diversity. The Welcome Back Program is an initiative that gives women a chance to rejoin the workforce after taking a career break due to personal or professional reasons.
	<ul style="list-style-type: none"> End all violence against and exploitation of women and girls (5.2) 	[GRI Standard 203-2]	<ul style="list-style-type: none"> To ensure opportunities with a focus on financial inclusion by evaluating competitive practices both locally as well as in the international markets and understanding the challenges faced by women customers in general to make simplified procedures with shorter turnaround times while staying compliant with the regulatory practices. 	<ul style="list-style-type: none"> Bank Alfalah being an equal opportunity employer takes pride in its non-discriminatory and merit based practices with a prime focus on maintaining a conducive and secure work environment for its employees and has strict policies in place to counter harassment and misconduct towards women. There is a separate Harassment Committee representative of high level management where employees can report their grievances and harassment incidences. Bank Alfalah is always uncompromisingly committed to offering a work environment where all employees feel secure and have growth opportunities equally. In order to impart awareness on Whistle Blowing, Harassment at Workplace and how to handle it, the Bank regularly conducts exclusive sessions in collaboration with all stakeholders for their employees.
	<ul style="list-style-type: none"> Participation in leadership and decision making (5.5) 	<p>Composition of the highest governance body and its committees by gender.</p> <p>Nomination and selection processes for the highest governance body and its committees</p>		<ul style="list-style-type: none"> Bank Alfalah obtains annual feedback from its female employees on the Bank's policies, benefits, culture and environment to make improvements in our policies. We conduct focus groups, pulse check surveys, exit interviews and maintain a dedicated communication channel for women to stay in constant contact. Bank Alfalah introduced a detailed policy followed by a strategy to ensure financial inclusion of differently abled individuals and is also currently in the process of introducing a holistic policy and strategy document duly approved by its Board for Banking on Equality.



UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
		Individuals within the organization's governance bodies by diversity (Gender) [GRI Standard 102-22&24, 405-1]		<ul style="list-style-type: none"> 'SheLEAD' is in-house signature leadership development program for women, enabling women to drive their careers forward, overcome self-limiting beliefs, and build strategic networks. It uses discussions, self-reflection activities and videos as training methodologies. Sponsorship Program is designed to facilitate women to seek career guidance from a senior leader who will act as a sponsor for them. With this we aim to develop and groom a stronger women talent pipeline for leadership roles.
	<ul style="list-style-type: none"> Universal access to reproductive health and rights (5.6) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> Bank Alfalah is one of the only two Banks in Pakistan that offers a six month paid maternity leave to all our women employees and the only bank to offer a maternity cover incentive to the employees who serve as maternity covers for the women availing maternity leaves. Bank Alfalah actively supports its female and single parent employees through our child care policy. This initiative anchors the Bank's commitment to working mothers/single parents as it provides them ease in arranging for a day care/care taker whilst setting their sights on their careers.
	<ul style="list-style-type: none"> Equal rights to economic resources, property ownership and financial services (5.A) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> Bank Alfalah has women-centric products such as the Alfalah Pehchaan account to provide exclusive banking services to empower women and Asaan Pehchaan Digital Account to facilitate women on our Digital Account Opening Platform. Furthermore, in line with the recently rolled out policy on Banking on Equality, the bank is working on numerous initiatives aimed at financial inclusion and facilitation of women customers. The Bank has a dedicated section on its website for women. Visit our website : https://www.bankalfalah.com/personal-banking/womens-services/ Bank Alfalah Islamic has successfully introduced Falah Asaan Women Digital Account to facilitate easy digital account opening for females, particularly of low income and unbanked segment. The shariah compliant savings proposition is available to female masses of all ages and professions nationwide.
	<ul style="list-style-type: none"> Promote empowerment of women through technology (5.B) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> We have a dedicated platform for women financial services on our website to enable ease of information for women customers.
6 CLEAN WATER AND SANITATION 	<ul style="list-style-type: none"> Safe and affordable drinking water (6.1) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> In order to provide staff with safe and drinkable water, Bank Alfalah is providing lab tested water through competent companies following the international standards.



UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
	<ul style="list-style-type: none"> Improve water quality, wastewater treatment and safe reuse (6.3) Increase water-use efficiency and ensure freshwater supplies (6.4) 	<ul style="list-style-type: none"> How the organization interacts with water, including how and where water is withdrawn, consumed, and discharged, and the water-related impacts <p>[GRI Standard 303-1a & c]</p>		<ul style="list-style-type: none"> In order to increase water usage efficiency, Bank Alfalah has installed sensor based taps at select locations. Fresh water is being supplied to all Bank Alfalah buildings and branches. Reduced and responsible consumption of water is taught to employees and janitorial staff through various internal communications.
	<ul style="list-style-type: none"> Promote access to research, technology and investment in clean energy technology (7.A) 	<p>[GRI Standard 203-2]</p>	<ul style="list-style-type: none"> Develop means to provide affordable and sustainable energy to everyone Invest in clean energy sources such as solar and wind 	<ul style="list-style-type: none"> Bank Alfalah has 30% holding in Sapphire Wind Power Company Limited which has a wind farm in the country and offers clean energy solutions. Bank Alfalah offers a green product namely of 'Alfalah Green Energy' for customers willing to install solar energy equipment for generation of electricity in order to facilitate Green Businesses. Bank Alfalah has extended financing to solar projects namely 'Gharo Solar Pvt.Ltd' and wind projects such as 'Gul Ahmed Wind Power Ltd', 'Metro Power Co. Pvt. Ltd', 'Master Green Energy Ltd.' and 'Din Energy Ltd'.
	<ul style="list-style-type: none"> Increase global percentage of renewable energy (7.2) 	<ul style="list-style-type: none"> Fuel consumption within the organization from non-renewable sources, 		<ul style="list-style-type: none"> Bank Alfalah is striving efforts in adoption of clean energy sources to develop sustainable means and reduce substantial amount of energy consumptions through various sources e.g. Solar Panels, long backup UPS, inverter ACs, LED lights etc.
	<ul style="list-style-type: none"> Promote policies to support job creation and growing enterprises (8.3) 	<p>[GRI Standard 203-2]</p>	<ul style="list-style-type: none"> Promote entrepreneurship Create jobs through economic policies and performance Provide opportunities for decent work to all and end slavery and human trafficking 	<ul style="list-style-type: none"> Bank Alfalah employs over 13,000 individuals and continues to hire hundreds of candidates each year. The bank expanded its branch network in smaller cities facilitating job creation. Bank Alfalah's operations in Bangladesh, Bahrain, UAE and Afghanistan enable job creation. Bank Alfalah, in compliance with the SBP offers credit to SMEs at affordable mark-up rates through the Prime Minister's Kamyab Jawan Youth Entrepreneurship Program. This has enabled inclusion of untapped markets, allowed entrepreneurs to set up new businesses and further expand existing businesses. Currently, Bank Alfalah has extended finance to 1,709 customers, of which 94% are New-To-Bank, with PKR 2.704 Billion in disbursement as of 31st December 2021 under this scheme. These loans enables jobs creation.

UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
	<ul style="list-style-type: none"> Diversify, innovate and upgrade for economic productivity (8.2) 	<ul style="list-style-type: none"> Type and scope of programs implemented and assistance provided to upgrade employee skills. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment. [GRI Standard 404-2 &] 	<ul style="list-style-type: none"> Provide opportunities for fresh graduates to grow and develop within the organization Provide benefits for the employees to gauge in their further studies Deliver learning and development opportunities within the organization Provide opportunities for quick and easy access to funds 	<ul style="list-style-type: none"> Bank Alfalah's rigorous learning strategy enables employees to build their skillset through a series of technical and soft skills programs available on the learning management system and in classroom settings. Through its Welcome Back Program, Bank Alfalah aims to improve institutional diversity and to position the Bank as an organization that values diversity. This Program gives women a chance to rejoin the workforce after taking a career break due to personal or professional reasons.
	<ul style="list-style-type: none"> Full employment and decent work with equal pay (8.5) 	<ul style="list-style-type: none"> Total number and rate of new employee hires during the reporting period Percentage of senior management at significant locations of operation that are hired from the local community. 		<ul style="list-style-type: none"> 4,658 new candidates were hired by Bank Alfalah during 2022 to support its expansion. Bank Alfalah operates in more than 200 cities across Pakistan. Preference while hiring is given to the youth from the local communities. As part of the code of conduct compliance, at Bank Alfalah we ensure that we operate as an equal opportunity employer to become the employer of choice. We realize the significance of inducting for right talent hence a key consideration factor in the hiring decision is ensuring the best competency and cultural fit.
	<ul style="list-style-type: none"> Promote youth employment, education and training (8.6) 	[GRI Standard 202-2 & 401-1]		<ul style="list-style-type: none"> Bank Alfalah's premium Management Trainee Program ensures that fresh graduates are hired from universities locally and internationally to ensure that a middle level management pipeline is created with young talent. There are various other batch hiring in multiple avenues and departments which are opened by Bank Alfalah to cater to fresh graduates from universities across Pakistan and minimal experience providing great work opportunity to fresh graduates.

UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
				<ul style="list-style-type: none"> Bank Alfalah's Internship Program further works in bringing in candidates pursuing their degrees for a flavor of the organization so that they have the right experience to join the company after graduation. Bank Alfalah's Learning Team works specifically understanding the training and development needs of each department and their employees and arranges specific trainings as per their job requirements for them to perform better in their roles. Bank Alfalah further has policies and benefits supporting employees in their higher studies by providing reimbursements. Bank Alfalah also offers education assistance for colleagues opting for further qualifications
	<ul style="list-style-type: none"> Universal access to banking, insurance and financial services (8.10) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> Bank Alfalah partnered with Pakistan Microfinance Investment Company (PKMIC) through U Microfinance Bank in order to promote microfinance loans. Bank Alfalah has partnered with Mobilink Microfinance Bank Limited to provide small ticket sized digital loans to JazzCash customers. In order to manage their daily cash requirements, eligible JazzCash mobile wallet accountholders can get access to a loan amount up to PKR 30,000 through their JazzCash App in a 3 step application process. Bank Alfalah is focused towards financial inclusion of the underserved and the unbanked for which it offers numerous initiatives like Agent Network, QR/Proximity Payments, Cash Deposit Machines, Remote Account Opening (RAPID and Roshan Digital Account), and G2P initiatives including the World Bank affiliated program of BISP. Bank Alfalah developed a remittance loan offering which allows loans to be offered to remittance beneficiaries. For further details on products offered by the Bank, please refer 'Organisational Overview'.
	<ul style="list-style-type: none"> Increase aid for trade support (8.A) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> Bank Alfalah offers SBP's Temporary Economic Refinance Facility (TERF) to its clients in order for them to expand their presence and contribute in terms of exports to help bridge the country's trade deficit. To promote export of non-traditional items, the bank offers export refinance schemes in partnership with the central bank. Additionally, the bank offers a number of import and export, on and off book loan facilities.

UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
 <p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> • Increase access to financial services and markets (9.3) • Enhance research and upgrade industrial technologies (9.5) 	<p>GRI Standard 203-2]</p> <p>Direct economic value generated and distributed</p>	<ul style="list-style-type: none"> • Invest in innovation and infrastructure to promote digital inclusion, sustainable industry practices and scientific research 	<ul style="list-style-type: none"> • Bank Alfalah, in addition to expanding remote ADC services and transaction touch points, has launched innovative products on its digital application platform to make financial services and market accessible to all. These include digitally enabled investments, insurance, deposit products and instant credit to individuals. • The Bank has over 890 branches across Pakistan and is connected with its customers through 60,000+ touchpoints. These touchpoints include ATM, CCDM, POS machines, QR codes, website
 <p>10 REDUCED INEQUALITIES</p>	<ul style="list-style-type: none"> • Reduce transaction costs for migrant remittances (10.C) 	<p>[GRI Standard 203-2]</p>	<ul style="list-style-type: none"> • Bridge widespread income inequality through financial regulation, development aid and safe migration opportunities 	<ul style="list-style-type: none"> • Bank Alfalah's products and services such as the Roshan Digital account, Rapid account, Cash-over-Counter payments, Instant Account Credit to BAFL and Ilink member bank account holders, same day account credit to other bankholders via RTGS and money exchange partnerships are steps ahead towards equality of access to financial avenues. • Bank Alfalah facilitates remittance payments by having partnered with world renowned Money Transfer Operators, Financial Technology Companies, Banks, and Exchange Houses. As a proud PRI member bank, Bank Alfalah also facilitates remittances under the SBP PRI Rebate Scheme whereby remitters benefit from zero remitting charges. The Bank's network of 890+ branches facilitates the walk-in beneficiaries especially in rural areas in receiving cash over the counter remittances from their nearest branch, thereby reducing the cost of travel. Bank Alfalah has also conducted various marketing campaigns to create awareness of the use of legal banking channels for sending remittances to Pakistan.
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none"> • Safe and affordable housing (11.1) 	<ul style="list-style-type: none"> • Extent of development of significant infrastructure investments and services supported. • Current or expected impacts on communities and local economies, including positive and negative impacts where relevant. <p>[GRI Standard 203-1]</p>	<ul style="list-style-type: none"> • Create good and affordable public housing in cities • Involve more citizens in urban planning • Invest in public spaces and green initiatives 	<ul style="list-style-type: none"> • Bank Alfalah has disbursed PKR 7.19 Billion to resident and non-resident Pakistanis under Government/SBP's Mera Pakistan Mera Ghar (MPMG) as of 31st December 2022. These loans carry subsidized and fixed markup rates. • Further, the Bank offers multiple variants of housing loans as part of its own product suite. These are for salaried class as well as self-employed individuals. The loans can be availed on fixed and variable rate terms.

UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
	<ul style="list-style-type: none"> Reduce the adverse effects of natural disasters (11.5) Reduce the environmental impacts of cities (11.6) Sustainable and resilient building (11.C) 	[GRI Standard 203-2]	<ul style="list-style-type: none"> Invest in innovation and infrastructure to promote digital inclusion, sustainable industry practices and scientific research 	<p>During 2022, Bank Alfalah pledged a generous donation of USD 10 Million to support the flood victims.</p> <ul style="list-style-type: none"> We partnered with and supported NGOs by providing monetary donations. All of our employees made a voluntary contribution of one-day base salary. Stalls for in kind donations at different branches were arranged, where employees could donate in person. The Bank supported 270+ employees who were affected by the floods through Employee Welfare Program. Ration drive for flood affected - including railway workers impacted by closure of railway operations. <ul style="list-style-type: none"> Bank Alfalah uses solar panels as far as possible to generate clean energy. The Bank follows Building Design Manual which sets guidelines for sustainable constructions across the bank.
	<ul style="list-style-type: none"> Sustainable management and use of natural resources (12.2) 	<ul style="list-style-type: none"> Fuel consumption within the organization from renewable sources Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. [GRI Standard 302-1 & 4]	<ul style="list-style-type: none"> Prevent natural resources 	<ul style="list-style-type: none"> Bank Alfalah has implemented Work from Home Policy on Fridays at key buildings to reduce its energy consumption and thus help environment in reducing carbon footprint. Currently, this initiative is implemented on three main buildings which saved more than 225,000 units of electricity for the period of July to Dec 2022. The Bank, to a possible extent, uses solar energy for its operations.
	<ul style="list-style-type: none"> Substantially reduce waste generation (12.5) 	[GRI Standard 203-2]		<ul style="list-style-type: none"> Bank Alfalah has initiated work on Environmental Management System (EMS) to reduce components which can cause increase in carbon foot print, for example, paper, pencil, fuel, etc. by doing so waste generation will subsequently be reduced.
	<ul style="list-style-type: none"> Promote sustainable public procurement practices (12.7) 			<ul style="list-style-type: none"> Bank Alfalah has embedded sustainable procurement practices in its vendor/supplier Code of Conduct. For further details, refer 'Governance' for policy and 'Stakeholders' sections of this Annual Report.
	<ul style="list-style-type: none"> Strengthen resilience and adaptive capacity to climate-related disasters (13.1) Integrate climate change measures into policy and planning (13.2) 	<ul style="list-style-type: none"> Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, [GRI Standard 201-2]		<ul style="list-style-type: none"> The Bank curtails its actions having impacts on climate. The Bank's dedicated Health Safety and Environment unit ensures proper advisory to its staff to stay protected from various weather conditions. Such advisories also contain precautions to be undertaken during such disruptions. The Bank's Business Continuity Plan (BCP) caters to situations having occurrence of any climate related disruption. The BCP involves having critical functions to operate by means of 'alternate working sites and 'Working from Home'

UN Sustainability Goal	Sub-Goal	GRI Standard	Intended Impact	Bank Alfalah's Contribution
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	<ul style="list-style-type: none"> Reduce violence everywhere (16.1) 	<ul style="list-style-type: none"> New suppliers that were screened using social criteria Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment. <p>[GRI Standard 414-1 & 2]</p>	<ul style="list-style-type: none"> Limit all forms of violence and conflict by strengthening law and order 	<ul style="list-style-type: none"> Bank Alfalah complies with IFC guidelines whereby it does not lend money to organisations engaged in trade of arms and ammunitions . The Bank has a Board approved Procurement Policy. This policy establishes procurement standards, which are primarily based on three pillars, i.e. integrity, transparency, and accountability. These pillars are applied to all activities before awarding any contract/business including contracts for capital expenditure, i.e. purchases or construction work. Suppliers are being screened through World Check application to identify any negative social impact.
	<ul style="list-style-type: none"> Protect children from abuse, exploitation, trafficking and violence (16.2) 	<ul style="list-style-type: none"> Operations and suppliers considered to have significant risk for incidents of: <ol style="list-style-type: none"> Child labor; Young workers exposed to hazardous work. <p>[GRI Standard 408-1]</p>		<ul style="list-style-type: none"> Bank Alfalah complies with IFC guidelines whereby it does not lend money to organisations where child labor is involved
	<ul style="list-style-type: none"> Substantially reduce corruption and bribery (16.5) 	<p>Significant risks related to corruption identified through the risk assessment.</p> <p>[GRI Standard 205-1]</p>		<ul style="list-style-type: none"> A Disciplinary Action committee, headed by a senior leader is in place that is empowered to oversee disciplinary action matters related to all BAFL operations. Final decisions are taken in line with requirement of local labor laws and regulatory aspects where applicable.
17 PARTNERSHIPS FOR THE GOALS 	<ul style="list-style-type: none"> Mobilize resources to improve domestic revenue collection (17.1) 	<p>Approach to tax, approach to regulatory compliance and approach to tax is linked to the business and sustainable development strategies of the organization, tax jurisdictions, primary activities of the organization etc.</p> <p>[GRI Standard 207-1,2,3&4]</p>	<ul style="list-style-type: none"> Foster unity and cohesion among all nations to achieve all other SDGs 	<ul style="list-style-type: none"> Bank Alfalah offers convenient payment options through its Alfa App, Internet Banking and ATMs/branches to help in the collection of tax revenue. The Bank serves as a withholding tax agent for direct and indirect taxes. Bank Alfalah has robust IT systems in place which ensure proper calculation and deduction of taxes from the customers, vendors, suppliers, employees and depositors at the rates specified by the tax authorities.
	<ul style="list-style-type: none"> Increase exports of developing countries (17.11) 	<p>[GRI Standard 203-2]</p>		<ul style="list-style-type: none"> Bank Alfalah has taken initiatives in line with SBP's measures to uplift export-oriented industries. These initiatives include: <ul style="list-style-type: none"> Enhancement in the limits of refinancing for banks under the Export Finance Scheme (EFS) and the Long Term Financing Facility (LTFF) Temporary Economic Refinance Facility (TERF), though it has a direct impact on exporters to expand their operations by importing plant and machinery to increase production capacity which then leads to increased exports Preferred FE-25 pricing and treasury rates for exporters

Environment, Social, Governance Initiatives and the Bank's Contribution

Background

All three ESG disciplines have distinct set of standards and practices but at a consolidated level, they indicate an organization's dedication to achieving the greater good for the environment, society and the organisation itself. Shareholders/investors, customers, employees, and other stakeholders expect companies to reduce impacts that their businesses have on environment and be more transparent about ESG reporting. ESG program looks at business practices to ensure that the companies actually do what they are required to do. There are important components within each ESG discipline:



Statement of Adoption

The Bank contributes towards each of the three pillars of ESG to the maximum possible extent.

Compliance Status

Bank believes in sustainable growth while adhering to best ESG practices. The Bank also takes guidance from ESG Indicators from the Pakistan Stock Exchange (PSX). Given below are the contributions made by the Bank and steps in progress:

Pillars	Indicators	Supporting Activities in year 2022
Environment	<ul style="list-style-type: none"> Climate risk 	The Bank identifies Environmental Risk and takes mitigation strategies to protect the business and the environment surrounding it. For further details, refer 'Risk and Opportunities' section of this Annual Report.
	<ul style="list-style-type: none"> Renewable fuels 	The Banks supports for Renewable Fuels like 1) Green Financing (Renewable Energy) and 2) Green Projects. For further details, refer 'Sustainability' section of this Annual Report.
	<ul style="list-style-type: none"> Recycling Processes 	The Bank has taken various measures to adopt recycling processes to reduce the impacts on climate. This includes responsible waste management through recycling processes, conservative paper printing and reuse of printed papers throughout the organization. For further details, refer 'Sustainability' section of this Annual Report.
	<ul style="list-style-type: none"> Emergency preparedness 	The Bank assesses and remains adaptable to crisis. The Bank has Board and management level Crisis Management Committees to oversee emergencies, and Business Continuity Plans are in place. For further details on committee TORs, meetings, performance and BCP plans, refer 'Governance' section of this Annual Report.
	<ul style="list-style-type: none"> Water management 	The Bank takes action to conserve water during its daily operations. Refer Water Conservation and Sanitation measures in 'Sustainability' section of this Annual Report.
	<ul style="list-style-type: none"> Greenhouse gas (GHG) emissions 	The Bank is working with WWF to identify and document its carbon footprints.
	<ul style="list-style-type: none"> Energy Efficiency 	The Bank has taken various steps in this regard: <ol style="list-style-type: none"> 1. Conversion of normal ACs to Inverter ACs 2. Work from Home on Fridays for all head office buildings in Karachi & Lahore 3. Opening green branches where the branch has lesser dependency on power grid 4. Making more use of solar energy to fulfill power needs of the Bank 5. Financing for modernized farming resulting in more crops production with less water utilization.
Social	Health & Safety	The Bank's dedicated HSE team endeavors for safety of its employees and customers. For further details, refer 'Sustainability' section of this Annual Report.

Pillars	Indicators	Some Possible Activities
Social	Employee Benefits	Employees are key stakeholders of the Bank. They Bank takes all necessary steps to implement employee friendly policies, conducive working environment, health and safety and fair remuneration. For further details, refer 'Stakeholders' section of this Annual Report.
	Human Rights	<p>The Bank takes all necessary measures to promote human rights on all fronts. Given below are bank's contributions</p> <ol style="list-style-type: none"> 1. Bank Alfalah complies with IFC guidelines whereby it does not lend money to organisations involved in activities pertaining to child labour; 2. Bank Alfalah is one of the only two banks in Pakistan that offers a six month paid maternity leave to all our women employees, and the only bank to offer a maternity cover incentive to the employees who serve as maternity covers for the women availing maternity leaves; and 3. Bank Alfalah actively supports its female and single parent employees through our child care policy. This initiative anchors the Bank's commitment to working mothers/single parents as it provides them ease in arranging for a day care/care taker whilst setting their sights on their careers. <p>For further details, refer 'Stakeholders' and 'Sustainability' sections of this Annual Report.</p>
	Diversity & Inclusion	We at Bank Alfalah embarked upon a Diversity and Inclusion (D&I) journey because we strongly believe in the business and social impact created by a diverse workforce and an inclusive work culture. We want to build a workforce that is representative of different genders, ages, backgrounds, experiences, working styles and abilities. We harbour a commitment towards fostering a workplace culture where people can bring their best and authentic selves every day. We believe that D&I inspires creativity and innovation unlocks productivity, and enhances profitability. For further details, refer 'Stakeholders' section of this Annual Report.
	Working Conditions	Our professional and experienced HSE (Health, Safety and Environment) and Business Resilience teams continually strive to create a culture which ensures that our services are made available to customers in a safe manner, despite any disruptive events or crises. Our frameworks and emergency protocols, proactive planning, trainings, exercise programmes, advisories and alerts, premises inspections and hazard mitigation plans distinguish us as a standard setter in the industry. For further details, refer to the 'Sustainability' section within this Annual Report.
	Impact on Local Communities	Bank Alfalah is committed to Corporate Social Responsibility (CSR). Our CSR initiatives have enhanced the Bank's reputation by contributing positively to the society. Throughout the year, Bank Alfalah remained committed and contributed to economic, social and environmental development. Above all, Bank Alfalah was at the forefront of efforts to support the vulnerable and underserved segments of society specially floods. The Bank is responsible for funding institutions, projects and facilities that share the same belief of philanthropy, aligned with our motto of 'giving back to our communities', and adhere to our CSR policies. These community services create a ripple effect and alleviate hardships for the less privileged in our society. Priority CSR areas for the Bank include education, health, social welfare, environmental sustainability, leadership development, and promotion of sports, arts and culture. For further details, refer to the 'Sustainability' section within this Annual Report.

Pillars	Indicators	Some Possible Activities
Governance	Board Diversity and Governance	The Bank follows diversity in the formation of Board and senior management including committees. Further, it covers all governance aspects through formation of policies. For further details, refer to the Governance section within this Annual Report.
	Pay for Performance	The Bank follows remuneration guidelines given by the State Bank of Pakistan. Further, it has Board level committees (Human Resource, Remuneration and Nominations Committee and Compensation Committee) to monitor and ensure transparency in all aspects. For further details on their TORs, meetings and performance of these committees, refer to the Governance section within this Annual Report.
	Stakeholder Engagement	The Bank identifies its stakeholders and monitors its relationships through a multitude of communication channels, including regular dialogue. The Bank's primary stakeholders are the employees, customers, shareholders/institutional investors, suppliers/vendors, analysts and rating agencies, regulatory bodies and society/community and media. For further details, refer Stakeholders Engagement section of this Annual Report.
	Shareholder Rights	The Bank protects rights of all of its shareholders by fair policies, transparent disclosures, constant engagement to ensure effective communication and informed decision making. For further details, refer Stakeholders Engagement section of this Annual Report.
	Ethical Standards	The Bank adopts fair business practices. Its utmost objective is to protect the rights of customers. The Bank has Business Ethics and Anti-Corruption Measures in place. For further details, refer 'Governance' section of this Annual Report.

Certifications Acquired and International Standards Adopted

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

Our Business Resilience and Health and Safety team has acquired reputable, industry-wide and internationally recognised degrees and certifications, including NEBOSH International General Certification, HABC Level 2-International Certification in Fire Safety, HABC-Certified International First Aider, Diploma (HSE), ISO 22301, ISO 45001, CEH, etc.



GOVERNANCE



Board of Directors



His Highness Sheikh Nahayan Mubarak Al Nahayan

Chairman

His Highness Sheikh Nahayan Mubarak Al Nahayan is a prominent member of the ruling family of Abu Dhabi, United Arab Emirates. Currently, His Highness is UAE Cabinet Member and the Minister of State for Tolerance and Coexistence, UAE. Prior to his current responsibility, he served as the Minister of Culture and Knowledge Development, Culture, Youth, and Social Development and the Minister of Higher Education and Scientific Research. Besides his ministerial responsibilities, he has been playing a leading and distinguished role in educational advancements, focusing on the role of education in achieving development and progress. His Highness also holds various offices as Chairman and Director at Boards and Trusts, along with Patronship of various local and foreign organisations and affiliates. His direct and indirect business interests spread throughout various industry sectors such as banking, telecom, insurance, hospitality, healthcare, construction and investment management in Pakistan, UAE, Middle East, Europe, and the US. Moreover, he supports many charitable institutions and devotes special attention to disabled children as the Honorary President of Abu Dhabi Future Rehabilitation Center, formerly known as Future Center for Special Needs. His Highness is also the recipient of Pakistan's highest civilian award, the 'Hilal-e-Pakistan', which was conferred upon him in 2005 for his contribution to the economic growth of Pakistan. His Highness received his education from the British Millfield School until the high secondary level before joining Magdalen College at Oxford University, UK.



Mr. Abdulla Nasser Hawaileel Al Mansoori

Director

Mr. Abdulla Nasser Hawaileel Al Mansoori is a prominent businessman of Abu Dhabi, UAE. He is presently the Chairman of the Board, Al Nasser Holdings and Group Companies which have diversified activities ranging from Oilfield services, Retailing, Investments, Manufacturing Industries, Real estate and Food & Beverage. Mr. Al Mansoori served as a member of UAE Federal National Council, Member of Abu Dhabi Executive Council and Member of the Board of Directors of the Abu Dhabi Council for Economic Development. In addition, he also held Board positions as Director of Mashreq Bank, Director of United Arab Bank and Director of Dubai Islamic Bank. Mr. Abdulla Nasser Hawaileel holds a B.Sc. (Hons) degree in Electrical Engineering from Swansea University, UK.



Mr. Abdulla Khalil Al Mutawa

Director

Mr. Abdulla Khalil Al Mutawa is the General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahyan and the Chairman of the Board of Makhazen Investment PJSC (Private Joint – Stock) in Abu Dhabi. Mr. Abdulla Khalil Al Mutawa is also a non-Executive Member of the Board of EFG Hermes in Egypt. Mr. Abdulla Khalil Al Mutawa holds a B.Sc. degree in Business Administration from the University of North Carolina, USA.



Mr. Khalid Mana Saeed Al Otaiba

Director

Mr. Khalid Mana Saeed Al Otaiba is the Office Manager of His Excellency Dr. Mana Saeed Al Otaiba (Personal Advisor to His Highness, the President of UAE). He is the Deputy Chairman of Al Otaiba Group of Companies. Mr. Khalid is the Director of Alfalah Insurance Company Limited, Pakistan and EFG Hermes Holding, S.A.E. He is also the Chairman of Liwa International Investment Tourism and Royal Mirage Hotel & Resort Ltd, Morocco. He is also the Director of Ghantout International. Mr. Khalid Mana Saeed Al Otaiba holds a Bachelor of Arts & Science degree in International Economics from the Suffolk University of Massachusetts, Boston, USA.



Mr. Khalid Qurashi

Director

Mr. Khalid Qurashi is a retired banker with considerable international banking experience. He has worked for 38 years with a major US international bank, where his area of expertise was in corporate risk management and profit centre/franchise management. He was responsible for Risk Management for the Middle East, Africa and Turkey operations. He contributed materially to overall institutional policy debate and strategy formulation. Before he took over responsibilities as a risk senior, he managed some large country franchises in the Middle East and Africa, where the portfolio encompassed a wide spectrum ranging from large corporates, to governments, to financial institutions as well as SMEs and PE companies. Mr. Qurashi has previously served on the Board of Directors of Bank Alfalah from May 2015 to February 2018. He has also served as the Board Member at TMB Pakistan, NMB Bank Zimbabwe, Citibank Nigeria, Vice Chairman, Citi International Islamic Bank Bahrain, and as a consultant at HBL Pakistan. Presently, he is a member of the investment committee at SIDRA Capital, Saudi Arabia. He holds Master's degree in Business Administration from IBA/Karachi University.



Dr. Gyorgy Tamas Ladics

Director

Dr. Gyorgy Tamas Ladics is a seasoned financial services professional with over 30 years of experience in the financial services industry, formulating digital strategies and businesses transformation globally. He brings extensive experience in Digital Banking, Digital Transformation, FinTech collaboration, Innovation and Business Strategy Formulation. He is skilled in strategic planning and use of information technology and business processes, providing practical solutions to business issues. He possesses wide geographical experience, including the UAE, Egypt, Africa, India, Pakistan, Central Europe, Russia, Singapore and Brunei. At present, Dr. Gyorgy is the Chief Executive Officer of Silverlake Symmetri. In the past, he has worked as the Chief Operating Officer at Bank Islam Brunei Darussalam, International Director at Fajr Capital, Chief Technology Officer at Barclays Bank, Emerging Market, Regional Technology Office, Dubai, Chief Operating Officer, Prague, Citibank Central Europe Cluster, Head of Operations Citibank Hungary, Budapest, etc. Dr. Gyorgy holds Doctorate degree in Economics and Master's degree in Electrical Engineering and Informatics from the Budapest University of Technology and Economics



Dr. Ayesha Khan

Director

Dr. Ayesha K. Khan is an expert in the field of corporate strategy and institutional growth in emerging markets. She is currently the CEO and Regional Managing Director for Pakistan at Acumen – a global impact investment fund, where she focuses on climate finance and investments across the agriculture value chain. Dr. Khan is an Independent Director on the Board of Fauji Fertilizer Company Limited, and has previously been the Head of Strategy and Corporate Planning at HBL, where she was the first person to hold this position there. She has also worked in New York as a Management Consultant with McKinsey and Company, where she focused on the financial sector, taught economics at Harvard University and consulted with the UNDP on the Millennium Development Project. Dr. Khan holds a doctorate degree from the Harvard Business School (HBS), where she focused on Corporate Strategy, Institutional Development and Emerging Markets. Her doctoral research concentrated on consumer financial choices in the banking sector. In addition, Dr. Khan has authored HBS case studies, and published several articles focused on various aspects of building a successful business for various publications, including the Harvard Business Review and Harvard Law School ILSP. Dr. Khan also holds a Graduate degree in International Development from the Harvard Kennedy School, as well as an Undergraduate degree in Economics from the Princeton University.



Mr. Atif Aslam Bajwa

Director and CEO

Mr. Atif Bajwa has an extensive international career spanning more than 40 years of executive leadership roles in banking, and of multiple boards and public interest positions. He started his professional journey with Citibank in 1982, and has since held numerous senior positions in large local and multinational banks, including President/CEO of Bank Alfalah, President/CEO of MCB Bank and Soneri Bank, Regional Head of Citigroup for Central and Eastern Europe, Head of Consumer Banking of ABN AMRO's Asia Pacific region, and Country Manager of ABN AMRO Pakistan. Mr. Bajwa has been active in business, social and public interest areas, and has led key advocacy institutions to impact economic and social sectors. In this regard, he has served as the Chairman of Pakistan Business Council (PBC), and the President of Overseas Investors Chamber of Commerce and Industry (OICCI). He has also served as the Director on Boards of various private and public sector companies. Mr. Bajwa received his education from the Columbia University, New York.



SENIOR MANAGEMENT

Left to Right

Tahir Khurshid

Group Head, Audit and Inspection

Khawaja Muhammad Ahmad

Group Head, Operations and Corporate Services

Anjum Hai

Chief Financial Officer

Haroon Khalid

Group Head, Compliance and Control

Mohib Hasan Khan

Chief Information Officer

Faisal Farooq Khan

Chief Human Resource Officer

Faisal Rabbani

Chief Risk Officer, Credit and Risk Management

Muhammad Akram Sawleh

Company Secretary and Group Head, Legal and Corporate Affairs



Left to Right

Zahid Anjum

Group Head, Special Asset Management

Saad ur Rahman Khan

Group Head, Corporate, Investment Banking and International Business

Atif Aslam Bajwa

President and Chief Executive Officer

Pervez Shahbaz

Group Head, Treasury and Financial Markets

Aasim Wajid Jawad

Group Head, Strategy, Transformation and Customer Experience

Dr. Muhammad Imran

Group Head, Islamic Banking

Mehreen Ahmed

Group Head, Retail Banking

Muhammad Yahya Khan

Group Head, Digital Banking

Senior Management



Atif Aslam Bajwa

President and
Chief Executive Officer

Mr. Atif Bajwa has an extensive international career spanning 40 years of executive leadership roles in banking, and of multiple boards and public interest positions. He is serving as the Director on boards of various private and public sector companies. Mr. Bajwa received his education from Columbia University, New York.



Saad Ur Rahman Khan

Group Head Corporate,
Investment Banking and
International Business

Mr. Saad Ur Rahman Khan has over 29 years of diversified experience in the fields of Commercial, Corporate and Investment Banking, Risk Management and International Business. During his career, he has been associated with Citibank, MCB Bank, Habib Bank Limited and National Bank of Pakistan. He is a business graduate with an MBA degree from the Institute of Business Administration (IBA).



Mehreen Ahmed

Group Head,
Retail Banking

Ms. Mehreen Ahmed is currently heading the Retail Banking Group of Bank Alfalah. She joined Bank Alfalah in April 2012 as the Group Head, Consumer Business and New Initiatives. She carries 34 years of banking and non-banking experience with financial institutions, including Soneri Bank, MCB Bank and Standard Chartered Bank. She holds an MBA degree in Finance and Marketing from the Institute of Business Administration (IBA).



Muhammad Yahya

Group Head,
Digital Banking

Mr. Muhammad Yahya Khan joined Bank Alfalah as the Group Head, Digital Banking in February 2018. He has over 26 years of banking and non-banking experience with leading organisations like ICI Pakistan, Engro Chemical, Unilever Pakistan, AXA Sun Life Services (UK), PricewaterhouseCoopers (London), J.P. Morgan Chase Bank (London) and Telenor Bank. He is a Fellow Chartered Accountant and holds an M.Sc. degree from the Cranfield University, UK.

**Dr. Muhammad Imran**

Group Head, Islamic Banking

Dr. Muhammad Imran joined Bank Alfalah in August 2018. He has over 25 years of banking and non-banking experience with leading institutions like National Bank of Oman, UBL, Bank Islami Pakistan Limited, Standard Chartered Bank, Shell Pakistan Limited and Philips Pakistan Limited. He holds a Ph.D. in Economics from the University of Karachi and a Master's degree in Business Administration from the IBA, Karachi, where he was awarded a gold medal.

**Pervez Shahbaz Khan**

Group Head, Treasury and Financial Markets

Pervez Shahbaz Khan has over 28 years of diversified experience in the field of Treasury and Global Markets both locally and internationally. During his career, he has been associated with Credit Agricole Indosuez, ABN Amro Bank, Citibank, The Royal Bank of Scotland and Askari Bank Limited. He is a business graduate with an MBA degree from the Institute of Business Administration.

**Anjum Hai**

Chief Financial Officer

Ms. Anjum Hai joined Bank Alfalah as Chief Financial Officer in November 2017. She has over 28 years of work experience across financial institutions like Soneri Bank Limited, Citibank N. A. Pakistan, Faysal Bank Limited and A. F. Ferguson & Company. She is a Fellow Member of the Institute of Chartered Accountants of Pakistan as well as a Fellow Member of the Associated Chartered Certified Accountants. She also holds an Accelerated Certificate in Company Direction from the Institute of Directors, UK.

**Faisal Farooq Khan**

Chief Human Resource Officer

Mr. Faisal Farooq Khan has over 32 years of diversified experience in the fields of Human Resources, Sales and Marketing. During his career, he has been associated with ICI Pakistan Ltd., MCB Bank Ltd., Soneri Bank Ltd. and Khaadi SMC Pvt. Ltd. He holds a Mechanical Engineering degree from NED University and an MBA degree from the Lahore University of Management Sciences (LUMS).

**Faisal Rabbani**

Chief Risk Officer

Mr. Faisal Rabbani joined Bank Alfalah in November 2018. He has over 29 years of extensive banking experience with renowned financial institutions like Abu Dhabi Islamic Bank (UAE), Noor Bank (UAE), Commercial Banking Group (UAE) and Citibank Pakistan. He has been heading Credits, Risk Management, Commercial Banking, Trade Finance and Cash Management products. He holds a Master's degree in Business Administration from the IBA, Karachi.

**Aasim Wajid Jawad**

Group Head, Strategy, Transformation and Customer Experience

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

**Khwaja Muhammad Ahmad**

Group Head, Operations and Corporate Services

Mr. Khawaja Muhammad Ahmad joined Bank Alfalah in April 2015. He is currently heading the Operations and Corporate Services Group. He has over 29 years of experience in diverse areas of banking with institutions like Standard Chartered Bank, Prime Commercial Bank, The Bank of Punjab, Dubai Islamic Bank (UAE), Allied Bank and Soneri Bank Limited. He holds a Bachelor's degree in Finance from the Drake University Iowa, USA.

**Mohib Hasan Khan**

Chief Information Officer

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

**Haroon Khalid**

Group Head, Compliance and Control

Mr. Haroon Khalid is currently heading the Compliance and Control Group of Bank Alfalah. He carries over 26 years of banking experience, primarily with MCB Bank, and has 15 years of association with Bank Alfalah since joining the Bank in May 2007. He holds an MBA degree from the Lahore University of Management Sciences (LUMS).

**Muhammad Akram Sawleh**

Company Secretary and Group Head, Legal and Corporate Affairs

Mr. Muhammad Akram Sawleh joined Bank Alfalah in August 2018. He has over 30 years of diversified experience as a practicing lawyer as well as in-house counsel for renowned corporations like Habib Bank Limited, Standard Chartered Bank, Union Bank and the State Bank of Pakistan. He holds an LLB degree from the University Law College, Punjab University, Lahore.

**Tahir Khurshid**

Group Head, Audit and Inspection

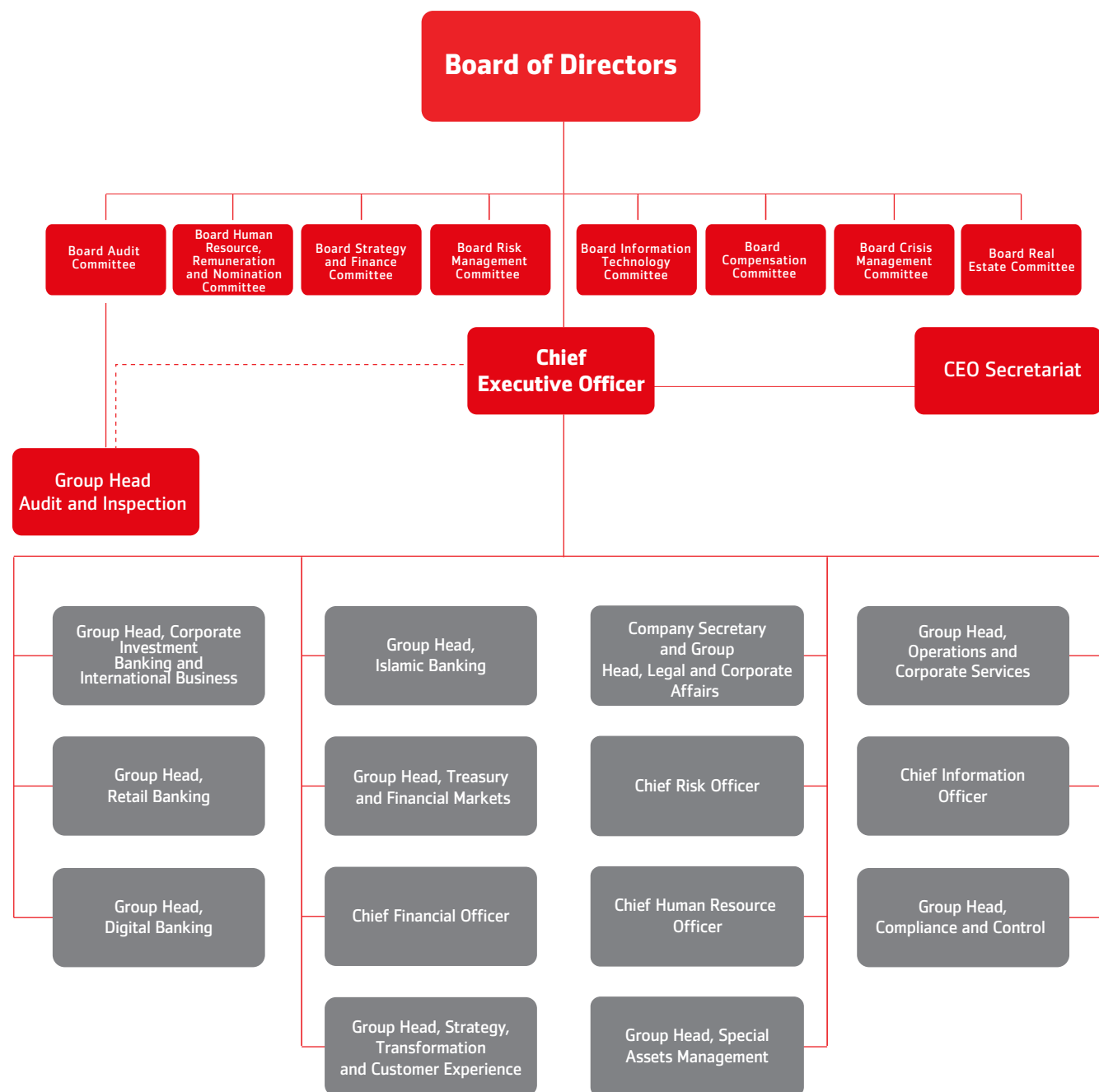
Mr. Tahir Khurshid is currently heading the Audit and Inspection Group of Bank Alfalah. He has over 26 years of experience. Prior to joining Bank Alfalah in August 2002, he worked at MCB Bank Limited and Ford Rhodes Robson Morrow. He holds an M.Com degree from the University of Lahore and an MBA (Finance) degree from the American International University.

**Zahid Anjum**

Group Head, Special Assets Management

Mr. Zahid Anjum joined Bank Alfalah in August 2018. He has over 29 years of diversified experience with leading commercial banks. His main area of expertise has been Management of Special Assets, Credit Management, and Structuring and Relationship Management. Prior to joining Bank Alfalah, he was associated with Faysal Bank Limited as Head Special Assets Management and Government Relations. He holds a Master's degree in Business Administration and Law from the Punjab University, Lahore.

Organisational Structure



Legends

----- Administrative Reporting
 _____ Functional Reporting

Role of the Board and the Management

Role of the Board

The Board of Directors assumes its role independent of the day-to-day operations run by the Management and focuses on policymaking, governs the affairs of the Bank to achieve strategic objectives, and provides general direction, oversight and supervision of the affairs and business of the Bank. The Board has ultimate responsibility for the strategic direction and control of the Bank. The Board has delegated to the Senior Management Team, under the leadership of the Chief Executive Officer, the responsibility to deliver on the strategic direction and goals determined by the Board. A key function of the Board is to monitor the performance of the Senior Management.

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

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

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

Role of the Management

The Management Committees' composition and operating methodologies are covered on coming pages within this section.

The Management of the Bank implements strategies approved by the Board of Directors in order to generate optimal performance of the Bank. The Senior Management, under the charge of the President and CEO, executes all goals and objectives of the Bank in line with the company's strategies, risk management, compliance, compensation, and all other Board-approved policies.

Roles and Responsibilities of the Chairman and the CEO

The Chairman of the Board and the Chief Executive Officer of the Bank, play a substantial and significant role in the overall growth of the Bank by providing the Management with strategic direction and helping it materialise its Mission and Vision.

In this regard, key roles and responsibilities of the Chairman and the CEO are described below.

Key Roles and Responsibilities of the Chairman

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

Other responsibilities include:

- To serve as a leader and driving agent of the Board of Directors, monitoring and managing all of its activities, and aligning the Board's goals and decisions with that of the Management;
- To ensure that the Board stays in the right direction with respect to achieving its objectives;
- To preside over the Board's meetings and general meetings, and ensure that these meetings are executed productively and key agenda is discussed along with a valuable conclusion/decision. The Chairman also oversees the Board's key decision-making activities; and
- To exercise powers and authorities that are vested in and conferred to the Chairman under the Terms of Reference of Board Committees as approved by the Board of Directors.

Key Roles and Responsibilities of the President and CEO

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

Key responsibilities include:

- To serve as the link between the Board and Senior Management for execution of Board driven vision and strategies;
- To manage and administer the affairs of the Bank in accordance with laws, rules, regulations, and the Memorandum and Articles of Association of the Bank;
- To comply with and ensure bank-wise implementation of and compliance with all policies, procedures and manuals approved by the Board of Directors, and any directives given by the Board of Directors or Board Committee(s);
- To prepare plans for growth and expansion of the Bank's operations in Pakistan and abroad, and submit the same for consideration and approval of the Board of Directors;
- To appoint, promote, transfer, suspend or dismiss employees of the Bank and fix their remuneration and other entitlements in accordance with the policies and procedures approved by the Board of Directors;
- To deal with, represent, and act on behalf of the Bank before the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, federal and provincial ministries, government departments, local bodies, corporations, courts, stock exchanges, and any other competent authority; and
- To ensure that the Bank performs to the highest levels of ethical, legal and business standards in order to execute the Bank's strategies effectively in line with all applicable laws.
- To ensure that the culture and values of the Bank are upheld at all times, the Board receives timely, accurate and complete information, shareholders' interests are protected in compliance with laws and regulations, meetings are duly recorded, productive participation of board members, and effective resolution of issues.

Board Committees and Terms of Reference

Board Audit Committee

- To oversee the integrity of the accounting and financial reporting processes, including internal controls over financial reporting, as well as of the financial statements with focus on compliance with applicable accounting and reporting standards to give a true and fair view of the financial position and performance of the Bank.
- To oversee the Bank's compliance with legal and regulatory requirements.
- To oversee the Internal Control Framework (both Policies as well as Procedures), established by the Management, to ensure compliance with applicable laws and regulations, and to ensure adherence to Accounting and Reporting Standards.
- To oversee adherence of employees and the Management to the Bank's Control Framework and Code of Conduct.
- To select and recommend appointment of the External Auditor to the BOD, after, thorough analysis of qualification and competence, and ensuring its independence from the Management.
- To review the Management letter and/or any other communication stating significant issues raised by External Auditors and Management response to each of the financial reporting and internal control issues, and also to ensure the implementation of recommendations of External Auditors, where considered appropriate.
- To establish and ensure functioning of an independent, objective and competent Internal Audit Group supported by adequate resources.
- To review the performance of Internal Audit Function (IAF) and External Auditors.
- To review and recommend to the Board of Directors amendments in the 'Internal Audit Policy'.
- To ensure the conformance of Internal Audit activities to International Standards for the Professional Practice of Internal Auditors, issued by the Institute of Internal Auditors (IIA) and Information Systems Audit & Control Association (ISACA), where applicable.
- To approve the Audit Manual, Assurance Level and Internal Audit Plan, prepared and presented by CIA/Head of Internal Audit, after thorough discussion and analysis, with prime focus on Risk Based Audit Approach.
- To oversee Shariah Audit Function, Credit Risk Review of the credit portfolio and the Management's actions for identification of gaps, and implementation of controls as a preventive measure against frauds as stated in the fraud prevention policy.
- To review and discuss with CIA/Head of Internal Audit, as Secretary BAC, the status of implementation of the Committee's decisions and reasons for any significant delay(s) together with Committee's direction for necessary actions.
- To review the Bank's risk assessment related to Anti-Money Laundering (AML)/Combating the Financing Terrorism (CFT)/ Proliferation Financing (PF)/Targeted Financial Sanctions (TFS) risk factors.
- To review sanctions and CFT statistics of account freeze/unfreeze and statistics of Currency Transaction Reports (CTR) and Suspicious Transaction Reports submitted to the Financial Monitoring Unit.
- To formulate and approve Key Performance Indicators (KPIs) of CIA/Head of Internal Audit.
- To review the effectiveness of Whistle Blow mechanism of the Bank.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.
- To fulfil any other task/responsibility assigned by the Board as well as by the Regulators.

Committee Members

Mr. Khalid Qurashi
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Dr. Ayesha Khan
Member

Mr. Tahir Khurshid
Secretary

Meetings held during the year

- 31st January, 2022
- 01st February, 2022
- 25th April, 2022
- 27th July, 2022
- 16th October, 2022
- 12th December, 2022

Meetings attended during the year

Refer to the table in remuneration framework on coming pages for Directors' participation in the meetings within this section.

Board Human Resource, Remuneration and Nominations Committee

- To ensure that HR policies and practices are in line with market dynamics and the business objectives of the Bank.
- To design competitive compensation programmes that attract, retain and motivate staff to achieve business objectives of the organisation, while enhancing and sustaining shareholder value.
- To review the implementation of the State Bank of Pakistan's remuneration guidelines, and ensure that remuneration policy is aligned with significant requirements of the guidelines.
- To periodically examine the Bank's remuneration policy.
- To review and recommend the HR policies of the Bank to the Board and ensure development of new policies to help attract, retain, develop and motivate talent.
- To review the Management Structure/Organogram of the Bank.
- To review and recommend the selection/appointment/ reappointment, evaluation, compensation, increments, performance bonuses, fringe benefits, including retirement benefits, and terms and conditions of service agreement of the CEO to the Board.
- To review and recommend to the Board the selection, evaluation and compensation of key executives of the Bank as defined in the State Bank of Pakistan's Fit and Proper Test Criteria (SBP's FPT).
- To review and confirm the job descriptions of key executives, and to review and recommend the appointments and promotions of all key executives and general managers.
- To investigate and recommend resolutions to the Board of major violations of the Code of Business Conduct and Ethics that may relate to personnel or internal controls relating to Human Resource policies or benefits.
- To consider/review and recommend to the Board, the remunerations to be paid to the Non-Executive Directors of the Bank for attending Board and Board Committee meetings.
- To review and monitor the training and development budget.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.
- To look after any other matters relating to Human Resource Management.

Committee Members

Dr. Ayesha Khan
Chairperson

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Dr. Gyorgy Tamas Ladics
Member

Mr. Khalid Qurashi
Member

Mr. Muhammad Akram Sawleh
Secretary

Meetings held during the year

- 1st February, 2022
- 26th July, 2022
- 15th October, 2022

Meetings attended during the year

Refer to the table in remuneration framework on coming pages for Directors' participation in the meetings within this section.

Board Strategy and Finance Committee

- To assist the Board in performing its functions and responsibilities with focus on policy-making and general direction, oversight and supervision, within the framework of applicable regulations, and without involvement in the day-to-day operations of the Bank.
- To review all matters relating to strategy and finance, as well as all other matters not specifically covered in the Terms of Reference of other specialised Board Committees.
- To review the strategic plan of the Bank, and periodically monitor the status of the implementation of the approved strategic plan. To review the annual business and capital expenditure budgets, operational budgets and periodic reviews of the Bank's performance, vis-à-vis the approved budget and in comparison with peer banks and the industry.
- To review the financial and operational performance of the Bank as well as acquisitions, investments, impairments/write-offs, claims against the Bank, etc.
- To oversee aspects of capital management, including issuance of shares and capital instruments, issuance of cash/stock dividend and capital injection decisions for overseas operations.
- To review and approve capital expenditure, recurring and operating expenses, and write-offs as per defined thresholds.
- To review, obtain updates on and recommend annual branch network expansion plans for approval to the Board, including plans for overseas operations, and establishing companies/operations/offices in new overseas locations.
- To review and recommend Shariah Board reports in compliance with the SBP Shariah Governance Framework, for approval to the Board.
- To review and recommend matters relating to the shareholders and related parties to the Board in consultation with the Chairman.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.

Committee Members

Mr. Abdulla Khalil Al Mutawa
Chairman

Mr. Khalid Mana Saeed Al
Otaiba
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
Member

Mr. Khalid Qurashi
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 31st January, 2022
- 1st February, 2022
- 25th March, 2022
- 24th April 2022
- 26th July, 2022
- 16th October, 2022

Meetings attended during the year

Refer to the table in remuneration framework on coming pages for participation in the meetings within this section.

Board Risk Management Committee

- To establish and maintain a system to oversee Risk Management policies and principles.
- To review the adequacy and effectiveness of the Risk Management process across the Bank.
- To establish and maintain the Risk Management Framework to identify risks, and to evaluate the alignment and effectiveness of Risk Management activities.
- To review the Bank's strategy from a risk perspective and ensure that it is prepared in accordance with the Bank's policies.
- To review and recommend to the Board, the Bank's overall risk appetite and delineate risk tolerance in relation to credit, market, liquidity, operational, Shariah, legal and outsourcing risk etc., and Trade Based Money Laundering Risk.
- To approve the exposure limits in relation to Risk Management strategies, and review compliance with these limits.
- To ensure a system to identify any exceptions to the appetite/limits and Risk Management policies and procedures, and to take timely corrective measures.
- To review Risk Management information reports, evaluate findings and the appropriateness of the remedial measures, and direct necessary actions, besides reviewing internal risk rating models, ICAAP, Stress Testing results and recommending the same for the Board approval where required.
- To recommend to the Board the delegation of authorities to Management Committees to achieve the Board mandated strategic direction.
- To oversee implementation of IFRS-9 as per the regulations.

Committee Members

Mr. Khalid Mana Saeed Al Otaiba
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Qurashi
Member

Mr. Atif Aslam Bajwa
Member

Mr. Farhan Ali
Secretary

Meetings held during the year

- 1st January, 2022
- 24th April, 2022
- 26th July, 2022
- 15th October, 2022

Meetings attended during the year

Refer to the table in remuneration framework on coming pages for participation in the meetings within this section.

Board Compensation Committee

- To select eligible employees from time to time, to grant options under the Scheme, as per the terms of the companies (further issue of shares) regulations, and the Bank's approved Employee Stock Options Scheme.
- To determine the share entitlement to be offered to each designated employee selected from time to time.
- To determine the time when an option may be granted, and any conditions that must be satisfied by eligible employees and/or designated employees before an option is offered.
- To determine the exercise price, as per the terms of the Scheme, and the share entitlement in respect of which options may be granted to designated employees.
- To develop a suitable policy and system to ensure that there is no violation of the insider trading provisions of the Securities and Exchange Ordinance, 1969, and the Securities Exchange Commission of Pakistan Act, 1997.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.
- To oversee any other matters relating to Human Resource Management as assigned by the Board.

Committee Members

Dr. Ayesha Khan
Chairperson

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al
Otaiba
Member

Mr. Muhammad Akram Sawleh
Secretary

**No meeting was held during
the year**

Board Information Technology Committee

- To review and recommend the IT Strategy and Digital Strategy of the Bank to the Board.
- To advise and report to the Board on the status of technology activities and digital initiatives in banks.
- To review and monitor the implementation of the SBP's 'Enterprise Technology Governance and Risk Management Framework'.
- To monitor the overall impact of the Information Technology infrastructure and applications on businesses and customers, and to assess and address strategic gaps and issues.
- To monitor, oversee and optimise investments related to technology and capital expenditure related to Information Technology, and to make recommendations to the Board for approval of IT budget.
- To reinforce Information Technology roles and responsibilities through relevant policies and to issue high-level policy guidelines.
- To ensure that effective Risk Management strategies are designed and implemented to achieve resilience, including the ability to respond to wide-scale disruptions, cyber-attacks and attacks on critical infrastructure in an effective manner.
- To monitor and track all major technology related projects, ITG performance and IT services delivery.
- To ensure compliance of regulatory requirements.
- To review IT Capacity Planning and Resource Management, including financial, data and information, infrastructure and assets, human resource staff development, recruitment and the retention of skilled staff, and vendors.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.

Committee Members

Dr. Gyorgy Tamas Ladics
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 1st February, 2022
- 25th April, 2022
- 27th July, 2022
- 15th October, 2022

Meetings attended during the year

Refer to the table in remuneration framework on coming pages for Directors' participation in the meetings within this section.

Board Crisis Management Committee

- To review and recommend the Business Continuity Plan and the Disaster Recovery Plan of the Bank for approval of the Board.
- To identify 'mission-critical' and key risks, and take specific and targeted actions to setup a reasonable system of regular and timely reporting of the risks and their mitigants to the Board.
- To assess all impacts of the crisis on business operations, employees, customers and key stakeholders of the Bank, and to suggest measures to manage the same.
- To monitor industry trends, best practices, tools and techniques to deal with the crisis.
- To receive reports and monitor emerging risks due to the crisis at regular intervals, and recommend necessary mitigating strategies for the same.
- To review and inform the Board (if necessary) about the communication strategy to deal with the crisis.
- To review the Bank's strategy from a Risk Management perspective to deal with the crisis.
- To assess the financial strength and solvency issues of the Bank during and after the crisis and advise the Board accordingly.
- To highlight most imminent challenges to macroeconomic stability in the banking industry, as a result of crisis.
- To ensure that proper governance principles/procedures and practices are being followed in order to meet any potential litigation/regulatory risk.
- To approve any expenditure, necessary to deal with the crisis.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.

Committee Members

Mr. Abdulla Khalil Al Mutawa
Chairman

Mr. Khalid Mana Saeed Al Otaiba
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
Member

Mr. Khalid Qurashi
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 24th January, 2022
- 14th April, 2022
- 27th May, 2022
- 1st September, 2022

Meetings attended during the year

Refer to the table in remuneration framework on coming pages for Directors' participation in the meetings within this section.

Board Real Estate Committee

- To review, recommend and approve real estate proposals of the Bank and to make/amend relevant policies thereunder.
- To review and recommend to the Board any property acquisition proposed by the Management.
- To review and assess the adequacy of its TORs and recommend to the Board any amendments or modifications in the TORs that the BREC deems appropriate.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.

Committee Members

Mr. Abdulla Khalil Al Mutawa
Chairman

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Atif Aslam Bajwa
Member

Mr. Muhammad Akram Sawleh
Secretary

Meetings held during the year

- 13th January, 2022
- 16th October 2022

Meetings attended during the year

Refer to the table in remuneration framework on coming pages for Directors' participation in the meetings within this section.

Management Committees

Bank Alfalah has three main Management Committees for the purpose of strategic planning and decision-making under the Chairmanship of the CEO. The Board of Directors has approved the Committees and their TORs. The role of these Committees is to ensure that the activities of the Bank reflect its vision, purpose and aims. They establish the fundamental values, ethical principles and strategic direction in which the Bank operates. These Committees meet regularly and their decisions are communicated to the Board frequently.

1. Central Management Committee (CMC)
2. Central Credit Committee (CCC)
3. Digital Council (DC)

The CMC has formed sub-committees to carry out its mandate. For each sub-committee, the CMC adopts formal TORs, setting-out the matters relevant to the composition, roles, functions and responsibilities. The CMC has full authority to review and reorganise the composition and TORs of the sub-committees.

Central Management Committee (CMC)

- Atif Aslam Bajwa – Chairman
- Aasim Wajid Jawad
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Haroon Khalid
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Muhammad Akram Sawleh
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Pervez Shahbaz Khan
- Saad ur Rahman Khan
- Zahid Anjum
- Zahra Anwar Furniturewalla – Secretary

Central Credit Committee (CCC)

- Atif Aslam Bajwa – Chairman
- Faisal Rabbani
- Mehreen Ahmed
- Saad ur Rahman Khan
- Pervez Shahbaz Khan
- Dr. Muhammad Imran
- Muhammad Imran
- Shaykh Zeeshan Rauf
- Beena Fawad

Digital Council (DC)

- Atif Aslam Bajwa – Chairman
- Aasim Wajid Jawad
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Haroon Khalid
- Rabia Atlas – Secretary

Sub-Committees of CMC

Customer Experience Council (CEC)

- Atif Aslam Bajwa – Chairman (
- Asim Wajid Jawad
- Faisal Farooq Khan
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Saad ur Rahman Khan
- Aamir Mehmood Gandhi
- Imran Assad Khan
- Muhammad Raheel Yousaf
- Mohammad Hussain
- Syed Muhammad Asif
- Business Heads (Conventional, Islamic and Corporate)
- Suhail Siddiqui – Secretary

Information Technology Steering Committee (ITSC)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Zeeshan Siddiqui
- Kamran Mehmood – Secretary

Compliance and Control Committee (C&CC)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Khawaja Muhammad Ahmad

- Mehreen Ahmed
- Mohib Hassan Khan
- Muhammad Akram Sawleh
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Saad ur Rahman Khan
- Abdur Rehman Khan
- Faisal Ahmed
- Mubashir Mustafa
- Muhammad Ayyaz Ashraf
- Haroon Khalid – Secretary

Investment Committee (IC)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Pervez Shahbaz Khan
- Saad ur Rahman Khan
- Syed Akbar Ali
- Zeeshan Afzal – Secretary

Process Improvement Committee (PIC)

- Khawaja Muhammad Ahmad – Chairman
- Haroon Khalid
- Abdur Rehman Khan
- Farhan Ali
- Moiez Ahmed Usmani
- Mubashir Mustafa
- Abdur Rehman Khan
- Muhammad Ayyaz Ashraf
- Amin Sukhiani (observer)
- Farooq Qamar Khan (observer)
- Rizwan Aftab (observer)
- Audit and Inspection Group representative (by invitation)
- Afsheen Jalal – Secretary

Asset and Liability Committee (ALCO)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Mehreen Ahmed
- Dr. Muhammad Imran
- Pervez Shahbaz Khan
- Saad ur Rahman Khan
- Hasan Ahmed Khan – Secretary

Expenditure Approval Committee (EAC)

- Anjum Hai – Chairperson
- Faisal Farooq Khan
- Khawaja Muhammad Ahmad
- Amin Sukhiani
- Muhammad Ashraf
- Wahab Ahmed Qureshi
- Naushad Ali Khawaja – Secretary

Governance Committee for Overseas Operations (GCOO)

- Atif Aslam Bajwa – Chairman
- Saad ur Rahman Khan
- Anjum Hai
- Faisal Rabbani
- Haroon Khalid
- Pervez Shahbaz Khan
- Faisal Rashid – Secretary

Charity Affairs Committee (CAC)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Dr. Muhammad Imran
- Mehreen Ahmed
- Saad ur Rahman Khan
- Syed Faraz Ahmed – Secretary

Donation Committee (DOC)

- Atif Aslam Bajwa – Chairman
- Faisal Farooq Khan
- Mehreen Ahmed
- Anjum Hai
- Haroon Khalid
- Muhammad Raheel Yousaf
- Madiha Javed Qureshi – Secretary

Other Committees

- Crisis Management Team
- Disciplinary Action Committee
- Diversity and Inclusion Council
- Employee Welfare Fund Committee
- Grievance Committee
- Harassment Inquiry Committee
- IFRS 9 Steering Committee
- Management Oversight Committee
- Outsourcing Review Forum

Review Report by the Chairman on the Board's Overall Performance

The Bank complies with the requirements set out in the Companies Act, 2017, the Listed Companies (Code of Corporate Governance) Regulations, 2019 and SBP Circular No. 11 of 2016 dated 22nd August, 2016. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Bank Alfalah Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of the objectives set for the Bank. Areas where improvements are required are duly considered, and action plans are framed.

In addition to the annual independent review, the Chairman of the Board, as part of his responsibilities,

arranges an annual review for the performance of the Board. The key areas reviewed during the year were independence, contribution and attendance at Board meetings, interaction with the CEO, the Company Secretary and Senior Management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings, and the overall time and commitment to their role on the Board.

The appraisal process concluded that each director is performing well and is committed to their role in terms of dedication of time and attendance at meetings. No area of significant weakness was identified, and it was concluded that the Board and its Committees operated effectively throughout the period under review.

Annual Evaluation of the Board, Committees and Individual Directors' Performance

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

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

The roles and responsibilities as specified by relevant acts/regulations, the State Bank of Pakistan's prudential regulations and its guidelines are well-defined.

Descriptive evaluation criteria have been established at Bank Alfalah to evaluate and monitor the performance of the Board, the Committees, individual Directors including independent Directors, the Chairman and the Chief Executive Officer, and to ensure that the desired purpose is effectively achieved. The evaluation criteria take into

account along with numerous factors to assess the functions and behaviours thereof.

Key performance indicators or criteria that are in place to benchmark the Board and its Committees, the Chairman and the CEO's performance include:

- **Strategic Direction:** To ensure that the Board is actively involved in setting and devising key strategies that provide the Bank with futuristic directions going forward, and to ensure that all Management proposals, challenges, assumptions and alternatives are duly considered prior to deciding such strategy.
- **Management's Performance:** To ensure that the Management's performance and its progress towards achieving its set targets are periodically monitored by the Board.
- **Performances of the Individual Directors and Committees:** To gauge the contribution of individual Board Members and Committees towards achieving the strategic goals of the Bank. This helps the Bank

measure the level of awareness of key responsibilities, establish the current baseline of the Board's performance, identify critical gaps in key areas of Board effectiveness, measure the degree of alignment among the Board Members, focus on high impact, low performance areas, create Board effectiveness improvement plans, and execute and follow-up on improvement plans.

- **Internal Controls:** To oversee and ensure that an appropriately designed Internal Control Framework is in place, and is tested at regular intervals to address all types of key risks.
- **Audit and Compliance:** To ensure that there is an active compliance function in the Bank, and to monitor its compliance with external laws and regulations and internal codes, and also to monitor the organisation's abidance by audit principles.
- **Understanding of Corporate Governance and Conduct Code:** To ensure that the Directors fully understand the Bank's agreed policies on Corporate Governance and Ethics.

- **Understanding of Roles and Responsibilities:** To ensure that the Board has a clear understanding of the Bank's goals, vision and mission statements.
- **Committee Composition:** To ensure that each of the Board Committees is appropriately structured to effectively achieve its underlying goals and objectives, and its key functions are also clear and well-defined.

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

The evaluation framework established assesses the Board's performance on numerous criteria, including those described above.

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

Board's Performance Review by the External Consultant

The State Bank of Pakistan (SBP), through BPRD Circular No. 11 of 2016 dated 22nd August, 2016, mandated that the Board of every bank must carry out a formal annual performance evaluation of the Board, its Committees, and individual Directors. The circular also requires performance evaluation by an external independent evaluator at least once every three years.

In 2022, M/s Pakistan Institute of Corporate Governance (PICG) carried out the performance evaluation of the Board, its sub-committees and the Directors as an External Independent Evaluator. The performance evaluation report was submitted to the Chairman and other Board members for their review and information.

Other Matters Relating to Governance

Leadership Structure of those charged with Governance

The Bank's operations are governed under the Board of Directors. The Board comprises of non-executive directors and an executive director. The Chairman leads the Board. The Directors' profiles, describing their experience and education, have been disclosed at the start of this section.

Non-Executive Directors

At present, all Directors on the Board are non-executive except the President/CEO of the Bank. The non-executive directors provide an outside viewpoint to the Board. They are neither involved in managing the daily affairs of the Bank, nor are they from the Executive Management Team of the Bank.

Independent Directors and their Independence

The Board has three (03) independent Directors who meet the criteria of independence stipulated under the Company Act, 2017 and the directives issued by the State Bank of Pakistan (SBP).

Independent Directors of the Bank play a crucial role in the independent functioning of the Board. They bring in an external and broader perspective to decision-making by the Board.

Below are the details of independent Directors on the Bank's Board:

Name of independent Directors	Justification for independence
Dr. Gyorgy Tamas Ladics	They meet the criteria of independence in all aspects as stipulated under the Companies Act, 2017 and the directives issued by the SBP. As per legal requirement, they were selected from the databank maintained by the PICG.
Dr. Ayesha Khan	
Mr. Khalid Qurashi	

Executive Director(s) and their Directorship

The Executive Director on the Bank's Board, Mr. Atif Bajwa, is serving as a non-executive Director/Member on the Board of nine other companies/institutions.

Diversity in the board

The importance of diversity and inclusion for boards is well-founded. In addition to reflecting shared social values, diverse board composition is a significant and measurable contributor to board effectiveness. Deep insight, multiple perspectives, and a wealth of experience are necessary for robust discussions of challenging issues. Businesses face many challenges and complexities, so having a broad set of competencies as a primary asset is crucial to overcoming them.

Bank Alfalah has a diverse board which results into effective decision-making, guidance, and risk management.

The Bank's board is composed on the basis of above diversity factors. Please refer to the Directors' profiles disclosed at the start of this section.

Representation of Female Director on the Board

Dr. Ayesha Khan is the female Director on the Board, who is also an independent Director.

Election of the Board of Directors

The election of the Board of Directors of the Bank was held on 27th May, 2021 and the shareholders elected eight (8) Directors for a period of three years.

Casual Vacancies on the Board of Directors

During the year 2022, no casual vacancies occurred on the Board of Directors.

Directors' Orientation

Directors' Orientation refers to the process of helping new Directors contribute fully, and as early as possible in their tenure, to the governing work of the Board. The objective of the orientation is to enable the Directors to:

- Understand their roles, responsibilities and time commitment to governance work around the Board and Committees;
- Be aware of the current goals, opportunities and challenges facing the organisation;
- Be aware of who the organisation's main stakeholders are, including clients, partners, public, as well as the staff;
- Develop an understanding of how their own background, knowledge, experience and skills will contribute to the current work of the Board, and the goals of the organisation;
- Appreciate the background, knowledge, experience and skills of other Directors;
- Gain knowledge of how the Board meetings are run, decisions are made, and what formal governing policies and practices exist; and
- Understand how the Board functions similarly or differently from other boards they have served on, or are serving on

Directors' Training Programme (DTP)

The Bank is fully compliant with the criteria and requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG-2019).

The Bank arranged Directors' Training Programme named 'Corporate Governance Leadership Skills (CGLC) – Directors Education Programme' as per the SECP's approved criteria from the Pakistan Institute of Corporate Governance (PICG) for its Board Members as well as Executives. The following Board Members have undertaken the said training:

Board Members:

1. Dr. Ayesha Khan
2. Mr. Khalid Qurashi
3. Dr. Gyorgy Tamas Ladics
4. Mr. Atif Aslam Bajwa

The other Directors, with a minimum of 14 years of education and 15 years of experience on the Board of a listed company, local and/or foreign, stand exempted from the Directors' Training Programme as allowed under Code of Corporate Governance (CCG), 2019.

Executives of the Bank who attended the DTP:

In addition to the Directors, the following Key Management Personnel attended DTP: CFO and Group Head Internal Audit .

Related Party Transactions

Bank Alfalah Limited enters into transactions with its related parties in its daily operations.

The Bank enters into such transactions to meet its business objectives, and at the same time we recognise the need to maintain transparency and to fulfil our obligations towards our stakeholders, including shareholders, regulators, employees, etc. The Bank believes that there must not be any conflicts of interest or non-disclosure of such transactions.

To meet this objective, the Bank has a Related Party Transactions Policy, which aims at ensuring that it follows transparent and compliant procedures and guidelines to enter into such transactions. This policy is subject to guidance from the SECP and/or actions taken by the Company's Board of Directors or the Board Audit Committee. The purpose of this policy is to ensure that Bank Alfalah meets its obligations under:

- a. The Companies Act, 2017;
- b. The Banking Companies Ordinance, 1962;
- c. The Corporate Governance Framework / Prudential Regulations of State Bank of Pakistan;
- d. The Code of Corporate Governance;
- e. Pakistan Stock Exchange (PSX) Rule Book; and
- f. Applicable International Financial Reporting Standards.

Names of related parties in Pakistan and outside Pakistan, with whom the Bank had entered into transactions or had agreements and/or arrangements in place during the financial year, along with the basis of relationship, including common directorship and percentage of shareholding, have been disclosed as part of the Organisational Review (subsection: Group Ownership Structure), Governance (subsection: Board of Directors – details and shareholding), and Financial Statements of the Bank (Related Party Transactions). Such disclosures are in line with regulatory requirements.

Conflicts of Interest

The Directors have the ultimate responsibility for managing the affairs of the Bank and, accordingly, hold fiduciary duties of care and loyalty to the Bank and its shareholders. One of the key duties that Directors owe to the Bank is the duty to avoid conflicts of interest. This includes not placing one's self in a position where the

Director's personal interest could possibly conflict with their duty to the Bank.

Conflicts may arise in several situations. Typical scenarios are:

- Where the Directors have a direct or indirect material interest in a transaction that the Bank enters into;
- Where the Directors hold positions or offices or possess a property that may result in conflicting duties; and
- Where the Directors stand to benefit from information received by them, or opportunities made available to them in their capacity as Directors or officers.

The Bank exercises particular care in monitoring whether or not it is placed in a position of actual or potential conflicts.

In dealing with conflicts of interest, the Bank pays close attention to the:

- Provision of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019;
- SBP's Corporate Governance Regulatory Framework; and
- Article of Associations of the Bank.

Managing and monitoring conflicts of interest:

- The Directors are well-versed in their responsibilities to act in the best interests of the Bank and investors and to refrain from any conduct that may be considered adverse or contrary to the interests of the Bank and investors;
- The Directors are required to disclose their (along with family members) interests to the Bank before entering into any such transaction as per the manner prescribed in the applicable laws and regulations; The concerned Director, if any, does not participate in any deliberation, decision-making, proceeding, or investigation action by the Board of Directors in case of a conflict of interest.
- Insider Trading is prohibited, and the records of persons having access to sensitive information are maintained in an insider register.

The ultimate objective of procedures to deal with conflicts is the protection of the Bank's interest and the promotion of transparency for the benefit of the shareholders.

Governance of risk and internal controls

The Board oversees matters relating to risks, compliance and internal control matters through its committees. These

committees include Board Risk Management Committee, Board Strategy and Finance Committee and Board Audit Committee and Board Crisis Management Committee.

For the governance of risk, please refer to 'Risk and Opportunities' section of this Annual Report.

For governance of internal controls, please see 'Statement of Internal Controls' within this section and 'Internal Controls over Financial Reporting' (ICFR) in 'Performance and Position section' of this Annual Report.

External oversight and Measures taken to enhance credibility of internal controls

The Bank's controls and systems are subject to review by regulators and external auditors. Also, the Bank, depending upon regulatory or internal requirements, may conduct system reviews.

The Compliance Group's Internal Control Division (ICD), 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. Besides ICD, other units of Compliance Group, vis-à-vis Customer Due Diligence (CDD) Department and Compliance Risk Management Unit are also integral parts of the Bank's control framework, helping the Bank improve controls. The Bank has an online Internal Controls Dashboard (ICD Dashboard) for centralised monitoring of controls. It serves as a tool to enhance the entity wide coverage of control risk exposure through timely identification of operational and regulatory risks, including control breaches at the branches and other functions.

Please refer to the Bank's Statement of Internal Controls for specific measure taken to improve internal controls.

Please refer IT Governance and Cybersecurity section for updates on bank's actions towards internal controls enhancement and oversight actions.

Board's Policy on Diversity

The Bank recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include, and makes good use of, differences in the knowledge & skills, competencies, regional and industry experience, background, gender, race, caste, creed and other distinctions between Directors. These differences determine the optimum

composition of the Board, and should be balanced appropriately, when possible. All Board appointments are merit-based, in the context of the skills, experience, independence and knowledge, which the Board as a whole requires to be effective.

Policy for Remuneration of Non-Executive Directors including Independent Directors

The Bank has a policy for remuneration of non-executive Directors duly approved by the shareholders in the 28th Annual General Meeting held on 27th March, 2020. The policy sets out the methodology and scale of remuneration for non-executive Directors, including independent Directors. It ensures that Board Members are adequately and fairly compensated in line with their responsibilities, experience and skillset. The remuneration policy is in compliance with all laws and regulations, including the SBP guidelines.

Please refer to the Remuneration Framework within this section for further details. The meeting fee is disclosed as part of administrative expenses, and compensation to Directors and key management personnel notes to the financial statements.

Policy for Fee earned by the Executive Directors

The executive Director of the Bank serves as a non-executive Director on the Board of some other companies. The Director, may or may not, depending upon the remuneration policy of such companies, receive fee for attending the meetings.

Foreign Directors' Security Clearance

Foreign Directors elected on the Board of the Bank require security clearance from the Ministry of Interior through the SECP. All legal formalities and requirements in this regard have been met.

Details of Board Meetings held outside Pakistan

During 2022, five Board meetings were held. All meetings, except two, were held in Pakistan through web link/video conference facility.

Human Resource Management Policy and Succession Planning

Human Capital Group is tasked with ensuring the happiness and well-being of the employees, building a culture driven by values, and offering the best learning and development opportunities along with competitive rewards and benefits.

Bank Alfalah, create and retains a culture to keep human capital motivated, engaged and happy with the ability to achieve strategic objectives through consistent focus on a culture of learning and development in addition to competitive rewards. The focus is on Succession Planning, which transforms existing talent into competent, happy and engaged capital, equipped to occupy future strategic positions.

The procedures and ways to deal with the employees have been covered in the 'Stakeholder Relationship and Engagement' section of this Annual Report.

Social and Environmental Responsibility Policy

Bank Alfalah has very high regard for its social and environmental responsibility. The Bank is committed to understanding, monitoring and managing its social, environmental and economic impact to enable it to contribute to society's broader sustainable development goal. This commitment is deeply ingrained in its core values, and the Bank aims to demonstrate these responsibilities through its actions and corporate policies.

The following are the guiding principles for the Bank's activities:

- Ingrained our vision for a safe, environment-friendly and socially-responsible culture into the organisation;
- Effective management of our activities to minimise the impact on the environment;
- Support local employment and entrepreneurship;
- Support the development of infrastructure, health, education, training and cultural activities in collaboration with the community;
- Compliance with local and international social and environmental laws;
- Increase the frequency of social welfare activities;
- Introducing top-of-the-line products that support environment-friendly procurements;
- Continuous emphasis on safe and clean building designs;
- Collaborate with employees, customers and all other stakeholders for mutual benefits; and
- Develop mechanisms and processes for the preservation of natural capital.

For more details, please refer to the 'Sustainability and Corporate Social Responsibility' section of this Annual Report.

Stakeholder Engagement and Communication Policy and Procedures

Stakeholder engagement is an integral part of developing an understanding of our stakeholders' needs, interests and expectations, assisting the Bank with strategic and sustainable decision-making. Stakeholders are those individuals, groups of individuals, or organisations that impact and/or could be impacted by the Bank's activities or services, and associated performance.

Bank Alfalah identifies its stakeholders and monitors its relationships through a multitude of communication channels, including regular dialogue. The Bank's primary stakeholders are the employees, customers, shareholders / institutional investors, suppliers / vendors, analysis and rating agencies, regulatory bodies and society / community and Media.

The Bank's stakeholder engagement principles state that:

- The Bank is committed to engage with its stakeholders in a respectful and constructive manner, listening to concerns and suggestions with an open mind;
- The Bank strives to be reasonably accessible to its stakeholders, responsive to legitimate stakeholder concerns and transparent in its stakeholder engagements; and
- All business functions are primarily responsible for managing engagement with their material stakeholders in line with relevant standards, policies and guidelines.

For more details on policies and procedures adopted by the Bank for communicating with various stakeholders, please refer to 'Stakeholder Relationship and Engagement' section of this Annual Report.

Investors Engagement and Grievance Management Policy

The Bank has a two-pronged strategy for investor engagement and grievance management.

A fully functional Investor Relations (IR) Department ensures that all material developments are communicated to investors via statutory announcements and quarterly result briefings, and the presentation material of these

briefings is readily available on the website and can be accessed by investors. In addition, designated personnel in the IR Department are available to meet all the stakeholders, including investors, and address their queries. Also, the Bank's IR team regularly participates in both domestic and international conferences and roadshows to engage with all the stakeholders. It seeks their feedback to ensure that feedback from international investors is also sought on a timely basis.

The other part of the strategy pertains to operational logistics where the Bank's in-house staff and contracted third parties (Share Registrar, etc.) strive for timely dissemination of dispatch material to shareholders. However, in the event of any grievances registered by shareholders, there is dedicated staff in the Company Secretariat to address all such concerns. The contact details of the designated people are prominently displayed in the relevant section of the Bank's website, and shareholders can reach out with their complaints electronically, over the phone or in writing. All grievances/complaints of shareholders are addressed promptly by the Bank.

The investors or shareholders can visit the Investor Relations page of the Bank's official website at (<https://www.bankalfalah.com/investor-relations>) for guidance and resolution of their grievances relating to shares. For general queries, investors/customers can visit (<https://www.bankalfalah.com/contact-us/>).

For details on investor engagement, please refer to the 'Stakeholder Engagement and Relationship' section of this Annual Report.

Employee Health, Safety and Protection

Bank Alfalah takes keen interest in the health, safety and protection of its employees. It has an established and dedicated unit to implement and monitor health & safety related matter. For more details, please refer to 'Sustainability and Corporate Social Responsibility' section of this Annual Report.

Whistleblowing Policies and Procedures

Overview

In line with the goal of maintaining the highest standards of ethical, moral and legal business conduct, the Bank has established a Whistleblowing Policy to ensure that any concerns raised in relation to unethical practices, corruption and/or fraudulent activities that may cause damage to the Bank's assets/reputation, are duly addressed.

This reinforces focus and commitment to create an environment of trust and transparency, which subsequently nurtures a culture based on honesty and the highest ethical standards.

Purpose

The core purpose of the Whistleblowing Policy is to provide a safe and secure channel to internal as well as external stakeholders (i.e. our staff or any other person) with genuine suspicions about any wrongdoing/irregularity, to raise concerns/complaints without any fear of reprisal or adverse consequences. The objective of this policy is to encourage everyone to come forward and register concerns through a secure and confidential channel for the redressal of complaints and concerns or for further detection or prevention of any impropriety or malpractice in order to safeguard the interests and reputation of the Bank. It remains an ethical responsibility of all Directors, Senior Management and employees to report violations in accordance with the approved Whistleblowing Policy.

Scope

The policy encompasses voluntary disclosures by a person about any type of actual or suspected wrongdoings/improprieties at the individual/organisational level, including unethical or fraudulent activities and misconducts that may pose serious threats to the Bank's operations, financial performance or reputation.

Process of the Whistleblowing

Any person with the intention to disclose any wrongdoing/impropriety, whether actual or suspected, with reasonable evidence, should report it in writing to the Group Head, Audit and Inspection Group. This can be done either through email at (whistleblowing@bankalfalah.com), surface mail, calling the whistleblower hotline number, or interoffice mail at the official address of CIA/Head of Internal Audit by marking the envelope as 'Confidential'. Keeping in view the nature, materiality and seriousness of the allegation, CIA/Head of Internal Audit decides whether it requires immediate investigation/audit. All complaints are subject to review by Chairman BAC without any exception.

Protection for Whistleblower

The identity of the whistleblower is kept most confidential, and it remains the Management's responsibility to ensure that no harm comes to the whistleblower by virtue of his act of blowing the whistle in good faith.

Number of Instances during the Year and Reporting to Audit Committee

Reported instances are presented through the Group Head, Audit and Inspection, for oversight of the Board Audit Committee (BAC) in BAC meetings. The instructions from BAC, if any are immediately circulated to the concerned departments for enforcement of actions required in real-time. 37 whistles were blown during the

year 2022 and details thereof were duly submitted to BAC.

Policy for Safety of Records

Records management is vital for the delivery of our services in an orderly, efficient and accountable manner. Effective records management helps to ensure that we have the right information at the right time to make the right decisions. Records provide evidence of what we do and why, and help protect the rights of employees, regulators and our customers simultaneously. Records and the information we preserve provide an audit trail to meet business, regulatory and legal requirements. These are important corporate assets.

The Bank recognises that the efficient management of records throughout their lifecycle is necessary to support our core functions, to comply with our legal and regulatory obligations, and to effectively contribute to the overall management of the institution. The Bank aims to balance its commitment to openness and transparency with its responsibility as an effective financial institution. Thus the Bank creates and manages records efficiently, make them accessible where possible, protect and store them securely, and dispose of them safely at the right time. To materialise this aim, the Bank has invested its resources in developing a comprehensive Document Management System (an online record storing system), and has a dedicated team mandated with maintaining and updating records in line with defined procedures.

Furthermore, all digital records are duly backed up to off-site locations as per defined frequencies and requirements using industry best tools & technologies for automated / scheduled backup management. Bank also perform periodic resilience testing of its people / data / systems and ensures efficacy of its planned recovery point objectives for all critical, core and surround functions / systems. The Bank is PCI-DSS compliant and keeps its sensitive data under an encrypted environment. The Bank has also developed DLP (Data Loss Protection) policy and has also successfully implemented the same.

Opportunity to shareholders for participation in AGM

Any general meeting called on by the Bank is informed to all shareholders through proper notice in line with regulatory instructions. Further, public awareness message is also sent through newspaper and stock exchange notices. Through this manner, the Bank ensures that each and every shareholder has an opportunity to become aware about the meeting and make for participation in the meeting.

Business Resilience (Business Continuity Plan) and Disaster Recovery Planning

To ensure that the Bank's services are always available to its customers even in crisis, or any other disruptive event, a robust business resilience framework is in place. The Bank's business resilience team continually works to create a culture that enables adaptability in its business operations amidst any disruptions through proactive planning, maintenance and testing by aligning Business Continuity Management (BCM) of people, spaces, systems, and dependent third parties.

The Board of Directors (BoD) has approved thorough and comprehensively established procedures, whereby the critical business processes at the Bank can be restored in a timely and orderly manner, and can be continued on an interim basis with minimal delay to operations, making sure that all critical business functions continue in the case of a disaster. The Business Continuity Plan (BCP) is intended to be used by the Bank's resilience teams and all concerned as an action guide in the event of a disruption, providing a pre-planned response to any unforeseen event. BCP is an uninterrupted process, which assures that the Bank remains fortified against all possible threats. Hence, key plans and documents are periodically reviewed and aligned with the changing business environment that the Bank operates in.

The most important and noteworthy aspect of Business Continuity is training and testing of critical functions, allowing relevant teams to stay abreast with roles and responsibilities during emergencies, and to assess effectiveness of their respective departmental recovery plan by testing it within the decided timelines like Recovery Time Object (RTO), Recovery Point Object (RPO) and Maximum Tolerable Down Time (MTD).

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

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

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

Business Ethics and Anti-Corruption

Bank Alfalah has a zero-tolerance policy regarding corruption and bribery. The Bank expects all employees to conduct themselves in accordance with the highest

standards of personal and professional integrity, and to comply with all laws, regulations and corporate policies and procedures. The employees are, therefore, required to comply with the rules and regulations of the Bank. Any deviation may lead to strict disciplinary action.

The following Committees, comprising of senior executives, fulfill their responsibilities to ensure adherence to policies, rules and regulations:

- Disciplinary Action Committee
- Anti-Sexual Harassment Committee
- Grievance Handling Committee

The Bank's Disciplinary Action Committee decides the action to be taken against a staff member in the event that the Bank and/or its clients sustain any losses, damages and/or claims due to any illegal activity or any actions/inactions of the employee in breach of the Code of Conduct, and/or any other policy of the Bank.

The Anti-Corruption Policy as well as other policies relating to Business Ethics are described in the Employee Code of Conduct and Vendors/Suppliers Enlistment Process. These policies are applicable to all the employees, in all the operations, as well as to all the Board Members. Top-level commitment is essential in ensuring dedication, focus and compliance with the anti-corruption framework. The work within anti-corruption and related policies is authorised, endorsed and supported by the Board of Directors, and President and CEO.

IT Governance Policy

Please refer to the section 'IT Governance and Cybersecurity' of this Annual Report.

Sustainability and CSR Policy

The Bank's sustainability values are woven into everything it does. The Bank is committed to constantly serve the society with the greatest dedication in line with our philosophy.

For details, please refer to the 'Sustainability and Corporate Social Responsibility' section of this Annual Report.

Shares held by Sponsors /Directors/Executives and Major Shareholders

Shares held by the sponsors (Abu Dhabi Group and IFC), Directors and Executives are given below. Detailed categories of shareholding and pattern of shareholding are annexed to this Annual Report.

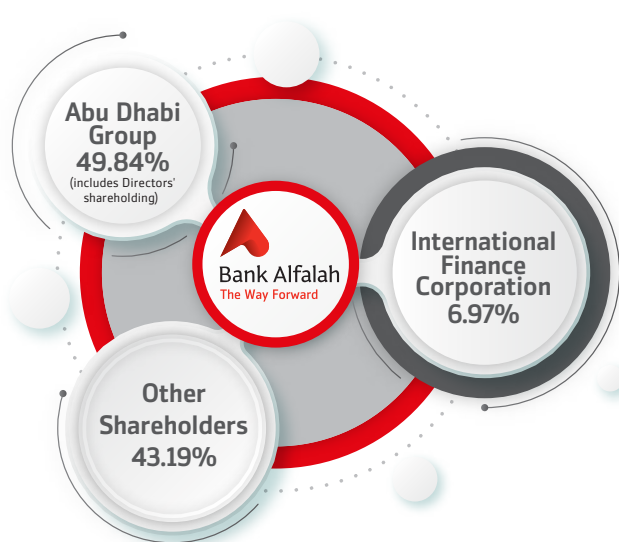
31st December, 2022	Number of shares held	% holding
Sponsors		
Abu Dhabi Group and Directors	885,808,801	49.84%
International Finance Corporation	123,885,969	6.97%
Executives (as per clause 6.8.4 of PSX Rule Book)	2,309,531	0.13%
All other Shareholders (Mutual Funds, NBFCs, Fis, DFI and Individuals)	765,160,818*	43.06%
Total	1,777,165,119	100.00%

*Includes 200 million shares purchased by the Bank under buy-back scheme.

Particulars of major foreign shareholders, other than natural persons, holding more than 5% of paid-up capital

Particulars of foreign shareholders, other than natural persons	31st December, 2022 % holding
International Finance Corporation	6.97%
Electro Mechanical Co. LLC	5.44%

Beneficial Ownership and Group Structure



For group structure, please refer to the section 'Organisational Review'.

Compliance with the Best Practices of Corporate Governance

The Board of Directors has, throughout the year 2022, complied with the requirements of the Code of Corporate Governance, PSX Rule Book, Banking Companies Ordinance, Companies Act, Securities & Exchange Commission of Pakistan's directives, and Financial Reporting Framework.

The Statement of Compliance by the Chairman of the Bank along with the Code of Corporate Governance and Review Report by the Bank's Auditor are part of this Annual Report.

Governance Practices Exceeding Legal Requirements

Our Board of Directors and Management Team have put systems and procedures in place that define how the Bank is managed, its corporate and other structures, its culture, its policies and strategies, and the ways in which it deals with its various stakeholders. We have successfully adapted our practices to reflect the changing standards of evolving governance regulations. We are committed to the highest standards of corporate governance and we meet corporate governance legal requirements in Pakistan, as well as the best practices recommended by PSX and SECP:

- There are eight sub-committees formed by the Board compared to the legal requirement of four sub-committees;
- There are various management sub-committees which exist to execute tasks and achieve the objectives set by the Board;
- The Board has only one executive Director (President and CEO) against the maximum SBP limit of two, and one-third of the Board as executive Directors as allowed under the Listed Companies (Code of Corporate Governance) Regulations, 2019;
- The Bank voluntarily aligns itself with the recommended reporting practices required by ICAP to promote transparency;
- The Bank reports information/disclosures in this Annual Report over and above minimum disclosures required by the law.

Board's Authorisation of Financial Statements

The financial statements for the year ended 31st December, 2022 were authorised for issuance by the Board of Directors of the Bank on 02nd February, 2023.

Presence of Chairman of Audit Committee at the AGM

The Chairman of the Board Audit Committee was present at the AGM to respond to questions on the Audit Committee's activities and matters within the scope of the Committee's responsibilities.

Appointment of Chairman and Non-Executive Director through an External Search Consultancy

Non-executive Directors are appointed/elected through election of directors at a General Meeting. The elected Board appoints a Chairman from among the non-executive Directors. The last election was held on 27th May, 2021. No external consultant was engaged for appointment of the Chairman or non-executive Directors.

Chairman's Significant Commitments

The Chairman is a prominent member of the ruling family of Abu Dhabi, and is significantly involved in various state and government level commitments. Currently, His Highness is a UAE Cabinet Member and the Minister of State for Tolerance and Coexistence. He is the Chairman / Director or Board Member of various other entities, as explained in more detail in this section. The Chairman, being a non-executive Director, oversees the Bank's performance, and provides an independent and outside view to the Board.

Government of Pakistan's Policies impacting Banking Business

Please refer to the Directors' report for the impacts of government policies on banking business.

Report from the Board Audit Committee

The Board Audit Committee (BAC) performs its functions in compliance with regulatory requirements, Code of Corporate Governance (CCG), and its own Terms of Reference (TORs).

BAC Composition

The BAC comprises of four (4) non-executive Directors with financial, banking, strategic and relevant knowledge. Names and detailed profiles of BAC's Members are set out in the relevant section of this Annual Report. In accordance with the requirements of Code of Corporate Governance, the Committee is chaired by an Independent Director with diversified banking experience, and exposure to key management positions.

BAC Meetings

The meetings of the Committee are designed to facilitate and encourage communication among the Committee Members, Senior Management, the Internal Audit Function and the Bank's External Auditors. The Committee discusses the overall scope and plans for their respective audits with the Head of Internal Audit and External Auditors. The Committee held six (6) meetings during the year 2022. Members' attendance records are disclosed in the Remuneration Framework disclosed within this section of the Annual Report. The BAC, in accordance with the requirements of COCG, met with Internal and External Auditors with and without the presence of the Management, for discussions on the results of auditors' examinations/evaluation of internal controls, and the overall quality of the Bank's financial reporting. The Chairman of the Audit Committee reports to the Board after each meeting on the activities of the Committee.

Oversight Function

BAC discharged its oversight responsibilities as mandated by the Board in accordance with the requirements of Code of Corporate Governance, listing regulations and applicable laws/directives issued by the respective regulators for local and overseas locations. The considerations of Board Audit Committee during the year include:

- Review of 'Statement of Compliance with the Code of Corporate Governance' prior to its approval and publication in the Annual Report;
- Review of the Bank's financial reporting framework and periodic financial statements, including details and disclosures of all related party transactions prior to their approval by the Board of Directors (BOD);
- Review and evaluation of effectiveness of the Bank's Internal Control Framework, overall control environment and systems, including compliance with applicable laws and regulations, adherence to accounting and reporting standards, information technology security controls, and the contingency planning process;
- Review of effectiveness of implementation of ICFR Framework along with reported gaps;
- Review of significant/high risk issues highlighted by internal audit during audits/reviews of branches and other functions of the Bank (including overseas operations) along with the compliance status thereof;
- Review quarterly Statement on Internal Controls and internal control systems of the Bank as per regulatory requirement;
- Review analysis related to fraud and forgery incidents in the Bank along with associated root causes and remedial measures to be taken to curb such instances in the future;
- Evaluate the effectiveness of the Bank's overall

management of compliance risk (AML/CFT/Proliferation Financing (PF)/Targeted Financial Sanctions (TFS) related risk factors), in line with domestic and international regulatory requirements;

- Monitor compliance with observations highlighted in State Bank of Pakistan's inspection reports, including thematic audits along with comparative CAMELS ratings;
- Evaluate Internal Audit Function's conformance with International Standards for the Professional Practice of Internal Auditors, issued by the Institute of Internal Auditors, USA (IIA), Information Systems Audit & Control Association, USA (ISACA), regulatory instructions for both local and overseas operations, and best international practices;
- Evaluate that no unjustified restrictions / scope limitations on work of Internal Audit Function exists;
- Review, approve and recommend to the Board (where applicable) amendments to relevant control documents, including Internal Audit Policy, Credit Risk Review Policy, Whistleblowing Policy, Internal Audit Manual, and TORs of BAC;
- Review effectiveness of whistleblowing procedures for receiving (through internal or external sources) complaints/concerns regarding business ethics/conduct practices, governance and risk management practices, controls over financial reporting, and auditing practices;
- Review the results of the Bank's Internal Risk Assessment report in accordance with revised SBP AML/CFT/CPF regulations;
- Review the status of complaints lodged under the Bank's Whistleblowing Policy along with resolutions thereof;
- Review the Internal Audit strategy;
- Review, approve and oversee the Risk Based Audit Plan along with any revisions/deviations in the plan, Annual Audit Budget along with its utilisation, and resource requirements for Internal Audit;
- Review of annual compliance plan and compliance performance report on bi-annual basis as per regulatory requirements;
- Review the performance of Chief Internal Auditor, Internal Audit Function and External Auditors in terms of adding value and strengthening internal controls of the Bank through identification of and recommendations for key control issues;
- Approve promotions, increments and rewards for Internal Audit staff, including Chief Internal Auditor (CIA)/Head of Internal Audit;
- In consultation with Chief Internal Auditor (CIA)/Head of Internal Audit, ensure that Internal Audit staff is equipped with relevant auditing skills, knowledge, tools, methodologies, technique and

competencies to perform their respective roles and responsibilities with sufficient budget for training and development activities along with periodic review of the same;

- Review the implementation of instructions of the Committee along with follow-up;
- Review issues/exceptions pointed out by the External Auditors in the Management Letter furnished in accordance with the requirement of Code of Corporate Governance;
- Ensure strong coordination among Internal Auditors, External Auditors and the Management and act as an arbitrator in case of any conflict/disagreement; and
- Ensure separate meetings with CIA/Head of Internal Audit and External Auditors of the Bank in the absence of the Management, at least on an annual basis.

Significant Matters in Relation to the Financial Statements

The BAC deliberated over issues raised by External Auditors of the Bank in the Management Letter, Key Audit Matters and Shariah Audit report, along with rigorous follow-up for unresolved issues as per the prescribed frequency.

Review of Risk Management and Internal Control Systems

The BAC reviewed the effectiveness of the Bank's policies and procedures regarding Internal Control systems (including the financial, operational, IT, risk management, information security, outsourcing, legal, compliance, Shariah, and those controls designed to detect material weaknesses), leveraging the work of the Bank's Internal and External Auditors, and regular reports from the Management, including those on risk management, regulatory compliance and legal matters.

BAC reviewed and concurred with Management's confirmation that for the year ended 31st December, 2022, the Bank's Risk Management and Internal Control systems worked effectively. BAC is satisfied that the Management has adopted necessary control mechanisms to monitor and reduce non-compliance.

Committee's Overall Approach to Risk Management and Internal Controls

BAC reviews and reports control weaknesses in the Bank's processes and systems. This includes review of KYC/AML/CFT, customer experience, IT/systems, operations, foreign trade and trade based money laundering, governance, HR, etc. BAC discussed and deliberated at length, and identified control breaches and strategies to overcome control weaknesses along with timelines, as part of the BAC meeting agenda.

Internal Audit and Effective Implementation of Internal Controls

The independence of the Internal Audit Function has been ensured via direct reporting of CIA/Head of Internal Audit to the Board Audit Committee (BAC). The scope of work of Internal Audit Function is finalised in accordance with BAC/regulatory instructions to ensure that all significant activities of the Bank are subject to Internal Audit review in line with risk based strategy/ IIA standards and best practices. Further, the performance of Internal Audit is gauged through reports presented at regular intervals, including summary of key audit findings during the period. The Head of Internal Audit has direct access to the Chairman of the Audit Committee, and the Committee meets with the Head of Internal Audit on a regular basis with and without the presence of the Management. Head of Internal Audit provides an independent assessment/opinion, to BAC on an annual basis on the state of Internal Controls on the basis of audits conducted during the period supported by specific observations/conclusions. The Audit Committee Charter/TORs are updated periodically vis-à-vis changes in local laws/regulatory directives/statute.

BAC ensured that there were no restrictions on Internal Auditors' access to people, information, processes, properties, records, and systems, to allow them to perform their audit activities with objectivity.

Review of Whistles Blown

BAC reviewed the whistles blown during the year 2022 from time to time, including the action taken along with remedial action to resolve the issue permanently, and measures taken to protect the complainant in accordance with Whistle Blowing Policy as disclosed in Governance section of this Annual Report.

External Audit

BAC recommends appointment of external auditors of the Bank (including appointment of external auditors for overseas operations and Shariah Auditors) after careful selection based on various qualitative factors, including the firm's profile, reputation, independence, capabilities, technical expertise and knowledge of the Bank's operations and industry. BAC also finalises the scope of audit and remuneration of the auditors.

The committee concluded that it was satisfied with the external auditors' (M/S EY Ford Rhodes) performance on audit and other assurance or agreed upon procedures assignments performed for the year ended December 31, 2022. Further, the existing audit firm has completed its tenure of five years and is not eligible for reappointment as per the regulatory framework. Accordingly, the BAC has recommended the appointment of another firm of external auditors (M/S

A. F. Ferguson & Co./PWC) for the year ending 31st December, 2023 to the Board. This will be approved by the shareholders in the upcoming Annual General Meeting.

There has been no appointment changes other than retiring external auditors before the lapse of three consecutive years.

Annual Report for the Year

The Committee is of the view that the Annual Report of the Bank is fair, balanced and understandable, and provides necessary information to shareholders to assess the Company's position and performance, business model and strategy.

Self-evaluation of the Committee

The Committee evaluates its own performance on annual basis thereby assessing the targets achieved and performance initiatives. The committee submits the report to the Board of Directors.

Conclusion

In addition to the committee's key responsibilities, the committee has and will continue to pay attention to the ongoing and long-term impacts on the financial reporting of the Bank. Based on the reviews and aforementioned discussions, the Committee recommended to the Board of Directors, and the Board, approved the audited financial statements along with regulatory statements, to be included in the Annual Report for the year ended 31st December, 2022.

BOARD AUDIT COMMITTEE

Mr. Khalid Qurashi – Chairman BAC
Mr. Abdulla Khalil Al Mutawa – Director
Mr. Khalid Mana Saeed Al Otaiba - Director
Dr. Ayesha Khalid Khan – Director

Khalid Qurashi
BAC Chairman

Abu Dhabi
January 31, 2023

Profile of Shariah Board Members

Dr. Mufti Khalil Ahmad Aazami, Chairperson

Dr. Mufti Khalil Ahmad Aazami is a renowned Shariah Scholar in the Islamic banking industry. Dr. Aazami has more than 20 years of research experience related to Islamic Finance and other Shariah related subjects. He is the author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Sciences.

Current engagements:

- Chairman Shariah Board, Bank Alfalah Ltd – Islamic Banking (Oct 2015 - Current)
- Member Shariah Board, Faysal Bank Islamic Banking (2015 – Current)
- Member Shariah Board, National Bank of Pakistan - Aitemaad Islamic Banking (2015 – Current)
- Shariah Advisor, Alfalah Insurance - Window Takaful Operations (July 2015 – Current)

Previous engagements:

- Shariah Advisor, Bank Alfalah Ltd-Islamic Banking, (2003 – Sep 2015)
- Member Shariah Board, Takaful Pakistan Ltd (2005 - 2014)
- Shariah Advisor, Alfalah GHP Islamic (2007 - 2014)

Education:

- PhD, University of Karachi, Pakistan
- Takhassus, Ifta; Jamiah Darul Uloom Karachi, Pakistan
- Shahadah-al-Aalamia, Jamiah Darul Uloom Karachi, Pakistan

Mufti Muhammad Mohib ul Haq Siddiqui, Member

Mufti Mohib-ul-Haq has substantial and diversified experience in the field of Islamic Finance and has served several financial institutions as a member of Shariah Boards. He is also an experienced lecturer and trainer in the field of Islamic Finance, Fiqh, Islamic Financial Laws and General Islamic Sciences.

Current engagements:

- Chairman Shariah Board, Faysal Bank Limited (Sep 2015 - Current)
- Member Shariah Board, Bank Alfalah Ltd- Islamic Banking (Oct 2015 - Current)
- Member Shariah Board, Bank Al Habib Ltd Islamic Banking (Aug 2015 - Current)

Previous Engagements:

- Shariah Advisor, Faysal Bank Limited (Jan 2011 – Aug 2015)
- Member Shariah Board, Royal Bank Of Scotland Berhad, Malaysia (Sep 2007 - Sep 2009)
- Shariah Advisor, RBS Islamic Banking, Pakistan (Oct 2006 - Dec 2010)
- Shariah Advisor, Bank Al Habib Limited, Pakistan (Mar 2004 - Sep 2006)
- Member Shariah Board, JS Islamic Fund (Jun 2012 - Sep 2016)
- Member Shariah Board, Takaful Pakistan Limited (Sep 2006 - Jan 2015)

Education:

- B. Com, Karachi University, Pakistan
- Takhassus, Ifta, Jamiah Darul Uloom Karachi, Pakistan
- Shahadah-al-Aalamia, Jamiah Darul Uloom Karachi, Pakistan

Mufti Aqeel Akhtar, Member

Mufti Aqeel Akhtar is an experienced Shariah scholar who carries a blend of classical Islamic studies and contemporary education in diversified aspects. He has been associated with Bank Alfalah since 2014. He teaches Islamic law (Fiqh) in seminars and is also visiting faculty member at NIBAF. He has solution-oriented mind set in multiple fields specially in banking & finance and financial transactions. He conducts diversified researches with respect to emerging challenges being faced by Islamic Banking.

Current engagements:

- Member Shariah Board, Bank Alfalah Ltd – Islamic Banking (July 2021 - Current)

Previous engagements:

- Unit Head, Shariah Compliance, Bank Alfalah - Islamic Banking (Oct 2014 – Jun 2021)
- Shariah Advisor, Ramna Foods Pvt. Ltd. (Jun 2012 – May 2014)

Education:

- Certified Shariah Advisor and Auditor, AAOIFI, Bahrain
- MS in Islamic Banking and Finance, University of Management & Technology, Pakistan

- Takhassus, Ifta, Jamia Darul Uloom Karachi, Pakistan
- Shahadah-al-Aalamia, Jamia Darul Islamia, Lahore, Pakistan
- Capacity Building for Shariah Scholar by NIBAF

Mufti Usama Ehsan, Member

Mufti Usama Ehsan has a diverse experience of working in Islamic banking and finance along with research and teaching. He holds an MBA from KSBL and he is also a Certified Shariah Advisor and Auditor from AAOIFI, Bahrain. He is engaged in teaching and research in the fields of Islamic law and Islamic banking & finance. He delivers trainings and lectures in different conferences and universities.

Current engagements:

- Member Shariah Board, Bank Alfalah Ltd – Islamic Banking (July 2021 – Current)

Previous engagements:

- Shariah Scholar Product Development, United Bank Limited – Ameen Islamic Banking (Nov 2020 – Jun 2021)
- Unit Head Documents Review & Shariah Board Secretariat – Shariah Compliance, Bank Alfalah – Islamic Banking (Nov 2016 – Nov 2020)

Education:

- Certified Shariah Advisor and Auditor, AAOIFI, Bahrain
- MBA, Karachi School of Business & Leadership, Pakistan
- Takhasus Fil Ifta, Jamia Darul Uloom Karachi, Pakistan
- Shahadah-al-Aalamia, Jamia Darul Uloom Karachi, Pakistan
- Capacity Building for Shariah Scholar by NIBAF

Mufti Ovais Ahmed Qazi, Resident Member

Mufti Ovais Ahmed Qazi has extensive experience of Shariah compliance and Islamic banking. He has also completed prestigious certifications related to Islamic banking and finance such as CSAA, CIPA from renowned international institution AAOIFI and CIFE from ETHICA, UAE. Mufti Ovais is also engaged in teaching and research in the fields of Islamic finance. He also delivers trainings and lectures at various institutions and universities.

Current engagements:

- Resident Shariah Board Member, Bank Alfalah Ltd – Islamic Banking (Oct 2015 – Current)

Previous engagements:

- Shariah Scholar, Shariah Advisor Office, Bank Alfalah Ltd. (Apr 2013 – Sep 2015)
- Shariah Compliance Officer, Burque Corporation Pvt. Ltd. (Jun 2011 – Aug 2012)

Education:

- Certified Shariah Advisor and Auditor, AAOIFI, Bahrain
- Certified Islamic Professional Accountant, AAOIFI, Bahrain
- Certified Islamic Finance Executive, ETHICA, UAE
- Masters in Business Management, Institute of Business Management, Pakistan
- Takhassus fil Ifta, Jamia Darul Uloom Karachi, Pakistan
- Shahadah-al-Aalamia, Jamia Darul Uloom Karachi, Pakistan

Terms of Reference of Shariah Board

Shariah Board

- To perform such functions as stipulated under para 3(b) of the Revised Framework issued by the State Bank of Pakistan vide its IBD Circular No. 01 of 07th June, 2018.
- To consider, decide and supervise all Shariah related matters.
- To be responsible and accountable for all decisions made by the Shariah Board (SB).
- To develop a comprehensive Shariah governance/compliance framework for all areas of operations of the BAFL-IBG.
- To meet at least on a quarterly basis and to rigorously deliberate on proposals before giving any decisions/fatwa.
- To meet BOD on a half-yearly basis for a detailed briefing on the Shariah compliance environment, issues/weaknesses, if any, and submit recommendations to improve Shariah compliance environment, and to ensure timely and effective enforcement of the SB's decisions/observations/recommendations.
- To review and approve all products/services and related agreements/contracts, structures, process flows, product manuals, marketing advertisements, sales illustrations, brochures and training plans, etc. to ensure that all such matters comply with the rules and regulations of Shariah.
- To review all Internal Shariah Audits, External Shariah Audit, SBP inspection and Shariah compliance review reports, which are presented to the SB for prescribing appropriate enforcement action.
- To call explanations from the Executive Management for not getting approval of SB for any products/services and related agreements/contracts, structure, process flows, product manuals, marketing advertisements, sales illustrations and brochures.
- To take up unresolved issues, including appropriate enforcement action prescribed in Internal Shariah Audits, External Shariah Audit, SBP inspection and Shariah compliance review reports, with the Executive Management.
- To issue a report on the Shariah compliance environment and conditions. This report includes open issues and is published in the annual accounts and presented to the BoD.
- To discuss all significant and unresolved issues with SBP inspections team during inspection, if required.

Committee Members

Dr. Mufti Khalil Ahmad Aazami
Chairman

Mufti Mohammad Mohib Ul
Haq Siddiqui
Member

Mufti Aqeel Akhtar
Member

Mufti Usama Ehsan
Member

Mufti Ovais Ahmed Qazi
Resident Member

Mr. Moiez Ahmed Usmani
Secretary

Meetings held during the year

- 18th January, 2022
- 26th May, 2022
- 21st September, 2022
- 8th December, 2022

Meetings attended during the year

For Shariah Board members participation in the meetings, please refer Remuneration Framework within this section.

Report of Shariah Board

For the year ended December 31, 2022

الحمد لله رب العالمين والعاقبة للمتقين والصلوة والسلام على سيد الرسل وخاتم النبيين وعلى آله وصحبه أجمعين

By the grace of Almighty Allah, the year under review was the 19th year of Islamic Banking Operations of Bank Alfalah Limited (herein referred as 'the Bank'). The Board of Directors and Executive Management are solely responsible to ensure that Bank Alfalah Limited - Islamic Banking operations are conducted in a manner that complies with Shariah principles at all times. The scope of this report is to cover the affairs of the Islamic Banking operations of Pakistan from Shariah perspective as described under Shariah Governance Framework of State Bank of Pakistan.

During the year under consideration, the Bank continued to review and update the product program guidelines, manuals and relevant documents that pertain to existing asset and liability products. Further, systems, policies and procedures of Islamic Banking operations of the Bank were also upgraded to enhance the Shariah compliance capabilities of the system. In this regard Shariah Board reviewed and approved the referred systems, policies, and procedures which have an impact on Islamic Banking operations.

The Bank continued to expand its footprint through expansion of its Islamic banking network. In the year 2022, the bank opened a total of 53 new branches during the year bringing the network of Islamic banking to 285 branches throughout Pakistan.

For SME and Corporate customers, the Bank continued to offer Murabaha, Musawamah, Salam, Istisna, Tijarah and Running Musharka for short term financing needs and Ijarah and Diminishing Musharakah for long term financing needs. For Consumer financing, the Bank continued to provide Ijarah for car financing and Diminishing Musharakah for house financing needs of the customers.

During the year, the Bank developed and launched different products along with their variants with the approval of Shariah Board, for example Tijarah – Local Bill Discounting, Running Muhsarakah - FCY, Islamic SME Asaan Finance (ISAAF), Prime Minister Kamyab Jawan – Youth Entrepreneurship Scheme (PMKJ-YES). To facilitate financing in the agriculture sector, Agri Financing and Distributor (Supply Chain) Financing were launched. To attract overseas Pakistanis to invest in Pakistan Home Musharka - Roshan Apna Ghar (RAG), Asaan Remittance Digital Account, Asaan Digital Account, Asaan Freelancer Digital Account, and Asaan

Roshan Digital Account were launched.

The Bank is focused to offer Digital Banking products and services under the mode of Islamic Banking. During the year, the Bank has introduced Alfa TDR Islamic, donation payments, RAPID Tablets, Talking ATMs, and RAPID – Trainings in branches as new initiatives. All these products were endorsed and approved by the Shariah Board.

The Bank, as a member of the Joint Financial Advisor (JFA) to the Ministry of Finance of the Government of Pakistan, provided its services to the Islamic Banking industry to launch local currency Sukuk of more than Rs.1.793 Trillion. Additionally, the Bank provided Shariah Advisory services for various syndicate transactions.

Besides commercial activities and customer care the Bank is focused and concerned towards Corporate Social Responsibility specially through Flood relief activities.

During the year, Shariah Compliance Department reviewed 83 Islamic branches and 10 departments whereas Internal Shariah Audit Department audited 103 Islamic branches and 15 departments including Centralized Trade, Centralized Account Opening, Centralized Staff Finance, Consumer Finance, Islamic Credit Administration Centers, Finance, Pool Management, Treasury and Digital Banking. These audits and reviews were performed in light of PPGs, Policies and guidelines approved by the Shariah Board.

Shariah Compliance Department facilitated the business units in obtaining approvals of various transactions and their process flows from the Shariah Board. The department extended its support for Shariah structuring and developing modalities for different products and processes. Shariah Compliance Department reviewed 366 process flows of Corporate, Commercial & SME clients in light of their business processes and sought approval from Shariah Board. As part of its responsibilities, Shariah Compliance Department verified distribution of monthly profit and loss to the depositors prior to disbursement.

Opinion:

To form our opinion as expressed in this report, we studied reports of the reviews carried out by Shariah

Compliance Department, on test check basis of each class of transactions and the relevant documentation and process flows. Further, we have also reviewed the reports of internal Shariah audit and external Shariah audit. Based on above, we are of the view that:

- i. Business affairs of the Bank especially with reference to the transactions, relevant documentation and procedures performed and executed during the year 2022 are, by and large, in compliance with Fatwas/opinions/advices issued by the Shariah Board.
- ii. The Bank has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by the SBP in accordance with the rulings of SBP's Shariah Supervisory Committee.
- iii. To ensure Shariah compliance in its operations, the Bank has an effective mechanism in place through Shariah Compliance Department and Internal Shariah Audit Unit.
- iv. The Bank has a well-defined system in place in form of Internal Shariah Audit and Shariah Compliance Review to ensure that earnings realized from sources or means prohibited by Shariah are credited to the Charity account to warrant that the income distributed among stakeholders remains Halal and pure. During 2022, an amount of Rs.0.038 Million was transferred from income to the Charity account as per Shariah Board's instructions due to the violations of Shariah guidelines.
- v. During the year, Rs. 61.564 Million was recovered from the customers as charity on account of delayed payments. A substantial amount of Rs.22 Million was granted to various charitable institutions from current collection and prior year balances.
- vi. The allocation of Profit and Losses to Mudarabah based remunerative depositors is generally in conformity with Shariah Rules & Principles and Pool Management guidelines of State Bank of Pakistan. The allocation is reviewed on a monthly basis.
- vii. Learning & Development Department has conducted more than 200 sessions to enhance the capacity building of the Islamic banking staff through physical, online and e-learning trainings. Learning team along with Shariah Board members also conducted various awareness sessions for Shariah Scholars and universities. The Bank has already signed an MOU with National Institute of Banking & Finance (NIBAF) in order to enhance the Islamic Banking training and its portfolio.
- viii. Management continues to provide resources and support to Shariah Compliance Department in line with the growth of the business on the directives of the Shariah Board.

In the end, we pray to Allah Almighty that He may forgive our shortcomings, and mistakes that we have committed willingly or unwillingly and accept our efforts for Islamic banking and grant us success in this world and the next, and on the Day of Judgment.

وَصَلَّى اللّٰهُ عَلٰى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلِّمْ

Mufti Usama Ehsan
Member Shariah Board

Mufti Aqeel Akhtar
Member Shariah Board

Mufti Ovais Ahmed Qazi
Resident Member Shariah Board

Mufti Muhammad Mohib ul Haq Siddiqui
Member Shariah Board

Dr. Mufti Khalil Ahmad Aazami
Chairperson Shariah Board

January 24, 2023
Rajab 01, 1444

کریڈٹ ایڈمنسٹریشن سسٹمز، فنانس، پول مینجمنٹ، ٹریڈری، اور ڈیجیٹل بینکنگ کا آڈٹ کیا۔ یہ آڈٹ اور ریویوز شریعہ بورڈ سے منظور شدہ PPGs، پالیسیاں، اور گائیڈ لائنز کی روشنی میں کیے گئے۔

شریعہ کمپلائنس ڈیپارٹمنٹ نے مختلف ٹرانزیکشنز کے پراسس فلووز کی منظوری شریعہ بورڈ سے حاصل کرنے میں بزنس یونٹ کی معاونت کی۔ نیز شریعہ اسٹرکچرنگ اور مختلف پروڈکٹس کے طریقہ کار وضع کرنے میں بھی اپنی خدمات فراہم کیں۔ شریعہ کمپلائنس ڈیپارٹمنٹ نے کارپوریٹ، کمرشل، اور SME کلائنٹس کے کاروباری طریقہ کار کی روشنی میں 366 پراسس فلووز کا جائزہ لیا اور شریعہ بورڈ سے منظوری حاصل کی۔ اپنے فرائض کی سرانجامی کے دوران شریعہ کمپلائنس ڈیپارٹمنٹ نے کھاتہ داروں کو ماہانہ نفع کی تقسیم سے پہلے نفع و نقصان کے حساب کی تصدیق کی

اس رپورٹ میں موجود رہنے قائم کرنے کے لیے ہم نے شریعہ کمپلائنس ڈیپارٹمنٹ کے ریویوز کی رپورٹس کا معائنہ کیا، جو شریعہ کمپلائنس نے عقود کی تمام انواع کی چیدہ چیدہ ٹرانزیکشنز اور متعلقہ دستاویزات اور پراسس فلووز کے جائزہ کی بنیاد پر پیش کیں۔ نیز ہم نے داخلی اور خارجی شریعہ آڈٹ کی پیش کی گئی رپورٹس کا بھی مطالعہ کیا۔ مذکورہ معلومات کی بنیاد پر ہماری یہ رائے ہے کہ:

1. 2022 کے دوران بینک کے کاروباری معاملات،

بالخصوص تسویلی عقود، متعلقہ معاہدات، طریقہ کار اور ان پر عمل درآمد مجموعی طور پر شریعہ بورڈ کے جاری کردہ فتاویٰ/تجاویز/ہدایات کے مطابق رہا۔

2. نیز بینک نے اسٹیٹ بینک آف پاکستان کی طرف سے اپنی شریعہ ایڈوائزری کمیٹی کی ہدایات کی روشنی میں جاری کردہ اصولی احکام، تعلیمات اور قواعد و ضوابط کی تعمیل کی ہے۔

3. بینک کے معاملات کی شریعت سے ہم آہنگی کو یقینی بنانے کے لیے شریعہ کمپلائنس ڈیپارٹمنٹ اور داخلی شریعہ آڈٹ کے شعبوں کی شکل میں ایک منظم طریقہ کار موجود ہے۔

4. داخلی شریعہ آڈٹ اور شریعہ کمپلائنس ریویوز کی شکل میں بینک کے پاس ایک مختص نظام موجود ہے جو اس بات کو یقینی بناتا ہے کہ غیر شرعی اور ممنوع طریقے سے حاصل ہونے والی

آمدنی چیریٹی اکاؤنٹ میں ڈال دی جانے تاکہ حصہ داروں کو حاصل ہونے والی آمدنی مجموعی طور پر حلال اور پاکیزہ ہو۔ سال 2022 کے دوران شریعہ بورڈ کی ہدایات کے مطابق 0.038 ملین روپے شرعی اصولوں کی خلاف ورزی کے نتیجہ میں آمدنی سے چیریٹی اکاؤنٹ میں منتقل کئے گئے۔

سال کے دوران 61,564 ملین روپے کسٹمرز سے ادائیگی میں تاخیر کے نتیجہ میں چیریٹی کے طور پر وصول کئے گئے۔ 22 ملین روپے کی خطیر رقم رواں اور گذشتہ سال کے دوران حاصل شدہ رقم کی مدد سے مختلف خیراتی اداروں کو دی گئی ہے۔

5. امضاریت کی بنیاد پر کھاتوں میں نفع و نقصان کے تعین کا ماہانہ بنیادوں پر جائزہ لیا گیا اور اسے مجموعی طور پر شرعی اصول و ضوابط اور اسٹیٹ بینک کی Pool Management Guidelines کے مطابق پایا گیا۔

6. اسلامک بینکنگ کے ملازمین کی استعداد میں اضافہ کے لیے بینک کے شعبہ تعلیم و تربیت (Learning & Development Department) نے 200 سے زائد فزیکل، آن لائن، اور ای لرننگ ٹریننگ سیشنز کروائے۔ شعبہ تعلیم کی ٹیم نے شریعہ بورڈ ممبرز کے ساتھ شریعہ اسکالرز اور یونیورسٹیز کے لیے آگاہی کے سیشن منعقد کئے۔ اسلامک بینکنگ کی ٹریننگ اور اس کے پورٹ فولیو کو مزید مضبوط کرنے کے لیے بینک نے نیشنل انسٹیٹیوٹ آف بینکنگ اینڈ فنانس (NIBAF) کے ساتھ ایک معاہدہ بھی کیا ہے۔

7. انتظامیہ کی جانب سے بینک کی کاروباری ترقی اور شریعہ بورڈ کی ہدایات کے مطابق شریعہ کمپلائنس ڈیپارٹمنٹ کو مزید وسائل اور معاونت کی فراہمی جاری ہے۔

ہم اللہ تعالیٰ سے دعا کرتے ہیں کہ وہ ہمارے اختیاری اور غیر اختیاری گناہوں اور لغزشوں سے درگزر فرمائیں، اسلامک بینکنگ کے لیے کی جانے والی ہماری محنت کو قبول فرمائیں اور ہمیں دنیا و آخرت کی کامیابی سے نوازیں اور بروز قیامت ہم سب کی دستگیری فرمائیں۔ آمین۔

وصلی اللہ علی نبینا محمد و باریک وسلم

مفتی اویس احمد قاضی
ریڈیڈنٹ ممبر شریعہ بورڈ

ڈاکٹر مفتی خلیل احمد اعظمی
چیف پرسن شریعہ بورڈ

مفتی عقیل اختر
ممبر شریعہ بورڈ

مفتی اسامہ احسان
ممبر شریعہ بورڈ

مفتی محمد محبت الحق صدیقی
ممبر شریعہ بورڈ

24 جنوری 2023

01 رجب 1444

بسم الله الرحمن الرحيم

شریعہ بورڈ رپورٹ برائے سال 2022

الحمد لله رب العالمين والعاقبة للمتقين والصلوة والسلام على سيد الرسل وخاتم النبيين وعلى آله وصحبه اجمعين

سال کے دوران بینک نے مختلف پراڈکٹس اور ان کی مختلف اقسام تیار کیں اور شریعہ بورڈ کی منظوری کے بعد ان کو لانچ کیا۔ جیسے تجارتی - لوکل بل ڈسکاؤنٹنگ، رینگ مشارکہ - FCY، اسلامک SME آسان فنانس (ISAAF)، وزیر اعظم کامیاب جوان - یوتھ انٹرپرائیورس ہپ اسکیم (PMKJ) (YES)، زرعی سیکٹر میں فنانسنگ کی فراہمی آسان بنانے کے لیے ایگری فنانس اور ڈسٹریبیوٹر (سیلانی چین) فنانسنگ لانچ کی گئیں۔ بیرون ملک پاکستانیوں کے لیے پاکستان میں سرمایہ کاری کو پُرکشش بنانے کے لیے ہوم مشارکہ - روشن اپنا گھر، آسان ریمیٹنس ڈیجیٹل اکاؤنٹ،

آسان ڈیجیٹل اکاؤنٹ، آسان فری لانسر ڈیجیٹل اکاؤنٹ، اور آسان روشن ڈیجیٹل اکاؤنٹ لانچ کئے گئے۔

بینک کی توجہ ڈیجیٹل بینکنگ پراڈکٹس اور سروسز کی اسلامی طریقوں کے مطابق فراہمی پر مرکوز ہے۔ اس سال کے دوران بینک نے ایف ٹی آر اسلامک، ڈونیشن پیمینٹ، RAPID ٹیلیٹ، بولٹی ATMs، اور RAPID اکاؤنٹ کے لیے شاخوں میں ٹریننگ جیسے نئے اقدامات متعارف کرائے۔ یہ تمام پراڈکٹس شریعہ بورڈ سے منظور شدہ ہیں۔

بینک نے منسٹری آف فنانس کے جوائنٹ فنانسنگ ایڈوائزری کمیٹی کے ممبر کی حیثیت سے اسلامک بینکنگ انڈسٹری کے لیے ملکی کرنسی کے 1,793 ٹریلین روپے سے زائد کے صکوک کی شریعہ ایڈوائزری فراہم کی۔ نیز بینک نے مختلف سٹڈیکٹ ٹرانزیکشنز کے لیے شریعہ ایڈوائزری کی خدمات فراہم کیں۔

تجارتی مصروفیات اور کسٹمر کنٹرول کے علاوہ بینک کی توجہ کارپوریٹ سماجی ذمہ داریوں (CSR) پر بھی رہی خصوصاً سیلاب متاثرین کے لیے امدادی سرگرمیوں میں بینک پیش پیش رہا۔

دوران سال شریعہ کمپلائنس ڈیپارٹمنٹ نے 83 اسلامک شاخوں اور 10 شعبوں کا ریویو کیا جبکہ داخلی شریعہ آڈٹ ڈیپارٹمنٹ نے کل 103 شاخوں اور 15 شعبوں بشمول سینٹرلائزڈ ٹریڈ، سینٹرلائزڈ اکاؤنٹ اوپننگ، سینٹرلائزڈ اسٹاف فنانس، کنزیومر فنانس، اسلامک

اللہ تعالیٰ کے فضل و کرم سے زیر نظر رپورٹ بینک الفلاح - اسلامک بینکنگ (جوائنٹ بینک) کے نام سے مذکور ہے) کے آپریشنز کے معاملات کی شریعت کے اصولوں کے عین مطابق انجام دہی کی مکمل ذمہ داری بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ (Executive Management) پر ہے۔ اس رپورٹ کا مقصد اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک (SGF) کی ہدایات کے مطابق پاکستان میں بینک کے آپریشنز کی شرعی اعتبار سے صورتحال بیان کرنا ہے۔

اس سال بینک نے اثاثوں (Assets) اور ذمہ داریوں (Liabilities) سے متعلق موجودہ پراڈکٹ پروگرام گائیڈ لائنیں، میٹریز (Manuals)، اور متعلقہ دستاویزات کی نظر ثانی کا عمل جاری رکھا۔ نیز اسلامک بینکنگ آپریشنز کی لیے بنائے گئے سسٹمز، پالیسیاں اور طریقہ کار (Policies & Systems Procedure) میں بھی جدت پیدا کی گئی تاکہ سسٹمز کی شریعہ کمپلائنس کی صلاحیت میں مزید بہتری لائی جائے۔ اس سلسلے میں شریعہ نے مذکورہ پہلوؤں کا جائزہ لینے کے بعد ان تمام امور کی منظوری دی جن کا اثر اسلامک بینکنگ آپریشنز پر پڑتا ہے۔

بینک نے اسلامک بینکنگ کی شاخوں میں اضافے نے ذریعہ اپنے اسلامک بینکنگ نیٹ ورک کی ترقی کو جاری رکھا۔ 2022 کے دوران بینک نے کل 53 نئی شاخیں کھولیں جس کے نتیجے میں پاکستان بھر میں اسلامک بینکنگ کا نیٹ ورک 285 شاخوں تک پہنچ گیا۔

بینک نے اسمال میڈیم انٹرپرائزز (SME) اور کارپوریٹ کسٹمرز کی قلیل المیعاد فنانسنگ کی ضرورت پوری کرنے کے لیے 'مراہعہ'، 'مساموہ'، 'سلم'، 'استصناع'، 'تجارہ' اور 'رینگ مشارکہ' جبکہ طویل المیعاد فنانسنگ کی ضرورت پوری کرنے کے لیے 'اجارہ' اور 'شرکت متناقصہ' (Diminishing Musharaka) کے طریقہ ہائے تمویل اختیار کئے۔ کنزیومر فنانس کے کسٹمرز کی کار فنانسنگ کی ضرورت پوری کرنے کے لیے 'اجارہ' اور 'ہوم فنانسنگ کی ضرورت پوری کرنے کے لیے 'شرکت متناقصہ' (Diminishing Musharaka) کے طریقہ ہائے تمویل اختیار کئے۔

Remuneration Framework

With an intention to make Directors and Senior Management more accountable for their governance and performance vis-à-vis determination and payment of compensation, and to develop a fair, transparent and sound compensation policy that is aligned with risks and responsibilities, the SBP issued Corporate Governance Regulatory Framework and other guidelines through various circulars. The following disclosures are given in compliance with the said framework.

Corporate Governance Culture and Standards followed by the Bank

The Bank observes Corporate Governance standards as stipulated in the Code of Corporate Governance and other relevant regulations, which are updated in accordance with the changing dynamics of corporate environment, culture and regulatory regime.

Directors - Appointment and Profiles

The process of appointment/nomination of the Directors of the Bank is in accordance with the applicable laws and regulations, and is governed by the Bank's Governance Policy. Profiles of Directors, including their qualifications, expertise and past work experience are disclosed as part of the 'Governance' Section of this Annual Report.

Board Committees - TORs and Meetings

Terms of Reference of the Board Committees, their composition and membership, number of meetings held, and number of meetings attended by the members are disclosed as part of the 'Governance' Section of this Annual Report.

Shariah Board - Appointment, Profiles, TORs, Meetings

Appointment of Shariah Board members and Chairperson is subject to the Board's approval, and prior approval of the State Bank of Pakistan. Profiles of the Shariah Board members and their membership on other boards are disclosed as part of the 'Governance' Section of this Annual Report. Terms of Reference (TORs) of Shariah Board, and

number of meetings held and attended by each member are also disclosed as part of the 'Governance' Section of this Annual Report.

Key Management Personnel - Appointment and Profiles

The bank, when appointing the key executives follows an internal operating procedure that assesses the best fit for integrity, track record, reputation, financial credibility, conflict of interest, qualification and experience of the potential management personnel. This has been developed in line with State Bank of Pakistan's Corporate Governance Framework.

Key achievements of Board Committees

- **Board Risk Management Committee (BRMC)**

The Board of the Bank is ultimately responsible for development, implementation and maintenance of a robust and dynamic ERM (Enterprise Risk Management) Framework in the Bank. However, to increase efficiency and effectiveness, the Board has delegated its risk oversight responsibilities to the Board Risk Management Committee (BRMC). The BRMC ensures that the Bank has an adequate Enterprise Risk Management Framework (policies, processes and people). The BRMC also recommends the delegation of authorities to the Management Committees, and approves the Terms of Reference of the Bank's Central Credit Committee (CCC).

During 2022, the BRMC reviewed and recommended to the Board, the Bank's overall risk appetite and risk tolerance in relation to all relevant risk areas, including credit, market, liquidity, operational, Anti money laundering (including trade based money laundering) and information security risks etc. It recommended approval of exposure limits to Board in relation to Risk Management strategies, and reviewed compliance with these limits. Additionally, the Committee carried out a comprehensive review of the Bank's policies for onward recommendation to the Board of Directors. In the year 2022, the BRMC continued to assess the adequacy of the Bank's capital level in lieu of Pillar 1 and Pillar 2 risks along with the resilience of the Bank's capital base under adverse economic environments. It also reviewed the liquidity position of the Bank in terms

of Basel III liquidity ratios (LCR and NSFR). BRMC being primarily responsible for oversight of timely implementation process of IFRS 9 approved the transition plan and reviewed the implementation progress there against.

During the year, the BRMC reviewed the reports presented to it, and effectively performed the risk oversight function. Based on submissions, it guided the Management for the actions required to manage the risks highlighted in a timely manner. The BRMC regularly informed the Board about its activities, performance, and risk related issues of the Bank.

- **Board Audit Committee (BAC)**

The Board Audit Committee (BAC) plays a significant role in enhancing the credibility of financial statements, quality of internal controls, governance, and risk management practices of the Bank by performing its oversight responsibilities of reviewing financial reporting, internal controls, and risk management processes, and ensuring the execution of quality audits. BAC also evaluates the effectiveness of the Bank's overall management of compliance risk keeping in view domestic and international regulatory requirements.

During the year 2022, the BAC, in accordance with the BoD approved mandate, reviewed and made recommendations to the BoD on various policies, related party transactions and the control weaknesses pointed out by the regulator during inspections, annual plans/performance review for Internal Audit/Compliance function along with various other agenda items and ensured that Internal Audit Function has adequate resources and is appropriately placed within the organization structure to maintain its independence.

The BAC also reviewed the analysis of fraud incidents in the Bank along with identifying root causes and steps/remedial measures to curb such instances in the future. The BAC played a significant role in securing stakeholders' interests with establishment of a robust Whistleblowing Program directed at safeguarding the bank's integrity and reputation along with follow-ups where all complaints were subject to review by the Chairman BAC without exception.

Besides performing the responsibilities entrusted by the BOD as per approved TORs, the BAC followed a proactive approach, and has taken/supervised actions, including the alignment of the Internal Audit (IA) approach and revamping of IA processes and documentation as per IIA standards, best practices and regulatory guidelines, implementation and modification of audit software covering end to end life cycle in accordance with regulatory advice, and review of risk assessment methodology for incorporation in the upcoming annual audit plan to cater to changing risk landscape by focusing on dynamic risk assessment & risk based prioritization, thus accelerating the journey of Internal Audit function towards its vision.

- **Board Strategy and Finance Committee (BSFC)**

The Board Strategy & Finance Committee assists the Board of Directors of the Bank in performing its functions and responsibilities with a focus on policy making, general direction, oversight and supervision. BSFC played its role through extensive strategic decision making / recommendations, which contributed towards the growth/progress of the Bank. It reviewed / recommended all matters particularly involving the financial and strategic issues other than periodical financial statements, which are mandated to be reviewed by the Board Audit Committee.

During the year 2022, the BSFC discussed in detail the Bank's strategy on Fintechs as well as the Digital Retail Bank (DRB) application to SBP for a new license and recommended the Board to approve the same, which enabled the Management to apply for a DRB License to SBP, in accordance with SBP's regulations on the same. The BSFC also reviewed and recommended to the Board the Annual Business Plan/Budget 2023 of all business groups, performance of overseas operations of the Bank, performance of the Bank's subsidiary and associates, branch network expansion plans, various policies/frameworks along with monitoring and supervision of the Central Management Committee of the Bank.

The Management apprised the BSFC, from time to time, on the status of Bank's long-term strategy. The Committee also reviewed and approved the Bank's capital plans including the Additional Tier 1 capital raise and conducting the share buyback. The BSFC reviewed and recommended to the Board the reports of the Shariah Board, profit & loss distribution and pool management policy of Islamic Banking, investment plans, major capital expenditures, various policies of the Bank etc. and provided necessary directives to the Management.

- **Board Information Technology Committee (BITC)**

The Board Information Technology Committee plays a supervisory and advisory role for IT, Information Security and Digital Banking functions and is responsible for advising and reporting to the Board on the status of technology and digital related activities and initiatives. The BITC monitors, at regular intervals, the successful implementation of the Enterprise Technology Governance and Risk Management Framework for financial institutions as promulgated by the SBP.

During the year 2022, the BITC closely monitored the performance of Digital Banking Group (DBG) of the Bank and provide guidance to serve the customers more efficiently and enhance market share in the digital banking landscape. The BITC encouraged customer acquisitions and advised the Management that the customers should remain enabled/active in using BAFL's digital

channels. Under the guidance of the BITC, the DBG delivered superior customer service through innovative digital products complemented by robust systems. The BITC fully supported the Management's initiatives for applying to SBP to get a license for a separate Digital Retail Bank.

The BITC regularly reviews the status of major/critical IT projects and approves/recommends digital investments, in accordance with its powers and scope. It has paid special attention on achieving the highest level of optimization in operations and critical technology components to deliver frictionless banking services. The BITC also reviews and monitors the work of the external consultants and stressed that the outstanding issues should be resolved on a timely basis. The BITC is very sensitive on information security and cyber security issues and acts proactively for mitigation of such risks by Management on a priority and timely basis.

- **Board Human Resources, Remuneration and Nomination Committee (BHR&NC)**

The Board Human Resources, Remuneration and Nomination Committee contributed towards the development of human resources in the Bank. During the year 2022, the Board of Directors, upon recommendation of BHR&NC, approved the proposals for Revision in Grade and Salary Structure accordingly, revised structure has been implemented keeping in review the nomenclature in the Banking industry.

Due to global economic situation, and other challenges faced, Human Capital Group launched Adhoc Allowance to cover for high inflation prevailing in country and also initiated welfare/financial assistance program for flood affected staff and their families.

BHR&NC also reviewed/recommended to Board to amend various HR Policies during 2022 i.e., Remuneration Policy framework, Conflict of Interest, Code of Conduct, SLCL/Conveyance Finances, Leave Policy, Medical policy for Bangladesh & Car policy for UAE.

As a result of consistent efforts and committee guidance, Bank Alfalah won 10 Awards at Prestigious Global Diversity, Equity and Inclusion Benchmark forums which included 7 Awards in Best practice Category and 3 Awards in Progressive Category.

BHR&NC also reviewed and recommended to the Board the Training Budget for the year 2023, Bank's compensation strategies with a view to ensure that compensation and benefit levels are maintained and aligned with that of other comparable size organizations.

- **Board Crisis Management Committee (BCMC)**

In the year 2022, the scope of the Committee was broadened and the name of the Committee was changed from 'Board Coronavirus-Crisis Management Committee' to the 'Board Crisis Management Committee (BCMC)' and its Terms of Reference was amended. The BCMC is now dealing with any crisis situation, whether natural or otherwise, which cannot be foreseen and cause disruption the normal/routine operations of the Bank. The crisis may include, but not limited to the following:

- pandemic;
- civil unrest;
- terrorism;
- war or war like situation;
- cyberattack or any technological disaster
- natural disaster/calamity;
- any other unforeseen act/situation

With the enhancement of its scope the Committee reviewed/discussed update on political as well as economic situations of Pakistan, covering interest rate, Rupee devaluation, IMF update and their potential impact on the Bank. The Committee discussed political economic outlook as well as different scenarios along with credit risk, market and liquidity risks, interest rate risk, operational risk etc.

BCMC also reviewed and discussed in details the devastating impact of the floods and rains in Pakistan during July/August 2022 and the flood relief work and different initiatives by the Bank for its employees and people affected by the rains/flood. The Committee also reviewed the impact of flood on its operations and different portfolios. The Committee, for the purpose of supporting the flood relief initiatives recommended a funding of USD 10 Million by the Bank to the Board for approval, which was duly approved by the Board.

- **Board Real Estate Committee (BREC)**

The Board Real Estate Committee was formed to consider, recommend and approve the real estate related proposals and relevant policies and/or any amendments therein, acquisitions, and disposal of specific property, including land, building (either partly or fully constructed) beyond the Management Committee's scope, and proposals for development projects for the use of the Bank (including the overseas operations of the Bank).

During the year 2022, BREC reviewed/recommended to the Board various proposals of sale or purchase of properties for the Bank. BREC exercises its powers and responsibilities as are assigned by its Term of Reference, the Bank's Memorandum and Articles of Associations, pertaining to the real estate matters/issues.

Formulation and Implementation of Remuneration Policy and Assessment of Board Performance

During the year 2020, A. F. Fergusons - member firm of PriceWaterhouseCoopers (PWC) was engaged to assist the Bank in implementation of the Remuneration Policy Guidelines issued by the State Bank of Pakistan (SBP). The scope included drafting the mechanism for identification of Material Risk Takers and Material Risk Controllers, review of their existing scorecards and preparation of risk-adjusted scorecards, drafting the Remuneration Policy for the Bank, including deferral mechanism, and assisting the Bank in implementation of the policy.

Disclosure Relating to the Remuneration Policy

• Information on overall remuneration policy of the Bank

The primary objective is to define a competitive remuneration system, balancing strategic business targets and correctly rewarding employees.

To ensure alignment of remuneration practices with international standards and best practices, the State Bank of Pakistan (SBP) has issued Guidelines on Remuneration Practices (Guidelines). Accordingly, the Remuneration Framework (Framework) was developed as part of the Bank's initiative to implement the Guidelines.

Following are the objectives of the Framework:

1. To promote and be consistent with sound and effective risk management, and not encourage risk-taking that exceeds the risk thresholds of the Bank;
2. To ensure that the remuneration practice is in line with the Bank's objectives, taking into consideration all major risks that the Bank may face, and promotes and supports long-term performance;
3. To align remuneration with risk appetite and with conduct expectations of the Bank, regulators and stakeholders; and
4. To attract, retain and motivate highly qualified employees, but also reward those who promote corporate values correlated with long-term value generation.

• Governance Framework

The Bank's Governance Framework, with respect to these guidelines, aims at ensuring appropriate control oversight on remuneration practices,

ensuring that decisions are taken with sufficient independence and in an informed way, by the authorities and functions to which different responsibilities are delegated.

The BoD has the overall responsibility for reviewing, approving and monitoring implementation of the bank-wide Remuneration Framework, based on the recommendations of Board Human Resources Remuneration and Nominations Committee (BHR&NC). In addition, the Board, through BHR&NC, reviews on periodic basis, reports on remuneration structure, including the composition of fixed and variable remuneration of the President and CEO and the Management Team (direct reportees of the President and CEO and Board/Board Committees).

The Board remains responsible for determining compensation and benefits for certain corporate roles, including the President and CEO, CFO, Head of Audit and Inspection, and Company Secretary.

Features of total compensation

The Bank offers a compensation structure with a balanced mix of fixed and variable elements. The compensation mix is periodically reviewed by Human Capital Group to ensure external competitiveness and internal adequacy. The review also takes into account the results of performance evaluations, and assigned roles and responsibilities. The objective of maintaining a balanced pay mix is to encourage behaviours focused on the achievement of long-term sustainable results.

This Framework, the Bank's HR policies and frameworks, and general incentive structures focus on ensuring sound and effective risk management through the following:

1. A robust governance structure for setting goals (including risk adjustments), communicating these goals to employees, and performance measurement to ensure assigned goals are achieved without any excessive or undue risk-taking;
2. Alignment with the Bank's business strategy, values, key priorities and long-term goals;
3. Alignment with the principles of protecting customers, investors, regulators, and other stakeholders; and
4. Restricting employees, including Material Risk Takers (MRTs) and Material Risk Controllers (MRCs), from undertaking hedging, pledging or insurance strategies for their remuneration, or for any other aspect that might alter, or undermine the risk alignment effects inherent in the Bank's remuneration mechanisms.

- **Factors considered for differentiating variable pays across employees or group of employees**

The compensation structures for MRTs and MRCs are determined and proposed by the HR&LG, which ensures an appropriate balance between fixed and variable pay, while considering various factors, including the following :

1. Whether the individual is an MRT or MRC;
2. Position within the organisation;
3. Roles and responsibilities;
4. Risk alignment (i.e. the higher the risks undertaken the more shall be the variable remuneration); and
5. Performance against financial as well as non-financial objectives and KPIs, including risk-adjusting factors.

- **Types of employees considered as Material Risk Takers (MRTs) and Material Risk Controller (MRCs)**

The inclusion criteria have been developed in accordance with the guidelines and applicable best practices, and are subject to approval by the BHR&NC. The inclusion criteria comprises of two sections; namely the qualitative and quantitative MRT/MRC inclusion criteria.

Qualitative inclusion criteria

The following qualitative criteria shall be applied for identification of MRTs and MRCs:

1. President and CEO, or any other equivalent position;
2. Members of the Management Team, i.e. reporting directly to the President and CEO, and the BoD or any Board Committee;
3. Members of critical Management Committees;
4. Heads of critical functions responsible for managing business, risks and controls, that may subject the Bank to significant risks; and
5. Country Heads of overseas branches, unless the related branch is subject to similar remuneration regulations in the host countries.

Quantitative inclusion criteria

Quantitative inclusion criteria includes:

1. Credit Risk;
2. Market Risk;
3. Operational Risk; and
4. Liquidity Risk.

- **Implementing the remuneration measures, and their alignment with current and future risks and performance.**

This is done through the following steps:

1. Introduction of risk-adjusted balanced scorecards for performance evaluation of MRTs/MRCs;
2. Inclusion of another value driver in balanced scorecard categories, i.e. risk adjusting factors;
3. Identification of relevant Key Performance Indicators against each category;
4. Identification of risk adjustments (ex-ante risk adjustments);
5. Assignment of weightages;
6. Periodic review and update of risk-adjusted balanced scorecard;
7. Ratings mechanism; and
8. Application of overrides.

- **Responsibility levels of the key executives and Directors**

Compensations provided to non-executive Directors

In accordance with regulatory requirements, the Policy on Directors' Remuneration was unanimously approved by the shareholders of the Bank in the 28th Annual General Meeting held on 27th March, 2020. The basis of compensation provided to non-executive Directors is covered in the said policy.

Remuneration provided to the Shariah Board Members and its components

The remuneration of the Shariah Board is governed under the compensation policy approved by the Board of Directors.

Fixed and variable pay provided to senior executives, including CEO, MRCs and MRTs

Fixed Pay

For fixed pay, HRLG annually derives an appropriate benchmark with external market data, in order to ensure the appropriateness of the fixed remuneration for the Bank to be able to attract and retain the relevant resources, particularly in relation to the MRTs/ MRCs.

Variable Pay

Variable remuneration takes into account performance of the Bank's, the Group, business unit/product and individuals. Achievement/underachievement of financial performance, excessive or undue risks, customer experience, audit/internal controls/compliance issues, etc. are generally considered for determining risk-adjusted variable remuneration. Performance-based remuneration in the form of annual or periodic bonuses and sales incentives are disbursed in cash and/or share options, in

accordance with relevant HR policies and frameworks.

Basis for payment of bonuses and awards to CEO, senior executives and MRTs/MRCs.

The basis for payment of bonuses is determined keeping in view the achievement of KPIs in all value drivers.

The Bank ensures that Risk Control Function employees are remunerated independently of the functions they oversee:

1. The Bank ensures provision of adequate feedback on relevant risk adjustments in the risk-adjusted balanced scorecards of MRTs/MRCs;
2. The Bank reviews the targets and measurement benchmarks against relevant risk adjustments, assigned within the risk-adjusted balanced scorecards to ensure alignment with the risk profile and risk appetite of the Bank; and
3. The Bank ensures timely provision of information/feedback to assist in performance evaluation against risk adjustments of MRTs/MRCs.

Policy on vesting and deferral of variable remuneration.

A certain portion of variable compensation of the CEO, key executives, MRTs/MRCs are subject to mandatory deferrals for a defined period, thus creating alignment

between the employees' and stakeholders' interests, and reinforcing that compensation is appropriately linked to longer-term sustainable performance. Deferred remuneration, especially with risk adjustments, is a useful tool for improving risk-taking incentives because the amount ultimately received by employees can be made to depend on risk outcomes.

The deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the CEO, key executives and MRTs/MRCs. The deferred remuneration shall vest proportionately over the deferral period following the year of the variable remuneration award.

The deferred portion of the variable remuneration shall be paid to the CEO, key executives, and MRTs/MRCs proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. In case of malus, and where accountability has been determined in accordance with the conduct and accountability framework of the Bank, the entire or certain portion of the deferred remuneration shall be withheld and not paid to the CEO, key executives and MRTs/MRCs on becoming due, and will be recorded back as income in the books of accounts of the Bank.

Board of Directors - Details

S.No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Board Memberships in other Companies and Institutions
1	H. H. Sheikh Nahayan Mubarak Al Nahayan	From 07-Jul-1997 to 03-Nov-2002 (resigned) and co-opted on 15-Jan-2017	Chairman/Non-Executive Director	None	<ul style="list-style-type: none"> Chairman, Alfalah Insurance Company Ltd Chairman, Taavun (Pvt) Limited Proprietor, Dhahi Group, UAE Chairman, Dhahi One Investment Services LLC, UAE Chairman, Dhahi Holdings PJSC , UAE Chairman, MAB Investment Inc Chairman, Salsal Petroleum LLC, UAE Chairman, Wateen Telecom, Pakistan Chairman, Warid Telecom Pakistan LLC, UAE Chairman, JSC TeraBank, Georgia Chairman, Wincom Services Pakistan LLC , UAE Other entities (Ministries/NGOs, etc.) Minister of State for Tolerance and Coexistence in the Cabinet of UAE Honorary President, Future Rehabilitation Center, Abu Dhabi Patron, Emirates Natural History Group Chairman and Patron, Abu Dhabi Cricket Club Chairman, Emirates Cricket Board Chairman, Sandoq Al Watan
2	Mr. Abdulla Nasser Hawaleel Al Mansoori	07-Jul-1997	Non-Executive Director	None	Chairman of the Board, Al Nasser Holdings and Group Companies: <ul style="list-style-type: none"> Al Nasser Holdings LLC Al Nasser Investments LLC
3	Mr. Abdulla Khalil Al Mutawa	07-Jul-1997	Non-Executive Director	<ul style="list-style-type: none"> Board Strategy and Finance Committee Board Audit Committee Board Risk Management Committee Board Information Technology Committee Board Human Resource, Remuneration & Nomination Committee Board Compensation Committee Board Crises Management Committee Board Real Estate Committee 	<ul style="list-style-type: none"> Chairman, Makhazen Investment Company Director, EFG Hermes Holding

S.No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Board Memberships in other Companies and Institutions
4	Mr. Khalid Mana Saeed Al Otaiba	08-Mar-2003	Non-Executive Director	<ul style="list-style-type: none"> Board Risk Management Committee Board Compensation Committee Board Audit Committee Board Strategy and Finance Committee Board Information Technology Committee Board Human Resource, Remuneration & Nomination Committee Board Crisis Management Committee Board Real Estate Committee 	<ul style="list-style-type: none"> Deputy Chairman, Al Otaiba Group of Companies Director, Alfalah Insurance Company Limited Chairman, Liwa International Investment Tourism Chairman, Royal Mirage Hotel & Resorts Ltd, Morocco Director, Ghantout International Director, EFG Hermes Holding S. A. E.
5	Dr. Ayesha Khan	27-May-2018	Independent Director	<ul style="list-style-type: none"> Board Human Resource, Remuneration & Nomination Committee Board Compensation Committee Board Audit Committee Board Strategy and Finance Committee Board Crisis Management Committee 	<ul style="list-style-type: none"> CEO and Regional Managing Director for Pakistan, Acumen Director, NRSP Microfinance Bank Director, Fauji Fertilizer Company Ltd. Director, Bulleh Shah Packaging (Pvt) Ltd.
6	Dr. Gyorgy Tamas Ladics	27-May-2018	Independent Director	<ul style="list-style-type: none"> Board Information Technology Committee Board Human Resource, Remuneration & Nomination Committee Board Crisis Management Committee Board Strategy and Finance Committee 	<ul style="list-style-type: none"> Chief Executive Officer, Silverlake Symmetri
7	Mr. Khalid Qurashi	From 27-May-2015 to 26-Feb-2018 and co-opted on 14-May-2020	Independent Director	<ul style="list-style-type: none"> Board Audit Committee Board Strategy and Finance Committee Board Risk Management Committee Board Human Resource, Remuneration & Nomination Committee Board Crisis Management Committee 	<ul style="list-style-type: none"> Beneficial Owner, Pitlochry Associates DMCC (100% shares held) Director, HBL Bank UK
8	Mr. Atif Aslam Bajwa	From 25-Oct-2011 to 15-Jul-2017 and co-opted on 19-Feb-2020	CEO/Executive Director	<ul style="list-style-type: none"> Board Strategy and Finance Committee Board Risk Management Committee Board Information Technology Committee Board Crisis Management Committee Board Real Estate Committee 	<ul style="list-style-type: none"> Board Member, Alfalah Insurance Company Limited Board Member, PIA Investments Limited and its subsidiaries; <ul style="list-style-type: none"> Roosevelt Hotel Corporation N. V. Minhal France S. A. Avant Hotels (Pvt) Limited Board Member, Pakistan International Airlines Corporation Limited Board Member, Institute of Bankers In Pakistan Board Member, Karachi Education Initiative Board Member, Packages Limited

Shariah Board Members

S.No.	Name of Shariah Board Members	Date of Joining/ Leaving the Board	Designation	Relationship with other Banks
1	Dr. Khalil Ahmad Aazami	10-Jan-2015	Chairman, Shariah Board	<ul style="list-style-type: none"> Member, Shariah Board, Faysal Bank Limited Member, Shariah Board, National Bank Limited
2	Mufti Muhammad Mohib ul Haq Siddiqui	10-Jan-2015	Member, Shariah Board	<ul style="list-style-type: none"> Chairman, Shariah Board, Faysal Bank Limited Member, Shariah Board, Bank AL Habib Limited
3	Mufti Aqeel Akhtar	01-Jul-2021	Member, Shariah Board	<ul style="list-style-type: none"> None
4	Mufti Usama Ehsan	01-Jul-2021	Member, Shariah Board	<ul style="list-style-type: none"> None
5	Mufti Ovais Ahmed	10-Jan-2015	Resident Member, Shariah Board	<ul style="list-style-type: none"> None

Directors' Participation in Board and Board Committees Meetings

2022										
S.No.	Name of Director	Board of Directors Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource, Remuneration and Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Crisis Management Committee Meetings	Board Real Estate Committee Meetings	Board Compensation Committee Meetings
No. of Meetings held during the year		5	6	6	3	4	4	4	2	Nil
Number of Board and Board Committees meetings attended										
1.	H.H. Sheikh Nahayan Mubarak Al Nahayan	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2.	Mr. Abdulla Nasser Hawaileel Al Mansoori	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
3.	Mr. Abdulla Khalil Al Mutawa	5	6	6	3	4	4	4	2	
4.	Mr. Khalid Mana Saeed Al Otaiba	5	6	6	3	4	4	4	2	
5.	Dr. Ayesha Khan	5	6	6	3	N/A	N/A	4	N/A	
6.	Dr. Gyorgy Tamas Ladics	5	N/A	6	3	N/A	4	4	N/A	
7.	Mr. Khalid Qurashi	5	6	6	3	4	N/A	4	N/A	
8.	Mr. Atif Aslam Bajwa	5	N/A	6	N/A	4	4	4	2	

2021									
Name of Directors	Board of Directors Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource, Remuneration and Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Crisis Management Committee Meetings	Board Real Estate Committee Meetings	Board Compensation Committee Meetings
No. of Meetings held during the year	5	6	5	3	5	4	5	1	Nil
1. H.H. Sheikh Nahayan Mabarak Al Nahayan	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2. Mr. Abdulla Nasser Hawaileel Al Mansoori	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
3. Mr. Abdulla Khalil Al Mutawa	5	6	5	3	5	4	5	1	
4. Mr. Khalid Mana Saeed Al Otaiba	5	6	5	3	5	4	5	1	
5. Dr. Ayesha Khan	5	6	2	3	N/A	N/A	5	N/A	
6. Dr. Gyorgy Tamas Ladics	5	N/A	2	3	N/A	4	5	N/A	
7. Mr. Khalid Qurashi	5	6	5	3	5	N/A	5	N/A	
8. Mr. Atif Aslam Bajwa	5	N/A	5	N/A	5	4	5	1	
Mr. Efstratios Georgios Arapoglou *	2	3	3	N/A	2	2	2	N/A	

* Director retired during the year

Shariah Board Committee Meetings

S.No.	Name of Director	Meetings held/attended
Total meetings held		4
1	Dr. Khalil Ahmad Aazami	4
2	Mufti Mohib ul Haq Siddiqui	4
3	Mufti Aqeel Akhtar*	4
4	Mufti Usama Ehsan*	4
5	Mufti Ovais Ahmed	4

Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: **Bank Alfalah Limited ('the Bank')**
 Year ended: **December 31, 2022**

The Bank has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("Code/Regulations") in the following manner: -

1. The total number of directors are eight as per the following:
 - a. Male: Seven
 - b. Female: One
2. The composition of the Board is as follows:
 - i Independent Directors Three
(including one female director)
 - ii Other non-executive Directors Four
 - iii Executive Directors One
3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank;
4. The Bank has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updation is maintained by the Bank;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Bank had arranged Directors' Training program for its Directors. Four Directors of the Bank have already done certification of Director's Training Program. The other Directors stand exempted, as per criteria mentioned in the Code;
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. The Chief Financial Officer and The Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed/reconstituted the committees comprising of members given below:
 - A) Board Audit Committee**
 1. Mr. Khalid Qurashi, Chairman
 2. Mr. Abdulla Khalil Al Mutawa, Member
 3. Mr. Khalid Mana Saeed Al Otaiba, Member
 4. Dr. Ayesha Khan, Member
 - B) Board Strategy and Finance Committee**
 1. Mr. Abdulla Khalil Al Mutawa, Chairman
 2. Mr. Khalid Mana Saeed Al Otaiba, Member
 3. Dr. Ayesha Khan, Member
 4. Dr. Gyorgy Tamas Ladics, Member
 5. Mr. Khalid Qurashi, Member
 6. Mr. Atif Aslam Bajwa, Member
 - C) Board Risk Management Committee**
 1. Mr. Khalid Mana Saeed Al Otaiba, Chairman
 2. Mr. Abdulla Khalil Al Mutawa, Member
 3. Mr. Khalid Qurashi, Member
 4. Mr. Atif Aslam Bajwa, Member
 - D) Board Information Technology Committee**
 1. Dr. Gyorgy Tamas Ladics, Chairman
 2. Mr. Abdulla Khalil Al Mutawa, Member
 3. Mr. Khalid Mana Saeed Al Otaiba, Member
 4. Mr. Atif Aslam Bajwa, Member
 - E) Board Human Resource, Remuneration and Nomination Committee**
 1. Dr. Ayesha Khan, Chairperson
 2. Mr. Abdulla Khalil Al Mutawa, Member
 3. Mr. Khalid Mana Saeed Al Otaiba, Member
 4. Dr. Gyorgy Tamas Ladics, Member
 5. Mr. Khalid Qurashi, Member
 - F) Board Compensation Committee**
 1. Dr. Ayesha Khan, Chairperson
 2. Mr. Abdulla Khalil Al Mutawa, Member
 3. Mr. Khalid Mana Saeed Al Otaiba, Member

G) Board Crisis Management Committee

1. Mr. Abdulla Khalil Al Mutawa, Chairman
2. Mr. Khalid Mana Saeed Al Otaiba, Member
3. Dr. Ayesha Khan, Member
4. Dr. Gyorgy Tamas Ladics, Member
5. Mr. Khalid Qurashi, Member
6. Mr. Atif Aslam Bajwa, Member

H) Board Real Estate Committee (BREC)

1. Mr. Abdulla Khalil Al Mutawa, Chairman
2. Mr. Khalid Mana Saeed Al Otaiba, Member
3. Mr. Atif Aslam Bajwa, Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The number of meetings held during the year are as follows. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank;

Name of Committee	No. of Meetings held during the year, 2022
Board Audit Committee	Six
Board Strategy and Finance Committee	Six
Board Risk Management Committee	Four
Board Information Technology Committee	Four
Board Human Resources, Remuneration & Nomination Committee	Three
Board Compensation Committee	None
Board Crisis Management Committee	Four
Board Real Estate Committee	Two

15. The Board has set up an effective internal audit function, who are considered suitably qualified, experienced for the purpose and are conversant with the policies and procedures of the Bank; (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank;
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have followed IFAC guidelines in this regard; and
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Atif Aslam Bajwa
President and Chief Executive Officer

Nahayan Mabararak Al Nahayan
Chairman

Abu Dhabi
February 2, 2023

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Bank Alfalah Limited (the Bank) for the year ended 31 December 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2022.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 21st February 2023

UDIN Number: CR202210120aLQf13qyE

Statement of Internal Controls

This Statement of Internal Controls is based upon an ongoing process designed to identify the significant risks in achieving the bank's policies, aims and objectives, and to evaluate nature and extent of those risks, and to manage them efficiently, effectively and economically. This process remained in place throughout the year 2022.

The Board of Directors (Board) considers a sound control framework as the key to sustainable growth and value creation. The Board is ultimately responsible for the internal controls system of the Bank. Further, the Board has defined role of the Board's Audit Committee (BAC) and Senior Management to establish and maintain an adequate and effective system of Internal Controls. Every endeavor is made to implement sound control procedures and to maintain a robust control environment.

The Bank's Internal Control Policy outlines the overall Control Objectives, the Bank's Controls Framework as well as the Bank's approach towards implementation of the framework. Bank Alfalah Control Framework (the framework) is structured on the lines of globally recognized "Three Line of Defense Model" in which Business/Support Unit serves as First Line of Defense, various Risk, Controls & Compliance oversight functions are serving as Second Line of Defense, while independent assurance is the Third (Audit and Inspection Group). The framework focuses on devising policies and procedures that outline control activities so that process owners perform their functions without any risk exposure. This aspect is further evaluated and monitored through various organizational functions, such as Risk Management, Compliance & Internal Controls, etc.

The Board of Directors has instituted an effective Audit function (Audit & Inspection Group), reporting to the Board through the Board Audit Committee, which not only monitors compliance with the Bank's policies, procedures, controls and reports significant deviations regularly to the Board Audit Committee, but also regularly reviews the adequacy of the overall internal control system. Furthermore, observations and weaknesses regarding control health pointed out by the Bank's external and internal auditors are also addressed promptly and necessary steps are taken by the management to eradicate such weaknesses. Remedial actions against control breaches are advised and followed up by the Board Audit Committee as well.

The Bank's Compliance & Controls Committee, which comprises of CEO & Senior Executives of the Bank has been entrusted with enhanced governance and monitoring

as part of the overall Control Environment. Besides, there is a Process Improvement Committee (PIC), comprising of Senior Executives, which, as part of regular periodic evaluations, considers improvements and changes required in the policies and procedures. Recommendations from the stakeholders, such as Risk, Operations, Compliance, Shariah, Finance and Internal Audit are sought as part of such exercises.

The Bank, under its Compliance Group, has a dedicated Internal Controls 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 is engaged in field reviews and helps management to 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. Besides ICD, other units of Compliance Group, vis-a-vis Customer Due Diligence (CDD) Department and Compliance Risk Management Unit are also integral parts of the Bank's control framework, helping the Bank improve controls.

The Bank has an online Internal Controls Dashboard (ICD Dashboard) for centralized monitoring of controls. It serves as a tool to enhance the entity wide coverage of control risk exposure through timely identification of operational and regulatory risks, including control breaches at the branches and other functions. It assists in instant closure/rectification of issues preventing the Bank from financial and reputational losses. It helps to analyse major control gaps, devise corrective action plan and cater to the training needs of the staff. ICD dashboard has transformed the whole spectrum of controls and compliance monitoring from the sample based periodic reviews of selected entities to continuous monitoring of key risk areas with coverage of entire population. Comprehensive reviews of AML / CFT and other critical regulatory areas are carried out through alerts and exceptions generated from the dashboard. Anomalies identified as a result of these reviews are conveyed to the concerned stakeholders for taking necessary remedial measures, which significantly improves the control environment of the Bank. During the year 2022, ICD Dashboard coverage was extended to various critical business & operation functions alerts for timely monitoring and mitigation of risk exposure to safeguard the Bank from any financial or reputational losses. Besides this, significant issues were escalated to senior management

through onsite ICD Reviews to improve the operational health of branches/units.

The Bank follows SBP guidelines on Internal Controls including guidelines pertaining to Internal Control over Financial Reporting (ICFR). The Bank's ICFR exercise is conducted annually with an objective to review the processes and operating effectiveness of controls over key areas of the Bank's operations, which affect financial reporting. ICFR unit, under Finance Division, is responsible for carrying out the implementation of the stage-wise ICFR Framework and perform tests of controls for the management functions. In line with SBP exemption from the requirement of external auditors' Long Form Report (LFR), Audit and Inspection Group of the Bank reviewed the bank's ICFR function for the year 2021 and submitted an Assessment Report to the Board Audit Committee (BAC). The ICFR review for 2022 is in progress and an Assessment Report will be submitted to BAC during first quarter of 2023 in line with regulatory requirements.

Management's Evaluation on Effectiveness of Control Framework

The Bank's system of Internal Controls is designed to manage rather than eliminate the risk of failure to achieve its business strategies and objectives. It can, therefore, only provide reasonable and not absolute assurance against material misstatement and losses.

In accordance with Board's vision along with SBP and 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 management believes that the Bank's existing system of Internal Controls is considered reasonable in design and is functioning effectively and constantly monitored. There is a continuous improvement in the Bank's Control Environment including technological solutions. Based upon the work performed, the management keeps on identifying areas for process improvements as well as implement additional controls required for strengthening existing controls. The management takes all necessary steps to ensure that the timelines and priorities assigned to the same are adhered to.

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

The Board of Directors has duly endorsed management's evaluation of internal controls, including ICFR.

For and behalf of the Board,

Atif Aslam Bajwa
President and Chief Executive Officer

Abu Dhabi
February 2, 2023

Management's responsibility towards Financial Statements and Directors' Compliance Statement

The Bank's Management is aware of its responsibility towards the preparation and presentation of financial statements. The Directors of the Company confirm that:

- The financial statements, fairly represent the state of affairs of the Bank, the result of its operations, comprehensive income, cash flows, and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have consistently been applied in the preparation of financial statements and accounting estimates, and are based on reasonable and prudent business judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan and to the banks in Pakistan, have been followed in preparation of financial statements, and any departures therefrom have been adequately disclosed and explained.
- The system of Internal Controls is sound in design, and has been effectively implemented and monitored.
- There are no significant doubts regarding the Bank's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance.

Adoption and Statement of Adherence with the International Integrated Reporting Framework

Scope and Purpose

The primary purpose of this report is to establish a communication with our stakeholders about how the Bank's strategy, governance, performance and prospects, in the context of external environment, lead to the creation of value to achieve short, medium and long-term strategic objectives.

create value through core business activities. Value is created through organisation's business model, which takes inputs from the capitals, and transforms them through business activities and interactions to produce outputs and outcomes, that, over the short, medium and long-term, create value for the organisation, its stakeholders, society and environment. The capitals, from which the business model takes inputs, are identified as financial, manufactured, intellectual, human, social and relationship, and natural capitals.

Responsibility of the Report

The preparation, presentation and integrity of the Integrated Report is the Management's responsibility. The report has been presented in accordance with the International Integrated Reporting Framework.

The Value Creation Process

The Board has created an appropriate oversight structure to support the ability of the Management to

Content Elements incorporated in our Annual Report

- **Organisational Overview, Business Model and External Environment**
Bank Alfalah Limited (BAFL) is incorporated as a commercial bank with operations in Pakistan, Middle East and Asia Pacific. The Bank is listed on the

Pakistan Stock Exchange (PSX). It operates under the directives issued by the State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX).

- **Governance**

The Board of Directors (BoD) governs and sets out the strategic objectives for the Bank. BoD has assigned responsibilities for daily operations to the Senior Management.

- **Stakeholder Relationship and Engagement**

The Bank effectively manages the expectations of its stakeholders and considers this a key priority.

- **Sustainability and Corporate Social Responsibility**

Besides focusing on business objectives, the Bank focuses on establishing a sustainable, safe and healthy environment. The Bank also considers caring for the community its prime responsibility.

- **Risks and Opportunities**

The Bank operates in an environment where it is subject to Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Environmental Risk. The Bank has mitigating strategies in place to address these risks, and effectively protects the capitals against the odds of these risks.

- **Strategy and Resource Allocation**

The Bank has short, medium and long-term strategic objectives in place. These are to maximise shareholders' value, sustainable returns, and exceed shareholders' expectations. The Bank allocates its resources to achieve these objectives.

- **Information Technology Governance and Cybersecurity**

The Bank has an established IT governance policy and a cybersecurity program. The Bank performs on a regular basis, security assessment of its technological environment and has advanced technological infrastructure to provide secure customer service. Further, the Bank has state of the art core banking and surround systems to assist it in daily operations.

- **Performance and Position**

Bank Alfalah measures its performance and position against Key Performance Indicators (KPIs). The Bank has been performing impressively in terms of year-on-year growth.

- **Outlook**

Challenges and uncertainties to which the Bank may be exposed include the Government's fiscal measures, including monetary policy, geo-political situation, law and order situation, inflation and taxation. The Bank tracks key metrics, which might affect its performance and take corrective measures to maintain its market standing, protecting the capitals, and providing maximum returns to its shareholders

- **Excellence in Corporate Reporting**

The Corporate Reporting Framework comprises of International Financial Reporting Standards (IFRS), Islamic Financial Accounting Standards (IFAS), Companies Act, 2017, Banking Companies Ordinance, 1962, and the directives issued by the SBP and the SECP. The reporting calendar of the Bank and its subsidiaries is January to December. The External Auditor of the Bank is M/s EY Ford Rhodes. Key matters relating to the current year have been disclosed in the External Auditors' Report. The period for which this report is prepared is year ended 31st December, 2022



OUTLOOK



Forward Looking Statement

Narrative Statement

The recovery in global economic growth post-covid has been hampered due to the ongoing war between Russia and Ukraine. Presently, the global economy is facing three challenges: financial sanctions, rising commodity prices & supply-chain disruptions. These challenges have fueled global inflation and downgraded the growth outlook in most countries.

Pakistan's economy is severely affected on account of the aforementioned global situation coupled with a concerning domestic scenario. Monetary tightening measures introduced at the start of the current fiscal year have led to a slowdown in economic activity across the country. The situation was further aggravated by the socio-economic aftershocks of catastrophic monsoon flooding which led to a loss of livelihood (employment, livestock and harvests), the spread of waterborne diseases and rising food costs. This combined with import restrictions to curb the trade deficit, higher energy costs, depleting foreign reserves, high interest rates, rising inflation and devaluation of the local currency resulted in significant demand curtailment along with international ratings agencies downgrading Pakistan's credit rating during the year 2022.

Given the current economic environment and the risk of credit headwinds, the Bank continues to follow prudent risk management practices and manage the loan book optimally. In line with the Bank's mission, we seek to be the preferred bank for our customers and will always put our customers and their needs first. Regaining and growing our market share in low cost deposits, consumer products and SME financing are still our primary target. We will continue to expand our reach to our customers by growing our branch network and tapping new markets. Enhancing trade market share and penetration in cash management with high attention to SME/commercial clients will remain our top priority. Furthermore considering the changing business environment, we are constantly focused on business process re-engineering and digital transformation.

At Bank Alfalah, our key focus will remain on utilising technological advancements to improve our banking services and provide superior customer services. The foundation of our growth is based on innovation on technology and digital front in order to keep up with the global and domestic market dynamics. We are

well-positioned for sustainable growth and building long-term shareholders' value. We will continue to invest in human capital and in strengthening compliance and controls environment. At the same time, the Bank will continue to focus on improving the return on capital on risk assets, optimising returns from the banking book and enforcing a strong cost discipline across the Bank.

Furthermore, along with all this, we believe our employees are fundamental to our existence and growth. Therefore, we are determined to continue investing in human capital and creating a culture of care and compassion.

At Bank Alfalah, innovation is the cornerstone to evolve and progress, finding new and improved ways to interact with our internal customers to serve them better. The Human Capital Group will continue to direct its efforts to become the employer of choice, aiming to provide good opportunities to employees through learning, development and performance-based rewards. Our key focus will remain to inculcate our Culture across the Bank, promoting the concept of One Bank One Team, focusing on our customers, and inspiring and empowering our employees.

Bank Alfalah also aspires to become an inclusive bank for all its employees by providing a conducive environment for people of all backgrounds. Our aim will remain to provide opportunities for our female employees to succeed and grow while adding differently abled employees to our workforce.

Furthermore, we place importance on safeguarding the health and well-being of our employees, introducing various initiatives to maintain a work-life balance while focusing on their emotional and mental well-being.

As HRLG becomes the voice of employees for Bank Alfalah, the team is committed to strengthening the business partners. It is a platform for accessibility and communication between HR and business/support functions, conducting various pulse checks for insights across the Bank through consistent initiatives for an exceptional employee experience for our existing workforce and potential candidates.

Quantitative Projections

The chronic issues faced by Pakistan persists and pose a challenge to overall economic growth of the country including banking industry. With galloping inflation and yawning current account deficit, adhering to harsh IMF conditions will be inevitable for ensuring fiscal discipline and moving out of the current economic crisis. Continuing political and economic uncertainty along with government's contractionary measures will have serious consequences for all business activities.

We expect elevated interest rates in the coming year resulting in higher spreads and significant growth in net interest income of the bank. However, fee and commission lines will be under pressure because of depressed economic activities, restrictions on imports and FX challenges. We are already witnessing shift of remittances to non-banking channels due to widening gap between official and open market exchange rates, which has bridged to an extent post recent depreciation of rupee. With rising interest rates the bank will see limited capital gains. Furthermore, IFRS 9 application from January 1, 2023 has changed the treatment of gain on available for sale equity investments with no recycling to PL.

On the other hand, we expect stronger credit headwinds leading to higher NPLs as a result of the tough operating environment. The bank continues to closely monitor health of portfolio and make prudent provisioning to improve coverage. We remain committed to facilitate the SME and consumer sectors in line with our key strategy. However, with elevated interest rates and other restrictions, we foresee limited credit offtake.

The bank intends to operate at higher than 50% ADR as it does not attract higher taxation. We aim to continue our growth trajectory for gaining market share across the key performance drivers while being cognizant of the operating environment. We foresee industry-wide pricing pressure in advances as other banks will try to improve their ADR. Moreover, current deposits mobilization will become difficult in high interest environment as customers will shift to lucrative interest-bearing deposits.

We plan to increase the Bank's touch-points i.e. new branches and further deployment of ATMs, CDMs and CCDMs despite import and payment related issues. Certain new initiatives planned for 2023, which are necessary for long-term growth, will result in cost escalation, while contribution to revenue will be visible in later periods. On the other hand, unprecedented high inflation and significant devaluation will impact our cost to income ratio. The bank's operating profit is expected to improve from last year based on our forecasts in view of present day operating environment.

Uncertainties that Could Affect the Bank's Resource, Revenues and Operations

All forward looking statements are by nature, subject to risks and uncertainties, and some of these are beyond our control. The impacts could vary from short term to medium and long term. Factors that may potentially affect the Bank's resources, revenues and operations are as follows:

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

The Bank's strong financial position, processes and controls make it resilient to these changes, many of which were tested in 2022. The results of these stress tests were presented to the management committees and the board committees for information and forward guidance.

External Environment

Please refer to the sub-section on the following pages within this section.

Our Performance against Last Year's Forward Looking Statement

Forward-looking statement disclosed last year	Our performance in 2022
Bank Alfalah is well-positioned for sustainable growth and building long-term shareholders' value.	The Bank's profit after tax stood at Rs. 18,206 Bn. Advances (gross) grew by Rs. 66,620 Bn and closed at Rs. 765,693 Bn. Deposits closed at Rs. 1,487 Tn as against Rs. 1,139 Tn as at the close of last year, representing an increase of 30.5%. CAR stood at 13.83% at the close of the year.
<p>In line with the Bank's strategy, we aspire to be the most customer-centric and innovative bank in the country with a caring culture.</p> <p>To cope with changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering.</p>	<p>We were declared the Best Digital Banking Award and Best Bank in Housing Finance for 2022 by Pakistan Banking Awards. This is a reflection of the confidence and trust placed in us by our stakeholders.</p> <p>To cater to our customers advanced digital needs we made the onboarding of existing and new customers effortless by introducing RAPID.</p> <p>Alfalah RAPID provides the following digital features to fulfill the banking needs of our customers at their convenience. Customers can do the following anywhere in the world through the Rapid portal:</p> <ul style="list-style-type: none"> • Open new deposits accounts, i.e. current and saving accounts • Apply for consumer products such as debit cards, credit cards and personal loans • Fulfil their self-service banking needs (e-statements, SMS alert subscription, cheque book request, CNIC updates, etc.) • Roshan Digital Account holders can apply for credit card. <p>Alfalah's internal application of Sales Management System (SMS) which aids the sales staff of the Bank to improve sales, track their progress and enhance their service was upgraded to SMS version 2.5 with enhanced configuration and customization changes like Lead Management and Email Management. The Bank is actively developing SMS 3.0 to add additional features such as, customer profiling, integration with BPM, Rosetta and Aspire etc which should further complement and enhance our sales efforts.</p> <p>In order to expand its branch network while providing innovative solutions, the Bank has also planned to launch "Digital" Branches at select locations in 2023.</p>
We will work hard to regain and grow our market share in low cost deposits, consumer products and SME financing.	<p>With a great emphasis on building a low cost deposit base, our total deposits stands at PKR 1,487 Trn and current deposits at PKR 661,365 Bn as at Dec'22 end. These numbers are achieved through a segmented sales approach based on ideal customer personas and selective branch expansion in key areas.</p> <p>We continue to be a strong player in consumer business. Credit card volumes continued their healthy growth in 2022 with closing balance standing at PKR 18.05 Bn (Dec'21: PKR 12.28 Bn). Furthermore, Bank Alfalah issued 74,000+ Credit Cards in 2022 which is the highest ever recorded. There has also been a surge in spending through Credit Cards with throughput increasing by 64% in 2022 to reach PKR 120.13 Bn</p>

Forward-looking statement disclosed last year	Our performance in 2022
	<p>respectively (Dec'21: PKR 73.29 Bn).</p> <p>Similarly, Personal loans closing balance also grew in 2022 and now stands at PKR 9.83 Bn (compared to PKR 6.78 Bn in Dec'21).</p> <p>On the other hand, industry wide slump has impacted growth in auto finance and gross outstanding volumes marginally declined from Dec'21 to PKR 47.87 Bn in Dec'22 (Dec'21: PKR 49.08 Bn).</p> <p>The Bank is a prominent player in the SME sector with a loan book of PKR 39.6 Bn at Dec'22. Simultaneously, we participated in the Prime Minister's Kamyab Jawan Programme Youth Entrepreneurship Scheme (PMKJ-YES) to provide self-employment opportunities to unemployed youth and distributed PKR 2.6 Bn loans.</p> <p>With our focus being on financial inclusion and financial awareness/education, various initiatives were launched including awareness sessions jointly with Chamber of Commerce (various cities), webinars and introduction to SME Toolkit (online portal) etc.</p> <p>This year we emphasized on lead generation and business growth along with promoting financial inclusion of Women by partnering with Greenstar, Invest2Innovate, SMEDA LadiesFund, USAID SMEA and APWA.</p> <p>Furthermore, in 2022, the Bank (both Conventional and Islamic) extended financing to various SME sectors under the SBP's scheme of SME Asaan Finance scheme (SAAF).</p> <p>We are currently running the widest range of Product Programs for SMEs. To address the issue of lack of collateral regarding financing, Bank Alfalah has launched Value Chain Financing initiative. It has successfully added cash flow based, non- collateralized products / program-based lending to its product suite instead of traditional business practices with efficient turnaround time. Additionally, we also provide after sales support which adds to trust building with our partners.</p> <p>Bank Alfalah also launched Digital Working Capital Finance for SME clients in May 2022. The product is offered to Bank Alfalah's Alfa Payment Gateway Merchants with credit facility up to PKR 15 Mn.</p>
<p>We look forward to expanding our branch network to widen our reach and serve our customers.</p>	<p>Bank Alfalah has accelerated its strategic focus on expanding its network to 894 branches in 2022, in order to enhance market coverage through increased customer touchpoints.</p> <p>To grow our conventional network, we added 51 new branches during 2022. Furthermore, as at Dec'22 our Premier footprint has presence at 50+ locations across the country via our Premier Lounges.</p> <p>In order to grow the Islamic outreach, the Bank opened 53 new Islamic branches. Islamic Premier services are also available through their 19 lounges spread across in Karachi, Lahore, Islamabad, Gujranwala, Sialkot, Faisalabad and Peshawar.</p> <p>For Financial Inclusion of Specially Abled Persons (SAPs) / Persons with Disabilities (PwDs), Bank Alfalah ensures our financial services become accessible to all. Islamic Banking Group led the project by introducing 16</p>

Forward-looking statement disclosed last year	Our performance in 2022
	<p>dedicated Model Branches that are operational all across the country in 2022. These branches are fully equipped to facilitate PwDs through various means such as presence of ramps, talking ATMs, braille stationery, accessible counters and out-of-queue assistance.</p>
<p>Our focus will be on harnessing technology to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner.</p>	<p>In order to provide our customers, the digital services that are expected of us in this Digitally advanced age, we strive on delivering new and improved products and services.</p> <p>Alfalalah's Digital banking App "ALFA" provides further ease to users by offering dual QR payment, mutual funds investment with digital account opening, digital insurance, Roshan Digital Account, Alfalah Islamic digital current account, Alfa Health (WebDoc assistance), Alfa Term Deposit, Alfa Chat (P2P messaging), Alfa Business App (with in-app QR generation, E-shop catalogue and digital supply chain solution), Alfa Payment Gateway (with digital merchant onboarding and pay via link feature), Instant loan, Instant Credit Card, Virtual Debit Card, Investment Portfolio System, home delivery of pension to pensioners via Branchless Banking Alfa Agents, RAAST, and RAPID.</p> <p>The Bank runs the largest network of Cash Deposit Machines in Pakistan with 393 CDMs (as of Dec'22) across the country resulting in CDM migration to reach 42%. Furthermore, bank's digital transaction expanded greatly with migration of over-the-counter transactions to digital platform, generating throughput of PKR. 2.2 Tn during the year.</p> <p>The Bank also enabled debit card management (card activation/deactivation, PIN generation/change) through digital channels. In order to migrate traffic from branches to digital channels, requests for banker's cheques, account statements and cheque books have been enabled on Internet Banking and the Mobile Banking App. Moreover, to enhance user experience, the following features/products were introduced:</p> <ul style="list-style-type: none"> • Virtual debit card • WhatsApp banking • S-Paisa that enabled branchless banking in AJK and GB • Automation of payroll onboarding • Best Buy collaboration for digitising collection • Tap and Pay – a contactless card transaction • Ask Alfa <p>The Bank also launched digital Alfa Islamic Account for onboarding, digitally acquiring customers who prefer Islamic banking for their daily transactional and saving needs.</p> <p>Moreover, Bank Alfalah was the first bank to install the Big Data Warehouse solution. This platform has helped the Bank to build analytics and machine learning models with structured and unstructured data that complements decision-making throughout the organization.</p>
<p>Greater emphasis will be on boosting trade volumes, increasing penetration in cash management with the focus on SME/commercial clients.</p>	<p>Bank Alfalah successfully captured trade volumes of PKR 1,623 Bn as at end Dec '22, up by 35% from Dec '21. This growth was achieved through better customer service, competitive pricing, reducing TAT, and focusing on SME clients.</p> <p>Furthermore, Bank Alfalah's trade market share has increased by 67 bps</p>

Forward-looking statement disclosed last year	Our performance in 2022
	<p>from 7.26% in Dec '21 to 7.93% in Dec'22. Import market share increased by 102 bps to 8.64% in Dec '22, while export market share slightly declined to 6.49% in Dec '22 from 6.71% in Dec'21.</p> <p>In 2022, Alfalah focused on developing Oracle Banking Digital Experience (OBDX) by incorporating the online procedures of Export LC's, Letter of Guarantees, Export Bills etc. to make it easy for our corporate clients to Trade and initiate transactions online thereby reducing TATs.</p> <p>In 2022, Cash Management also focused on migration of Payments and Collection modules on Oracle Banking Digital Experience (OBDX). All the modules are incorporated and the OBDX portal is live for all the Cash Management clients. Furthermore, we successfully penetrated the service industry including schools, social clubs, large superstores and hospitals, Big Mandates such as State Life and Etimad, WAPDA and Adamjee. Consequently, the total throughput for the year 2022 was PKR 1,377 Bn which is 81.4% higher than 2021 levels.</p>
<p>Investing in human capital and creating a caring culture will be a priority.</p> <p>As Bank Alfalah continues to evolve and progress, HRLG will direct its efforts to ensure that the Bank becomes an employer of choice. Our key focus will be on building a happy workforce along with a value-driven culture, ensuring conscious hiring, development, and merit-based elevation of female employees. Furthermore, safeguarding the health and wellbeing of our employees during the coronavirus crisis, introducing various digitised initiatives for existing and potential employees and continuing to support our business functions will also be given prime importance.</p> <p>As HRLG evolves to be the Voice of Employees for Bank Alfalah, the team is committed to strengthen the Business Partners platform to ease accessibility, while simultaneously devoting itself to be the employer of choice by constantly introducing new and digitised initiatives for its existing employees and potential candidates.</p>	<p>In 2022, the Human Capital Group focused on three areas i.e. Culture, Diversity & Inclusion and Learning Development in accordance with Bank Alfalah's 2021-2025 strategy.</p> <p>HRLG continued its focus on enhancing employees' happiness, habit building and well-being through several activities. To empower employees and to enhance the employee experience, HRLG executed the following initiatives:</p> <ul style="list-style-type: none"> • Happiness survey to analyze bank wide happiness level; • "Fit Hi Tu Hit Hai" to engage employees in Fitness Journey; • "Skill" a month campaign to focus on skill enhancement; • Cricket Tournament; • Other engagement activities like film screening, theatrical play screening for staff and department picnics. <p>Leadership Development Program was initiated at 3 levels across bank to enable behaviours in alignment with our culture and value behaviours.</p> <p>At the heart of the DE&I agenda which is to develop women and to prepare them for leadership roles, BAFL launched a sponsorship programme where women are given opportunity to be coached by Senior Executives for a period of 6 months. In addition, another programme called "SheLead" which is an inhouse signature leadership development programme for women is also used to develop women leaders. As an advocate of gender & diversity, BAFL initiated Gender Stereotype E-learning, Gender Lens on elevations and other processes, Women Engagement sessions, Women's Day Campaign and Pulse Check Survey. Due to the success of our initiatives in promoting the agenda of DE&I, BAFL won 10 awards at GDEIB.</p> <p>Given below are the specific details of the actions taken for the human capital:</p> <ul style="list-style-type: none"> - Happiness and Engagement Survey: An assessment of engagement of employees on psychometric scale.

Forward-looking statement disclosed last year	Our performance in 2022
	<ul style="list-style-type: none"> - Diversity, Equity and Inclusion: We formulated a policy to ensure that we have a diverse, equitable and inclusive workforce. The policy has been approved by the Board of Directors following which an entire strategy with detailed initiatives has been decided as the way forward. We also continued to drive our Diversity, Equity and Inclusion (DE&I) agenda by celebrating Women's International Day, implementing the maternity cover policy, and making to ensure that our differently-abled employees and people from religious minorities feel included and valued. - Our business partners for each unit continued to support all business functions and provided necessary guidance, support and advice, while the learning team found digital avenues to ensure that business units' needs are fulfilled, and a positive environment is provided to learn and develop. - Employee Health, Welfare and Well-being: During the year, the Bank, realizing the damages caused by the floods, extended financial support to such employees whose homes were affected.

Status of Key Projects

Projects and their Details	Status
Major Construction Works	
Ramps for Disabled Persons – 290 locations (as per SBP directives)	Completed
Branch vouchers archiving – Phase 1 (225 branches)	Completed
Branch Expansion	
Annual Branch Expansion Plan 2022 – 104 branches	Completed
Payment Schemes	
Tokenisation of debit and credit cards	In Progress
Major IT Projects	
Regulatory Compliance	
SBP RAAST P2P & Corporate Bulk Payment	Completed
Digital Onboarding Framework Compliance	Completed
RAPID eKYC Bangladesh	Completed
AI Automated Trade Pricing Validation	Completed
PCIDSS Recertification 2022	Completed
SWIFT Go - Low Value Cross-Border Payments	Completed
FCCM - AML System rollout for Overseas Locations	Completed
Technology Innovation, Platform Modernisation, Digitisation	
Alfalah Transact Plus (OBDX) - Cash Management Solution	Completed
Remittex – Bangladesh Home Remittances Solution rollout	Completed
Corporate Invoice Payments	Completed
AsanPay – OTP based Cash Withdrawals / Remittances on ATM	Completed
Digital Banking Platforms for Corporate Services and Self-Service Banking Digital Platforms – Phase III (Trade Finance Enhancements) and Phase IV (Supply Chain Management) for corporates and SMEs.	In Process
Digital Branch	In Process
ATMs with Stateless Technology Platform	In Process
Tokenization – Contactless Payments via Mobile	In Process
Instant Cheque Encashment	In Process
Digital Facilitation Desk - (DFD)	In Process
RAPID Enhancements - Video KYC	In Process
Tap on Phone	In Process
Security	
SWIFT Security Controls Framework	Completed
Cyber Recovery Solution (Ransomware Prevention)	In Process

Projects and their Details	Status
Operational Excellence and Continuous Improvement	
Process Automation Platform (Workflow Automation)	On going
Core Infrastructure Upgrade (IBM Power10)	In Process
Consolidation of Debit Card and ADC Platforms	Completed
Cloudera – Private Cloud Platform Upgrade	Completed
T24 – Core Banking Application Upgrade (Pakistan)	In Process
FCCM – AML System Upgrade – Pakistan	Completed
Insight – Business Intelligence & Analytics System Upgrade	In Process
Unison Ace – Contact Center Solution Technical Upgrade	In Process
Aggregation Router Upgrade	In Process
AI Automated Signature Verification System	In Process
Business Process Automations	On going
DevOps and Automation Using CI/CD	In Process

Sources of Information and Assumptions used for Projections and Forecasts

The Bank has based its projections on internal and external factors. External factors include discount rate, inflation rate, external account position, industry analysis, GDP growth, and other macroeconomic indicators, while internal factors comprise of strategic objectives, financial performance and competitive edge. Such indicators, along with certain assumptions for the forecasted period, are incorporated into programmed models to get a desired level of growth outcome.

Assumptions

Economic Position

In 2022, Pakistan's economy witnessed adverse impacts due to its vulnerabilities to external factors. The economy was severely hit by international commodity super cycle, increasing political uncertainties, rising inflationary and current account pressures along with floods which depleted FX reserves. Going forward, in 2023, due to relative softening of commodity prices, pressure on current account is expected to ease off. However, due to ongoing external debt repayments, pressure on Pakistan's FX reserves is expected to remain elevated.

Discount Rate

State Bank of Pakistan increased policy rate by 625 bps from 9.75% to 16% in response to emerging inflationary and external pressures. Going forward, the Monetary Policy Committee (MPC) will continue to carefully monitor economic developments affecting medium to long term prospects and respond accordingly.

Inflation

The average inflation in FY22 clocked in at 12.1% against the SBP range of 9-11%. Since Jun'22, Pakistan economy has witnessed surge in inflationary pressure on account of higher international commodity prices, adjustments in utilities and impact of PKR depreciation against USD. For FY23, SBP expects average inflation to be in the range of 21-23%.

Overall Outlook

The results of monetary and fiscal measures undertaken

by the SBP and Government are expected to emerge in coming months. Government is committed to continue with the IMF program and undertake structural reforms. When these reforms materialize and aggregate demand is curtailed, the average inflation is likely to move towards SBP's medium to long term target. The management of external vulnerabilities through higher FX reserves, contained current account deficits, increase in remittances and exports along with favourable economic conditions to promote investments by international community will pave the way towards recovery of Pakistan's economy.

Sources

The information is obtained from external sources such as regulatory publications including SBP's reports, analyst reports, IMF/World Bank reports, etc. and internal sources such as the Bank's own forecasting models, business plans and projections.

Assistance by External Consultant

Internal teams (relevant departments) in the bank are responsible to manage external and internal assumptions. They carry out the task by gathering external data, integrating it with internal data, conducting data analysis and business assessments, entering this information into data models, and generating outputs in the form of projections/forecasts.

The Consultant engaged by the Bank validates the external data and assumptions, where ever required. He brings an element of objectivity, neutrality, expertise and global perspective in formulating strategies for the business to find ways to realise the projections through regular banking activities. Additionally, ongoing monitoring is done by relevant departments in relation to projections and forecasts made by external consultant.

Our Response to Critical Challenges and Uncertainties

By leveraging the Bank's stable funding structure, substantial liquidity buffers, robust capital base, and practical business strategy, the bank remains well-positioned to respond to any significant challenges and uncertainties arising from the realisation of various systematic and idiosyncratic risks. For information on the Bank's capacity and readiness to address pressing issues, risk and uncertainties, the Board Crisis Management Committee continues to oversee

situations requiring constant monitoring and it provides oversight to the management for strategies to cope. It also monitors impacts on the Bank, employees, customers, society, and shareholders.

Please refer to uncertainties and significant external factors portions within this section of this Annual Report for more information.

Significant External Factors and the Bank's Response

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

Macroeconomic Environment

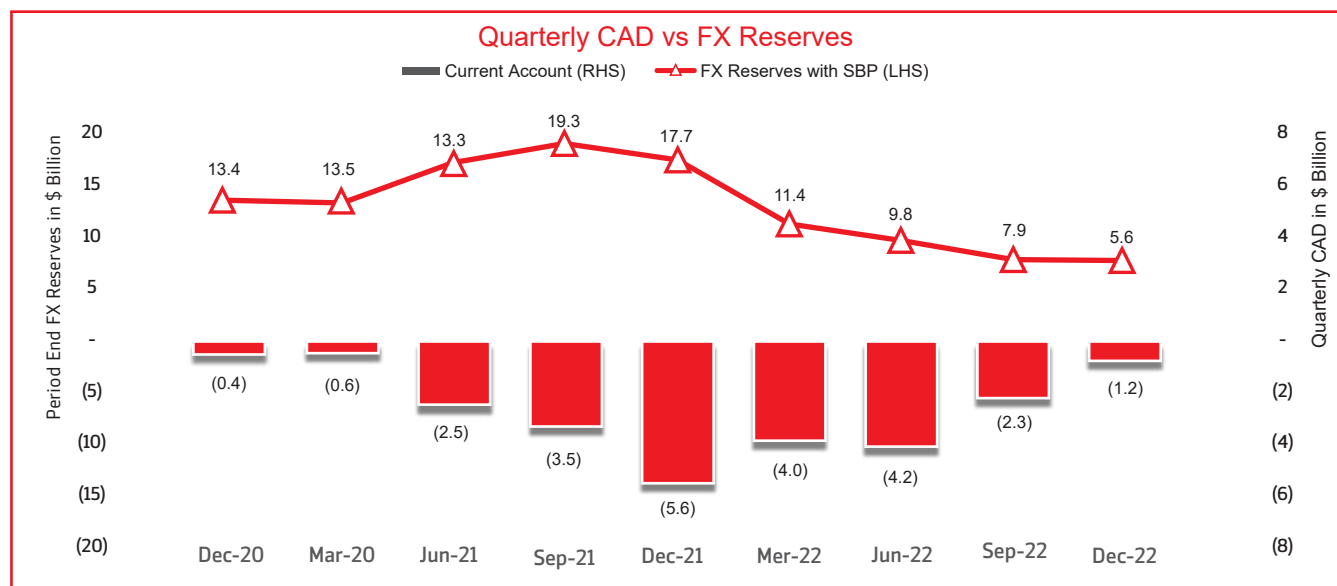
The year 2022 has been a challenging year for both Pakistan and International economies. The global food and energy supply chain have been drastically impacted by Russia-Ukraine conflict on one side and stringent COVID policy in China on other side. The recovery in international demand post COVID ease off combined with supply constraints set the foundation for international commodity super cycle for an extended period of CY2022. Pakistan has been largely impacted by the super cycle with historical high levels of imports, substantially high Current Account deficit & inflation along with rapidly depleting FX reserves.

With the recovering demand, limited supply and low level of inventories, the price of essential commodities like crude, wheat and palm oil touched its peak in 1H22 at more than 40% above the levels of Dec'21. Resultantly, global economies witnessed drastic surge in inflationary pressures and Central Banks across the globe stepped in with monetary tightening tools to curb inflation and ensure long term sustainable growth. The adverse impact of higher international commodity prices was also amplified for Pakistan on account of catastrophic floods in the country. The total economic

impact of flood on production has been estimated in USD billions and are expected to put a strain on external position.

Pakistan's economy witnessed robust growth in FY22 on the back of increased spending and import growth. Pakistan's GDP grew by 6.2% in FY22 against the target of 4.8% and a growth of 3.94% in FY21. However, as Government took stringent measures to manage aggregate demand, the economy is showing signs of contraction and GDP growth is estimated at 2% for FY2022-23. Additionally, on account of major loss of crops due to floods, the agriculture sector is also expected to decline. From the revenue perspective, Government has projected a primary surplus in FY23.

Similar to other emerging markets, Pakistan's economy also witnessed worsening external position primarily from higher global commodities prices, increased global demand and supply shortages due to Russia-Ukraine conflict. The Current account deficit was recorded at USD 17.5 billion for FY22 compared with SBP's target of USD 12-13 billion. Due to administrative measures and softening in international commodity prices, CAD has significantly improved in the recent months. SBP expects the current account deficit to sustain at moderate levels of 3% of GDP (USD 10 billion) in FY23. On the financing side, inflows were negatively affected by domestic uncertainty and tight global financial conditions as major central banks continue to raise policy rates. Resultantly, the FX reserves depleted rapidly to USD 5.6 billion unit after paying back Pakistan Euro Bond in Dec'22.



The momentum of general and core inflations remained upwards in 2022 due to higher commodity prices in international markets, increased demand in local economy, and PKR weakening against USD. The adjustment in power tariffs and increase in the local petroleum prices put further pressure on transport costs and on prices of commodities in local economy.

Bank's Response

Changes in the macro-environment, ranging from inflation

and/or currency pressures, affect the performance of the Bank, which is reflected in our results and in the stock price of the Bank. The Bank keeps a track of key metrics that might affect profitability and as per its best judgement, pre-empts developments and aligns its internal strategy accordingly. The Bank thus takes measures such as balance sheet re-alignment to take optimum benefit and protect the franchise from adverse economic moves.

Policy Changes

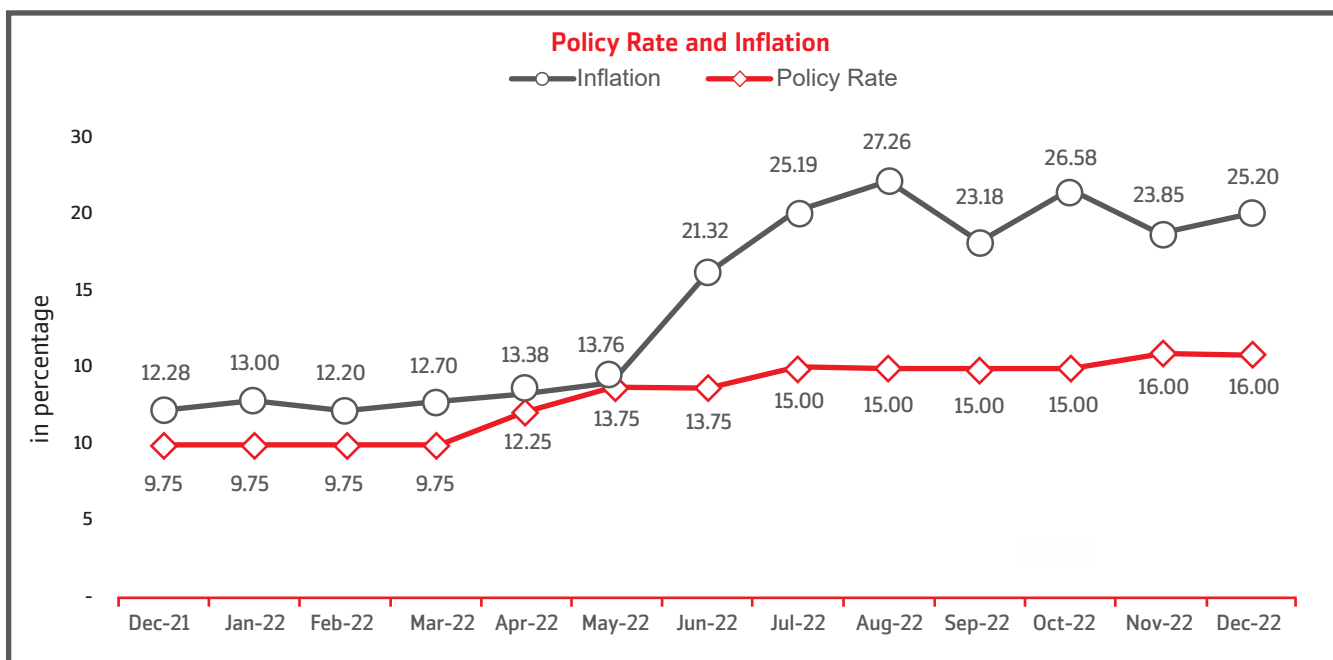
Any policy changes that directly impact the banking landscape, and cost and/or revenue drivers are likely to exert the influence on the Bank's performance. For example, a change in the discount rate, which directly impacts yields on all earning assets and liabilities, would have considerable impact. Similarly, any regulatory changes such as a change in the minimum rate payable on deposits and schemes brought in by the SBP can have a significant impact on the cost of funds and profitability.

In order to counter inflationary pressures and ensure growth sustainability, the SBP acted promptly by increasing the interest rates by 625 basis points to 16%. Moreover, SBP is gradually reducing the stimulus in the economy to contain aggregate demand. SBP also

increased the cash reserve requirement maintained by the banks from 5% to 6% on fortnightly basis in order to curtail the growth of money supply in the economy.

Bank's Response

The change in policy rate directly impacts the banking industry and the Bank's performance due to re-pricing of assets and liabilities and market-to-market impact on investment portfolio. The Bank manages the interest rate risk (re-pricing gap) based on interest rate outlook. In expectations of increase in the interest rates, the Bank proactively reprofiled its T-Bills and PIB portfolio, with incremental investments tilted towards floating rate Pakistan Investment Bonds (PIBs) having repricing of up to 6 months and an additional spread over T-Bill rates. The strategic positioning has resulted in significant growth in Bank's net interest income.



Investor and Market Sentiment

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

fundamental development or change in the Bank's investment or business case.

As the macroeconomic and political situation unfolded, Pakistan equities remained bearish and volatile with the benchmark KSE-100 index falling by 9.4% in 2022. The equity market started the year on a positive note amid foreign buying, IMF tranche disbursement and

international sukuk bond issuance. However, political uncertainties, macroeconomic deterioration and floods hampered the sentiment towards the subsequent quarters. The lacklustre investors' interest was also visible in the lower trading activity, with average daily trading volumes dropping by 52% to 230 mn shares and value by 59% to PKR 6.9 bn shares. Foreign investors remained seller (net outflow of USD 48 mn). Locally, mutual funds and insurance sector remained on the selling side which was absorbed by individuals, companies and banks.

Bank's Response

The Bank has a dedicated Investors Relations unit that timely responds to the queries / concerns of shareholders and potential investors. This helps the Bank to be transparent and share up-to-date information with various stakeholders.

Legal and Regulatory Environment

Major challenges faced by the banking sector are trade-based money laundering and terror financing. Legal environment also encompasses the restrictions and constraints set by FATF, IMF and other international bodies. Additionally, with the growing use of digital channels, there is an even greater threat to financial security.

Bank's Response

Bank Alfalah worked towards enhancing customer experience and increasing business activity, while abiding by the standards and guidelines set by FATF, the SBP and other regulatory bodies on AML/CFT/CPF, Trade AML, information security threats including identity theft etc. The Bank also complies with the UNSC Targeted Financial Sanctions on Designated Persons and Proscribed Persons. This is done by making the best use of Regulatory Technology Tools and skilled human resources.

Social Environment

2022 continued the momentum witnessed in 2021 towards increased demand for banking services in general, particularly digital banking solutions. Society is slowly adapting to methods once unfamiliar, which include digital wallets, online transfers and branchless banking. To cater to the growing needs of the customers, new initiatives were launched like digital account opening and end-to-end digital payments within seconds.

The government took timely measures to deal with the flood affectees by establishing the "Prime Minister's Flood Relief Fund, 2022". Simultaneously, organisations played their part in the battle against floods by supporting and contributing generously to the flood victims.

Bank's Response

Bank Alfalah launched a Flood Relief Program to support the fellow countrymen affected by the natural disaster in 2022. Through this program, Bank Alfalah has partnered with the credible charitable organizations who are taking up the mantle and have commenced work in this regard for distributing food, medical supplies, and other amenities to the flood affectees. Bank Alfalah, on guidance and philanthropic focus of its Chairman, His Highness Sheikh Nahayan Mubarak Al Nahayan, generously donated USD 10Mn for flood relief efforts in Pakistan. The employees of the Bank also generously contributed a portion of their salaries, made donations and provided essential items towards the flood relief.

Political Environment

A stable political environment is essential to the smooth running and growth of the banking industry. Investor confidence is dependent upon a stable law and order situation, as it directly impacts the banking sector and equity market. The political environment inside the country as well as across the world affects the ability of the Bank to implement its strategy.

Bank's Response

Given the importance of evolving political risks, there are three ways the bank prioritizes actionable steps to address the strategic and financial impact of these risks:

- Better integration of this risk in the overall risk framework of the bank.
- More holistic scenario analysis: Scenario planning offers another opportunity for the bank to improve how it factors in political developments.
- Top-down and bottom-up stakeholder engagement: Coordination with peer banks directly or via industry groups to address growing societal risks.

Technological Environment

There is a mass explosion of intelligent technologies and rapid transformation of the country's technological landscape, especially in digital and AI technologies. Ever-evolving customer expectations and state-led digitisation initiatives have created expectations for improved customer experience, strengthened data governance strategies, and holistic and more granular solutions-centric security and privacy measures.

As these technological advancements continue, underlying risks of damage by internal or external threat factors like unauthorised access to critical financial data, sensitive customer information, impersonation, theft or alteration of information, non-availability of essential systems or services, and loss of the Bank's sensitive electronic data and IT systems, has increased manifold. As a response, regulatory frameworks governing technology have been broadened and deepened.

Bank's Response

At BAFL, the early adoption of technologies and innovative solutions' delivery has already positioned us amongst the top customers' choice banks and transformed the solution design and delivery paradigm. All technology decisions are pivoted to our "YOU" philosophy while technology and security teams collaborate for strong governance placing customers' confidence and security second to nothing. However, these digital technologies have also created enhanced cyber-threat surface areas and multidimensional attack vectors.

The Bank's Information Security team caters to regulatory requirements for Information Security Risk Management, maintains the frameworks that enable the Bank's Management and staff to mitigate IT security risks bringing them to acceptable levels, researches evolving and emerging threats, and suggests and defines relevant information security controls. The team also performs information security risk assessment before and after the deployment of IT Solutions against defined categories of the IT Risk and Information Security Management System, performs 24/7 information security monitoring of information assets, investigates IT security incidents, reinforces IT security risk awareness amongst staff, and performs IT security risk management reporting.

Furthermore, the Bank's Resilience Plan caters to loss of access to critical systems or services due to cyber-attacks, non-availability of key personnel, wide-scale disruptions due to pandemic outbreaks etc. To withstand any adverse technological disruption, the Bank's critical technology infrastructure is designed and tested to continue from alternate sites for prolonged durations. Furthermore, Bank Alfalah has been continually augmenting its security posture vis-à-vis its digital positioning by investing in security technologies to deepen its cyber defences and by proactive adoption of international best practice advisories/frameworks into governance, security and service management. In addition to technologies, continued awareness training and customer communication are ensured to minimise the likelihood of security breaches.

The digitisation drive will continue in the coming years and we believe that the winning catalyst for the Bank shall remain the sustained trust of our customers in our

security and privacy policies even as we seed 'RAPID' one-stop conveniences.

Environmental Scenario

Globally, organisations and countries are adapting to the United Nations Sustainable Development Goals (SDGs). They are actively integrating all or some of the 17 goals of the UN in their plans in order to move towards a sustainable world. Pakistan's geographical location makes it extremely vulnerable to climate change as it is highly dependent on natural resources like agriculture and water. Increased environmental threats (global warming, poor air quality, carbon emissions, deforestation) indicate that prompt actions are required. The recent floods in Pakistan have added to the environmental threats overall; increased risk of waterborne diseases, depletion of necessities (health facilities, clean drinking water, infrastructure etc.) and disruption in supply of agriculture and livestock. This consequently affects the poverty rate and increases macroeconomic risks. The Banking industry plays an important role in dealing with the environmental risks by integrating and encouraging sustainable approaches within the organisation as well as evaluating stakeholders' relations and investment options.

Bank's Response

The Bank has taken various steps that have a bearing on the environment. Please refer to the Sustainability section of this Annual Report for further details.

Commercial Environment

In response to the growing needs of the customers in this digital era, new and innovative products were added to the portfolio accordingly, and simultaneously an environment of healthy competition was created. Alongside this, the banking industry continued to cater to specific agendas such as empowering women, providing low-cost banking solutions to the agricultural sector, and financial inclusion through online account opening facilities. Fair Treatment to Customers (FTC) became a key focus for banks and process transparency became vital.

The digital banking landscape continues to experience an encouraging inflow of customers. The banking industry as a whole increased its focus and contribution towards digital channels. Customer experience became integral and continues to evolve to provide a seamless experience. Individuals grew more comfortable using digital channels compared to previous years. There was an overall acceleration of digitisation, and banks responded by providing state-of-the-art solutions to their customers.

Bank's Response

At Bank Alfalah, our aim is to make our portfolio of products increasingly accessible and user-friendly for the masses. The aim of Bank Alfalah's digital banking strategy is to provide customers with not just a banking window, but also an enhanced lifestyle. The Alfa App, Internet Banking and Alfa agent shops are some of the alternate delivery channels being employed that support our aspiration of becoming the most innovative and digitally advanced bank. The Bank digital customer on-boarding feature "RAPID" experienced a positive response. To maintain excellence, the Bank continues to enhance RAPID with new features to improve functionality by including options such as, photo account, minor account, video KYC, one KYC (centralised KYC) etc. The Bank also played a vital role in the SBP initiative "Raast" to facilitate the customers with seamless digital payments/transactions. With 550,000+ customers on-boarded on Raast, the Bank has been one of the most responsive in terms of encouraging its adoption.

Conclusion

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

The Bank's Risk Management Group stress tests against various predetermined 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.

Competitive Landscape and Market Positioning

Competitive Landscape

Threat of New Competition and Substitute Products or Services

There are significant barriers to the entry for new competition due to the need for considerable capital to set up a bank, compliance with strict regulations of the banking sector, and the time required to establish a strong brand identity, and, in turn, loyalty of customers. However, the emergence of Fintech entities with their innovative digital solutions and focus on transactional services has added greater depth to the domestic financial landscape and the customers' banking experience.

Bank's Response:

Bank Alfalah exercised the following strategies to cater to the threat of new competition:

- Enhancing customer loyalty through excellence in customer service
- Focusing on digital platforms to improve customer convenience
- Introducing innovative products and services to facilitate diversified customer needs
- Partnerships and collaboration with Fintech start-ups
- New digital branch on horizon

Bargaining Power of Customers

The bargaining power of customers mainly rests with the Bank's deposit holders, and since they are the Bank's primary source of capital, their bargaining power ranges from medium to high. This is because of low

differentiation in the industry, making it easier for depositors to switch to other banks in pursuit of incentives such as greater saving rates and better service offerings.

However, the bargaining power of High Net Worth individuals, corporate clients and other large groups has greater bearing due to their high price sensitivity arising from strong competition amongst banks. Hence, the loss of key accounts like these, which are important sources of revenue, has a substantial impact on the Bank's profitability.

Bank's Response:

Customers incur negligible costs, while switching to other banks partly or completely. The Bank's bottom line is minimally affected due to such shifts.

To mitigate possible concerns arising from the customers' bargaining power, the following strategies are exercised:

- Creating services and products that are tailor-made for different segments of customers
- Implementing new ideas to provide customers with better service and enhanced customer experience
- Efficient compliant management and high security standards

Bargaining Power of Suppliers

Suppliers mainly represent service providers of various administrative facilities such as supply of equipment and their periodic maintenance, security services, repairs and site maintenance, printing, deliveries to customers, clearing of cheques, brokerage, etc. They have an

important bearing on the Bank's operations and have considerable bargaining power based on the services provided to the Bank.

Bank's Response:

While service providers play an important role in enabling the Bank to perform its operations on a daily basis, the Bank has superior bargaining position, due to size of operations and goodwill attached to working with our brand name.

Bank Alfalah applies the following strategies to strengthen its relationship with suppliers:

- Extending a collaborative work environment to build long-term relationships
- Treating our suppliers as partners to create a win-win situation
- Avoiding concentration of services

Relative Strengths and Weaknesses of Competitors and Customer Demand

The industry experiences technological advancements, customer behaviour shifts, and various other technological shifts, which have their own strengths and weaknesses as listed below:

Strengths:

- Keeping pace with the technological shifts ensures that we are updated and providing optimal technological solutions
- We remain alert to customer security
- We remain cognisant of customers' demands

Weaknesses:

- Shift in transactions from branches to digital channels has seen exponential growth. Customers now seek high-end, cashless solutions
- Moving traffic to digital channels requires upgrade in technology and change in customer mind-set
- IT security standards are rising due to enhanced digitisation and new banking channels
- Regulations for Electronic Money Institutions (EMIs) by the Central Bank gave momentum to rising Fintechs catering to the evolving demands of the discerning customers. Telco led microfinance banks are proving to be catalysts of new and innovative ways to leverage data and introduce new products to tap the untapped market
- Change in customer behaviour requires that our online and offline operating model is realigned.

How the bank responds to it:

The Bank continually realigns its strategies to adapt to the changing needs of customers and remain ahead of the competition by introducing new products and services. Furthermore, various internal process are re-engineered to remain ahead of the curve.

Intensity of Competitive Rivalry

The focus of banks on developing asset and liability products offered at competitive rates to acquire more customers and grow their market shares indicates high intensity of competition amongst banks.

Bank's Response:

- Improving the product offerings to align with the technological advancements
- Offering low-cost banking solutions that increase the opportunity cost of switching from one bank to another
- Launching innovative digital services in the Alfa App to gain competitive advantage
- Run an effective marketing campaign to highlight the products amongst competitors

Regulatory Environment

Regulatory environment is getting more vigilant with increased regulatory push to drive down charges on customers. More frequent and thematic SBP audits are taking place to safeguard customers interest.

Bank's Response:

- Maintaining regulatory compliance across the Bank
- Implementing rigorous internal controls and adhering to a Risk Management Framework
- Determining the effects of new regulation on existing strategies and business models
- Training employees to comply with the updated regulations
- Committees tracking different aspects of changing dynamics and implications.
- Stress test on profit and CAR

Market Positioning

- Bank Alfalah is one of the leading banks in the country:
 - 4th largest private bank in terms of advances (based on Sep '22 published results). The Bank's market share in domestic advances is 6.1% as at Dec 31st, 2022 as per data published by SBP.
 - 7th largest private bank in terms of deposits (based on Sep '22 published results). The Bank's market share in domestic deposits is 6.0% as on Dec 31st, 2022 as per data published by SBP.
 - 7th largest private bank in terms of outreach (branches) (based on Sep '22 published results)
 - The Bank's share in home remittances is 19.2% for the year 2022 as per data published by SBP.
 - The Bank's share in trade is 7.9% for the year 2022 as per data published by SBP.
- Bank Alfalah's mobile banking app, which caters to both the banking and lifestyle needs of its customers with over 130+ products and services, distinguishes the Bank. The Bank also provides a differentiated service offering for both its conventional and Islamic banking customers depending on their preferences.
- Bank Alfalah is a pioneer in Supply Chain Financing in the banking industry. The Bank commands a better market standing as compared to its competitors and has been flexible in moulding its Small and Medium Enterprise (SME) business over time to better cater to its customers.
- The Bank aspires to become a technology-centric organisation, which drives innovation across the industry. This passion is what enables us to stand out from the competition and deliver a superior customer experience. Some of our noteworthy initiatives are Robotic Process and Business Process Automation, Data Lake/Big Data Initiatives, Sophisticated Networking and Infrastructure and Smart POS.
- The Bank is recognised as the first Bank in the industry to act as a Market Maker of Debt Securities
- The Bank has a complete suite of consumer products. The Bank is a key player in the consumer finance segment.
- Bank Alfalah launched a self-service digital banking platform for corporate customers
- Bank Alfalah is recognised as one of the top banks to have the largest customer base on "Raast" (SBP initiative)
- The Bank made history by distributing the first-ever business loan under "Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJ-YES) (SBP Scheme) to the transgender community. This was profoundly acknowledged by the Prime Minister Office.
- 'Best Digital Bank' 2022 by the Pakistan Banking Awards.
- 'Best Bank' in 2017 and 2019 and 'Best Customer Franchise' award for five years from 2016 to 2019 by the Pakistan Banking Awards
- Best Bank in Home Finance 2022
- 'Best Investor Relations' award for the 9th year running by CFA Society Pakistan.
- Won (3) Best Practice Awards – Global Diversity, Equity and Inclusion Awards (GDEIB) Benchmarks
 - DEI Structure and Implementation
 - DEI Communications
 - Work-Life Integration, Flexibility and Benefits
- Won (2) Progressive Awards - Global Diversity, Equity and Inclusion Awards (GDEIB) Benchmarks
 - Assessment, Measurement and Research
 - Vision, Strategy and Business Impact
- The Best Place to Work Award - Global Diversity, Equity and Inclusion Awards (GDEIB) Benchmarks
 - Runner up for the Best Place to work in the Financial Services Industry
 - Ranked amongst the top 11 Best Places to work in Pakistan
- Overseas Investors Chamber of Commerce & Industry (OICCI). Women Leaders Development Category
- Best Marketing Campaign – Digi Awards
- Best Annual Report in the Banking sector and Second Best Annual Report across sectors awards by The Institute of Chartered Accountants of Pakistan (ICAP) and The Institute of Cost and Management Accountants of Pakistan (ICMAP).
- Silver Award (second best) across South Asia in the best presented annual report awards by The South Asian Federation of Accountants (SAFA)

Global Transaction Banking Innovation Awards 2022 and Asian Banking and Finance Awards 2022

- Best Bank for Cash Management in Pakistan
- Corporate Client Initiative of the year – Pakistan
- Best Bank for Trade Financing Pakistan



The success of the Bank's efforts to distinguish itself from the competition is evident from the following recognitions:

- Top 25 Listed Companies Award by the Pakistan Stock Exchange.

SWOT Analysis

A SWOT analysis of a bank formally evaluates the financial institution's strengths, weaknesses, opportunities, and threats. This analysis identifies these four main elements to help management better leverage its strengths to take advantage of future business opportunities while better understanding its operational weaknesses to combat threats to potential growth. A SWOT analysis can also address many other scenarios, such as new business initiatives, marketing budgets or even advertising campaigns, and is a valuable tool in bank management.

The Bank analyses and monitors its **S**trengths **W**eaknesses **T**hreats and **O**pportunities on a regular basis.





PERFORMANCE & POSITION



Credit Rating

ENTITY RATING
LONG TERM

AA+

ENTITY RATING
SHORT TERM

A1+

ENTITY
OUTLOOK

STABLE

RATING OF DEBT
INSTRUMENT - (ADT1)

AA-

RATING OF
MEDIUM TERM
NOTE (MTN)

AAA

These ratings are assigned by The Pakistan Credit Rating Agency Limited (PACRA).

Highlights

Value (Growth %)

Rs. **100**_{Bn} (↑0.01%)

EQUITY

Rs. **2,253**_{Bn} (↑30%)

TOTAL ASSETS

Rs. **1,487**_{Bn} (↑31%)

DEPOSITS

Rs. **766**_{Bn} (↑10%)

GROSS
ADVANCES

Rs. **99**_{Bn} (↑59%)

REVENUE

Rs. **50**_{Bn} (↑36%)

OPERATING
EXPENSE

Rs. **36**_{Bn} (↑55%)

PROFIT
BEFORE TAX

Rs. **18**_{Bn} (↑28%)

PROFIT
AFTER TAX

19.23%

RETURN ON
EQUITY

1.06%

RETURN ON
ASSETS

Rs. **10.27**

EARNINGS
PER SHARE

Rs. **5.00**

DIVIDEND PER
SHARE

950+

ATMs

350+

CASH AND
CHEQUE DEPOSIT
MACHINES

43,000+

POS AND QR CODE
MACHINES

894

BRANCHES AND
SUB BRANCHES

19,500+

AGENT
NETWORK

2,100+

ECOMMERCE
MERCHNATS

Analysis of Financial and Non-Financial Performance

Prospects of the Entity including Financial and Non-Financial Measures

Bank Alfalah is one of the fastest growing banks in Pakistan. The Bank is trailblazing in digital banking domain. We aim to extend our outreach through a broader distribution footprint, digitised front-end channels and back-end processes. The Bank's focus remains on nurturing human capital. The Bank continues to invest in its people through extensive trainings and development initiatives.

Financial Measures

The Bank takes into account financial measures, while arriving at future projections. Targets are defined against the following broad financial measures:

- **Deposits:** The Bank periodically reviews the quality of its deposit mix with focus on CASA. Apart from the deposit mix, the pricing of deposit / spread is an important matter in origination.
- **Advances:** Sustainable growth in advances, on the back of deposit growth, is the key behind profitability, as advances remain the prime strategic pillar for the institution. The Bank places great emphasis on credit quality and segmental diversification of its credit portfolio. Growth in advances needs to be -managed effectively, as this has a direct impact on credit risk. A robust risk assessment mechanism is essential to maintain quality of the credit portfolio.
- **Investments:** The Bank, depending on the interest rate forecasts, manages its short and long term bonds portfolio to maximize return. The bank keeps an ideal balance in view of rate expectation with the objective of earning high profits.
- **Business Volume:** These are driven by business units which help achieve resources linked to the sale of products and services to the customers. This incorporates new-to-business customer deposits and advances, trade business volumes, advisory services, over the counter services, and services channeled through digital platforms etc. One-shop solutions and cross-sell initiatives have been a major breakthrough in terms of escalating business volumes.
- **Cost to Income Ratio:** The Bank continues to prioritise cost efficiency. Centralisation of expenses and removal of redundancies remains a key initiative towards cost control.
- **Returns on Earning Assets (ROEA):** The ROEA depicts the ability of bank's earning assets to generate income. This is often the result of sound management strategy as well as the bank's ability to garner a larger share of the market.
- **Net Spread:** Net spread is a key financial measure in evaluating the core profitability of the bank. Interest earned on advances and other interest bearing assets, and interest paid out on deposits and borrowings is efficiently managed for all sources and uses of funds.
- **Return on Equity:** Return on equity remains a key measure to assess returns for the Bank's shareholders.

Please refer the following pages for financial position, financial performance analysis and financial and non financial ratios.

Non-Financial Measures

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

- Compliance with the regulatory framework
- Corporate image
- Stakeholders' engagement
- Brand preference
- Relationship with customers and business partners
- Employee satisfaction and well-being
- Responsibility towards the society
- Environmental protection
- SBP inspection rating and effective internal control

Please refer the following page for qualitative performance analysis.

Performance versus Budget -

The bank outperformed budget in both profitability and business volumes.

- NII remained ahead of targets with aggressive build-up in deposit volumes and well positioned ALM book to take advantage of rising interest rates.
- NFI surpassed budget with strong contribution coming from FX and business driven fee income.
- Growth in revenue enabled bank to absorb higher than budgeted operating expenses and provisions. Significant rupee depreciation and unprecedented high inflation have impacted the cost lines.

Performance versus last year -

Bank's performance versus last year is covered as part of the Directors' report. Further, business segment wise performance versus last year is disclosed on coming pages within this section.

Objectives to assess stewardship of management -

The Bank operates with a long-term objective of maximising shareholder value and sustainable returns. Various short and medium objectives have been defined to achieve this long-term objective. The management of the Bank regularly monitors the performance against these objectives and it remains committed to operate in an effective, efficient, secured and compliant manner while ultimately aiming at protecting shareholders'

interests.

Future prospects about the profitability

Future prospects on bank's profitability are covered in Outlook section of the Annual Report.

Significant Transactions and Events

The following are some significant transactions/events which happened during the the year:

1. Treasury Shares

The Bank purchased 200 million ordinary shares under the buy back scheme. For details please refer note 19.3 of the unconsolidated financial statements.

2. Subordinated Debt (ADT-1)

The Bank has issued an additional instrument of Rs. 7,000 million. For details please refer note 17 of the unconsolidated financial statements.

Quantitative Performance Analysis

Financial Position Analysis

	2022	2021
	Rs in Million	
ASSETS		
Cash and balances with treasury banks	140,613	105,606
Balances with other banks	9,485	9,783
Lendings to financial institutions	115,354	35,982
Investments - net	1,114,407	809,214
Advances - net	732,375	673,881
Operating fixed assets and intangible Assets	49,721	40,615
Deferred tax assets	9,013	2,304
Other assets	82,229	56,936
	2,253,197	1,734,321
LIABILITIES		
Bills Payable	40,034	22,826
Borrowings	491,180	383,809
Deposits & other accounts	1,486,845	1,139,045
Subordinated debt	14,000	7,000
Other Liabilities	121,123	81,640
	2,153,182	1,634,319
Net Assets	100,015	100,003

Financial Performance Analysis

MARK-UP / INTEREST INCOME

Mark-up / return / interest earned	213,897	100,402
Mark-up / return / interest expensed	136,558	54,134
Net mark-up / interest income (NMR)	77,340	46,268

NON MARK-UP / INTEREST INCOME

Fee, commission and brokerage income	10,842	8,001
Dividend income	1,232	603
Foreign Exchange Income	9,219	4,128
Gain from derivatives	332	201
(Loss) / gain on sale of securities - net	(164)	3,142
Other income	326	179
	21,786	16,254

Total Net Revenue

NON MARK-UP / INTEREST EXPENSES

Operating expenses	49,562	36,316
Workers' Welfare Fund	907	498
Other charges	27	26
Total non mark-up / interest expenses	50,497	36,840

Profit before provisions

Provisions and write offs- net	48,629	25,682
	12,468	2,312

Profit before Tax

Taxation	36,160	23,370
	17,954	9,154
Profit after taxation	18,206	14,217

Cash and Bank Balances:

Increase is mainly due to reserves placed with central banks as a result of increase in deposits.

Investments:

Up by 38% with the book skewed towards PIBs floaters.

Advances:

Advances are up by 9.5% mainly driven by growth in SME, commercial and Consumer segments.

Borrowings:

Up by 28% due to refinance borrowing from SBP.

Deposits:

Market share improved on back of 30.5% increase in total deposits.

Subordinated debt:

Additional [Rs. 7 bn] ADT 1 instrument issued during the year.

Net Interest income:

Volumetric growth backed by strong deposit growth and increase in policy rates.

Non Markup income:

Growth momentum in home remittance, trade flows, increase in consumer asset volumes, higher debit and credit card spend, credit related and branch banking fee and ADC income led to increase in non-markup income.

Dividend and FX income growth was offset by lower capital gains and factor of increasing interest rates.

Operating Expenses:

36% increase mainly due to growth initiatives, branch expansion, very high inflation and impact of rupee depreciation on expenses.

Provisions and write offs - net:

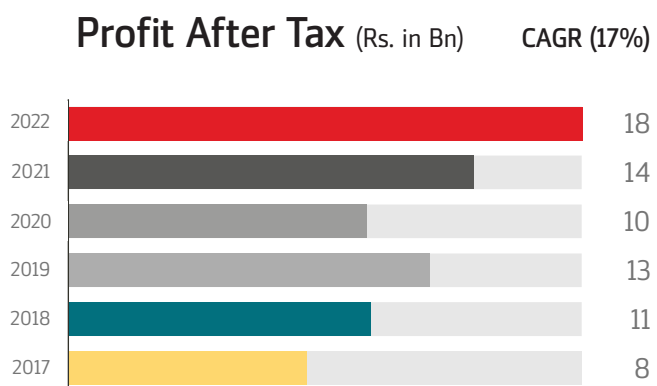
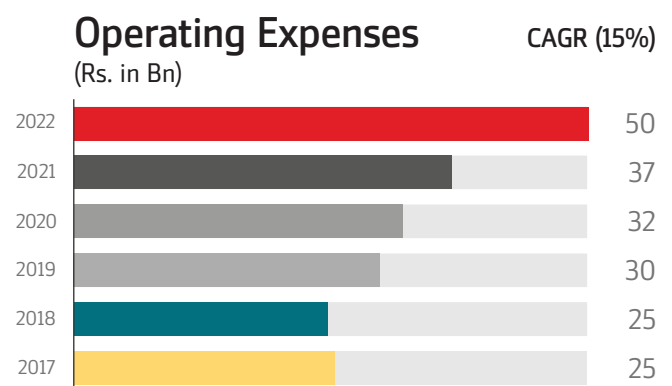
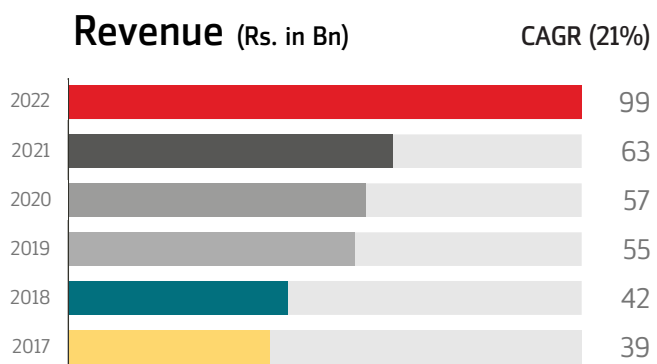
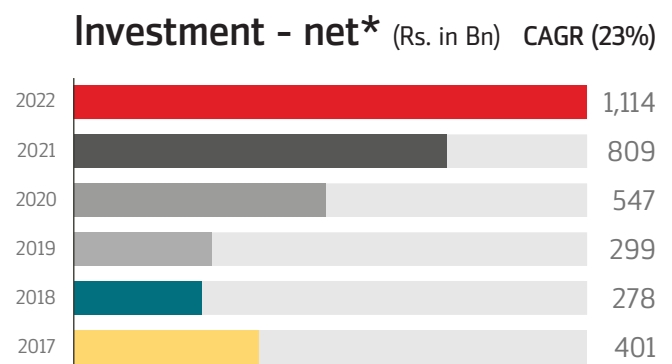
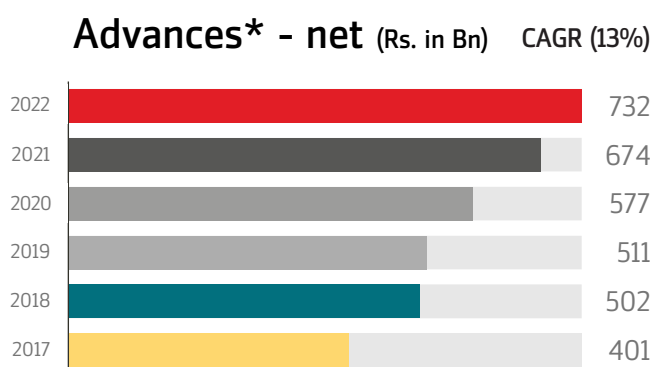
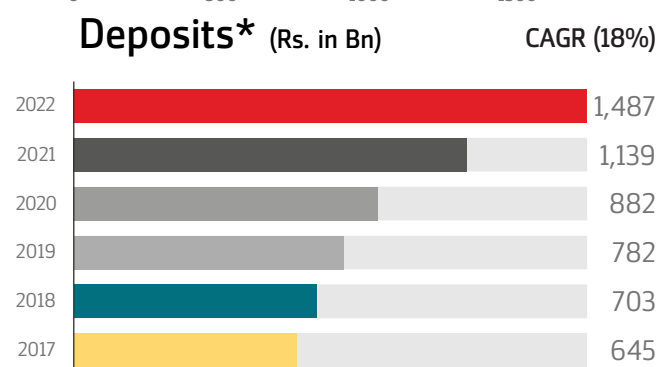
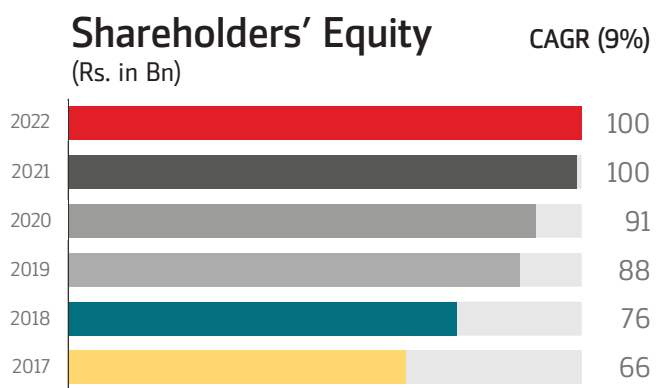
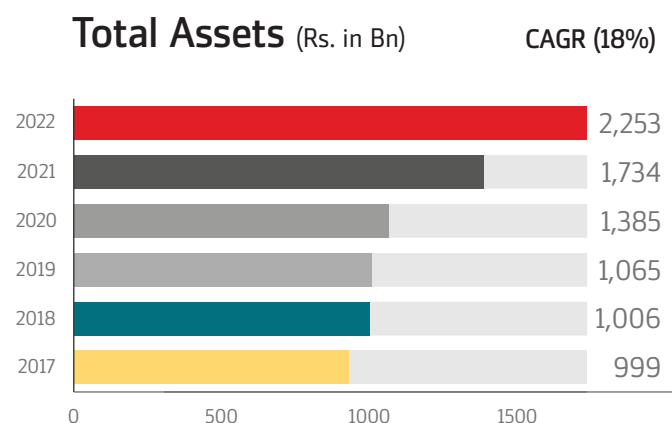
Increased versus last year, due to general provision against high risk and flood impacted portfolio Rs. 5.9 billion, ECL charge of overseas investments Rs. 1.9 billion and provision of Rs. 1.1 billion charge against cross border risk.

Qualitative Performance Analysis

The Bank assesses its qualitative performance on the following factors, including but not limited to:

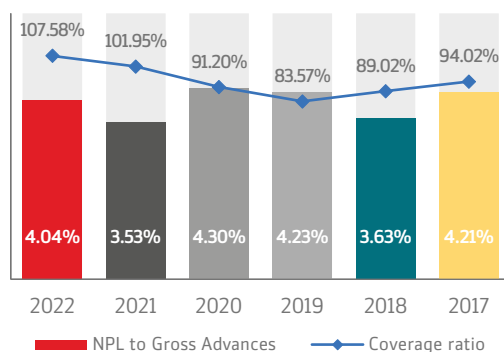
	2022	2021
Deposits:		
Deposits per branch (Rs in Mn)	1,663	1,442
Deposits per employee (Rs in Mn)	107	94
Market share in deposits (domestic) (%)	6.0%	5.1%
Loans and advances:		
New acquisitions - auto loans (count)	8,561	14,575
New acquisitions - personal loans (count)	20,071	15,377
New acquisitions - house loans (count)	1,393	1,124
New acquisitions - SME loans (count)	1,401	1,838
New acquisitions - cards (count)	74,696	72,975
Market share in advances (domestic) (%)	6.1%	6.5%
Remittances:		
Home Remittance volume (Rs in Mn)	5,673	4,437
Number of transactions (count in Mn)	11.8	7.6
Market share in home remittances (%)	19.2%	14.3%
Corporate Social Responsibility (CSR):		
CSR activities spend (Rs. in Mn)	332.02	27.3
CSR activities spend as a % of PBT (%)	0.9%	0.1%
Human Resource and Related Activities:		
Compensation cost per employee (Rs in million)	1.53	1.39
Training cost per employee (Rs in million)	0.01	0.01
Profit per employee (Rs in million)	1.31	1.17
Customers		
Number of customers (count in Mn)	5.8	4.8
Number of internet banking users (count in Mn)	0.5	0.5
Number of Alfa app users (count in Mn)	1.3	0.9
Number of credit card holders (count)	480,615	454,178
Branch performance		
Revenue per branch (Rs in Mn)	111	79
Profit per branch (Rs in Mn)	20	18
Cash Management		
Cash Management collection volume (Rs in Mn)	454	359
Bancassurance		
Bancassurance volume (Rs in Mn)	1,368	1,538
Bancassurance per branch (Rs in Mn)	1.53	1.95
Market Share	10%	11%
Wealth Management		
Wealth Management volume (Rs in Mn)	38,610	26,450
Wealth Management per branch	43.19	33.48
Market Share	19%	20%
Trade		
Trade volume (Rs in Mn)	1,623,257	1,260,486
Market Share	7.9%	7.3%

Graphical Presentation

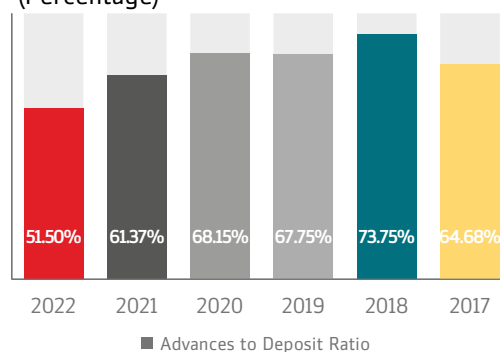


* For 2017 & 2018, Assets and Liabilities for the Bank's Afghanistan Operations were presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale status during 2019, such balances are being reported as part of the individual balance sheet lines.

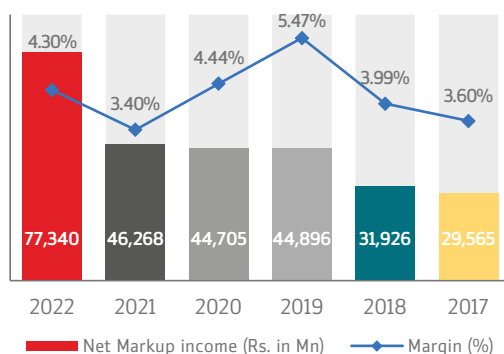
NPL Ratios (Percentage)



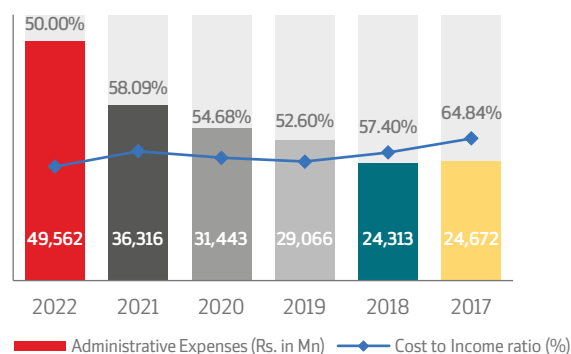
Advances to Deposits Ratio* (Percentage)



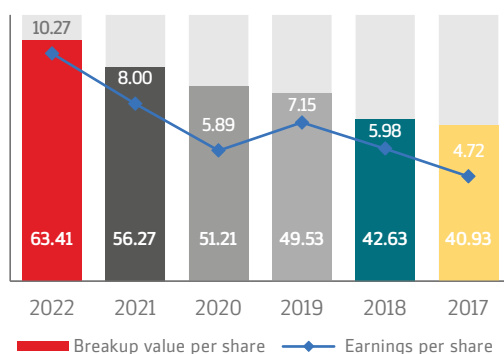
Net Markup Income and Margin



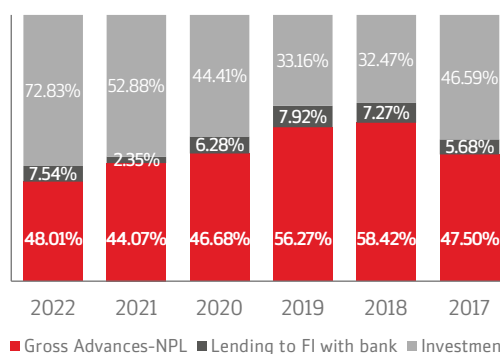
Administrative Expenses & Cost to Income Ratio



Earnings & Breakup Value Per Share (Rupees)

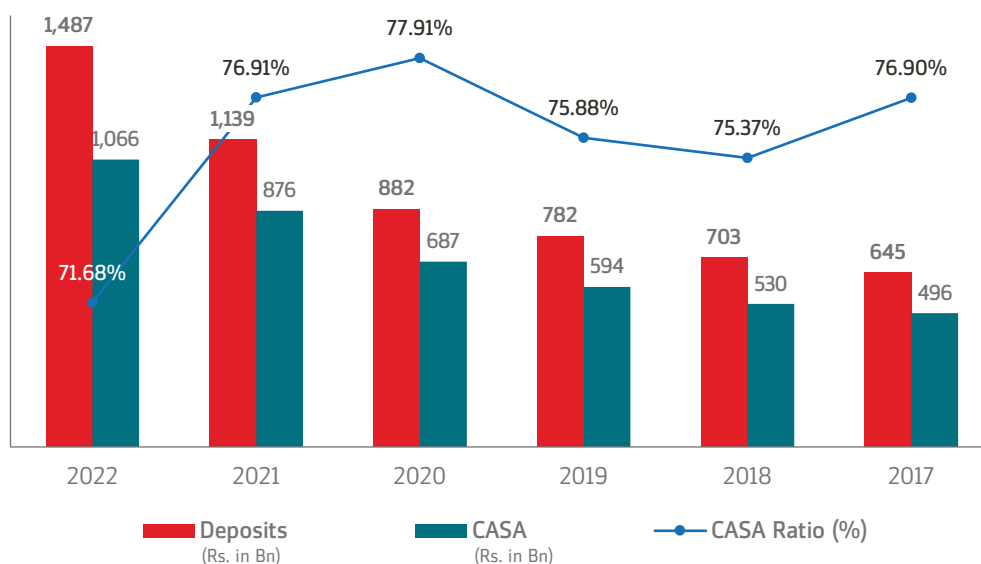


Earning Assets Mix* (Percentage)

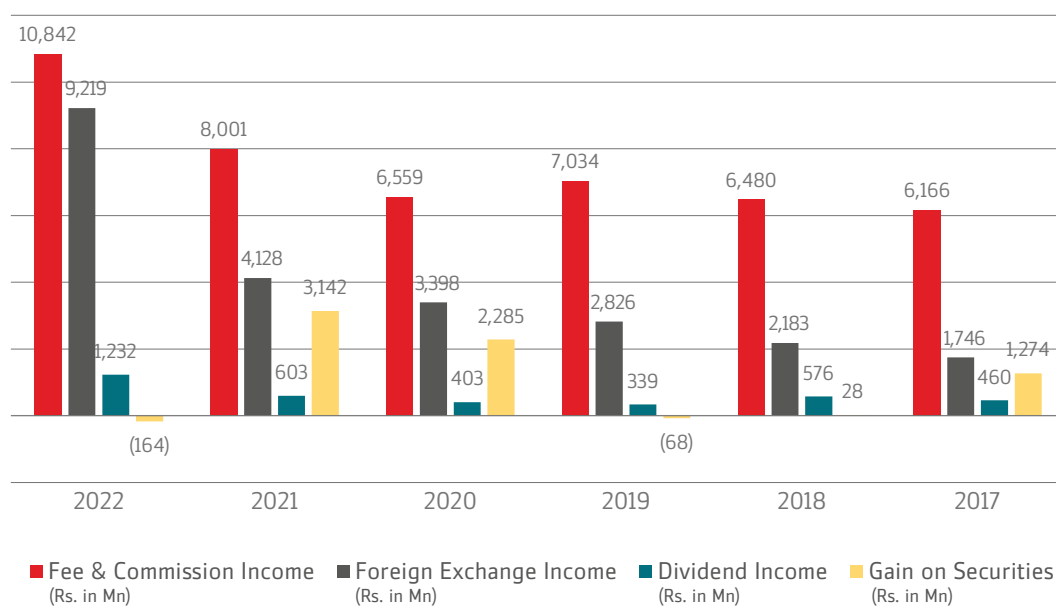


* For 2017 & 2018, Assets and Liabilities for the Bank's Afghanistan Operations were presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale status during 2019, such balances are being reported as part of the individual balance sheet lines.

CASA to Deposits Ratio



Non Markup Income



Six Years Financial and Non-Financial Summaries

		2022	2021	2020	2019	2018	2017
Profit & Loss Account							
Mark-up / return / interest earned	Rs. Mn	213,897	100,402	92,616	92,519	59,672	56,920
Mark-up / return / interest expensed	Rs. Mn	136,558	54,134	47,911	47,623	27,746	27,354
Non-Fund based income	Rs. Mn	21,786	16,254	12,795	10,357	10,431	9,381
Total Income	Rs. Mn	99,126	62,522	57,499	55,253	42,357	38,946
Operating Expenses	Rs. Mn	50,497	36,840	32,032	29,843	24,713	25,425
Operating Profit before tax and provision	Rs. Mn	48,629	25,682	25,468	25,410	17,645	13,522
Provision and write-offs - net	Rs. Mn	12,468	2,312	7,589	3,029	27	(523)
Profit before tax	Rs. Mn	36,160	23,370	17,878	22,382	17,618	14,045
Profit after tax	Rs. Mn	18,206	14,217	10,475	12,696	10,625	8,367
Statement of Financial Position							
Authorised Capital	Rs. Mn	23,000	23,000	23,000	23,000	23,000	23,000
Paid up Capital	Rs. Mn	15,772	17,772	17,772	17,772	17,744	16,076
Reserves	Rs. Mn	34,283	29,954	27,680	26,046	23,051	18,157
Unappropriated Profit	Rs. Mn	45,101	40,836	35,057	32,843	27,470	24,253
Surplus on revaluation of assets - net of tax	Rs. Mn	4,859	11,441	10,509	11,367	7,383	7,315
Shareholders' fund	Rs. Mn	95,156	88,562	80,508	76,661	68,264	58,515
Shareholders' equity	Rs. Mn	100,015	100,003	91,017	88,028	75,647	65,800
Total Assets	Rs. Mn	2,253,197	1,734,321	1,384,874	1,065,311	1,006,218	998,828
Earning Assets	Rs. Mn	1,966,878	1,530,207	1,231,771	901,960	855,072	860,123
Gross Advances	Rs. Mn	765,693	699,073	600,899	529,971	518,392	417,182
Advances - net of Provision	Rs. Mn	732,375	673,881	577,316	511,236	501,636	400,655
Non Performing Loans	Rs. Mn	30,971	24,710	25,860	22,417	18,822	17,579
Investments - at Cost	Rs. Mn	1,135,624	812,307	541,819	295,103	279,135	398,188
Investments - Net	Rs. Mn	1,114,407	809,214	547,090	299,098	277,660	400,733
Total Liabilities	Rs. Mn	2,153,182	1,634,319	1,293,856	977,284	930,571	933,028
Deposits & Other Accounts	Rs. Mn	1,486,845	1,139,045	881,767	782,284	702,895	644,985
Borrowings	Rs. Mn	491,180	383,809	314,960	102,842	123,738	207,194
Cash Flow Summary							
Cash and cash equivalents at the beginning of the year	Rs. Mn	134,593	118,455	135,054	100,501	93,421	88,751
Cash flow from Operating Activities	Rs. Mn	470,461	268,659	204,046	80,947	(142,470)	30,800
Cash flow from Investing Activities	Rs. Mn	(413,326)	(242,190)	(205,800)	(37,948)	146,470	(22,993)
Cash flow from Financing Activities	Rs. Mn	(6,240)	(10,330)	(14,845)	(8,447)	3,080	(3,137)
Increase in cash and cash equivalents	Rs. Mn	50,895	16,138	(16,600)	34,553	7,080	4,670
Cash and cash equivalents at the end of the year	Rs. Mn	185,488	134,593	118,455	135,054	100,501	93,421
Consolidated Position							
Total Assets	Rs. Mn	2,256,720	1,736,773	1,387,674	1,067,749	1,008,605	1,001,034
Net Assets	Rs. Mn	102,063	101,874	92,661	89,283	77,022	66,830
Profit before tax	Rs. Mn	36,677	23,909	18,443	22,915	17,403	14,071
Profit after tax	Rs. Mn	18,397	14,460	10,843	13,032	10,516	8,413
Trade							
Imports - Volume	Rs. Mn	1,176,596	892,545	570,337	553,791	563,947	509,036
Exports - Volume	Rs. Mn	557,435	367,941	251,140	283,952	248,159	194,993
Others							
Number of Branches	Count	894	790	730	698	649	638
Number of Permanent Employees	Count	13,862	12,118	10,755	10,234	8,530	7,849

Note:

For 2017 & 2018, Assets and Liabilities for the Bank's Afghanistan Operations were presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale status during 2019, such balances are being reported as part of the individual balance sheet lines.

Six Years Vertical Analysis

Statement of Financial Position

	2022		2021		2020		2019		2018		2017	
	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%
Assets												
Cash and balances with treasury banks	140,613	6%	105,606	6%	99,348	7%	100,732	9%	82,408	8%	70,381	7%
Balances with other banks	9,485	0%	9,783	1%	6,234	0%	4,710	0%	3,875	0%	3,754	0%
Lendings to financial institutions	115,354	5%	35,982	2%	77,306	6%	71,435	7%	62,172	6%	48,896	5%
Investments - net	1,114,407	49%	809,214	47%	547,090	40%	299,098	28%	277,660	28%	400,733	40%
Advances - net	732,375	33%	673,881	39%	577,316	42%	511,236	48%	501,636	50%	400,655	40%
Operating fixed assets and Intangibles assets	49,721	2%	40,615	2%	32,261	2%	30,344	3%	19,556	2%	17,628	2%
Deferred tax assets	9,013	0%	2,304	0%	-	0%	-	0%	-	0%	-	0%
Assets held for sale	-	0%	-	0%	-	0%	-	0%	23,589	2%	26,821	3%
Other assets	82,229	4%	56,936	3%	45,319	3%	47,756	4%	35,321	4%	29,959	3%
	2,253,197	100%	1,734,321	100%	1,384,874	100%	1,065,311	100%	1,006,218	100%	998,828	100%

Liabilities

Bills Payable	40,034	2%	22,826	1%	22,571	2%	17,169	2%	35,988	4%	20,883	2%
Borrowings	491,180	22%	383,809	22%	314,960	23%	102,842	10%	123,738	12%	207,194	21%
Deposits & other accounts	1,486,845	66%	1,139,045	66%	881,767	64%	782,284	73%	702,895	70%	644,985	65%
Subordinated debt	14,000	1%	7,000	0%	7,000	1%	11,987	1%	11,989	1%	4,991	0%
Deferred tax liabilities	-	0%	-	0%	1,361	0%	3,451	0%	2,071	0%	3,154	0%
Liabilities directly associated with the assets held for sale	-	0%	-	0%	-	0%	-	0%	20,435	2%	24,759	0%
Other Liabilities	121,123	5%	81,640	5%	66,197	5%	59,550	6%	33,455	3%	27,063	3%
	2,153,182	96%	1,634,319	94%	1,293,856	93%	977,284	92%	930,571	92%	933,028	93%

Net Assets

	100,015	4%	100,003	6%	91,017	7%	88,028	8%	75,647	8%	65,800	7%
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Represented By:

Authorized Capital	23,000		23,000		23,000		23,000		23,000		23,000	
Share capital	15,772	1%	17,772	1%	17,772	1%	17,772	2%	17,744	2%	16,076	2%
Reserves	34,283	2%	29,954	2%	27,680	2%	26,046	2%	23,051	2%	18,157	2%
Unappropriated profit	45,101	2%	40,836	2%	35,057	3%	32,843	3%	27,470	3%	24,253	2%
Surplus on revaluation of assets - net of tax	4,859	0%	11,441	1%	10,509	1%	11,367	1%	7,383	1%	7,315	1%
	100,015	4%	100,003	6%	91,017	7%	88,028	8%	75,647	8%	65,800	7%

Profit and Loss Account

Mark-up / return / interest earned	213,897	91%	100,402	86%	92,616	88%	92,519	90%	59,672	85%	56,920	86%
Mark-up / return / interest expensed	(136,558)	-58%	(54,134)	-46%	(47,911)	-45%	(47,623)	-46%	(27,746)	-40%	(27,354)	-41%
Net mark-up / interest income (NMR)	77,340	33%	46,268	40%	44,705	42%	44,896	44%	31,926	46%	29,565	45%
Non mark-up/interest Income	21,786	9%	16,254	14%	12,795	12%	10,357	10%	10,431	15%	9,381	14%
Total income	99,126	42%	62,522	54%	57,499	55%	55,253	54%	42,357	60%	38,946	59%
Non mark-up/interest expenses	(50,497)	-21%	(36,840)	-32%	(32,032)	-30%	(29,843)	-29%	(24,713)	-35%	(25,425)	-38%
Operating profit/ profit before provisions	48,629	21%	25,682	22%	25,468	24%	25,410	25%	17,645	25%	13,522	20%
Provision and Write-offs - net	(12,468)	-5%	(2,312)	-2%	(7,589)	-7%	(3,029)	-3%	(27)	-0%	523	1%
Profit Before Taxation	36,160	15%	23,370	20%	17,878	17%	22,382	22%	17,618	25%	14,045	21%
Taxation	(17,954)	-8%	(9,154)	-8%	(7,403)	-7%	(9,686)	-9%	(6,993)	-10%	(5,678)	-9%
Profit After Taxation	18,206	8%	14,217	12%	10,475	10%	12,696	12%	10,625	15%	8,367	13%

Earning Per Share - Rupees	10.27	8.00	5.89	7.15	5.99	4.74
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Note

For Vertical Analysis, Variance percentage on financial position is calculated based on total assets and for profit & loss account, it is calculated based on gross revenue which is the sum of markup earned and non-markup income.

Six Years Horizontal Analysis

Statement of Financial Position

	2022	22 vs 21	2021	21 vs 20	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16
	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%
Assets												
Cash and balances with treasury banks	140,613	33%	105,606	6%	99,348	-1%	100,732	22%	82,408	17%	70,381	-5%
Balances with other banks	9,485	-3%	9,783	57%	6,234	32%	4,710	22%	3,875	3%	3,754	-60%
Lendings to financial institutions	115,354	221%	35,982	-53%	77,306	8%	71,435	15%	62,172	27%	48,896	62%
Investments - net	1,114,407	38%	809,214	48%	547,090	83%	299,098	8%	277,660	-31%	400,733	3%
Advances - net	732,375	8.7%	673,881	17%	577,316	13%	511,236	2%	501,636	25%	400,655	6%
Operating fixed assets and Intangibles assets	49,721	22%	40,615	26%	32,261	6%	30,344	55%	19,556	11%	17,628	-3%
Deferred tax assets	9,013	291%	2,304	100%	-	0%	-	0%	-	0%	-	0%
Assets held for sale	-	0%	-	0%	-	0%	-	-100%	23,589	100%	26,821	0%
Other assets	82,229	44%	56,936	26%	45,319	-5%	47,756	35%	35,321	18%	29,959	-0%
	2,253,197	30%	1,734,321	25%	1,384,874	30%	1,065,311	6%	1,006,218	1%	998,828	7%

Liabilities

Bills Payable	40,034	75%	22,826	1%	22,571	31%	17,169	-52%	35,988	72%	20,883	9%
Borrowings	491,180	28%	383,809	22%	314,960	206%	102,842	-17%	123,738	-40%	207,194	16%
Deposits & other accounts	1,486,845	31%	1,139,045	29%	881,767	13%	782,284	11%	702,895	9%	644,985	2%
Subordinated debt	14,000	100%	7,000	0%	7,000	-42%	11,987	-0%	11,989	140%	4,991	-40%
Deferred tax liabilities	-	0%	-	-100%	1,361	-61%	3,451	67%	2,071	-34%	3,154	19%
Liabilities directly associated with the assets held for sale	-	0%	-	0%	-	0%	-	-100%	20,435	100%	24,759	0%
Other Liabilities	121,123	48%	81,640	23%	66,197	11%	59,550	78%	33,455	24%	27,063	2%
	2,153,182	32%	1,634,319	26%	1,293,856	32%	977,284	5%	930,571	-0%	933,028	7%

Net Assets

	100,015	0%	100,003	10%	91,017	3%	88,028	16%	75,647	15%	65,800	9%
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Represented By:

Authorized Capital	23,000		23,000		23,000		23,000		23,000		23,000	
Share capital	15,772	-11%	17,772	0%	17,772	0%	17,772	0%	17,744	10%	16,076	1%
Reserves	34,283	14%	29,954	8%	27,680	6%	26,046	13%	23,051	27%	18,157	14%
Unappropriated profit	45,101	10%	40,836	16%	35,057	7%	32,843	20%	27,470	13%	24,253	40%
Surplus on revaluation of assets - net of tax	4,859	-58%	11,441	9%	10,509	-8%	11,367	54%	7,383	1%	7,315	-33%
	100,015	0%	100,003	10%	91,017	3%	88,028	16%	75,647	15%	65,800	9%

Profit and Loss Account

Mark-up / return / interest earned	213,897	113%	100,402	8%	92,616	0%	92,519	55%	59,672	5%	56,920	-0%
Mark-up / return / interest expensed	(136,558)	152%	(54,134)	13%	(47,911)	1%	(47,623)	72%	(27,746)	1%	(27,354)	-3%
Net mark-up / interest income (NMR)	77,340	67%	46,268	3%	44,705	-0%	44,896	41%	31,926	8%	29,565	2%
Non mark-up/interest Income	21,786	34%	16,254	27%	12,795	24%	10,357	-1%	10,431	11%	9,381	5%
Total income	99,126	59%	62,522	9%	57,499	4%	55,253	30%	42,357	9%	38,946	3%
Non mark-up/interest expenses	(50,497)	37%	(36,840)	15%	(32,032)	7%	(29,843)	21%	(24,713)	-3%	(25,425)	7%
Operating profit/ profit before provisions	48,629	89%	25,682	1%	25,468	0%	25,410	44%	17,645	30%	13,522	-4%
Provision and Write-offs - net	(12,468)	439%	(2,312)	-70%	(7,589)	151%	(3,029)	11283%	(27)	-105%	523	-149%
Profit Before Taxation	36,160	55%	23,370	31%	17,878	-20%	22,382	27%	17,618	25%	14,045	8%
Taxation	(17,954)	96%	(9,154)	24%	(7,403)	-24%	(9,686)	39%	(6,993)	23%	(5,678)	11%
Profit After Taxation	18,206	28%	14,217	36%	10,475	-17%	12,696	19%	10,625	27%	8,367	6%
Earning Per Share - Rupees	10.27	28.38%	8.00	36%	5.89	-18%	7.15	19%	5.99	26%	4.74	-4%

Six Years Review of Business Performance

Balance Sheet

Total Assets

The asset base of the Bank has grown remarkably over the last 6 years and stood at Rs. 2,253.197 billion at December 2022 from Rs. 998.828 billion at December 2017, a CAGR of 18 percent. Key deployments has been in investments and advances, which are detailed below. Our strategy over the years has been to manage the asset mix in a way that maximises returns to stakeholders, while maintaining an efficient risk weighted assets (RWA) profile.

Advances

The Bank's ADR ratio stands at 51.50%, and has been consistently above the industry average over the last six years. Over the period, the Bank's gross advances grew at a CAGR of 13 percent. The Bank has continued to strengthen its risk management framework over the years with full automation, refinement of credit approval process and implementation of centralized Loan Origination System for both domestic and overseas operations.

Non-performing Loans

Owing to our branch-led model and robust credit underwriting criteria, the Bank has consistently had one of the lowest infection ratios amongst top-tier banks, while our growth trajectory in advances has been maintained. Our infection ratio has witnessed a drop, from 4.21 percent in 2017 to 4.04 percent in 2022 - a testimony to our focus on maintaining asset quality. The Bank's dedicated Special Assets Management Group has been able to facilitate significant recoveries over the years. Most importantly, the Bank's coverage ratio stands at 107.58 percent as at the close of this year.

Investments

Our investments portfolio has grown over the years and predominately concentrated in high yielding Government Securities. The Bank has built its portfolio and taken positions accordingly, by reprofiling its balance sheet. The investment base of the Bank has increased from Rs.400.733 billion in 2016 to Rs. 1,114.407 billion at end 2022. Our equity book consists of investments in diverse companies having strong fundamentals with a view to earn stable dividends.

Deposits

The deposit base of the Bank has continued to grow over the last six years, which has supported the balance sheet growth indicated above. The exceptional performance of our team in executing the strategy and diversified product suite, resulted in Bank Alfalah achieving an impressive CAGR of 18% from Rs. 644.985 billion in 2017 to Rs. 1,486.845 billion in 2022. The Bank's CASA percentage at December 2022 stands at 71.68 percent. Our focus remained on improving our deposit profile by expanding current account. The buildup in the core deposit levels positions the Bank ideally to maximize on the yield upside in its net earnings as interest rates trend upwards. The Bank enjoys a diversified product suite, with products catered to varying customer needs. Our focus remains on maintaining service excellence, and providing adequate returns to our depositors together with transactional convenience through our Digital Banking and Alternate Delivery Channels.

Equity

The paid-up capital of the Bank increased from Rs. 16.076 billion in 2017 to Rs. 17.572 billion in 2021. In 2022, it reduced to Rs. 15.572 billion as the Bank bought back 200 million ordinary shares under buy back scheme. Furthermore, the Bank's first-ever Employee Stock Option scheme successfully ran from 2014 to 2016, in which options were granted to certain key executives and employees as approved by the Board Compensation Committee. Under the scheme, selected employees granted with options were eligible to exercise the same over the defined exercise periods, and subscribe for new shares (without rights) at an agreed discount.

Tier-1 Capital (ADT 1):

In 2018, the Bank issued its first ever additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments. The size of the issue was Rs. 7 billion and was oversubscribed. The proceeds from the issue contributed towards the bank's additional Tier-1 capital and utilized towards enhancement of the bank's business operations. During the year, the Bank issued additional Tier 1 capital of Rs. 7 billion to support its capital base and gear up for further expansion.

Dividends

Over the years, the Bank has had a consistent dividend payout stream, however, for 2017, profit retention was also focused to increase the Bank's risk absorption capacity, and in turn facilitate greater returns over the medium to long term. The Bank's Capital Adequacy Ratio is currently above the requirement (including capital conservation buffer). The Board has recommended a payout of 25 percent as final dividend for the year 2022, bringing the total cash dividend for the year to Rs. 5.00 per share. The Board had earlier declared and paid interim cash dividend of Rs. 2.50 per share.

Profit and Loss Account

Income

The composition of markup income saw a shift in recent years on the back of concentration shift in the Bank's earning asset base, as referred above. The net markup income of the bank increased significantly in the last six years, supported by increase in core deposits primarily current accounts. Increase in high quality advance book led by consumer and commercial group helped to increase the net interest margin. Our investment strategy has complimented our non-funded income during last six years which has supported bottom line profitability. Core fee, commission income, foreign exchange income, have all indicated growth, while capital gains on both capital and money market fronts have supplemented the NFI. Over the course of the years, key changes to our technology platform, cross-sell initiatives, branch transformation programmes, have helped the Bank deliver further transactional convenience to its customers, and have facilitated contribution from non-fund based income.

Operating Expenses

Over the years, the Bank has seen a significant transformation. The overall growth in administrative costs has primarily been on account of costs attributable to additional branches under the Bank's expansion plan, rising rentals and utility costs, inflation, impact of rupee depreciation, donation and significant IT costs relating to infrastructural improvements to the core banking system and the overall technological platform including digital banking platform. However, the Bank has kept a check on these factors, and strict cost discipline measures were introduced with a focus on improving the cost to income ratio. Centralisation of various expenses and regular revisits to expenditure approval authorities were undertaken to keep costs in check. Non-recurring items continue to be tracked separately.

Cash Flow Statement

Cash Flow from Operating Activities:

Cash flow from operating activities showed a positive trend in all years from 2017 to 2022 except 2018. This is primarily due to steady growth in profitability, stable deposits and advances. In 2018, due to re-profiling of balance sheet and consequent increase in loan book, the cash flow from operating activities is negative.

Cash Flow from Investing Activities:

The residual funds available after loans and advances is invested in the high yielding government securities. The investment is also required to comply with the Statutory Liquidity Requirement of the State Bank of Pakistan. In all years under review the bank has increased its investment portfolio except in case of 2018, when the portfolio was channeled into loans and advances in view of interest rates.

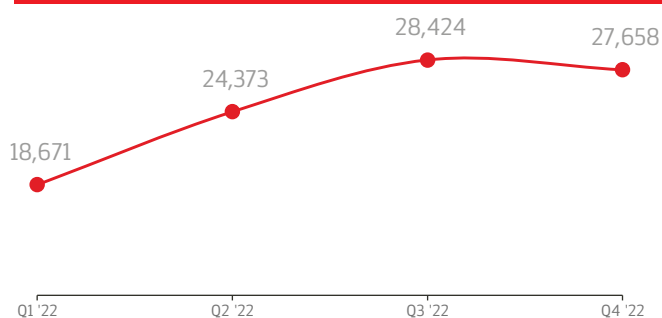
Cash Flow from Financing Activities:

The main transaction under this head are those likely to capital and providence of capital. Bank Alfalah has paid steady dividend in all the years under review with the exception of 2017. The dividend payment and TFC redemptions result in cash outflow from financing activities. In 2018, the cash flow is positive due to issuance of ADT 1 instrument. In 2022, major transactions include the issuance of ADT 1 and buy back of 200 million ordinary shares.

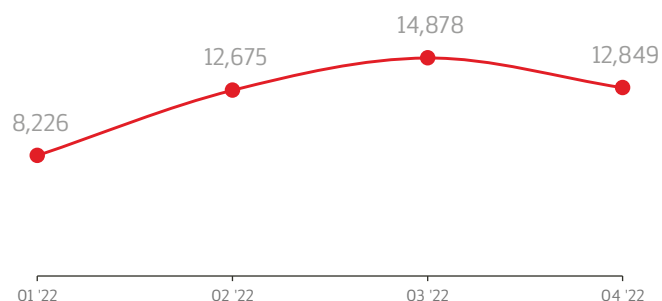
Quarterly Performance Review

	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Total
	Rupees in million				
Interest Income	14,289	17,854	21,869	23,328	77,340
Non interest Income	4,382	6,519	6,555	4,330	21,786
	18,671	24,373	28,424	27,658	99,126
Operating Expenses	10,282	11,429	13,299	14,552	49,562
Other charges and WWF	162	269	247	257	935
Operating Profit	8,226	12,675	14,878	12,849	48,629
Provisions and write offs - net	387	3,654	4,095	4,332	12,468
Profit Before Tax	7,840	9,020	10,783	8,517	36,160

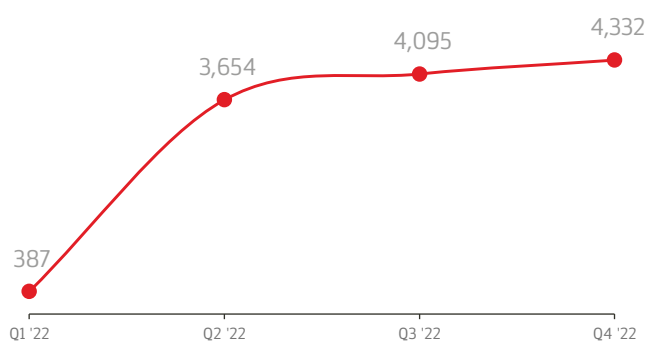
Revenue - Interest and Non Interest Income (Rs. in Mn)



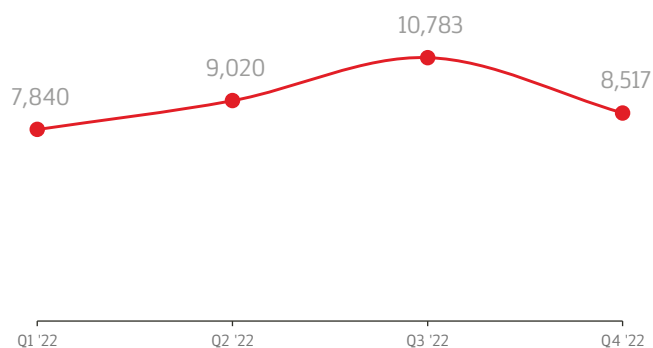
Operating Expenses (Rs. in Mn)



Provisions and write offs - net (Rs. in Mn)



Profit Before Taxation (Rs. in Mn)



Analysis of the Quarterly Performance

Quarter 1	Quarter 2	Quarter 3	Quarter 4
<ul style="list-style-type: none"> • Net Interest Income 18% higher than Q4 2021 due to well positioned ALM Books with strong earning assets growth. • Non interest income One off gain on sale of securities during Q4 2021 led to drop in non interest income in first quarter. • Admin expenses Higher by 6% over Q4 2021, mainly due to new branches, growth initiatives and inflation. • Provisions Provision on account of some loans subjectively downgraded. 	<ul style="list-style-type: none"> • Net Interest Income Higher by 25%; solid growth in earning assets and marginal expansion after re-pricing of well positioned assets. • Non interest income Fee income up 34% led by card business, trade / remittance flows, Banca and ADC. Increase in FX income on stronger flows and market volatility. • Admin expenses Opening up of new branches, growth initiatives, inflation and depreciation drove operating expenses by 11%. • Provisions Provision includes additional general provision of PKR 2.75 bn in Q2 2022 and some subjectively downgraded clients. 	<ul style="list-style-type: none"> • Net Interest Income Solid growth in earning assets backed by increase in deposits and marginal expansion after re-pricing of well positioned assets. • Non interest income Up by 1% from Q2 2022 on back of strong growth in first two quarters. • Admin expenses Higher by 16% over Q2 2022, due to cost of living allowance, opening up of new branches, growth initiatives, inflation and donation for flood relief. • Provisions Provision includes subjective downgrade of certain customers showing stress. 	<ul style="list-style-type: none"> • Net Interest Income Net Strong volumetric growth and increase in policy rate improved NII by 7%. • Non interest income Down 34% due to lower FX income amid drop in trade and remittance flows. • Admin expenses Higher by 9% over Q3 2022, due to branch expansion, higher inflation, impact of rupee depreciation and Bank's contribution towards flood relief. • Provisions Provision includes additional ECL on overseas investments and charge against cross border risk.

Segmental Review of Business Performance

Retail Banking Group

The Bank's retail business strategy concentrates on effective collaborations between various functional chains, along with sustainable growth, which remained a key pillar of the Bank's strategy. The principal focus remained on sustaining, and at the same time enhancing Bank's inherent strengths, in order to provide products and services to customers in an effective and efficient manner.

Provided below is a brief review of the various businesses under the ambit of Retail Banking Group:

Deposits:

During the financial year 2022, Retail Banking Group achieved a double digit growth not only in total deposits but in current and savings deposits as well. Total deposits grew by Rs. 192 Bn (28.8%) as compared to 2021. Current account has shown a significant growth in 2022 where it grew by Rs. 83.925 Bn (24.5%).

Roshan Digital Account

Bank Alfalah launched a complete range of Roshan Digital Accounts, a one of its kind of initiative of the State Bank of Pakistan, where non-resident Pakistanis can open their bank accounts, in Current or Savings variants in seven different currencies, in Pakistan and benefit from lucrative investment options including Naya Pakistan Certificates, stock markets, real estate, etc. through a completely secure and convenient digital process.

In 2022, Bank Alfalah launched several new products that focused on financial inclusion and bringing about customer convenience in order to become the preferred transactional bank. In addition to launching several product variants tailored to the needs of various customer segments to increase outreach in untapped financial sectors, BAFL became the first bank in the industry to introduce unconditional Charge Free Waivers. Under the latter, the bank aimed to increase transactional convenience across the board by waiving charges on cheque book, pay order issuance, online banking transactions and clearing services for all BAFL customers.

Banca & Investment Services:

The bank also launched a number of need based 3rd party Bancassurance and Investment products for its customers. In 2022, the bank managed to generate Rs. 1.38 Billion in Bancassurance New Business premium and retained its position as the 3rd largest per branch

business producer in the industry. In Investment services, the Bank generated Rs. 37.1 Billion in Gross AUM and retained Net Asset Under Management of Rs. 4.7 Billion (highest in last 3 years).

Premier Banking

At Bank Alfalah Premier, we are committed to exceeding our clients' expectations through best-in-class services and innovative product offerings designed exclusively for our customers. Bank Alfalah Premier offers an unparalleled banking experience with a key element of our strategy being first to introduce following key services:

- o Seamless onboarding (instant account opening and debit card issuance)
- o Personalized management with dedicated Relationship Managers
- o Premium & well spread lounge network
- o Differentiated Premier Card offerings
- o Access to Premier Proposition at 300+ branches in 55 cities across the country

Bank Alfalah Premier is now available in all major cities, including Karachi, Islamabad, Lahore, Sialkot, Rawalpindi, Abbottabad, Faisalabad, Multan, Peshawar, Quetta, Wah Cantt, Jhelum, Gujranwala, Hyderabad, Mandi Bahauddin, Mardan, Rahim Yar Khan, Jhang, Gujrat, Bahawalpur and Dera Ghazi Khan.

SME Lending/Agricultural Financing/Trade:

During the year, SME teams made huge contribution to the Schemes of Youth Loans and SME ASSAN Finance by reflecting sizable portfolios in excess of Rs. 4.5 Billion, however the schemes discontinued after a mere 6 months. However, Bank made headlines by setting up new benchmarks in the Banking circles of the country.

Of the offering, Agri and SME Agri also compliment the lending book growth, by adding another Rs. 4.0 Billion. The integral part being the innovative aspect of technology blend within the Agricultural lending. Climate smart Agri being one of the star ship projects which got concluded in the year and will be paving its way forward to involvement of tech based innovation and a strong chance of further scale up. The Team building upon blocks of synergies has also streamlined delivery structure to compliment Trade Business as

an independent revenue generating value stream, complementing core business and with a huge cross sell opportunity.

Consumer Finance:

Consumer finance has been emphatically going up in terms of new acquisitions but also in terms of payment capability of borrowers with steadfast and diligent efforts for gearing-up next year. Highlights for the year 2022 are as follows;

Cards

1. Closed at ever highest Ending Net Receivable (ENR) by Rs. 18.7B, registering 49% YOY growth;
2. Highest ever spend volume which is an 63% increase from 2021;
3. Highest ever sales of insurance, credit line increase, card upgrades and LPC (etc.) which is resultant by Rs. 400M income in 2022;
4. Amortization of annual fee, has been automated on both fronts - Credit and Debit in 2022;
5. Development on integration of tokenization, system scoping, backup amalgamation and scheme enablement completed in 2022 and going live in H1 2023;

Personal Loans:

1. Closed at highest ever ENR by Rs. 9.8B, registering 45% YOY growth;
2. Highest-ever yearly acquisition which is a 41% increase from 2021;
3. Launched variable pricing option for Personal Loan customers, allowing enhanced convenience and repayment flexibility;
4. Launched exclusively ready-line financing program in 2022.

Auto Loans:

1. Auto finance volume down was impacted due to regulatory intervention, rising prices and delivery constraints in 2022;
2. Auto Loan ENR declined by 6% during the financial year 2022 being a factor of SBP limits and limited demand;
3. Auto Loan established an online channel to facilitate non-resident Pakistanis under "Alfalah Roshan Apni Car" facility in 2022;
4. The bank laid down extensive foundation to enhance customer journey by proving an end to end digital auto financing experience. The model is in testing phase and will be available to the customers in the year 2023;
5. Enhanced customer's convenience to pay installment through ALFA and IBFT activation for 1-Link customers promoting fast and contactless payment solutions under our digital expansion strategy.

Home Loans:

1. Home loan has been awarded as "Best Bank in Housing Finance 2022" at Pakistan Banking Awards;
2. Witnessed ENR growth of 51% in 2022 with ever highest disbursement of Rs. 5.3 billion in a calendar year.
3. In collaboration with Pakistan Mortgage Refinance Company (PMRC), launched fixed rate product for low and middle income segments and hybrid-financing product with both fixed and variable financing options; and;
4. Over-achieved SBP mandatory targets of Housing & Construction Finance by Rs. 1.1 billion and also surpassed SBP mandatory GMSS targets by 141% (units) & 97% (volume).

Corporate and Investment Banking Group

During the year, the bank remained active in lending in the private corporate sector through various long and short term products including structured financing, import / export financing and various trade-based solutions. The Bank's corporate lending has grown at a CAGR of 9.5% over last five years with it now being positioned as one of top corporate banks in the country. The Group continued to leverage its relationships with various leading corporates to augment its corporate deposits which have grown by 22.3% over last five years. The focus remained during the year on booking new relationships and deepening within sound credits while adding on to new income streams. The Corporate Bank focused on fee and commission-based income by taking advantage of our brand, strong relationships and high service deliverables. Additionally, corporate regions played active role in helping the bank achieve its internal strategy milestones as well as external targets such as developer financing lending.

Our Investment Banking team help our clients to grow businesses, drive innovation and transform industries. Our team of industry and product experts serve a diverse set of clients – from large corporate and financial sponsors – to early-stage start-ups, mid-sized companies, government and sovereigns. The team prioritizes partnership, integrity and excellence in its approach to advising clients on their most important, complex transactions. The efforts of the team have been recognized for prowess amongst peers in Pakistan's financial sector – both locally and globally – with the team receiving accolades from CFA Society Pakistan, Asian Banking & Finance Awards and International Finance Awards. In line with our mission, the team advised, structured and extended facilities to its clients amounting to Rs. 14bn – primarily in sectors including Manufacturing & Allied (28%), Telecom Infrastructure (22%), Renewables (13%) and Road Infrastructure (4%), translating into YoY increase of 38% in gross fee income.

The FI Unit manages relationships with local and foreign banks with emphasis on facilitating our customers to meet their trade and other banking needs. FI offers traditional trade (LC Advising, Confirmation, Negotiation, Discounting, and Letter of Guarantees) as well as structured trade solutions, i.e. Swift Trade Loans, UPAS LCs, and secondary market trade transactions, with the idea of strengthening our relationship with counterparty banks. FI maintains 60+ NOSTRO accounts in various currencies as well as 900+ Relationship Management Applications (RMA) globally. Despite global economic challenges and domestic financial constraints, FI played a vital role in arranging confirmation for crude oil LCs and emerged as a preferred crude oil LC issuing banking Pakistan. At any given point in time, BAFL has outstanding confirmed crude oil LCs of approx. USD 150-180 Million. FI Correspondent Banking revenue grew by 28.3 % in FY22. During FY22, FI participated in 3 TFCs/ Sukuks amounting to Rs. 1.02 Billion.

Our aim is to further strengthen the infrastructure that we have built with our correspondent banks to finance/ refinance trade and commercial transactions between Asia, ME, EU and Africa through our network and partnerships with IFC and ADB.

Home Remittance Business of the bank has grown exponentially over the last couple of years. The bank's market share has increased from 0.7% in 2016 to ~19% in 2022. The growth in the remittance space is driven by superior IT platforms and dedicated customer service which have made the bank a partner of choice for major Financial technology companies, Banks, Money Transfer Operators, and Exchange Houses.

The bank remains committed to contributing more towards this national cause and will continue to invest in capacity, both IT and human, to ensure overseas Pakistanis and beneficiaries continue to get best in class remittance solutions to further grow the overall remittance flowing into Pakistan via legal banking channels. We are currently one of the top three remittance banks in the country and we will continue to work closely with the SBP's Pakistan Remittance Initiatives (PRI) desk to promote legal remittance channels in both traditional and non-traditional markets.

Overseas Businesses

The Balance Sheet size of International Operations increased by 31% to Rs. 187 bn whereas Deposits & Investments increased by 71% and 5% respectively. The Bank's retail business strategy concentrated on effective tactical management of deposits in optimization with ADR and reduction of high-cost deposits for better profitability.

The key milestones achieved during the year is successful digitization of banking channels, centralization of key operations, regularization of Islamic banking desks, successful achievement of Agri targets given by Central Bank of Bangladesh and implementation of remittance disbursement channel through Remittex Software.

Afghanistan poses a challenge and is being constantly monitored.

Islamic Banking Group

Bank Alfalah Islamic offers comprehensive solutions to consumers' rising demand for Islamic banking products and services. With a network of 285 branches including 4 sub-branches, it is one of the leading Islamic Banking institution in the country.

This year the growth strategy of Bank Alfalah Islamic focused on building low cost deposit book, which is evident from the fact, that current deposit of the group increased by 24%, improving CA mix to 45%. CASA mix stood strong at 71%. On the assets side, Bank Alfalah Islamic maintained its financing exposure in all sectors, with specialized focus on high yielding consumer segment, resultantly growing consumer book by 14%.

The year 2022 led to the first Digital Term Deposit for Bank Alfalah Islamic customers. Customers can now start investing in Digital TDRs with as low as Rs. 500 that too with numerous tenors. To cater the low income non-resident Pakistanis, Bank Alfalah Islamic launched Asaan Roshan Digital Account (RDA). Asaan RDA would help NRPs send remittances to Pakistan after completing a simplified digital account opening process.

With the success of Bank Alfalah Islamic Premier proposition, this year nine state of the art designer Islamic Premier lounges were inaugurated in the renowned cities.

Bank Alfalah Islamic also introduced 'Distributor Financing' products under the ambit of Supply chain financing, addition of FCY Import /Export financings variants, Shariah compliant alternatives to Bill Discounting and Home Musharakah Hybrid financing. In addition to this, Bank Alfalah Islamic, under regulatory initiatives, launched Islamic SME Asaan Finance Scheme (I-SAAF) - a collateral free financing for promotion of SME sector, Prime Minister Kamyab Jawan Youth entrepreneurship scheme (PMKJ-YES) - for providing financing to youth entrepreneurs, Islamic Refinance Facility for Working Capital financing of Small Enterprises and Low-End Medium Enterprises (IWCF) - meeting working capital financing needs of SME sector and Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs (IRCGS-WE) - financing scheme to empower women entrepreneurs.

Bank Alfalah Islamic continued structuring of sovereign domestic Sukuk in year 2022, in close coordination with regulator under the mandate of Joint Financial Advisor to Ministry of Finance (MoF) and also structured and participated in multiple syndicate financings.

Digital Banking Group

The year 2022 saw sustainable growth for Bank Alfalah Digital Banking as more and more customers opted for our digital banking services. Bank Alfalah extended an Omni-channel centric digital experience based on its strong, ever-growing suite of 130+ digital banking products and services to make banking safer and easier for its diverse range of customers including banked, under-banked and unbanked individuals, corporates, merchants and SMEs.

With Bank Alfalah's digital banking app, Alfa, customers enjoyed a unique mix of digital banking products and services to carry out their day to day, essential financial transactions such as fund transfers, bill payments, savings, wealth management, investment, lending, Bancassurance etc. Customers are able to avail value-added services like debit card activation, debit and credit card management, loan repayments, and cheque book requests. Alfa Users can enjoy life style experience by shopping on AlfaMall to buy product of their own choice on buy now pay later. In addition to above, convenience of paying fees online without visiting branch and QR payments at retail outlets embedded with an option to purchase on Buy now pay later.

With such unmatched offerings, Alfa managed to hit an above-industry-average user rating of 4.3 out of 5 on Google Play and 4.1 out of 5 on App Store.

RAAST, the first instant payment system in Pakistan that enables users to send money instantly, securely and for no cost by registering a mobile number as a RAAST ID or by utilizing an IBAN, was successfully adopted by Bank Alfalah during the year 2022, targeting increased transfer volumes and RAAST ID issuances.

Bank Alfalah aced the proximity payment landscape with over 20,000+ proximity merchants acquiring a volume of Rs. 4.2 Billion+ in 2022. Digital Banking Group launched Alfa Business App enabling merchants to manage their shops activities as below

1. Instant onboarding without the need of visiting branch
2. Real time statements
3. Cash and digital payments register
4. Dynamic QR generation
5. Embedded financing
6. Business to business large payments processing

AlfaMall is 1st of its kind embedded market place in Bank Alfalah Alfa app giving users lifestyle experience to shop products online of their choice on buy now pay later. This is backed by 130+ authentic merchants with almost 85K+ Stock Keeping Unit (SKU) available for customers to shop online.

Alfa Payment Gateway is in-house developed payments solutions to enable online merchants to receive payments in convenient way using multiple payment modes i.e. all credit, debit cards, Bank Alfalah account, Bank Alfalah Wallet and other Bank accounts. Merchants can onboard themselves online using digital merchant onboarding and integrate instantly using available plugins.

Bank Alfalah's Cash Deposit Machine network has strengthened to a count of 345 in the country, accessible 24/7, allowing customers to deposit cash in any bank account across Pakistan and make digital financial transactions using cash.

Furthermore, Bank Alfalah ensured uninterrupted financial services through alternate delivery channels for its customers with its network of 980+ ATMs in different locations of the country.

Bank Alfalah's Orbit Rewards, a one-of-a-kind loyalty program in the industry, has continued to engage a large number of customers, strengthen and diversify existing customer relationships, and entice new customers to the bank's digital platform.

Digital Banking Group introduced digital investments on Alfa with the launch of Alfa Term Deposit, allowing customers to invest in Term Deposit instantly through Alfa within 10 seconds. The Bank also launched investments and redemptions in mutual funds via Alfa on a real-time basis with straight-through processing of buying and selling of units in mutual funds, generating fund's term sheets, showing current NAVs and investment portfolios.

In addition, with a wide-ranging portfolio of digital lending products, the Digital Banking Group successfully increased the financial penetration and expanded payments footprint across Pakistan, with its innovative products of Digital Instant Loan, Instant Credit Card, Ready Cash Nano Loans, Merchant Financing, Payroll Financing, Digital Overdraft, Agent Financing and Ecommerce Financings.

Advancing the government's initiative to digitize remittances, the Digital Banking Group enabled beneficiaries to pull the otherwise Cash-over-the-Counter transaction into their Alfa Home Remittance Account on Alfa as well as the Agent Network.

Alfa continued to excel in a unique offer of an embedded marketplace experience – AlfaMall – with a great variety of products ranging from electronic appliances and mobile phones, to apparel and grocery for Bank Alfalah customers. Alfa Mall is the 2nd largest prepayment ecommerce marketplace in Pakistan.

Digital Banking Group launched Alfa Virtual Debit Card, this is online shopping card and any Alfa user can generate by themselves instantly from Alfa app and further control spending limits, expiry of their own choice on the cards to use for secure online payments.

With 'Alfa Payroll Solution', the group on-boarded 280+ companies with a monthly disbursement of Rs. 2.5 Billion+ as salaries into the payroll wallet accounts of blue-collar workers from leading companies such as Artistic Milliner, Gul Ahmed, Interloop, McDonald's, Al-Karam Textile, Cheetay Logistics, Rajby Industries and Outfitters.

Bank Alfalah enabled Pakistan's largest welfare fund distribution, under the government-led Ehsaas/Kafaalat and BISP Programmes in Khyber Pakhtunkhwa, Gilgit Baltistan and Azad Jammu and Kashmir; and successfully managed to disburse over Rs. 51 Billion to 2.4 Million+ beneficiaries through a robust and transparent biometric verification-based payment solution.

Bank Alfalah continued its exclusive digital services for EOBi pension disbursement & contribution collection throughout the year and disbursed around Rs. 46 billion to over 480K regular pensioners in 2022, facilitating cash withdrawal from 10,000+ ATMs.

With the introduction of the WhatsApp Banking Channel, the bank was able to provide customers with a new way to communicate with us without having to wait on hold at the contact center owing to high phone volume. Live agents are also available 24/7 through the bot-based channel to respond to individual inquiries and provide appropriate support.

Treasury and Financial Markets Group

Pakistan's GDP growth momentum in 2021 along with high commodity prices in 2022 severely affected the country's external account, which led to an increase in the policy rate from 9.75% to 16.00%. Amid rising interest rates, Treasury effectively positioned the Bank's investment portfolio with major concentration in floating rate bonds, which was the main contributor to the Bank's NII growth of 67% in the year 2022. During the year, with the client-centric approach and the efforts of Institutional Sales, the Bank was ranked 1st as a Primary Dealer (PD) by the State Bank of Pakistan, enabling its institutional and retail investors to transact in government securities through its online trading platform.

The outgoing year remained extraordinarily difficult owing to the fragile external account situation and dwindling reserves. The investment in the home remittance business proved to be pivotal in cementing the bank's strong position in the on-shore FX Interbank market while providing better market access to our trade clients. The year was challenging, providing limited revenue capturing opportunities in an environment that was shaped by a number of external shocks. Our performance in the area is a testament of our strong commitment to our clients. We shall continue to focus on our areas of keen interest and endeavor to remain partner of first choice for both trade and home remittance counterparts.

As a Joint Financial advisor for Minister of Finance (MoF) for the issuance of domestic Sukuk, our Islamic Treasury played a pivotal role along with SBP and MoF in the regular Sukuk issuances. Furthermore, Islamic Treasury supported the Bank's balance sheet growth by efficiently deploying shariah-compliant assets.

In 2022, the KSE-100 index, the benchmark of the Pakistani equity market, experienced a challenging year marked by bearish and volatile conditions. Despite starting the year on a positive note due to factors such as foreign buying, IMF disbursement, and Sukuk bond issuance, the market was negatively impacted by political uncertainty, macroeconomic issues, and floods, leading to a 9.4% decline for the year. Cognizant of the market conditions, the Capital Market team focused on stocks that offered high dividend yield and low leverage while strategically incorporating high-growth stocks into its portfolio.

Bank's Investor Relations consistently engaged with relevant stakeholders, resulting in its recognition as the "Best Investor Relations" awarded by the CFA Society Pakistan for the ninth consecutive year.

Corporate Services and Operations Group

Corporate Services (CS) took pivotal initiatives for business support during the current year.

Proceeding with Bank's expansion plan, the Bank has continued growth in its branch network throughout the year with 100+ branches added to the portfolio across Pakistan.

In line with strategy of moving towards energy conservation and adoption of alternative energy, adoption of Grid Tied Solar System is in progress at both Head office locations in Karachi & Lahore. The Grid Tied Solar system requires minimum wear and tear. As a renewable source of power, solar energy has an important role in reducing greenhouse gas emissions and mitigating climate change which is critical to protect ecosystems.

Lifecycle Replacement Plan for critical assets is a sustained key initiative of bank in enhancing operational productivity of assets, their efficiency and better customer services. CS has executed a comprehensive asset replacement plan for critical equipment's (i.e. Generators, Air-conditioners and UPSs) which were operating beyond their useful life. This initiative has played a pivotal role in managing branch uptime.

In continuation with the Bank's customer centric approach, CS launched a Complaint Resolution Unit, accessible through an IP number 'HERE4U' (437348). The prime responsibility of this unit is to ensure facility related complaints received from branches all over the country are rectified within a minimum time and tracked accordingly. Launched since March 2021, this Unit has resolved over 40,000+ complaints received from branches across Pakistan.

In line with SBP directives, 16 branches, four in each province, have been equipped with facilities for People with Disabilities (PWD). These branches provide access through ramps, have tactile floors and talking ATMs for visually impaired people, staff trained with sign language and Queue Management Systems that give priority to PWDs and serve them through dedicated special teller counters.

In line with SBP guidelines, Bank Alfalah has implemented Work from Home Policy on Fridays at key buildings to reduce its energy consumption and thus help environment in reducing carbon footprint.

Currently this initiative is implemented on three main buildings which saved 225K units of electricity from July 2022 to December 2022.

On similar SBP guidelines the bank has also kept the lights of its branch signages off in wake of energy crisis being faced in the country.

Health, Safety and Environment (HSE) team arranged blood donation campaigns in major cities to help the people in need and to facilitate its employees and their families during medical emergencies. Bank is also promoting and maintaining safe work environment culture through preemptive safety inspections, evacuations drills and active awareness program. Bank Alfalah also has robust Business Resilience practices in place to which are being tested on regularly, so that Business could be continued in case of any disruptive event.

In line with SBP guidelines covering digital on-boarding framework, Bank took the initiative and launched RAPID channel which caters hassle-free, fast, efficient and paperless account opening requests of customers without needing them to visit bank's branches, at their convenience. Further to facilitate opening of entity

accounts, Operations made SECP portal live access to select branches / Area offices and Centralized Unit so that they can verify customers' constituent documents quickly thereby reducing processing turn-around time.

Centralized Operations also introduced digital issuance and verification of customers' Proceed Realization Certificate (PRC). Bank centralized issuance and encashment of Premium Prize Bonds, which is first of its kind in the banking industry.

In parallel to RTGS facility, Centralized Operations launched IBFT channel to corporate and customers through branch counters to facilitate transfer of fund beyond RTGS cut-off time and limits.

Centralized Remittance Department digitalized mechanism for submission of customers FX cases on-line to SBP.

The Bank managed to provide full operational support for SBP's Naya Pakistan Certificates and Roshan Digital Accounts within the strict timelines provided by the regulator. The group was also instrumental in enabling the Bank to perform the role of a settlement bank for NIFT – E-PAY solution, a new payment gateway.

Although the year ahead will be marked by challenges and uncertainty, the group is well positioned coming, with prudent management policies and strong execution of strategy to ensure that the Bank meets its business objectives and continues to grow.

Information Technology Group

Bank Alfalah's Information Technology Group (ITG) is momentarily invested towards innovative solution delivery leveraging organization's strategic intent, enriched technical infrastructure, data analytics platforms, internal partnerships with business, Risk & Control teams and external partnerships with Fintechs, schemes and global service providers. The approach is a key enablers for the bank to reach geographically distant markets and connecting with diversified customer segments irrespective of their age, ethnicity and gender. Bank's focus and continuing commitment towards each segment of its customer base and its "The Way Forward" solution philosophy has been fueling ITG's drive to innovation and digitalization. ITG resolve to our market places not only has been renewed but amplified as together we rise and experience the new normal in the post Covid-19 era. Increased customer base, new partnership, deepened engagements and continuing operating efficiencies are testament of our customers and partners confidence in the Bank.

Whilst ITG remained ambitious to widen the spectrum of its solutions & service offerings; it remained cognizant of emerging cyber security challenges. Therefore, to safeguard the bank from potential risks and threats, ITG in partnership with Information Security Team and Business Resilience Team has implemented best in line security solutions at all critical touchpoints and institutionalized tested business resilience strategies for uninterrupted continuity of Bank's Operations thereby delivering highly available technology platforms to our customers for best in class self-service experience, our employees to serve customers with confidence, ease and convenience whilst upholding bank's internal standards and meeting regulatory compliance requirements.

Technological & Digital Advancements:

During 2022, following were the key achievements of the IT Group:

1. Leader in RAAST among Traditional Banks

RAAST is amongst SBP landmark initiatives to facilitate hassle-free and seamless digital payments. Among traditional banks, BAFL has been the most responsive in its adoptions of P2P, B2P as well as G2P which resulted in BAFL achieving significant volume of RAAST transactions and customer onboarding. With swift integrations and timely actions in terms of addressing technical issues, BAFL's ITG has been integral in ensuring that the bank is at the forefront of the RAAST revolution and continue to be instrumental to SBP's Financial Inclusion Initiatives.

2. Delivery of Digital On-Boarding SBP Mandate with RAPID

RAPID – First end to end Digital Onboarding Platform – has been ITG's flagship initiative which pioneered digital on-boarding and account opening in Pakistan. Envisioned as a "One-Stop-Solution" for our existing as well as prospective customers and upholding SBP's expectations, ITG has ensured that RAPID remains industry leader in terms of Digital Account Opening. This has been achieved through successful optimization of the account opening journey and addition of options such as Asaan Digital Account for freelancers and RDA Asaan Account, ITG has helped BAFL become the flagbearer of SBP's vision of financial inclusion through digitalization. This partnership has enabled ITG to scale the RAPID preposition to BAFL International Operations as well.

3. Consolidation of Debit Card and ADC Platforms

Staying true to the future oriented vision of BAFL, ITG has consolidated the IRIS system used for debit cards by combining four ADC switches to one. This consolidation laid foundations for various innovative debit card initiatives with significant improvement in metrics like deployment time, time to market, product diversity, and digital advancement leveraging latest technologies for innovations and compliance. Keeping in line with the theme of greater efficiency, the branchless banking core host has been exceptionally optimized bringing down the settling time from many days to some hours. Furthermore, with the separation of transaction and disbursement pathways, the robustness of the system has increased with uptime nearing 100% and significantly reduced transaction processing times.

4. Advanced Queue Management System (QMS)

ITG has recently piloted the Advanced QMS which aims to redefine the customer experience during a branch visit. Contrary to orthodox Queue management approach now BAFL Customer can use kiosks to create a smart ticket entering their basic details and our systems auto-fetch available customer details as the transaction is served by bank staff. ITG intends to further scale the solution by adding options like creating a ticket remotely before reaching the branch thereby streamlining customer handling time to deliver unparalleled customer experience.

5. PCI-DSS Recertification

The Bank has proficiently achieved the Payment Card Industry Data Security Standard (PCI DSS) recertification evidencing its unshaken resolve to process and handle Credit and Debit Card Data in secure and compliant manner as mandated by Global Standards setting bodies and to inherently minimize risk of cardholder data breach.

6. AI Automated Trade Pricing Validation

ITG has implemented AI Automated Trade Pricing Validation mechanism as part of due diligence for Trade Financing. This implementation has: improved Bank's compliance efficacy vis-à-vis SBP requirements and augmented to the operational efficiency of our team during customer service engagements.

7. FCCM - AML System rollout for Overseas Locations

Financial Crime and Compliance Management (FCCM) is a monitoring suite which can identify different scenarios of suspicious transactions and raise flags accordingly for further action. It has proven to be an important line of defense against money laundering and other financial crimes.

To further optimize Solutions ROI and to yield improved compliance efficacy, ITG has scaled the existing FCCM - AML System to its Overseas Locations leveraging in-house resources capacities.

Major IT Projects 2022- In Progress

1. T24 Upgrade to Latest Version

Staying true to our strategic of “One-Bank-One-Core” and to continue reaping benefits of global insights, ITG has initiated the T24 upgrade project to upgrade its core banking to latest versions and technical architectures. Major benefits include unification of Core Banking Platform for Pakistan & International Operations, adoption of latest modules unwinding local developments and modernized development architecture – Arrangement Architecture (AA).

2. FCCM Upgrade (For Pakistan and Overseas)

BAFL Compliance and ITG team have partnered to further strengthening its FCCM platform with architectural updates across Pakistan and Overseas sites. This would increase the system’s robustness by introducing multiple new features and enhancement thus strengthening Bank defense against money laundering and other financial crimes.

3. Unison 3.0 (Contact Center Upgrade)

The contact center platform is being upgraded to a newer version. It encompasses various initiatives that would add various features for greater functionality along with improvements such as better UI/UX, social media and knowledge base modules.

4. Digital Facilitation Desk (DFD)

Digital Facilitation Desk is an interactive platform where the customer can ask an agent in the branch to answer different queries and address the relevant concerns by leveraging BAFL’s contact center system, Unison 3.0. The hardware makes use of AI and ML which allows for recording of the conversation to be initiated on the basis of motion detection.

5. Tokenization – Contactless Payments via Mobile

For creating further ease of payments, BAFL plans introduce tap and pay service via smartphones for token based transactions.

6. Assan Pay (OTP based Cash / Remittances) on ATM and OTC

With Assan Pay, customer can complete cash withdrawal transaction from an ATM by using credentials provided by payment source account holder instead of a debit card. This adds another channel for receiving payments for the customer and reduces dependency on ATM cards as well.

7. Digital Branch

Digital branch comprises of various initiative which aim to modernize the branch experience in line with the digital world of the future. It would bring a host of benefits for BAFL as well with lesser human resource and space requirements. Following services are planned.

- **Digital Locker** – Digitized locker solution (both software and hardware).
- **Instant Debit Card via Kiosk** – Customer can print an instant debit card (Visa and PayPak) via Virtual Service Machine (VSM).
- **Portable Device** – Customer can open account via RAPID using the tablet present in the branch.
- **Bill Mix** – Premier customers can select the denominations of the notes while withdrawing money from CCDM/ATM.
- **Instant Cheque Encashment** – Customer can encash cheques via CDM/CCDM without human intervention.

8. RAPID Enhancements - Video KYC

RAPID is a premier BAFL IT initiative which facilitates in digital onboarding/account opening along with various self-services. To maintain excellence, the scope of services via RAPID is being continuously broadened. Furthermore, the addition of Video KYC (KYC of the customer via a video call session) and one KYC (centralized KYC platform for products in customer portfolio) has further enriched the service offerings and customer experience.

9. Partnerships with Different Fintechs

BAFL strives to expand their business outreach and footprint within the financial system of Pakistan. Partnerships with emerging fintechs has been a key contributor for achieving this goal. ITG has been the driving force for delivering on this aspect with the development of integrations for payments and other transactions with the fintechs. As a result, various leading names like SadaPay are becoming affiliated with BAFL which has only increased the stature of the bank.

10. The SWIFT Customer Security Controls Framework (CSCF) Assessment

As mandated by SWIFT; BAFL ITG engaged an independent third party evaluator to proficiently carry out security controls framework compliance assessment. As declared, BAFL is fully compliant to all mandatory as well advisory security controls to combat against evolving cyber threat to community. Recertification of security controls framework compliance for 2022 is already in progress and ITG is confident of no change in BAFL' compliance status. Furthermore, ITG has already upgraded to SWIFT Alliance mandatory upgrade release 2022.

11. Aggregation Router Upgrade

Aggregation routers provide core routing decision and connectivity of PAN-Pakistan Branches, Back-offices including Data encryption for data in transit. These routers take decision for the best path taken by Data between Branch, Datacenter and Business Partners and Critical Application identification for best routing.

ITG initiated the upgrade project to efficiently sustain increased throughput requirements for Branches, Back Offices and Business Partners, enhancements in Data Encryption and to cater ever increasing connectivity requirements to Primary and DR datacentres.

12. Business Process Automation

ITG in partnership with internal product & operations teams has been on hunt for process automations opportunities. Overtime numerous automations were completed thereby eliminating operational inefficiencies and redundancies.

The independent reporting of CIA/Head of Internal Audit to the Board Audit Committee (BAC) ensures independent decision making. Further, ensuring compliance to professional standards and adherence to globally recognized risk based audit methodology along with compliance of International standards remained on top priority for our IA function. The same enables formulation of policies and strategy in line with Board Audit Committee (BAC) and Regulatory advices, correlating with the industry's best practices. The group is playing an important role by assisting the Board Audit committee in executing its role by collecting and sharing the desired information and being instrumental in carrying out and follow up of the instructions issued by the Board Audit Committee (BAC).

AIG is suitably equipped with professionally qualified and competent resources from auditing, accountancy, management professions; the group is operational under a diversified scope of work which encompasses audits of retail- conventional and Islamic banking branches, Information System, overseas audits, management audits, risk assets reviews, centralized operations, shari'ah audits and virtual monitoring through offsite surveillance system alongside thematic, special and regulatory assignments entrusted by regulator on need basis.

The vision, i.e. "To be the best Audit set up as per Global Standards and help shaping the future of the Bank", motivates and drives the leadership of AIG to keep on excelling in every aspect while keeping in mind the strategic directions set by the bank. Core values of learning, openness, empathy and trust have been pursued to align the activities of AIG with its vision and expectations of its stakeholders. These values play an integral part in helping the Audit and Inspection Group moving in the right direction.

With continuous support from BAC, the Audit & Inspection Group is all geared up by putting on continuous and dedicated efforts to strengthen the internal control system and has undertaken numerous strategic initiatives including:

1. Internal self-assessment in compliance with guidelines on Internal Audit Function (IAF);
2. External assessment of Audit & Inspection Group in compliance with guidelines on IAF; implementation of system solution to capture complete audit cycle; Development of risk control matrix for all auditable function/areas;
3. Revamping of internal audit processes and documentation in light with guidelines on IAF;
4. Quarterly internal audit quality reviews as part of quality assurance and improvement program; and;

Audit and Inspection Group

The Internal Audit setup at BAFL is an independent and comprehensive function which not only provides objective assurance regarding state of governance, risk management, compliance and controls; but is also a consulting activity designed to add value by highlighting areas for improvement and thus helping the bank achieve its objectives effectively and efficiently.

Dynamic risk assessment and continuous evaluation of the overall control and risk environment, provision of reasonable assurance and placement of significant matters for oversight of the Board and its subcommittees, has remained the hallmark of our Internal Audit Function.

5. Alignment of IA approach as per IIA standards and regulatory guidelines.

All of the aforementioned activities were aimed at increasing synergies between various AIG functionaries.

Special Assets Management Group

The Special Assets Management Group team (SAMG) is actively engaged with Bank's Business units to extend maximum support for reducing non-performing loan portfolio through aggressive remedial strategies. Despite of challenging business environment, prudent and proactive risk management, focused efforts for recovery of NPLs and pragmatic credit controls, Bank's overall infection ratio marginally increased from 3.53% in 2021 to 4.04% during 2022.

With the goal to focus on maximum recovery in NPL portfolio through enforcement of legal & other available recourses, SAMG team prefers to apply contemporary remedial techniques through active engagement with delinquent customers to reach amicable settlement plans / sustainable restructurings with a view to provide them fair opportunities to revive their respective ailing businesses; thereby enabling them to contribute towards the country's economic growth and development. The Bank undertook/ executed several restructurings / repayment plans with delinquent customers which resulted in net provisioning reversal of Rs. 2.432 Bn during 2022.

For the most part of 2022, Pakistan witnessed a deep political & economic turmoil followed by continuous depreciating currency and highest ever inflation followed by increased Policy Rate. These headwinds might increase infection in Banks' portfolios in the near future. To face these potential challenges, Bank's Business Units as well SAMG team are fully geared and have ample capacity to act accordingly.

Compliance and Control Group

Compliance Division

Compliance and Control Group largely focused on further enhancement of its regulatory technology tools by upgrade, enhancements and effectiveness to make the control environment more robust for safeguarding the Bank's interest in these challenging times while focusing on providing best solutions to the business teams. The Compliance Function at Bank Alfalah has put in place effective and well thought-out policies and procedures and with the help of its skilled human resources, it furnishes key advisories in many areas like high risk transactions and relationships,

various products offered by the Bank, policy & procedures, correspondent banking, and overall compliance risks across the bank. Of late the bank has also reorganized its Compliance and Control Group to give more focus to the key risk areas.

The Compliance Division has successfully concluded an upgrade of its transactions monitoring system which will increase the efficiency and will enable the bank to add more cutting edge tools of the system on the upgraded environment in near future. Similarly the bank has engaged with a leading firm to take its sanction screening architecture to the next level and an in principal engagement has been done to migrate the sanction screening architecture on new platform in year 2023. The bank has also concluded at the mid of the year an integration of Customer Risk Profiling Tool for Trade Customers in line with SBP's TBAML Framework.

A key responsibility of Compliance Division is the review of policies & procedures, regulatory review of products and other communications, dissemination of regulatory instructions, facilitation of SBP Inspection Teams, and implementation of Compliance Risk Management Framework across the Bank. As part of this framework, CRM KRI Reporting System was launched to empower and reinforce the three lines of defense across the Bank in 2021 and the Risk Obligatory Register System was also launched in 2022.

Moreover, in order to ensure and inculcate strong compliance culture across all business activities/ functions, the training programs were developed to assist compliance function personnel and other relevant stakeholders within the Bank in understanding the requirements of SBP in various aspects particularly launching of E-Learning programs for AML, CDD, CFT, TBAML and CPF etc.

Internal Control Division

In 2022, Internal Control Division (ICD) had a major focus on KYC / AML/CFT-related matters through their On-Site and Off-Site Surveillance & Data Analysis Units setup. Moreover, much attention and collective efforts have been made to strengthen the Compliance Architecture at Branches and Centralized Units. ICD has made extraordinary efforts to identify and plug in the gaps for creating a robust Compliance & Control environment. A new concept of Compliance Champions of Key Risk Areas was introduced within Compliance & Controls Group, for which dedicated resources have been assigned to have stringent monitoring of the defined bank portfolio. ICD through its Data Analytics Unit remained instrumental in the end-to-end process review of the Key Compliance Function. ICD has also imparted its role by developing the in-house automated Utility to facilitate compliance functions to perform their routine activity with more accuracy and reliability.

Ever since the launch of the ICD Dashboard, the whole spectrum of Controls and Compliance monitoring has transformed from sample-based periodic reviews of selected branches to continuous monitoring of key risk areas with coverage of the whole population. ICD Dashboard coverage was further enhanced as various Key Alerts related to KYC / AML / CFT were also deployed during this year besides, the addition of alerts related to TBML and Key Operational activities.

Furthermore, ICD through Off-Site Surveillance Reviews has conducted a significant number of Off-Site Periodical Reviews on Key Risk Areas, and resolved various system-related controls gaps as well.

This year, ICD has objectively put maximum efforts into On-Spot rectification of identified exceptions during On-Site Reviews, which resulted in a significant reduction of Compliance Risk in the Key Risk Areas. ICD has conducted more than 200 On-site reviews of branches with particular focus on end-to-end review particularly, focusing on KYC reviews from AML/CFT regulations perspective along with other operational areas of the branch. ICD also reviewed all Units of the Consumer Finance Group and Digital Banking Group along with, Trade & Advances, Trade Hub Branches and various other Centralized Units. Robust Enforcement setup within ICD ensures timely resolution of the identified exceptions.

Fraud Risk Management Unit

Fraud Risk Management Department at Bank Alfalah is among the best performing setups in the industry. To implement adequate anti-fraud controls, FRMD strategy mainly deals in prevention, detection, deterrence and investigation of fraud cases/losses originating from bank products and processes. BAFL Fraud Detection Unit [FDU] is functional 24/7 in order to mitigate fraud risk and to save the bank from financial and reputational losses by monitoring consumer and digital product transactions proactively through state-of-the-art fraud detection tools. Approximately Rs. 339 million potential loss was saved through effective handling of alerts / detection of fraudulent transactions. 53 POCs (Point of Compromises) were reported by Pakistan Banking Association (PBA) where remarkably no POC of BAFL was identified. In addition, an amount of Rs. 103 million was potentially saved in e-commerce acquiring business. With its proactive approach, vigilance unit of FRMD potentially saved an amount of Rs. 392 million by detection of suspicious / discrepant / fraudulent cases.

FRMD investigation team went out of the way and successfully got number of fraudsters arrested involved in skimming and social engineering frauds, in collaboration with FIA Cybercrime. FRMD also successfully recovered Rs. 27.3 million against fraudulent IBFTs, Data Skimming and Social Engineering fraud.

FRMD in coordination with cross functional units implemented multiple measures i.e. installation of Anti-skimming solution, Deep insert plate, Burglary alarm, fascia alert at ATMs & centralized CCTV monitoring and restriction of fallback transactions for timely identification of suspected fraudulent activity. This resulted in drastic decrease of card skimming frauds.

Successful implementation of 2FA authentication for ALFA registration and transaction execution, implement of bio matric verification for registration & activation of Alfa / IB of all new customers, implementation of Phone tagging / device tagging, auto fetch / auto sense functionality of OTP and session based internet activation played a key role to counter social engineering fraud.

Legal and Corporate Affairs

The Legal and Corporate Affairs Group at Bank Alfalah plays an active and key role in all aspects of operations of the Bank. The Group comprises of a Corporate Affairs Division and a Legal Affairs Division.

Corporate Affairs Division

The Corporate Affairs Division (**CA Division**) ensures secretarial and corporate compliances and manage the Bank's affairs in accordance with its Memorandum and Articles of Association and various laws/regulations including the Companies Act, 2017, the Banking Companies Ordinance, 1962, SBP's Prudential Regulations, the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Listing Regulations/ Rule Book of the Pakistan Stock Exchange etc. and the rules/regulations made there-under. The CA Division is also responsible for all arrangements of meetings of Board, Board Committees, General meetings including preparation of the agenda, resolutions along with all logistic and administrative support and timely circulation of minutes of meetings to Board/Committee members. The Company Secretary and the staff of the CA Division ensure proper recording of minutes of each meeting, coordinate with the management/relevant stakeholders to communicate/follow-up the decisions made in the meetings and to update the Board/Committee(s) accordingly.

The CA Division keeps the Board abreast regarding the changes made in the existing corporate laws/regulations and/or introduction of any new law/regulation applicable to public limited and listed companies. It also ensures compliance with all disclosures/communication, as per the domain of CA Division, with relevant stakeholders including shareholders/regulators and also ensures updating corporate website of the Bank. This Division remains watchful of the share trading data/pattern and share price fluctuations. It also tracks sponsor shareholdings

and manages dissemination of share trading information by the Sponsors/Directors/Executives of the Bank to all concerned. It ensures compliance with all applicable legal and procedural requirements regarding payment of cash dividends, issuance of bonus and right shares and issuance of shares under Employees Stock Option Scheme, when applicable. Disclosure of closed period, sharing of all material/price sensitive information and financial results to Pakistan Stock Exchange (PSX), the Securities Exchange & Commission of Pakistan (SECP) within the stipulated time is also taken care of by the CA Division.

The filing of statutory returns with the regulators and circulation of quarterly/annual financial statements to the shareholders and regulators is also made by CA Division. The filing of statutory returns is carried out by the staff of CA Division and no consultant is hired in this regard saving considerable time and cost thus maintaining confidentiality. The CA Division also ensures to maintain a cordial relationship with the shareholders of the Bank and resolve their problems/concerns on priority in an efficient manner to their full satisfaction.

During the year 2022, CA Division arranged total 34 meetings of the Board and Board Committees, an Annual General Meeting and an Extra-Ordinary General Meeting. The CA Division fulfilled all the procedural and regulatory requirements regarding Election of Directors (EOD) and obtained SBP's clearance in respect of all Directors of the Bank. It also arranged disbursement of two cash dividend issues and made electronic payments of dividends to shareholders within the stipulated time and manners.

Legal Affairs Division

The Legal Affairs Division (LAD) of Bank Alfalah provides legal advice and support to all departments and businesses of the Bank. Its dedicated team of highly qualified and experienced lawyers works towards enabling the departments and businesses of the Bank to carry out their business and transactions while being compliant with applicable legal requirements and ensuring that maximum legal work is carried out in-house, thereby saving considerable costs in legal fees.

In the year 2022, LAD advised on and assisted various departments by providing legal advice and assistance on diversified matters, including but not limited to, itself developing requisite documentation in-house for various products and services, advising on the structure and documentation in respect of various transactions. Additionally, the work assigned to external counsel in 2022 has been significantly lower than that in the previous years, resulting in major cost saving for the Bank as a whole.

Strategy Group

The Strategy, Transformation and Customer Experience department continues to play an important role in the overall success of the Organization.

The Strategy Department successfully led and concluded Pakistan banking sector's first-ever Share Buyback transaction. The Bank successfully bought 200 Million shares (~11.25% of the share capital of the Bank) from the market resulting in the largest Share Buyback transaction in Pakistan capital market history. Our shareholders will enjoy the benefits of this transaction for years to come in the form of increased ownership, higher earnings per share, and higher dividend payouts. Similarly, to support our growth aspirations, the department collaborated with the Investment Banking team and successfully closed an Additional Tier 1 Term Finance Certificate of Rs 7,000 Mn in 2022. This investment into the Bank will significantly strengthen our capital buffers and allow the Bank to continue its expansion plans for the foreseeable future. This transaction was especially significant given the adverse economic challenges the country is facing. It highlights the confidence and trust our investors have in our institution. Lastly, the Strategy Department has also set up a venture capital desk helping the Bank in its digital and financial inclusion journey. The Board has approved a Venture Capital fund for investments. Our partnerships will be highly selective, value-additive, and based on sound financial business models.

The Branch Transformation team continues to bring innovative and customer centric ways to improve granular sales at the branch level. Constant tooling up of our Sales Management System (SMS) has now enabled our sales force and allied functions to make informed, tailored and effective sales that cater to client needs. SMS now offers all sales force and allied job families a dedicated, on the go, interface that allows them to effectively implement the sales cycle from leads to maturity. Granular customer data along with the customers sales behavior are all tracked by SMS to equip RMs, BMs and the Operations team to develop a better understanding of each customer while catering to customers with best-fit sales solution.

The Customer Experience team in line with our customer centric philosophy, laid the foundation for gathering the highest number of customer feedback in the history of Bank Alfalah. We transitioned to a digitally enabled Voice of Customers Program, facilitated by a robust technology platform, which allows us to continue to make the process convenient, quick, and user-friendly for the customers. In 2022, we gathered feedback from ~250,000 customers on various business and strategic touchpoints within the journey that they undergo while banking with us, using the thematic insights from these surveys we will

aim to drive performance management and further enhance process optimizations and improvements. To exemplify: a State Bank mandated survey on Dormancy was completed within 2 weeks, with ~7,300 customers surveyed – the highest sample size for feedback within the industry!

Human Resource and Learning Group

Bank Alfalah aspires to become an employer of choice, by creating a conducive environment where people love coming to work and are respected and valued for their contributions to the success of the bank.

The organization's focus on Culture & Inclusion is evident from the fact that 'Culture' has been placed as a central pillar of Bank Alfalah's 5-year strategy demonstrating our senior leadership's commitment to improving diversity.

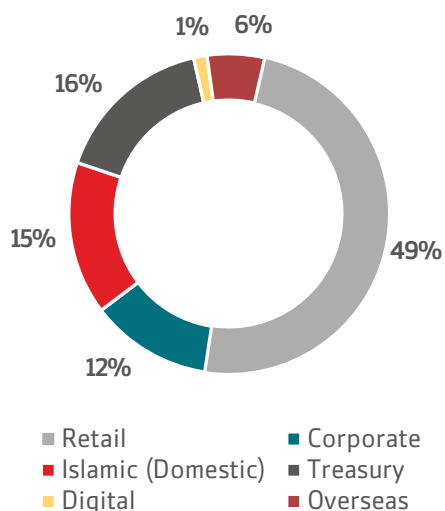
Bank Alfalah believes in diversity of ideas and highly encourages employees to do things differently which is an integral part of the organization's Vision - to inspire & empower people to do things differently and shape their own path in life and business.

Bank Alfalah is an equal opportunity employer in hiring, promotion practices, developmental and learning opportunities, benefits and compensations and strongly believes in the business and social impact created by a diverse workforce and an inclusive work culture. Bank Alfalah considers the well-being of its employees as an integral part of organizational culture.

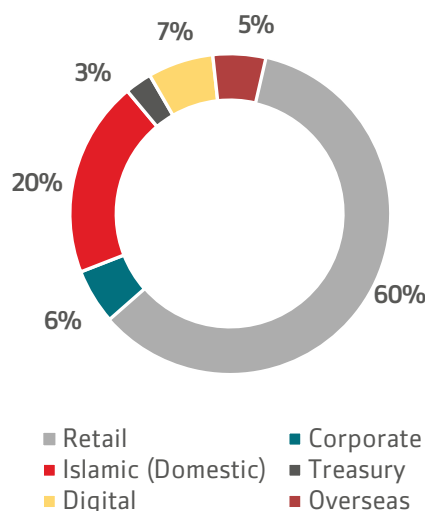
Bank Alfalah actively works towards building a workforce that is representative of different genders, ages, backgrounds, experiences, working styles and abilities. We harbour commitment towards fostering a workplace culture where people can bring their best and authentic selves every day.

Concentration of Profit and Business Segments' Profitability

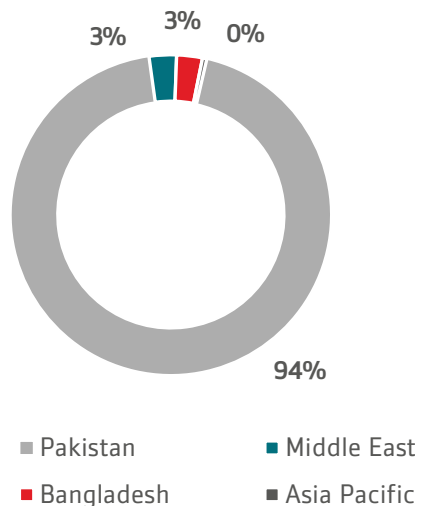
Business Segment - Revenue



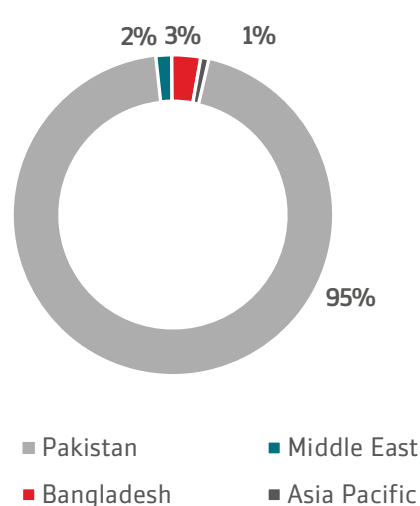
Business Segment - Expenses



Geographical Segment - Revenue



Geographical Segment - Expenses



Definitions of 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.
- 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 (Domestic Operations):**
This segment pertains to full scale Islamic Banking operations of the Bank.
- Corporate Banking:**
This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities with Bank's corporate and public sector customers.
- Treasury:**
This segment includes liquidity management activities carried out through borrowing, lending, money market, capital market, FX 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.
- International operations**
This segment comprises of business activities related to Bank's overseas operations, namely, banking activities in Bangladesh, Afghanistan, United Arab Emirates and Kingdom of Bahrain.

Financial and Non Financial Ratios

		2022	2021	2020	2019	2018	2017
Profitability Ratios							
Profit before tax ratio (PBT / Gross Markup Income)	%	16.91%	23.28%	19.30%	24.19%	29.53%	24.67%
Gross Yield on Earning Assets	%	10.87%	6.56%	7.52%	10.26%	6.98%	6.62%
Gross Yield on Average Earning Assets	%	12.23%	7.27%	8.68%	10.53%	6.96%	6.81%
Gross Spread ratio	%	36.16%	46.08%	48.27%	48.53%	53.50%	51.94%
Cost to Income ratio (Total Operating Expenses / Total Revenue)	%	50.94%	58.92%	55.71%	54.01%	58.34%	65.28%
Return on equity (ROE)	%	19.23%	15.30%	11.55%	15.65%	15.33%	13.22%
Return on Capital Employed (ROCE)	%	17.66%	14.23%	10.51%	13.64%	13.30%	11.90%
Shareholders' fund	Rs	95,156	88,562	80,508	76,661	68,264	58,515
Return on Shareholders fund	%	19.13%	16.05%	13.01%	16.56%	15.56%	14.30%
Gross Yield on Average Earning Assets	%	12.23%	7.27%	8.68%	10.53%	6.96%	6.81%
Non Interest income to total income	%	9.24%	13.93%	12.14%	10.07%	14.88%	14.15%
Return on average assets (ROA)	%	1.06%	0.92%	0.87%	1.26%	1.11%	0.87%
Admin Exp to Profit before Tax	%	139.65%	157.64%	179.17%	133.33%	140.27%	181.03%
Assets Quality and Liquidity Ratios							
Gross Advances to Deposits ratio	%	51.50%	61.37%	68.15%	67.75%	73.75%	64.68%
Net Advances to Deposits ratio	%	49.26%	59.16%	65.47%	65.35%	71.37%	62.12%
CASA to total deposits	%	71.68%	76.91%	76.91%	77.91%	75.88%	75.37%
NPL to share holder's equity	%	30.97%	24.71%	28.41%	25.47%	24.88%	26.72%
Investments to total asset ratio	%	50.40%	46.84%	39.12%	27.70%	27.74%	39.87%
Cash & cash equivalent to Total Assets	%	8.23%	7.76%	8.55%	12.68%	9.99%	9.35%
Earning assets to interest bearing liabilities	Times	1.01	1.03	1.04	1.03	1.03	1.02
Cash to Current liabilities	%	8.74%	7.20%	26.06%	13.58%	11.57%	9.70%
Net Investments to Deposits ratio	%	74.95%	71.04%	62.04%	38.23%	39.50%	62.13%
Cost of fund	%	7.61%	4.09%	4.85%	5.85%	3.45%	3.36%
Cash flow coverage ratio	%	93.13%	68.74%	63.38%	70.49%	-104.97%	14.28%
Net Interest Income to working Funds	%	41.70%	34.38%	37.74%	33.24%	31.77%	31.65%
Gross non performing assets to gross advances	%	4.04%	3.53%	4.30%	4.23%	3.63%	4.21%
Non performing loans to total loans	%	4.23%	3.67%	4.48%	4.38%	3.75%	4.39%
Coverage Ratio (specific provision / NPLs)	%	82.00%	85.49%	70.83%	79.14%	84.39%	89.22%
Coverage Ratio (specific and general provision / NPLs)	%	107.58%	101.95%	91.20%	83.57%	89.02%	94.02%
Deposits to shareholders equity	Times	14.87	11.39	9.69	8.89	9.29	9.80
Assets to Equity	Times	22.53	17.34	15.22	12.10	13.30	15.18
Liquidity Coverage Ratio (LCR) (refer note 1)	%	185%	172%	187%	163%	156%	141%
Net Stable Funding Ratio (NSFR) (refer note 1)	%	150%	135%	136%	138%	133%	137%
Investment Ratios and Market Ratios							
Earnings per share [as reported]	Rs.	10.27	8.00	5.89	7.15	5.99	4.74
Earnings per share [before tax]	Rs.	20.40	13.18	10.09	12.63	9.93	8.74
Diluted Earnings per share	Rs.	10.27	8.00	5.89	7.15	5.98	4.72
Price to earning ratio	Times	2.93	4.33	6.00	6.39	6.78	8.97
Price to book ratio	%	47.53%	61.49%	68.98%	92.26%	95.21%	103.83%
Price to book value ratio	Times	0.48	0.61	0.69	0.92	0.95	1.04
Dividend Yield ratio (based on cash dividend)	%	16.59%	11.56%	11.32%	8.75%	3.70%	3.53%
Dividend Payout ratio (based on cash dividend)	%	48.68%	50.00%	67.91%	55.94%	41.74%	31.65%
Dividend cover ratio	Times	2.05	2.00	1.47	1.79	2.40	3.16
Cash Dividend - Interim	%	25%	20%	20%	20%	10%	-
- Final	%	25%	20%	20%	20%	15%	15%
Stock Dividend	%	-	-	-	-	10%	-
Breakup value / net assets per share - with revaluation on surplus	Rs.	63.41	56.27	51.21	49.53	42.63	40.93
Breakup value / net assets per share - without revaluation on surplus	Rs.	60.33	49.83	45.30	43.14	38.47	36.38
Breakup value / net assets per share - with revaluation on surplus and Investment and investment in related party at fair value	Rs.	66.81	58.03	53.10	50.70	43.80	41.85

		2022	2021	2020	2019	2018	2017
Share Information							
Market value per share - Dec 31 (Closing Rate)	Rs.	30.14	34.60	35.33	45.70	40.59	42.50
High - during the year (intra day)	Rs.	38.55	38.50	53.00	50.70	58.94	47.24
Low - during the year (intra day)	Rs.	29.60	28.50	28.26	36.50	40.59	36.03
Market Capitalisation - Dec 31	Rs. Mn	47,536	61,490	62,787	81,216	72,021	68,322
No. of shares outstanding	Mn	1,577	1,777	1,777	1,777	1,774	1,608
Capital Adequacy and Structure							
Tier 1 Capital	Rs. Mn	94,969	83,111	77,211	73,650	66,810	53,662
Total Eligible Capital	Rs. Mn	118,417	108,075	100,422	93,677	82,050	65,779
Risk Weighted Assets (RWA)	Rs. Mn	856,024	749,050	607,663	554,836	549,173	491,228
RWA to Total Assets	%	37.99%	43.19%	43.88%	52.08%	54.58%	49.18%
Tier 1 to RWA	%	11.09%	11.10%	12.71%	13.27%	12.17%	10.92%
Capital Adequacy Ratio (CAR)	%	13.83%	14.43%	16.53%	16.88%	14.94%	13.39%
Earning assets to total assets ratio	%	87.29%	88.23%	88.94%	84.67%	84.98%	86.11%
Weighted average cost of deposit	%	6.32%	3.25%	4.06%	5.00%	3.10%	2.59%
Statutory Liquidity Reserve (SLR) (refer note 2)							
Net assets per share	%	63.41	56.27	51.21	49.53	42.63	40.93
Debt to equity ratio (as per book value)	%	14.00%	7.00%	7.69%	13.62%	15.85%	7.59%
Debt to equity ratio (as per market value)	%	29.45%	11.38%	11.15%	14.76%	16.65%	7.31%
Consolidated Position							
Breakup value per share	Rs.	64.71	57.25	52.08	50.19	43.12	41.31
Capital Adequacy Ratio	%	13.69%	14.32%	16.37%	16.69%	11.90%	11.28%
Earning per share	Rs.	10.38	8.12	6.10	7.35	6.20	4.88
Non-Financial Ratios							
Staff turnover ratio	%	20.3%	18.7%	13.4%	19.3%	22.4%	25.8%
Customer Satisfaction Index	%	87%	87%	88%	83%	83%	86%
Employee Productivity Rate/ Happiness Score* (Out of score 5)		3.90	3.90	3.80	3.50	-	-

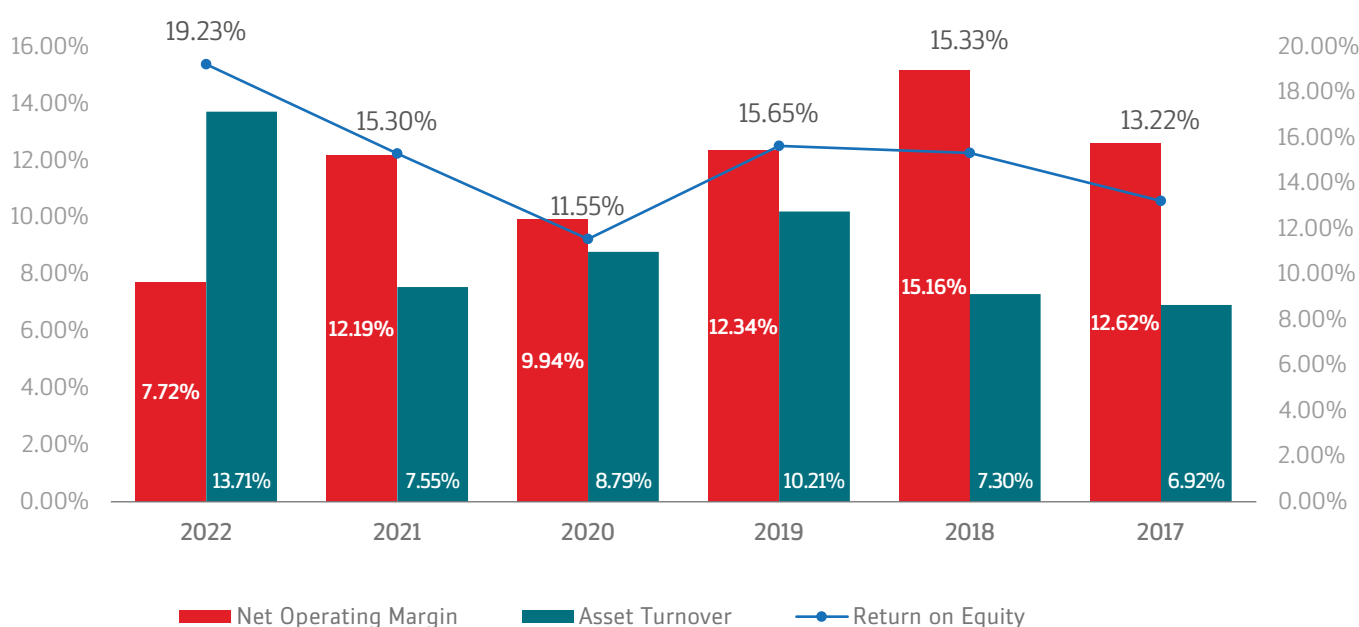
* Before 2019 engagement survey was run every 2 years.

Note:

1. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) can be treated in place of current, quick ratios and liquid asset ratios for banking industry.
2. The bank has met Statutory Liquidity Ratio (SLR) requirement in accordance with SBP guidelines. Investments maintained under SLR requirements are mentioned in **note 8.7** of the unconsolidated financial statements.

DuPont Analysis

			2022	2021	2020	2019	2018	2017
Net Operating Margin	Profit After Tax / Gross Income	%	7.72%	12.19%	9.94%	12.34%	15.16%	12.62%
Asset Turnover	Gross Income / Average Assets	%	13.71%	7.55%	8.79%	10.21%	7.30%	6.92%
Equity Multiplier	Average Assets / Average Equity	Times	18.15	16.63	13.23	12.43	13.85	15.13
Return on Equity	Profit After Tax / Average Equity	%	19.23%	15.30%	11.55%	15.65%	15.33%	13.22%



The DuPont model is derived from an analysis of return on equity that divide performance into three parts: (a) Operating efficiency ratio which is also known as financial performance ratio is measured by net operating margin; (b) assets use efficiency which shows if assets were utilized efficiently and is measured by total asset turnover; and (c) financial leverage which shows to what extent the bank relies on debts which is measured by the equity multiplier.

The results of the study discovered that, the financial performance of the bank as regards net operating margin has improved as shown in the above graph except for the drop in 2020 and 2022. In 2020, general provision of Rs. 4.250 billion was booked against borrowers availing relaxation under SBP loan deferral / re-scheduling schemes. In 2022, general provision of Rs. 5.971 billion against high risk and flood impacted portfolio, ECL charge of Rs. 1.920 billion on overseas investments, and provision of Rs. 1.114 billion against cross border risk were booked. Asset utilization is relatively steady and reflects minimal volatility during the period under review except in 2019 and 2022 where the operating income increased due to hike in discount rate by the central bank to contain inflation in the country. Equity multiplier has shown a steady increase over the period on account of robust growth in earning assets and deposits. Furthermore, return on equity showed rising trend from 2017 to 2022 with drop in 2020 due to general provision booked. The provision booked in 2022 (as discussed above) was compensated by redemption of ordinary shares.

Economic Value Added Statement (EVA)

		2022	2021
		Rupees in million	
Profit After tax	A	18,206	14,217
Provision and write offs		12,468	2,312
Tax (49% / 39%)		(6,110)	(902)
Provision and write offs - net of tax	B	6,359	4,629
Net Operating Profit After Tax	C = A + B	24,565	15,105
Equity at start of the year (excluding surplus)	D	88,562	80,508
Cost of Equity	E	16,535	11,936
Economic Value Added (EVA)	F = C - E	8,031	3,169

Economic value added (EVA) is the economic profit by the bank in a given period. It measures the bank's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes. A positive EVA reflects that the bank is increasing its value to its shareholders, whereas a negative EVA indicates that it is diminishing its value to its shareholders.

Direct Method Cash Flow Statement

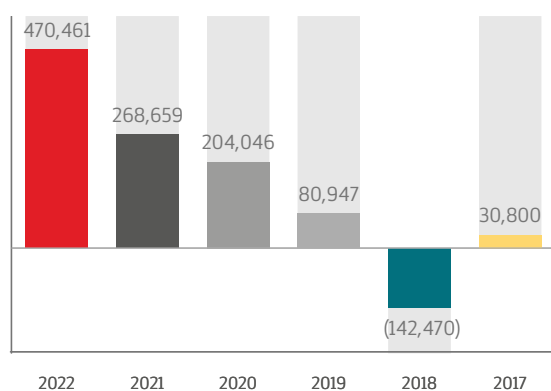
	2022	2021
	Rupees in Million	
Cash flow from Operating activities		
Markup / return / interest and commission receipts	193,890	94,496
Markup / return / interest payments	(124,622)	(52,649)
Payments to employees, suppliers and Others	(13,163)	(9,331)
	<u>56,105</u>	<u>32,515</u>
(Decrease) / Increase in operating assets		
Lendings to financial institutions	(60,076)	47,897
Held for trading securities	87,580	(30,534)
Advances	(67,438)	(98,031)
Other assets (excluding advance taxation)	(25,950)	(11,936)
	<u>(65,884)</u>	<u>(92,604)</u>
Increase in operating liabilities		
Bills payable	17,208	254
Borrowings	104,260	68,607
Deposits	347,801	257,278
Other liabilities (excluding current taxation)	28,362	11,286
	<u>497,631</u>	<u>337,425</u>
	<u>487,852</u>	<u>277,336</u>
Contribution made to gratuity fund	(269)	(217)
Zakat paid	(144)	(124)
Income tax paid	(16,978)	(8,336)
Net cash generated from operating activities	470,461	268,659
Cash flows from Investing activities		
Net investments in available-for-sale securities	(397,937)	(217,387)
Net investments in held-to-maturity securities	(10,879)	(22,480)
Investment in subsidiary	(5)	-
Dividend received	1,232	605
Investments in operating fixed assets	(8,688)	(3,851)
Proceed from sale of fixed assets and non banking assets	442	69
Effect of translation of net investment in foreign branches	2,509	852
Net cash used in investing activities	(413,326)	(242,190)
Cash flows from financing activities		
Issuance of subordinated debt	7,000	-
Payment of lease liability	(3,814)	(3,238)
Purchase of own shares	(6,044)	-
Dividend paid	(3,382)	(7,092)
Net cash used in financing activities	(6,240)	(10,330)
Increase in cash and cash equivalents	50,895	16,139
Cash and cash equivalents at beginning of the year	146,521	123,806
Effects of exchange rate changes on cash and cash equivalents - gain	(11,928)	(5,351)
Cash and cash equivalents at end of the year	185,488	134,594

Free Cash Flows

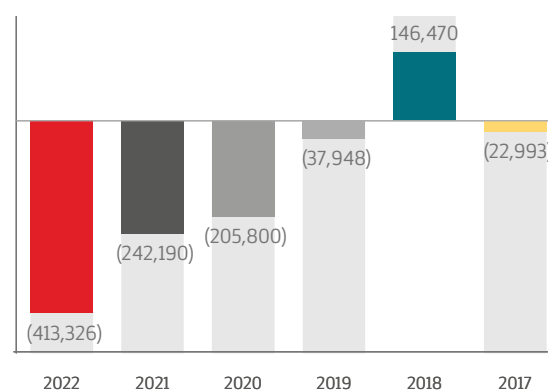
		2022	2021	2020	2019	2018	2017
Profit Before Taxation	Rs Mn	36,160	23,370	17,878	22,382	17,618	14,045
Adjustments for non cash items and operating assets/ liabilities changes	Rs Mn	434,301	245,288	186,167	58,565	(160,088)	16,755
Net cash generated from operations	Rs Mn	470,461	268,659	204,046	80,947	(142,470)	30,800
Capital Expenditure	Rs Mn	(8,688)	(3,851)	(3,595)	(3,925)	(1,307)	(1,851)
Free Cash flows	Rs Mn	461,774	264,808	200,451	77,023	(143,777)	28,949

Commentary on cashflows is covered as part of Six Years' Review of Business Performance.

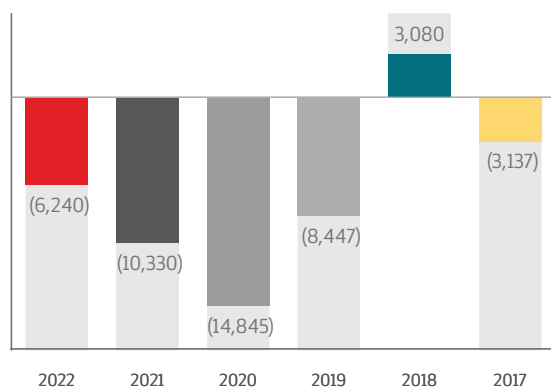
Operating Activities (Rs in Mn)



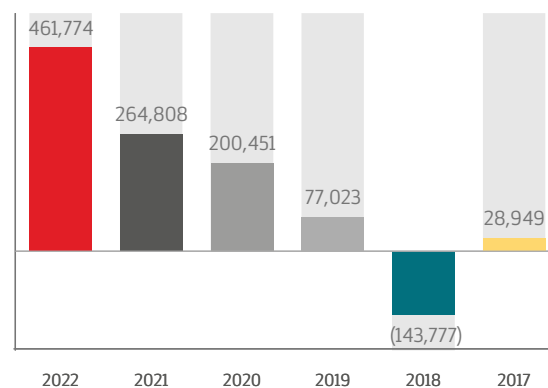
Investing Activities (Rs in Mn)



Financing Activities (Rs in Mn)



Free Cash Flows (Rs in Mn)



Statement of Value Added

Value Added

Net Interest Income	
Non Interest Income	
Operating Expenses excluding Staff costs	
depreciation, amortization, donations and WWF	
Provision against advances, Lendings, Investments & Others	

2022
Rs in Million

77,340
21,786
(23,161)
(12,468)

2021
Rs in Million

46,268
16,254
(14,664)
(2,312)

Value added available for distribution

63,496

45,546

Distribution of Value Added

2022
Rs in Million

%

2021
Rs in Million

%

To Employees

Remuneration, provident fund and other benefits

21,247

33.46%

16,844

36.98%

To Government

Worker Welfare Fund

Income Tax

907

1.43%

498

1.09%

17,954

28.28%

9,154

20.10%

18,861

29.70%

9,652

21.19%

To providers of capital

Interim/Final Cash dividends to shareholders

Purchase of own shares

7,997

12.59%

7,109

15.61%

6,044

9.52%

-

0.00%

14,041

22.11%

7,109

15.61%

To Society

Donations

332

0.52%

27

0.06%

To Expansion and growth

Depreciation

Amortization

Retained Earnings

5,405

8.51%

4,384

9.63%

351

0.55%

396

0.87%

3,258

5.13%

7,133

15.66%

9,015

14.20%

11,913

26.16%

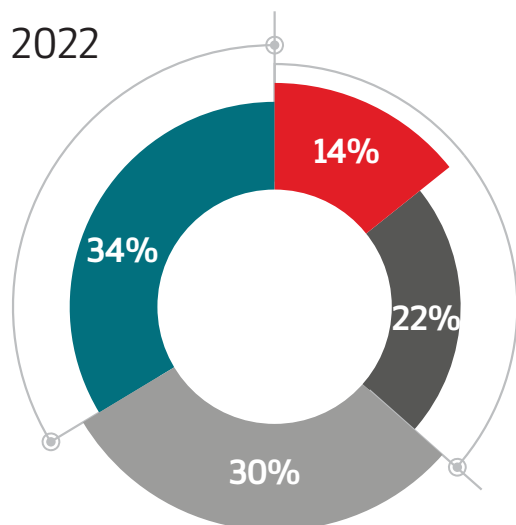
63,496

100%

45,546

100%

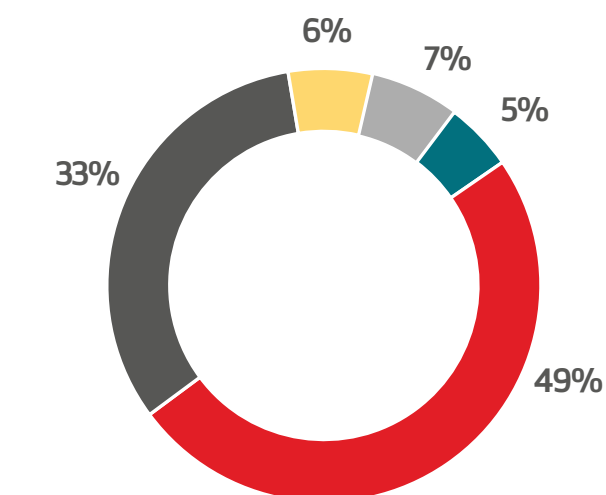
Year 2022



Expansion & growth
Providers of capital
Government
Employees

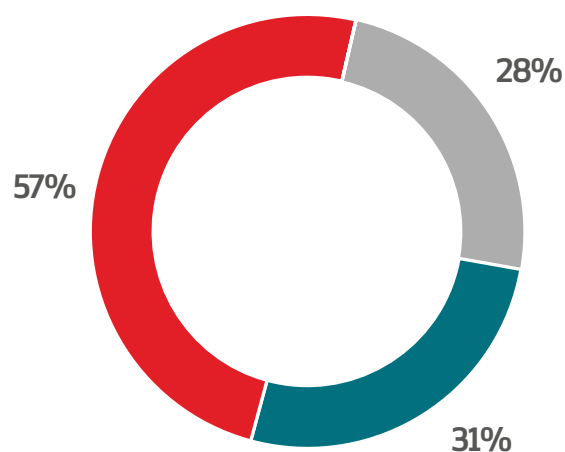
Sources and Uses of Funds

Concentration of Assets - Uses



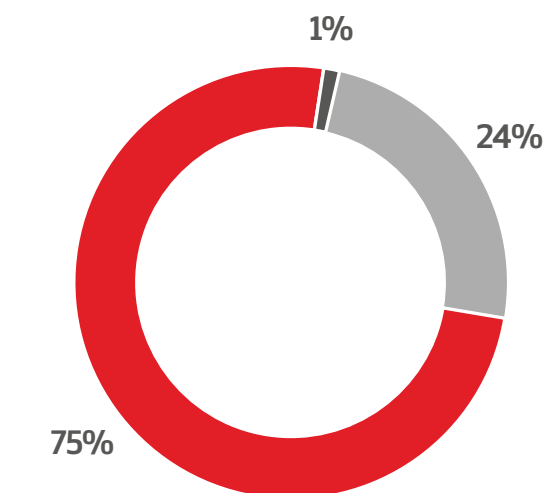
- Cash and bank balances
- Lendings to financial institutions
- Investments - net
- Advances - net
- Other assets

Concentration of Liabilities & Equity - Sources



- Borrowings
- Deposits & other accounts
- Other Liabilities
- Equity

Concentration of Off-Balance Sheet Exposure



- Guarantees
- Commitments
- Other contingent liabilities

Share Price Sensitivity Analysis

Share Price

	High (on closing basis)	Low (on closing basis)	Closing	Daily average volume	Number of trading days	Share Capital	Market Capitalization value
	----- Rupees -----			Rs in Mn		Rs in Mn	Rs in Mn
First Quarter	38.55	32.69	33.92	46.69	63	17,772	60,281
Second Quarter	36.87	31.25	32.00	30.35	60	17,772	56,869
Third Quarter	34.71	29.81	31.14	45.93	51	17,772	55,341
Fourth Quarter	34.26	29.60	30.14	141.00	64	15,772	47,536

KSE 100 Index



Share Price Sensitivity Analysis

Factors that can influence the share price of Bank are given below:

Market Capitalization as of December 31, 2022

Rs. 47,536 Mn

Change in share price by

+ 10%

Rs. 4,754 Mn

- 10%

Rs. (4,754) Mn

Discount rate / Monetary Policy

Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any volatility in the interest rates might impact revenue and profitability of the bank.

Minimum Rate of Return on Deposits/Regulatory risk

Any upward revision in the minimum deposit rate will result in compression in net interest margins earned due to increased cost of deposits. Such revision can negatively impact the earning and correspondingly the share price of the scrip.

Inflation

Inflation is considered as a key determinant for policy rate change. Any uptick in the inflation statistics will have a corresponding impact on the monetary policy rate. With higher discount rates, the banks will be able to invest in high yielding investments, thus resulting in increased profitability. This, in turn will have a positive impact on the share price.

Political Stability & Law and order situation

Political stability and stable law & order situation is pre requisite for any economic development. Political stability reduces the uncertainty and urges investors to put their funds in different investment avenue. Politically stable governments will have an approach to facilitate the investors.

Capital and money markets

The Bank's major investments amount to Rs. 1,015 billion, which mainly comprise of those in Government Securities. These funds largely invest in capital and money market. Trends in these markets determine the factors which affect the Bank's financial performance.

Interest rates

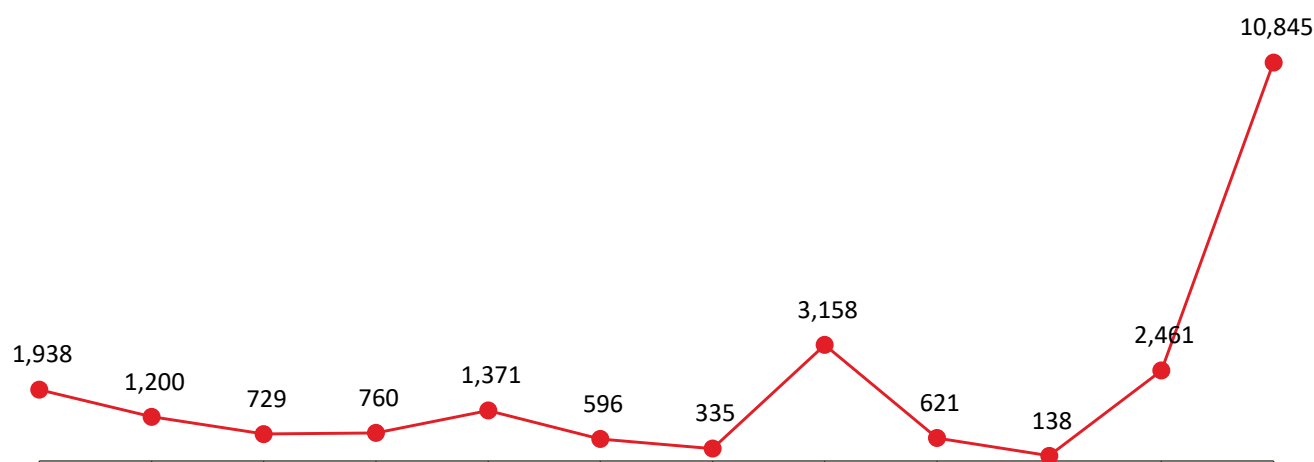
With effective and efficient treasury management the Bank has maintained a strong liquidity position. Therefore, any change in the interest rate leads to a change in income affecting the Lendings, Investments, Advances, Borrowings, Deposits and Subordinated Debts.

Exchange fluctuations

The Bank is exposed to fluctuations in foreign currency exchange rates owing to the imports and exports. The Bank has to bear currency exchange rate fluctuation risk. Hence, the currency fluctuation also affects the Banking business.

Act of God

Act of God outside the control of the Bank such as natural disasters, floods and pandemics might negatively disrupt the operations of the Bank and ultimately might affect share price of the Bank.

Volume (Shares in '000')**Foreign Currency Sensitivity Analysis**

For details, please refer to Risk section within this Annual Report and **note 45.3** of the unconsolidated financial statements.

Sector and Segment wise Advances and Deposits

Advances portfolio Classification (SBP Segments)

Advances by Segment

	2022	2021
	Rupees in Million	
Corporate	591,983	521,099
SMEs	41,056	39,503
Agriculture	14,958	14,494
Consumer	117,260	102,916
Commodity	71	20,692
Others	364	369
	765,692	699,073

Credit concentration of Advances and Deposits

Deposits By Sector

Concentration of deposits by sector is disclosed in **note 16.1** of the unconsolidated financial statements.

Advances By Sector

Advances credit risk by sector is disclosed in **note 45.1.6** of the unconsolidated financial statements.

Contingency credit risk by sector is disclosed in **note 45.1.7** of the unconsolidated financial statements.

Non-Performing Assets

	2022					
	Investments		Advances		Other Assets	
	Asset	Provision	Asset	Provision	Asset	Provision
	Rs in Million					
Opening	1,229	1,229	24,710	25,192	1,309	1,309
Exchange Adjustment	67	67	-	55	36	36
Additions	2,669	2,669	-	11,376	1,493	1,493
Deletions	(170)	(170)	(19,135)	(3,305)	(167)	(167)
Closing	3,795	3,795	5,575	33,318	2,672	2,672

	2021					
	Investments		Advances		Other Assets	
	Asset	Provision	Asset	Provision	Asset	Provision
	Rs in Million					
Opening	1,398	1,398	25,860	23,583	259	259
Exchange Adjustment	6	6	-	60	8	8
Additions	422	422	-	1,869	1,050	1,050
Deletions	(597)	(597)	(1,150)	(319)	(8)	(8)
Closing	1,229	1,229	24,710	25,192	1,309	1,309

Sector-wise breakup of NPA

Sector wise breakup of non performing investments is disclosed in **note 45.1.5** of the unconsolidated financial statements.

Sector wise breakup of non performing advances is disclosed in **note 45.1.6** of the unconsolidated financial statements.

Accounts Restructured- Outstanding balance as at Dec 31st :

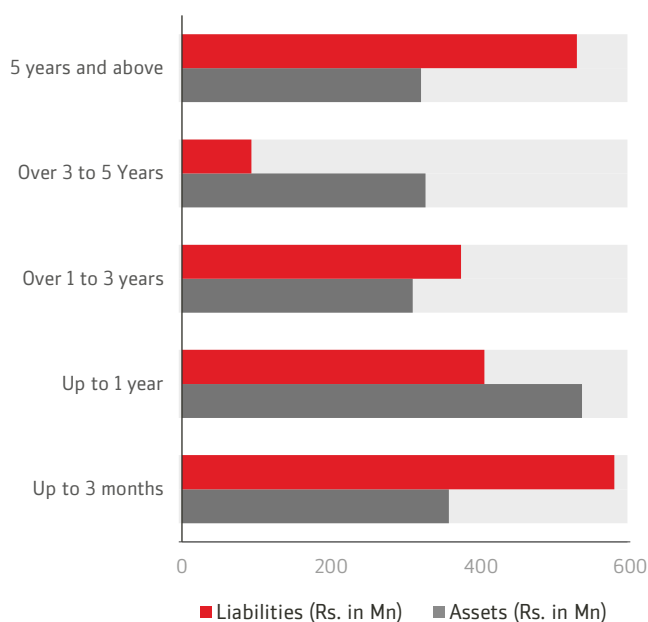
	2022	2021
	Rs in Million	
Business		
Corporate	7,588	17,780
Retail	4,934	3,947
Agri	18	106
Consumer	102	449
	12,642	22,281

Behavioural Maturities of Key Assets and Liabilities

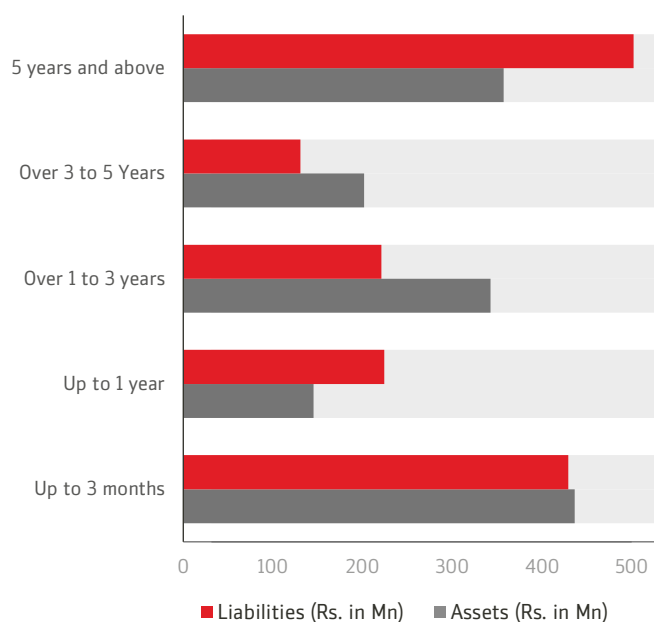
	2022	Up to 3 months	Up to 1 year	Over 1 to 3 years	Over 3 to 5 Years	5 years and above
	Rs in Millions					
Key Assets						
Investments	1,114,407	16,217	420,729	204,191	246,873	226,395
Advances	732,375	340,969	114,507	104,452	78,891	93,556
	1,846,782	357,187	535,237	308,643	325,764	319,951
Key Liabilities						
Borrowings	491,180	324,302	19,364	55,113	11,458	80,942
Deposits and other accounts	1,486,845	254,081	385,496	318,199	81,707	447,363
	1,978,025	578,383	404,860	373,312	93,165	528,306

	2021	Up to 3 months	Up to 1 year	Over 1 to 3 years	Over 3 to 5 Years	5 years and above
	Rs in Millions					
Key Assets						
Investments	809,214	161,936	18,750	281,418	133,356	213,755
Advances	673,881	274,378	126,679	61,147	68,421	143,255
	1,483,094	436,314	145,429	342,564	201,777	357,010
Key Liabilities						
Borrowings	383,809	210,905	51,439	18,706	46,295	56,464
Deposits and other accounts	1,139,045	218,224	172,497	202,285	84,320	461,718
	1,522,854	429,130	223,936	220,991	130,615	518,182

Maturities of Key Assets and Liabilities-2022



Maturities of Key Assets and Liabilities-2021



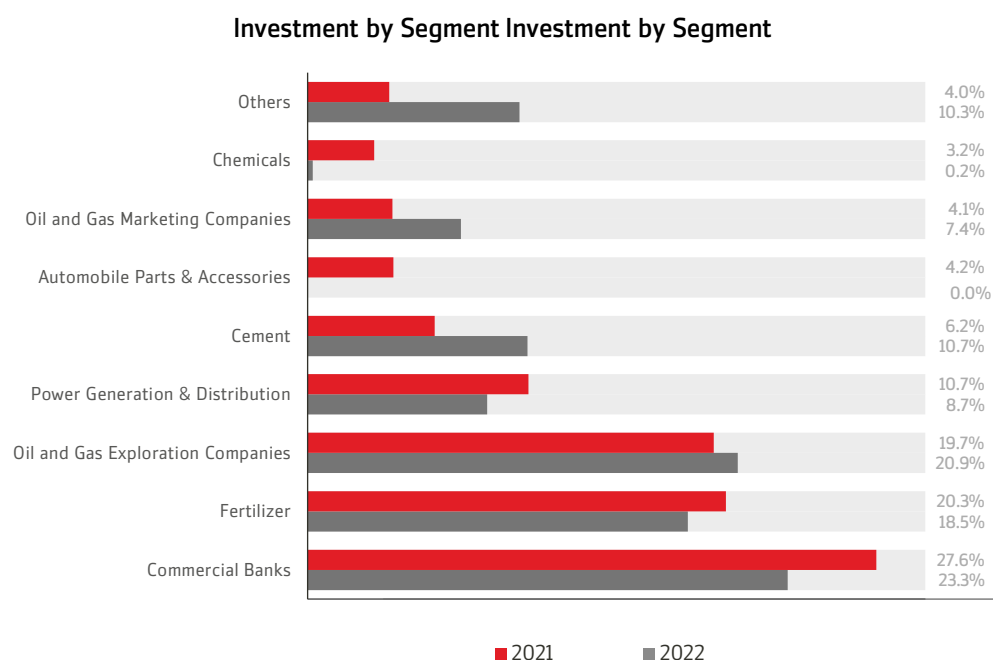
Classification and Valuation of Investments

	2022		2021	
	Cost	Fair value	Cost	Fair value
	Rs in Million			
Held-for-trading securities				
Government Securities	9,307	9,345	96,515	96,496
Foreign Securities	568	518	983	971
Shares	3,698	3,694	4,079	3,687
	13,573	13,557	101,577	101,154
Available-for-sale securities				
Government Securities	952,602	937,261	566,591	563,935
Non Government Securities	19,663	19,285	19,909	19,730
Foreign Securities	56,511	52,682	45,518	46,285
Shares	8,551	7,046	5,573	5,119
Mutual Fund	700	700	-	-
	1,038,027	1,016,974	637,591	635,069
Held-to-maturity securities				
Government Securities	68,565	68,565	56,061	56,061
Non Government Securities	2,760	2,655	2,495	2,390
Foreign Securities	11,216	11,216	13,106	13,106
	82,541	82,436	71,662	71,557
Associates	1,178	1,178	1,178	1,178
Subsidiaries	305	262	300	257
	1,135,624	1,114,407	812,307	809,214

Non Strategic Investments

The Bank also invests in certain unlisted entities. Please refer to **note 8.4.2.2** of unconsolidated financial statements.

Top 10 Equity Investment by Sectors:

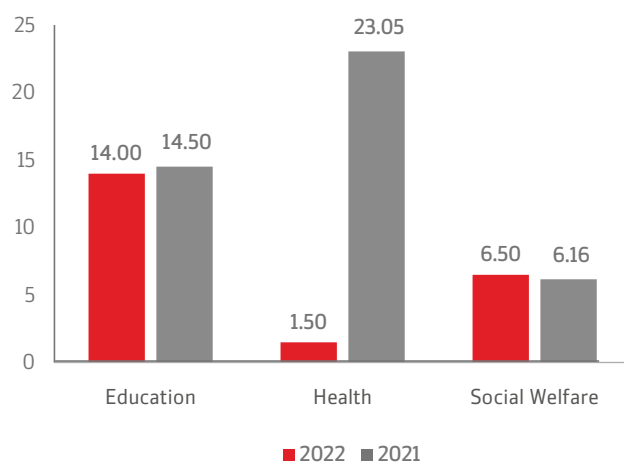


Statement of Charity and Donation

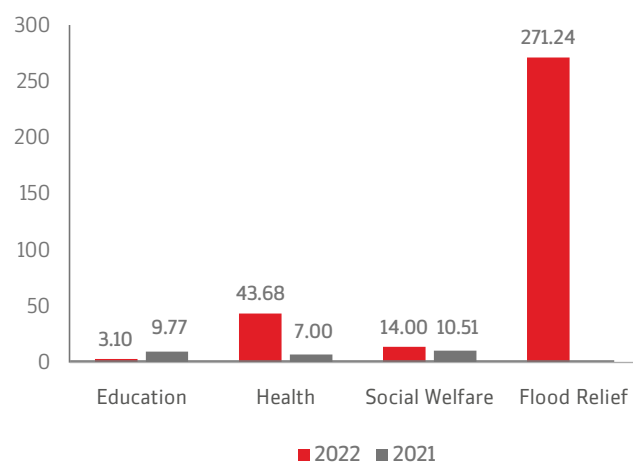
	2022	2021
	Rs in Millions	
Charity paid (Islamic banking):		
Education	14.00	14.50
Health	1.50	23.05
Social welfare	6.50	6.16
	22.00	43.71
Donations paid (including flood relief):		
Education	3.10	9.77
Health	43.68	7.00
Social welfare	14.00	10.51
Flood relief	271.24	-
	332.02	27.28
Total Charity and Donations Paid	354.02	70.99

Beneficiary wise details of charity and donation is disclosed in **note 5 of Annexure II** and **note 28 of the unconsolidated financial statements**.

Charity (Rs in Mn)



Donation (Rs in Mn)



Key Interest Bearing Assets and Liabilities

	2022			2021		
	Avg vol	Effective interest rate %	Interest	Avg vol	Effective interest rate %	Interest
----- Rupees in Million -----						
Interest Earning Assets						
Balances with Bank	17,955	0.38%	68	13,034	0.21%	27
Lending to financial institutions	69,938	10.96%	7,662	60,019	6.16%	3,694
Advances	723,796	10.80%	78,149	628,800	7.39%	46,485
Investments	1,008,423	12.69%	128,018	662,402	7.54%	49,976
	1,820,112	11.75%	213,897	1,364,256	7.34%	100,182
Interest Bearing Liabilities						
Deposits	1,208,643	6.32%	76,375	943,078	3.25%	30,690
Borrowings	562,199	9.54%	53,620	361,700	5.22%	18,869
Subordinated Debt	8,278	14.64%	1,212	7,000	9.24%	647
Lease Liability	14,864	12.92%	1,921	11,069	13.27%	1,469
Swap Cost	-	-	3,430	-	-	2,459
	1,793,984	7.42%	133,128	1,322,847	3.91%	51,675
Net Spread		4.33%			3.44%	

Capital Structure

Tier 1 Capital

Shareholder equity/ assigned capital
Share premium
Reserves
Unappropriated profits

Eligible Additional Tier 1 Capital

Deductions:

Book value of intangible and advances given for intangible
Defined benefit pension fund assets- net
other deductions

Total Tier 1 Capital

Tier 2 Capital

General provisions subject to 1.25% of total risk weighted assets
Revaluation reserves
Foreign exchange translation reserves

Total Tier 2 Capital

Total regulatory capital Base

Capital Adequacy

Risk Weighted Assets

Credit risk
Market risk
Operational risk

Total RWA

Capital Adequacy Ratio

Total eligible regulatory capital held
Total Risk Weighted Assets

Capital Adequacy ratio

2022
Rupees in Million

2021

15,772	17,772
4,731	4,731
18,832	17,012
45,101	40,836
84,436	80,351
13,550	7,000

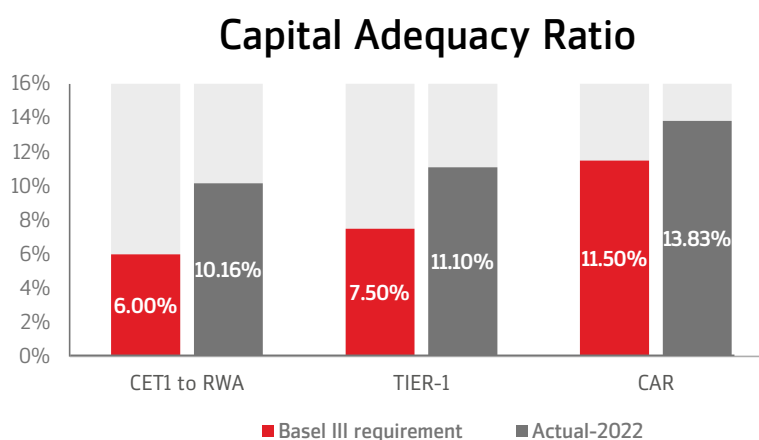
1,296	1,116
154	744
1,567	2,379
3,017	4,240
94,969	83,111

7,951	4,172
4,776	12,580
10,720	8,211
23,447	24,963

118,416	108,075
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727,197	643,252
8,785	13,337
120,042	92,461
856,024	749,050

118,416	108,075
856,024	749,050
13.83%	14.43%



The Human Capital

Our Human Capital Strength

	2022	2021
Head Count (as at 31 st December)	13,862	12,118
Pakistan	15,399	11,848
- Sindh	4,734	4,220
- Punjab	6,930	5,999
- Balochistan	317	288
- KPK	620	500
- AJK	45	43
- Gilgit Baltistan	51	47
- Federal Capital	902	751
United Arab Emirates	23	20
Bahrain	9	8
Afghanistan	54	62
Bangladesh	177	180

Average Head Count (throughout the year)	12,922	11,317
Female employees (as at 31 st December)	2,658 (19%)	2,068 (17%)
New hiring (during the year)	4,658	3,592
Attritions (during the year)	2,812 (20%)	2,214 (19%)

Human Resource Accounting

The Bank has two Board level committees namely Board Compensation Committee and Board Human Resources and Nominations Committee. Both Committees oversee the HR related activities. The Bank has a Human Resources and Learning Group (HRLG) which operates with various sub-divisions namely Talent Acquisition & Advisory, Learning & Development, Leadership & Culture, Employee Relations & People Risk and Rewards & Services. These sub-divisions look after day-to-day HR operations including selection, recruitment, training, development, off-boarding, rewards, succession planning, career management, employee welfare, diversity & inclusion like female staff policies, differently abled staff policies and other allied tasks. For more detail on human resource planning, management and process of identifying and measuring its cost please see 'Stakeholders' and 'Sustainability' sections within this Annual Report.

The Bank has incurred the following costs on its human resources during the year. These include costs to recruit, select, hire, train, develop, allocate, conserve, reward and utilize human assets.

	2022	2021
	Rupees in million	
Compensation		
Key Management Personnel, Executives and MRT/MRCs	2,758	2,084
Other employees	18,490	14,761
Total compensation	21,248	16,845
Training and development	120	76
Total human resources costs	21,368	16,921

	2022	2021
	Rupees in million	
Breakup of Total Human Resource Costs		
Managerial Remuneration		
i) Fixed	15,244	12,202
ii) Variable		
a) Cash Bonus / Awards etc.	3,332	2,504
b) Bonus and Awards in Shares etc.	193	143
Charge for defined benefit plan	283	217
Contribution to defined contribution plan	582	495
Medical	836	747
Conveyance	374	288
Staff compensated absences	67	23
Others	308	193
Sign-on Bonus	24	28
Severance Allowance	5	5
Training and development	120	76
	21,368	16,921

Additional Disclosures

The following disclosures have been made beyond BCR criteria.

1. Chairman's Message

Please refer to the Chairman's Message at the start of this annual report. The message discusses about performance and achievements of the bank during the year.

2. Internal Controls over Financial Reporting (ICFR) and Statement of Internal Controls

The Board, through its Board Audit Committee, is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the aggregate level and types of risks the Bank is willing to take to achieve its strategic objectives.

To meet this requirement and to discharge its obligations under the SBP's regulations, procedures have been designed to safeguard assets against unauthorised use or disposal, to maintain proper accounting records, and to ensure the reliability of controls and usefulness of financial information used within the business or for publication.

These procedures provide reasonable assurance against material misstatement, errors, losses, or fraud. They are designed to provide effective Internal Controls within the Bank. The procedures have been in place throughout the year and up to the date of approval of these Annual Financial Statements 2022.

The Bank has implemented all stages of ICFR Framework as promulgated by the SBP:
 Stage I: Process and Control Documentation
 Stage II: Identification of Gaps and Recommendations
 Stage III: Development of Detailed Remediation/ Implementation Plans
 Stage IV: Development of Management Testing Plans
 Stage V: Implementations of Project Initiatives Planned
 Stage VI: Quality Assurance/Validation on the Completed Initiatives
 Stage VII: Conduct of Management Testing of Key Controls and Reporting of Results
 Stage VIII: Review by External/Internal Auditors

The long form report, issued by the Internal Auditors, is submitted to the Board Audit Committee for tracking and information. Further, quarterly progress report on ICFR is submitted to the Control and Compliance Committee and Board Audit Committee. Pursuant to an exemption received from the SBP for External Auditors' long form report, Internal Audit issues an Assessment Report on ICFR each year.

3. Long-term Viability and Going Concern

The Management has assessed the Bank's viability to continue as a going concern, taking into account its current financial position, business prospects, and principal risks. As part of this assessment, key factors considered are:

- Long-term business and strategic plans;
- Risk profile and risk management practices, including the processes by which risks are identified and mitigated;
- Results of internal and regulatory stress tests;
- Liquidity and funding profile; and
- Wider political, economic and regulatory environments, including the uncertain geopolitical outlook.

Based on internal assessment, the management is confident that the Bank will be able to continue its operations and meet its obligations.

4. Key Financial and Non-Financial Performance Measures

The Management believes that key performance measures included in this Annual Report provide valuable information to the readers of the financial statements. This enables identification of a more consistent basis for comparing the businesses' performance between financial periods, and provides additional elements of performance, which the managers of these businesses are most directly able to influence, or are relevant for an assessment of the business groups. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the Management.

Please refer to the 'Performance and Position' section of this Annual Report for these performance measures.

5. Customer Grievances Handling Mechanism

Customer Grievances Handling Mechanism has been disclosed as part of 'Stakeholder Relationship and Engagement' section of this Annual Report.

6. Green Banking and steps taken for Climate Change

Green Banking and Climate change have been disclosed as part of 'Sustainability, HSE and CSR' section of this Annual Report.

7. Material Outsourcing Arrangements

Material outsourcing has been disclosed as part of 'Stakeholder Relationship and Engagement' section of this Annual Report.

8. Remuneration Framework and Related Disclosures

Remuneration Framework has been disclosed as part of 'Governance' section of this Annual Report.

9. Group Structure and Group's Performance

Structure of the Bank, and its subsidiaries and associates, has been disclosed as part of 'Organisational Review' section of this Annual Report.

The Bank has also disclosed performance of its group companies in the Directors' Report.

10. Jama Punji

Investor Awareness (Jama Punji) has been disclosed at the end of this annual report.

11. Donation and Charities

Please refer to the Performance and Position section of this Annual Report for disclosure on donation and charities.

Segmental Business Performance has been disclosed in Financial Performance and Position section within this Annual Report.

12. Financial Performance and Position

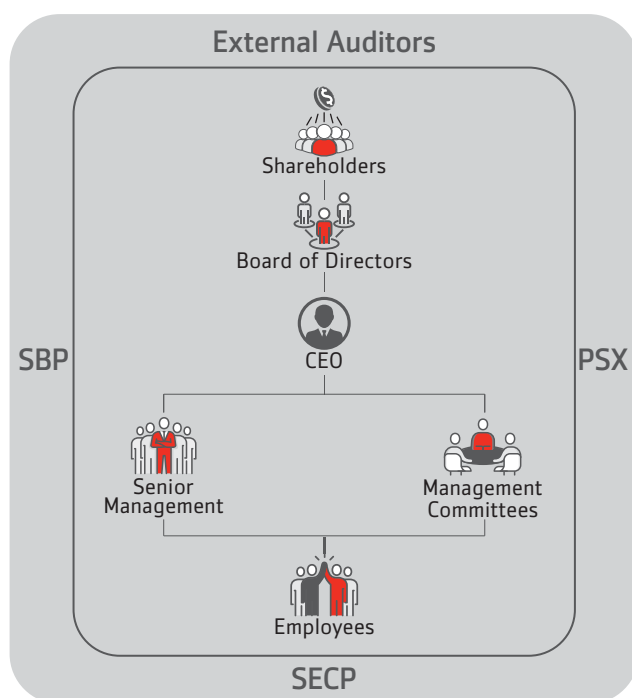
Segmental Business performance has been disclosed as part of 'Performance and Position' section of this Annual Report.

13. Management Committees and sub committees

Management committees and its sub-committees have been disclosed as part of 'Governance' section of this section of Annual Report.

14. Corporate Governance Structure

The Bank operates through a well structure corporate governance structure as depicted below:



Governance Framework

The Bank's governance framework is based on excellence through embodying its core values and principles. We model our framework to deliver the highest levels of integrity, resilience and innovation to serve our stakeholders by following the banking industry's best practices. Bank Alfalah's dedication to strict internal controls are evident in the strong emphasis placed by the Board of Directors, the Senior Management, and the Committees.

The Bank follows the guidelines put in place by the Pakistan Stock Exchange Limited (PSX), the State Bank of Pakistan (SBP), and the Securities and Exchange Commission of Pakistan (SECP) in all our management policies. The Board of Directors, Board Committees, Senior Management and Management Committees ensure that integrity and honesty remain at the heart of our business and brand.

15. Sustainability Development Goals

The Bank's contribution against UN's Sustainability Development Goals has been disclosed as part of sustainability section within this Annual Report.

16. Global Sustainability Reporting Initiatives

The Bank's contribution against GRI initiatives has been disclosed as part of sustainability section within this annual report.

17. Environment, Social and Governance

The Bank's contribution against ESGs has been disclosed as part of sustainability section within this annual report.

Other Information

Business Rationale for Major Capital Expenditure / Projects

During the year the bank invested Rs. 7.01 billion on purchase of fixed assets and intangibles which includes properties (land & buildings), equipment, fixtures, intangible assets etc. A detailed disclosure of fixed asset is given in the financial statements. All the assets purchased were capitalized as the management intends to take benefit from them over their useful life, which spans over more than a year. These additions are for meeting the business and operational needs of the Bank including but not limited to digital infrastructure, new branches, existing branch / office renovations, strengthening IT infrastructure with an aim to operate within secured environment and with the best customer data protection.

Summary of major projects is disclosed in outlook section of the annual report.

Information about defaults in payment of any debts and reasons thereof period

These have been disclosed as part of risk and opportunity section within this annual report.

Methods and Assumptions in compiling Key Performance Indicators

These have been disclosed as part of strategy and outlook sections within this annual report.

Any significant change in accounting policies, judgements, estimates and assumptions [6.06]

Please see (note no. 2.5, 2.6, 3 and 4 of the **unconsolidated financial statements**) changes in significant change in accounting policies, judgements, estimates and assumptions

Particulars of Significant / Material Assets and Immovable Property including Location

The Bank has the following fixed assets as at 31 December 2022.

Items from the fixed & intangible assets

Land - Freehold & Leasehold
Building on Freehold & Leasehold land
Office equipment
Vehicles, Lease hold improvement, Furniture and fixture

Property & equipment

Right-of-use assets
Intangible assets
Capital work-in-progress

Total fixed & intangible assets

Dividend History

The bank has been declaring two dividends of Rs. 2 each every year, except where any restriction is imposed by the regulations. In 2022 the Bank declared two dividends each of Rs. 2.5 per share, interim in June and final in December. For the future prospects on dividend, the Bank will decide about it on the basis of results subject to approvals from the board and shareholders. For the future prospects on dividend, the Bank will decide about it on the basis of results subject to approvals from the board and shareholders.

Regulatory payments (taxes, duties, levies etc.)

The Bank is regular and on time payer of the taxes, duties and levies.

CEO Review

Please follow the link below for the President/CEO's video on the Bank's business overview, performance, strategy and outlook: <https://www.bankalfalah.com/financial-reports/ceo-review-2022/>

Fair Value and Forced Sales Value of properties held under Fixed Assets and Investment Properties

The Bank's land and building are revalued once in three years by the professional evaluators. The following are the fair value and forced sales value of the owned properties of the bank as at December 31, 2022:

Fair value: Rs. 21.661 Bn

Forced Sale Value: Rs. 18.210 Bn

Reconciliation of weighted average number of shares for calculating EPS and diluted EPS

Please refer note 33 of the unconsolidated financial statements.

Items from the fixed & intangible assets	Dec '22 - WDV	% composition
Land - Freehold & Leasehold	14,762,037	30%
Building on Freehold & Leasehold land	6,899,158	14%
Office equipment	6,322,477	13%
Vehicles, Lease hold improvement, Furniture and fixture	4,107,321	8%
Property & equipment	32,090,993	65%
Right-of-use assets	15,389,523	31%
Intangible assets	1,296,297	3%
Capital work-in-progress	944,206	2%
Total fixed & intangible assets	49,721,019	100%

Significant immovable properties of the Bank are as follows:

- BA Building , II Chundrigarh Road, Karachi, Pakistan [Head Office];
- Shahdin Manzil, Lahore, Pakistan [Lahore office]; and
- Owned and leased premises of branch network and offices across the country and abroad.

Product Revenue and Profitability

The Bank, being a financial intermediary, offers a large menu of lending, deposits and other service. These products and services are offered by different business groups within the bank. The revenue and profitability of these business groups are disclosed in the financial statement. Please see Segment Disclosure (note no. 41 of the unconsolidated financial statement) and business segment wise performance write up within this section.

Status for adoption of Islamic Financial Accounting Standards (IFAS) issued by the ICAP

Please refer note 2.2 and Annexure III of unconsolidated financial statements.

Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital in the company in Pattern of Shareholding

These have been disclosed as part of Other Matters relating to Governance sections within this annual report.

Particulars of loans / advances and investments in foreign companies or undertakings

The Bank's overseas branches in Bahrain, UAE, Afghanistan and Bangladesh invest and lend to companies and undertakings operating in their jurisdictions and abroad. As at 31 December 2022, our overseas branches' advances and investments stood at Rs. 36.89 bn (2021: Rs. 41.25 bn) and Rs. 72.574 bn (2021: Rs. 69.050 bn) respectively.

Management's assessment of sufficiency of tax

The bank maintains sufficient provision for taxation as required under the accounting standards and the relevant tax regulations. Contingencies with respect to direct or indirect taxation based on income tax assessments have been disclosed in note 32 of unconsolidated financial statements. Our assessment of sufficiency of tax provision made in financial statements along with comparisons to tax assessment for last three years are satisfactory.

Income tax reconciliation as required by IFRS and applicable tax regime for the year

Please refer note 32.1 of unconsolidated financial statements.

Implementation of plans as disclosed in the prospectus/offering document of debt instrument (debts funds utilization)

The following debt instruments issued by the bank are outstanding as at December 31, 2022:

- Medium Term Note (MTN): The primary purpose of this instrument is to hedge bank's fixed rate assets.

- ADT 1 and ADT 2 (TFCs): The ADT TFCs were issued to comply with SBP's regulation to maintain the minimum Capital Adequacy Ratio and to support on going business operations of the Bank.

The MTN and ADT 1 TFC utilization are as per the plans disclosed in the prospectus/offering document of the debt instruments.

Derivative Instruments

The Bank currently deals in derivative instruments namely interest rate swaps, cross currency swap and futures with the principle view to hedge risks associated with interest rates risk and FX risk. Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio.

For detailed disclosure on derivative instruments, please see note no. 22 of the unconsolidated financial statements.

Disclosures under regulatory requirements / prudential regulations

The Bank has prepared its financial statements in accordance with SBP's prescribed format. The Bank has given additional disclosures in this annual report as required under various regulations. Please refer to Additional Disclosure under Governance section of this annual report.

Branch Network

Please visit our website for the Bank's branch network.

<https://www.bankalfalah.com/list-of-branch-network/>

Assurance and Other Review

The external auditors of the bank conducted certain assurance, agreed upon procedure and other reviews. This includes Shariah Governance Audit, Report on Capital Adequacy, Review of Statement of Compliance with Code of Corporate Governance and tax related certification.

CORPORATE REPORTING





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 2022, 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 2022 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>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 individually significant corporate loans and a representative sample of borrowers from the credit portfolios across various branches, 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: 21st February 2023

UDIN Number: AR202210120nKlpNjgyU

Unconsolidated Statement of Financial Position

As at December 31, 2022

Note 2022 2021
----- (Rupees in '000) -----

ASSETS

Cash and balances with treasury banks	5	140,613,348	105,606,384
Balances with other banks	6	9,485,380	9,782,519
Lendings to financial institutions	7	115,353,599	35,982,065
Investments	8	1,114,406,758	809,213,583
Advances	9	732,374,851	673,880,624
Fixed assets	10	48,424,722	39,498,979
Intangible assets	11	1,296,297	1,116,442
Deferred tax assets	12	9,012,648	2,304,270
Other assets	13	82,229,125	56,936,473
		2,253,196,728	1,734,321,339

LIABILITIES

Bills payable	14	40,033,806	22,825,500
Borrowings	15	491,179,531	383,808,872
Deposits and other accounts	16	1,486,845,346	1,139,044,606
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	14,000,000	7,000,000
Other liabilities	18	121,123,422	81,639,680
		2,153,182,105	1,634,318,658

NET ASSETS

100,014,623	100,002,681
-------------	-------------

REPRESENTED BY

Share capital	19	15,771,651	17,771,651
Reserves		34,283,201	29,953,963
Surplus on revaluation of assets	20	4,858,723	11,440,580
Unappropriated profit		45,101,048	40,836,487
		100,014,623	100,002,681

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 49 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, 2022

	Note	2022	2021
------(Rupees in '000)-----			
Mark-up/Return/Interest Earned	23	213,897,437	100,401,798
Mark-up/Return/Interest Expensed	24	136,557,672	54,133,856
Net Mark-up/Return/Interest Income		77,339,765	46,267,942
NON MARK-UP/RETURN/INTEREST INCOME			
Fee and Commission Income	25	10,841,833	8,001,381
Dividend Income		1,232,315	602,916
Foreign Exchange Income		9,218,628	4,127,984
Gain from derivatives		331,578	200,776
(Loss) / gain on securities	26	(164,343)	3,142,353
Other Income	27	325,808	178,851
Total non-markup/interest Income		21,785,819	16,254,261
Total Income		99,125,584	62,522,203
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	28	49,562,235	36,316,030
Workers' Welfare Fund	29	907,442	498,436
Other charges	30	27,178	25,520
Total non-markup / interest expenses		50,496,855	36,839,986
Profit Before Provisions		48,628,729	25,682,217
Provisions and write offs - net	31	12,468,424	2,311,856
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		36,160,305	23,370,361
Taxation	32	17,953,860	9,153,687
PROFIT AFTER TAXATION		18,206,445	14,216,674
-----Rupees-----			
Basic and Diluted Earnings per share	33	10.27	8.00

The annexed notes 1 to 49 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, 2022

	2022	2021
	----- (Rupees in '000) -----	
Profit after taxation	18,206,445	14,216,674
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	2,508,593	852,274
Movement in surplus / (deficit) on revaluation of investments - net of tax	(6,317,573)	(4,490,292)
	(3,808,980)	(3,638,018)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(294,012)	31,674
Movement in (deficit) / surplus on revaluation of operating fixed assets - net of tax	(82,236)	5,438,294
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	31,823	(16,259)
	(344,425)	5,453,709
Total comprehensive income	14,053,040	16,032,365

The annexed notes 1 to 49 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, 2022

	Capital Reserves			Surplus/(Deficit) on revaluation				Unappropriated profit	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Investments	Fixed Assets	Non Banking Assets		
(Rupees in '000)									
Balance as at January 1, 2021	17,771,651	4,731,049	7,358,815	15,590,158	3,262,991	7,141,899	103,947	35,056,809	91,017,319
Profit after taxation	-	-	-	-	-	-	-	14,216,674	14,216,674
Other comprehensive income - net of tax	-	-	852,274	-	(4,490,292)	5,499,855	(16,163)	31,674	1,877,348
Transfer to statutory reserve	-	-	-	1,421,667	-	-	-	(1,421,667)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(61,561)	(96)	61,657	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2020 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Interim cash dividend for the half year ended June 30, 2021 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at December 31, 2021	17,771,651	4,731,049	8,211,089	17,011,825	(1,227,301)	12,580,193	87,688	40,836,487	100,002,681
Profit after taxation	-	-	-	-	-	-	-	18,206,445	18,206,445
Other comprehensive income - net of tax	-	-	2,508,593	-	(6,317,573)	(82,236)	31,823	(294,012)	(4,153,405)
Transfer of revaluation surplus upon change in use - net of tax	-	-	-	-	-	36,884	(36,884)	-	-
Transfer to statutory reserve	-	-	-	1,820,645	-	-	-	(1,820,645)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(213,749)	(122)	213,871	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2021 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Interim cash dividend for the half year ended June 30, 2022 - 25%	-	-	-	-	-	-	-	(4,442,913)	(4,442,913)
Own shares purchased during the year	(2,000,000)	-	-	-	-	-	-	(4,043,855)	(6,043,855)
Balance as at December 31, 2022	15,771,651	4,731,049	10,719,682	18,832,470	(7,544,874)	12,321,092	82,505	45,101,048	100,014,623

The annexed notes 1 to 49 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 Cash Flow Statement

For the year ended December 31, 2022

	Note	2022	2021
		------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		36,160,305	23,370,361
Dividend income		(1,232,315)	(602,916)
		<u>34,927,990</u>	<u>22,767,445</u>
Adjustments			
Depreciation		5,405,354	4,384,167
Amortisation		351,233	395,890
Provisions and write offs - net	31	12,468,424	2,311,856
Unrealised loss on revaluation of investments classified as held for trading - net		16,319	423,054
Gain on sale of operating fixed assets and non banking assets - net		(121,009)	(56,228)
Gain on termination of leases (IFRS 16) - net		(121,876)	(42,895)
Borrowing cost on lease liability		1,921,115	1,468,889
Workers' Welfare Fund		907,442	498,436
Charge for defined benefit plan		282,939	216,848
Charge for staff compensated absences		67,268	23,118
		<u>21,177,209</u>	<u>9,623,135</u>
		56,105,199	32,390,580
Increase in operating assets			
Lendings to financial institutions		(60,076,346)	47,896,801
Held for trading securities		87,580,431	(30,534,172)
Advances		(67,438,026)	(98,030,609)
Other assets (excluding advance taxation)		(25,949,649)	(11,936,284)
		<u>(65,883,590)</u>	<u>(92,604,264)</u>
Increase in operating liabilities			
Bills payable		17,208,306	254,378
Borrowings		104,259,995	68,607,301
Deposits		347,800,740	257,277,524
Other liabilities (excluding current taxation)		28,218,056	11,285,885
		<u>497,487,097</u>	<u>337,425,088</u>
		487,708,706	277,211,404
Contribution made to gratuity fund		(268,817)	(216,848)
Income tax paid		(16,978,444)	(8,335,883)
Net cash generated from operating activities		<u>470,461,445</u>	<u>268,658,673</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(397,937,132)	(217,386,508)
Net investments in held-to-maturity securities		(10,879,143)	(22,479,891)
Investment in subsidiary		(5,217)	-
Dividends received		1,232,315	605,299
Investments in operating fixed assets		(8,687,657)	(3,850,883)
Proceed from sale of fixed assets and non banking assets		441,914	69,488
Effect of translation of net investment in foreign branches		2,508,593	852,274
Net cash used in investing activities		<u>(413,326,327)</u>	<u>(242,190,221)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of sub-ordinated debt		7,000,000	-
Payment of leased obligations		(3,814,458)	(3,238,124)
Purchase of own shares		(6,043,855)	-
Dividend paid		(3,382,063)	(7,091,975)
Net cash used in financing activities		<u>(6,240,376)</u>	<u>(10,330,099)</u>
Increase in cash and cash equivalents		<u>50,894,742</u>	<u>16,138,353</u>
Cash and cash equivalents at beginning of the year		146,521,439	123,806,447
Effects of exchange rate changes on cash and cash equivalents - gain		(11,928,051)	(5,351,412)
		<u>134,593,388</u>	<u>118,455,035</u>
Cash and cash equivalents at end of the year	34	<u>185,488,130</u>	<u>134,593,388</u>

The annexed notes 1 to 49 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, 2022

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services in Pakistan and overseas. 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 877 branches (2021: 770 branches) and 17 sub-branches (2021: 20 sub-branches). Out of the 877 branches, 586 (2021: 529) are conventional, 280 (2021: 230) are Islamic, 10 (December 31, 2021: 10) are overseas and 1 (December 31, 2021: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1 These financial statements have been prepared in accordance with the format for preparation of the annual financial statements of the banks issued by SBP, vide its BPRD Circular No. 02 dated January 25, 2018.

2.2 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'.

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.

2.2.1 These unconsolidated financial statements represent separate financial statements of Bank Alfalah Limited in which investment in subsidiaries and associates are accounted for as stated in note 4.3.1.

2.2.2 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the unconsolidated financial statements have been prepared on the going concern basis.

2.3 Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

2.4 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, 2022 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.

2.5 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, 2023:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
---------------------------------------	---

Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2024
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Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
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Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
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Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
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Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
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Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -Amendments to IFRS 10 and IAS 28	Not yet finalized
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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)
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IFRS 1 – First time adoption of IFRSs	July 01, 2009
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IFRS 17 – Insurance Contracts	January 01, 2023
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2.5.1 IFRS 9 Financial Instruments

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During the year, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments.

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

2.5.1.1 Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Debt securities that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). Equity instruments are generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity Securities

The Bank expects to continue measuring equity securities at fair value.

For certain quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities.

For those quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI for which FVOCI election is not made, will, instead, be measured at fair value through profit or loss (FVTPL), with mark to market impacts recorded profit or loss for future periods. The AFS reserve related to those securities, which is currently presented as accumulated OCI, will be reclassified from revaluation surplus/deficit to retained earnings, however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measure at fair value under IFRS 9, however, SBP has allowed relaxation to the banks till one year to carry these investments under the current prudential regulation regime at lower of cost or breakup value.

Debt securities and Loans and advances

Debt securities currently classified as AFS and those which pass SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those which pass SPPI test are expected to be measured at amortized costs under IFRS 9 as the business model is to hold the assets to collect contractual cash flows.

2.5.1.2 Impairment

The impairment requirements apply to financial assets measured at Amortised Cost and FVOCI (other than equity instruments), loans and receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is an objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

2.5.1.3 Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

2.5.1.4 Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Bank's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The State Bank of Pakistan is yet to issue a revised format for financial statements of the banks for the accounting periods starting from 1 January 2023, which shall include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

2.5.1.5 Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

Based on the bank's assessment, the IFRS 9 requirements are expected to have an impact on the classification and measurement of some of its financial assets and financial liabilities.

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at 1 January 2023 is reduction in equity of approximately Rs. 1,986.048 million, representing corresponding impact of:

- 1 Decrease of approximately Rs. 3,791.640 million related to impairment requirements; and
- 2 An increase of approximately Rs. 1,805.592 million related to classification and measurement requirements.

In light of current economic uncertainty, the management based on its assessment is carrying a general provision of Rs. 5,971.000 million against high risk advance portfolio and portfolio affected by flood. Under IFRS 9, this will continue to be carried as management overlay.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, that fail SPPI test would be measured at fair value through profit and loss.

Impact on regulatory capital

The introduction of IFRS 9 will result in reduction in regulatory capital of the Banks, which may impact lending and investment limits. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the FIs to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.

The impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	9.47%	9.51%
Tier 1 Capital Adequacy Ratio	11.05%	11.09%
Total Capital Adequacy Ratio	13.88%	13.83%
CET1 available to meet buffers (as a percentage of risk weighted assets)	3.47%	3.51%

2.6 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, 4.3.5 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, 36 and 38)
- v) depreciation of operating fixed assets and non banking assets acquired in satisfaction of claim (notes 4.5.2, 4.5.5 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 13.1)
- viii) impairment of assets (note 4.12)
- ix) fair value measurement of financial instruments (note 40)
- x) Provision against other assets and other provisions (notes 4.14 and 13.3)
- xi) Provision against off balance sheet obligations and contingent liabilities (notes 4.13, 4.15 and 18.1)
- xii) determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee) (note 4.5.4.1, 10.3 and 18.2)
- xiii) incremental borrowing rate (note 4.5.4.1)

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; investments classified as held for trading and available for sale investments and derivative financial instruments are measured at fair value; defined benefit obligations are carried at present value; and 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, overdrawn nostro accounts and call lendings having original 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:

4.2.1 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.

4.2.2 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.

4.2.3 Bai Muajjal

The Bank enters into Bai Muajjal transactions of sale (lending) and purchase (borrowing). These are recorded as below:

Bai Muajjal Purchase

Bai Muajjal transactions represent purchase of shariah compliant instruments on deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

Bai Muajjal Sale

Bai Muajjal transactions represent sale of shariah compliant instruments on deferred payment basis and are shown in borrowings. The credit price is agreed at the time of purchase and the proceeds are paid at the end of the credit period. The difference between the deferred payment amount payable and the carrying value at the time of purchase is accrued and recorded as borrowing cost over the life of the transaction.

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. Details of valuation techniques used in determination of fair value is included in note 40.1 of these unconsolidated financial statements.

4.3.5 Impairment

The Bank determines provision for diminution in the value of debt securities as per the Prudential Regulations issued by the SBP. When a debt security, other than a government security, is classified as available-for-sale and considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of a debt instrument increases the impairment loss is reversed through the profit and loss account. When a debt security, other than a government security, classified as held-to-maturity and considered to be impaired, the impairment is directly charged to the profit and loss account as held-to-maturity securities are carried at amortized cost. Any subsequent reversal of an impairment loss, up to the cost of the investment in the debt security is credited to the profit and loss account.

The Bank determines impairment on available-for-sale listed equity securities when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgement. A subsequent increase in the fair value of a previously impaired listed equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal.

A decline in the carrying value of unlisted equity securities is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account.

The carrying values of investments in associates and subsidiary are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, higher of fair value less cost to sell and value in use, the investments in associates are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account. Any subsequent reversal of an impairment loss, up to the carrying value of the investment in associates and joint ventures, is credited to the profit and loss account.

Provision against investments by the overseas branches is made as per the requirements of the respective countries in which overseas branches operates.

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 high risk and flood impacted advances portfolio is based on management's estimates as disclosed in note 9.6.5 (iv). 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. General reserve against high risk and flood impacted advances portfolio is based on management's estimates as disclosed in note 9.6.5 (iv). 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 as part of 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 over its lease term.

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.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

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 as per SBP's requirement, 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. Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account on straight line method over the useful life of the assets. 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.
- c) Swap cost arises when surplus foreign currency funds are sold to purchase local currency funds from the market. Swap cost is recorded as an expense in the period in which it is incurred.

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. The actuarial valuations involve assumption and estimates of discount rates, expected rates of return on assets, future salary increases and future inflation rates as disclosed in note 36.3. 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. The Bank contribute 8.33% of basic salary in equal monthly contributions. However, employees have the option, to have their provident fund contribution deducted at 8.33%, 10% or 12% of their monthly basic salary.

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.

d) Share Based Payment

The Bank has granted a cash award equivalent to the market value of the ordinary shares to certain employees under Phantom Shares Award. The entitlement vests with the employees in three (3) equivalent proportions on the vesting dates over a period of three (3) years. The grant date is January 1, 2021 and the first vesting date is 365 calendar days from the grant date. Subsequently, second and third vesting dates to follow 365 calendar days from the preceding vesting dates. On each vesting date, the employees shall be entitled to a cash award for 33.33% (thirty-three and one third of one percent) of the total Phantom Shares Entitlement equivalent to fair market value of Bank's share on vesting date.

The Bank recognises compensation expense with corresponding liability at the fair value of the award. Until the liability is settled, the Bank re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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 (foreign operations)

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. The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

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 of non-financial assets

The carrying amount of assets is reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable at each reporting date. If any event 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 reasonable certainty exists for the Bank to settle the obligation. The charge to the profit and loss account is stated net of expected recoveries and the obligation is recognised in other liabilities.

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 only when permitted by the approved accounting standards as applicable in Pakistan.

4.17 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the policy notes associated with them.

4.18 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.

4.19 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.

4.20 Dividend and appropriation to reserves

Dividend declared and appropriations, except for transfer to statutory reserve, are made subsequent to the date of Statement of Financial Position are considered as non adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by the directors / shareholders, as appropriate.

4.21 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, consolidating the impact of treasury stocks, if any.

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.

4.22 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 a monthly basis for the purpose of strategic decision making and performance management.

4.22.1 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, FX 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 (Domestic)

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

International operations

This segment comprises of business activities 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 or allocated to the segments above.

4.22.2 Geographical segments

The Bank operates in three geographical regions being:

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

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		34,295,195	21,886,032
Foreign currency		3,692,104	2,722,351
		37,987,299	24,608,383
With State Bank of Pakistan in			
Local currency current accounts	5.1	46,845,917	47,249,054
Foreign currency current accounts	5.2	3,528,124	5,231,881
Foreign currency deposit accounts	5.3	687,240	9,466,467
		51,061,281	61,947,402
With other central banks in			
Foreign currency current accounts	5.4	49,697,265	10,970,223
Foreign currency deposit accounts	5.5	1,679,531	1,155,363
		51,376,796	12,125,586
With National Bank of Pakistan in local currency current account		92,097	6,698,696
Prize bonds		95,875	226,317
		<u>140,613,348</u>	<u>105,606,384</u>

- 5.1** This represents local currency current account maintained under the cash reserve requirement of the State Bank of Pakistan.
- 5.2** These represent US Dollar and other foreign currency settlement accounts and a foreign currency current account maintained under the cash reserve requirement of the State Bank of Pakistan.
- 5.3** This represents foreign currency deposit account maintained under the special cash reserve of the State Bank of Pakistan. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry interest rate ranging from 0.00% to 3.14% per annum (2021: 0.00% per annum).
- 5.4** These represent deposits with other central banks pertaining to the overseas operations of the Bank to meet their minimum cash reserves and capital requirements .
- 5.5** These represent deposits with other central banks pertaining to the overseas operations of the Bank, in accordance with their regulatory requirements and carry interest rates ranging from 0.00% to 2.04% per annum (2021: 0.00% to 0.32% per annum).

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
6 BALANCES WITH OTHER BANKS			
In Pakistan in current accounts		17,994	18,222
Outside Pakistan			
In current accounts	6.1	9,438,572	9,737,924
In deposit accounts	6.2	28,814	26,373
		9,467,386	9,764,297
		<u>9,485,380</u>	<u>9,782,519</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 1.00% to 1.25% per annum (2021: 0.10% to 1.00% per annum).

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	7.1	40,384,136	22,815,581
Repurchase agreement lendings (Reverse Repo)	7.2	74,969,700	11,172,904
Bai Muajjal receivable - other financial institution	7.3	-	1,993,580
		<u>115,353,836</u>	<u>35,982,065</u>
Less: expected credit loss - overseas branches		(237)	-
Lending to Financial Institutions - net of provision		<u>115,353,599</u>	<u>35,982,065</u>

- 7.1** These represent lendings to financial institutions at markup rates ranging from 5.00% to 16.20% per annum (2021: 0.15% to 10.75% per annum) having maturities upto March 2023 (2021: March 2022).
- 7.2** These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 15.85% to 16.20% per annum (2021: 10.50% to 10.75% per annum) with maturities upto January 2023 (2021: January 2022).
- 7.3** In 2021, Bai Muajjal contract outstanding carried markup rate of 7.50% per annum and matured in January 2022.

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
7.4 Particulars of lending - gross		
In local currency	104,969,761	26,097,190
In foreign currencies	<u>10,384,075</u>	<u>9,884,875</u>
	<u>115,353,836</u>	<u>35,982,065</u>

7.5 Securities held as collateral against lending to financial institutions

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	------(Rupees in '000)-----					
Market Treasury Bills	52,348,826	-	52,348,826	8,842,827	-	8,842,827
Pakistan Investment Bonds	22,620,874	-	22,620,874	2,330,077	-	2,330,077
Total	<u>74,969,700</u>	<u>-</u>	<u>74,969,700</u>	<u>11,172,904</u>	<u>-</u>	<u>11,172,904</u>

8 INVESTMENTS

Note

8.1 Investments by type:

		2022				2021			
		Cost / Amortised cost	Provision for diminution / expected credit loss (ECL)	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution / expected credit loss (ECL)	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000) -----									
Held-for-trading securities									
Federal Government Securities									
Market Treasury Bills	8.7	2,074,210	-	(2,994)	2,071,216	58,471,616	-	(20,039)	58,451,577
Pakistan Investment Bonds	8.7	4,173,096	-	33,445	4,206,541	38,043,325	-	993	38,044,318
Government of Pakistan Sukuks	8.7	3,059,648	-	7,862	3,067,510	-	-	-	-
Shares									
Ordinary shares / units - Listed		567,811	-	(49,754)	518,057	983,085	-	(12,205)	970,880
Foreign Securities									
Overseas Bonds - Sovereign		3,698,451	-	(4,878)	3,693,573	4,078,675	-	(391,803)	3,686,872
		13,573,216	-	(16,319)	13,556,897	101,576,701	-	(423,054)	101,153,647
Available-for-sale securities									
Federal Government Securities									
Market Treasury Bills	8.7	2,402	-	(7)	2,395	66,709,176	-	(31,162)	66,678,014
Pakistan Investment Bonds	8.7	831,017,092	-	(7,636,247)	823,380,845	421,777,608	-	(2,068,279)	419,709,329
Government of Pakistan Sukuks	8.7	104,886,109	-	(939,360)	103,946,749	70,415,751	-	(427,810)	69,987,941
Government of Pakistan Euro Bonds		11,917,603	(2,012,101)	(4,753,348)	5,152,154	6,672,320	(112,791)	(16,227)	6,543,302
Naya Pakistan Certificates		4,779,075	-	-	4,779,075	1,016,120	-	-	1,016,120
Shares									
Ordinary shares - Listed		7,205,583	(829,340)	(453,569)	5,922,674	4,228,215	(315,697)	50,388	3,962,906
Ordinary shares - Unlisted		1,211,363	(88,038)	-	1,123,325	1,211,363	(55,725)	-	1,155,638
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		2,986,517	(411,218)	(48)	2,575,251	2,426,778	(311,298)	(10,682)	2,104,798
Sukuks		16,676,056	(96,511)	129,707	16,709,252	17,481,926	(96,511)	239,990	17,625,405
Foreign Securities									
Overseas Bonds - Sovereign		26,861,689	(64,732)	(1,679,122)	25,117,835	16,991,437	(41,404)	300,601	17,250,634
Overseas Bonds - Others		25,310,922	(10,416)	(2,074,381)	23,226,125	25,215,398	(13,347)	521,640	25,723,691
Redeemable Participating Certificates	8.1.1	4,338,537	-	-	4,338,537	3,310,874	-	-	3,310,874
REIT Fund - Unlisted		700,000	-	-	700,000	-	-	-	-
		1,038,026,783	(3,646,191)	(17,406,375)	1,016,974,217	637,590,801	(1,080,608)	(1,441,541)	635,068,652
Held-to-maturity securities									
Federal Government Securities									
Pakistan Investment Bonds	8.7	68,564,798	-	-	68,564,798	52,966,763	-	-	52,966,763
Other Federal Government Securities		-	-	-	-	3,094,151	-	-	3,094,151
Non Government Debt Securities									
Term Finance Certificates		864,680	(24,680)	-	840,000	431,347	(24,680)	-	406,667
Sukuks		1,895,679	(80,722)	-	1,814,957	2,063,572	(80,722)	-	1,982,850
Foreign Securities									
Overseas Bonds - Sovereign		11,216,215	(168)	-	11,216,047	13,106,228	-	-	13,106,228
		82,541,372	(105,570)	-	82,435,802	71,662,061	(105,402)	-	71,556,659
Associates									
	8.1.2	1,177,606	-	-	1,177,606	1,177,606	-	-	1,177,606
Subsidiaries									
	8.1.2	305,217	(42,981)	-	262,236	300,000	(42,981)	-	257,019
Total Investments		1,135,624,194	(3,794,742)	(17,422,694)	1,114,406,758	812,307,169	(1,228,991)	(1,864,595)	809,213,583

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

2022 **2021**
----- (Rupees in '000) -----

SUBSIDIARY**Alfalah CLSA Securities (Private) Limited**

Percentage of holding: 62.50% (2021: 61.20%)

Country of incorporation: Pakistan

Un-audited financial statements as of December 31, 2022

Assets	1,875,409	985,710
Liabilities	1,534,610	650,986
Revenue	461,190	318,265
Profit for the year	7,487	61,240
Total comprehensive income	6,072	57,859

ASSOCIATES**Alfalah GHP Investment Management Limited**

Percentage of holding: 40.22% (2021: 40.22%)

Country of incorporation: Pakistan

Un-audited financial statements as of December 31, 2022

Assets	1,769,239	1,553,666
Liabilities	286,611	246,762
Revenue	474,201	408,689
Profit for the year	175,722	148,883
Total comprehensive income	175,722	148,883

Alfalah Insurance Company Limited

Percentage of holding: 30% (2021: 30%)

Country of incorporation: Pakistan

Un-audited financial statements as of December 31, 2022

Assets	5,944,401	5,025,547
Liabilities	3,950,503	3,192,045
Revenue	2,218,696	1,934,765
Profit for the year	303,352	265,840
Total comprehensive income	260,396	201,920

Sapphire Wind Power Company Limited

Percentage of holding: 30% (2021: 30%)

Country of incorporation: Pakistan

Un-audited financial statements as of December 31, 2022

Assets	17,893,681	16,731,168
Liabilities	7,245,161	7,406,481
Revenue for the year	3,659,108	3,197,037
Profit for the year	1,693,833	1,445,403
Total comprehensive income	1,693,833	1,445,403

8.2 Investments by segments:**Federal Government Securities:**

Market Treasury Bills	2,076,612	-	(3,001)	2,073,611	125,180,792	-	(51,201)	125,129,591
Pakistan Investment Bonds	903,754,986	-	(7,602,802)	896,152,184	512,787,696	-	(2,067,286)	510,720,410
Government of Pakistan Euro Bonds	11,917,603	(2,012,101)	(4,753,348)	5,152,154	6,672,320	(112,791)	(16,227)	6,543,302
Other Federal Government Securities	-	-	-	-	3,094,151	-	-	3,094,151
Government of Pakistan Sukuks	107,945,757	-	(931,498)	107,014,259	70,415,751	-	(427,810)	69,987,941
Naya Pakistan Certificates	4,779,075	-	-	4,779,075	1,016,120	-	-	1,016,120
	1,030,474,033	(2,012,101)	(13,290,649)	1,015,171,283	719,166,830	(112,791)	(2,562,524)	716,491,515

Shares:

Listed Companies	7,882,229	(938,175)	(503,323)	6,440,731	5,320,135	(424,532)	38,183	4,933,786
Unlisted Companies	1,236,363	(113,038)	-	1,123,325	1,236,363	(80,725)	-	1,155,638
	9,118,592	(1,051,213)	(503,323)	7,564,056	6,556,498	(505,257)	38,183	6,089,424

Mutual fund:

Unlisted Company	700,000	-	-	700,000	-	-	-	-
	700,000	-	-	700,000	-	-	-	-

Non Government Debt Securities

Listed	15,027,415	(17,870)	27,407	15,036,952	15,387,120	(1,785)	169,318	15,554,653
Unlisted	7,395,517	(595,261)	102,252	6,902,508	7,016,503	(511,426)	59,990	6,565,067
	22,422,932	(613,131)	129,659	21,939,460	22,403,623	(513,211)	229,308	22,119,720

Foreign Securities

Government securities	41,776,355	(64,900)	(1,684,000)	40,027,455	29,035,209	(41,404)	27,077	29,020,882
Non Government Debt securities	29,649,459	(10,416)	(2,074,381)	27,564,662	33,667,403	(13,347)	403,361	34,057,417
	71,425,814	(75,316)	(3,758,381)	67,592,117	62,702,612	(54,751)	430,438	63,078,299

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 CLSA Securities (Private) Limited	305,217	(42,981)	-	262,236	300,000	(42,981)	-	257,019
Total Investments	1,135,624,194	(3,794,742)	(17,422,694)	1,114,406,758	812,307,169	(1,228,991)	(1,864,595)	809,213,583

8.2.1 Investments given as collateral

	2022	2021
	------(Rupees in '000)-----	
Market Treasury Bills	-	34,714,491
Pakistan Investment Bonds	307,049,207	109,031,611
Overseas Bonds	4,981,480	10,749,672
	312,030,687	154,495,774

The market value of securities given as collateral is Rs. 308,263.867 million (2021: Rs. 154,163.013 million).

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	1,228,991	1,397,534
Exchange and other adjustments	66,733	6,183
Charge / (reversals)		
Charge for the year	2,668,843	421,889
Reversals for the year	(9,397)	(217,924)
Reversal on disposals	(160,428)	(374,755)
	2,499,018	(170,790)
Written off	-	(3,936)
Closing Balance	3,794,742	1,228,991

8.3.2 Particulars of provision against debt securities

	2022		2021	
	NPL	Provision	NPL	Provision
	----- (Rupees in '000) -----			
Category of classification				
Domestic				
Loss	613,131	613,131	513,211	513,211
Overseas	-	-	-	-
Total	613,131	613,131	513,211	513,211

8.3.2.1 The overseas branches hold a provision of Rs. 2,087.417 million (2021: Rs. 167.542 million) against investments in accordance with ECL requirements of IFRS 9.

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	Note	2022	2021
		Cost	
		----- (Rupees in '000) -----	
8.4.1 Federal Government Securities - Government guaranteed			
Market Treasury Bills		2,402	66,709,176
Pakistan Investment Bonds		831,017,092	421,777,608
Government of Pakistan Sukuks		104,886,109	70,415,751
Government of Pakistan Euro Bonds		11,917,603	6,672,320
Naya Pakistan Certificates	8.4.1.1	4,779,075	1,016,120
		<u>952,602,281</u>	<u>566,590,975</u>

8.4.1.1 This represents initial investment made for the establishment of the modaraba pools in Naya Pakistan Company limited in accordance with S.R.O 964 (I) / 2020 dated October 05, 2020.

	2022	2021
	Cost	
	----- (Rupees in '000) -----	
8.4.2 Shares		
8.4.2.1 Listed Companies		
Ordinary Shares		
Automobile Parts & Accessories	-	180,523
Cement	780,439	267,096
Chemicals	17,909	139,828
Commercial Banks	1,705,078	1,197,699
Engineering	365,150	97,908
Fertilizer	1,241,121	772,194
Glass and ceramics	-	5,424
Investment Banks	15,000	15,000
Oil and Gas Exploration Companies	1,527,575	855,084
Oil and Gas Marketing Companies	544,616	178,650
Pharmaceuticals	51,216	51,217
Power Generation & Distribution	637,028	465,182
Technology and Communication	101,521	-
Textile Composite	218,930	2,410
	<u>7,205,583</u>	<u>4,228,215</u>
Preference Shares		
Fertilizer	108,835	108,835
	<u>7,314,418</u>	<u>4,337,050</u>

8.4.2.2	Unlisted Companies	Break up value as at	2022		2021	
			Cost	Breakup value	Cost	Breakup value
			------(Rupees in '000)-----			
	Ordinary Shares					
	Al-Hamara Avenue (Private) Limited Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	50,000	47,600	50,000	47,600
	Pakistan Mortgage Refinance Company Limited	June 30, 2010	5,725	286	5,725	286
	Pakistan Corporate Restructuring Company Limited	Dec 31, 2021	300,000	531,479	300,000	503,350
	Society for worldwide Interbank Financial Telecommunication	Dec 31, 2021	32,313	25,633	32,313	30,310
	TriconBoston Consulting Corporation (Private) Limited	Dec 31, 2021	4,095	30,620	4,095	21,667
	1 Link (Private) Limited	June 30, 2022	769,230	2,110,880	769,230	1,770,787
		Dec 31, 2021	50,000	428,290	50,000	267,895
			1,211,363	3,174,788	1,211,363	2,641,895
	Preference Shares					
	Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,784
			1,236,363	3,202,572	1,236,363	2,669,679

		2022	2021
		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 Agencies:

- A+, A, A-
- BBB+, BBB, BBB-
- Unrated

-	100,000
-	99,920
15,011,330	14,937,200
15,011,330	15,137,120

8.4.3.2 Unlisted

Categorised based on long term rating by Credit Rating Agencies:

- AAA
- AA+, AA, AA-
- A+, A, A-
- Unrated

1,470,000	2,250,000
564,167	250,000
-	677,000
2,617,076	1,594,584
4,651,243	4,771,584
19,662,573	19,908,704

Total Non Government Debt Securities

8.4.4 Foreign Securities

8.4.4.1 Government Securities

	2022		2021	
	Cost	Rating	Cost	Rating
(Rupees in '000)				
United States of America	2,172,640	AAA	-	-
Republic of Korea	1,113,527	AA	867,954	AA
United Arab Emirates	5,997,685	AA	-	-
Dubai	1,584,180	AA/ Unrated	1,235,596	Unrated
Abu Dhabi	2,374,382	AA	2,388,531	AA
Italy	994,050	Baa3u	773,129	Baa3
Republic of Kazakhstan	484,318	BBB-	414,340	BBB-
Sharjah	2,289,818	BBB-	1,789,258	BBB-
Kingdom of Saudi Arabia	2,243,766	A1	1,746,106	A1
Republic Of Chile	24,228	A1	19,557	A1
Area Republic of Egypt	452,025	B	353,009	Unrated
Republic of Philippines	482,786	Baa2	412,626	BBB
Indonesia	2,488,648	Baa2	2,308,492	Baa2
Republic of South Africa	1,135,091	Ba2	885,074	BB-
Sultanate of Oman	1,813,228	Ba3	1,415,152	BB+
Republic Of Turkiye	1,211,317	B3	1,299,185	B2
People's Republic of China	-	-	1,083,428	A+
	26,861,689		16,991,437	

8.4.4.2 Non Government Debt Securities - Overseas securities**Unlisted**

2022 **2021**
----- (Rupees in '000) -----

Categorised based on long term rating by Credit Rating Agencies:

- AA+, AA, AA-	2,713,169	5,904,607
- A+, A, A-	5,986,854	6,259,240
- BBB+, BBB, BBB-	9,380,644	7,687,329
- Baa1, B-	1,129,169	102,634
- A3	6,101,086	4,135,316
- Unrated	4,338,537	4,437,146
	<u>29,649,459</u>	<u>28,526,272</u>

8.5 Particulars relating to Held to Maturity securities are as follows:**8.5.1 Federal Government Securities - Government guaranteed**

Pakistan Investment Bonds	68,564,798	52,966,763
Other Federal Government Securities	-	3,094,151
	<u>68,564,798</u>	<u>56,060,914</u>

8.5.2 Non Government Debt Securities**Unlisted**

Categorised based on long term rating by Credit Rating Agencies:

- AAA	1,482,850	1,482,850
- A+, A, A-	677,500	806,667
- Unrated	600,009	205,402
	<u>2,760,359</u>	<u>2,494,919</u>

8.5.3 Foreign Securities**8.5.3.1 Government Securities**

	2022		2021	
	Cost	Rating	Cost	Rating
	----- (Rupees in '000) -----			
Islamic Republic of Afghanistan	-	Unrated	1,944,920	Unrated
People's Republic of Bangladesh	10,088,667	BB-	10,283,250	BB-
State of Qatar	<u>1,127,548</u>	AA-	<u>878,058</u>	AA-
	<u>11,216,215</u>		<u>13,106,228</u>	

8.6 The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 73,518.445 million (2021 : Rs. 69,624.622 million).

8.7 Investments include securities amounting to Rs. 1,005,240.054 million (2021: Rs. 705,837.942 million) which are held by the Bank to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.

9 ADVANCES

	Note	Performing		Non Performing		Total	
		2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1 & 9.2	570,301,605	515,833,595	22,797,118	20,345,296	593,098,723	536,178,891
Islamic financing and related assets	9.3	149,839,163	132,995,060	4,893,861	3,776,282	154,733,024	136,771,342
Bills discounted and purchased		14,580,885	25,534,513	3,280,234	588,182	17,861,119	26,122,695
Advances - gross		734,721,653	674,363,168	30,971,213	24,709,760	765,692,866	699,072,928
Provision against advances							
- Specific	9.6	-	-	(25,396,608)	(21,125,068)	(25,396,608)	(21,125,068)
- General / expected credit loss	9.6	(7,921,407)	(4,067,236)	-	-	(7,921,407)	(4,067,236)
		(7,921,407)	(4,067,236)	(25,396,608)	(21,125,068)	(33,318,015)	(25,192,304)
Advances - net of provision		726,800,246	670,295,932	5,574,605	3,584,692	732,374,851	673,880,624

9.1 This includes Net Investment in Finance Lease as disclosed below:

	2022				2021			
	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	374,818	4,022,648	106,060	4,503,526	359,992	3,403,198	170,854	3,934,044
Residual value	218,597	1,207,888	25,354	1,451,839	189,187	980,729	39,395	1,209,311
Minimum lease payments	593,415	5,230,536	131,414	5,955,365	549,179	4,383,927	210,249	5,143,355
Financial charges for future periods	(75,179)	(850,312)	(17,078)	(942,569)	(27,456)	(506,503)	(27,784)	(561,743)
Present value of Minimum Lease Payments	518,236	4,380,224	114,336	5,012,796	521,723	3,877,424	182,465	4,581,612

9.2 Advances include an amount of Rs. 339.983 million (2021: Rs. 233.151 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 13.37 % to 27.25 % (2021: 10.17 % to 23.65 %) with maturities up to October 2042 (2021: October 2041).

9.3 These represents financing and related assets placed under shariah permissible modes and presented in Annexure-II.

	2022	2021
	------(Rupees in '000)-----	
9.4 Particulars of advances (gross)		
In local currency	713,973,693	631,764,578
In foreign currencies	51,719,173	67,308,350
	765,692,866	699,072,928

9.5 Advances include Rs. 30,971.213 million (2021: Rs. 24,709.760 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2022		2021	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned	178,723	15,814	84,230	4,693
Substandard	2,352,882	683,787	2,466,916	566,982
Doubtful	6,885,829	3,407,905	2,743,571	1,423,199
Loss	20,896,541	20,794,387	18,789,033	18,654,227
	30,313,975	24,901,893	24,083,750	20,649,101
Overseas				
Not past due but impaired				
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	35,903	21,952	29,467	249
181 to 365 days	139,472	119,706	-	-
Above 365 days	481,863	353,057	596,543	475,718
	657,238	494,715	626,010	475,967
Total	30,971,213	25,396,608	24,709,760	21,125,068

9.6 Particulars of provision against advances

Note	2022			2021		
	Specific	General / expected credit loss	Total	Specific	General / expected credit loss	Total
----- (Rupees in '000) -----						
Opening balance	21,125,068	4,067,236	25,192,304	18,317,255	5,266,170	23,583,425
Exchange and other adjustments	32,240	22,887	55,127	39,420	20,228	59,648
Charge for the year	7,544,341	3,831,284	11,375,625	4,959,088	-	4,959,088
Reversals for the year	(2,431,826)	-	(2,431,826)	(1,871,249)	(1,219,162)	(3,090,411)
	5,112,515	3,831,284	8,943,799	3,087,839	(1,219,162)	1,868,677
Amounts written off	(497,192)	-	(497,192)	(319,446)	-	(319,446)
Amounts charged off - agriculture financing	(69,791)	-	(69,791)	-	-	-
Amounts charged off - balance sheet cleaning up	(306,232)	-	(306,232)	-	-	-
	(873,215)	-	(873,215)	(319,446)	-	(319,446)
Closing balance	25,396,608	7,921,407	33,318,015	21,125,068	4,067,236	25,192,304

9.6.1 Particulars of provision against advances

	2022			2021		
	Specific	General / expected credit loss	Total	Specific	General / expected credit loss	Total
----- (Rupees in '000) -----						
In local currency	20,953,130	7,551,647	28,504,777	19,526,146	3,756,618	23,282,764
In foreign currencies	4,443,478	369,760	4,813,238	1,598,922	310,618	1,909,540
	25,396,608	7,921,407	33,318,015	21,125,068	4,067,236	25,192,304

9.6.2 The overseas branches hold a provision of Rs. 0.590 million (2021: Rs. 64.793 million) against advances in accordance with ECL requirements of IFRS 9.

9.6.3 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2022 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 94.554 million (2021: Rs. 89.192 million).

9.6.4 During the year, non performing loans and provisions were reduced by Rs. 175.000 million (2021: Rs. nil) due to debt property swap.

9.6.5 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 loans, 0.5% of secured 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;

(iii) Covid 19 general loan loss reserve of Rs. 2,550.000 million held as at December 31, 2021 was reversed during the year as restructured portfolio is performing; and

(iv) Provision of Rs. 5,971.000 million (2021: nil) against the high risk and flood impacted advances portfolio, which is showing higher economic vulnerability. The portfolio excludes GoP backed exposures, staff loans and loans secured against liquid collaterals.

9.6.6 Exposure amounting to Rs. 9,984.910 million (2021: Rs. nil) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.

9.6.7 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	2022	2021
		----- (Rupees in '000) -----	
9.7 Particulars of Write Offs:			
9.7.1 Against Provisions	9.7.2	873,215	319,446
Directly charged to Profit & Loss account		-	-
		<u>873,215</u>	<u>319,446</u>
9.7.2 Write Offs of Rs. 500,000 and above :			
- Domestic	9.8	501,385	107,194
- Overseas		147,733	-
Write Offs below Rs. 500,000		<u>224,097</u>	<u>212,252</u>
		<u>873,215</u>	<u>319,446</u>

9.7.3 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, the bank during the year has written off Rs. 306.232 million as part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.

9.8 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, 2022 is given as Annexure-I.

	Note	2022	2021
		----- (Rupees in '000) -----	
10 FIXED ASSETS			
Capital work-in-progress	10.1	944,206	1,117,186
Property and equipment	10.2	32,090,993	26,566,315
Right-of-use assets	10.3	<u>15,389,523</u>	<u>11,815,478</u>
		<u>48,424,722</u>	<u>39,498,979</u>
10.1 Capital work-in-progress			
Civil works		706,019	692,766
Equipment		214,126	414,857
Others		<u>24,061</u>	<u>9,563</u>
		<u>944,206</u>	<u>1,117,186</u>

10.2 Property and Equipment

2022								
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, 2022

Cost / Revalued amount	8,671,629	4,298,244	2,334,727	4,036,640	6,939,239	2,272,731	16,547,764	406,835	45,507,809
Accumulated depreciation	-	-	-	-	(4,716,211)	(1,873,805)	(12,083,249)	(268,229)	(18,941,494)
Net book value	<u>8,671,629</u>	<u>4,298,244</u>	<u>2,334,727</u>	<u>4,036,640</u>	<u>2,223,028</u>	<u>398,926</u>	<u>4,464,515</u>	<u>138,606</u>	<u>26,566,315</u>

Year ended December 2022

Opening net book value	8,671,629	4,298,244	2,334,727	4,036,640	2,223,028	398,926	4,464,515	138,606	26,566,315
Additions	1,532,030	345,000	577,277	182,980	1,734,400	187,576	3,734,120	36,040	8,329,423
Disposals	(302,000)	-	(12,811)	-	(1,847)	(659)	(12,788)	-	(330,105)
Depreciation charge	-	-	(89,381)	(125,342)	(436,547)	(95,481)	(1,869,042)	(61,912)	(2,677,705)
Exchange rate adjustments	-	-	-	-	1,660	1,873	6,090	5,790	15,413
Other adjustments / transfers	221,221	(4,087)	1,115	(6,047)	(22,703)	(1,269)	(418)	(160)	187,652
Closing net book value	<u>10,122,880</u>	<u>4,639,157</u>	<u>2,810,927</u>	<u>4,088,231</u>	<u>3,497,991</u>	<u>490,966</u>	<u>6,322,477</u>	<u>118,364</u>	<u>32,090,993</u>

At December 31, 2022

Cost / Revalued amount	10,122,880	4,639,157	2,900,119	4,213,695	8,592,277	2,442,532	19,943,325	458,877	53,312,862
Accumulated depreciation	-	-	(89,192)	(125,464)	(5,094,286)	(1,951,566)	(13,620,848)	(340,513)	(21,221,869)
Net book value	<u>10,122,880</u>	<u>4,639,157</u>	<u>2,810,927</u>	<u>4,088,231</u>	<u>3,497,991</u>	<u>490,966</u>	<u>6,322,477</u>	<u>118,364</u>	<u>32,090,993</u>
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

2021								
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, 2021

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	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	409,458	4,119,110	141,584	20,684,887

Year ended December 2021

Opening net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	409,458	4,119,110	141,584	20,684,887
Additions	295,350	-	98,419	137,432	777,039	80,420	1,817,252	49,048	3,254,960
Surplus on assets revalued during the year	2,198,668	1,212,044	344,067	940,765	-	-	-	-	4,695,544
Deficit on revaluation recognised in the profit and loss account - net	(2,000)	-	23,989	41,585	-	-	-	-	63,574
Disposals	-	-	-	-	(1,627)	(1,512)	(10,121)	-	(13,260)
Depreciation charge	-	-	(68,933)	(101,468)	(334,502)	(89,575)	(1,469,813)	(51,454)	(2,115,745)
Exchange rate adjustments	-	-	-	-	1,699	79	3,507	(185)	5,100
Other adjustment / transfer	-	-	-	(5,268)	(7,726)	56	4,580	(387)	(8,745)
Closing net book value	8,671,629	4,298,244	2,334,727	4,036,640	2,223,028	398,926	4,464,515	138,606	26,566,315

At December 31, 2021

Cost / Revalued amount	8,671,629	4,298,244	2,334,727	4,036,640	6,939,239	2,272,731	16,547,764	406,835	45,507,809
Accumulated depreciation	-	-	-	-	(4,716,211)	(1,873,805)	(12,083,249)	(268,229)	(18,941,494)
Net book value	8,671,629	4,298,244	2,334,727	4,036,640	2,223,028	398,926	4,464,515	138,606	26,566,315
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, 2021 on the basis of market values, determined by independent valuers M/s Akbani & Javed Associates, M/s Collier International Pakistan (Private) Limited, 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, 2022 would have been Rs. 8,853.214 million (2021: Rs. 6,287.937 million).

	2022		2021	
	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	3,493,067	10,122,880	1,888,695	8,671,629
Leasehold land	1,632,051	4,639,157	1,291,138	4,298,244
Buildings on freehold land	2,047,928	2,810,927	1,543,595	2,334,727
Buildings on leasehold land	1,680,168	4,088,231	1,564,509	4,036,640
	8,853,214	21,661,195	6,287,937	19,341,240

	2022	2021
------(Rupees in '000)-----		
Furniture and fixture	1,521,972	1,441,205
Office equipment	9,262,705	8,952,537
Vehicle	222,364	188,099
Leasehold improvement	3,280,797	3,014,601
	14,287,838	13,596,442

10.2.3 During the year, non banking assets having cost of Rs. 161.759 million and surplus of Rs. 60.660 million were transferred to fixed assets.

10.2.4 Sale of fixed assets to related parties are disclosed in Annexure III to these unconsolidated financial statements.

Note 2022 2021
----- (Rupees in '000) -----

10.3 Right-of-use assets

At January 1

Cost / Revalued amount	17,904,670	13,367,701
Accumulated depreciation	(6,089,192)	(3,825,121)
Net book value	<u>11,815,478</u>	<u>9,542,580</u>

Year ended December

Opening net book value	11,815,478	9,542,580
Additions / renewals / amendments / (terminations) - net	6,253,323	4,543,090
Depreciation charge	(2,723,202)	(2,264,071)
Exchange rate adjustments	43,924	(6,121)
Closing net book value	<u>15,389,523</u>	<u>11,815,478</u>

At December 31

Cost / Revalued amount	24,201,917	17,904,670
Accumulated depreciation	(8,812,394)	(6,089,192)
Net book value	<u>15,389,523</u>	<u>11,815,478</u>
Rate of depreciation (percentage)	<u>5% - 100%</u>	<u>5% - 100%</u>

11 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers		455,945	381,761
Software	11.1	<u>840,352</u>	<u>734,681</u>
		<u>1,296,297</u>	<u>1,116,442</u>

11.1 At January 1

Cost	4,714,120	4,593,888
Accumulated amortisation and impairment	(3,979,439)	(3,577,574)
Net book value	<u>734,681</u>	<u>1,016,314</u>

Year ended December 31

Opening net book value	734,681	1,016,314
Additions - directly purchased	457,031	113,970
Amortisation charge	(351,233)	(395,890)
Exchange and other adjustments	(127)	287
Closing net book value	<u>840,352</u>	<u>734,681</u>

At December 31

Cost	5,175,819	4,714,120
Accumulated amortisation and impairment	(4,335,467)	(3,979,439)
Net book value	<u>840,352</u>	<u>734,681</u>

Rate of amortisation (percentage)	<u>20%</u>	<u>20%</u>
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Useful life	<u>5 years</u>	<u>5 years</u>
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11.2 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 3,481.433 million (2021: Rs. 3,022.301 million).

12 DEFERRED TAX ASSETS

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Unrealised gain / (loss) on revaluation of held for trading investments
- Deficit on revaluation of available for sale investments
- Provision against other assets
- Provision against lending to financial institutions
- Workers' Welfare Fund

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets
- Surplus on revaluation of non banking assets
- Accelerated tax depreciation

2022			
At January 1, 2022	Recognised in P&L (charge) / reversal	Recognised in OCI	At December 31, 2022
------(Rupees in '000)-----			
463,795	1,238,416	-	1,702,211
2,899,949	196,179	-	3,096,128
164,991	(157,974)	-	7,017
562,201	-	5,129,546	5,691,747
729,865	271,879	-	1,001,744
81	(49)	-	32
-	604,100	-	604,100
4,820,882	2,152,551	5,129,546	12,102,979
(473,110)	92,233	(106,012)	(486,889)
(84,039)	-	20,931	(63,108)
(1,959,463)	(580,871)	-	(2,540,334)
(2,516,612)	(488,638)	(85,081)	(3,090,331)
2,304,270	1,663,913	5,044,465	9,012,648

2021

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Unrealised gain / (loss) on revaluation of held for trading investments
- Surplus on revaluation of available for sale investments
- Provision against other assets
- Provision against lending to financial institutions

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets
- Surplus on revaluation of non banking assets
- Accelerated tax depreciation

At January 1, 2021	Recognised in P&L (charge) / reversal	Recognised in OCI	At December 31, 2021
------(Rupees in '000)-----			
444,440	19,355	-	463,795
3,056,275	(156,326)	-	2,899,949
(31,916)	196,907	-	164,991
(2,301,926)	-	2,864,127	562,201
353,259	376,606	-	729,865
-	81	-	81
1,520,132	436,623	2,864,127	4,820,882
(1,277,421)	-	804,311	(473,110)
(1,235)	-	(82,804)	(84,039)
(1,602,628)	(356,835)	-	(1,959,463)
(2,881,284)	(356,835)	721,507	(2,516,612)
(1,361,152)	79,788	3,585,634	2,304,270

13 OTHER ASSETS

- Income/ Mark-up accrued in local currency - net of provision
- Income/ Mark-up accrued in foreign currency - net of provision
- Advances, deposits, advance rent and other prepayments
- Non-banking assets acquired in satisfaction of claims
- Mark to market gain on forward foreign exchange contracts
- Mark to market gain on derivatives
- Stationery and stamps on hand
- Defined benefit plan
- Branch adjustment account
- Due from card issuing banks
- Account receivable
- Margin deposits on derivatives
- Claims against fraud and forgeries
- Acceptances
- Receivable against DSC/SSC and overseas government securities
- Receivable against marketable securities
- Others
- Less: Provision held against other assets
- Other Assets (net of Provision)
- Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net

2022		2021
------(Rupees in '000)-----		
Note		
	42,710,321	23,325,336
	2,011,398	1,389,395
	3,542,062	2,299,368
13.1	1,439,606	1,435,191
	922,573	2,249,270
22.1	4,795,545	-
	23,253	25,415
36.4	153,707	744,324
	24,430	-
	4,544,609	1,212,831
	5,180,427	2,882,851
	-	427,232
13.2	119,455	67,515
	19,090,181	20,050,282
	131,517	570,897
	-	1,337,332
	66,212	56,795
	84,755,296	58,074,034
13.3	(2,671,784)	(1,309,288)
	82,083,512	56,764,746
20.2	145,613	171,727
	82,229,125	56,936,473

	Note	2022 ------(Rupees in '000)-----	2021
13.1 Market value of non-banking assets acquired in satisfaction of claims:			
- Properties		1,578,141	1,595,851
- Shares		7,078	10,767
		<u>1,585,219</u>	<u>1,606,618</u>

The Non-banking assets (properties) of the Bank have been revalued by independent professional valuers as at December 31, 2022. The revaluation was carried out by M/s. Harvester Service (Private) Limited, M/s Akbani & Javed Associates and M/s. K.G Traders on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 34.668 million (2021: Rs. 66.641 million).

13.1.1 Non-banking assets acquired in satisfaction of claims - gross of provision

Opening Balance		1,606,918	1,551,142
Additions		175,000	-
Disposals	13.1.2	(300)	(6,515)
Revaluation		34,668	66,641
Deficit on revaluation (charged to Profit and loss account)	31	(4,201)	-
Transfer to property and equipment	13.1.1.1	(222,419)	-
Depreciation		(4,447)	(4,350)
Closing Balance		<u>1,585,219</u>	<u>1,606,918</u>

13.1.1.1 During the year, non banking assets having cost of Rs. 161.759 million and surplus of Rs. 60.660 million were transferred to fixed assets.

13.1.2 Gain / Loss on Disposal of Non-banking assets acquired in satisfaction of claims

Disposal proceeds		9,200	6,515
less			
- Cost		300	6,515
- Depreciation / Impairment		(300)	-
		<u>-</u>	<u>6,515</u>
Gain on disposal		<u>9,200</u>	<u>-</u>

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

	Note	2022 ------(Rupees in '000)-----	2021
13.3 Provision held against other assets			
Impairment against overseas operation	13.3.2	2,114,963	1,000,000
Expected credit loss (overseas operation)		10,397	134,891
Fraud and forgeries		119,455	67,515
Account receivable		38,349	12,914
Non banking assets acquired in satisfaction of claims		-	300
Others		388,620	93,668
		<u>2,671,784</u>	<u>1,309,288</u>

13.3.1 Movement in provision held against other assets

Opening balance		1,309,288	258,857
Exchange and other adjustments		35,684	8,393
Charge for the year	13.3.2	1,493,475	1,060,710
Reversals for the year		(164,308)	(11,017)
		<u>1,329,167</u>	<u>1,049,693</u>
Amount Written off		(2,355)	(7,655)
Closing balance		<u>2,671,784</u>	<u>1,309,288</u>

13.3.2 The Bank, in light of uncertain conditions in one of the countries where the Bank operates, holds an impairment of Rs. 2,114.963 Million (2021: Rs. 1,000.000 million) against the cross border risk.

	Note	2022 ------(Rupees in '000)-----	2021
14	BILLS PAYABLE		
In Pakistan		37,705,524	21,774,411
Outside Pakistan		2,328,282	1,051,089
		<u>40,033,806</u>	<u>22,825,500</u>
15	BORROWINGS		
Secured			
Borrowings from State Bank of Pakistan			
Export Refinance Scheme	15.1	53,477,830	52,248,854
Long-Term Finance Facility (LTFF)	15.2	28,643,178	26,394,909
Financing Facility for Renewable Energy Projects	15.3	11,917,647	9,793,026
Financing Facility for Storage of Agriculture Produce (FFSAP)	15.4	738,979	685,931
Refinance for Wages & Salaries	15.5	300,821	14,332,866
Temporary Economic Refinance Facility (TERF)	15.6	49,721,502	28,933,063
Export Refinance under Bill Discounting	15.7	10,633,712	-
SME Asaan Finance (SAAF)	15.8	949,413	-
Refinance Facility for Combating COVID (RFCC)	15.9	692,957	201,045
Refinance and Credit Guarantee Scheme for Women Entrepreneurs	15.10	279,374	177,244
Modernization of Small and Medium Entities (MSMES)	15.11	871,659	427,799
Other refinance schemes	15.12	890	1,227
Repurchase agreement borrowings	15.13	256,900,000	97,506,050
		<u>415,127,962</u>	<u>230,702,014</u>
Repurchase agreement borrowings	15.14	4,830,897	55,219,084
Bai Muajjal	15.15	42,113,040	47,960,362
Medium Term Note	15.16	11,000,000	11,000,000
Total secured		<u>473,071,899</u>	<u>344,881,460</u>
Unsecured			
Call borrowings	15.17	5,766,732	21,084,927
Overdrawn nostro accounts	15.18	4,884,913	1,774,249
Bai Muajjal	15.19	-	849,923
Others			
- Pakistan Mortgage Refinance Company	15.20	2,180,208	2,280,921
- Karandaaz Risk Participation	15.21	2,331,958	2,345,604
- Other financial institutions	15.22	2,943,821	10,591,788
Total unsecured		<u>18,107,632</u>	<u>38,927,412</u>
		<u>491,179,531</u>	<u>383,808,872</u>
15.1	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 10.00% (2021: 1.00% to 2.00%) per annum payable on a quarterly basis having maturities in August 2027 (2021: June 2022).		
15.2	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 7.00% (2021: 2.00% to 4.50%) per annum payable on a quarterly basis having maturities in July 2032 (2021: December 2031).		
15.3	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 6.00% (2021: 2.00% to 5.00%) per annum payable on a quarterly basis having maturities in July 2034 (2021: January 2033).		
15.4	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 3.50% (2021: 2.00% to 3.50%) per annum payable on a quarterly basis having maturities in December 2030 (2021: December 2030).		
15.5	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. This scheme is part of COVID-19 relief to finance entities against payroll. The mark-up rate on this facility is 0.00% (2021: 0.00% to 2.00%) per annum payable on a quarterly basis having maturities in April 2023 (2021: April 2025).		
15.6	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 1.00% (2021: 1.00%) per annum payable on a quarterly basis having maturities upto October 2032 (2021 : December 2031).		
15.7	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 1.00% to 2.00% (2021: nil) per annum payable on a quarterly basis having maturities upto June 2023 (2021: nil).		

- 15.8** 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 1.00% (2021: nil) per annum payable on a quarterly basis having maturities upto June 2027 (2021: nil).
- 15.9** 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 0.00% (2021: 0.00%) per annum payable on a quarterly basis having maturities upto June 2027 (2021: November 2025).
- 15.10** 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 0.00% to 2.00% (2021: 0.00%) per annum payable on a quarterly basis having maturities upto March 2029 (November 2026).
- 15.11** 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% (2021: 2.00%) per annum payable on a quarterly basis having maturities in July 2030 (2021: July 2030).
- 15.12** 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 0.00% (2021: 0.00%) payable on a quarterly basis having maturities upto December 2025 (2021: December 2025).
- 15.13** This represents repurchase agreement borrowing from SBP at the rate ranging from 15.23% to 16.16% (2021: 9.8% to 10.26%) per annum having maturities in March 2023 (2021: March 2022).
- 15.14** This represents repurchase agreement borrowing from other banks at the mark-up rate of 16.15% (2021: 9.75% to 10.70%) per annum having maturity upto January 2023 (2021: January 2022).
- 15.15** This represents borrowings from financial institutions at mark-up rates ranging from 2.00% to 8.48% (2021: 7.25% to 8.48%) per annum having maturities upto July 2025 (2021: July 2025).
- 15.16** This represents Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates (TFCs). The instrument carries a markup of 9.03% and will mature on 15th January 2024. This instrument is secured against the government securities.
- 15.17** This represents borrowings from financial institutions at mark-up rates ranging from 2.00% to 9.25% (2021: 0.40% to 10.70%) per annum having maturities upto January 2023 (2021: March 2022).
- 15.18** 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.
- 15.19** In 2021, borrowings from financial institutions carried mark-up rate of 7.10% per annum and was matured in February 2022.
- 15.20** 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 6.50% to 8.79% (2021: 7.50% to 8.00%) per annum having maturities upto April 2026 (2021 : December 2023).
- 15.21** This includes borrowing from Karandaz Pakistan Limited under Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a mark-up rates ranging from 7.16% to 21.90% (2021: 7.16% to 23.8%) per annum having maturities upto October 2030 (2021: March 2028).
- 15.22** This represents borrowing from other financial institutions at 6.00% (2021: 1.10% to 1.50%) per annum having maturity in February 2023 (2021: September 2022).

	2022	2021
	------(Rupees in '000)-----	
15.23 Particulars of borrowings with respect to currencies		
In local currency	474,023,984	344,259,112
In foreign currencies	17,155,547	39,549,760
	<u>491,179,531</u>	<u>383,808,872</u>

16 DEPOSITS AND OTHER ACCOUNTS

2022			2021		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- (Rupees in '000) -----					

Customers

Current deposits	523,834,695	131,267,950	655,102,645	407,126,787	88,329,596	495,456,383
Savings deposits	294,762,649	37,937,222	332,699,871	249,702,928	34,000,491	283,703,419
Term deposits	287,557,414	49,767,276	337,324,690	169,741,023	42,871,078	212,612,101
Others	35,941,042	8,943,974	44,885,016	19,942,860	4,683,544	24,626,404
	1,142,095,800	227,916,422	1,370,012,222	846,513,598	169,884,709	1,016,398,307

Financial Institutions

Current deposits	3,196,183	3,065,704	6,261,887	2,015,668	3,280,707	5,296,375
Savings deposits	68,751,793	2,911,307	71,663,100	90,179,130	900,203	91,079,333
Term deposits	38,073,100	354,319	38,427,419	24,170,116	988,200	25,158,316
Others	404,457	76,261	480,718	950,897	161,378	1,112,275
	110,425,533	6,407,591	116,833,124	117,315,811	5,330,488	122,646,299
	1,252,521,333	234,324,013	1,486,845,346	963,829,409	175,215,197	1,139,044,606

16.1 Composition of deposits

	2022	2021
	----- (Rupees in '000) -----	
- Individuals	612,115,826	475,961,584
- Government (Federal and Provincial)	132,562,598	65,325,189
- Public Sector Entities	103,733,172	83,990,942
- Banking Companies	2,467,843	16,279,902
- Non-Banking Financial Institutions	114,365,281	106,366,397
- Private Sector / Others	521,600,626	391,120,592
	<u>1,486,845,346</u>	<u>1,139,044,606</u>

16.2 Current deposits include remunerative current deposits of Rs. 14,325.601 million (2021 : Rs. 8,823.382 million).

16.3 Deposits include eligible deposits of Rs. 755,804.535 million (2021: Rs. 584,649.754 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

16.4 Current deposits includes prepaid cards amounting to Rs. 25.457 million (2021: Rs. 53.876 million).

2022 2021
----- (Rupees in '000) -----

17 SUBORDINATED DEBT

Term Finance Certificates VI - Additional Tier-I (ADT-1) - Quoted, Unsecured

The Bank issued listed, fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) issued as instruments of redeemable capital under Section 66 of the Companies Act, 2017 which qualify as Additional Tier 1 Capital (ADT 1) as outlined by the State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013. Summary of terms and conditions of the issue are:

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 The Pakistan Credit Rating Agency 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 and instrument is replaced with capital of same and better quality.		

2022 2021
----- (Rupees in '000) -----

Term Finance Certificates VIII - Additional Tier-I (ADT-1) - Unquoted, Unsecured

During the year, the Bank has issued Rs. 7,000 million of privately placed, unlisted (listing in process), fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) issued as instruments of redeemable capital under Section 66 of the Companies Act, 2017 which qualify as Additional Tier 1 Capital (ADT 1) as outlined by State Bank of Pakistan (SBP) under BPRD circular No. 06 dated August 15, 2013. Summary of terms and conditions of the issue are:

Issue amount	Rs. 7,000,000,000	7,000,000	-
Issue date	December 2022		
Maturity date	Perpetual		
Rating	"AA-" (double A minus) by The Pakistan Credit Rating Agency 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 + 2.00% 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 and instrument is replaced with capital of same and better quality.		

14,000,000	7,000,000
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18	OTHER LIABILITIES	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
	Mark-up/ Return/ Interest payable in local currency		16,617,807	5,341,826
	Mark-up/ Return/ Interest payable in foreign currency		1,443,987	784,610
	Unearned fee commission and income on bills discounted and guarantees		2,591,163	1,386,030
	Accrued expenses		12,576,602	8,405,092
	Current taxation		12,890,155	10,533,309
	Acceptances		19,090,181	20,050,282
	Dividends payable		4,767,210	152,030
	Mark to market loss on forward foreign exchange contracts		455,164	1,021,507
	Mark to market loss on derivatives	22.1	-	191,189
	Branch adjustment account		-	334,445
	ADC settlement accounts		2,035,378	1,558,435
	Provision for compensated absences		701,492	634,224
	Payable against redemption of customer loyalty / reward points		607,208	486,149
	Charity payable		65,998	24,963
	Provision against off-balance sheet obligations	18.1	62,948	137,639
	Security deposits against leases, lockers and others		13,300,923	11,185,102
	Workers' Welfare Fund		3,378,897	2,471,455
	Payable to vendors and suppliers		556,205	722,986
	Margin deposits on derivatives		4,077,091	-
	Payable to merchants (card acquiring)		16,536	188,553
	Indirect taxes payable		2,360,341	1,284,540
	Lease liabilities against right-of-use assets	18.2	17,495,747	13,189,739
	Payable against marketable securities		339,679	285,690
	Trading liability		2,638,773	-
	Others		3,053,937	1,269,885
			<u>121,123,422</u>	<u>81,639,680</u>

18.1	Provision against off-balance sheet obligations		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
	Opening balance		137,639	127,428
	Exchange and other adjustments		12,348	10,468
	Reversals	31	(87,039)	(257)
	Closing balance		<u>62,948</u>	<u>137,639</u>

18.1.1 The provision against off balance sheet obligations includes general provision of Rs. 28.563 million (2021: Rs. 104.076 million) held in Bangladesh books, Rs. 1.434 million (2021: 0.613 million) held in Afghanistan books as required under the local regulations and specific provision of Rs. 32.950 million (2021: Rs. 32.950 million) held in Pakistan against defaulted letter of guarantees.

18.2	Lease liabilities against right-of-use assets		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
	As at January 1		13,189,739	10,456,029
	Additions / renewals / amendments / (terminations) - net		6,150,253	4,507,382
	Borrowing cost		1,921,115	1,468,889
	Payments		(3,814,458)	(3,238,124)
	Exchange Rate Adjustment		49,098	(4,437)
	As at December 31		<u>17,495,747</u>	<u>13,189,739</u>
	Current lease liability		3,433,558	2,969,655
	Non current lease liability		<u>14,062,189</u>	<u>10,220,084</u>
			<u>17,495,747</u>	<u>13,189,739</u>

19 SHARE CAPITAL**19.1 Authorized Capital**

2022 ------(Number of shares)-----	2021 ------(Number of shares)-----		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<u>2,300,000,000</u>	<u>2,300,000,000</u>	Ordinary shares of Rs. 10 each	<u>23,000,000</u>	<u>23,000,000</u>

19.2 Issued, subscribed and paid up Capital

2022 ------(Number of shares)-----	2021 ------(Number of shares)-----		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
		Ordinary shares		
891,453,153	891,453,153	Fully paid in cash	8,914,531	8,914,531
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
(200,000,000)	-	Treasury shares	(2,000,000)	-
<u>1,577,165,119</u>	<u>1,777,165,119</u>		<u>15,771,651</u>	<u>17,771,651</u>

19.3 Treasury Shares

During the year, the Bank, pursuant to the approvals of Board of Directors and Shareholders in their meetings held on 10th November 2022 and 6th December 2022 respectively, purchased 200 million ordinary shares under the buy back scheme. The shares were purchase through Pakistan Stock Exchange Limited, at spot / current share price prevailing during the buy back period. Subsequent to the year end, the Bank has cancelled ordinary shares purchased under buy back scheme. Share Capital has been shown net of treasury shares.

19.4 Statutory reserve

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 plus share premium equals the paid-up share capital. Thereafter, 10% of the profit after tax of the banking company is required to be transferred to this reserve. Accordingly, the Bank transfers 10% of its profit after tax every year to the statutory reserve.

20 SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of:

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims

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

8.1	(17,406,375)	(1,441,541)
20.1	12,807,981	13,053,303
20.2	145,613	171,727
	(4,452,781)	11,783,489

Less: Deferred tax asset / (liability) on surplus / (deficit) on revaluation of:

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims

20.1	7,484,741	562,201
	(486,889)	(473,110)
20.2	(63,108)	(84,039)
	6,934,744	5,052

Derivatives (Deficit) / Surplus

Less: Deferred tax assets / (liability) on derivatives

(4,169,754)	347,961
1,792,994	-
(2,376,760)	347,961
<u>4,858,723</u>	<u>11,440,580</u>

Note **2022** **2021**
----- (Rupees in '000) -----

20.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	13,053,303	8,419,320
Recognised during the year	-	4,695,544
Transferred from Non banking assets to owned property - net of deferred tax	36,884	-
Related deferred tax liability on surplus transfer to owned property	23,776	-
Realised on disposal during the year - net of deferred tax	(124,940)	-
Related deferred tax liability on surplus realised on disposal	(92,233)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(88,809)	(61,561)
Surplus on revaluation of fixed assets as at December 31	12,807,981	13,053,303

Less: related deferred tax liability on:

Revaluation as at January 1	473,110	1,277,421
- recognised during the year	82,236	(804,311)
- surplus transferred to owned property	23,776	-
- surplus realised on disposal during the year	(92,233)	-
	486,889	473,110

12,321,092	12,580,193
------------	------------

20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at January 1	171,727	105,182
Recognised during the year	34,668	66,641
Transferred to owned property	(36,884)	-
Related deferred tax liability on surplus of transfer to owned property	(23,776)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(122)	(96)
Surplus on revaluation as at December 31	145,613	171,727

Less: related deferred tax liability on:

- revaluation as at January 1	84,039	1,235
- revaluation recognised during the year	2,845	82,804
- surplus transferred to owned property	(23,776)	-
	63,108	84,039
	82,505	87,688

21 CONTINGENCIES AND COMMITMENTS

-Guarantees	21.1	140,370,087	99,914,966
-Commitments	21.2	436,883,552	466,051,999
-Other contingent liabilities	21.3	6,903,292	4,823,035
		584,156,931	570,790,000

21.1 Guarantees:

Performance guarantees	53,798,209	41,041,271
Other guarantees	86,571,878	58,873,695
	140,370,087	99,914,966

	Note	2022 ----- (Rupees in '000) -----	2021
21.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		171,719,857	178,246,952
Commitments in respect of:			
- forward foreign exchange contracts	21.2.1	170,721,451	164,776,360
- forward government securities transactions	21.2.2	17,438,813	39,784,849
- derivatives	21.2.3	46,734,911	36,820,716
- forward lending	21.2.4	26,798,555	43,921,848
Commitments for acquisition of:			
- operating fixed assets		3,004,717	2,054,239
- intangible assets		465,248	447,035
		<u>436,883,552</u>	<u>466,051,999</u>
21.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		120,494,702	104,574,460
Sale		50,226,749	60,201,900
		<u>170,721,451</u>	<u>164,776,360</u>
21.2.2 Commitments in respect of forward government securities transactions			
Purchase		12,990,116	10,167,457
Sale		4,448,697	29,617,392
		<u>17,438,813</u>	<u>39,784,849</u>
21.2.3 Commitments in respect of derivatives			
21.2.3.1 Interest Rate Swaps			
Purchase	22.1	46,160,838	36,820,716
Sale		-	-
		<u>46,160,838</u>	<u>36,820,716</u>
21.2.3.2 Cross Currency Swaps			
Purchase	22.1	-	-
Sale		574,073	-
		<u>574,073</u>	<u>-</u>
Total commitments in respect of derivatives		<u>46,734,911</u>	<u>36,820,716</u>
21.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend		21,639,590	39,356,808
Commitments in respect of investments		5,158,965	4,565,040
	21.2.4.1	<u>26,798,555</u>	<u>43,921,848</u>
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.			

2022 2021
----- (Rupees in '000) -----

21.3 Other contingent liabilities

21.3.1 Claims against the Bank not acknowledged as debts

6,903,292 4,823,035

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

21.4 Contingency for tax payable

21.4.1 There were no tax related contingencies other than as disclosed in note 32.2.

22 DERIVATIVE INSTRUMENTS

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

22.1 Product Analysis

Counterparties

With Banks for
Hedging

With other entity for
Market Making

2022					
Interest Rate Swaps			Cross Currency Swaps		
No. of contracts	Notional Principal	Mark to market gain	No. of contracts	Notional Principal	Mark to market gain
----- (Rupees in '000) -----					
51	46,160,838	4,761,605	-	-	-
-	-	-	1	574,073	33,940
51	46,160,838	4,761,605	1	574,073	33,940

Counterparties

With Banks for
Hedging

With other entity for
Market Making

Total

2021					
Interest Rate Swaps			Cross Currency Swaps		
No. of contracts	Notional Principal	Mark to market (loss)	No. of contracts	Notional Principal	Mark to market (loss)
----- (Rupees in '000) -----					
50	36,820,716	(191,189)	-	-	-
-	-	-	-	-	-
50	36,820,716	(191,189)	-	-	-

22.2 Maturity Analysis

Remaining Maturity

3 to 6 months
6 months to 1 Year
1 to 2 Years
2 to 3 Years
3 to 5 Years
5 to 10 years
Above 10 Years
Total

2022				
----- (Rupees in '000) -----				
No. of Contracts	Notional Principal	Mark to Market		Net
		Negative	Positive	
2	1,811,447	-	18,836	18,836
-	-	-	-	-
8	6,113,634	-	208,071	208,071
5	3,448,860	-	194,341	194,341
11	12,483,453	-	1,151,673	1,151,673
25	22,303,444	-	3,188,684	3,188,684
1	574,073	-	33,940	33,940
52	46,734,911	-	4,795,545	4,795,545

Remaining Maturity

1 to 3 months
6 months to 1 Year
1 to 2 Years
2 to 3 Years
3 to 5 Years
5 to 10 years
Above 10 Years
Total

2021				
----- (Rupees in '000) -----				
No. of Contracts	Notional Principal	Mark to Market		Net
		Negative	Positive	
2	1,412,107	6,592	-	(6,592)
4	3,177,243	26,461	-	(26,461)
2	1,412,108	14,085	-	(14,085)
8	4,059,811	90,588	-	(90,588)
8	8,490,299	37,013	65,488	28,475
25	18,092,634	161,793	79,168	(82,625)
1	176,514	-	687	687
50	36,820,716	336,532	145,343	(191,189)

22.3 The Risk management policy related to derivatives is disclosed in note 45.7

	Note	2022 ------(Rupees in '000)-----	2021
23 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		78,148,844	46,704,181
b) Investments		128,017,859	49,976,159
c) Lendings to financial institutions		2,168,508	2,150,410
d) Balances with banks		67,503	26,981
e) On securities purchased under resale agreements / Bai Muajjal		5,494,723	1,544,067
		<u>213,897,437</u>	<u>100,401,798</u>
24 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		76,374,945	30,690,368
b) Borrowings		10,057,038	7,583,142
c) Securities sold under repurchase agreements		43,563,204	11,285,998
d) Subordinated debt		1,211,651	646,556
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		3,173,615	2,309,881
f) Borrowing cost on leased properties		1,921,115	1,468,889
g) Reward points / Customer loyalty		256,104	149,022
		<u>136,557,672</u>	<u>54,133,856</u>
25 FEE & COMMISSION INCOME			
Branch banking customer fees		1,077,415	925,408
Consumer finance related fees		499,418	395,065
Card related fees (debit and credit cards)		1,669,928	1,183,568
Credit related fees		373,000	209,219
Investment banking fees		285,894	160,855
Commission on trade		2,230,819	1,896,302
Commission on guarantees		565,910	372,664
Commission on cash management		67,623	45,659
Commission on remittances including home remittances		1,219,647	807,130
Commission on bancassurance		574,905	568,539
Card acquiring business		908,614	439,755
Wealth Management Fee		105,266	71,163
Commission on Employees' Old-Age Benefits Institution (EOBI)		23,771	35,484
Commission on Benazir Income Support Programme (BISP)		293,386	271,456
Alternate Delivery Channel (ADC)		705,085	432,764
Others		241,152	186,350
		<u>10,841,833</u>	<u>8,001,381</u>
26 (LOSS) / GAIN ON SECURITIES			
Realised (loss) / gain	26.1	(148,024)	3,565,407
Unrealised loss - held for trading	8.1	(16,319)	(423,054)
		<u>(164,343)</u>	<u>3,142,353</u>
26.1 Realised (loss) / gain on:			
Federal Government Securities		(2,273)	1,282,868
Shares		(236,730)	1,646,142
Non Government Debt Securities		-	3,996
Foreign Securities		90,979	632,401
		<u>(148,024)</u>	<u>3,565,407</u>
27 OTHER INCOME			
Rent on property		29,938	25,372
Gain on sale of fixed assets - net		111,809	56,228
Gain on sale of non banking assets - net	13.1.2 & 27.1	9,200	-
Profit on termination of leased contracts (Ijarah)		52,985	54,356
Gain on termination of leases (IFRS 16)		121,876	42,895
		<u>325,808</u>	<u>178,851</u>
27.1 The Bank realised gain of Rs. 9.200 million (2021: Rs. nil) against sale of following non - banking assets :			
Membership shares / cards		<u>9,200</u>	<u>-</u>

	Note	2022 ----- (Rupees in '000) -----	2021
28 OPERATING EXPENSES			
Total compensation expense	28.1	21,247,196	16,844,331
Property expense			
Rates and taxes		180,730	132,684
Utilities cost		2,284,543	1,354,792
Security (including guards)		1,109,000	797,492
Repair and maintenance (including janitorial charges)		1,196,545	873,249
Depreciation on right-of-use assets	10.3	2,723,202	2,264,071
Depreciation on non-banking assets acquired in satisfaction of claims		4,447	4,351
Depreciation on owned assets	10.2	651,270	504,903
		8,149,737	5,931,542
Information technology expenses			
Software maintenance		2,048,857	1,492,450
Hardware maintenance		610,434	408,536
Depreciation	10.2	813,182	578,017
Amortisation	11.1	351,233	395,890
Network charges		543,426	400,326
Consultancy and support services		329,534	140,610
		4,696,666	3,415,829
Other operating expenses			
Directors' fees and allowances	39.2	180,000	158,720
Fees and allowances to Shariah Board	39.3	13,817	11,174
Legal and professional charges		723,651	403,711
Outsourced services costs	28.2	1,046,786	722,012
Travelling and conveyance		920,598	498,543
Clearing and custodian charges		116,664	89,907
Depreciation	10.2	1,213,253	1,032,825
Training and development		120,159	75,752
Postage and courier charges		577,425	391,315
Communication		979,987	489,170
Stationery and printing		1,087,487	708,909
Marketing, advertisement and publicity		1,625,352	940,169
Donations	28.3	332,015	27,276
Auditors' remuneration	28.4	65,641	49,061
Brokerage and commission		272,805	272,751
Entertainment		446,572	293,831
Repairs and maintenance		986,472	651,723
Insurance		1,586,827	1,146,566
Cash handling charges		1,388,573	994,845
CNIC verification		212,338	147,554
Others		1,572,214	1,018,514
		15,468,636	10,124,328
		49,562,235	36,316,030
28.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		15,244,177	12,201,895
ii) Variable			
a) Cash Bonus / Awards etc.		3,331,659	2,503,961
b) Bonus and Awards in Shares etc.		192,741	142,500
Charge for defined benefit plan	36.8.1	282,939	216,848
Contribution to defined contribution plan	37	582,159	495,440
Medical		835,957	746,981
Conveyance		373,649	287,860
Staff compensated absences	38.1	67,268	23,118
Others		307,676	192,630
Sub-total		21,218,225	16,811,233
Sign-on Bonus		23,971	27,802
Severance Allowance		5,000	5,296
Grand Total		21,247,196	16,844,331
		----- No of persons -----	
Sign- on Bonus		10	10
Severance Allowance		1	2

28.2 The cost of outsourced activities included in other operating expenses is Rs. 681.300 million (2021: Rs. 596.091 million). This pertains to payment to companies incorporated in Pakistan.

28.3 Donations

	2022	2021
	----- (Rupees in '000) -----	
Shaukat Khanum Memorial Cancer Hospital and Research Centre	34,000	-
Alamgir Welfare Trust International	8,000	5,000
The Citizen Foundation	-	500
Indus Earth Trust	4,750	-
Indus Hospital & Health Network	4,680	-
Family Educational Services	1,600	1,000
Patients' Aid Foundation	1,500	1,500
Bestway Foundation	-	-
Aziz Jehan Begum Trust	1,000	1,000
Child Aid Association	1,000	-
AKUH - The Patients' Behbud Society	1,000	-
ASD Welfare Trust	500	-
Bait-ul-Sukoon Trust	500	-
Murshid Hospital - The Patients Welfare Association	500	-
Karigar Training Institute	500	-
The Friends of Education Foundation	500	-
Zafar and Atia Foundation Charitable Trust	500	-
Make-a-Wish Foundation Pakistan	250	-
Cancer Care Hospital	-	2,500
Durbeen	-	3,000
Holy Family Hospital	-	1,000
Ida Rieu Welfare Association	-	2,166
Kaghan Development Authority	-	4,010
Kidney Foundation	-	1,500
Network of Organizations Working for Peoples with Disabilities Pakistan	-	1,500
The Hunar Foundation	-	2,100
Trust for Malnutrition	-	500
	<u>60,780</u>	<u>27,276</u>

Donation paid for Flood Relief

Alamgir Welfare Trust International	25,004	-
Jafaria Disaster Management Cell (JDC) Welfare Foundation of Pakistan	31,000	-
Karachi Relief Trust	25,000	-
The Citizen Foundation	25,000	-
Citizen Police Liaison Committee (CPLC)	25,000	-
Saylani Welfare International Trust	25,000	-
Shahid Afridi Foundation	25,000	-
Al Khidmat Welfare Society	25,000	-
Al Mustafa Trust	8,000	-
Bait us Salam Welfare Trust	25,000	-
Balochistan Rural Support Programme (Gurantee) Limited	10,000	-
Bestway Foundation (Trust)	1,363	-
Health And Nutrition Development Society	10,000	-
Donation to flood affected families of Sardar Garh and other adjacent villages of Ghotki, Sindh	10,868	-
	<u>271,235</u>	<u>-</u>

Total Donations

<u>332,015</u>	<u>27,276</u>
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28.3.1 None of the directors, sponsor shareholders, key management personnel or their spouses have any direct interest in the Donees, except Patients' Aid Foundation.

28.4 Auditors' remuneration

	2022			2021		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----					
Audit fee	17,653	22,662	40,315	16,008	14,080	30,088
Fee for other statutory certifications	7,651	6,468	14,119	6,353	1,083	7,436
Special certifications and sundry advisory services	7,393	643	8,036	5,576	3,182	8,758
Out-of-pocket expenses	2,303	868	3,171	2,297	482	2,779
	<u>35,000</u>	<u>30,641</u>	<u>65,641</u>	<u>30,234</u>	<u>18,827</u>	<u>49,061</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	2022	2021
		----- (Rupees in '000) -----	
30 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		24,628	24,822
Penalties imposed by other regulatory bodies		<u>2,550</u>	<u>698</u>
		<u>27,178</u>	<u>25,520</u>
31 PROVISIONS & WRITE OFFS - NET			
Provision against lending to financial institutions (IFRS 9 - ECL)		156	-
Provision / (reversal) for diminution in value of investments / IFRS 9 - ECL	8.3.1	2,499,018	(170,790)
Provision against loans & advances / IFRS 9 - ECL	9.6	8,943,799	1,868,677
Provision against other assets / IFRS 9 - ECL	13.3.1	1,329,167	1,049,693
Reversal of provision against off-balance sheet obligations / IFRS 9 - ECL	18.1	(87,039)	(257)
Other provisions / write off - net		91,364	30,852
Recovery of written off / charged off bad debts		(312,242)	(402,745)
Reversal of deficit on revaluation of fixed assets	10.2	-	(63,574)
Deficit on revaluation of non-banking assets	13.1.1	<u>4,201</u>	<u>-</u>
		<u>12,468,424</u>	<u>2,311,856</u>
32 TAXATION			
Charge / (reversal) :			
Current		22,232,327	9,742,029
Prior years		(2,614,554)	(508,554)
Deferred		<u>(1,663,913)</u>	<u>(79,788)</u>
	32.1	<u>17,953,860</u>	<u>9,153,687</u>
32.1 Relationship between tax expense and accounting profit			
Accounting Profit before taxation		<u>36,160,305</u>	<u>23,370,361</u>
Tax at the applicable rate of 49% (2021: 39%)		17,718,549	9,114,441
Effect of:			
- permanent differences		145,038	9,953
- tax charge pertaining to overseas branches		-	41,910
- Impact of change in tax rates		(235,817)	(253,649)
- others		<u>326,090</u>	<u>241,032</u>
Tax expense for the year		<u>17,953,860</u>	<u>9,153,687</u>

- 32.2** a) The income tax assessments of the Bank have been finalized upto and including tax year 2022. Certain addback have been made by tax authorities for various assessment years appeals against which are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan.

In respect of tax years 2008, 2014, 2017, 2019 to 2022, 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 tax demand of Rs. 639.939 million net of relief provided in appeal (2021: Rs. 714.263). Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) The Bank has received orders from a provincial tax authority for the periods from July 2011 to December 2020 wherein tax authority demanded sales tax on banking services and penalty amounting to Rs. 763.312 million [excluding default surcharge] by disallowing certain exemptions of sales tax on banking services and allegedly for short payment of sales tax. Appeals against these orders are 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.
- c) During the year, bank has received an order from a tax authority wherein Sales tax and penalty amounting to Rs.5.191 million [excluding default surcharge] is demanded allegedly for non-payment of sales tax on certain transactions relating to accounting year 2016. This is in addition to an order previously received for the same accounting year wherein Sales tax and Further Tax amounting to Rs. 8.601 million [excluding default surcharge and penalty] was demanded allegedly for non-payment of sales tax on certain transactions. Bank appeals are pending before Commissioner Appeals. The Bank has not made any provision against these orders and the management is of the view that this matter will be favorably settled through appellate process.

- 32.3** During the year, the tax rate has been revised from 35% to 39%. Further, a Super Tax of 10% has been levied for the Tax Year 2023. Accordingly, the related impact of these changes have been incorporated in the current year.

- 32.4** In line with recent change in law for applicability of super tax in future years, the Bank has changed the rate of deferred tax from 39% to 43% during the year 2022.

		Note	2022 ------(Rupees in '000)-----	2021
33 BASIC AND DILUTED EARNINGS PER SHARE				
Profit for the year			<u>18,206,445</u>	<u>14,216,674</u>
			-----(Number of shares in '000)----	
Weighted average number of ordinary shares		33.1	<u>1,772,645</u>	<u>1,777,165</u>
			-----Rupees-----	
Basic and diluted earnings per share			<u>10.27</u>	<u>8.00</u>
			2022	2021
			-----(Number of shares in '000)----	
33.1 Weighted average number of ordinary shares				
Outstanding number of shares before own shares purchased			1,777,165	1,777,165
Less: Impact of own shares purchased during the year			(4,520)	-
			<u>1,772,645</u>	<u>1,777,165</u>
33.2 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.				

		Note	2022 ------(Rupees in '000)-----	2021
34 CASH AND CASH EQUIVALENTS				
Cash and Balance with Treasury Banks		5	140,613,348	105,606,384
Balance with other banks		6	9,485,380	9,782,519
Call / clean money lendings		34.2	40,274,315	20,978,734
Overdrawn nostro accounts		15.18	<u>(4,884,913)</u>	<u>(1,774,249)</u>
			<u>185,488,130</u>	<u>134,593,388</u>

34.1 Reconciliation of debt arising from financing activities

	2022			
	Liability			Equity
	----- (Rupees in '000) -----			
Reconciliation of debt arising from financing activities	Subordinated debt	Lease liabilities against right-of-use assets	Dividend Payable	Share Capital
Balances as at January 01, 2022	7,000,000	13,189,739	152,030	17,771,651
Changes from financing cash flows				
Issuance of sub-ordinated debt	7,000,000	-	-	-
Payment of leased liability	-	(3,814,458)	-	-
Own shares purchased during the year	-	-	-	(2,000,000)
Dividend Paid	-	-	(3,382,063)	-
	7,000,000	(3,814,458)	(3,382,063)	(2,000,000)
Other changes				
Additions / renewals / amendments / (terminations) - net	-	6,150,253	-	-
Borrowing cost on lease liability	-	1,921,115	-	-
Exchange Rate Adjustment	-	49,098	-	-
Final cash dividend for the year ended December 31, 2021 - 20%	-	-	3,554,330	-
Interim cash dividend for the half year ended June 30, 2022 - 25%	-	-	4,442,913	-
	-	8,120,466	7,997,243	-
Balances as at December 31, 2022	14,000,000	17,495,747	4,767,210	15,771,651

	2021			
	Liability			Equity
	----- (Rupees in '000) -----			
	Subordinated debt	Lease liabilities against right-of-use assets	Dividend Payable	Share Capital
Reconciliation of debt arising from financing activities				
Balances as at January 01, 2021	7,000,000	10,456,029	135,345	17,771,651
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	-	-	-	-
Payment of leased liability	-	(3,238,124)	-	-
Dividend Paid	-	-	(7,091,975)	-
	-	(3,238,124)	(7,091,975)	-
Other changes				
Additions / renewals of leases	-	4,507,382	-	-
Borrowing cost on lease liability	-	1,468,889	-	-
Exchange Rate Adjustment	-	(4,437)	-	-
Final cash dividend for the year ended December 31, 2020 - 20%	-	-	3,554,330	-
Interim cash dividend for the half year ended June 30, 2021 - 20%	-	-	3,554,330	-
	-	5,971,834	7,108,660	-
Balances as at December 31, 2021	7,000,000	13,189,739	152,030	17,771,651

34.2 This represents call / clean money lendings having maturities upto three months.

35 STAFF STRENGTH

STAFF STRENGTH	2022			2021		
	(Number of employees)					
	Domestic	Overseas	Total	Domestic	Overseas	Total
Permanent	13,587	203	13,790	11,831	203	12,034
On Bank contract	12	60	72	17	67	84
Bank's own staff strength at the end of the year	13,599	263	13,862	11,848	270	12,118

35.1 In addition to the above, 109 (2021: 208) 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 etc. Outsourced staff includes 108 (2021: 184) working in Pakistan and 01 (2021: 24) 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, 2022. 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:

	2022 ------(Number)-----	2021 ------(Number)-----
- Gratuity fund	13,586	11,830

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, 2022:

	2022 ------(Per annum)-----	2021 ------(Per annum)-----
Withdrawal rates	Low SLIC	Low SLIC
Mortality rates	2001 - 2005	2001 - 2005
Valuation Discount rate (p.a)	14.25%	12.25%
Salary increase rate (p.a) - Short term (5 years)	10.92%	7.25%
Salary increase rate (p.a) - Long term	12.25%	10.25%
Expected rate of return on plan assets (p.a)	14.25%	12.25%
Normal Retirement Age	60 Years	60 Years
Duration	11 Years 3 months	11 Years 3 months

36.4 Reconciliation of receivable from defined benefit plans

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
Present value of obligation receivable	36.5	2,891,871	2,139,371
Fair value of plan assets	36.6	(3,045,578)	(2,883,695)
Receivable	36.7	(153,707)	(744,324)

36.5 Movement in defined benefit obligations

Obligations at the beginning of the year	2,139,371	1,962,043
Current service cost	446,331	314,483
Interest cost	245,895	188,009
Benefits paid by the Bank	(245,809)	(223,825)
Re-measurement loss / (gain)	306,083	(101,339)
Obligations at the end of the year	2,891,871	2,139,371

36.6 Movement in fair value of plan assets

Fair value at the beginning of the year	2,883,695	2,654,442
Interest income on plan assets	409,287	285,644
Contribution by the Bank - net	268,817	216,848
Benefits paid	(245,809)	(223,825)
Re-measurement loss	36.8.2 (270,412)	(49,414)
Fair value at the end of the year	36.9 3,045,578	2,883,695

	Note	2022 ----- (Rupees in '000) -----	2021
36.7 Movement in receivable under defined benefit plan			
Opening balance		(744,324)	(692,399)
Charge for the year		282,939	216,848
Contribution by the Bank - net		(268,817)	(216,848)
Re-measurement loss / (gain) recognised in OCI during the year	36.8.2	576,495	(51,925)
Closing balance		<u>(153,707)</u>	<u>(744,324)</u>
36.8 Charge for defined benefit plans			
36.8.1 Cost recognised in profit and loss			
Current service cost	36.5	446,331	314,483
Net interest on defined benefit asset / liability	36.5 & 36.6	<u>(163,392)</u>	<u>(97,635)</u>
		<u>282,939</u>	<u>216,848</u>
36.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Demographic assumptions		-	-
- Financial assumptions		285,766	(13,561)
- Experience adjustment		20,317	(87,778)
Return on plan assets over interest income		<u>270,412</u>	<u>49,414</u>
Total re-measurements recognised in OCI		<u>576,495</u>	<u>(51,925)</u>
36.9 Components of plan assets			
Cash and cash equivalents - net		352,679	377,544
Non-government debt securities		952,365	602,365
Ordinary shares		1,345,560	1,544,671
Units of mutual funds		<u>394,974</u>	<u>359,115</u>
		<u>3,045,578</u>	<u>2,883,695</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	2022	
	PV of Defined Benefit Obligation	Change
	----- (Rupees in '000) -----	
1% increase in discount rate	2,603,483	(288,388)
1% decrease in discount rate	3,229,114	337,243
1 % increase in expected rate of salary increase	3,247,690	355,819
1 % decrease in expected rate of salary increase	2,583,920	(307,951)
10% increase in withdrawal rate	2,894,437	2,566
10% decrease in withdrawal rate	2,889,291	(2,580)
1 year Mortality age set back	2,885,175	(6,696)
1 year Mortality age set forward	2,898,360	6,489

2022
(Rupees in '000)

36.11	Expected contributions to be paid to the fund in the next financial year	<u>467,002</u>
36.12	Expected charge for the next financial year	<u>467,002</u>
36.13	Maturity profile	

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	63,459
Year 2	56,743
Year 3	62,730
Year 4	81,892
Year 5	77,684
Year 6 to Year 10	554,436
Year 11 and above	14,000,068
	<u>14,897,012</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 Bank contribute 8.33% of basic salary in equal monthly contributions. However, employees have the option, to have their provident fund contribution deducted at 8.33%, 10% or 12% of their monthly basic salary.

During the year, the Bank contributed Rs. 582.159 million (2021: Rs. 495.440 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

2022

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.	-	-	180,000	13,817	-	-	-
2	Managerial Remuneration							
	i) Fixed	-	-	-	3,706	67,733	294,559	992,390
	ii) Total Variable							
	a) Cash Bonus / Awards	-	-	-	950	90,525	182,500	372,404
	b) Bonus and Awards in Shares	-	-	-	-	8,743	26,344	32,021
3	Charge for defined benefit plan	-	-	-	-	-	16,407	67,558
4	Contribution to defined Contribution	-	-	-	157	5,498	16,407	52,476
5	Rent & House Maintenance	-	-	-	755	27,384	78,131	263,241
6	Utilities	-	-	-	189	9,434	19,533	64,465
7	Medical	-	-	-	-	-	-	309
8	Conveyance	-	-	-	-	-	-	491
9	Ex-Gratia	-	-	-	-	-	-	-
10	Others	-	-	-	141	16,457	160	52,385
	Total (1 - 10)	-	-	180,000	19,715	225,774	634,041	1,897,740
	Number of Persons	1	-	6	5	1	15	161

2021

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.	-	-	158,720	11,174	-	-	-
2	Managerial Remuneration							
	i) Fixed	-	-	-	2,609	60,350	255,415	720,694
	ii) Total Variable							
	Cash Bonus / Awards	-	-	-	-	77,142	147,000	291,766
3	Charge for defined benefit plan	-	-	-	-	-	14,331	43,755
4	Contribution to defined Contribution	-	-	-	-	5,027	14,331	39,738
5	Rent & House Maintenance	-	-	-	568	24,968	67,623	205,472
6	Utilities	-	-	-	142	8,096	16,906	49,949
7	Medical	-	-	-	-	-	-	2,800
8	Conveyance	-	-	-	-	-	-	78
9	Ex-Gratia	-	-	-	-	-	-	5,157
10	Others	-	-	-	718	11,681	1,120	20,869
	Total (1 - 10)	-	-	158,720	15,211	187,264	516,726	1,380,278
	Number of Persons	1	-	7	5	1	15	129

The Chief Executive and certain Executives have been provided with car(s), 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 of three years, whereas remaining portion of the bonus shall be paid upfront to the MRTs / MRCs. The deferred bonus shall vest proportionately over the deferral period following the year of variable remuneration award.

In case of malus and where accountability has been determined in accordance with the conduct & accountability framework of the Bank, the entire or certain portion of the deferred remuneration shall be withheld and not paid to the MRT / MRC on its becoming due.

During the year, amount of Rs. 104.492 million (2021: 86.625) was deferred. The deferred portion is managed internally within the Bank. The Bank provides for the return on deferred portion at rate of return earned on government securities over 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

2022

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings								Board Real Estate Committee	Total
		Board Meetings	Board Audit Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Crises Management Committee			
		(Rupees in '000)									
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-	-	
2	Mr.Abdullah Nasser Hawaileel Al Mansoori	4,000	-	-	-	-	-	-	-	4,000	
3	Mr. Abdulla Khalil Al Mutawa	5,600	7,200	4,000	4,800	5,600	7,680	6,720	3,840	45,440	
4	Mr. Khalid Mana Saeed Al Otaiba	5,600	7,200	4,000	4,800	6,720	6,400	5,600	3,200	43,520	
5	Mr. Gyorgy Tamas Ladics	5,600	-	4,000	5,760	-	6,400	5,600	-	27,360	
6	Mr. Khalid Qurashi	5,600	8,640	4,000	-	5,600	6,400	5,600	-	35,840	
7	Dr. Ayesha Khan	4,800	5,600	3,840	-	-	5,600	4,000	-	23,840	
	Total	31,200	28,640	19,840	15,360	17,920	32,480	27,520	7,040	180,000	

2021

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings								Total Amount Paid
		Board Meetings	Board Audit Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Crises Management Committee	Board Real Estate Committee	
(Rupees in '000)										
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-	-
2	Mr. Abdullah Nasser Hawaileel Al Mansoori	4,800	-	-	-	-	-	-	-	4,800
3	Mr. Abdulla Khalil Al Mutawa	4,800	6,400	3,200	4,000	4,800	5,760	5,440	1,920	36,320
4	Mr. Khalid Mana Saeed Al Otaiba	4,800	6,400	3,200	4,000	5,760	4,800	4,800	1,600	35,360
5	Mr. Efstathios Georgios Arapoglou*	1,600	2,400	-	1,600	1,600	2,400	1,920	-	11,520
6	Mr. Gyorgy Tamas Ladics	4,800	-	3,200	-	-	1,600	4,800	-	14,400
7	Mr. Khalid Qurashi	4,800	7,680	3,200	4,800	4,800	4,800	4,800	-	34,880
8	Dr. Ayesha Khan	4,800	6,400	3,840	-	-	1,600	4,800	-	21,440
	Total	30,400	29,280	16,640	14,400	16,960	20,960	26,560	3,520	158,720

* Director resigned in 2021.

39.3 Remuneration paid to Shariah Board Members

2022

Sr. No.	Items	Chairman	2022		Total	2021		Total	
			Non-Resident Member	Resident Member		Non-Resident Member	Resident Member		
(Rupees in '000)									
1	Fees/Remuneration and Allowances	7,421	6,396	-	13,817	6,697	4,477	-	11,174
2	Managerial Remuneration - Fixed	-	-	3,706	3,706	-	-	2,609	2,609
3	Rent & House Maintenance	-	-	755	755	-	-	568	568
4	Utilities	-	-	189	189	-	-	142	142
5	Others	-	-	1,248	1,248	-	-	718	718
	Total	7,421	6,396	5,898	19,715	6,697	4,477	4,037	15,211
	Total Number of Persons	1	3	1	5	1	3	1	5

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:

	2022			
	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	-	946,606,485	-	946,606,485
Shares	6,440,731	-	-	6,440,731
Non-Government Debt Securities	14,937,000	4,347,503	-	19,284,503
Foreign Securities	-	56,376,070	-	56,376,070
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	73,518,446	-	73,518,446
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	922,573	-	922,573
Forward sale of foreign exchange	-	455,164	-	455,164
Forward purchase government securities	-	4,432	-	4,432
Forward sale government securities transactions	-	(7,946)	-	(7,946)
Derivatives purchases	-	4,761,605	-	4,761,605
Derivatives sales	-	33,940	-	33,940
	2021			
	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	-	660,430,601	-	660,430,601
Shares	4,933,786	-	-	4,933,786
Non-Government Debt Securities	12,180,000	7,550,203	-	19,730,203
Foreign Securities	-	49,972,071	-	49,972,071
REIT Fund	-	-	-	-
Financial assets - not measured at fair value				
Investment - held for trading securities	-	69,624,622	-	69,624,622
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,249,270	-	2,249,270
Forward sale of foreign exchange	-	(1,021,507)	-	(1,021,507)
Forward purchase government securities	-	(46,547)	-	(46,547)
Forward sale government securities transactions	-	-	-	-
Derivatives purchases	-	(191,189)	-	(191,189)
Derivatives sales	-	-	-	-

40.2 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.

40.3 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 listed 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 Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts, forward government securities contracts, cross currency swap and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3 except as disclosed in 40.3.1.

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.

40.3.1 Fair value of non-financial assets

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 13. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

40.3.2 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.
Derivative Instruments	Derivatives that are valued using valuation techniques based on market observable inputs are mainly interest rate swaps and cross currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS) including their forward contracts	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 Sukuks, Overseas and GoP 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, comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

41 SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities

2022								
	Retail	Corporate	Islamic (Domestic)	Treasury	Digital	Overseas	Others *	Total
----- (Rupees in '000) -----								
Profit & Loss								
Net mark-up/return/profit	(18,857,087)	13,553,843	13,681,857	65,947,690	(55,883)	4,037,286	(967,941)	77,339,765
Inter segment revenue - net	61,489,976	(4,490,927)	(264,348)	(58,636,423)	859,069	702,118	340,535	-
Non mark-up / return / interest income	5,742,300	3,117,258	1,933,082	8,824,495	531,397	1,009,881	627,406	21,785,819
Total Income	48,375,189	12,180,174	15,350,591	16,135,762	1,334,583	5,749,285	-	99,125,584
Segment direct expenses	19,255,571	1,394,922	6,764,615	599,809	2,090,153	2,395,056	17,996,729	50,496,855
Inter segment expense allocation	11,004,589	1,411,764	3,247,568	776,828	1,258,455	297,525	(17,996,729)	-
Total expenses	30,260,160	2,806,686	10,012,183	1,376,637	3,348,608	2,692,581	-	50,496,855
Provisions / (reversals)	4,928,343	(271,884)	657,701	645,803	168,495	2,918,966	3,421,000	12,468,424
Profit / (loss) before tax	13,186,686	9,645,372	4,680,707	14,113,322	(2,182,520)	137,738	(3,421,000)	36,160,305

	Retail	Corporate	Islamic (Domestic)	Treasury	Digital	Overseas	Others *	Total
----- (Rupees in '000) -----								
Balance Sheet								
Cash & Bank balances	54,369,186	13,662,612	22,294,976	-	1,380,127	58,391,827	-	150,098,728
Investments	-	3,065,299	123,324,033	913,838,262	-	72,564,199	1,614,965	1,114,406,758
Net inter segment lending	609,918,002	-	-	-	20,415,823	-	108,578,156	738,911,981
Lendings to financial institutions	-	-	30,000,061	81,309,765	-	4,043,773	-	115,353,599
Advances - performing	221,934,495	307,817,003	149,691,195	-	73,590	36,726,043	10,557,920	726,800,246
Advances - non-performing	2,942,331	1,660,287	726,449	-	3,985	162,523	79,030	5,574,605
Others	21,320,626	28,322,398	27,309,005	28,284,908	1,483,080	15,012,516	19,230,259	140,962,792
Total Assets	910,484,640	354,527,599	353,345,719	1,023,432,935	23,356,605	186,900,881	140,060,330	2,992,108,709
Borrowings	26,937,622	95,851,939	39,964,773	314,660,326	-	13,764,871	-	491,179,531
Subordinated debt	-	-	-	-	-	-	14,000,000	14,000,000
Deposits and other accounts	860,878,106	210,843,465	255,671,950	-	23,002,118	136,392,013	57,694	1,486,845,346
Net inter segment borrowing	-	(1,059,219)	15,379,744	698,037,054	-	26,554,402	-	738,911,981
Others	27,112,775	48,891,414	40,321,510	15,282,535	354,487	12,816,381	16,378,126	161,157,228
Total liabilities	914,928,503	354,527,599	351,337,977	1,027,979,915	23,356,605	189,527,667	30,435,820	2,892,094,086
Net Assets	(4,443,863)	-	2,007,742	(4,546,980)	-	(2,626,786)	109,624,510	100,014,623
Equity								100,014,623
Contingencies and Commitments	94,420,516	188,433,780	63,199,284	158,500,073	5,014	76,880,088	2,718,176	584,156,931

* Others include head office related activities.

2021

Retail	Corporate	Islamic (Domestic)	Treasury	Digital	Overseas	Others *	Total
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(Rupees in '000)

Profit & Loss

Net mark-up/return/profit	(3,189,979)	12,166,963	8,147,369	26,731,655	(50,425)	2,879,147	(416,788)	46,267,942
Inter segment revenue - net	27,202,228	(6,072,211)	(254,231)	(22,154,009)	564,472	925,954	(212,203)	-
Non mark-up / return / interest income	6,152,976	2,161,044	1,251,977	4,618,385	399,051	1,041,837	628,991	16,254,261
Total Income	30,165,225	8,255,796	9,145,115	9,196,031	913,098	4,846,938	-	62,522,203
Segment direct expenses	15,142,938	1,204,799	4,846,353	501,976	1,769,228	2,031,977	11,342,715	36,839,986
Inter segment expense allocation	7,235,541	1,034,835	1,742,555	413,579	606,933	309,272	(11,342,715)	-
Total expenses	22,378,479	2,239,634	6,588,908	915,555	2,376,161	2,341,249	-	36,839,986
Provisions / (reversals)	537,430	1,054,684	1,272,031	(64,390)	10,112	1,201,989	(1,700,000)	2,311,856
Profit / (loss) before tax	7,249,316	4,961,478	1,284,176	8,344,866	(1,473,175)	1,303,700	1,700,000	23,370,361

Retail	Corporate	Islamic (Domestic)	Treasury	Digital	Overseas	Others *	Total
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(Rupees in '000)

Balance Sheet

Cash & Bank balances	59,713,617	11,541,859	16,233,178	6,799,542	494,255	20,606,452	-	115,388,903
Investments	-	2,072,227	91,822,133	645,414,966	-	69,050,718	853,539	809,213,583
Net inter segment lending	431,128,123	-	-	-	6,355,852	-	86,291,183	523,775,158
Lendings to financial institutions	-	-	16,493,641	11,172,904	-	8,315,520	-	35,982,065
Advances - performing	203,165,570	282,208,814	132,877,992	-	65,423	41,101,258	10,876,875	670,295,932
Advances - non-performing	1,033,436	2,138,566	224,685	-	2,337	150,043	35,625	3,584,692
Others	21,021,729	19,167,418	21,637,954	11,100,835	1,490,652	3,353,196	22,084,380	99,856,164
Total Assets	716,062,475	317,128,884	279,289,583	674,488,247	8,408,519	142,577,187	120,141,602	2,258,096,497
Borrowings	26,768,170	79,969,245	31,305,163	207,951,783	-	37,314,358	500,153	383,808,872
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	668,702,882	182,007,203	200,390,388	-	8,293,361	79,650,772	-	1,139,044,606
Net inter segment borrowing	-	26,502,870	12,724,121	464,701,513	-	19,846,654	-	523,775,158
Others	20,591,423	28,649,566	32,493,099	3,089,606	115,158	5,658,006	13,868,322	104,465,180
Total liabilities	716,062,475	317,128,884	276,912,771	675,742,902	8,408,519	142,469,790	21,368,475	2,158,093,816
Net Assets	-	-	2,376,812	(1,254,655)	-	107,397	98,773,127	100,002,681
Equity								100,002,681
Contingencies and Commitments	69,140,430	182,035,105	73,345,099	160,268,743	78,313	83,682,843	2,239,467	570,790,000

* Others include head office related activities.

41.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

2022					
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	73,302,479	1,820,529	1,745,557	471,200	77,339,765
Inter segment revenue - net	(702,118)	528,737	202,961	(29,580)	-
Non mark-up / return / interest income	20,775,938	391,473	628,283	(9,875)	21,785,819
Total Income	93,376,299	2,740,739	2,576,801	431,745	99,125,584
Segment direct expenses	48,101,799	696,281	1,334,944	363,831	50,496,855
Inter segment expense allocation	(297,525)	112,185	136,429	48,911	-
Total expenses	47,804,274	808,466	1,471,373	412,742	50,496,855
Provisions / (reversals)	9,549,458	1,409,029	160,987	1,348,950	12,468,424
Profit / (loss) before tax	36,022,567	523,244	944,441	(1,329,947)	36,160,305

	Pakistan	Middle East	Bangladesh	Afghanistan	Total
(Rupees in '000)					
Balance Sheet					
Cash and Bank balances	91,706,901	39,547,744	5,403,568	13,440,515	150,098,728
Investments	1,041,842,559	48,525,759	13,782,240	10,256,200	1,114,406,758
Net inter segment lendings	738,911,981	-	-	-	738,911,981
Lendings to financial institutions	111,309,826	(2,717,443)	6,761,216	-	115,353,599
Advances - performing	690,074,203	152,597	36,573,446	-	726,800,246
Advances - non-performing	5,412,082	-	162,523	-	5,574,605
Others	125,950,276	11,328,860	2,170,543	1,513,113	140,962,792
Total Assets	2,805,207,828	96,837,517	64,853,536	25,209,828	2,992,108,709
Borrowings	477,414,660	10,366,609	3,398,262	-	491,179,531
Subordinated debt	14,000,000	-	-	-	14,000,000
Deposits and other accounts	1,350,453,333	69,461,994	44,229,172	22,700,847	1,486,845,346
Net inter segment borrowing	712,357,579	11,472,621	13,470,794	1,610,987	738,911,981
Others	148,340,847	7,895,965	3,755,308	1,165,108	161,157,228
Total liabilities	2,702,566,419	99,197,189	64,853,536	25,476,942	2,892,094,086
Net Assets	102,641,409	(2,359,672)	-	(267,114)	100,014,623
Equity					100,014,623
Contingencies and Commitments	507,276,843	65,456,077	2,363,106	9,060,905	584,156,931

2021

Pakistan	Middle East	Bangladesh	Afghanistan	Total
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(Rupees in '000)

Profit & Loss

Net mark-up/return/profit	43,388,795	1,054,682	1,597,208	227,257	46,267,942
Inter segment revenue - net	(925,954)	409,515	347,316	169,123	-
Non mark-up / return / interest income	15,212,424	272,794	371,494	397,549	16,254,261
Total Income	57,675,265	1,736,991	2,316,018	793,929	62,522,203
Segment direct expenses	34,808,009	534,955	1,133,872	363,150	36,839,986
Inter segment expense allocation	(309,272)	98,266	148,224	62,782	-
Total expenses	34,498,737	633,221	1,282,096	425,932	36,839,986
Provisions / (reversals)	1,109,867	167,480	13,051	1,021,458	2,311,856
Profit / (loss) before tax	22,066,661	936,290	1,020,871	(653,461)	23,370,361

Pakistan	Middle East	Bangladesh	Afghanistan	Total
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(Rupees in '000)

Balance Sheet

Cash & Bank balances	94,782,451	6,637,739	3,223,304	10,745,409	115,388,903
Investments	740,162,865	43,572,211	13,970,123	11,508,384	809,213,583
Net inter segment lendings	523,775,158	-	-	-	523,775,158
Lendings to financial institutions	27,666,545	1,235,578	7,079,942	-	35,982,065
Advances - performing	629,194,674	16,462,333	24,638,925	-	670,295,932
Advances - non-performing	3,434,649	-	150,043	-	3,584,692
Others	96,502,968	2,615,391	1,669,213	(931,408)	99,856,164
Total Assets	2,115,519,310	70,523,252	50,731,550	21,322,385	2,258,096,497
Borrowings	346,494,514	33,118,198	5,102,179	(906,019)	383,808,872
Subordinated debt	7,000,000	-	-	-	7,000,000
Deposits and other accounts	1,059,393,834	28,145,664	31,161,489	20,343,619	1,139,044,606
Net inter segment borrowing	503,928,504	8,185,915	9,958,452	1,702,287	523,775,158
Others	98,807,174	1,076,917	4,509,430	71,659	104,465,180
Total liabilities	2,015,624,026	70,526,694	50,731,550	21,211,546	2,158,093,816
Net Assets	99,895,284	(3,442)	-	110,839	100,002,681
Equity					100,002,681
Contingencies and Commitments	487,107,157	64,164,006	11,897,761	7,621,076	570,790,000

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. Assets held under trust in Investor Portfolio Securities Accounts (IPS) accounts are shown in the table below,

		2022			
Category	Number of IPS Accounts	Securities held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	GoP Ijarah Sukuks	

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

Asset Management Companies / Mutual Funds	91	69,256,520	2,972,650	1,300	72,230,470
Corporates	171	67,562,430	13,034,000	-	80,596,430
Individuals	2,034	3,771,630	840,565	106,100	4,718,295
Insurance Companies	12	3,557,000	21,575,200	-	25,132,200
NGO / Charitable Organisation	8	1,200,500	-	-	1,200,500
Pension & Employee Funds	81	26,999,190	6,267,400	-	33,266,590
	2,397	172,347,270	44,689,815	107,400	217,144,485

		2021			
Category	Number of IPS Accounts	Securities held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	GoP Ijarah Sukuks	

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

Asset Management Companies / Mutual Funds	78	2,571,000	4,107,980	-	6,678,980
Corporates	8	45,667,390	13,606,100	57,500	59,330,990
Individuals	110	1,018,370	721,200	-	1,739,570
Insurance Companies	74	10,272,500	13,101,500	-	23,374,000
NGO / Charitable Organisation	958	3,845,440	675,500	-	4,520,940
Pension & Employee Funds	12	7,218,825	9,533,350	-	16,752,175
	1,240	70,593,525	41,745,630	57,500	112,396,655

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 December 31, 2022-----					-----As at December 31, 2021-----				
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)-----				
-	-	-	-	2,330,078	-	-	-	-	1,745,830
-	-	-	-	25,964,631	-	-	-	-	136,191,858
-	-	-	-	(28,294,709)	-	-	-	-	(133,658,672)
-	-	-	-	-	-	-	-	-	(1,948,938)
-	-	-	-	-	-	-	-	-	2,330,078
-	-	300,000	1,177,606	1,119,230	-	-	300,000	1,177,606	1,241,405
-	-	5,217	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(22,245)
-	-	-	-	-	-	-	-	-	(99,930)
-	-	305,217	1,177,606	1,119,230	-	-	300,000	1,177,606	1,119,230
-	-	42,981	-	-	-	-	42,981	-	-
77	1,184,057	-	-	1,997,552	78,132	791,521	-	-	3,346,278
20,498	605,570	-	-	37,536,790	-	681,118	-	-	1,954,966
(2,513)	(173,521)	-	-	(38,264,097)	(78,055)	(263,110)	-	-	(3,398,044)
-	(943,498)	-	-	1,097,679	-	(25,472)	-	-	94,352
18,062	672,608	-	-	2,367,924	77	1,184,057	-	-	1,997,552
-	-	-	-	1,097,028	-	-	-	-	-
944	54,009	-	-	26,069	-	109,318	-	-	20,294
-	-	-	-	153,707	-	-	-	-	744,324
-	-	-	975	-	-	-	-	-	-
-	-	-	-	2,280,921	-	-	-	-	2,384,849
-	-	-	-	21,218,496	-	-	-	-	29,725,920
-	-	-	-	(21,319,210)	-	-	-	-	(29,829,848)
-	-	-	-	2,180,207	-	-	-	-	2,280,921

	-----As at December 31, 2022-----					-----As at December 31, 2021-----				
	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	59,026	371,960	34,986	13,465,080	6,410,266	103,392	397,194	16,920	5,586,652	3,706,519
Received during the year	517,842	4,736,925	3,347,215	255,922,837	92,145,150	1,313,242	2,764,278	2,011,243	191,394,108	34,036,364
Withdrawn during the year	(538,402)	(4,728,582)	(3,373,115)	(266,309,219)	(87,581,596)	(1,357,608)	(2,772,385)	(1,993,177)	(183,515,680)	(31,371,402)
Transfer in / (out) - net*	-	(195,309)	-	-	1,334,959	-	(17,127)	-	-	38,785
Closing balance	38,466	184,994	9,086	3,078,698	12,308,779	59,026	371,960	34,986	13,465,080	6,410,266
Other Liabilities										
Interest / mark-up payable	253	158	-	-	13,231	131	750	-	-	22,597
Lease liabilities	-	-	-	-	-	-	-	-	-	-
Dividend Payable	1,146,264	39	-	-	2,201,513	-	-	-	-	-
Others	-	-	4,701	-	70,267	-	-	292	-	92,748
Contingencies and Commitments										
Other contingencies	-	-	-	-	-	-	-	-	-	24,491
-----For the year ended December 31, 2022-----						-----For the year ended December 31, 2021-----				
------(Rupees in '000)-----						------(Rupees in '000)-----				
Income										
Mark-up / return / interest earned	944	26,427	-	-	130,332	283	43,863	-	-	224,613
Fee and commission income	-	-	-	100,658	-	-	-	-	81,202	-
Dividend income	-	-	-	140,995	379,384	-	-	-	111,000	11,066
Loss on sale of securities	-	(110)	-	-	-	-	-	-	-	-
Other income	-	64	-	26,903	-	-	1,480	-	3,387	5,502
Expense										
Mark-up / return / interest paid	1,647	13,356	331	692,153	967,650	1,305	12,853	153	515,815	547,700
Borrowing cost on leased properties	-	-	-	-	-	-	-	-	-	652
Operating expenses										
Directors fee	180,000	-	-	-	-	158,720	-	-	-	-
Managerial remuneration	225,774	975,274	-	-	-	187,264	1,519,563	-	-	-
Depreciation right-of-use assets	-	-	-	-	-	-	-	-	-	-
Software maintenance	-	-	-	-	120,184	-	-	-	-	101,469
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-
Travelling and accommodation	-	-	-	-	1,864	-	-	-	-	-
Communication cost	-	-	-	-	220,222	-	-	-	-	45,362
Brokerage and commission	-	-	13,583	-	-	-	-	2,137	-	-
Legal and professional charges	-	-	9,388	-	-	-	-	5,250	-	-
Charge for defined benefit plan	-	-	-	-	282,939	-	-	-	-	216,848
Contribution to defined contribution plan	-	-	-	-	582,159	-	-	-	-	495,440
Others	-	-	-	-	12,218	-	-	-	-	8,783
Other Information										
Dividend paid	4,611	10,766	-	2,463	241,565	1,095,780	13,908	-	2,621	2,813,193
Insurance premium paid	-	-	-	825,213	-	-	-	-	729,362	-
Insurance claims settled	-	-	-	567,445	-	-	-	-	510,335	-

* The definition of Key Management Personels has been changed in light of the SBP Corporate Governance Regulatory Framework.

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2022 2021
----- (Rupees in '000) -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	15,771,651	17,771,651
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	81,419,248	76,111,426
Eligible Additional Tier 1 (ADT 1) Capital	13,550,000	7,000,000
Total Eligible Tier 1 Capital	94,969,248	83,111,426
Eligible Tier 2 Capital	23,447,310	24,963,207
Total Eligible Capital (Tier 1 + Tier 2)	118,416,558	108,074,633

Risk Weighted Assets (RWAs):

Credit Risk	727,196,837	643,252,086
Market Risk	8,784,588	13,336,750
Operational Risk	120,042,363	92,460,900
Total	856,023,788	749,049,736

Common Equity Tier 1 Capital Adequacy ratio	9.51%	10.16%
Tier 1 Capital Adequacy Ratio	11.09%	11.10%
Total Capital Adequacy Ratio	13.83%	14.43%

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%	11.50%

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*	95,911,585	83,253,057
Total Exposures	2,706,795,649	2,161,906,415
Leverage Ratio	3.54%	3.85%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	688,048,074	474,660,774
Total Net Cash Outflow	371,947,384	275,665,253
Liquidity Coverage Ratio	185%	172%

	2022	2021
Net Stable Funding Ratio (NSFR):	----- (Rupees in '000) -----	
Total Available Stable Funding	1,275,978,211	1,017,917,252
Total Required Stable Funding	849,343,576	753,951,739
Net Stable Funding Ratio	150%	135%

*Eligible Tier -1 Capital measure for calculation of Leverage Ratio is based on three months average.

- 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, regularly evaluate 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 Board Crisis Management Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies, procedures, responsibilities and accountabilities;
- Well constituted organizational structure, in the form of separate risk management departments within Credit and Risk Management Group, 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. Further, there is an advanced focus on optimal utilization of capital while ensuring compliance with capital requirements. The results of stress tests and internal capital adequacy assessment process are given due consideration in capital and business planning.

45.1 Credit Risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from 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 the 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 is enhanced to compute the ECL calculation for IFRS 9 & 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.

45.1.1 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.

45.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

45.1.2.1 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) and Moody's, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 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.

45.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

45.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

45.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II / III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

45.1.3.3 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.

45.1.3.4 Types of eligible financial collateral

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

45.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower, 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:

45.1.4 Lendings to financial institutions**Credit risk by public / private sector**

	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Public Sector	49,671,202	9,220,051	-	-	-	-
Private Sector	65,682,634	26,762,014	-	-	-	-
	115,353,836	35,982,065	-	-	-	-

45.1.5 Investment in debt securities (non government debt securities)**Credit risk by industry sector**

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Textile	211,285	211,285	211,285	211,285	211,285	211,285
Chemical and Pharmaceuticals	51,477	151,477	51,477	51,477	51,477	51,477
Electronics and electrical appliances	1,785	1,785	1,785	1,785	1,785	1,785
Engineering	437,500	500,000	-	-	-	-
Power (electricity), Gas, Water, Sanitary	18,746,135	19,656,825	-	-	-	-
Transport, Storage and Communication	189,896	189,896	189,896	189,896	189,896	189,896
Financial	32,434,313	35,359,758	158,688	58,768	158,688	58,768
	52,072,391	56,071,026	613,131	513,211	613,131	513,211

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Public Sector	18,746,135	19,656,825	-	-	-	-
Private Sector	33,326,256	36,414,201	613,131	513,211	613,131	513,211
	52,072,391	56,071,026	613,131	513,211	613,131	513,211

45.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	18,881,068	36,934,519	1,274,425	2,052,056	1,111,433	1,276,528
Automobile and transportation equipment	15,707,114	11,617,391	480,060	445,617	411,510	381,640
Cement	16,609,030	14,261,277	-	-	-	-
Chemical and Pharmaceuticals	32,391,164	25,085,461	188,082	49,608	100,059	38,522
Construction	18,714,929	13,949,755	400,433	442,485	408,100	438,745
Electronics and electrical appliances	14,160,299	12,664,994	1,089,908	1,091,722	581,054	654,958
Exports / Imports	4,142,353	5,791,296	486,131	613,203	479,384	592,340
Financial	9,283,029	15,443,092	675,979	691,577	675,979	691,577
Food & Allied Products	75,005,691	69,237,720	4,526,775	3,009,967	3,195,779	2,578,414
Footwear and Leather garments	4,056,207	3,311,734	95,539	139,790	92,293	138,222
Glass and Ceramics	490,792	139,387	42,563	42,563	42,563	42,563
Individuals	117,317,733	102,986,380	1,433,053	1,071,632	866,519	724,961
Insurance	1,027,676	1,359,010	-	-	-	-
Metal & Allied industries	33,401,672	31,941,307	1,524,531	1,091,683	1,249,283	1,048,175
Mining and Quarrying	5,397,808	3,696,043	-	-	-	-
Oil and Allied	25,646,999	20,064,650	1,780,774	1,768,014	1,771,204	1,768,014
Paper and Board	6,938,290	5,843,460	2,980	8,717	2,980	8,717
Plastic and Allied Industries	4,532,958	3,119,793	259,851	265,206	275,130	267,399
Power (electricity), Gas, Water, Sanitary Services	70,914,805	80,769,013	2,827,910	2,845,810	2,348,310	2,348,310
Sugar	14,597,907	13,087,420	714,011	67,441	371,174	56,952
Technology and Related Services	19,774,618	16,346,614	1,032,653	1,110,455	1,032,653	1,110,455
Textile	127,161	417,245	-	-	-	-
Textile	173,999,611	154,347,521	7,523,780	3,203,146	6,190,879	2,660,904
Transport, Storage and Communication	19,843,698	6,076,904	1,123,990	1,238,451	1,123,274	1,238,142
Wholesale & Retail Trade	38,850,582	27,705,363	2,099,287	2,030,407	1,921,743	1,872,134
Others	23,879,672	22,875,579	1,388,498	1,430,210	1,145,305	1,187,396
	765,692,866	699,072,928	30,971,213	24,709,760	25,396,608	21,125,068

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Public Sector	44,390,789	74,133,800	273,965	955,809	202,265	263,780
Private Sector	721,302,077	624,939,128	30,697,248	23,753,951	25,194,343	20,861,288
	765,692,866	699,072,928	30,971,213	24,709,760	25,396,608	21,125,068

45.1.7 Contingencies and Commitments

Credit risk by industry sector

	2022	2021
	(Rupees in '000)	
Agriculture, Forestry, Hunting and Fishing	723,212	652,576
Automobile and transportation equipment	14,816,068	13,827,029
Cement	5,475,715	8,452,761
Chemical and Pharmaceuticals	23,350,141	15,494,268
Construction	19,819,304	16,934,503
Electronics and electrical appliances	7,916,285	7,765,873
Exports / Imports	1,055,443	1,559,127
Financial	242,184,726	238,773,944
Food & Allied Products	25,267,090	14,495,025
Footwear and Leather garments	481,069	551,052
Glass and Ceramics	1,056,977	1,290,944
Individual	5,066,833	6,387,256
Insurance	1,055,913	987,918
Metal & Allied industries	12,831,797	16,185,864
Mining and Quarrying	743,294	2,220,668
Oil and Allied	47,582,718	35,780,921
Paper and Board	1,858,270	2,095,589
Plastic and Allied Industries	3,589,217	4,177,858
Power (electricity), Gas, Water, Sanitary Services	33,780,926	33,169,261
Sugar	4,468,156	3,003,898
Technology and Related Services	1,916,993	1,388,343
Textile	2,034,031	2,016,360
Textile	60,671,268	79,404,488
Transport, Storage and Communication	7,997,088	8,008,275
Wholesale and Retail Trade	22,987,066	14,855,620
Others	35,427,331	41,310,579
	584,156,931	570,790,000
Credit risk by public / private sector		
Public/ Government	47,598,082	47,521,777
Private	536,558,849	523,268,223
	584,156,931	570,790,000

45.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 116.153 billion (2021: Rs. 126.411 billion) are as following:

	2022	2021
	----- (Rupees in '000) -----	
Funded	45,445,076	65,552,579
Non Funded	70,708,066	60,858,405
Total Exposure	116,153,142	126,410,984

The sanctioned limits against these top 10 exposures aggregated to Rs. 215.558 billion (2021: Rs. 165.367 billion).

None of the top 10 exposures are classified.

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

45.1.9 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2022						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----						
Punjab	1,663,807,992	1,607,641,972	28,727,917	1,814,584	177	25,522,820	100,522
Sindh	1,672,169,912	17,793,854	1,649,513,267	490,556	68,967	4,289,276	13,992
KPK including FATA	27,345,835	3,616	-	27,342,219	-	-	-
Balochistan	6,258,010	13,484	24,463	-	6,220,063	-	-
Islamabad	195,588,631	63,220,130	6,068	31,398,130	67,511	100,896,792	-
AJK including Gilgit-Baltistan	1,109,673	8,734	-	-	47,989	-	1,052,950
Total	3,566,280,053	1,688,681,790	1,678,271,715	61,045,489	6,404,707	130,708,888	1,167,464

Province/Region	2021						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----						
Punjab	1,535,636,134	1,497,229,452	19,158,667	1,301,073	1,281	17,872,171	73,490
Sindh	1,452,628,374	21,380,293	1,430,999,299	24,345	81,166	140,384	2,887
KPK including FATA	18,436,472	-	-	18,434,073	-	2,399	-
Balochistan	9,324,591	-	18,727	-	9,305,864	-	-
Islamabad	110,736,834	45,577,717	9,750	25,640,122	191,174	39,318,071	-
AJK including Gilgit-Baltistan	905,447	-	-	-	27,886	-	877,561
Total	3,127,667,852	1,564,187,462	1,450,186,443	45,399,613	9,607,371	57,333,025	953,938

45.2 Market Risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in 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 at a portfolio level. Furthermore, it 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. 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 market risk, supported by Market & Liquidity Risk Department 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 portfolios through stress testing and the Internal Capital Adequacy Assessment processes.

45.3 Foreign exchange risk

Foreign exchange (FX) risk arises from fluctuation in the value of financial instruments due to 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. Currency risk is regulated and monitored against regulatory limits enforced by the State Bank of Pakistan. FX limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is 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:

	2022				2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items / bought / sold	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items / bought / sold	Net foreign currency exposure
	------(Rupees in '000)-----				------(Rupees in '000)-----			
United States Dollar	32,283,471	90,877,646	61,120,650	2,526,475	113,749,064	153,534,871	35,554,066	(4,231,741)
Great Britain Pound Sterling	2,589,310	7,600,127	5,025,968	15,151	923,610	6,706,737	5,797,050	13,923
Euro	1,708,419	5,488,202	3,638,000	(141,783)	2,220,058	5,386,496	3,226,568	60,130
Japanese Yen	15,446	45,788	42,840	12,498	86,150	8,326	(77,120)	704
Other currencies	891,879	921,163	274,917	245,633	57,257,245	57,330,913	116,386	42,718
	<u>37,488,525</u>	<u>104,932,926</u>	<u>70,102,375</u>	<u>2,657,974</u>	<u>174,236,127</u>	<u>222,967,343</u>	<u>44,616,950</u>	<u>(4,114,266)</u>

	2022		2021	
	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	-	(26,580)	-	(41,149)
- Other comprehensive income	(281,366)	-	(232,166)	-

45.3.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	------(Rupees in '000)-----					
Cash and balances with treasury banks	140,613,348	-	140,613,348	105,606,384	-	105,606,384
Balances with other banks	9,485,380	-	9,485,380	9,782,519	-	9,782,519
Lendings to financial institutions	115,353,599	-	115,353,599	35,982,065	-	35,982,065
Investments	1,100,849,861	13,556,897	1,114,406,758	708,059,936	101,153,647	809,213,583
Advances	732,374,851	-	732,374,851	673,880,624	-	673,880,624
Fixed assets	48,424,722	-	48,424,722	39,498,979	-	39,498,979
Intangible assets	1,296,297	-	1,296,297	1,116,442	-	1,116,442
Deferred tax assets	9,012,648	-	9,012,648	2,304,270	-	2,304,270
Other assets	82,229,125	-	82,229,125	56,936,473	-	56,936,473
	<u>2,239,639,831</u>	<u>13,556,897</u>	<u>2,253,196,728</u>	<u>1,633,167,692</u>	<u>101,153,647</u>	<u>1,734,321,339</u>

45.3.2 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 classifying investments as HFT is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Unit of RMD monitors portfolio and scrip level internal and regulatory limits. The Bank also has dealer and management limits in place.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 5% adverse movement in equity prices on				
- Profit and loss account	-	(25,903)	-	(48,544)
- Other comprehensive income	(296,134)	-	(198,644)	-

45.4 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 (IRRMM) 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

45.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	Total	2022										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	0.00%	140,613,348	2,366,771	-	-	-	-	-	-	-	-	-	-	138,246,577	
Balances with other banks	0.38%	9,485,380	28,815	-	-	-	-	-	-	-	-	-	-	9,456,565	
Lending to financial institutions	10.92%	115,353,599	114,036,479	1,317,120	-	-	-	-	-	-	-	-	-	-	
Investments	12.71%	1,114,406,758	528,212,480	239,062,859	15,004,713	12,226,809	28,098,579	8,842,692	71,574,905	71,174,020	-	-	-	14,042,435	
Advances	11.24%	732,374,851	279,839,715	152,840,320	63,227,263	4,009,556	8,842,692	-	23,692,262	90,482,664	24,954,033	-	-	5,574,605	
Other assets	-	76,987,949	-	-	-	-	-	-	-	-	-	-	-	76,987,949	
		2,189,221,885	924,484,260	393,220,299	78,231,976	16,236,365	36,941,271	-	95,267,167	161,656,684	24,954,033	-	-	244,308,131	
Liabilities															
Bills payable	-	40,033,806	-	-	-	-	-	-	-	-	-	-	-	40,033,806	
Borrowings	9.54%	491,179,531	137,158,661	187,143,295	2,310,237	11,892,522	43,220,723	-	11,458,426	79,773,929	1,168,419	-	-	-	
Deposits and other accounts	6.32%	1,486,845,346	537,198,699	67,256,602	103,064,245	2,222,826	451,743	-	345,053	-	-	-	-	706,730,266	
Subordinated debt	14.64%	14,000,000	-	14,000,000	-	-	-	-	-	-	-	-	-	-	
Other liabilities	-	17,495,747	209,730	527,931	1,765,621	57,931	393,864	-	1,750,922	9,375,551	2,483,921	-	-	-	
Lease liability against right-of-use asset	12.92%	52,100,959	-	-	-	-	-	-	-	-	-	-	-	52,100,959	
Others	-	2,101,655,389	674,567,090	268,927,828	87,559,507	14,173,279	44,066,330	-	13,554,401	89,149,480	3,652,340	-	-	798,865,031	
		87,566,496	249,917,170	124,292,471	126,362,192	2,063,086	7,125,059	-	81,712,766	72,507,204	21,301,693	-	-	(554,556,900)	
On-balance sheet gap															
		312,089,944	35,665,547	26,250,809	42,089,903	162,471,886	16,097,597	5,003,607	18,235,463	3,086,488	3,188,644	-	-	-	
Off-balance sheet financial instruments															
Documentary credits and short-term trade-related transaction															
Commitments in respect of:															
- Forward exchange contracts - purchase		120,494,702	83,541,288	27,708,311	8,892,523	-	-	-	-	-	-	-	-	-	
- Forward exchange contracts - sale		(50,226,749)	(18,789,622)	(29,602,435)	(1,834,692)	-	-	-	-	-	-	-	-	-	
- Forward security - purchase		12,990,116	6,615,259	1,471,322	4,834,042	-	-	-	-	-	-	-	-	-	
- Forward security - sale		(4,448,697)	(174,395)	(984,344)	(369,060)	-	-	-	(2,920,898)	-	-	-	-	-	
- Interest Rate Swaps - purchase		46,160,838	33,458,064	12,702,774	-	-	-	-	-	-	-	-	-	-	
- Interest Rate Swaps - Sale		(46,160,838)	-	-	(1,811,447)	-	(6,113,634)	(3,448,860)	(12,483,453)	(22,303,444)	-	-	-	-	
- Cross Currency Swaps - Purchase		574,073	-	574,073	-	-	-	-	-	-	-	-	-	-	
- Cross Currency Swaps - Sale		(574,073)	-	(574,073)	-	-	-	-	-	-	-	-	-	-	
		390,899,316	140,316,141	37,546,437	51,801,269	162,893,959	9,983,963	1,554,747	2,831,112	(19,216,956)	3,188,644	-	-	-	
Off-balance sheet gap															
		390,233,311	161,838,908	178,163,461	133,985,832	12,047,049	(5,570,312)	84,543,878	53,290,248	24,490,337	(554,556,900)	-	-	-	
Total Yield/Interest Risk Sensitivity Gap															
		390,233,311	552,072,219	730,235,680	864,221,512	876,268,561	870,698,249	955,242,127	1,008,532,375	1,033,022,712	478,465,812	-	-	-	
Cumulative Yield/Interest Risk Sensitivity Gap															

[illegible]

45.5 Operational Risk

Basel II defines Operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk Management Framework, policy and Standards of the Bank duly approved by the Central Management Committee and the Board, cover 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.

45.5.1 Operational Risk Disclosures - Basel II Specific

The Bank 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 three 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).

Embedding a sustainable risk culture remains our core objective, which includes effective management of operational issues and emerging risks across the Bank and in our overseas operations via deployment of required resources, tools and continuous supervision. The new Operational Risk Framework, Policy and Standards, duly approved by the Board, have been rolled out along with new system platforms (Operational Risk System) for recording and tracking of risk events, including non-financial risks. We aim to implement a new process based Risk and Control Self-Assessment method across the Bank in order to effectively manage operational risks and continually monitor the effectiveness of defined controls through first line self-assessment reviews, especially for the processes and activities that may significantly impact the Bank's risk appetite. Furthermore, new and amended products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation and launch.

45.5.2 Information Security Risk

The Bank has in place an Information 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 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.

45.5.3 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 Environmental & Social review prior to approval of the competent authority.

On 9th November, 2022 State Bank of Pakistan (SBP) has issued Environmental & Social Risk Management (ESRM) Implementation Manual, based on IFC performance standards, which is applicable to all banks in Pakistan. Bank Alfalah is currently aligning its procedures and policy with the afore-mentioned SBP manual.

45.5.4 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.

45.6 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, the Bank calculates Liquidity Coverage Ratio (LCR) on a monthly basis. Based on December 31, 2022 numbers Bank's LCR is 2.09 or 2.09% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of Rs. 890,242.245 million and Net Cash Outflows of Rs. 424,966.701 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2022 numbers the Bank's NSFR is 1.50 or 150% against SBP minimum requirement of 100%, with Total Available Stable Funding of Rs. 1,275,978.211 million and Total Required Stable Funding of Rs. 849,343.576 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.

The Board 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 Board'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.

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. The Bank 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 the Bank, Contingency Funding Plan (CFP), is implemented to address liquidity issues in times of stress / crises situations. The Treasury division 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 High Quality Liquid Assets (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, 2022.

HQLA*	Market Value	Weighted Amount
	----- (Rupees in '000) -----	
Level 1 Assets	884,736,343	884,736,343
Level 2A Assets	2,123,715	1,805,158
Level 2B Assets	7,260,282	3,700,744
	<u>894,120,340</u>	<u>890,242,245</u>

* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

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

2022

2022													
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	140,613,348	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,485,380	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	115,353,599	86,791,703	8,778,207	13,132,410	-	1,317,120	-	-	-	-	-	-	-
Investments	1,114,406,758	-	33,327	4,862,878	6,013,457	4,867,979	14,833,378	113,373,246	292,522,652	112,933,097	91,258,266	246,873,481	226,395,393
Advances	732,374,851	112,075,255	16,552,478	56,748,263	48,827,584	92,844,007	61,623,601	27,376,478	25,507,162	53,560,678	50,891,076	78,891,005	93,555,587
Fixed assets	48,424,722	21,398	149,763	355,984	440,108	437,693	1,298,312	1,277,741	1,251,448	4,182,533	3,957,571	6,544,076	28,379,714
Intangible assets	1,296,297	1,677	11,742	28,516	52,001	52,001	156,003	156,004	156,004	168,070	168,070	336,144	-
Deferred tax assets	9,012,648	-	-	-	-	-	-	-	9,012,648	-	-	-	-
Other assets	82,229,125	1,872,484	14,057,334	35,096,302	5,410,018	4,927,756	1,780,917	1,675,159	1,220,852	2,075,465	366,152	549,228	549,228
	2,253,196,728	269,403,701	113,939,660	39,582,851	110,224,353	104,446,556	79,692,211	143,858,628	329,670,766	172,919,843	146,641,135	333,193,934	348,879,922
Liabilities													
Bills payable	40,033,806	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	491,179,531	3,616,007	2,357,090	125,578,960	124,383,151	62,760,145	17,053,319	75,452	2,234,785	11,892,522	43,220,723	11,458,426	80,942,348
Deposits and other accounts	1,486,845,346	43,682,297	16,928,132	26,429,368	26,210,801	64,322,063	71,231,915	35,589,480	78,312,018	2,378,256	579,593	367,849	-
Subordinated debt	14,000,000	-	-	-	-	-	-	-	-	-	-	-	14,000,000
Other liabilities	121,123,422	1,453,758	11,126,252	25,625,402	6,367,203	6,949,713	7,006,699	5,328,677	24,221,058	3,271,667	2,753,568	4,809,678	12,073,873
	2,153,182,105	1,167,907,741	30,411,474	177,633,730	156,961,155	134,031,921	95,291,933	40,993,609	104,767,861	17,542,445	46,553,884	16,635,953	107,016,221
Net assets													
	100,014,623	(898,504,040)	56,505,482	9,171,377	(67,409,377)	(96,217,987)	(15,599,722)	102,865,019	224,902,905	155,377,398	100,087,251	316,557,981	241,863,701
Share capital													
Share capital	15,771,651	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	34,283,201	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	45,101,048	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,858,723	-	-	-	-	-	-	-	-	-	-	-	-
	100,014,623	-	-	-	-	-	-	-	-	-	-	-	-

2021

	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	105,606,384	105,606,384	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,782,519	9,782,519	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	35,982,065	63	22,529,649	6,318,676	4,532,968	2,000,000	600,709	-	-	-	-	-	-	-
Investments	809,213,583	54,472	1,177,217	26,167,758	973,097	42,682,801	90,880,684	12,684,283	4,519,999	1,545,349	266,808,886	14,608,614	133,355,864	213,754,559
Advances	673,880,624	66,781,871	8,773,228	14,773,731	47,330,501	87,659,449	49,059,507	77,435,006	19,842,159	29,401,848	24,879,447	36,267,252	68,421,452	143,255,173
Fixed assets	39,498,979	5,023	30,121	35,161	85,343	156,754	162,282	805,779	519,553	624,938	2,245,681	2,311,238	5,178,628	27,338,478
Intangible assets	1,116,442	600	3,601	4,202	10,204	18,608	18,607	55,823	55,822	55,822	223,288	223,288	446,577	-
Deferred tax assets	2,304,270	-	-	-	-	-	-	-	-	2,304,270	-	-	-	-
Other assets	56,936,473	1,707,605	10,245,628	11,953,233	27,321,675	168,596	206,061	561,986	590,699	721,965	1,977,339	370,422	555,632	555,632
	1,734,321,339	183,938,537	42,759,444	59,252,761	80,253,788	132,686,208	140,927,850	91,542,877	25,528,232	34,654,192	296,134,641	53,780,814	207,958,153	384,903,842
Liabilities														
Bills payable	22,825,500	22,825,500	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	383,808,872	1,774,248	56,415,611	4,879,316	6,971,722	121,746,564	19,117,657	25,463,954	12,915,364	13,059,835	1,765,859	16,940,189	46,294,521	56,464,032
Deposits and other accounts	1,139,044,606	910,805,716	20,730,420	7,272,827	47,158,892	39,609,845	55,585,601	16,076,983	14,032,001	26,169,575	597,966	665,078	339,702	-
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	81,639,680	715,301	4,291,807	5,007,109	11,444,820	1,579,685	1,930,727	5,310,880	10,694,654	13,071,243	2,632,379	2,389,305	13,778,610	8,793,160
	1,634,318,658	936,120,765	81,437,838	17,159,252	65,575,434	162,936,094	76,633,985	46,851,817	37,642,019	52,300,653	4,996,204	19,994,572	60,412,833	72,257,192
Net assets	100,002,681	(752,182,228)	(38,678,394)	42,093,509	14,678,354	(30,249,886)	64,293,865	44,691,060	(12,113,787)	(17,646,461)	291,138,437	33,786,242	147,545,320	312,646,650
Share capital	17,771,651													
Reserves	29,953,963													
Unappropriated profit	40,836,487													
Surplus on revaluation of assets	11,440,580													
	100,002,681													

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.

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

2022

	2022									
	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	140,613,348	140,613,348	-	-	-	-	-	-	-	-
Balances with other banks	9,485,380	9,485,380	-	-	-	-	-	-	-	-
Lending to financial institutions	115,353,599	114,036,479	1,317,120	-	-	-	-	-	-	-
Investments	1,114,406,758	5,335,809	10,881,436	14,833,378	405,895,898	112,933,097	91,258,266	246,873,481	224,155,552	2,239,841
Advances	732,374,851	199,297,673	141,671,591	61,623,601	52,883,640	53,560,678	50,891,076	78,891,005	78,427,460	15,128,127
Fixed assets	48,424,722	655,526	877,801	1,298,312	2,529,189	4,182,533	3,957,571	6,544,076	8,033,453	20,346,261
Intangible assets	1,296,297	52,000	104,002	156,003	312,008	168,070	168,070	336,144	-	-
Deferred tax assets	9,012,648	-	-	-	9,012,648	-	-	-	-	-
Other assets	82,229,125	63,674,350	10,337,774	1,780,917	2,896,011	2,075,465	366,152	549,228	549,228	-
	2,253,196,728	533,150,565	165,189,724	79,692,211	473,529,394	172,919,843	146,641,135	333,193,934	311,165,693	37,714,229
Liabilities										
Bills payable	40,033,806	40,033,806	-	-	-	-	-	-	-	-
Borrowings	491,179,531	137,158,660	187,143,296	17,053,319	2,310,237	11,892,522	43,220,723	11,458,426	79,773,929	1,168,419
Deposits and other accounts	1,486,845,346	119,022,674	135,057,941	138,019,531	247,476,733	276,949,568	41,248,983	81,706,628	203,346,948	244,016,340
Subordinated debt	14,000,000	-	-	-	-	-	-	-	-	14,000,000
Other liabilities	121,123,422	48,341,286	13,316,916	7,006,699	29,549,735	3,271,667	2,753,568	4,809,678	7,911,399	4,162,474
	2,153,182,105	344,556,426	335,518,153	162,079,549	279,336,705	292,113,757	87,223,274	97,974,732	291,032,276	263,347,233
Net assets	100,014,623	188,594,139	(170,328,429)	(82,387,338)	194,192,689	(119,193,914)	59,417,861	235,219,202	20,133,417	(225,633,004)
Share capital	15,771,651									
Reserves	34,283,201									
Unappropriated profit	45,101,048									
Surplus on revaluation of assets	4,858,723									
	100,014,623									

2021

	Total	(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
Assets										
Cash and balances with treasury banks	105,606,384	105,606,384	-	-	-	-	-	-	-	-
Balances with other banks	9,782,519	9,782,519	-	-	-	-	-	-	-	-
Lending to financial institutions	35,982,065	33,381,356	2,600,709	-	-	-	-	-	-	-
Investments	809,213,583	28,372,544	133,563,485	12,684,283	6,065,348	266,808,886	14,608,614	133,355,864	208,959,514	4,795,045
Advances	673,880,624	137,659,331	136,718,956	77,435,006	49,244,007	24,879,447	36,267,252	68,421,452	103,933,059	39,322,114
Fixed assets	39,498,979	155,648	319,036	805,779	1,144,491	2,245,681	2,311,238	5,178,628	11,571,884	15,766,594
Intangible assets	1,116,442	18,607	37,215	55,823	111,644	223,288	223,288	446,577	-	-
Deferred tax assets	2,304,270	-	-	-	2,304,270	-	-	-	-	-
Other assets	56,936,473	51,228,141	374,657	561,986	1,312,664	1,977,339	370,422	555,632	555,632	-
	1,734,321,339	366,204,530	273,614,058	91,542,877	60,182,424	296,134,641	53,780,814	207,958,153	325,020,089	59,883,753
Liabilities										
Bills payable	22,825,500	22,825,500	-	-	-	-	-	-	-	-
Borrowings	383,808,872	70,040,897	140,864,221	25,463,954	25,975,199	1,765,859	16,940,189	46,294,521	53,382,946	3,081,086
Deposits and other accounts	1,139,044,606	97,640,988	120,583,510	54,838,836	117,657,712	159,601,604	42,683,728	84,320,448	209,871,718	251,846,062
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	7,000,000
Other liabilities	81,639,680	21,459,037	3,510,412	5,310,880	23,765,897	2,632,379	2,389,305	13,778,610	4,396,580	4,396,580
	1,634,318,658	211,966,422	264,958,143	85,613,670	167,398,808	163,999,842	62,013,222	144,393,579	267,651,244	266,323,728
Net assets										
	100,002,681	154,238,108	8,655,915	5,929,207	(107,216,384)	132,134,799	(8,232,408)	63,564,574	57,368,845	(206,439,975)
Share capital										
	17,771,651									
Reserves										
	29,953,963									
Unappropriated profit										
	40,836,487									
Surplus on revaluation of assets										
	11,440,580									
	100,002,681									

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.

45.7 Derivative Risk

The Bank deals in derivative instruments including Interest Rate Swaps and Cross Currency Swaps for hedging and market making purposes within Bank's risk appetite. Interest rate swaps are primarily conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio.

Additionally, to facilitate client business enabling them to hedge long term foreign currency exposure, bank offers solutions through Cross Currency Swaps subject to approval from State Bank of Pakistan. The counterparty risk associated in the cross currency swaps is approved by the relevant Credit Approval Authority.

Market & Liquidity Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bonds portfolio against interest rate swaps on a periodic basis. For Cross Currency Swaps, Market & Liquidity Risk Department monitors the revaluation and counterparty exposures on regular 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.

45.8 Trade Pricing Risk

Trade Pricing Risk – TPRD established under the umbrella of Risk Management Division – RMD 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, goods declaration, Bloomberg etc.

The unit has been established as required by SBP framework for managing risk of Trade Based Money Laundering and Terrorist Financing.

46 AFGHANISTAN OPERATIONS

Bank Alfalah maintains a two-branch presence in Afghanistan. The board and management of the Bank continue to closely monitor the evolving situation in Afghanistan which has been hampered due to country's frozen reserves and uncertainty regarding international recognition which prevent normal flows in and out of Afghanistan. The Bank has taken impairment against assets where there is an indication that carrying amount may be higher than its recoverable amount. The Bank remains focused on maintaining its control standards i.e. both onshore and through Head Office oversight.

47 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 02, 2023 has announced final cash dividend of Rs. 2.5 per share (25%) (2021: 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, 2022 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2022. Furthermore, treasury stock will not be eligible for this dividend. The Board had earlier declared and paid an interim cash dividend of Rs. 2.5 (2021: cash dividend: Rs. 2.0) per share.

48 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 02, 2023 by the Board of Directors of the Bank.

49 GENERAL**49.1** Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements, wherever necessary to facilitate comparison.

The effect of reclassification, rearrangement, restatement in the comparative information presented in these unconsolidated financial statements is as follows:

Description of item	Nature	(Rupees in '000)	From	To
Business Partner Incentive - Card Centre	Income	124,080	Fee & Commission Income - Card Related Fees (Debit And Credit Cards)	Mark-Up/Return/Interest Earned - Loans And Advances
Step By Step Fee - Credit Card	Income	95,430	Fee & Commission Income - Card Related Fees (Debit And Credit Cards)	Mark-Up/Return/Interest Earned - Loans And Advances
Balances With Treasury Banks (Overseas)	Asset	1,434,190	Cash and balance with treasury banks - With other central banks (Foreign currency deposit accounts)	Cash and balance with treasury banks - With other central banks (Foreign currency current accounts)
Islamic Refinance Facility for Combating COVID (IRFCC)	Liability	66,861	Borrowings - Other refinance schemes	Borrowings - Refinance Facility for Combating COVID (RFCC)
Refinance Facility for Combating COVID (RFCC)	Liability	134,184	Borrowings - Export Refinance Scheme	Borrowings - Refinance Facility for Combating COVID (RFCC)
Refinance and Credit Guarantee Scheme for Women Entrepreneurs	Liability	177,244	Borrowings - Other refinance schemes	Borrowings - Refinance and Credit Guarantee Scheme for Women Entrepreneurs
Modernization of Small and Medium Entites (MSMES)	Liability	427,799	Borrowings - Export Refinance Scheme	Borrowings - Modernization of Small and Medium Entites (MSMES)
Government of Pakistan Euro Bond	Asset	5,374,105	Investment - Overseas Bonds	Investment - Government of Pakistan Euro Bond

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 50,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2022

Sl.No.	Name and Address of the borrower	Name of Individuals / Partners / Directors (with CMC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01, 2022					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 (5+6+7)	8					
1		3	4	5	6	7	8	9	10	11	12	13	
1	Muhammad Sultan Address: Chak 492, Shumail, Tehsil And District Sangharha.	Muhammad Sultan CMC 38403-5807865-3	Muhammad Ramzan	14,872	4,517	-	19,389	14,872	4,517	-	-	19,389	Agriculture Loan
2	Danesh International Address: C-87, Block-3 Gulshan-E-Iqbal Karachi.	Paveez Khariband CMC 42201-0400680-5	Khariband Ahmad	36,805	5,154	-	87,259	-	-	16	17,866	17,882	CF - Hypo LC Import Acceptance FABR FABC
3	Interflow Communications Pvt. Ltd. Address: 12 MCH Society Jyoti Sukan Road Karachi.	15 Sanna Tehar Khan CMC 42301-423012-4 25 Shahid Javed CMC 42201-0798591-1	Tahar A Khan Muhammad Ishaque	52,939	2,247	-	54,586	-	-	-	9,604	9,604	Current Finance
4	Syed Muhammad Amir Hassan Address: Shaheedabad Bait Shohail Tehsil & District Tharp.	Syed Muhammad Amir Hassan CMC 33021-205017-9 2 Naveed Masood Malik CMC 35201-7522869-9	Syed Muhammad Amir Hassan Bukhari Shah Wali Khan	5,708	2,585	-	8,293	5,708	2,585	-	-	8,293	Agriculture Loan
5	Master Craft Interiors Address: 254-R-DHA Phase-I, Lahore.	10 Qaiser Iqbal Bhani CMC 42301-469241-5 2 Naveed Masood Malik CMC 35201-7522869-9	Qaiser Iqbal Bhani Shah Wali Khan	3,958	-	10,331	14,309	-	-	-	7,850	7,850	CF - Hypo
6	Kennex Singh Pvt Ltd. Address: Industrial Area/Kar Bund Area, Thokar Niaz Bagh Lahore.	11 Ahmad Khalid CMC 35202-9860346-9 11 Ahmad Khalid CMC 35202-9860346-9 3 Aneela Humaid CMC 35202-200764-2	Khalid Shafiq Aneela Humaid Humaid Khalid	7,108	-	7,408	14,516	-	-	-	7,652	7,652	CF - Hypo
7	Syed Jami Ahmad Hussain Bukhari Address: House 370, Street 13 Sector F-30/2 Islamabad.	Syed Jami Ahmad Hussain Bukhari CMC 33021-757785-5	Syed Khalid Ahmad Bukhari	4,12	3,117	-	7,239	4,12	3,117	-	-	7,239	Agriculture Loan
8	V/P Corporation Address: 254-R-DHA Phase-I, Lahore.	Qaiser Iqbal Bhani CMC 42301-6695941-5	Qaiser Iqbal Bhani	9,999	-	9,691	19,690	-	-	-	7,991	7,991	CF - Hypo
9	Urban Cng Station Address: 1307-Tariq Block New Garden Town Lahore.	1 Labadi Hafiez Warrach CMC 35202-446067-9 2 Mrs. Aneel Hafiez CMC 34103-7707042-4 3 Aneel Hafiez CMC 35201-446067-9 4 Muhammad Danish Warrach CMC 35202-4288826-9	Chaudhry Jafar Din Muhammad Abbas Muhammad Danish Abdul Hafiez Warrach	7,367	4,354	3,344	15,065	-	3,310	-	2,805	6,315	Lease Finance
10	Karman Main Address: Band Misan, P.O Sahip, Chak # 97/10, Tehsil Khampur, Dist Rahim Yar Khan.	Karman Main CMC 3301-623674-5	Ghulam Mohi-Ud-Din	3,956	2,287	-	6,243	3,956	2,287	-	-	6,243	Agriculture Loan
11	Muhammad Mushtaq Address: Chak Uggoo, Po Qila Kalaywala, District Sialkot.	Muhammad Mushtaq CMC 34601-325197-7	Muhammad Saifq	4,711	1,036	-	5,747	4,711	1,036	-	-	5,747	Agriculture Loan
12	Adnan Main Address: Chak # 97/10, P.O Khan, Tehsil Khampur, Dist, Rahim Yar Khan	Adnan Main CMC 3301-6695903-9	Malik Ghulam Malik-Ud-Din	3,498	2,023	-	5,521	3,498	2,023	-	-	5,521	Agriculture Loan
13	Muhammad Ibrahim Address: P/O Basti Abdul Qadir Khan P/O Buzan Pur Ghor Masoo Khan Tehsil & District Rahim Yar.	Muhammad Ibrahim CMC 33013-7529926-5	Muhammad Abdul Qadir Khan	3,498	2,019	-	5,510	3,498	2,019	-	-	5,510	Agriculture Loan
14	Anshiq Imran Address: House No 723 Block Bb, Sector D, Bahria Town Dist Lahore.	Anshiq Imran CMC 35202-393903-7	Imran Sahir	3,728	400	-	4,158	3,728	1,678	-	-	5,406	Auto Finance
15	Abdul Razaq Address: Chak Uggoo, Tehsil Daska District Sialkot.	Abdul Razaq CMC 34601-5887445-5	Muhammad Saifq	3,699	765	-	4,464	3,699	765	-	-	4,464	Agriculture Loan
16	Anwar Masood Address: Model Town, Y Block, Bahawalnagar.	Anwar Masood CMC 3301-2639889-7	Muhammad Zaman	2,138	2,236	-	4,374	2,138	2,236	-	-	4,374	Agriculture Loan
17	Imran Sattar Address: Village Hardev, Tehsil & District Sheikhupura.	Imran Sattar CMC 35404-174646-9	Abdul Sattar	2,000	1,092	-	3,092	2,000	1,092	-	-	3,092	Agriculture Loan
18	Muhammad Wars Address: House No 05 Gulberg Town Chokhan.	Muhammad Wars CMC 33012-9629839-1	Nazir Ahmad	1,881	345	-	2,256	1,881	1,375	-	-	2,866	Auto Finance
19	Nareem Di Mite Address: Lalore Road, Burewala District Vehari.	Sameed Ahmed CMC 36061-682551-5	Noor Ahmed Bharti	5,211	253	3,587	8,968	-	-	-	2,962	2,962	CF - Hypo Term Finance
20	Muhammad Awan Address: Plot No. 6/24/15, Floor C, Ansa Bhai Bhai C Store, Liqueerabad Karachi.	Muhammad Awan CMC 42301-3774697-7	Fazl Muhammad	1,773	328	-	2,101	1,773	1,005	-	-	2,778	Auto Finance
21	Zuhair Ahmad Khan Address: House No P 10 Nerwala Road Tarni, Tarni Ground S/2 No 7 Muhammad Pura Faisalabad.	Zuhair Ahmad Khan CMC 33002-247678-3	Murti Ahmad Khan	1,789	321	-	2,110	1,789	967	-	-	2,756	Auto Finance
22	Muhammad Kaleem Zahid Address: H No 2478, Iqbal Town, Benazir Chowk, Wazir.	Muhammad Kaleem Zahid CMC 37405-7784236-5	Zahid Ullah	1,937	409	-	2,325	1,937	1,887	-	-	2,527	Personal Loan
23	Waleed Araf Address: Near Umar Masjid Mohallah Parana Chawind Road Zafarwal Tehsil Zafarwal Dist. Narowal.	Waleed Araf CMC 34501-4705277-3	Muhammad Araf	1,963	289	-	1,952	1,963	869	-	-	2,422	Auto Finance
24	Mujibul Ur Rehman Address: Mouza Doula Pakista P.O Sami Dealpur Dist. Okara.	Mujibul Ur Rehman CMC 35301-9057527-5	Mian Saifur Ali	1,637	783	-	2,420	1,637	783	-	-	2,420	Agriculture Loan
25	Taj Rice Mills Address: Rajana Road Doka 14 Singh.	Mubark Ali CMC 33302-779307-5	Taj Muhammad	5,059	971	147	6,177	-	416	-	1,977	2,393	CF - Hypo
26	Muhammad Hussain Blood Address: Dakhkhana 583, Chak 633 Gb, Ganshal Pura Rawals.	Muhammad Hussain Blood CMC 33004-2857923-7	Bllood	1,496	865	-	2,352	1,496	856	-	-	2,352	Agriculture Loan
27	Ranjay Rice Mills Address: Mouza Thatha Amer Danga Pathanwalli Road/ Tehsil Phalia Dist. Mandi Bahaudin.	Muhammad Ashraf CMC 34403-0908271-1	Muhammad Sharif	3,866	303	1,866	6,146	-	303	-	1,966	2,279	CF - Hypo CF Pridge
28	Ubbad Ullah Address: Po Khia Bhorani Kaniwala Tehsil Lalin.	Ubbad Ullah CMC 33201-5863007-7	Allah Yar	1,400	846	-	2,256	1,400	846	-	-	2,256	Agriculture Loan
29	Ashiq Waqar Address: Chak Bhutti Jafarpur Bhakhtawala Faisalabad.	Ashiq Waqar CMC 34602-2009359-7	Dain Khan	1,323	331	-	1,653	1,323	887	-	-	2,159	Auto Finance
30	Muhammad Amir Ibrahim Khan Address: Basti Abdul Qadir Khan P/O Bakan Pur Ghor Masoo Khan Tehsil & District Rahim Yar Khan.	Muhammad Amir Ibrahim Khan CMC 33033-3788074-9	Muhammad Abdul Qadir	1,448	709	-	2,157	1,448	709	-	-	2,157	Agriculture Loan
31	Tariq Spring Company Address: Motin Pura Road Al-Saraj Park, Dangharwala Lahore.	15 Sahir Liqueer CMC 35201-7889804-7 2 Tariq Mahmood CMC 35201-0932205-1	Muhammad Tashar Liqueer Ali	5,414	-	586	6,000	-	-	2,118	-	2,118	CF - Hypo
32	Shahid Asghar Address: Street No 4, Islamabad Near Hina City, Bahawalnagar.	Shahid Asghar CMC 38401-650865-3	Muhammad Asghar	1,098	347	-	1,545	1,098	854	-	-	2,052	Auto Finance
33	Nicecon Associated Address: 40-Pak Block, Alama Iqbal Town Lahore.	Fawad Islam Chaudhary CMC 35202-2807721-5	Abdul Salam Chaudhary	4,909	-	2,154	6,653	-	-	2,024	-	2,024	Current Finance
34	Muhammad Alam Address: Po Bhownara S/2 Nagra Tehsil Bhownara.	Muhammad Alam CMC 33403-094078-3	Iqbal Khan	1,320	622	-	1,942	1,320	622	-	-	1,942	Agriculture Loan
35	Royal Enterprises Address: Galla Mandi, Burewala Dist. Nankana Sahib.	Muhammad Sohail Aslam CMC 35402-956639-3	Muhammad Aslam	4,140	859	2,435	7,434	-	1,984	-	-	1,934	Current Finance
36	Ja Syeh Address: Main Trade Centre Chowk, Hussain Agahi Mahan.	Syed Jafar Ali Nagra CMC 35302-930555-9	Syed Shoukat Hussain Nagra	906	204	2,213	3,323	-	-	-	1,924	1,924	Afrah Variable Finance
37	Muhammad Arshad Address: Chak No 495 Eb Post Office Khaz, Tehsil Burewala Dist. Vehari.	Muhammad Arshad CMC 36601-884454-3	Muhammad Ayes	1,283	154	-	1,437	1,283	1,283	-	-	1,857	Auto Finance
38	Yehiaq Ahmed Channa Address: Village Mehal Pur, Tehsil Warisabad, District Gujranwala.	Yehiaq Ahmed Channa CMC 3401-6632691-7	Bashir Ahmed	1,394	662	-	1,956	1,394	662	-	-	1,856	Agriculture Loan
39	Mir Najib Bahman Address: House No 10/12/7th Street Off Chaykhan-E-Balat Phase-6, Dha Karachi.	Mir Najib Bahman CMC 42000-0371881-1	Mir Jami Ur Rahman	1,899	638	-	1,887	1,517	321	-	-	1,838	Credit Card
40	Meen Industry Address: Sura No 1 Hajj Ashiq Market, Wafiq Colony Johar Town Lahore.	Zahid Saad CMC 35202-231422-6	Muhammad Saad Nagra	1,392	906	1,972	4,470	-	-	-	1,832	1,832	CF - Hypo
41	Habibullah Address: Village Ghulamullah, Burigir, Po Pargno, Taluka Tando Bago Dist. Badin.	Habibullah CMC 4104-065472-7	Ghulam Shah	648	1,080	-	1,728	648	1,080	-	-	1,728	Agriculture Loan
42	Araf Iqbal Address: House No 243-A Allama Iqbal Town, Tehsil Liqueer.	Araf Iqbal CMC 33302-253897-7	Mushtaq Ahmad	1,264	106	-	1,370	1,264	458	-	-	1,722	Auto Finance
43	Rani Trading Company Address: Outside Gran Market Bahawalnagar.	Imran CMC 3101-1079805-9	Muhammad Ishaque Ishaq	4,892	195	2,446	7,533	-	-	1,638	-	1,638	CF - Hypo CF Pridge
44	Muhammad Riaz Address: Saman Road, Dharukan Kalan, Tehsil Phalia, District Mandi Bahaudin.	Muhammad Riaz CMC 34403-864071-1	Saeed Muhammad	996	424	-	1,420	996	630	-	-	1,626	Personal Loan
45	Muhammad Shitard Address: House No 05 Street No 03, Mohallah Rasool Park, Chung Amer, Sialkot Lahore Cant.	Muhammad Shitard CMC 35202-2564883-3	Muhammad Maktar	1,440	128	-	1,568	1,440	1,440	-	-	1,597	Auto Finance
46	Muhammad Zubair Parasta Address: Chak # 188 Murad Tehsil Haidpur Dist Bahawalpur.	Muhammad Zubair Parasta CMC 31203-8862664-9	Jamal Dean	999	572	-	1,571	999	572	-	-	1,571	Agriculture Loan
47	Muhammad Anwar Address: Chak # 46/151, Main Chana.	Muhammad Anwar CMC 35304-47197261-5	Sardar Muhammad	998	572	-	1,570	998	572	-	-	1,570	Agriculture Loan

(Rupee in 1000)

(Rupees in '000)

S.No.	Name and Address of the borrower	Name of Individuals / Partners / Directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01,2022					Principal written-off	Interest up 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)	8					
1			4						9	10	11	12	13
48	Shumaira Ali/Nauseem Begum Address:Thathi Noor Sarogahla.	Shumaira Ali CNIC:38401-2062480-3	Mehrnad Khan	3,297	627	932	5,056	-	705	-	852	1,557	CF-AGRM
49	Muhammad Naveed Address: Wali Dewan Wali Po Khach Teh & Dist. Lodhran,Near Adhi Hokean,Lodhran.	Muhammad Naveed CNIC:36208-8775398-9	Muhammad Hameed	1,005	210	-	1,215	-	985	549	-	1,534	Auto Finance
50	Muhammad Abdui Qader Warach Address:Muhammad Jinnah Colony Pr Meha Road,Near Mobilink Tower,Wazirabad,Distt Guljrnwala.	Muhammad Abdui Qader Waranch CNIC:34104-2335822-3	Muhammad Munir Waranch	915	199	-	1,114	-	915	597	-	1,512	Auto Finance
51	Muhammad Waqas Address: House No.1E Block U Peoples Colony,Mihari.	Muhammad Waqas CNIC:36603-3673887-5	Muhammad Raman	1,062	114	-	1,176	-	1,062	426	-	1,488	Auto Finance
53	Muhammad Bilal Address: House No. 104 Street No.03,Mohallah Islamabad,Near Bagh-e-jannat,Lahore Cantt.	Muhammad Bilal CNIC:35201-1945678-9	Muhammad Islam	1,271	107	-	1,378	-	1,271	136	-	1,407	Auto Finance
54	Khalid Sharief Address: Near Korday Wali Chungi Mohallah Muhammad Pura,Kabeer Wala.	Khalid Sharief CNIC:38002-0574789-1	Muhammad Sharief	1,888	176	-	1,364	-	1,188	201	-	1,389	Auto Finance
55	Qamar Corporation Address:Ghalib Mandi,Pakistan.	Qamar Dinc CNIC:38402-7769346-3	Muhammad Yaqub	1,994	172	1,716	3,882	-	-	-	1,382	CF- Hypo	-
56	Shahid Nazeer Tipu Address:Gharri Town-Phase-3,Lahore.	Shahid Nazeer Tipu CNIC:36502-4042202-5	Muhammad Nazeer	984	233	-	1,217	-	984	364	-	1,346	Personal Loan
57	Fahian Ali Address: Tatal And District Narawal.	Fahian Ali CNIC:34501-2325460-9	Muhammad Ali	996	169	-	1,165	-	996	340	-	1,336	Personal Loan
58	Muhammad Abdui Qader Warach Address:Muhammad Jinnah Colony Pr Meha Road,Near Mobilink Tower Wazirabad.	Muhammad Abdui Qader Waranch CNIC:34104-2335822-3	Muhammad Munir Waranch	836	188	-	1,024	-	819	475	-	1,294	Auto Finance
59	Zahid Latif Address: Chak #140/TOR Talah Jahannam,Distt Khanewal.	Zahid Latif CNIC:38001-3474866-9	Muhammad Latif	828	147	-	975	-	828	465	-	1,293	Auto Finance
60	Muhammad Saleem Address:District Dummer,Grage Bahawalpur.	Muhammad Saleem CNIC:72034-646822-5	Abdui Jamil	987	188	-	1,175	-	987	291	-	1,278	Personal Loan
61	Sikr Route Transport Address:Jalal Ghilg.	Muhammad Karim CNIC:7501-8098900-3	Karim Ahmed Shah	948	155	-	1,103	-	948	321	-	1,269	Personal Loan
62	All Asghar Textile Mills Limited Address:306-308(Un Tower/J.I. Chundrigar Road,Karachi).	1.Abdulh Momen CNIC:42000-0478500-7 2.Ahmed Ali CNIC:7202-5250454-9 3.Muhammad Afzal CNIC:37001-5444743-9 4.Muhammad Saleem CNIC:7202-7310479-3 5.Muhammad Zubair CNIC:42201-0526952-3 6.Nadeem Ehsan Sheikh CNIC:42201-0939217-3 7.Salman Mehmood CNIC:4201-2232676-7	Abdui Saeed Samad Khan Rahmat Khan Safdar Ali Muhammad Qasim Muhammad Zahid Humayun Ehsan Sheikh	653	-	-	653	-	-	-	1,251	LC acceptance	
63	Muhammad Yanya Address: House No.59,Mohallah Sialkot Merid Chungi,Near Janna Masjid,Noor Ul Islam,Multan Road,Lahore.	Muhammad Yanya CNIC:35301-0066005-9	Muhammad Raman	917	193	-	1,110	-	846	401	-	1,247	Auto Finance
64	Muhammad Saqib Khan Address:384-Shah Islam Bahway Road,Multan.	Muhammad Saqib Khan CNIC:36302-0465838-3	Khan Asghar Muhammad Khan	940	163	-	1,103	-	940	276	-	1,216	Personal Loan
65	Muhammad Saifur Shah Address:Telephone Exchange,Digapoor,Distt Okara.	Muhammad Saifur Shah CNIC:35301-595448-7	Abdui Shah	1,000	-	-	1,000	-	1,000	216	-	1,216	Personal Loan
66	Unnar Hayat Address: Chak No.202R/S St. No.01,Tufail Town,Kosa Road, Ghatti Pals Mahal.	Unnar Hayat CNIC:34401-2384479-1	Muhammad	800	465	-	1,215	-	800	415	-	1,215	Agriculture Loan
67	Khair Abbas Nayy Address: Near Fawaz Chowk,Gograt.	Khair Abbas Nayy CNIC:34201-7195897-5	Shahir Hussain Shah	1,000	-	-	1,000	-	1,000	212	-	1,212	Personal Loan
68	Ejaz Iqbal Address: Flat No.7,Street No.16,Block JB-CG-9/2 Islamabad.	Ejaz Iqbal CNIC:6101-463804-9	Muhammad Iqbal	928	160	-	1,088	-	928	279	-	1,207	Personal Loan
69	Zehshan Traders Address: Tala, Manchanah Dist. Khanewal.	Zehshan Traders CNIC:38004-627062-5	Hafiz Asghar Ali	1,000	55	-	1,055	-	1,000	207	-	1,207	Personal Loan
70	Lazani Corporation Address: Small Industrial Area,Rawalpindi Road,Chakwal.	Zawar Hussain CNIC:37201-738276-7	Ghulam Muhammad	9,999	1,689	115	11,803	-	-	-	1,204	CF- Hypo	-
71	Rames Abbas Address: Main Margalla Road Khayaban-E-Iqbal,F-7/3 Islamabad.	Rames Abbas CNIC:38013-874072-5	Rahab Khan	-	-	-	-	-	1,000	202	-	1,202	Personal Loan
72	Hanrat Ahmad Khan Saeed Address: House No.F-2B/S No.22 Phase 1,Officers Colony,Wali Cantt.	Hanrat Ahmad Khan Saeed CNIC:37405-6000631-7	Saeed Ahmad	1,000	-	-	1,000	-	1,000	197	-	1,197	Personal Loan
73	Abdul Rehman Shahid Address: Ghari Shikhar,Lahore.	Abdul Rehman Shahid CNIC:36202-6816437-7	Fitkhar Shahid	993	-	-	993	-	993	199	-	1,192	Personal Loan
74	Khair Muhammad Nargis Address: House/ BTL Block 3, Unit 3, Mipurkhas.	Khair Muhammad Nargis CNIC:44003-5044626-3	Muhammad Ismail Nargis	467	723	-	1,190	-	467	723	-	1,190	Agriculture Loan
75	Unnar Qaryum Khan Address: Multan Road Near Thana Millat Park,Lahore.	Unnar Qaryum Khan CNIC:35202-4493976-5	Abdui Qaryum	934	147	-	1,081	-	934	249	-	1,183	Personal Loan
76	Samad Ali Address: House # 24-A,Abu Bakar Siddique Street,Mohallah Gulshan Park,Lahore.	Samad Ali CNIC:36200-805884-5	Fitkhar Hussain	642	253	-	895	-	642	539	-	1,181	Auto Finance
77	Zaid Gabbah Address: Peshawar Road,Darado.	Zaid CNIC:1701-7529388-3	Fardous Shah	1,000	-	-	1,000	-	978	202	-	1,180	Personal Loan
78	Syed Ali Imran Address: House No.225 Street No.42 Sector C 13/2,Amnabad Mandi Bahaudin.	Syed Ali Imran CNIC:38401-8969340-5	Syed Qadir Abbas	1,000	54	-	1,054	-	1,000	180	-	1,180	Personal Loan
79	Touqeer Asad Address: Darul Rehmat Sharqi.	Touqeer Asad CNIC:33201-4088412-3	Abdui Salam Akhtar	980	-	-	980	-	980	200	-	1,180	Personal Loan
80	Ghulam Rasool Address: Chak Buzdar, P.O. Choti Zireen, Talah Kot Chetta, Distt. D.G. Khan.	Ghulam Rasool CNIC:38102-4440634-3	Ehsan Bukhari	729	426	-	1,155	-	729	426	-	1,155	Agriculture Loan
81	Qasim Shabbir Address: Flat No K-402 Phase No 1,Haroon Royal City Block No 17, Gulistan E Jhar,Karachi.	Qasim Shabbir CNIC:42201-485106-9	Shahkhi Ghulam Shabbir	543	65	-	608	-	543	608	-	1,151	Personal Loan
82	Junaid Zahid Address: House No.157 Circular West Road,Bowalendi.	Junaid Zahid CNIC:33101-9971651-3	Zahid Hussain	941	107	-	1,048	-	941	207	-	1,148	Personal Loan
83	Aliaz Haidar Address: Mohallah Mubarrak AlChandoor Baispur Road,Digapoor,Okara.	Aliaz Haidar CNIC:35301-3816854-5	Mehar Allah Ditta	1,001	73	-	1,074	-	1,001	120	-	1,121	Auto Finance
84	Naseem Rehman Address: Rohit Pura,Chung.	Naseem Rehman CNIC:35203-3476918-5	Ameer Deen	900	-	-	900	-	900	214	-	1,114	Personal Loan
85	Muhammad Asif Address:Ward # 01,Mohallah Lakshay Khan,Elahabad,Chunian, Tehsil Chunian,Distt Kasur.	Muhammad Asif CNIC:35101-9673732-9	Liaquat Ali	976	95	-	1,071	-	976	120	-	1,096	Auto Finance
86	Muhammad Saifur Khan Address:House No.625,St No-3 B/3,Islamabad.	Muhammad Saifur Khan CNIC:54400-5768201-5	Abdui Qadir	982	86	-	1,047	-	982	130	-	1,092	Personal Loan
87	Hafiz Raheel Address: 65 A,Block A,Lahore.	Hafiz Raheel CNIC:38201-3759459-1	Munawar Ahmad	1,168	-	-	1,168	-	1,168	247	-	1,091	Personal Loan
88	Zahid Hussain Address: Apartment Mahrir Nahr, Saimi Sweets,Karachi.	Zahid Hussain CNIC:42501-301363-1	Shahid Hussain	888	56	-	937	-	881	209	-	1,090	Personal Loan
89	Imran Ali Bhatti Address: Street 45-G-13/2,Islamabad.	Imran Ali Bhatti CNIC:6101-50851-7	Sher Ali Bhatti	939	34	-	973	-	939	129	-	1,068	Personal Loan
90	New Shoulat Citiy House Address: Shop No.7,Semi Basement Rahim Centre,Hussain Aggahi,Multan.	Syed Zulfikar Ahmed CNIC:35302-7569332-1	Syed Fikhar Ahmed	869	378	1,218	2,465	-	-	-	1,065	1,065	Alfalah Karobar Finance
91	Muhammad Asazze Ullah Khan Address: Chnab Nagar.	Muhammad Asazze Ullah Khan CNIC:42301-6584523-5	M Zafar Ullah	849	-	-	849	-	849	203	-	1,052	Personal Loan
92	Ahmed Talha Address: Sardar Feroz Singh,Kalan Rahim,Near Bho Karyana Store,Rawalindi.	Ahmed Talha CNIC:36302-9442701-7	Naseer Ahmad	748	170	-	918	-	748	301	-	1,049	Personal Loan
93	Iqbal Kousar Address: Near Elementary School,Mohallah Jinnah Park,Rahim Yar Khan.	Iqbal Kousar CNIC:33013-550372-6	Abdui Raif	705	108	-	813	-	705	344	-	1,049	Auto Finance
94	Abdul Rehman Saliar Address: Main Road Murad Pur Near Sona Bread Factory.	Abdul Rehman Saliar CNIC:34603-635784-7	Ghulam Saif	772	196	-	968	-	772	269	-	1,041	Personal Loan
95	Muhammad Rafiq Address: Chak No.101 Talwala Road,Yazman.	Muhammad Rafiq CNIC:32005-5832931-3	Abdui Majeed	894	-	-	894	-	894	145	-	1,039	Personal Loan
96	Adnan Aslam Address: House No.209,Street No.1F 10,Islamabad.	Adnan Aslam CNIC:6101-6916747-5	Muhammad Aslam	821	177	-	998	-	821	215	-	1,036	Credit Card

(Rupees in '000)

S.No.	Name and Address of the borrower	Name of Individuals / Partners / Directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01,2022					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 (5+6+7)						
1		3	4	5	6	7	8	9	10	11	12	13	
97	Muhammad Afzal Address: H.No.23/51 No.05,Al Kareem Society Near Gourmad Bakery,Lahore.	Muhammad Afzal CNIC: 38403-1417798-3	Abdul Jabbar	878	38	-	916	862	163	-	-	1,025	Personal Loan
98	Areotech Industry Corporation Address: Suit No.027 First Floor, Umar Plaza 78,Markaz,Islamabad.	Ghazafar Asghar Khokhar CNIC: 6101-9347393-3	Asghar Ali Khokhar	3,890	528	2,85	6,083	-	-	1,000	-	1,000	Current Finance
99	Wages At Address: Mob Mehar Pandi Shakh Gulraj.	Wages At CNIC: 34202-295879-1	Muhammad Asghar	837	54	-	881	837	156	-	-	993	Personal Loan
100	Amir Fayaz Address Opp. Nishat Colony 19-Kin, Ferozpur Road,Lahore.	Amir Fayaz CNIC: 36508-465654-7	Fayaz Ahmad	791	96	-	887	768	218	-	-	986	Personal Loan
101	Irfaan Qureshi Address: Commercial Shop No.389 New Sabzi Mandi,Shaikh Rukne Alam Colony,Multan.	Irfaan Qureshi CNIC: 36302-466811-1	Lungat Ali	724	171	-	895	724	258	-	-	982	Personal Loan
102	Kharan Mahmood Address: House No.44 Block Umar FerozChahal Road,Shah Di Khia,Lahore.	Kharan Mahmood CNIC: 35202-0804683-5	Aliah Ditta	745	72	-	817	745	230	-	-	975	Personal Loan
103	Malik Umar Address: House No. 630155 Floor Block-A Central Park Housing Scheme,Ferozpur Road,Lahore.	Malik Umar CNIC: 35202-6868250-1	Malik Y Saleem	750	93	-	1,263	750	225	-	-	975	Credit Card
104	Muhammad Jawad Akram Address: House No.94/02 Street No.03,Block E,Dha Phase 05,Lahore.	Muhammad Jawad Akram CNIC: 38208-955826-1	Muhammad Akram Malik	877	77	-	954	877	95	-	-	972	Auto Finance
105	Risat Ali CNIC: 35401-841338-3	Risat Ali CNIC: 35401-841338-3	Lail Din	621	348	-	969	621	348	-	-	969	Agriculture Loan
106	Heitz Faisal Adam Sheikh Address: Street 15 West Avenue Sector-C,Asari11,Lahore.	Heitz Faisal Adam Sheikh CNIC: 99002-0109364-1	Sheikh Muhammad Adam	746	72	-	818	746	222	-	-	968	Personal Loan
107	Fahad Aulio Centre Address: Shop No.3/A/Vicoy Plaza,Hall Road,Lahore.	Khalid Hussain CNIC: 35201-710146-1	Muhammad Yagob	1,900	144	1,529	3,573	-	-	967	-	967	Current Finance
108	Nasir Ullah Address: Rohayim Mohallah Post Office And Tehsil Gurdahia,Jaffarabad.	Nasir Ullah CNIC: 32002-2148997-3	Muhammad Bashir	592	113	-	705	592	375	-	-	967	Personal Loan
109	Rewan Ali House No.26-A-Maiti Chah Wani Road/Air Bagh Near Chaudhary Manzil,Lahore.	Rewan Ali CNIC: 35202-231022-7	Muhammad Rys	822	88	-	910	826	132	-	-	958	Auto Finance
110	Mian Mansoor Mahmood Address: House No.116,Block-S,Sai Gas Housing Society,Dha Phase 5,Lahore.	Mian Mansoor Mahmood CNIC: 35202-4500687-9	Mian Mahmood U Hassan	734	110	-	844	785	171	-	-	956	Auto Card
111	Fareed Iqbal Khan Address: Chak.r 6 M Tehsil Bhawal District Sargodha.	Fareed Iqbal Khan CNIC: 38408-0260947-9	Armad Sher Khan	600	347	-	947	600	347	-	-	947	Agriculture Loan
112	Muhammad Adam Burio Address: Abbas Muhallah Near Railway Station,Shikarpur.	Muhammad Adam Burio CNIC: 43304-895263-7	Sobhat Ali Burio	469	85	-	684	459	484	-	-	933	Auto Finance
113	Noman Jawad Address: House No.207 Eden Extension New Airport Road,Lahore.	Noman Jawad CNIC: 34603-210033-9	Muhammad Ameen Jawad	740	77	-	1,497	740	189	-	-	929	Credit Card
114	Saif Iqbal Address: Street No.1 Gulshan-E-Falima Colony,Oran.	Saif Iqbal CNIC: 35302-2769386-7	Muhammad Iqbal	750	45	-	795	750	174	-	-	924	Personal Loan
115	Ahmed Abbas Address: House No.22,Imar Colony No.2,Canal Road,Faisalabad.	Ahmed Abbas CNIC: 33100-684208-7	Mian Murad Abbas	717	89	-	906	717	189	-	-	906	Personal Loan
116	Nauman Akram Address: Near Rehman Pump,2or Kor Road, Saifabad.	Nauman Akram CNIC: 38004-2064492-1	Muhammad Akram	672	148	-	820	672	228	-	-	900	Personal Loan
117	Muhammad Asif Iqbal Address:Booran Road,Lutifabad,Multan.	Muhammad Asif Iqbal CNIC: 36003-741594-9	Guliam Abbas	800	61	-	861	800	95	-	-	895	Auto Finance
118	Bushra Jabeen Address: Near Gilani Hospital Phalis.	Bushra Jabeen CNIC: 34402-5107518-8	Saidur Iqbal	789	29	-	818	774	121	-	-	895	Personal Loan
119	Muhammad Anas Riaz Address: Kothi Niaz Tehsil Laiput Pura,District Rahim Yar Khan.	Muhammad Anas Riaz CNIC: 31302-572234-3	Riaz Ahmad	700	89	-	789	700	391	-	-	891	Personal Loan
120	Guliam Abbas Address: Chah Esayjan Wala, Mouza Jhok Wains, Tehsil & Dist. Multan.	Guliam Abbas CNIC: 38303-5597807-3	Malik Muhammad Khan	760	130	-	890	760	130	-	-	890	Agriculture Loan
121	Syed Ali Raza Kazmi Address: House No.29 B Chaman Bagh,Bag Garh Near Jagi Near Associate Na Lahore.	Syed Ali Raza Kazmi CNIC: 35203-3004338-1	Syed Faisal Abbas Kazmi	673	78	-	751	673	203	-	-	876	Personal Loan
122	Muhammad Anjel Amir Address: Habib Ka Po Mechinabad District Bahawalpur.	Muhammad Anjel Amir CNIC: 31005-8684394-3	Muhammad Amin	795	22	-	817	768	301	-	-	869	Auto Finance
123	Qasid Ullah Chughtai Address: Sd No. Near Sakar Mandi Masjid Fajran 5 Madina Sulaim Colony,Mian Channu.	Qasid Ullah Chughtai CNIC: 36104-232864-9	Inayat Ullah	732	33	-	765	720	147	-	-	867	Personal Loan
124	Muhammad Abbas Saleem Address: Abdullahi Garden,Gali 02 Near Main Gate, Shaikhot.	Muhammad Abbas Saleem CNIC: 35301-9608984-1	Muhammad Ahsan	735	-	-	735	726	140	-	-	866	Personal Loan
125	Hameyuni Qulior Address: Douda Phalis,P.O Depapur,Tehsil Depapur, District Okara.	Hameyuni Qulior CNIC: 35018-30167-5	Rab Nawaz	539	84	1,627	7,80	-	-	850	-	850	Alfiah Masahat Zana Shulat
126	Imran Rasheed Bhatt Address: House No.2,Street No. 2,Khan Town,Ferozshah Near Bhatt Marriage Hall,Lahore.	Imran Rasheed Bhatt CNIC: 35401-892574-9	Muhammad Rasheed Bhatt	239	117	-	366	703	147	-	-	850	Auto Card
127	Malik Muhammad Jamil Address: H No.658, No.21 Sec F-7/2,Islamabad.	Malik Muhammad Jamil CNIC: 13802-0300386-5	Muhammad Akram	690	277	-	967	509	340	-	-	849	Auto Finance
128	Bhatt Electronics Address: Waqar Electronics,Murre.	Bhatt Electronics CNIC: 37404-256706-3	Muhammad Saleem Bhatti	777	48	-	825	777	70	-	-	847	Personal Loan
129	Muhammad Azam Address: Shop No. 32, Galla Mandi Ferozq Abad,Shikarpur.	Muhammad Azam CNIC: 35404-1904252-7	Muhammad Rys	-	-	-	-	700	141	-	-	841	Personal Loan
130	Ch.Noor Muhammad & Co Address: Old Lakkar Mandi,Karhwa Bazar,Faisalabad.	Ch.Noor Muhammad CNIC: 35000-075956-1	Noor Muhammad Ch.Abdul Ghani	3,500	723	299	4,522	-	331	491	-	822	CF - Hypo
131	Muhammad Ehsan-Ullah Address: Village Dhihown, Ferozabad, District Shikarpur.	Muhammad Ehsan-Ullah CNIC: 35404-6504770-3	Guliam Muhammad	554	264	-	818	584	264	-	-	818	Agriculture Loan
132	Abdul Rauf Address: Baroon Ada Milan Road,Phool Nagar.	Abdul Rauf CNIC: 38003-1300146-3	Saif Abdul Ghafur Mahroom	642	101	-	743	642	174	-	-	816	Personal Loan
133	Muhammad Tahir Address: Chowk Shadab Colony,Bhawalpur.	Muhammad Tahir CNIC: 38202-6558812-7	Muhammad Talib Hussain	682	50	-	732	675	140	-	-	815	Personal Loan
134	Muhammad Akram Warrech Address: Shaadlan Warrech Address Chak 7556, Tehsil And Dist. Sargodha.	Muhammad Akram Warrech CNIC: 38403-8689610-7	Muhammad Rafiq	799	932	717	1,708	-	120	689	-	809	Alfiah Masahat Zana Shulat
135	Sheikh Musahar Mahtar Address: House No.5816C,Gufran Colony Meri Samanabad,Near Gulshan-E-Razi,Lahore.	Sheikh Musahar Mahtar CNIC: 35203-948932-7	Sheikh Mahtar Hussain	662	62	-	724	647	157	-	-	804	Personal Loan
136	Riaz Mahmood Address: Village Chulandran,Ogbi,Mansehra.	Riaz Mahmood CNIC: 35004-9880173-9	Dost Muhammad	684	33	-	717	636	168	-	-	804	Personal Loan
137	Javed Mahmood Address: House No E-94/A-E-Block, Satellite Town,Rawalpindi.	Javed Mahmood CNIC: 39405-579933-9	Mehmood Akbar	558	186	-	684	558	238	-	-	796	Personal Loan
138	Gulgaht World Franchise Address: Village Salam Po Same Tehsil Bhawal District Sargodha.	Muhammad Bashir CNIC: 38401-7632303-3	Muhammad Yar	500	292	-	792	500	292	-	-	792	Agriculture Loan
139	Gulgaht World Franchise Address: Shop No.13-36,Aneq Commercial Centre,Booran Road,Multan.	Muhammad Akram Afr CNIC: 35302-9408917-3	Aliah Dhwya	621	-	-	922	1,543	-	789	-	789	CF - Hypo
140	Muhammad Anjel Address: Mouza Muharak Bura, P.O. Nawatshah, Tehsil Saigabad,Dist. Ryl.	Muhammad Anjel CNIC: 33004-9327558-9	Muhammad Ahsan	486	286	-	782	496	286	-	-	782	Agriculture Loan
141	Dilawar Hussain Address: District Dhanot,Dhalla.	Dilawar Hussain CNIC: 72002-0682180-1	Noor Alam	584	122	-	706	584	132	-	-	776	Personal Loan
142	Muhammad Iqbal Address: Street No.4 Manzoor Colony,Street No.4 Opposite Masjid Noor Fatima,Lahore.	Muhammad Iqbal CNIC: 35201-7865080-7	Noor Muhammad	550	129	-	679	550	225	-	-	775	Personal Loan
143	Zanoon Adnan Address: H.No. 862 Block D,Dyene Garden,New Airport Road,Lahore.	Zanoon Adnan CNIC: 35203-9605688-9	Adnan Ahsan	615	87	-	702	604	171	-	-	775	Personal Loan
144	Khalid Saifullah Address: P/O Chak No.88/P Chak No.51/P, Tehsil & District Rahim Yar Khan.	Khalid Saifullah CNIC: 33003-769650-7	Muhammad Boda	409	365	-	774	409	365	-	-	774	Agriculture Loan
145	Muhammad Saleem Akbar Address: House # 5,Amjad Park,Molvi Road,Lahore.	Muhammad Saleem Akbar CNIC: 35202-3772249-5	Muhammad Akbar Khan	630	133	-	763	630	133	-	-	763	Personal Loan
146	Guliam Dargwan Address: Mohallah Rajpura Wala,Hinra.	Guliam Dargwan CNIC: 36102-240377-5	Baqir Ali Khan	626	58	-	684	622	148	-	-	760	Personal Loan
147	Shama Peeran Address: Gulistan-E-Johar Block 14,Karachi.	Shama Peeran CNIC: 45402-9866544-2	Syed Bader U Hassan Zaidi	481	100	-	581	481	277	-	-	758	Personal Loan
148	Shoukat Garmat Address: Shop No.1,Mammad Market,Landa Bazar,Lahore.	Shoukat Zaman Khan CNIC: 35203-340359-1	Khalid U Rehman	612	-	815	1,427	-	-	756	-	756	Term Finance

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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 01/2022				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 (5+6+7)						
1		3	4	5	6	7	8	9	10	11	12		
149	Farhan Nazir Address: Village Gajana No. Farooqabad, District Sheikhupura.	Farhan Nazir CNIC: 35404-7530289-9	Muhammad Nazir	531	242	-	753	531	242	-	-	753	Agriculture Loan
150	Bhai Motors Address: Sahbazar Scheme,Multan Road,Lahore.	Bhai CNIC: 6101-4039400-1	Saidur Hussain Tahir	631	-	-	631	619	134	-	-	753	Personal Loan
151	Ahman Mehmood Address: Sector-A/DHA 2,Islamabad.	Ahman Mehmood CNIC: 16202-842268-3	Muhammad Naem	695	42	-	737	695	56	-	-	751	Personal Loan
152	Munazza Mehriq Address: Pak Arab Housing Society,Lahore.	Munazza Mehriq CNIC: 35201-1735144-0	Sarfraz Ashiq	630	22	-	652	630	16	-	-	746	Personal Loan
153	Kamran Ali Address:Chak - 192/R, Tehsil & Distt. Khanewal.	Kamran Ali CNIC: 36003-1647684-5	Aliah Ditta	464	273	-	737	464	273	-	-	737	Agriculture Loan
154	Zafar Ali Khan Address: Chah Dabban Chaud Wala, Mouza Rawanti, P.O. Kotla Nijabat, Tehsil & Distt. Ludhiana.	Zafar Ali Khan CNIC: 36003-360033-9	Naimat Ali	441	289	-	730	441	289	-	-	730	Agriculture Loan
155	Zahid Mushtaq Address: Cantt Khairpur,Distt. Gujrat.	Zahid Mushtaq CNIC: 91005-001866-3	Abdul Latif	356	16	-	372	356	373	-	-	729	Personal Loan
156	Sheekh Tariq Afzal Address: House No.78 D/Sof Gae Housing Society/Phase 1, Lahore Cantt. Lahore.	Sheekh Tariq Afzal CNIC: 35202-2916809-3	Sheekh Muhammad Afzal	634	23	-	657	634	87	-	-	721	Personal Loan
157	Fazal Amin Address: University Road,Peshawar.	Fazal Amin CNIC: 22003-257988-1	Sardar Amin Khan	672	25	-	697	643	78	-	-	721	Personal Loan
158	Zafar Hussain Address: Street No 03,Almad Town Sajiyana Road,Near Zam Zam Mills, dha/Almad Per East,Distt. Bahawal.	Zafar Hussain CNIC: 31201-3443198-9	Kulu Khan	550	105	-	655	550	158	-	-	708	Personal Loan
159	Umar Ali Address: Nic Computer/Chamber Head Near Bus Stand,Murree.	Umar Ali CNIC: 37301-1842938-7	Muhammad Riaz	587	-	-	587	587	119	-	-	706	Personal Loan
160	Akhatar Javed Piracha Address: House No.22-A,Adar 11,Shor Pao Bridge Colony,Lahore.	Akhatar Javed Piracha CNIC: 35201-5949992-1	Muhammad Yousaf	630	74	-	704	630	74	-	-	704	Auto Finance
161	Muhammad Ahsan Address: H No. 90 St. No.03,Bb Block,Sector D Bhalia Town,Lahore.	Muhammad Ahsan CNIC: 33202-3725408-1	Muhammad Ahsan	606	35	-	641	590	107	-	-	697	Personal Loan
162	Nasim Ahmad Address: Alama Iqbal Town,Lahore.	Nasim Ahmad CNIC: 35202-3256909-3	Sohail Ahmad Mirza	678	-	-	678	672	25	-	-	697	Personal Loan
163	Pak Hunan International Trading Address: Danyore,Tehsil & District Gilgit.	1.Dolat Naar CNIC: 75502-5646603-1 2.Ghulam Murtaza CNIC: 71502-5584098-9 3.Ghulam Meera CNIC: 78502-7892250-9 4.Ghulam Mehd CNIC: 78502-5905546-9 5.Ghulam Baqir CNIC: 61001-5009180-9	Bai Khan Bai Khan Bai Khan Bai Khan Ghulam Qadir	537	701	357	1,595	-	-	695	695	Current Finance	
164	Muhammad Ismail & Co Address: New Ghalia Mandi,Muridke.	Muhammad Ismail CNIC: 35401-1738450-7	Farzand Ali	3,691	-	1,049	4,740	-	-	693	-	693	CF - Hypo
165	Aqeel Ahmad Address: House No.E-23,Muslim Town 1,Near Doctor Street,Faisalabad.	Aqeel Ahmad CNIC: 33800-5074693-1	Bashir Ahmad	165	38	-	203	551	143	-	-	694	Credit Card
166	Muhammad Aftab Address: Shalimar Town,Lahore.	Muhammad Aftab CNIC: 35201-073180-5	Muhammad Mohan	560	78	-	638	560	132	-	-	692	Personal Loan
167	Umar U Haq Address: House No.30-C,Mazarinae Floor 87th Street,Baluch Commercial/Ph-V, Karachi.	Umar U Haq CNIC: 42001-1141206-7	Aziz Ahmad	628	50	-	678	628	62	-	-	690	Auto Finance
168	Hussain Ahmad Address: Old Shujabad Road,Multan.	Hussain Ahmad CNIC: 36303-4407584-3	Muhammad Osman Khan	627	39	-	666	610	72	-	-	682	Personal Loan
169	Muhtashir Ahmad Address: Chak No. 76/10-R,Post Office Chak No. 83-8/5,Tehsil & District Khanewal.	Muhtashir Ahmad CNIC No. 36003-819644-5	Ghulam Muhammad	948	39	843	1,800	-	-	679	-	679	Alfalah Musahil Zana Sahulat
170	Aftab Khan Address: Peshawar Model School,Dalazak Road,Peshawar.	Aftab Khan CNIC: 17101-4236083-9	Pervez Khan	327	18	-	345	327	345	-	-	672	Personal Loan
171	Muhammad Zafar-nair Skander Address: HN-14Q,Near Jama Masjid,Ferozepore/Jafarabad,Bhakkar.	Muhammad Zafar-nair Skander CNIC: 38101-6684469-9	Ghulam Mustafa	413	78	-	491	413	259	-	-	672	Auto Finance
172	Ferooz Ahmad Address: Village Feroozabad, Tehsil And District Sheikhupura.	Ferooz Ahmad CNIC: 35404-4879731-7	Muhammad Yousaf	427	24	-	668	427	241	-	-	668	Agriculture Loan
173	Khuram Ilyas Address: HN-57,Si.No.33,Umar Block,Bhalia Town,Lahore.	Khuram Ilyas CNIC: 35102-472819-5	Muhammad Ilyas	478	114	-	592	478	178	-	-	656	Personal Loan
174	Muhammad Yaqoob Address: House No.6 Z 7 Town Office Peers Gah Road,Multan.	Muhammad Yaqoob CNIC: 35401-8238495-9	Abdul Hameed	510	146	-	656	510	146	-	-	656	Personal Loan
175	Muhammad Sagheer Ahmad Address: Khwar House, Chak No.1272/1a, Po Khawas, Layyah.	Muhammad Sagheer Ahmad CNIC: 32203-4883320-7	Isahar Ahmad	324	33	-	655	324	331	-	-	655	Agriculture Loan
176	Khawaja Shahzad Address: House No.4851, Street No.13/DHA, Phase 5,Lahore.	Khawaja Shahzad CNIC: 35202-3508000-3	Khawaja Aftab Alam	374	54	-	428	374	280	-	-	654	Personal Loan
177	Said Ullah Khan Address: Room No.03,Near Mahabulab Shadi Hall,N.W.F.P.	Said Ullah Khan CNIC: 37004-0965374-5	Sai Khan	526	65	-	591	526	122	-	-	648	Personal Loan
178	Muhammad Idris Address:Shiwana Chak No.226 /B Po Bhowna.	Muhammad Idris CNIC: 33202-5490609-5	Haji Muhammad Zameer	349	296	-	645	349	296	-	-	645	Agriculture Loan
179	Fakhr Food Address: Near China Firms, G. Road,Gujrat.	1.Shahid Omar Nahi CNIC: 34201-2965180-7, 2.Shahid Ali Nahi CNIC: 34201-3658475-3, 3.Rohail Nahi CNIC: 34201-6600684-3	Rohail Nahi Rohail Nahi Sheikh Waiz Nahi	2,437	-	910	3,347	-	-	644	-	644	Alfalah Karobar Finance
180	Roana Address: 3rd Floor Flat No.302,Plot No.7,2, Bk.8,Deerex View Phase-2,Lahore.	Roana CNIC: 42018-2298035-0	Muhammad Iram	482	111	-	593	482	159	-	-	641	Personal Loan
181	Muhammad Yousaf Address: Atizabad,Block 14,Karachi.	Muhammad Yousaf CNIC: 42018-908407-7	Muhammad Azam	478	110	-	588	478	160	-	-	638	Personal Loan
182	Pak China Electric Store Address: Gali Machine Wali,Mohallah Khareetha Main Bazar Wazirabad.	Ch. Qasim Habib CNIC: 34104-5294019-9	Ch. Habib Ullah	1,360	297	678	2,335	-	106	530	-	636	Current Finance
183	Asad Iqbal Address: Near Goal Masjid Housing Scheme,Kotli Aik.	Asad Iqbal CNIC: 81002-2298880-3	Muhammad Sadiq	420	66	-	486	415	218	-	-	633	Auto Finance
184	Muhammad Ehsan Address: Hama Group/Office 03, Plot 79C,Karachi.	Muhammad Ehsan CNIC: 42018-1490332-7	Muhammad Iram	473	88	-	581	473	157	-	-	630	Personal Loan
185	Abbas Ahmad Address: Purana Lari Adaba,Pasrur Near Gila Mandi,Sialkot.	Abbas Ahmad CNIC: 35201-5566846-7	Chaudhry Riaz Ahmad	500	24	-	741	500	130	-	-	630	Credit Card
186	Muhammad Azam Ahmad Address: Rawalpindi Cantt.	Muhammad Azam Ahmad CNIC: 37405-579285-7	Jamil Ahmad Qureshi	485	90	-	575	485	143	-	-	628	Personal Loan
187	Aftab Haider Address: Advisor Forest Environment Wildlife Menarals Commerce & Is. Gigit.	Aftab Haider CNIC: 42000-781832-9	Bhaskar Shah	552	-	-	552	552	77	-	-	629	Personal Loan
188	Muhammad Bilal Nughal Address: Mughal House No.05 Main Kangan Road,Ban Gola,Islamabad.	Muhammad Bilal Nughal CNIC: 37405-5729887-3	Haji Abdul Shaukor	481	186	-	667	503	124	-	-	627	Credit Card
189	Syed Qamar Abbas Nughal Address: Po Shabwa,Tehsil Malahad,Distt. Mandi Bahaudin.	Syed Qamar Abbas Nughal CNIC: 34401-1885842-3	Syed Khuresh Hussain	738	46	-	784	584	41	-	-	625	Personal Loan
190	Saima Kalsoom Address: Tehsil Dargajur Dist. Okara.	Saima Kalsoom CNIC: 35301-1868800-4	Tahassum Hussain	500	71	-	571	500	122	-	-	622	Personal Loan
191	Anwar Masood Address: Basti Zaman/Post Office Wana Qamar Dist. Tehsil & District Bahawalnagar.	Anwar Masood CNIC: 31001-263869-7	Muhammad Zaman	1,338	1,509	71	2,918	-	68	-	-	618	Alfalah Musahil Zana Sahulat
192	James Address: Adf Builder/Sector 7,Sukkur.	James CNIC: 45504-110057-1	George	478	46	-	524	478	140	-	-	618	Personal Loan
193	Adil Kamran Address: Ward No.6,Gerehabad Mohallah,Khokhi Road,Lahore.	Adil Kamran CNIC: 41003-275634-3	Ashraf Ali	389	87	-	476	389	229	-	-	618	Personal Loan
194	Muneesh Khalid Address: Jhang Road Faisalabad.	Muneesh Khalid CNIC: 33106-9789972-1	Muhammad Nail	616	-	-	616	553	55	-	-	608	Personal Loan
195	Samina Malik Lahari Address: House No.24,Street#90,Sector G-6/2 Embassy Road,Islamabad.	Samina Malik Lahari CNIC: 61002-0180461-8	Malik Gul Muhammad Lahari	492	282	-	774	492	115	-	-	607	Credit Card
196	Muhammad Shah Zaman Address: Chak No.2 P/O Bai Damak,Near Aps,Kotli.	Muhammad Shah Zaman CNIC: 81202-2492531-7	Muhammad Zaman	552	16	-	568	532	71	-	-	603	Auto Finance

(Rupees in '000)

S.No.	Name and Address of the borrower	Name of Individuals / Partners / Directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01,2022					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 (5+6+7)						
1		3	4	5	6	7	8	9	10	11	12	13	
197	Muhammad Farooq Khan Address: H No.112 E Pace Wood Land, Budan Road Near DHA,Lahore.	Muhammad Farooq Khan CNIC: 38302-1125914-7	Haji Muhammad Yagoub Khan	460	96	-	556	460	143	-	-	603	Personal Loan
198	Salam Hussain Address: House No 35,Street 3,Alti Thase Zhyder and Road Street 3,Mirpurhas.	Salam Hussain CNIC: 44803-297805-7	Aljiz Hussain	457	94	-	551	457	138	-	-	595	Personal Loan
199	Sayed Mazhar Ali Address: House No 122,3th Street Khayaban Ehsan Phase 6 Dha Karachi.	Sayed Mazhar Ali CNIC: 42201-4365951-1	Mazhar Ali Khan	539	90	-	629	539	53	-	-	592	Credit Card
200	Muhammad Sadiq Khan Address: Qain Th WabMoza Chowk Koh-Po Khaz The Karor Pae,Distt Lodhran.	Muhammad Sadiq Khan CNIC: 35202-059003-3	Zafar iqbal Khan	489	16	-	505	487	104	-	-	591	Personal Loan
201	Jacqueline Jawad Austin Address: Block 512B Model Town Ext,Lahore.	Jacqueline Jawad Austin CNIC: 35202-862894-8	Jawad Austin	277	28	-	305	277	305	-	-	582	Personal Loan
202	Shahid Tariq Aftal Address: House No 79,0,5th Goe Society Phase,Lahore.	Shahid Tariq Aftal CNIC: 35202-2918089-3	Shahid Muhammad Aftal	194	40	-	234	401	107	-	-	578	Credit Card
203	Karam Hussain Chaudhri Address: Arain Market Nasheman Colony Near Bial Masjid Multan.	Karam Hussain Chaudhri CNIC: 32403-4460562-9	Aliah Bachaya	455	129	-	584	430	144	-	-	574	Personal Loan
204	Muhammad Sharif Address: Village Nasraki, Tehsil Kamoke, District Gujranwala.	Muhammad Sharif CNIC: 34002-9982614-3	Qasim Ali	572	-	-	572	572	-	-	-	572	Agriculture Loan
205	Muhammad Tahir Chohan Address:Bedian Road,Lahore.	Muhammad Tahir Chohan CNIC: 38303-3907931-1	Basir Ahmad Saqib	393	67	-	460	393	173	-	-	566	Personal Loan
206	Syed Kamil Hasan Address: House#30/A Khayaban-E-Shahbaz Phase-6 Dha, Karachi.	Syed Kamil Hasan CNIC: 42301-940593-3	Syed Naja Ull Hassan	425	278	-	703	468	106	-	-	564	Credit Card
207	Haji Muhammad Yaseen Address: House No 143,5,Street Jinnah Park Kot Shaidan,Lahore.	Haji Muhammad Yaseen CNIC: 35202-7857865-9	Muhammad Siddique	451	112	-	563	451	112	-	-	563	Personal Loan
208	Muhammad Asghar Address: House No 302,C Eden Valley Near Eagle Chowk Faisalabad.	Muhammad Asghar CNIC: 33003-9189391-5	Choudhary Aamir Ullah	458	49	-	507	468	104	-	-	562	Personal Loan
209	Rashid Amir Address:House No-F/14,15F Floor,Block 13-A,Guishan-E-Iqbal,Near National High School,Karachi.	Rashid Amir CNIC: 42201-4489961-1	Abul Fazal Amir	455	386	-	841	465	108	-	-	563	Credit Card
210	Zahid Hussain Address:80-C Gulberg Colony Faisalabad.	Zahid Hussain CNIC: 33003-0512962-7	Abdul Rehman	457	117	-	574	467	100	-	-	557	Credit Card
211	Muhammad Umar Address: H.No. 46,4,5F No.1,3Basta No. 1,Abbasi Colony,Tenali & Distt Bhanawalpur.	Muhammad Umar CNIC: 31202-9865786-5	Muhammad Shoukat	264	264	-	528	264	290	-	-	554	Auto Finance
212	Asghar Ali Address:Buti Manhalwala,Mouza Bahi P.O Ghazipur, Tehsil Jalpur Pr. Wala, District Multan.	Asghar Ali CNIC: 36301-0707989-3	Muhammad Ramzan	1288	534	1,293	3,115	445	107	-	554	554	Alfalah Masabul Zami Shulbat
213	Adnan Nazam Address: 51 No. 02, Muhammad Para Iqbal,Lahore.	Adnan Nazam CNIC: 35202-9552727-7	Nizam Masih	445	71	-	516	445	107	-	-	552	Personal Loan
214	Altasham Wahied Address:Shop No.111 New Sabzi Mandi,Lahore.	Altasham Wahied CNIC: 38302-5778467-5	Abdul Wahied Amin	421	67	-	488	421	131	-	-	552	Personal Loan
215	Shahzad Address Address: House No.327,28Th Street Khayaban-E-Shamshir Phase-5,Dha. Near Ideal Bakern. Karachi.	Shahzad CNIC: 42301-746580-5	Abdul Warab	398	349	-	747	398	153	-	-	551	Credit Card
216	Shahid Muhammad Qayyum Address: 199-Abu Bakar Block,New Garden Town,Lahore.	Shahid Muhammad Qayyum CNIC: 35203-2794359-7	Muhammad Yagoub	443	275	-	718	443	108	-	-	551	Credit Card
217	Bilal Prasad Address: Flat No 83,3rd Floor,Hajia Height,New Memoon City,Qaimabad,Hyderabad.	Bilal Prasad CNIC: 43005-788483-2	Farran Ali Syal	438	30	-	468	438	122	-	-	550	Personal Loan
218	Mehboob Ali Address: Dlawerpur P O Jacobabad.	Mehboob Ali CNIC: 43002-9692975-5	Gul Muhammad	491	64	-	555	463	97	-	-	550	Personal Loan
219	Abdul Hameed Address: House No 572,Street 40 Block B, Aakar11,Bedian Road,Lahore.	Abdul Hameed CNIC: 35201-842380-3	Muhammad Sharif	440	363	-	803	440	108	-	-	548	Credit Card
220	Fazal Elahi Dittu Address: House No.38,Street No. 29,Khayaban-E-Muhafiz,Phase VIDha,Karachi.	Fazal Elahi Dittu CNIC: 42301-488804-3	Habib Ur Rehman Dittu	429	237	-	666	429	116	-	-	545	Credit Card
221	Ali Hassan Yasmin Address:House No.80,3,Street 8,Delvance Villas Phase 6,Bahria Town Burewaj,Distt.	Ali Hassan Yasmin CNIC: 61001-405298-5	Mani Tahir Aziz	436	172	-	608	441	104	-	-	545	Credit Card
222	Mani Adil Hunayun Address: H No 12,Block 8 Military Accounts,College Road Township,Lahore.	Mani Adil Hunayun CNIC: 35202-347021-9	Mani Hunayun Khurshid	414	60	-	474	414	129	-	-	543	Personal Loan
223	Rizwan Elahi Address: H/F 67/2 Khay-E-Badshah Phase-VII Dha Near Badshah School, Karachi.	Rizwan Elahi CNIC: 42301-5067598-5	Shahid Abdul Majid	418	405	-	823	418	122	-	-	540	Credit Card
224	Syed Asghar Noor Bakht Address: A/Noor Market House No 392,Mohallah Trench Bhatia,Rawalpindi.	Syed Asghar Noor Bakht CNIC: 37405-4400940-7	Syed Noor Ahmed Shah	518	-	-	518	482	57	-	-	539	Personal Loan
225	Sana Farhan Khan Address: House#147,Block D,Mohallah Inner Town,Near Bahria Town,Main Canal Road & Distt Lahore.	Sana Farhan Khan CNIC: 35202-6620865-0	Farhan Zahid	295	80	-	375	295	242	-	-	537	Auto Finance
226	Muhammad Anwar Address: Brohi Mohallah,Sukkur.	Muhammad Anwar CNIC: 43002-2480202-5	Hazoor Bux	364	78	-	442	364	168	-	-	532	Personal Loan
227	Imran Uddin Ahmed Khan Address: H/ 112/Gori Lanat/7,DHA Phase 4 Near Saudi Consulate, Karachi.	Imran Uddin Ahmed Khan CNIC: 42301-0802389-1	Rafiq Uddin Ahmed Khan	389	306	-	695	389	143	-	-	532	Credit Card
228	Muhammad Sharqat Fareed Address: Badara Shang Distt Bhawal Nagar.	Muhammad Sharqat Fareed CNIC: 35202-3757980-1	Gulam Fareed	388	64	-	452	388	139	-	-	527	Personal Loan
229	Fayaz Ahmad Butt Address: Po Khina Jilga Jilga Abbasiin, Tehsil Khan Pur.	Fayaz Ahmad Butt CNIC: 31301-1433797-5	Haji Nasser Ull Din Butt	389	64	-	453	389	138	-	-	527	Personal Loan
230	Mer Adil Bhutta Address: Tiba Block,New Garden Town,Kama Chowk,Lahore.	Mer Adil Bhutta CNIC: 61001-1341530-7	Muhammad Ashraf Bhutta	389	88	-	472	389	138	-	-	527	Personal Loan
231	Ahsan Fikhar Shakh Address: H.No.549/3,Chitran Road Near Rbp Chowk,Quetta Gmt,Quetta.	Ahsan Fikhar Shakh CNIC: 54400-4889441-5	Ifkhar Ahmed Shaikh	428	391	-	819	428	97	-	-	525	Credit Card
232	Sama Fatima Address: House No. 56 Income Tax Society,Lahore.	Sama Fatima CNIC: 42101-302398-2	Muhammad Younas	383	86	-	468	383	141	-	-	524	Personal Loan
233	Imran Khan Address: House No E-555,Street No 8 Mohalla Afghanistan No 1 Tenali & District Faisalabad.	Imran Khan CNIC: 36003-767027-9	Kor Muhammad	420	267	-	687	420	104	-	-	524	Credit Card
234	Muhammad Hader Ali Address: Near Masjid Bhai/Haji Pans,Salhot.	Muhammad Hader Ali CNIC: 33303-3814600-3	Sahib Bazar	439	-	-	439	430	90	-	-	520	Personal Loan
235	Farihat Ullah Address: Office 30,1st Floor,Green Green,Idamabad.	Farihat Ullah CNIC: 61001-9708098-9	Rahiem Shah	258	33	-	291	258	262	-	-	520	Personal Loan
236	Muhammad Anas Shahid Address: Dakhana Khana, Tehsil Quak Jinnah, Distt Faisalabad.	Muhammad Anas Shahid CNIC: 33001-0787520-9	Shahid Iqbal	248	24	-	272	248	271	-	-	519	Personal Loan
237	Muhammad Saleem Iqbal Address: Tehsil Bahawalnagar,Distt. Bhanawalpur.	Muhammad Saleem Iqbal CNIC: 31001-3424886-1	Muhammad Iqbal	406	76	-	482	406	113	-	-	519	Personal Loan
238	Ali Abbas Bhutta Address: House No.3D, Street No.11 Main Salar Road,Langat, Abad Model Town,Lahore.	Ali Abbas Bhutta CNIC: 42301-327598-9	Bafiqat Ali Bhutta	396	559	-	955	396	221	-	-	517	Credit Card
239	Naveed Ahmed Rana Address: H/F 20/C-A/Cat Line, Khanewal.	Naveed Ahmed Rana CNIC: 36001-766804-5	Basir Ahmed Rana	649	-	-	649	94	-	-	-	514	Personal Loan
240	Sajjad Ali Address: Post Office Jalpur Bhutta,Distt.Hafizabad.	Sajjad Ali CNIC: 34302-8069673-1	Gulzar Hussain	253	35	-	288	253	260	-	-	513	Personal Loan
241	Syed Gulzar Hussain Address: H No.55,32,Mohallah Pak Sadat Colony,Sahial Faisal Colony, Karachi.	Syed Gulzar Hussain CNIC: 42201-3185122-1	Syed Atbar Hussain	487	24	-	511	487	25	-	-	512	Personal Loan
242	Rashid Bhutta Address: Royal Residency, Flat No 221,12Th Floor,Cent, Karachi.	Rashid Bhutta CNIC: 42301-2226836-1	Asghar Bhutta	427	288	-	708	427	82	-	-	509	Credit Card
243	Ramzan Muhammad Address: Iktan City Centre, Yamam.	Ramzan Muhammad CNIC: 32005-161860-3	Amad Khurshid	378	59	-	397	388	171	-	-	509	Personal Loan
244	Muhammad Alam Address: Baily Ki Road,Mohallah Mainkey,Mere Po Khaz Tatkoti,Kaur.	Muhammad Alam CNIC: 35103-248842-9	Muhammad Saleem	378	81	-	459	378	130	-	-	508	Personal Loan
245	Shahid Ull Din Address: H No.111 St No.1,Lined Colony Ghari Road,Near Pungla Society,Lahore.	Shahid Ull Din CNIC: 35202-085426-9	Muhammad Ishaq	418	-	-	418	418	90	-	-	508	Personal Loan
246	Muhammad Akram Khan Address: H No. A-B/AI Hand Centre,Unit No.6,Lafabad, Hyderabad.	Muhammad Akram Khan CNIC: 41304-4282078-5	Mahir Khan	196	-	-	196	426	81	-	-	507	Credit Card
247	Sajid Inam Address: House No 54/A Noor Park,Pura Kama Stop,Near Jinnah Masjid,Shahada Road,Lahore.	Sajid Inam CNIC: 38401-0646140-7	Muhammad Basir	453	28	-	481	447	60	-	-	507	Personal Loan
248	Qutail Abbas Address: House No.353,Khanewal.	Qutail Abbas CNIC: 36003-6823679-3	Jamshed Hussain	403	49	-	452	403	103	-	-	506	Personal Loan

(Rupees in '000)

S.No.	Name and Address of the borrower	Name of Individuals / Partners / Directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01,2022				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 (5+6+7)						
1		2	4	5	6	7	8	9	10	11	12	13	
249	Sardar Muhammad Suleman Sohail Khan Address: Chak No 140/71a, Tehsil & District Layyah.	Sardar Muhammad Suleman Sohail Khan CNIC: 32201-203448-3	Sardar Muhammad Abdul Haq Khan	250	254	-	504	250	254	-	-	504	Agriculture Loan
250	Munsoor Ahmed Shaikh Address: Near Barr AlamKarachi.	Munsoor Ahmed Shaikh CNIC: 42301-7568183-5	Naik Muhammad Shaikh	446	42	-	488	415	87	-	-	502	Personal Loan
251	Nasir Jhar Address: Room No.2108 Park Heritage Hotel(Dera Road, Lahore.	Nasir Jhar CNIC: 42301-4456844-9	Sheikh Jhar Ali Islam	394	190	-	584	394	107	-	-	501	Credit Card
252	Muneer Ahmed Address:Po Agra Taluka GumbatDistt Khairpur.	Muneer Ahmed Malik CNIC: 45202-3205461-5	Muhammad Feroze Malik	386	81	-	467	386	115	-	-	501	Personal Loan
253	Akram Younas Bhutti Address: House No.52 A Street No.26,Sector F/2 Christian Colony, Islamabad.	Akram Younas Bhutti CNIC: 61001-788087-5	Younis Malik	456	-	-	456	448	53	-	-	501	Personal Loan
254	Muhammad Iqbal Address:Qinchi Main Baza Opp Channa Rectory,Qinchi Stop Peropur Road Lahore.	Muhammad Iqbal CNIC: 36103-856620-5	Shah Muhammad	490	-	-	490	486	15	-	-	501	Personal Loan
255	Syed Awar Hussain Address: House No.57 Gul Afshan,Belam.	Syed Awar Hussain CNIC: 37301-225391-7	Syed Fazal Hussain Shah	500	4	-	504	500	-	-	-	500	Credit Card

During the current year, the bank's BOD has accorded certain write off approvals for the purpose of balance sheet clearing. In line with SBP BRPD Circular 6 of 2007, The following list of defaulted relationships are part of the balance sheet clearing 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.

1	Mosafa Vegetable Oil Industries Ltd. Address: Mosafa Centre,1027/A/Agribad, Chittagong.	1. Hafizul Rahman 2. Hafizul Rahman 3. Kamal Uddin 4. Mostafa Begum 5. Rafiqul Uddin 6. Kafil Uddin 7. Hafizul Rahman 8. Kamal Uddin M.A. Mezin	Alhaj Mostafizur Rahman	100,395	21,618	-	122,013	100,395	21,618	142,809	264,822	Tem. Loan
2	Dirent Camp Line Address: T.K. Bhuiyan 87th Floor,13 Keweenaw Bazaar,Dhaka.	M.A. Mezin	Hajj Muhammad Saifullah	39,656	6,609	-	46,265	39,656	6,609	50,353	96,618	Overdraft
3	Gm Photo Pvt. Ltd Address: Plot No.102, Sector 24, Korang Industrial Area, Karachi.	1.Muhammad Nasir Ghani CNIC: 42301-4801404-7 2.Harara Akar Ghani CNIC: 42301-0606916-6	Ghaz Nazeeruddin Muhammad Nasir Ghani	23,959	9,410	27,495	60,865	23,959	9,410	27,495	60,865	Term Finance Running Finance
4	Iran R & Co. Address: Office No.B-2, United Chamber Me-5/10, 2nd Floor Viper Street, Karachi.	1.Ahadi Jabbar CNIC: 42201-60802017-9	Muhammad Usman	13,197	38,267	9,020	60,484	13,197	38,267	9,020	60,484	Running Finance Import Related Loans
5	Combined Traders Address: 3/107 Depot Wall Gali, Mohalla Peoran Nagar, Sialkot.	1.Ahadi Khalid CNIC: 300551305245 2.Muhammad Ahmed Parooq CNIC: 300-87-255014	Roshan Durban Muhammad Abdulah	21,153	-	27,688	48,841	21,153	-	27,688	48,841	PAPC/PAPC-II/PAPB/TF
6	Giti Oil Mills Address: Gulberg Town, Kot Khadin Al, Sahawal.	Usman Naeem Gill CNIC: 36502-500695-1	Naeem Ahmad Gil	20,278	4,922	19,112	44,212	20,278	4,922	19,112	44,212	CF - Hypo CF Pledge
7	Syncear Travels Pvt. Limited Address: Office No.98, E/A Abbara Road, University Town, Peshawar.	1.Ahadi Wadud CNIC: 17301-1562839-1 2.Khalid Wadud CNIC: 17301-5562842-5	Abdi Wadud Khan Abdi Wadud Khan	24,006	3,968	14,858	42,142	24,006	3,968	14,168	42,142	CF & L/G
8	R.J.F Trading Address: 25-E-1, Gulberg II, Lahore.	1.Bhawan Malik CNIC: 35022-2989462-1 2.Jamshed Malik CNIC: 42301-0484293-3	Malik Pervez Javed Malik	19,368	3,478	15,448	38,879	19,368	3,478	15,443	38,879	Current Finance
9	Shahid & Co. Address: Gulberg Town, Kot Khadin Al, Sahawal.	3.Farhan Malik CNIC: 40101-752523-7 Shahid Rasool CNIC: 36502-202816-5	Malik Tariq Sultan Ghulam Rasool	18,168	3,314	16,445	37,927	18,168	3,314	16,445	37,927	CF - Hypo CF Pledge
10	Pearl Steel Traders Address: A-Rehman Chambers, Room No.3, First Floor, Nishtar Road, Lahore.	Shahid Muhammad Asghar CNIC: 35022-5464941-9	Shahid Muhammad Afzal	9,772	250	27,607	37,629	9,772	250	27,607	37,629	Term Finance
11	Imamul Abdul Shakoor Securities (Pvt.) Ltd Address: 78-79, 2nd Floor, Stock Exchange Building Stock Exchange Road, Karachi.	1.Imamul Abdul Shakoor CNIC: 42301-4001437-3 2.Farooq Imamul CNIC: 42301-779010-5 3.Farzana CNIC: 42301-0902672-2 4.Muhammad Shabbir Imamul CNIC: 42301-2493405-5 5.Farhan Imamul CNIC: 42301-0782717-3	Abdi Shakoor Imamul Abdul Shakoor Imamul Abdul Shakoor Imamul Abdul Shakoor	14,598	3,032	13,834	38,464	14,598	3,032	13,834	38,464	Current Finance
12	Al-Rehman Industries Rice Mills Address: Chak No. 115/9-1, Sahawal, Golemanud, Sahawal.	1.Muhammad Ali CNIC: 36502-2063044-5 2.Muhammad Asif CNIC: 36502-089258-3	Muhammad Raman Muhammad Raman	18,160	1,515	8,716	28,391	18,160	1,515	8,716	28,391	CF - Hypo CF Pledge
13	Trans World International Address: A1 Sardar Carpet Centre Shoba Chowk, Peshawar.	Mashar Ul Haq CNIC: 17301-1494522-1	Abdi Haq	13,718	477	9,886	24,031	13,718	477	9,886	24,031	Current Finance
14	Basoo Rice & Oil Mills Address: Nawar Kot Road, Khanpur, District Bahawalpur.	1.Muhammad Farooq CNIC: 38003-387948-9 2.Roshan Din CNIC: 31301-7432681-1 3.Hassan Din CNIC: 31301-7583216-7	Ghulam Nahi Ghulam Nahi Ghulam Nahi	10,043	1,983	9,483	21,509	10,043	1,983	9,483	21,509	Current Account (Hypo) Current Account (Pledge)
15	Faimah Seniors (Pvt.) Ltd Address: Link Melrod Road, Lahore.	1.Naeem Tahir 2.Naeem Tahir 3.Mrs. Yameen Tahir Syed Imtiaz Ali Taj 4.Sybil Arif 5.Sybil Arif	Naeem Tahir Muhammad Azam Naeem Tahir Syed Imtiaz Ali Taj Naeem Tahir	6,126	-	14,835	20,961	6,126	-	14,835	20,961	Current Finance PAPC
16	Premier Corporation Address: House No.75/1, Block 6,Pechi Karachi.	Sheikh Kashif Imtiaz CNIC: 42201-3865973-9	Sheikh Imtiaz Hussain	1,309	5,057	13,528	19,894	1,309	5,057	13,528	19,894	Current Finance
17	Mirza Shah Muhammad & Co Address: 49-A,Block C Pakistan Air Force Officers Colony, Ziarat Shaheed Road, Lahore Cantt.	1.Mirza Zeeshan Khalid CNIC: 35202-9786223-9 2.Mirza Ehsan Shahid CNIC: 36201-222855-9 3.Shahid Hafizul Malik CNIC: 36202-2142174-7	Mirza Shah Muhammad Mirza Shah Muhammad Hafizul Malik	10,000	1,400	7,578	18,978	10,000	1,400	7,578	18,978	Current Finance
18	National Wood Industries Pvt.Ltd Address: Gt Road Lalamusa, District Gujrat.	1.Ameena Tameer CNIC: 34202-8792384-9 2.Cs. Ghulam Tameer CNIC: 34201-296582-7	Ch Tameer Shafiq Kura Ch Muhammad Adam	2,099	5,132	11,350	18,581	2,099	5,132	11,350	18,581	Current Finance
19	Ashik Kids Collection Address: Aam Rengar Plaza Shop 23,Ground Floor,Dharmind,Dhaka.	Muhammad Nurul Islam	Muhammad Anul Islam	6,701	771	-	7,473	6,701	771	9,507	16,980	Overdraft
20	Jamal Enterprises Address: Grain Market, Chistian.	Muhammad Siddique Jamal CNIC: 31302-0607295-3	Hajj Jamal Din	5,649	7,398	3,533	16,560	5,649	7,398	3,533	16,560	Current Account (Hypo) CF & L/G Encashment
21	Safe International Address: Shalimar Field Bazar, Dera Ghazi Khan.	1.Htihar Ahmad Bhutti CNIC: 32002-3027355-7	Muhammad Raman Bhutti	6,484	1,012	7,392	14,888	6,484	1,012	7,392	14,888	Current Account (Hypo)
22	Awan Traders Address: Atar Shisha Qatabad Channa, Habibullah Road, Mianshah.	Muhammad Tahir CNIC: 19503-3622950-3	Muhammad Hussain	8,872	1,394	4,041	14,497	8,872	1,394	4,041	14,497	CF & L/G
23	Blair Enterprises & Mills Address: Main Sargodha Bypass, Jalipur Road, Hafabad.	1.Uneel Iqbal CNIC: 34001-6997261-7 2.Muhammad Bilal CNIC: 34301-6897691-7 3.Muhammad Yousof CNIC: 34301-6888612-7	Mehboob M.Yousaf Mehboob	5,000	2,040	4,967	12,007	5,000	2,040	4,967	12,007	Current Finance
24	Shiv Packages Address: Sh-414, Sector 24, Korang Industrial Area, Karachi	Syed Asif Hussain CNIC: 42101-324471-9	Wahid Hussain (Late)	4,900	1,533	5,031	11,464	4,900	1,533	5,031	11,464	Current Finance
25	Arshad Brothers Address: Chahla Mandi Haroonabad.	Muhammad Saleem CNIC: 31104-8536861-1	Abdi Jabbar	6,597	1,499	2,398	11,494	6,597	1,499	2,398	11,494	Current Account (Hypo)
26	Al Rahim Rice Mills Address: Grain Market,Bahawalnagar.	Shahid Muhammad Nadeem CNIC: 36302-3680564-3	Shahid Muhammad Shaifu	6,000	1,024	2,749	9,773	6,000	1,024	2,749	9,773	Current Account (Hypo)

(Express in '000)

S.No.	Name and Address of the borrower	Name of Individuals / Partners / Directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at Beginning of year as at January 01,2022					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 (5+6+7)	8					
1		3	4	5	6	7	8	9	10	11	12	13	
27	Al- Hanza Traders Address: 28-B, Qaile Mandi Sudqabad, Tehsil Sadqabad, District Rahimyar Khan.	1.Muhammad Javed Iqbal CNIC: 39344-210108-5 2.Shahid Javed CNIC: 39344-210124-2	Qr. Muhammad Talal Mrs. Muhammad Javed Iqbal	5,000	1,876	2,869	9,745	5,000	1,876	2,869	9,745	Current Account (Hypo)	
28	Saleem Ashraf Ara Machine Address: Jhang Road, Mazdargah.	Saleem Ashraf CNIC: 32003-727575-1	Muhammad Ashraf	4,947	1,231	2,662	8,840	4,947	1,231	2,662	8,840	Mfalah Karobar Finance	
29	Classic Marble Industry Address: Plot 25-A Small Industrial Estate Tehsil Gujrat Khan, District Rawalpindi.	1.Muhammad Iqbal Raheem CNIC: 37405-822680-9 2.Saib Iqbal CNIC: 37405-434577-9	Raheem Ahmed Muhammad Iqbal Raheem	4,824	201	3,771	8,796	4,824	201	3,771	8,796	Current Finance	
30	Haji Muhammad Hassan & Co. Address: Malik Brothers, Thameer Niaz Nagar, Kasur.	1.Umer Iqbal CNIC: 36002-300769-9 2.Muhammad Shahid Farooq CNIC: 36402-9956637-1 3.Muhammad Aslam CNIC: 36402-984402-1	Muhammad Hassan Muhammad Aslam Khan Din Muhammad Khan	5,063	1,954	1,006	7,623	5,063	1,954	1,006	7,623	Current Finance	
31	Zam Zama International Address: Plot 41B-A, Industrial Estate, Jamar Road, Peshawar.	Sajid Ahmed CNIC: 17701-546889-3	Muhammad Khan	3,500	422	3,011	6,933	3,500	422	3,011	6,933	Current Finance	
32	Sheikh Brothers Address:Gujranwala Road, Near Mezan Bank, Hafizabad.	1.Muhammad Imail CNIC: 34901-976495-5 2.Amir Sami CNIC: 34901-565367-1	Muhammad Imail	3,440	218	1,502	5,160	3,440	218	1,502	5,160	Mfalah Karobar Finance & LG	
33	Furqan Cloth House Address:House 4228,Moham Pura Scheme, Rawalpindi.	Yaseen Furqan CNIC: 37405-973228-5	Muhammad Harif	2,999	882	1,227	5,057	2,998	882	1,227	5,057	Current Finance	
34	Kurram Electric Company Address: Mouza Kalra Khwa, Gt Road Gujrat.	Sajid Ahmed CNIC: 34201-2288993-7	Ahmed Khan	615	1,721	1,888	4,224	615	1,721	1,888	4,224	Current Finance	
35	Alpine Computer System Address: 07 -48, Col Hassan Shopping Mall, Gtlt.	1.Gulshan Murtaza CNIC: 21108-800198-1 2.Abdul Qayyum CNIC: 79501-570728-1	Gulshan Hussain Gulshan Hussain	1,775	1,707	652	4,134	1,775	1,707	652	4,134	Current Finance	
36	Sajjad & Co Address: Darga Railway Road Doga, Tehsil Kharian, Distt Gujrat.	Sajjad Ahmed CNIC: 34202-5952830-5	Faiz Ahmed	1,099	459	1,376	2,933	1,099	459	1,376	2,933	Current Finance	
37	Imart Computer Tec. Ltd. Address: Bcs Computer City 31-30, Ground Floor DB Bhawan Sher-e-Bangla Nagar, Dhaka.	1.Akhteruzaman Khan 2.Talibina Akhter 3.Abdul Raheed Khan 4.Mohammad Nisa	Haji Abdul Latif Khan Akhteruzaman Khan N/A N/A	981	59	94	1,134	981	153	1,278	2,412	MPO-Long Term	
38	Salk Builders Address: Near Habi Bridge, Jalakpur Jattam, Road Gujrat.	Muhammad Salk Amat CNIC: 34201-0522492-7	Aemat Hussain	895	480	782	2,157	895	480	782	2,157	Current Finance	
39	Shoukat General Store Address: Near Poto Ground, Hospital Road, Sajidula Mohallah, Gtlt.	Shoukat Hussain CNIC: 79501-9501344-7	Muhammad Nosa	961	311	373	1,645	961	311	373	1,645	Current Finance	
40	Gulzar Ali & Sons Address: Husein Town Ittehad Colony, Ahlulia Colony, Peshawar.	Gulzar Ali CNIC: 17701-3986982-7	Rasul Gul	769	146	710	1,627	769	146	710	1,627	Mfalah Karobar Finance	
				845,080	263,461	364,248	1,472,789	643,118	220,938	597,608	1,457,664		

ANNEXURE - II

ISLAMIC BANKING BUSINESS (DOMESTIC)

The Bank operates 280 Islamic banking branches (2021: 230 branches) and 5 sub branches (2021: 2 sub branch) as at December 31, 2022.

STATEMENT OF FINANCIAL POSITION

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
ASSETS			
Cash and balances with treasury banks		20,521,711	15,428,071
Balances with other banks		1,773,265	805,107
Due from financial institutions	1	30,000,061	16,493,641
Investments	2	123,324,033	91,822,133
Islamic financing and related assets - net	3	150,417,644	133,102,677
Fixed assets		12,336,223	9,227,055
Intangible assets		32,914	18,002
Deferred tax assets		-	103,108
Other assets		14,939,868	12,289,789
Total Assets		353,345,719	279,289,583
LIABILITIES			
Bills payable		4,673,534	5,019,894
Due to financial institutions		39,964,773	31,305,163
Deposits and other accounts	4	255,671,950	200,390,388
Deferred tax liabilities		158,892	-
Other liabilities		35,489,084	27,473,205
		335,958,233	264,188,650
NET ASSETS		17,387,486	15,100,933
REPRESENTED BY			
Islamic Banking Fund		3,950,000	3,800,000
Surplus on revaluation of assets		2,007,741	2,376,812
Unappropriated/ Unremitted profit	6	11,429,745	8,924,121
		17,387,486	15,100,933
CONTINGENCIES AND COMMITMENTS			
	7		
PROFIT AND LOSS ACCOUNT			
		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
Profit / return earned	8	29,329,913	13,420,192
Profit / return expensed	9	15,648,056	5,272,823
Net Profit / return		13,681,857	8,147,369
Other income			
Fee and Commission Income		1,193,116	874,325
Foreign Exchange Income		654,201	322,236
Gain / (loss) on securities		18,071	(12,832)
Other Income		67,694	68,248
Total other income		1,933,082	1,251,977
Total Income		15,614,939	9,399,346
Other expenses			
Operating expenses		9,906,955	6,555,893
Workers' Welfare Fund		100,919	31,396
Other charges		4,309	1,619
Total other expenses		10,012,183	6,588,908
Operating Profit		5,602,756	2,810,438
Provisions and write offs - net		657,701	1,272,031
Profit before taxation		4,945,055	1,538,407
Taxation		2,440,810	581,628
Profit after taxation		2,504,245	956,779

2022			2021		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total

1 Due from Financial Institutions

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

Musharaka Placements	30,000,061	-	30,000,061	14,500,061	-	14,500,061
Bai Muajjal Receivables	-	-	-	1,993,580	-	1,993,580
	30,000,061	-	30,000,061	16,493,641	-	16,493,641

2 Investments

2022				2021			
Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

By segment & type:

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

Federal Government Securities**Available-for-sale securities**

Ijarah Sukuks	100,945,854	-	(925,105)	100,020,749	68,508,229	-	(404,622)	68,103,607
Naya Pakistan Certificates	4,779,075	-	-	4,779,075	1,016,120	-	-	1,016,120
	105,724,929	-	(925,105)	104,799,824	69,524,349	-	(404,622)	69,119,727

Held-to-maturity securities

Others Federal Government Securities	-	-	-	-	3,094,151	-	-	3,094,151
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Non Government Debt Securities**Available-for-sale securities**

Sukuks - Unlisted	16,579,545	-	129,707	16,709,252	17,385,415	-	239,990	17,625,405
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Held-to-maturity securities

Sukuks - Unlisted	1,895,679	(80,722)	-	1,814,957	2,063,572	(80,722)	-	1,982,850
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Total Investments

	124,200,153	(80,722)	(795,398)	123,324,033	92,067,487	(80,722)	(164,632)	91,822,133
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3 Islamic financing and related assets

Note

2022
----- (Rupees in '000) -----
2021

Ijarah	3.1	21,842,453	19,640,189
Murabaha	3.2	4,427,417	3,218,521
Musharaka		42,074,849	23,921,871
Diminishing Musharaka		3,747,820	3,700,611
Salam		3,561,970	8,323,762
Muajjal Financing		-	19,999,869
Musawama Financing		6,215,478	3,584,831
Islamic Staff financing		3,494,484	2,509,738
SBP Islamic Export Refinance		11,638,939	11,479,701
SBP Refinance Scheme For Wages & Salaries		306,658	2,721,556
Islamic Long Term Finance Facility Plant & Machinery		1,484,760	752,187
Islamic Refinance Renewable Energy		127,342	48,701
Islamic Temporary Economic Refinance Facility (ITERF)		10,119,342	1,536,776
Naya Pakistan Home Financing		3,548,291	1,147,252
Islamic Refinance Facility for Combating COVID		605,195	68,317
Advances against Islamic assets		29,243,089	30,620,850
Refinance Facility under Bills discounting		3,476,879	-
Inventory related to Islamic financing		6,597,230	3,261,485
Other Islamic modes		2,220,828	235,125
Gross Islamic financing and related assets		154,733,024	136,771,342

Less: provision against Islamic financings

- Specific

- General

(4,167,412)	(3,551,597)
(147,968)	(117,068)
(4,315,380)	(3,668,665)
150,417,644	133,102,677

Islamic financing and related assets - net of provision

3.1 Ijarah

2022							
Cost			Depreciation				Book Value as at 31 Dec 2022
As at Jan 01, 2022	Additions / (deletions)	As at Dec 31, 2022	As at Jan 01, 2022	Charge for the year	Depreciation on disposal	As at Dec 31, 2022	

(Rupees in '000)

Plant & Machinery	9,311	117	9,428	-	(116)	-	(116)	9,312
Vehicles	27,561,902	3,713,709	31,275,611	(7,931,024)	(1,511,446)	-	(9,442,470)	21,833,141
Total	27,571,213	3,713,826	31,285,039	(7,931,024)	(1,511,562)	-	(9,442,586)	21,842,453

2021							
Cost			Depreciation				Book Value as at 31 Dec 2021
As at Jan 01, 2021	Additions / (deletions)	As at Dec 31, 2021	As at Jan 01, 2021	Charge for the year	Depreciation on disposal	As at Dec 31, 2021	

(Rupees in '000)

Plant & Machinery	12,385	(3,074)	9,311	(893)	-	893	-	9,311
Vehicles	21,492,711	6,069,191	27,561,902	(7,150,808)	(780,216)	-	(7,931,024)	19,630,878
Total	21,505,096	6,066,117	27,571,213	(7,151,701)	(780,216)	893	(7,931,024)	19,640,189

3.1.1 Future Ijarah payments receivable

2022				2021			
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)

Ijarah rental receivables	4,586,822	17,255,631	-	21,842,453	3,572,294	16,067,895	-	19,640,189
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3.2 Murabaha

	Note	2022 ----- (Rupees in '000) -----	2021
Murabaha financing	3.2.1	4,427,417	3,218,521
Inventory for Murabaha	3.2.3	169,224	472,006
Advances for Murabaha		511,579	433,571
		<u>5,108,220</u>	<u>4,124,098</u>

3.2.1 Murabaha receivable - gross

Less: Deferred murabaha income	3.2.2	4,854,003	3,442,234
Profit receivable shown in other assets	3.2.4	(652)	(1,157)
Murabaha financings		<u>(425,934)</u>	<u>(222,556)</u>
		<u>4,427,417</u>	<u>3,218,521</u>

3.2.2 The movement in Murabaha financing (gross) during the year is as follows:

Opening balance	3,442,234	3,766,702
Sales during the year	1,411,769	-
Adjusted during the year	-	(324,468)
Closing balance	<u>4,854,003</u>	<u>3,442,234</u>

3.2.3 Murabaha sale price

Murabaha purchase price	27,581,471	52,255,206
	<u>(27,412,247)</u>	<u>(51,783,200)</u>
	<u>169,224</u>	<u>472,006</u>

3.2.4 Deferred murabaha income

Opening balance	1,157	1,157
Less: Recognised during the year	(505)	-
Closing balance	<u>652</u>	<u>1,157</u>

4 Deposits

	2022			2021		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
------(Rupees in '000)-----						
Customers						
Current deposits	107,113,838	6,825,030	113,938,868	86,434,680	5,571,558	92,006,238
Savings deposits	64,899,308	3,174,282	68,073,590	58,259,099	2,668,502	60,927,601
Term deposits	45,821,709	212,069	46,033,778	27,442,176	284,050	27,726,226
Other deposits	2,290,176	465,542	2,755,718	1,607,719	352,555	1,960,274
	220,125,031	10,676,923	230,801,954	173,743,674	8,876,665	182,620,339
Financial Institutions						
Current deposits	244,430	-	244,430	23,180	-	23,180
Savings deposits	270,566	-	270,566	214,369	-	214,369
Term deposits	24,355,000	-	24,355,000	17,532,500	-	17,532,500
	24,869,996	-	24,869,996	17,770,049	-	17,770,049
	244,995,027	10,676,923	255,671,950	191,513,723	8,876,665	200,390,388

	2022	2021
	------(Rupees in '000)-----	------(Rupees in '000)-----
4.1 Composition of deposits		
- Individuals	132,779,403	113,175,815
- Government / Public Sector Entities	19,680,007	5,867,418
- Banking Companies	10,898	14,280,269
- Non-Banking Financial Institutions	24,859,098	3,489,780
- Private Sector / Others	78,342,543	63,577,106
	<u>255,671,949</u>	<u>200,390,388</u>

4.2 Current deposits include remunerative current deposits of Rs. 14,325.601 million (2021: Rs. 8,823.382 million).

4.3 Deposits include eligible deposits of Rs. 165,808.859 million (2021: Rs. 137,620.640 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

	Note	2022	2021
		------(Rupees in '000)-----	------(Rupees in '000)-----
5 Charity Fund			
Opening Balance		12,322	30,475
Additions during the period			
Received from customers on account of delayed payment		61,564	24,598
Other Non-Shariah compliant income		38	512
Profit on charity saving account		637	437
		62,239	25,547
Payments / utilization during the period			
Education		(14,000)	(14,000)
Health		(1,500)	(12,100)
Others		(6,500)	(17,600)
	5.1.1	(22,000)	(43,700)
Closing Balance		<u>52,561</u>	<u>12,322</u>

	2022	2021
Note	------(Rupees in '000)-----	

5.1.1 Charity paid during the year are as follows:

Akhuwat	-	3,000
Alamgir Welfare Trust International	4,000	-
Al Mustafa Welfare Society	1,500	650
Alif Noon Parents Foundation (ANPF)	-	5,500
Bahria University	-	4,000
Indus Hospital & Health Network	-	950
Institute of Business Administration, Karachi (IBA)	-	4,500
Karwan-e-Hayat	-	3,000
Milestone	-	1,000
Memon Health and Education Foundation(MHEF)	1,500	-
National University of Sciences & Technology (NUST)	-	3,000
Special Children Rehabilitation Welfare Organization	-	1,100
Sundas Foundation	-	1,000
The Citizen Foundation	15,000	15,000
Zubaida Machiyara Trust	-	1,000
	<u>22,000</u>	<u>43,700</u>

6 Islamic Banking Business Unappropriated Profit

Opening Balance	8,924,121	7,965,912
Add: Islamic Banking profit before taxation for the period	4,945,055	1,538,407
Less: Taxation	(2,440,810)	(581,628)
Less: Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	1,379	1,430
Closing Balance	<u>11,429,745</u>	<u>8,924,121</u>

7 CONTINGENCIES AND COMMITMENTS

-Guarantees	4,306,277	3,624,100
-Commitments	58,893,007	69,720,999
	<u>63,199,284</u>	<u>73,345,099</u>

8 Profit/Return Earned of Financing, Investments and Placement

Financing	14,201,164	7,460,977
Investments	13,488,590	4,198,873
Placements	1,640,159	1,760,342
	<u>29,329,913</u>	<u>13,420,192</u>

9 Profit on Deposits and other Dues Expensed

Deposits and other accounts	12,336,565	4,074,116
Due to Financial Institutions	1,849,099	588,184
Securities sold under repurchase agreements	554,695	-
Cost of foreign currency swaps against foreign currency deposits / borrowings	197,340	131,338
Borrowing cost on lease liability	692,070	461,310
Reward Points / customer loyalty	18,287	17,875
	<u>15,648,056</u>	<u>5,272,823</u>

DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)**A-II.2 1. The pools, their key features and risk and reward characteristics.**

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

Currently IBG is managing following pools:

- 1) General pool for LCY depositors
- 2) FCY pool for foreign currency (USD, GBP, 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) PMRC Musharikah 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.

	2022	2021
	------(Rupees in '000)-----	
Agriculture, Forestry, Hunting and Fishing	784,589	21,074,345
Automobile and transportation equipment	7,595,658	4,789,450
Cement	4,622,222	4,320,169
Chemical and Pharmaceuticals	9,349,258	6,504,602
Construction	2,877,944	3,041,612
Electronics and electrical appliances	1,553,152	1,555,604
Exports / Imports	556	126,223
Financial	220,000	556,300
Food & Allied Products	9,398,453	5,165,571
Footwear and Leather garments	871,411	884,036
Glass and Ceramics	127,652	96,824
Individuals	33,543,245	29,000,085
Metal & Allied industries	2,445,184	2,065,731
Mining and Quarrying	507,314	5,534
Oil and Allied	4,427,967	2,820,773
Paper and Board	957,214	767,537
Plastic and Allied Industries	2,979,808	2,421,891
Power (electricity), Gas, Water, Sanitary	7,923,231	9,040,180
Services	2,657,917	2,192,142
Sugar	2,778,838	1,799,775
Technology and Related Services	56,530	41,158
Textile	46,702,510	33,613,974
Transport, Storage and Communication	6,289,478	592,580
Wholesale and Retail Trade	4,226,059	3,200,032
Others	1,836,051	1,093,597
Total Gross Islamic Financing and Related Assets	154,733,024	136,771,342
Total Gross Investments (cost)	124,200,153	92,067,487
Total Islamic Placements	30,000,061	16,493,641
Total Invested Funds	308,933,238	245,332,470

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
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		%	Mudarib Share/Fee	Rabbul Maal Share	(Rupees in '000)	%	%	(Rupees in '000)
General Pool								
PKR Pool	Monthly	11.51%	50.00%	50.00%	5,581,998	7.31%	7.85%	371,348
USD Pool	Monthly	3.69%	85.00%	15.00%	88,577	0.53%	8.70%	3,854
GBP Pool	Monthly	3.30%	85.00%	15.00%	9,105	0.77%	15.32%	1,179
EUR Pool	Monthly	2.53%	85.00%	15.00%	6,108	0.54%	16.29%	650
AED Pool	Monthly	3.36%	85.00%	15.00%	504	0.36%	4.23%	22
SAR Pool	Monthly	3.43%	85.00%	15.00%	522	0.21%	1.54%	175
CAD Pool	Monthly	1.66%	85.00%	15.00%	84	0.02%	3.92%	2
Special Pool								
Special Pool (Saving)	Monthly	9.10%	17.57%	82.43%	13,315	8.93%	6.92%	1,245
Special Pool (TDR)	Monthly	13.46%	4.30%	95.70%	197,448	13.44%	0.00%	-
Special Pool FBA (Saving)	Monthly	12.31%	15.00%	85.00%	40,880	11.17%	40.71%	17,658

SBP Refinance Borrowing Pool	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
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		%	Bank Share	SBP Share	(Rupees in '000)	%	%	(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	5.65%	83.71%	16.29%	1,811,063	nil	0.03%	66,000

ANNEXURE - III - note 10.2.4**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						
Office equipment	Air Conditioners	4,747	1,900	4,454	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	ATM Machines	1,907	316	762	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	Generators	1,679	953	1,220	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	Cash Sorting Machine	1,644	170	449	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	CCTV	469	171	345	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	UPS	323	98	166	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	Queue Management System	261	101	109	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	Note Counting/Binding Machines	92	35	72	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	Television	37	14	28	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	Access Control System	36	1	13	Insurance claim	Alfalalah Insurance Company Limited
Office equipment	Others	2,274	1,001	1,814	Insurance claim	Alfalalah Insurance Company Limited
		13,469	4,760	9,432		
Computer equipment						
Computer equipment	Laptop	6,447	2,191	2,857	Insurance claim	Alfalalah Insurance Company Limited
Computer equipment	Computer	791	383	528	Insurance claim	Alfalalah Insurance Company Limited
Computer equipment	Scanner	204	64	160	Insurance claim	Alfalalah Insurance Company Limited
Computer equipment	Printer	107	82	59	Insurance claim	Alfalalah Insurance Company Limited
Computer equipment	Laptop	92	-	9	As per Policy	Javed Iqbal
Computer equipment	iPad	120	-	12	As per Policy	Anjum Hai
Computer equipment	Laptop	273	-	27	As per Policy	Muhammad Yahya Khan
Computer equipment	Laptop	157	-	16	As per Policy	Mohib Hasan Khan
		8,191	2,720	3,668		
Furniture & Fixtures						
Furniture & fixtures	Table	140	96	112	Insurance claim	Alfalalah Insurance Company Limited
Furniture & fixtures	Others	126	87	97	Insurance claim	Alfalalah Insurance Company Limited
		266	183	209		
Leasehold improvements						
Leasehold improvements	Civil Works	14,577	96	14,568	Insurance claim	Alfalalah Insurance Company Limited
		36,503	7,759	27,877		

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 2022, 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 2022, 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>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 individually significant corporate loans and a representative sample of borrowers from the credit portfolios across various branches, 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 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: 21st February 2023

UDIN Number: AR202210120ebNW257wA

Consolidated Statement Of Financial Position

As at December 31, 2022

	Note	2022	2021
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	5	140,613,751	105,606,930
Balances with other banks	6	10,105,449	9,981,307
Lendings to financial institutions	7	115,353,599	35,982,065
Investments	8	1,117,616,363	811,923,246
Advances	9	732,385,815	673,883,285
Fixed assets	10	48,493,284	39,561,952
Intangible assets	11	1,304,181	1,119,389
Deferred tax assets	12	7,550,773	1,157,470
Other assets	13	83,296,493	57,557,447
		2,256,719,708	1,736,773,091
LIABILITIES			
Bills payable	14	40,033,806	22,825,500
Borrowings	15	491,649,941	384,108,872
Deposits and other accounts	16	1,486,836,260	1,139,009,620
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	14,000,000	7,000,000
Deferred tax liabilities		-	-
Other liabilities	18	122,136,332	81,955,000
		2,154,656,339	1,634,898,992
NET ASSETS		102,063,369	101,874,099
REPRESENTED BY			
Share capital	19	15,771,651	17,771,651
Reserves		34,283,201	29,953,963
Surplus on revaluation of assets	20	4,847,101	11,440,246
Unappropriated profit		47,033,616	42,578,350
Total equity attributable to the equity holders of the Bank		101,935,569	101,744,210
Non-controlling interest	21	127,800	129,889
		102,063,369	101,874,099
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 50 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, 2022

	Note	2022	2021
		----- (Rupees in '000) -----	
Mark-up/Return/Interest Earned	24	213,949,738	100,411,841
Mark-up/Return/Interest Expensed	25	136,679,191	54,148,073
Net Mark-up/Return/ Interest Income		<u>77,270,547</u>	<u>46,263,768</u>
NON MARK-UP/RETURN/INTEREST INCOME			
Fee and Commission Income	26	11,231,877	8,303,445
Dividend Income		1,091,320	492,297
Foreign Exchange Income		9,218,628	4,127,984
Gain from derivatives		331,578	200,776
(Loss) / gain on securities	27	(162,659)	3,143,609
Share of profit from associates		669,831	573,254
Other Income	28	325,971	175,973
Total non-markup/interest Income		<u>22,706,546</u>	<u>17,017,338</u>
Total Income		<u>99,977,093</u>	<u>63,281,106</u>
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	29	49,897,939	36,538,606
Workers' Welfare Fund	30	907,442	498,436
Other charges	31	27,178	25,520
Total non-markup/interest expenses		<u>50,832,559</u>	<u>37,062,562</u>
Profit Before Provisions		<u>49,144,534</u>	<u>26,218,544</u>
Provisions and write offs - net	32	12,467,133	2,311,856
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		<u>36,677,401</u>	<u>23,906,688</u>
Taxation	33	18,279,937	9,446,220
PROFIT AFTER TAXATION		<u>18,397,464</u>	<u>14,460,468</u>
Profit attributable to:			
Equity holders of the Holding Company		18,394,766	14,436,704
Non-controlling interest		2,698	23,764
		<u>18,397,464</u>	<u>14,460,468</u>
		-----Rupees-----	
Basic and Diluted Earnings per share	34	<u>10.38</u>	<u>8.12</u>

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	2022	2021
	----- (Rupees in '000) -----	
Profit after taxation	18,397,464	14,460,468
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	2,508,593	852,274
Movement in surplus / (deficit) on revaluation of investments - net of tax	(6,317,573)	(4,491,606)
Movement in surplus / (deficit) on revaluation of investments - net of tax (share of associates)	(7,264)	(12,136)
	(3,816,244)	(3,651,468)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(295,427)	29,607
Remeasurement gain on defined benefit obligations - net of tax (share of associates)	205	40
Movement in (deficit) / surplus on revaluation of operating fixed assets - net of tax	(82,236)	5,438,294
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	31,823	(16,259)
	(345,635)	5,451,682
Total comprehensive income	14,235,585	16,260,682
Total comprehensive income attributable to:		
Equity holders of the Holding Company	14,233,418	16,238,230
Non-controlling interest	2,167	22,452
	14,235,585	16,260,682

The annexed notes 1 to 50 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, 2022

	Capital Reserves				Surplus/(Deficit) on revaluation				Sub -total	Non Controlling Interest	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Investments	Fixed Assets	Non Banking Assets	Unappropriated profit			
	(Rupees in '000)										
Balance as at January 1, 2021	17,771,651	4,731,049	7,358,815	15,590,158	3,282,573	7,141,899	103,947	36,572,971	92,553,063	107,437	92,660,500
Profit after taxation	-	-	-	-	-	-	-	14,436,704	14,436,704	23,764	14,460,468
Other comprehensive income - net of tax	-	-	852,274	-	(4,510,208)	5,499,855	(16,163)	37,345	1,863,103	(1,312)	1,861,791
Transfer to statutory reserve	-	-	-	1,421,667	-	-	-	(1,421,667)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(61,561)	(96)	61,657	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2020 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Interim cash dividend for the year ended December 31, 2021 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balance as at December 31, 2021	17,771,651	4,731,049	8,211,089	17,011,825	(1,227,635)	12,580,193	87,688	42,578,350	101,744,210	129,889	101,874,099
Profit after taxation	-	-	-	-	-	-	-	18,394,766	18,394,766	2,698	18,397,464
Other comprehensive income - net of tax	-	-	2,508,593	-	(6,324,837)	(82,236)	31,823	(294,691)	(4,161,348)	(531)	(4,161,879)
Transfer of revaluation surplus upon change in use - net of tax	-	-	-	-	-	36,884	(36,884)	-	-	-	-
Transfer to statutory reserve	-	-	-	1,820,645	-	-	-	(1,820,645)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(4,024)	(213,749)	(122)	217,895	-	-	-
Transactions with owners, recorded directly in equity											
Sale of shares by Non-controlling interest	-	-	-	-	-	-	-	-	-	(5,217)	(5,217)
Movement in reserve due to capital injection	-	-	-	-	-	-	-	(961)	(961)	961	-
Final cash dividend for the year ended December 31, 2021 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Interim cash dividend for the half year ended June 30, 2022 - 25%	-	-	-	-	-	-	-	(4,442,913)	(4,442,913)	-	(4,442,913)
Own shares purchased during the year	(2,000,000)	-	-	-	-	-	-	(4,043,855)	(6,043,855)	-	(6,043,855)
Balance as at December 31, 2022	15,771,651	4,731,049	10,719,682	18,832,470	(7,556,496)	12,321,092	82,505	47,033,616	101,935,569	127,800	102,063,369

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Cash Flow Statement

For the year ended December 31, 2022

	Note	2022	2021
		------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		36,677,401	23,906,688
Dividend income		(1,091,320)	(492,297)
Share of profit from associates		(669,831)	(573,254)
		<u>34,916,250</u>	<u>22,841,137</u>
Adjustments			
Depreciation		5,430,439	4,400,445
Amortisation		351,770	396,183
Provisions and write offs - net	32	12,467,133	2,311,856
Unrealised loss on revaluation of investments classified as held for trading - net		27,109	423,888
Gain on sale of operating fixed assets and non banking assets - net		(121,172)	(53,350)
Gain on termination of leases (IFRS 16) - net		(121,876)	(42,895)
Borrowing cost on lease liability		1,924,717	1,469,860
Workers' Welfare Fund		907,442	498,436
Charge for defined benefit plan		282,939	216,848
Charge for staff compensated absences		67,268	23,118
		<u>21,215,769</u>	<u>9,644,389</u>
		<u>56,132,019</u>	<u>32,485,526</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(60,076,346)	47,896,801
Held for trading securities		87,580,431	(30,556,726)
Advances		(67,446,329)	(98,031,441)
Other assets (excluding advance taxation)		(26,395,226)	(12,179,113)
		<u>(66,337,470)</u>	<u>(92,870,479)</u>
Increase in operating liabilities			
Bills payable		17,208,306	254,378
Borrowings		104,259,995	68,812,670
Deposits		347,826,640	257,259,458
Other liabilities (excluding current taxation)		28,937,553	11,368,649
		<u>498,232,494</u>	<u>337,695,155</u>
		<u>488,027,043</u>	<u>277,310,202</u>
Contribution made to gratuity fund		(268,817)	(216,848)
Income tax paid		(16,994,271)	(8,345,657)
Net cash generated from operating activities		<u>470,763,955</u>	<u>268,747,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(397,937,132)	(217,375,465)
Net investments in held-to-maturity securities		(10,879,143)	(22,479,891)
Payment made to non-controlling interest		(5,217)	-
Dividends received from associated companies		140,995	111,000
Dividends received		1,091,320	494,680
Investments in operating fixed assets		(8,720,983)	(3,871,871)
Proceed from sale proceeds of fixed assets		442,077	70,908
Effect of translation of net investment in foreign branches		2,508,593	852,274
Net cash used in investing activities		<u>(413,359,490)</u>	<u>(242,198,365)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of subordinated debt		7,000,000	-
Payment of leased obligations		(3,833,077)	(3,259,508)
Purchase of own shares		(6,043,855)	-
Dividend paid		(3,382,063)	(7,091,975)
Net cash used in financing activities		<u>(6,258,995)</u>	<u>(10,351,483)</u>
Increase in cash and cash equivalents		<u>51,145,470</u>	<u>16,197,849</u>
Cash and cash equivalents at beginning of the year		146,720,773	123,946,285
Effects of exchange rate changes on cash and cash equivalents - gain		(11,928,051)	(5,351,412)
		<u>134,792,722</u>	<u>118,594,873</u>
Cash and cash equivalents at end of the year	35	<u>185,938,192</u>	<u>134,792,722</u>

The annexed notes 1 to 50 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, 2022

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company **Bank Alfalah Limited, Pakistan**

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services in Pakistan and overseas. 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 877 branches (2021: 770 branches) and 17 sub-branches (2021: 20 sub-branches). Out of the 877 branches, 586 (2021: 529) are conventional, 280 (2021: 230) are Islamic, 10 (December 31, 2021: 10) are overseas and 1 (December 31, 2021: 1) is an offshore banking unit.

	Percentage of Holding	
	2022	2021
Subsidiary		
Alfalah CLSA Securities (Private) Limited, Pakistan	62.50%	61.20%

1.1.1 During the year, the Bank has purchased stake of 1.3% from the non control interest of the subsidiary.

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 These financial statements have been prepared in accordance with forms for the preparation of the annual financial statements of the Holding company issued by SBP, vide its BPRD Circular No. 02 dated January 25, 2018.

2.3 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.
- 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'.

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.

2.3.1 Basis of consolidation

Subsidiary are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to affect those return through its power to direct activities of the investee.

These consolidated financial statements incorporate the balances and transactions of subsidiaries from the date that control commences until the date that control ceases.

Profit or loss and each component of the OCI are attributed to the equity holders of the Holding Company and to the non-controlling interests (NCI) even if it results in the NCI having a deficit balance.

Material Intra-group balances and transactions with subsidiaries are eliminated.

A change in ownership of a subsidiary, without loss of control is accounted for as an equity transaction.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the Holding Company.

Associates are those entities in which the Group has significant influence, but not control over, the financial and operating policies. Associates are accounted for using the equity method.

Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

2.3.2 The Holding company believes that there is no significant doubt on the Holding company's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on the going concern basis.

2.4 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, 2022 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.

2.5 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, 2023:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2024
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
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

2.5.1 IFRS 9 Financial Instruments

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

The subsidiary and certain associates have already adopted IFRS 9 in previous years or are exempted from the same. The adoption of IFRS 9 at the Group level will not have an effect on the carrying amounts of assets and liabilities of the subsidiary and investment in associates included in these financial statements.

During the 2022, the management of the Holding Company has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Holding Company will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

2.5.1.1 Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Debt securities that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Holding Company's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). Equity instruments are generally measured as Fair Value through Profit & Loss (FVTPL) unless the Holding Company elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Holding Company has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity Securities

The Holding Company expects to continue measuring equity securities at fair value.

For certain quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Holding Company will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities.

For those quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI for which FVOCI election is not made, will, instead, be measured at fair value through profit or loss (FVTPL), with mark to market impacts recorded profit or loss for future periods. The AFS reserve related to those securities, which is currently presented as accumulated OCI, will be reclassified from revaluation surplus/deficit to retained earnings, however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measure at fair value under IFRS 9, however, SBP has allowed relaxation to the banks till one year to carry these investments under the current prudential regulation regime at lower of cost or breakup value.

Debt securities and Loans and advances

Debt securities currently classified as AFS and those which pass SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those which pass SPPI test are expected to be measured at amortized costs under IFRS 9 as the business model is to hold the assets to collect contractual cash flows.

2.5.1.2 Impairment

The impairment requirements apply to financial assets measured at Amortised Cost and FVOCI (other than equity instruments), loans and receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is an objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Holding Company has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

2.5.1.3 Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

2.5.1.4 Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Holding Company's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The State Bank of Pakistan is yet to issue a revised format for financial statements of the banks for the accounting periods starting from 1 January 2023, which shall include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

2.5.1.5 Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Holding Company's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Holding Company would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Holding Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

Based on the Holding Company's assessment, the IFRS 9 requirements are expected to have an impact on the classification and measurement of some of its financial assets and financial liabilities.

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Holding Company's equity at 1 January 2023 is reduction in equity of approximately Rs. 1,986.048 million, representing corresponding impact of:

- 1 Decrease of approximately Rs. 3,791.640 million related to impairment requirements; and
- 2 An increase of approximately Rs. 1,805.592 million related to classification and measurement requirements.

In light of current economic uncertainty, the management based on its assessment is carrying a general provision of Rs. 5,971.000 million against high risk advance portfolio and portfolio affected by flood. Under IFRS 9, this will continue to be carried as management overlay.

Certain debt instruments classified in AFS or / and HTM categories, that fail SPPI test would be measured at fair value through profit and loss.

Impact on regulatory capital

The introduction of IFRS 9 will result in reduction in regulatory capital of the Banks, which may impact lending and investment limits. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the FIs to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.

The impact of adoption of IFRS 9 on the capital ratios of the Holding Company are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	9.47%	9.51%
Tier 1 Capital Adequacy Ratio	11.05%	11.09%
Total Capital Adequacy Ratio	13.88%	13.83%
CET1 available to meet buffers (as a percentage of risk weighted assets)	3.47%	3.51%

2.6 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, 37 and 39)
- v) depreciation of operating fixed assets and non banking assets acquired in satisfaction of claim (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 13.1)
- viii) impairment of assets (note 4.12)
- ix) fair value measurement of financial instruments (note 41)
- x) Provision against other assets and other provisions (notes 41.4 and 13.3)
- xi) Provision against off balance sheet obligations and contingent liabilities (notes 4.13, 4.15 and 18.1)
- xii) determination of the lease term for lease contracts with renewal and termination options (Holding Company as a lessee) (Group as a lessee) (note 4.5.4.1, 10.3 and 18.3)
- xiii) incremental borrowing rate (note 4.5.4.1)

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. 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, overdrawn nostro accounts and call lendings having original maturity of three months or less.

4.2 Lendings to / borrowings from financial institutions

The Holding Company 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:

4.2.1 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.

4.2.2 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.

4.2.3 Bai Muajjal

The Holding Company enters into Bai Muajjal transactions of sale (lending) and purchase (borrowing). These are recorded as below:

Bai Muajjal Purchase

Bai Muajjal transactions represent purchase of shariah compliant instruments on deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

Bai Muajjal Sale

Bai Muajjal transactions represent sale of shariah compliant instruments on deferred payment basis and are shown in borrowings. The credit price is agreed at the time of purchase and the proceeds are paid at the end of the credit period. The difference between the deferred payment amount payable and the carrying value at the time of purchase is accrued and recorded as borrowing cost over the life of the transaction.

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

under the Equity accounting method, investments 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. The aggregate of Group's share of profit or loss of an associate is shown in profit or loss account as share of profit. Any change in OCI of the investees is presented as part of Group's OCI to the extent of group's share in other comprehensive income/loss. Dividends from associates are eliminated from the carrying amount of the investment. Unrealized gains and losses resulting from transactions between Group and associates are eliminated.

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. Details of valuation techniques used in determination of fair value is included in note 41.1 of these consolidated financial statements.

4.3.5 Impairment

The Holding Company determines provision for diminution in the value of debt securities as per the Prudential Regulations issued by the SBP. When a debt security, other than a government security, is classified as available-for-sale and considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of a debt instrument increases the impairment loss is reversed through the profit and loss account. When a debt security, other than government security classified as held-to-maturity and considered to be impaired, the impairment is directly charged to the profit and loss account as held-to-maturity securities are carried at amortized cost. Any subsequent reversal of an impairment loss, up to the cost of the investment in the debt security is credited to the profit and loss account.

The Holding Company determines impairment on available-for-sale listed equity securities when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgement. A subsequent increase in the fair value of a previously impaired listed equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal.

A decline in the carrying value of unlisted equity securities is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account.

The Group considers that a decline in the recoverable value of its investments in associates and joint ventures are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, higher of fair value less cost to sell and value in use, the investments in associates are written down to their recoverable amounts and the resulting impairment loss is taken to 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.

Provision against investments by the overseas branches is made as per the requirements of the respective countries in which overseas branches operates.

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 high risk and flood impacted advances portfolio is based on management's estimates as disclosed in note 9.6.5 (iv). 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 Holding Company 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 Holding Company 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. General reserve against high risk and flood impacted advances portfolio is based on management's estimates as disclosed in note 9.6.5 (iv). 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 Holding Company 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 Holding Company 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 Holding Company 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.

After the commencement date, the Holding Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

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 as per SBP's requirement, 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. Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account on straight line method over the useful life of the assets. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to Holding Company 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.
- c) Swap cost arises when surplus foreign currency funds are sold to purchase local currency funds from the market. Swap cost is recorded as an expense in the period in which it is incurred.

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 (The Holding Company) 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. The actuarial valuations involve assumption and estimates of discount rates, expected rates of return on assets, future salary increases and future inflation rates as disclosed in note 37.1.3. 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. The Holding Company contribute 8.33% of basic salary in equal monthly contributions. However, employees have the option, to have their provident fund contribution deducted at 8.33%, 10% or 12% of their monthly basic salary.

c) Compensated absences

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

d) Share Based Payment

The Holding Company has granted a cash award equivalent to the ordinary shares allotted to certain employees under Phantom Shares Award. The entitlement shall vest with the employees in three (3) equivalent proportions on the vesting dates over a period of three (3) years. The grant date is January 1, 2021 and the first vesting date is 365 calendar days from the grant date. Subsequently, second and third vesting dates to follow 365 calendar days from the preceding vesting dates. On each vesting date, the employees shall be entitled to a cash award for 33.33% (thirty-three and one third of one percent) of the total Phantom Shares Entitlement equivalent to fair market value of the Holding Company's share on vesting date.

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

The Holding Company recognises compensation expense with corresponding liability at the fair value of the award. Until the liability is settled, the Holding Company re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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 Holding Company expects to be entitled in exchange for providing the services. The Holding Company recognises fees earned on transaction-based arrangements at a point in time when the Holding Company has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

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 of non-financial assets

The carrying amount of assets is reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such event 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 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. Only when permitted by the approved accounting standards as applicable in Pakistan.

4.17 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

4.18 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.

4.19 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.

4.20 Dividend and appropriation to reserves

Dividend declared and appropriations, except for transfer to statutory reserve, are made subsequent to the date of Statement of Financial Position and are considered as non adjusting events and are recorded as a liability in the Groups' financial statements in the year in which these are approved by the directors / shareholders, as appropriate.

4.21 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 Holding Company by the weighted average number of ordinary shares outstanding during the year, consolidating the impact of treasury stocks, if any.

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.

4.22 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.

4.22.1 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 Holding Company. 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 Holding Company'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 Holding Company 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 (Domestic)

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

International operations

This segment includes amounts related to Holding Company's overseas operations, namely, banking activities in Bangladesh, Afghanistan, United Arab Emirates and Kingdom of Bahrain.

Brokerage

It includes stock brokerage and investment consultancy through the subsidiary Alfalah CLSA Securities (Private) Limited.

Others

This includes the head office related activities, and all other activities not directly tagged or allocated to the segments above.

4.22.2 Geographical segments

The Group operates in three geographical regions being:

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

	Note	2022	2021
		----(Rupees in '000)----	
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		34,295,288	21,886,083
Foreign currency		3,692,104	2,722,351
		37,987,392	24,608,434
With State Bank of Pakistan in			
Local currency current accounts	5.1	46,845,917	47,249,054
Foreign currency current accounts	5.2	3,528,124	5,231,881
Foreign currency deposit accounts	5.3	687,240	9,466,467
		51,061,281	61,947,402
With other central banks in			
Foreign currency current accounts	5.4	49,697,265	10,970,223
Foreign currency deposit accounts	5.5	1,679,531	1,155,363
		51,376,796	12,125,586
With National Bank of Pakistan in local currency current account		92,407	6,699,191
Prize bonds		95,875	226,317
		<u>140,613,751</u>	<u>105,606,930</u>

- 5.1** This represents local currency current account maintained under the cash reserve requirement of the State Bank of Pakistan.
- 5.2** These represent US Dollar and other foreign currency settlement accounts and a foreign currency current account maintained under the cash reserve requirement of the State Bank of Pakistan.
- 5.3** This represents foreign currency deposit account maintained under the special cash reserve of the State Bank of Pakistan. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry interest rate ranging from 0.00% to 3.14% per annum (2021: 0.00% per annum).
- 5.4** These represent deposits with other central banks pertaining to the overseas operations of the Holding Company, to meet their minimum cash reserves and capital requirements.
- 5.5** These represent deposits with other central banks pertaining to the overseas operations of the Holding Company, in accordance with their regulatory requirements and carry interest rates ranging from 0.00% to 2.04% per annum (2021: 0.00% to 0.32% per annum).

	Note	2022	2021
		----(Rupees in '000)----	
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		625,050	159,395
In deposit accounts	6.1	13,013	57,615
		638,063	217,010
Outside Pakistan			
In current accounts	6.2	9,438,572	9,737,924
In deposit accounts	6.3	28,814	26,373
		9,467,386	9,764,297
		<u>10,105,449</u>	<u>9,981,307</u>

- 6.1** This represents funds deposited with various banks at profit rates ranging from 3.25% to 14.50% per annum (2021: 2.80% to 7.25% per annum).
- 6.2** This includes amount held in Automated Investment Plans. The Holding Company 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 1.00% to 1.25% per annum (2021: 0.10% to 1.00% per annum).

	Note	2022 ----(Rupees in '000)----	2021
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	7.1	40,384,136	22,815,581
Repurchase agreement lendings(Reverse Repo)	7.2	74,969,700	11,172,904
Bai Muajjal receivable - other financial institutions	7.3	-	1,993,580
		<u>115,353,836</u>	<u>35,982,065</u>
Less: expected credit loss - overseas branches		(237)	-
Lendings to Financial Institutions - net of provision		<u>115,353,599</u>	<u>35,982,065</u>

7.1 These represent lendings to financial institutions at markup rates ranging from 5.00% to 16.20% per annum (2021: 0.15% to 10.75% per annum) having maturities upto March 2023 (2021: March 2022).

7.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 15.85% to 16.20% per annum (2021: 10.50% to 10.75% per annum) with maturities upto January 2023 (2021: January 2022).

7.3 In 2021, Bai Muajjal contract outstanding carried markup rate of 7.50% per annum and matured in January 2022.

7.4 Particulars of lending - gross

In local currency	104,969,761	26,097,190
In foreign currencies	<u>10,384,075</u>	<u>9,884,875</u>
	<u>115,353,836</u>	<u>35,982,065</u>

7.5 Securities held as collateral against lending to financial institutions

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	52,348,826	-	52,348,826	8,842,827	-	8,842,827
Pakistan Investment Bonds	22,620,874	-	22,620,874	2,330,077	-	2,330,077
Total	<u>74,969,700</u>	<u>-</u>	<u>74,969,700</u>	<u>11,172,904</u>	<u>-</u>	<u>11,172,904</u>

8 INVESTMENTS

Note	2022				2021			
	Cost / Amortised cost	Provision for diminution / expected credit loss (ECL)	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution / expected credit loss (ECL)	Surplus / (Deficit)	Carrying Value
8.1 Investments by type:								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	2,074,210	-	(2,994)	2,071,216	58,471,616	-	(20,039)	58,451,577
Pakistan Investment Bonds	4,173,096	-	33,445	4,206,541	38,043,325	-	993	38,044,318
Government of Pakistan Sukuks	3,059,648	-	7,862	3,067,510	-	-	-	-
Shares								
Ordinary shares / units - Listed	593,977	-	(60,544)	533,433	1,010,085	-	(13,039)	997,046
Foreign Securities								
Overseas Bonds - Sovereign	3,698,451	-	(4,878)	3,693,573	4,078,675	-	(391,803)	3,686,872
	13,599,382	-	(27,109)	13,572,273	101,603,701	-	(423,888)	101,179,813
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	2,402	-	(7)	2,395	66,709,176	-	(31,162)	66,678,014
Pakistan Investment Bonds	831,017,092	-	(7,636,247)	823,380,845	421,777,608	-	(2,068,279)	419,709,329
Government of Pakistan Sukuks	104,886,109	-	(939,360)	103,946,749	70,415,751	-	(427,810)	69,987,941
Government of Pakistan Euro Bonds	11,917,603	(2,012,101)	(4,753,348)	5,152,154	6,672,320	(112,791)	(16,227)	6,543,302
Naya Pakistan Certificates	4,779,075	-	-	4,779,075	1,016,120	-	-	1,016,120
Shares								
Ordinary shares - Listed	7,205,583	(829,340)	(453,569)	5,922,674	4,228,215	(315,697)	50,388	3,962,906
Ordinary shares - Unlisted	1,211,363	(88,038)	-	1,123,325	1,211,363	(55,725)	-	1,155,638
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	2,986,517	(411,218)	(48)	2,575,251	2,426,778	(311,298)	(10,682)	2,104,798
Sukuks	16,676,056	(96,511)	129,707	16,709,252	17,481,926	(96,511)	239,990	17,625,405
Foreign Securities								
Overseas Bonds - Sovereign	26,861,689	(64,732)	(1,679,122)	25,117,835	16,991,437	(41,404)	300,601	17,250,634
Overseas Bonds - Others	25,310,922	(10,416)	(2,074,381)	23,226,125	25,215,398	(13,347)	521,640	25,723,691
Redeemable Participating Certificates	4,338,537	-	-	4,338,537	3,310,874	-	-	3,310,874
REIT Fund - Unlisted	700,000	-	-	700,000	-	-	-	-
	1,038,026,783	(3,646,191)	(17,406,375)	1,016,974,217	637,590,801	(1,080,608)	(1,441,541)	635,068,652
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	68,564,798	-	-	68,564,798	52,966,763	-	-	52,966,763
Government of Pakistan Euro Bonds	-	-	-	-	-	-	-	-
Other Federal Government Securities	-	-	-	-	3,094,151	-	-	3,094,151
Non Government Debt Securities								
Term Finance Certificates	864,680	(24,680)	-	840,000	431,347	(24,680)	-	406,667
Sukuks	1,895,679	(80,722)	-	1,814,957	2,063,572	(80,722)	-	1,982,850
Foreign Securities								
Overseas Bonds - Sovereign	11,216,215	(168)	-	11,216,047	13,106,228	-	-	13,106,228
Overseas Bonds - Others	-	-	-	-	-	-	-	-
	82,541,372	(105,570)	-	82,435,802	71,662,061	(105,402)	-	71,556,659
Associates (valued at equity method)	4,634,071	-	-	4,634,071	4,118,122	-	-	4,118,122
Total Investments	1,138,801,608	(3,751,761)	(17,433,484)	1,117,616,363	814,974,685	(1,186,010)	(1,865,429)	811,923,246

8.1.1 The adoption of IFRS 9 at Bahrain Operations of the Holding Company 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.

	2022				
	Investment as at January 1	Share of Profit	Share of Other Comprehensive Income	Dividend received during the year	Balance as at December 31
	(Rupees in '000)				
Alfalalah Insurance Company Limited	552,910	91,006	(12,887)	(29,995)	601,034
Sapphire Wind Power Company Limited	3,039,576	508,150	-	(111,000)	3,436,726
Alfalalah GHP Investment Management Limited	525,636	70,675	-	-	596,311
	4,118,122	669,831	(12,887)	(140,995)	4,634,071

	2021				
	Investment as at January 1	Share of Profit	Share of Other Comprehensive loss	Dividend received during the year	Balance as at December 31
	(Rupees in '000)				
Alfalalah Insurance Company Limited	492,334	79,752	(19,176)	-	552,910
Sapphire Wind Power Company Limited	2,716,955	433,621	-	(111,000)	3,039,576
Alfalalah GHP Investment Management Limited	465,755	59,881	-	-	525,636
	3,675,044	573,254	(19,176)	(111,000)	4,118,122

8.1.3 Particulars of assets and liabilities of associates

	Audited / Un-audited	Financial statements date	2022			
			Assets	Liabilities	Revenue	Profit for the year
			(Rupees in '000)			
Alfalalah Insurance Company Limited	Un-audited	December 31, 2022	5,944,401	3,950,503	2,218,696	303,352
Sapphire Wind Power Company Limited	Un-audited	December 31, 2022	17,893,681	7,245,161	3,659,108	1,693,833
Alfalalah GHP Investment Management Limited	Un-audited	December 31, 2022	1,769,239	286,611	474,201	175,722

	Audited / Un-audited	Financial statements date	2021			
			Assets	Liabilities	Revenue	Profit for the year
			(Rupees in '000)			
Alfalalah Insurance Company Limited	Audited	December 31, 2021	5,025,547	3,192,045	1,934,765	265,840
Sapphire Wind Power Company Limited	Un-audited	December 31, 2021	16,731,168	7,406,481	3,197,037	1,445,403
Alfalalah GHP Investment Management Limited	Un-audited	December 31, 2021	1,553,666	246,762	408,689	148,883

8.2 Investments by segments:**Federal Government Securities:**

	2022				2021			
	Cost/ Amortised cost	Provision for diminution / expected credit loss (ECL)	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution / expected credit loss (ECL)	Surplus / (Deficit)	Carrying Value
Market Treasury Bills	2,076,612	-	(3,001)	2,073,611	125,180,792	-	(51,201)	125,129,591
Pakistan Investment Bonds	903,754,986	-	(7,602,802)	896,152,184	512,787,696	-	(2,067,286)	510,720,410
Government of Pakistan Euro Bonds	11,917,603	(2,012,101)	(4,753,348)	5,152,154	6,672,320	(112,791)	(16,227)	6,543,302
Other Federal Government Securities	-	-	-	-	3,094,151	-	-	3,094,151
Government of Pakistan Sukuks	107,945,757	-	(931,498)	107,014,259	70,415,751	-	(427,810)	69,987,941
Naya Pakistan Certificates	4,779,075	-	-	4,779,075	1,016,120	-	-	1,016,120
	1,030,474,033	(2,012,101)	(13,290,649)	1,015,171,283	719,166,830	(112,791)	(2,562,524)	716,491,515

Shares:

Listed Companies	7,908,395	(938,175)	(514,113)	6,456,107	5,347,135	(424,532)	37,349	4,959,952
Unlisted Companies	1,236,363	(113,038)	-	1,123,325	1,236,363	(80,725)	-	1,155,638
	9,144,758	(1,051,213)	(514,113)	7,579,432	6,583,498	(505,257)	37,349	6,115,590

Mutual fund:

Unlisted Company	700,000	-	-	700,000	-	-	-	-
	700,000	-	-	700,000	-	-	-	-

Non Government Debt Securities

Listed	15,027,415	(17,870)	27,407	15,036,952	15,387,120	(1,785)	169,318	15,554,653
Unlisted	7,395,517	(595,261)	102,252	6,902,508	7,016,503	(511,426)	59,990	6,565,067
	22,422,932	(613,131)	129,659	21,939,460	22,403,623	(513,211)	229,308	22,119,720

Foreign Securities

Government securities	41,776,355	(64,900)	(1,684,000)	40,027,455	29,035,209	(41,404)	27,077	29,020,882
Non Government Debt securities	29,649,459	(10,416)	(2,074,381)	27,564,662	33,667,403	(13,347)	403,361	34,057,417
	71,425,814	(75,316)	(3,758,381)	67,592,117	62,702,612	(54,751)	430,438	63,078,299

Associates (valued at equity method)

	4,634,071	-	-	4,634,071	4,118,122	-	-	4,118,122
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Total Investments

	1,138,801,608	(3,751,761)	(17,433,484)	1,117,616,363	814,974,685	(1,186,010)	(1,865,429)	811,923,246
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8.2.1 Investments given as collateral

2022 2021
----- (Rupees in '000) -----

Market Treasury Bills	-	34,714,491
Pakistan Investment Bonds	307,049,207	109,031,611
Overseas Bonds	4,981,480	10,749,672
	312,030,687	154,495,774

The market value of securities given as collateral is Rs. 308,263.867 million (2021: Rs. 154,163.013 million).

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	1,186,010	1,354,553
Exchange and other adjustments	66,733	6,183
Charge / reversals		
Charge for the year	2,668,843	421,889
Reversals for the year	(9,397)	(217,924)
Reversal on disposals	(160,428)	(374,755)
	2,499,018	(170,790)
Written off	-	(3,936)
Closing Balance	3,751,761	1,186,010

8.3.2 Particulars of provision against debt securities

Category of classification	2022		2021	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	613,131	613,131	513,211	513,211
Overseas	-	-	-	-
Total	613,131	613,131	513,211	513,211

8.3.2.1 The overseas branches hold a provision of Rs. 2,087.417 million (2021: Rs. 167.542 million) against investments in accordance with ECL requirements of IFRS 9.

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	Note	2022	2021
		Cost ---- (Rupees in '000) ----	
8.4.1 Federal Government Securities - Government guaranteed			
Market Treasury Bills		2,402	66,709,176
Pakistan Investment Bonds		831,017,092	421,777,608
Government of Pakistan Sukuks		104,886,109	70,415,751
Government of Pakistan Euro Bonds		11,917,603	6,672,320
Naya Pakistan Certificates	8.4.1.1	4,779,075	1,016,120
		<u>952,602,281</u>	<u>566,590,975</u>

8.4.1.1 This represents initial investment made for the establishment of the modaraba pools in Naya Pakistan Company limited in accordance with S.R.O 964 (I) / 2020 dated October 05, 2020.

	2022	2021
	Cost ---- (Rupees in '000) ----	
8.4.2 Shares		
8.4.2.1 Listed Companies		
Ordinary Shares		
Automobile Parts & Accessories	-	180,523
Cement	780,439	267,096
Chemicals	17,909	139,828
Commercial Banks	1,705,078	1,197,699
Engineering	365,150	97,908
Fertilizer	1,241,121	772,194
Glass and Ceramics	-	5,424
Investment Banks	15,000	15,000
Oil and Gas Exploration Companies	1,527,575	855,084
Oil and Gas Marketing Companies	544,616	178,650
Pharmaceuticals	51,216	51,217
Power Generation & Distribution	637,028	465,182
Technology and Communication	101,521	-
Textile Composite	218,930	2,410
	<u>7,205,583</u>	<u>4,228,215</u>
Preference Shares		
Fertilizer	108,835	108,835
	<u>7,314,418</u>	<u>4,337,050</u>

8.4.2.2 Unlisted Companies	Break up value as at	2022		2021	
		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 Mortgage Refinance Company Limited	Dec 31, 2021	300,000	531,479	300,000	503,350
Pakistan Corporate Restructuring Company Limited	Dec 31, 2021	32,313	25,633	32,313	30,310
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2021	4,095	30,620	4,095	21,667
TriconBoston Consulting Corporation (Private) Limited	June 30, 2022	769,230	2,110,880	769,230	1,770,787
1 Link (Private) Limited	Dec 31, 2021	50,000	428,290	50,000	267,895
		1,211,363	3,174,788	1,211,363	2,641,895
Preference Shares					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,784
		1,236,363	3,202,572	1,236,363	2,669,679

8.4.3 Non Government Debt Securities	2022	2021
	Cost	Cost
(Rupees in '000)		
8.4.3.1 Listed		
<i>Categorised based on long term rating by Credit Rating Agency :</i>		
- A+, A, A-	-	100,000
- BBB+, BBB, BBB-	-	99,920
- Unrated	15,011,330	14,937,200
	15,011,330	15,137,120

8.4.3.2 Unlisted		
<i>Categorised based on long term rating by Credit Rating Agency:</i>		
- AAA	1,470,000	2,250,000
- AA+, AA, AA-	564,167	250,000
- A+, A, A-	-	677,000
- Unrated	2,617,076	1,594,584
	4,651,243	4,771,584
Total Non Government Debt Securities	19,662,573	19,908,704

8.4.4 Foreign Securities	2022		2021	
	Cost	Rating	Cost	Rating
(Rupees in '000)				
8.4.4.1 Government Securities				
United States of America	2,172,640	AAA	-	-
Republic of Korea	1,113,527	AA	867,954	AA
United Arab Emirates	5,997,685	AA	-	-
Dubai	1,584,180	AA/ Unrated	1,235,596	Unrated
Abu Dhabi	2,374,382	AA	2,388,531	AA
Italy	994,050	Baa3u	773,129	Baa3
Republic of Kazakhstan	484,318	BBB-	414,340	BBB-
Sharjah	2,289,818	BBB-	1,789,258	BBB-
Kingdom of Saudi Arabia	2,243,766	A1	1,746,106	A1
Republic Of Chile	24,228	A1	19,557	A1
Area Republic of Egypt	452,025	B	353,009	Unrated
Republic of Philippines	482,786	Baa2	412,626	BBB
Indonesia	2,488,648	Baa2	2,308,492	Baa2
Republic of South Africa	1,135,091	Ba2	885,074	BB-
Sultanate of Oman	1,813,228	Ba3	1,415,152	BB+
Republic Of Turkiye	1,211,317	B3	1,299,185	B2
People's Republic of China	-	-	1,083,428	A+
	26,861,689		16,991,437	

8.4.4.2 Non Government Debt Securities - Overseas securities**Unlisted***Categorised based on long term rating by Credit Rating Agency*

	2022	2021
	---(Rupees in '000)---	
- AA+, AA, AA-	2,713,169	5,904,607
- A+, A, A-	5,986,854	6,259,240
- BBB+, BBB, BBB-	9,380,644	7,687,329
- Baa1,B-	1,129,169	102,634
- A3	6,101,086	4,135,316
- Unrated	4,338,537	4,437,146
	<u>29,649,459</u>	<u>28,526,272</u>

8.5 Particulars relating to Held to Maturity securities are as follows:**8.5.1 Federal Government Securities - Government guaranteed**

Pakistan Investment Bonds	68,564,798	52,966,763
Other Federal Government Securities	-	3,094,151
	<u>68,564,798</u>	<u>56,060,914</u>

8.5.2 Non Government Debt Securities**Unlisted***Categorised based on long term rating by Credit Rating Agency*

- AAA	1,482,850	1,482,850
- A+, A, A-	677,500	806,667
- Unrated	600,009	205,402
	<u>2,760,359</u>	<u>2,494,919</u>

8.5.3 Foreign Securities**8.5.3.1 Government Securities**

	2022		2021	
	Cost	Rating	Cost	Rating
	------(Rupees in '000)-----			
Islamic Republic of Afghanistan	-	Unrated	1,944,920	Unrated
People's Republic of Bangladesh	10,088,667	BB-	10,283,250	BB-
State of Qatar	<u>1,127,548</u>	AA-	<u>878,058</u>	AA-
	<u>11,216,215</u>		<u>13,106,228</u>	

8.6 The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 73,518,446 million (December 31, 2021 : Rs. 69,624.622 million).

8.7 Investments include securities amounting to Rs. 1,005,240.054 million (2021: Rs. 705,837.942 million) which are held by the Holding Company to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.

9 ADVANCES

ADVANCES

	Note	Performing		Non Performing		Total	
		2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1 & 9.2	570,312,570	515,836,257	22,798,387	20,346,565	593,110,957	536,182,822
Islamic financing and related assets	9.3	149,839,163	132,995,060	4,893,861	3,776,282	154,733,024	136,771,342
Bills discounted and purchased		14,580,885	25,534,513	3,280,234	588,182	17,861,119	26,122,695
Advances - gross		734,732,618	674,365,830	30,972,482	24,711,029	765,705,100	699,076,859
Provision against advances							
- Specific	9.6	-	-	(25,397,878)	(21,126,338)	(25,397,878)	(21,126,338)
- General	9.6	(7,921,407)	(4,067,236)	-	-	(7,921,407)	(4,067,236)
		(7,921,407)	(4,067,236)	(25,397,878)	(21,126,338)	(33,319,285)	(25,193,574)
Advances - net of provision		726,811,211	670,298,594	5,574,604	3,584,691	732,385,815	673,883,285

9.1 This includes Net Investment in Finance Lease as disclosed below:

	2022				2021			
	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	374,818	4,022,648	106,060	4,503,526	359,992	3,403,198	170,854	3,934,044
Residual value	218,597	1,207,888	25,354	1,451,839	189,187	980,729	39,395	1,209,311
Minimum lease payments	593,415	5,230,536	131,414	5,955,365	549,179	4,383,927	210,249	5,143,355
Financial charges for future periods	(75,179)	(850,312)	(17,078)	(942,569)	(27,456)	(506,503)	(27,784)	(561,743)
Present value of minimum lease payments	518,236	4,380,224	114,336	5,012,796	521,723	3,877,424	182,465	4,581,612

9.2 Advances include an amount of Rs. 339.983 million (2021: Rs. 233.151 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 Holding Company 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 13.37 % to 27.25 % (2021: 10.17 % to 23.65 %) with maturities up to October 2042 (2021: October 2041).

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

9.4 Particulars of advances (Gross)

	2022	2021
	----- (Rupees in '000) -----	
In local currency	713,985,927	631,768,509
In foreign currencies	51,719,173	67,308,350
	765,705,100	699,076,859

9.5 Advances include Rs. 30,972.482 million (2021: Rs. 24,711.029 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2022		2021	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	178,723	15,814	84,230	4,693
Substandard	2,352,882	683,787	2,466,916	566,982
Doubtful	6,885,829	3,407,905	2,743,571	1,423,199
Loss	20,897,810	20,795,657	18,790,302	18,655,497
	30,315,244	24,903,163	24,085,019	20,650,371
Overseas				
Not past due but impaired				
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	35,903	21,952	29,467	249
181 to 365 days	139,472	119,706	-	-
Above 365 days	481,863	353,057	596,543	475,718
	657,238	494,715	626,010	475,967
Total	30,972,482	25,397,878	24,711,029	21,126,338

9.6 Particulars of provision against advances

Note	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	21,126,338	4,067,236	25,193,574	18,318,525	5,266,171	23,584,696
Exchange and other adjustments	32,240	22,887	55,127	39,420	20,227	59,647
Charge for the year	7,544,341	3,831,284	11,375,625	4,959,088	-	4,959,088
Reversals	(2,431,826)	-	(2,431,826)	(1,871,249)	(1,219,162)	(3,090,411)
	5,112,515	3,831,284	8,943,799	3,087,839	(1,219,162)	1,868,677
Amounts written off	(497,192)	-	(497,192)	(319,446)	-	(319,446)
Amounts charged off - agriculture financing	(69,791)	-	(69,791)	-	-	-
Amounts charged off - balance sheet cleaning	(306,232)	-	(306,232)	-	-	-
	(873,215)	-	(873,215)	(319,446)	-	(319,446)
Closing balance	25,397,878	7,921,407	33,319,285	21,126,338	4,067,236	25,193,574

9.6.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	20,954,400	7,551,647	28,506,047	19,527,416	3,756,618	23,284,034
In foreign currencies	4,443,478	369,760	4,813,238	1,598,922	310,618	1,909,540
	25,397,878	7,921,407	33,319,285	21,126,338	4,067,236	25,193,574

9.6.2 The overseas branches hold a provision of Rs. 0.590 million (2021: Rs. 64.793 million) against advances in accordance with ECL requirements of IFRS 9.

9.6.3 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2022 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 94.554 million (2021: Rs. 89.192 million).

9.6.4 During the year, non performing loans and provisions were reduced by Rs. 175.000 million (2021: Rs. Nil) due to debt property swap.

9.6.5 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 loans, 0.5% of secured 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;

(iii) Covid 19 general loan loss reserve of Rs. 2,550.000 million held as at December 31, 2021 was reversed during the year as restructured portfolio is performing; and

(iv) Provision of Rs. 5,971.000 million (2021: nil) against the high risk and flood impacted advances portfolio, which is showing higher economic vulnerability. The portfolio excludes GoP backed exposures, staff loans and loans secured against liquid collaterals.

9.6.6 Exposure amounting to Rs. 9,984.910 million (2021: Rs. nil) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.

9.6.7 Although the Holding Company has made provision against its non-performing portfolio as per the category of classification of the loan, the Holding Company 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.

9.7	Particulars of Write Offs:	Note	2022	2021
			----- (Rupees in '000) -----	-----
9.7.1	Against Provisions	9.7.2	873,215	319,446
	Directly charged to Profit & Loss account		-	-
			<u>873,215</u>	<u>319,446</u>
9.7.2	Write Offs of Rs. 500,000 and above	9.8	501,385	107,194
	- Domestic		147,733	-
	- Overseas		224,097	212,252
	Write Offs of Below Rs. 500,000		<u>873,215</u>	<u>319,446</u>

9.7.3 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, the Holding Company during the year has written off Rs. 306.232 million as part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.

9.8 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, 2022 is given as Annexure-I to the unconsolidated accounts.

10	FIXED ASSETS	Note	2022	2021
			----- (Rupees in '000) -----	-----
	Capital work-in-progress	10.1	944,206	1,117,186
	Property and equipment	10.2	32,132,604	26,588,783
	Right-of-use assets	10.3	15,416,474	11,855,983
			<u>48,493,284</u>	<u>39,561,952</u>
10.1	Capital work-in-progress			
	Civil works		706,019	692,766
	Equipment		214,126	414,857
	Others		24,061	9,563
			<u>944,206</u>	<u>1,117,186</u>

10.2 Property and Equipment

2022								
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, 2022

Cost / Revalued amount	8,671,629	4,298,244	2,334,726	4,036,641	6,939,239	2,283,352	16,580,115	406,835	45,550,781
Accumulated depreciation	-	-	-	-	(4,716,211)	(1,875,606)	(12,101,952)	(268,229)	(18,961,998)
Net book value	<u>8,671,629</u>	<u>4,298,244</u>	<u>2,334,726</u>	<u>4,036,641</u>	<u>2,223,028</u>	<u>407,746</u>	<u>4,478,163</u>	<u>138,606</u>	<u>26,588,783</u>

Year ended December 2022

Opening net book value	8,671,629	4,298,244	2,334,726	4,036,641	2,223,028	407,746	4,478,163	138,606	26,588,783
Additions	1,532,030	345,000	577,277	182,980	1,734,400	200,572	3,748,975	36,040	8,357,274
Disposals	(302,000)	-	(12,811)	-	(1,847)	(659)	(12,788)	-	(330,105)
Depreciation charge	-	-	(89,380)	(125,343)	(436,547)	(97,297)	(1,875,934)	(61,912)	(2,686,413)
Exchange rate adjustments	-	-	-	-	1,660	1,873	6,090	5,790	15,413
Other adjustments / transfers	221,221	(4,087)	1,115	(6,047)	(22,703)	(1,269)	(418)	(160)	187,652
Closing net book value	<u>10,122,880</u>	<u>4,639,157</u>	<u>2,810,927</u>	<u>4,088,231</u>	<u>3,497,991</u>	<u>510,966</u>	<u>6,344,088</u>	<u>118,364</u>	<u>32,132,604</u>

At December 31, 2022

Cost / Revalued amount	10,122,880	4,639,157	2,900,119	4,213,695	8,592,277	2,466,222	19,989,731	458,877	53,382,958
Accumulated depreciation	-	-	(89,192)	(125,464)	(5,094,286)	(1,955,256)	(13,645,643)	(340,513)	(21,250,354)
Net book value	<u>10,122,880</u>	<u>4,639,157</u>	<u>2,810,927</u>	<u>4,088,231</u>	<u>3,497,991</u>	<u>510,966</u>	<u>6,344,088</u>	<u>118,364</u>	<u>32,132,604</u>
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

2021								
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, 2021								
Cost / Revalued amount	6,179,611	3,086,200	2,051,942	3,216,835	6,179,542	2,252,234	15,235,267	38,579,384
Accumulated depreciation	-	-	(114,757)	(193,241)	(4,391,397)	(1,836,488)	(11,112,512)	(17,884,564)
Net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	415,746	4,122,755	20,694,820
Year ended December 2021								
Opening net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	415,746	4,122,755	20,694,820
Additions	295,350	-	98,418	137,432	777,039	88,374	1,830,244	3,275,905
Surplus on assets revalued during the year	2,198,668	1,212,044	344,068	940,765	-	-	-	4,695,545
Deficit on revaluation recognised in the profit and loss account - net	(2,000)	-	23,989	41,585	-	-	-	63,574
Disposals	-	-	-	-	(1,627)	(5,793)	(10,138)	(17,558)
Depreciation charge	-	-	(68,934)	(101,468)	(334,502)	(90,789)	(1,472,712)	(2,119,859)
Exchange rate adjustments	-	-	-	-	1,699	152	3,507	5,173
Other adjustments / transfers	-	-	-	(5,267)	(7,726)	56	4,507	(8,817)
Closing net book value	8,671,629	4,298,244	2,334,726	4,036,641	2,223,028	407,746	4,478,163	26,588,783
At December 31, 2021								
Cost / Revalued amount	8,671,629	4,298,244	2,334,726	4,036,641	6,939,239	2,283,352	16,580,115	45,550,781
Accumulated depreciation	-	-	-	-	(4,716,211)	(1,875,606)	(12,101,952)	(18,961,998)
Net book value	8,671,629	4,298,244	2,334,726	4,036,641	2,223,028	407,746	4,478,163	26,588,783
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, 2021 on the basis of market values, determined by independent valuers M/s Akbani & Javed Associates, M/s Collier International Pakistan (Private) Limited, 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, 2022 would have been Rs. 8,853.214 million (2021: Rs. 6,287.937 million).

	2022		2021	
	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	3,493,067	10,122,880	1,888,695	8,671,629
Leasehold land	1,632,051	4,639,157	1,291,138	4,298,244
Buildings on freehold land	2,047,928	2,810,927	1,543,595	2,334,727
Buildings on leasehold land	1,680,168	4,088,231	1,564,509	4,036,640
	8,853,214	21,661,195	6,287,937	19,341,240

	2022	2021
	------(Rupees in '000)-----	
10.2.2 The cost of fully depreciated assets that are still in the Group's use are as follows:		
Furniture and fixtures	1,522,052	1,441,285
Office equipment	9,278,265	8,961,742
Vehicles	222,364	188,099
Leasehold improvements	3,280,797	3,014,601
	14,303,478	13,605,727

10.2.3 During the year, non banking assets having cost of Rs. 161.759 million and surplus of Rs. 60.660 million were transferred to fixed assets.

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	2022	2021
	------(Rupees in '000)-----	
At January 1		
Cost / Revalued amount	17,983,050	13,402,033
Accumulated depreciation	(6,127,067)	(3,850,831)
Net book value	11,855,983	9,551,202
Year ended December		
Opening net book value	11,855,983	9,551,202
Additions / renewals / amendments / (terminations) - net	6,256,146	4,587,138
Depreciation charge	(2,739,579)	(2,276,236)
Exchange rate adjustments	43,924	(6,121)
Closing net book value	15,416,474	11,855,983
At December 31		
Cost / Revalued amount	24,279,054	17,983,050
Accumulated depreciation	(8,862,580)	(6,127,067)
Net book value	15,416,474	11,855,983
Rate of depreciation (percentage)	5% - 100%	5% - 100%

11 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers		455,945	381,761
Software	11.1	842,236	735,128
Membership Card		6,000	2,500
		1,304,181	1,119,389
11.1 At January 1			
Cost		4,721,709	4,601,435
Accumulated amortisation and impairment		(3,986,581)	(3,584,426)
Net book value		735,128	1,017,009
Year ended December 31			
Opening net book value		735,128	1,017,009
Additions - directly purchased		459,005	114,013
Amortisation charge		(351,770)	(396,183)
Exchange and other adjustments		(127)	289
Closing net book value		842,236	735,128
At December 31			
Cost		5,185,382	4,721,709
Accumulated amortisation and impairment		(4,343,146)	(3,986,581)
Net book value		842,236	735,128
Rate of amortisation (percentage)		20% - 25%	20% - 25%
Useful life		4 - 5 years	4 - 5 years

11.2 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 3,488.460 million (2021: Rs. 3,022.301 million).

12 DEFERRED TAX ASSETS / (LIABILITIES)

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Unrealised gain / (loss) on revaluation of held for trading investments
- Deficit on revaluation of available for sale investments
- Provision against other assets
- Provision against lending to financial institutions
- Workers' Welfare Fund
- Others

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets
- Surplus on revaluation of non banking assets
- Share of profit and other comprehensive income from associates
- Accelerated tax depreciation

2022			
At January 1, 2022	Recognised in P&L a/c	Recognised in OCI	At December 31, 2022
------(Rupees in '000)-----			
463,795	1,238,416	-	1,702,211
2,899,949	196,179	-	3,096,128
165,446	(157,974)	-	7,472
561,126	-	5,129,546	5,690,672
730,972	271,879	-	1,002,851
81	(49)	-	32
-	604,100	-	604,100
-	23,827	577	24,404
4,821,369	2,176,378	5,130,123	12,127,870
(473,110)	92,233	(106,012)	(486,889)
(84,039)	-	20,931	(63,108)
(1,146,801)	(345,306)	5,827	(1,486,280)
(1,959,949)	(580,871)	-	(2,540,820)
(3,663,899)	(833,944)	(79,254)	(4,577,097)
1,157,470	1,342,434	5,050,869	7,550,773

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Unrealised gain / (loss) on revaluation of held for trading investments
- Deficit on revaluation of available for sale investments
- Provision against other assets
- Provision against lending to financial institutions
- Workers' Welfare Fund
- Others

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets and non banking assets
- Surplus on revaluation of non banking assets
- Share of profit and other comprehensive income from associates
- Accelerated tax depreciation

2021			
At January 1, 2021	Recognised in P&L A/C	Recognised in OCI	At December 31, 2021
------(Rupees in '000)-----			
444,440	19,355	-	463,795
3,056,275	(156,326)	-	2,899,949
(31,461)	196,907	-	165,446
(2,303,001)	-	2,864,127	561,126
354,366	376,606	-	730,972
-	81	-	81
-	-	-	-
-	-	-	-
1,520,619	436,623	2,864,127	4,821,369
(1,277,421)	-	804,311	(473,110)
(1,235)	-	(82,804)	(84,039)
(874,103)	(279,698)	7,000	(1,146,801)
(1,603,114)	(356,835)	-	(1,959,949)
(3,755,873)	(636,533)	728,507	(3,663,899)
(2,235,254)	(199,910)	3,592,634	1,157,470

13 OTHER ASSETS

		Note	2022	2021
			------(Rupees in '000)-----	
Income/ Mark-up accrued in local currency - net of provision			42,711,601	23,325,336
Income/ Mark-up accrued in foreign currency - net of provision			2,011,398	1,389,395
Advances, deposits, advance rent and other prepayments			3,748,465	2,636,643
Non-banking assets acquired in satisfaction of claims	13.1.1		1,439,606	1,435,191
Mark to market gain on forward foreign exchange contracts			922,573	2,249,270
Mark to market gain on derivatives	23.1		4,795,545	-
Stationery and stamps on hand			23,253	25,415
Defined benefit plan	37.1.4		153,707	744,324
Branch adjustment account			24,430	-
Due from card issuing banks			4,544,609	1,212,831
Account receivable			5,690,187	3,421,970
Margin deposits on derivatives			-	427,232
Claims against fraud and forgeries	13.2		119,455	67,515
Acceptances			19,090,181	20,050,282
Receivable against DSC/SSC and overseas government securities			131,517	570,897
Receivable against tradeable marketable securities			860,261	1,623,912
Others			65,636	53,914
			86,332,424	59,234,127
Less: Provision held against other assets	13.3		(3,181,544)	(1,848,407)
Other Assets (Net of Provision)			83,150,880	57,385,720
Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net	13.1.1		145,613	171,727
			83,296,493	57,557,447

		2022	2021
		----- (Rupees in '000) -----	
13.1 Market value of non-banking assets acquired in satisfaction of claims:			
- Properties		1,578,141	1,595,851
- Shares		7,078	10,767
		<u>1,585,219</u>	<u>1,606,618</u>

The Non-banking assets (properties) of the Holding Company have been revalued by independent professional valuers as at December 31, 2022. The revaluation was carried out by M/s. Harvestor Service (Private) Limited, M/s Akbani & Javed Associates and M/s. K.G Traders on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 34.668 million (2021: Rs. 66.641 million).

	Note	2022	2021
		----- (Rupees in '000) -----	
13.1.1 Non-banking assets acquired in satisfaction of claims			
Opening Balance		1,606,918	1,551,142
Additions		175,000	-
Disposals	13.1.2	(300)	(6,515)
Revaluation		34,668	66,641
Deficit on revaluation (charged to Profit and loss account)	32	(4,201)	-
Transfer to property and equipment	13.1.1.1	(222,419)	-
Depreciation		<u>(4,447)</u>	<u>(4,350)</u>
Closing Balance		<u>1,585,219</u>	<u>1,606,918</u>

13.1.1.1 During the year, non banking assets having cost of Rs. 161.759 million and surplus of Rs. 60.660 million were transferred to fixed assets.

13.1.2 Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims

Disposal Proceeds		9,200	6,515
less			
- Cost		300	6,515
- Impairment / Depreciation		(300)	-
		<u>-</u>	<u>6,515</u>
Gain/Loss		<u>9,200</u>	<u>-</u>

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

	Note	2022	2021
		----- (Rupees in '000) -----	
13.3 Provision held against other assets			
Impairment against overseas operation	13.3.2	2,114,963	1,000,000
Expected credit loss (overseas operation)		10,397	134,891
Fraud and forgeries		119,455	67,515
Accounts receivable		548,109	552,033
Non banking assets acquired in satisfaction of claims		-	300
Others		<u>388,620</u>	<u>93,668</u>
		<u>3,181,544</u>	<u>1,848,407</u>

13.3.1 Movement in provision held against other assets

Opening balance		1,848,407	797,976
Exchange and other adjustments		35,684	8,393
Charge for the year	13.3.2	1,493,475	1,060,710
Reversals for the year		<u>(165,599)</u>	<u>(11,017)</u>
		1,327,876	1,049,693
Amount Written off		<u>(30,423)</u>	<u>(7,655)</u>
Closing balance		<u>3,181,544</u>	<u>1,848,407</u>

13.3.2 The Holding Company, in light of uncertain conditions in one of the countries where the Holding Company operates, holds an impairment of Rs. 2,114.963 million (2021: Rs. 1,000.000 million) against the cross border risk.

		Note	2022 ----- (Rupees in '000) -----	2021
14	BILLS PAYABLE			
	In Pakistan		37,705,524	21,774,411
	Outside Pakistan		2,328,282	1,051,089
			<u>40,033,806</u>	<u>22,825,500</u>
15	BORROWINGS			
	Secured			
	Borrowings from State Bank of Pakistan			
	Export Refinance Scheme	15.1	53,477,830	52,248,854
	Long-Term Finance Facility (LTFF)	15.2	28,643,178	26,394,909
	Financing Facility for Renewable Energy Projects	15.3	11,917,647	9,793,026
	Financing Facility for Storage of Agriculture Produce (FFSAP)	15.4	738,979	685,931
	Refinance for Wages & Salaries	15.5	300,821	14,332,866
	Temporary Economic Refinance Facility (TERF)	15.6	49,721,502	28,933,063
	Export Refinance under Bill Discounting	15.7	10,633,712	-
	SME Asaan Finance (SAAF)	15.8	949,413	-
	Refinance Facility for Combating COVID (RFCC)	15.9	692,957	201,045
	Refinance and Credit Guarantee Scheme for Women Entrepreneurs	15.10	279,374	177,244
	Modernization of Small and Medium Entities (MSMES)	15.11	871,659	427,799
	Other Refinance schemes	15.12	890	1,227
	Repurchase agreement borrowings	15.13	256,900,000	97,506,050
			415,127,962	230,702,014
	Repurchase agreement borrowings	15.14	4,830,897	55,219,084
	Bai Muajjal	15.15	42,113,040	47,960,362
	Medium Term Note	15.16	11,000,000	11,000,000
	Others	15.17	470,410	300,000
	Total secured		<u>473,542,309</u>	<u>345,181,460</u>
	Unsecured			
	Call borrowings	15.18	5,766,732	21,084,927
	Overdrawn nostro accounts	15.19	4,884,913	1,774,249
	Bai Muajjal	15.20	-	849,923
	Others			
	- Pakistan Mortgage Refinance Company	15.21	2,180,208	2,280,921
	- Karandaaz Risk Participation	15.22	2,331,958	2,345,604
	- Other financial institutions	15.23	2,943,821	10,591,788
	Total unsecured		<u>18,107,632</u>	<u>38,927,412</u>
			<u>491,649,941</u>	<u>384,108,872</u>
15.1	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 10.00% (2021: 1.00% to 2.00%) per annum payable on a quarterly basis having maturities in August 2027 (2021: June 2022).			
15.2	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 7.00% (2021: 2.00% to 4.50%) per annum payable on a quarterly basis having maturities in July 2032 (2021: December 2031).			
15.3	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 6.00% (2021: 2.00% to 5.00%) per annum payable on a quarterly basis having maturities in July 2034 (2021: January 2033).			
15.4	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 3.50% (2021: 2.00% to 3.50%) per annum payable on a quarterly basis having maturities in December 2030 (2021: December 2030).			
15.5	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. This scheme is part of COVID-19 relief to finance entities against payroll. The mark-up rate on this facility is 0.00% (2021: 0.00% to 2.00%) per annum payable on a quarterly basis having maturities in April 2023 (2021: April 2025).			

- 15.6** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 1.00% (2021: 1.00%) per annum payable on a quarterly basis having maturities upto October 2032 (2021 : December 2031).
- 15.7** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 1.00% to 2.00% (2021: nil) per annum payable on a quarterly basis having maturities upto June 2023 (2021: nil).
- 15.8** 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 1.00% (2021: nil) per annum payable on a quarterly basis having maturities upto June 2027 (2021: nil).
- 15.9** 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 0.00% (2021: 0.00%) per annum payable on a quarterly basis having maturities upto June 2027 (2021: November 2025).
- 15.10** 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 0.00% to 2.00% (2021: 0.00%) per annum payable on a quarterly basis having maturities upto March 2029 (November 2026).
- 15.11** 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% (2021: 2.00%) per annum payable on a quarterly basis having maturities in July 2030 (2021: July 2030).
- 15.12** 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 0.00% (2021: 0.00%) payable on a quarterly basis having maturities upto December 2025 (2021: December 2025).
- 15.13** This represents repurchase agreement borrowing from SBP at the rate ranging from 15.23% to 16.16% (2021: 9.8% to 10.26%) per annum having maturities in March 2023 (2021: March 2022).
- 15.14** This represents repurchase agreement borrowing from other banks at the mark-up rate of 16.15% (2021: 9.75% to 10.70%) per annum having maturity upto January 2023 (2021: January 2022).
- 15.15** This represents borrowings from financial institutions at mark-up rates ranging from 2.00% to 8.48% (2021: 7.25% to 8.48%) per annum having maturities upto July 2025 (2021: July 2025).
- 15.16** This represents Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates (TFCs). The instrument carries a markup of 9.03% and will mature on 15th January 2024. This instrument is secured against the government securities.
- 15.17** This includes a long term loan and short term running finance facilities obtained from a commercial banks. These carry mark-up between 15.02% and 18.61% (2021: 8.96% to 9.78%) per annum payable on a quarterly basis having maturities up to October 2023 (2021: October 2023). They are secured by hypothecation over current assets, promissory note and pledge of securities quoted on PSX of the Subsidiary Company..
- 15.18** This represents borrowings from financial institutions at mark-up rates ranging from 2.00% to 9.25% (2021: 0.40% to 10.70%) per annum having maturities upto January 2023 (2021: March 2022).
- 15.19** 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.
- 15.20** In 2021, borrowings from financial institutions carried mark-up rate of 7.10% per annum and was matured in February 2022.
- 15.21** 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 6.50% to 8.79% (2021: 7.50% to 8.00%) per annum having maturities upto April 2026 (2021 : December 2023).
- 15.22** This includes borrowing from Karandaaz Pakistan Limited under Risk Participation Agreement to support Holding Company's venture into SME segments. The participation carries a mark-up rates ranging from 7.16% to 21.90% (2021: 7.16% to 23.8%) per annum having maturities upto October 2030 (2021: March 2028).
- 15.23** This represents borrowing from other financial institutions at 6.00% (2021: 1.10% to 1.50%) per annum having maturity in February 2023 (2021: September 2022).

	2022	2021
	------(Rupees in '000)-----	
15.24 Particulars of borrowings with respect to Currencies		
In local currency	474,494,394	344,559,112
In foreign currencies	17,155,547	39,549,760
	<u>491,649,941</u>	<u>384,108,872</u>

16 DEPOSITS AND OTHER ACCOUNTS

2022			2021		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
------(Rupees in '000)-----					

Customers

Current deposits	523,834,695	131,267,950	655,102,645	407,126,787	88,329,596	495,456,383
Savings deposits	294,762,649	37,937,222	332,699,871	249,702,928	34,000,491	283,703,419
Term deposits	287,557,414	49,767,276	337,324,690	169,741,023	42,871,078	212,612,101
Others	35,941,042	8,943,974	44,885,016	19,942,860	4,683,544	24,626,404
	1,142,095,800	227,916,422	1,370,012,222	846,513,598	169,884,709	1,016,398,307

Financial Institutions

Current deposits	3,192,672	3,065,704	6,258,376	1,984,546	3,280,707	5,265,253
Savings deposits	68,746,218	2,911,307	71,657,525	90,175,266	900,203	91,075,469
Term deposits	38,073,100	354,319	38,427,419	24,170,116	988,200	25,158,316
Others	404,457	76,261	480,718	950,897	161,378	1,112,275
	110,416,447	6,407,591	116,824,038	117,280,825	5,330,488	122,611,313
	1,252,512,247	234,324,013	1,486,836,260	963,794,423	175,215,197	1,139,009,620

2022 2021
------(Rupees in '000)-----

16.1 Composition of deposits

- Individuals	612,115,826	475,961,584
- Government (Federal and Provincial)	132,562,598	65,325,189
- Public Sector Entities	103,733,172	83,990,942
- Banking Companies	2,467,843	16,279,902
- Non-Banking Financial Institutions	114,356,195	106,331,411
- Private Sector	521,600,626	391,120,592
	<u>1,486,836,260</u>	<u>1,139,009,620</u>

16.2 Current deposits include remunerative current deposits of Rs. 14,325.601 million (2021 : Rs. 8,823.382 million).

16.3 Deposits include eligible deposits of Rs. 755,804.535 million (2021: Rs. 584,649.754 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

16.4 Current deposits includes prepaid cards amounting to Rs. 25.457 million (2021: Rs. 53.876 million).

17 SUBORDINATED DEBT

Term Finance Certificates VI - Additional Tier-I (ADT-1) - Quoted, Unsecured

The Holding Company issued listed, fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) issued as instruments of redeemable capital under Section 66 of the Companies Act, 2017 which qualify as Additional Tier 1 Capital (ADT 1) as outlined by the State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013. Summary of terms and conditions of the issue are:

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 The Pakistan Credit Rating Agency Limited.		
Security	Unsecured		
Ranking	Subordinated to all other indebtedness of the Holding Company 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 Holding Company 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 Holding Company'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 Holding Company 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 Holding Company may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP and instrument is replaced with capital of same and better quality.		

2022 2021

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

Term Finance Certificates VIII - Additional Tier-I (ADT-1) - Unquoted, Unsecured

During the year, the Holding Company has issued Rs. 7,000 million of privately placed, unlisted (listing in process), fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) issued as instruments of redeemable capital under Section 66 of the Companies Act, 2017 which qualify as Additional Tier 1 Capital (ADT 1) as outlined by State Bank of Pakistan (SBP) under BPRD circular No. 06 dated August 15, 2013. Summary of terms and conditions of the issue are:

Issue amount	Rs. 7,000,000,000	7,000,000	-
Issue date	December 2022		
Maturity date	Perpetual		
Rating	"AA-" (double A minus) by The Pakistan Credit Rating Agency Limited.		
Security	Unsecured		
Ranking	Subordinated to all other indebtedness of the Holding Company 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 Holding Company is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 2.00% 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 Holding Company 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 Holding Company may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP and instrument is replaced with capital of same and better quality.		

14,000,000

7,000,000

	Note	2022	2021
		----- (Rupees in '000) -----	
18 OTHER LIABILITIES			
Mark-up/ Return/ Interest payable in local currency		16,650,129	5,347,968
Mark-up/ Return/ Interest payable in foreign currency		1,443,987	784,610
Unearned fee commission and income on bills discounted and guarantees		2,591,163	1,386,030
Accrued expenses		12,610,353	8,478,693
Current taxation		12,843,565	10,497,948
Acceptances		19,090,181	20,050,282
Dividends payable		4,767,210	152,030
Mark to market loss on forward foreign exchange contracts		455,164	1,021,507
Mark to market loss on derivatives	23.1	-	191,189
Branch adjustment account		-	334,445
ADC settlement accounts		2,035,378	1,558,435
Provision for Compensated absences		701,492	634,224
Payable against redemption of customer loyalty / reward points		607,208	486,149
Charity payable		65,998	24,963
Provision against off-balance sheet obligations	18.1	62,948	137,639
Security deposits against leases, lockers and others		13,300,923	11,185,102
Worker's Welfare Fund		3,378,897	2,471,455
Payable to vendors and suppliers		556,205	722,986
Margin deposits on derivatives		4,077,091	-
Payable to merchants (card acquiring)		16,536	188,553
Indirect Taxes Payable		2,360,341	1,284,540
Lease liabilities against right-of-use assets	18.2	17,514,201	13,220,387
Payable against tradeable marketable securities		1,277,915	496,595
Trading liability		2,638,773	-
Others	37.2	3,090,674	1,299,270
		<u>122,136,332</u>	<u>81,955,000</u>

18.1 Provision against off-balance sheet obligations

Opening balance		137,639	127,428
Exchange adjustment and other adjustments		12,348	10,468
Reversals	32	(87,039)	(257)
Closing balance		<u>62,948</u>	<u>137,639</u>

18.1.1 The provision against off balance sheet obligations includes general provision of Rs. 28.563 million (2021: Rs. 104.076 million) held in Bangladesh books, Rs. 1.434 million (2021: 0.613 million) held in Afghanistan books as required under the local regulations and specific provision of Rs. 32.950 million (2021: Rs. 32.950 million) held in Pakistan against defaulted letter of guarantees.

18.2 Lease liabilities against right-of-use assets

	2022	2021
	----- (Rupees in '000) -----	
As at January 1	13,220,387	10,463,042
Additions / renewals / amendments / (terminations) - net	6,153,076	4,551,430
Borrowing cost	1,924,717	1,469,860
Payments	(3,833,077)	(3,259,508)
Exchange Rate Adjustment	49,098	(4,437)
As at December 31	<u>17,514,201</u>	<u>13,220,387</u>
Current lease liability	3,451,685	3,039,073
Non current lease liability	<u>14,062,516</u>	<u>10,181,314</u>
	<u>17,514,201</u>	<u>13,220,387</u>

19 SHARE CAPITAL**19.1 Authorized Capital**

2022 ----- (Number of shares) -----	2021 ----- (Number of shares) -----		2022 ----- (Rupees in '000) -----	2021 ----- (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

2022 ----- (Number of shares) -----	2021 ----- (Number of shares) -----		2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
		Ordinary shares		
891,453,153	891,453,153	Fully paid in cash	8,914,531	8,914,531
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
(200,000,000)	-	Treasury shares	(2,000,000)	-
1,577,165,119	1,777,165,119		15,771,651	17,771,651

19.3 Treasury Shares

During the year, the Holding Company, pursuant to the approvals of Board of Directors and Shareholders in their meetings held on 10th November 2022 and 6th December 2022 respectively, purchased 200 million ordinary shares under the buy back scheme. The shares were purchase through Pakistan Stock Exchange Limited, at spot / current share price prevailing during the buy back period. Subsequent to the year end, the Holding Company has cancelled ordinary shares purchased under buy back scheme. Share Capital has been shown net of treasury shares.

19.4 Statutory reserve

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 plus share premium 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.

20 SURPLUS ON REVALUATION OF ASSETS

Surplus/ (deficit) on revaluation of:

- Available for sale securities
- Available for sale securities of associates
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims

Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
8.1	(17,406,375)	(1,441,541)
	(20,389)	(7,142)
20.1	12,807,981	13,053,303
20.2	145,613	171,727
	(4,473,170)	11,776,347

Less: Deferred tax asset / (liability) on surplus / (deficit) on revaluation of:

- Available for sale securities
- Available for sale securities of associates
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims

	7,484,741	562,201
	8,767	2,784
20.1	(486,889)	(473,110)
20.2	(63,108)	(84,039)
	6,943,511	7,836

Derivatives (Deficit) / Surplus

Less: Deferred tax assets / (liability) on derivatives

	(4,169,754)	347,961
	1,792,994	-
	(2,376,760)	347,961

Gain on sale of available for sale investment

- 11,399

Surplus on revaluation of available for sale securities attributable to non-controlling interest

- (7,375)

4,847,101	11,440,246
-----------	------------

		2022	2021
		----- (Rupees in '000) -----	
20.1	Surplus on revaluation of fixed assets		
	Surplus on revaluation of fixed assets as at January 1	13,053,303	8,419,320
	Recognised during the year	-	4,695,544
	Transferred from Non banking assets to owned property - net of deferred tax	36,884	-
	Related deferred tax liability on surplus transfer to owned property	23,776	-
	Realised on disposal during the year - net of deferred tax	(124,940)	-
	Related deferred tax liability on surplus realised on disposal	(92,233)	-
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(88,809)	(61,561)
	Surplus on revaluation of fixed assets as at December 31	12,807,981	13,053,303
	Less: related deferred tax liability on:		
	Revaluation as at January 1	473,110	1,277,421
	- recognised during the year	82,236	(804,311)
	- Surplus transferred to owned property	23,776	-
	- surplus realised on disposal during the year	(92,233)	-
		486,889	473,110
		<u>12,321,092</u>	<u>12,580,193</u>
20.2	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
	Surplus on revaluation as at January 1	171,727	105,182
	Recognised during the year	34,668	66,641
	Transferred to owned property	(36,884)	-
	Related deferred tax liability on surplus of transfer to owned property	(23,776)	-
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(122)	(96)
	Surplus on revaluation as at December 31	145,613	171,727
	Less: related deferred tax liability on:		
	- revaluation as at January 1	84,039	1,235
	- revaluation recognised during the year	2,845	82,804
	- surplus transferred to owned property	(23,776)	-
		63,108	84,039
		<u>82,505</u>	<u>87,688</u>
21	NON-CONTROLLING INTEREST		
Name	Principal activity	Principal place of Business	Ownership interest held by NCI
			2022
			2021
Alfalah CLSA Securities (Private) Limited, Pakistan	Stock Brokerage	Pakistan	37.50%
			38.80%
Key financial information of the subsidiary			
		2022	2021
		----- (Rupees in '000) -----	
Assets		1,875,409	985,710
Liabilities		1,534,610	650,986
Net Assets		<u>340,799</u>	<u>334,724</u>
Non-Controlling Interest (NCI)		<u>127,800</u>	<u>129,889</u>
Revenue		461,190	318,265
Expenses		453,703	257,025
(Loss) / Profit before tax		(11,741)	74,075
Profit After tax		<u>7,487</u>	<u>61,240</u>
Other Comprehensive (loss) / income		<u>(1,415)</u>	<u>57,859</u>
Cash Flows:			
Cash Flows from / (used in) Operating Activities		266,437	(89,717)
Cash Flows used in Investing Activities		(20,688)	(19,570)
Cash Flows (used in) / from Financing Activities		(18,619)	278,616
Net increase in cash and cash equivalent		<u>227,130</u>	<u>169,329</u>

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
22 CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	140,370,087	99,914,966
-Commitments	22.2	437,333,552	466,501,999
-Other contingent liabilities	22.3	6,903,292	4,823,035
		<u>584,606,931</u>	<u>571,240,000</u>
22.1 Guarantees:			
Performance guarantees		53,798,209	41,041,271
Other guarantees		86,571,878	58,873,695
		140,370,087	99,914,966
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		171,719,857	178,246,952
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	170,721,451	164,776,360
- forward government securities transactions	22.2.2	17,438,813	39,784,849
- derivatives	22.2.3	46,734,911	36,820,716
- forward lending	22.2.4	26,798,555	43,921,848
Commitments for acquisition of:			
- operating fixed assets		3,004,717	2,054,239
- intangible assets		465,248	447,035
Other commitments	22.2.5	450,000	450,000
		<u>437,333,552</u>	<u>466,501,999</u>
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		120,494,702	104,574,460
Sale		50,226,749	60,201,900
		170,721,451	164,776,360
22.2.2 Commitments in respect of forward government securities transactions			
Purchase		12,990,116	10,167,457
Sale		4,448,697	29,617,392
		17,438,813	39,784,849
22.2.3 Commitments in respect of derivatives			
22.2.3.1 Interest Rate Swaps			
Purchase		46,160,838	36,820,716
Sale		-	-
		46,160,838	36,820,716
22.2.3.2 Cross currency swap			
Purchase		-	-
Sale		574,073	-
		574,073	-
Total commitments in respect of derivatives		<u>46,734,911</u>	<u>36,820,716</u>
22.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend		21,639,590	39,356,808
Commitments in respect of investments		5,158,965	4,565,040
	22.2.4.1	26,798,555	43,921,848
22.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Holding Company 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 (2021: Rs. 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 Company.			
22.3 Other contingent liabilities		<u>6,903,292</u>	<u>4,823,035</u>
These mainly represents counter claims filed by the borrowers for restricting the Holding Company from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex. employees of the Holding Company for damages sustained by them consequent to the termination from the Holding Company's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Holding Company's favour and the possibility of any outcome against the Holding Company 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

Counterparties	2022					
	Interest Rate Swaps			Cross Currency Swaps		
	No. of contracts	Notional Principal	Mark to market gain	No. of contracts	Notional Principal	Mark to market gain
	------(Rupees in '000)-----					
With Banks for						
Hedging	51	46,160,838	4,761,605	-	-	-
With Banks for						
Market Making	-	-	-	1	574,073	33,940
	51	46,160,838	4,761,605	1	574,073	33,940

Counterparties	2021					
	Interest Rate Swaps			Cross Currency Swaps		
	No. of contracts	Notional Principal	Mark to market loss	No. of contracts	Notional Principal	Mark to market loss
	------(Rupees in '000)-----					
With Banks for						
Hedging	50	36,820,716	(191,189)	-	-	-
With Banks for						
Market Making	-	-	-	-	-	-
	50	36,820,716	(191,189)	-	-	-

23.2 Maturity Analysis

Remaining Maturity	2022				
	------(Rupees in '000)-----				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
3 to 6 months	2	1,811,447	-	18,836	18,836
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	8	6,113,634	-	208,071	208,071
2 to 3 Years	5	3,448,860	-	194,341	194,341
3 to 5 Years	11	12,483,453	-	1,151,673	1,151,673
5 to 10 years	25	22,303,444	-	3,188,684	3,188,684
Above 10 Years	1	574,073	-	33,940	33,940
Total	52	46,734,911	-	4,795,545	4,795,545

Remaining Maturity	2021				
	------(Rupees in '000)-----				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
3 to 6 months	2	1,412,107	6,592	-	(6,592)
6 month to 1 Year	4	3,177,243	26,461	-	-
1 to 2 Year	2	1,412,108	14,085	-	(26,461)
2 to 3 Years	8	4,059,811	90,588	-	(14,085)
3 to 5 Years	8	8,490,299	37,013	65,488	(25,100)
5 to 10 years	25	18,092,634	161,793	79,168	42,155
Above 10 Years	1	176,514	-	687	(161,106)
Total	50	36,820,716	336,532	145,343	(191,189)

23.3 The Risk management policy related to derivatives is disclosed in note 46.7

	Note	2022 ------(Rupees in '000)-----	2021
24 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		78,153,433	46,704,328
b) Investments		128,017,859	49,976,159
c) Lendings to financial institutions		2,168,508	2,150,410
d) Balances with banks / Financial Institutions		115,215	36,877
e) On securities purchased under resale agreements / Bai Muajjal		5,494,723	1,544,067
		<u>213,949,738</u>	<u>100,411,841</u>
25 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		76,374,613	30,690,215
b) Borrowings		10,175,287	7,596,541
c) Securities sold under repurchase agreements		43,563,204	11,285,998
d) Subordinated debt		1,211,651	646,556
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		3,173,615	2,309,881
f) Borrowing cost on leased properties		1,924,717	1,469,860
g) Reward points		256,104	149,022
		<u>136,679,191</u>	<u>54,148,073</u>
26 FEE & COMMISSION INCOME			
Branch banking customer fees		1,077,276	925,408
Consumer finance related fees		499,418	395,065
Card related fees (debit and credit cards)		1,669,928	1,183,568
Credit related fees		373,000	209,219
Investment banking fees		308,002	182,635
Commission on trade		2,230,819	1,896,302
Commission on guarantees		565,910	372,664
Commission on cash management		67,623	45,659
Commission on remittances including home remittances		1,219,647	807,130
Commission on bancassurance		574,905	568,539
Card acquiring business		908,614	439,755
Wealth Management Fee		105,266	71,163
Commission on Employees' Old-Age Benefits Institution (EOBI)		23,771	35,484
Commission on Benazir Income Support Programme (BISP)		293,386	271,456
Alternate Delivery Channel (ADC)		705,085	432,764
Brokerage/Commission income		368,075	280,364
Others		241,152	186,270
		<u>11,231,877</u>	<u>8,303,445</u>
27 (LOSS) / GAIN ON SECURITIES			
Realised (loss) / gain	27.1	(135,550)	3,567,497
Unrealised loss - held for trading	8.1	(27,109)	(423,888)
		<u>(162,659)</u>	<u>3,143,609</u>
27.1 Realised (loss)/ gain on:			
Federal Government Securities		(2,273)	1,282,868
Shares		(224,256)	1,648,232
Non Government Debt Securities		-	3,996
Foreign Securities		90,979	632,401
		<u>(135,550)</u>	<u>3,567,497</u>
28 OTHER INCOME			
Rent on property		29,938	25,372
Gain on sale of fixed assets - net		111,972	53,350
Gain on sale of non banking assets - net	13.1.2	9,200	-
Profit on termination of leased contracts (Ijarah)		52,985	54,356
Gain on termination of leases (IFRS 16)		121,876	42,895
		<u>325,971</u>	<u>175,973</u>
28.1 The Holding Company realised gain of Rs. 9.200 million (2021: Rs. Nil) against sale of following non - banking assets :			
Membership shares / cards		<u>9,200</u>	<u>-</u>

	Note	2022 ----- (Rupees in '000) -----	2021
29 OPERATING EXPENSES			
Total compensation expense	29.1	21,433,635	16,979,512
Property expense			
Rates and taxes		180,730	132,684
Utilities cost		2,293,147	1,354,792
Security (including guards)		1,109,000	801,801
Repair and maintenance (including janitorial charges)		1,196,545	873,249
Depreciation on right-of-use assets	10.3	2,739,579	2,276,236
Depreciation on non-banking assets acquired in satisfaction of claims		4,447	4,351
Depreciation on owned assets	10.2	651,270	504,903
		8,174,718	5,948,016
Information technology expenses			
Software maintenance		2,053,151	1,495,198
Hardware maintenance		610,670	408,823
Depreciation	10.2	813,182	578,017
Amortisation	11.1	351,770	396,183
Network charges		549,872	404,599
Consultancy and support services		333,212	141,845
		4,711,857	3,424,665
Other operating expenses			
Directors' fees and allowances	40.2	180,000	158,720
Fees and allowances to Shariah Board	40.3	13,817	11,174
Legal and professional charges		723,888	408,563
Outsourced services costs	29.2	1,046,786	722,012
Travelling and conveyance		950,423	499,077
Clearing and custodian charges		151,516	119,833
Depreciation	10.2	1,221,961	1,036,938
Training and development		120,447	76,015
Postage and courier charges		577,661	391,385
Communication		993,304	499,205
Stationery and printing		1,089,367	710,419
Marketing, advertisement and publicity		1,628,410	940,328
Donations	29.3	332,015	27,276
Auditors' Remuneration	29.4	66,862	49,949
Brokerage and Commission		274,216	280,510
Entertainment		448,587	295,271
Repairs and maintenance		991,122	654,252
Insurance		1,589,765	1,148,768
Cash Handling Charges		1,388,573	994,845
CNIC Verification		212,338	147,554
Others		1,576,671	1,014,319
		15,577,729	10,186,413
		<u>49,897,939</u>	<u>36,538,606</u>
29.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		15,384,622	12,294,938
ii) Variable			
Cash Bonus / Awards etc.		3,377,573	2,531,592
b) Bonus and Awards in Shares etc.		192,741	142,500
Charge for defined benefit plan	37.1.9	282,939	216,848
Contribution to defined contribution plan	38	582,159	495,440
Medical		836,017	747,124
Conveyance		373,649	287,860
Staff compensated absences		67,268	23,118
Others		307,696	206,994
Sub-total		21,404,664	16,946,414
Sign-on Bonus		23,971	27,802
Severance Allowance		5,000	5,296
Grand Total		<u>21,433,635</u>	<u>16,979,512</u>
		----- No of persons -----	
Sign- on Bonus		10	10
Severance Allowance		1	2

29.2 The cost of outsourced activities included in other operating expenses is Rs. 681.300 million (2021: Rs. 596.091 million). This pertains to payment to companies incorporated in Pakistan.

29.3 Donations

	2022	2021
	----- (Rupees in '000) -----	
Shaukat Khanum Memorial Cancer Hospital and Research Centre	34,000	-
Alamgir Welfare Trust International	8,000	5,000
The Citizen Foundation	-	500
Indus Earth Trust	4,750	-
Indus Hospital & Health Network	4,680	-
Family Educational Services	1,600	1,000
Patients' Aid Foundation	1,500	1,500
Aziz Jehan Begum Trust	1,000	1,000
Child Aid Association	1,000	-
AKUH - The Patients' Behbud Society	1,000	-
ASD Welfare Trust	500	-
Bait-ul-Sukoon Trust	500	-
Murshid Hospital - The Patients Welfare Association	500	-
Karigar Training Institute	500	-
The Friends of Education Foundation	500	-
Zafar and Atia Foundation Charitable Trust	500	-
Make-a-Wish Foundation Pakistan	250	-
Cancer Care Hospital	-	2,500
Durbeen	-	3,000
Holy Family Hospital	-	1,000
Ida Rieu Welfare Association	-	2,166
Kaghan Development Authority	-	4,010
Kidney Foundation	-	1,500
Network of Organizations Working for Peoples with Disabilities Pakistan	-	1,500
The Hunar Foundation	-	2,100
Trust for Malnutrition	-	500
	<u>60,780</u>	<u>27,276</u>

Donation paid for Flood Relief

Alamgir Welfare Trust International	25,004	-
Jafaria Disaster Management Cell (JDC) Welfare Foundation of Pakistan	31,000	-
Karachi Relief Trust	25,000	-
The Citizen Foundation	25,000	-
Citizen Police Liaison Committee (CPLC)	25,000	-
Saylani Welfare International Trust	25,000	-
Shahid Afridi Foundation	25,000	-
Al Khidmat Welfare Society	25,000	-
Al Mustafa Trust	8,000	-
Bait us Salam Welfare Trust	25,000	-
Balochistan Rural Support Programme (Gurantee) Limited	10,000	-
Bestway Foundation (Trust)	1,363	-
Health And Nutrition Development Society	10,000	-
Donation to flood affected families of Sardar Garh and other adjacent villages of Ghotki, Sindh	10,868	-
	<u>271,235</u>	<u>-</u>
Total Donations	<u>332,015</u>	<u>27,276</u>

29.3.1 None of the directors, sponsor shareholders, key management personnel or their spouses have any direct interest in the Donees, except Patients' Aid Foundation.

29.4 Auditors' remuneration

	2022			2021		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Audit fee	17,653	22,662	40,315	16,008	14,080	30,088
Fee for other statutory certifications	7,651	6,468	14,119	6,353	1,083	7,436
Special certifications and sundry advisory services	7,393	643	8,036	5,576	3,182	8,758
Out-of-pocket expenses	2,303	868	3,171	2,297	482	2,779
Audit fee and other certifications of Subsidiary	1,221	-	1,221	888	-	888
	<u>36,221</u>	<u>30,641</u>	<u>66,862</u>	<u>31,122</u>	<u>18,827</u>	<u>49,949</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.

	Note	2022	2021
		----- (Rupees in '000) -----	
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		24,628	24,822
Penalties imposed by other regulatory bodies		<u>2,550</u>	<u>698</u>
		<u>27,178</u>	<u>25,520</u>
32 PROVISIONS & WRITE OFFS - NET			
Provision against lending to financial institutions (IFRS 9 - ECL)		156	-
Provision / (reversal) for diminution in value of investments / IFRS 9 - ECL	8.3.1	2,499,018	(170,790)
Provision against loans & advances / IFRS 9 - ECL	9.6	8,943,799	1,868,677
Provision against other assets / IFRS 9 - ECL	13.3.1	1,327,876	1,049,693
Reversal of provision against off-balance sheet obligations / IFRS 9 - ECL	18.1	(87,039)	(257)
Other provisions / write off - net		91,364	30,852
Recovery of written off / charged off bad debts		(312,242)	(402,745)
Reversal of deficit on revaluation of fixed assets	10.2	-	(63,574)
Deficit on revaluation of non-banking assets	13.1.1	4,201	-
		<u>12,467,133</u>	<u>2,311,856</u>
33 TAXATION			
Charge / (reversal):			
Current		22,241,413	9,754,864
Prior years		(2,619,042)	(508,554)
Deferred		<u>(1,342,434)</u>	<u>199,910</u>
	33.1	<u>18,279,937</u>	<u>9,446,220</u>
33.1 Relationship between tax expense and accounting profit			
Accounting Profit before taxation		<u>36,677,401</u>	<u>23,906,688</u>
Tax at the applicable rate of 49% (2021: 39%)		17,971,926	9,323,608
Effect of:			
- impact of different tax rate of subsidiary		(10,350)	(13,090)
- permanent differences		145,038	9,953
- tax charge pertaining to overseas branches		-	41,910
- Impact of change in tax rates		(149,642)	(157,193)
- others		322,965	241,032
Tax expense for the year		<u>18,279,937</u>	<u>9,446,220</u>

- 33.2 a)** The income tax assessments of the Holding Company have been finalized upto and including tax year 2022. Certain addback have been made by tax authorities for various assessment years appeals against which are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan.

In respect of tax years 2008, 2014, 2017, 2019 to 2022, 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 tax demand of Rs. 639.939 million net of relief provided in appeal (2021: Rs. 714.263). Bank has filed appeals on these issues which are pending before Commissioner Appeals. 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 for the periods from July 2011 to December 2020 wherein tax authority demanded sales tax on banking services and penalty amounting to Rs. 763.312 million [excluding default surcharge] by disallowing certain exemptions of sales tax on banking services and allegedly for short payment of sales tax. Appeals against these orders are 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 the Holding Company's favour through appellate process.
- c) During the year, the Holding Company has received an order from a tax authority wherein Sales tax and penalty amounting to Rs. 5.191 million [excluding default surcharge] is demanded allegedly for non-payment of sales tax on certain transactions relating to accounting year 2016. This is in addition to an order previously received for the same accounting year wherein Sales tax and Further Tax amounting to Rs. 8.601 million [excluding default surcharge and penalty] was demanded allegedly for non-payment of sales tax on certain transactions. The Holding Company appeals are pending before Commissioner Appeals. The Holding Company has not made any provision against these orders and the management is of the view that this matter will be favorably settled through appellate process.

- 33.3** During the year, the tax rate has been revised from 35% to 39%. Further, a Super Tax of 10% has been levied for the Tax Year 2023. Accordingly, the related impact of these changes have been incorporated in the current year.

- 33.4** In line with recent change in law for applicability of super tax in future years, the Holding Company has changed the rate of deferred tax from 39% to 43% during the year 2022.

	2022	2021
	----- (Rupees in '000) -----	
34 BASIC AND DILUTED EARNINGS PER SHARE		
Profit attributable to equity holders of the Holding Company	18,394,766	14,436,704
	---- (Number of shares in '000) ----	
Weighted average number of ordinary shares	1,772,645	1,777,165
	----- Rupees -----	
Basic and diluted earnings per share	10.38	8.12
	2022	2021
	---- (Number of shares in '000) ----	
34.1 Weighted average number of ordinary shares		
Outstanding number of shares before own shares purchased	1,777,165	1,777,165
Less: Impact of own shares purchased during the year	(4,520)	-
	<u>1,772,645</u>	<u>1,777,165</u>

- 34.2** Diluted earnings per share has not been presented separately as the Holding Company does not have any convertible instruments in issue.

	Note	2022	2021
		----- (Rupees in '000) -----	
35 CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks	5	140,613,751	105,606,930
Balance with other banks	6	10,105,449	9,981,307
Call / clean money lendings	35.2	40,274,315	20,978,734
Borrowings - others	15.17	(170,410)	-
Overdrawn nostro accounts	15.19	(4,884,913)	(1,774,249)
		<u>185,938,192</u>	<u>134,792,722</u>

35.1 Reconciliation of debt arising from financing activities

Balances as at January 01, 2022

Changes from financing cash flows

Issuance of sub-ordinated debt

Payment of leased liability

Own shares purchased during the year

Dividend Paid

Other changes

Additions / renewals / amendments / (terminations) - net

Borrowing cost on lease liability

Exchange Rate Adjustment

Final cash dividend for the year ended December 31, 2021 - 20%

Interim cash dividend for the half year ended June 30, 2022 - 25%

Balances as at December 31, 2022

2022			
Liability			Equity
(Rupees in '000)			
Subordinated debt	Lease liabilities against right-of-use assets	Dividend Payable	Share Capital
7,000,000	13,220,387	152,030	17,771,651
7,000,000	-	-	-
	(3,833,077)	-	-
	-	-	(2,000,000)
	-	(3,382,063)	-
7,000,000	(3,833,077)	(3,382,063)	(2,000,000)
	6,153,076	-	-
	1,924,717	-	-
	49,098	-	-
	-	3,554,330	-
-	-	4,442,913	-
-	8,126,891	7,997,243	-
14,000,000	17,514,201	4,767,210	15,771,651

Reconciliation of debt arising from financing activities

Balances as at January 01, 2021

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

Exchange Rate Adjustment

Final cash dividend for the year ended December 31, 2020 - 20%

Interim cash dividend for the half year ended June 30, 2021 - 20%

Balances as at December 31, 2021

2021			
Liability			Equity
(Rupees in '000)			
Subordinated debt	Lease liabilities against right-of-use assets	Dividend Payable	Share Capital
7,000,000	10,463,042	135,345	17,771,651
-	-	-	-
-	(3,259,508)	-	-
-	-	(7,091,975)	-
-	(3,259,508)	(7,091,975)	-
	4,551,430	-	-
	1,469,860	-	-
	(4,437)	-	-
-	-	3,554,330	-
-	-	3,554,330	-
-	6,016,853	7,108,660	-
7,000,000	13,220,387	152,030	17,771,651

35.2 This represents call / clean money lendings having maturities upto three months.

36	STAFF STRENGTH	2022			2021		
		----- (Number of employees) -----					
		Domestic	Overseas	Total	Domestic	Overseas	Total
	Permanent	13,657	203	13,860	11,906	203	12,109
	On Group's contract	52	60	112	17	67	84
	Group's own staff strength at the end of the year	13,709	263	13,972	11,923	270	12,193

36.1 In addition to the above, 109 (2021: 208) employees of outsourcing services companies were assigned to the Holding Company as at the end of the year to perform services other than guarding, tea and janitorial services etc. Outsourced staff includes 108 (2021: 184) working in Pakistan and 01 (2021: 24) working at overseas branches.

37 DEFINED BENEFIT PLAN

37.1 The 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, 2022. 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:

	2022	2021
	(Number)	
- Gratuity fund	13,586	11,830

37.1.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Holding Company as of December 31, 2022:

	2022	2021
	(Per annum)	
Withdrawal rates	Low	Low
Mortality rates	SLIC 2001 - 2005	SLIC 2001 - 2005
Valuation Discount rate (p.a)	14.25%	12.25%
Salary increase rate (p.a) - Short term (3 years)	10.92%	7.25%
Salary increase rate (p.a) - Long term	12.25%	10.25%
Expected rate of return on plan assets (p.a)	14.25%	12.25%
Normal retirement age	60 Years	60 Years
Duration	11 Years 3 months	11 Years 3 months

37.1.4 Reconciliation of receivable from defined benefit plans

	Note	2022	2021
		(Rupees in '000)	
Present value of obligations	37.1.5	2,891,871	2,139,371
Fair value of plan assets	37.1.6	(3,045,578)	(2,883,695)
Payable / (receivable)	37.1.7	(153,707)	(744,324)

	Note	2022 ------(Rupees in '000)-----	2021
37.1.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		2,139,371	1,962,043
Current service cost		446,331	314,483
Interest cost		245,895	188,009
Benefits paid by the Holding Company		(245,809)	(223,825)
Re-measurement loss / (gain)		306,083	(101,339)
Obligations at the end of the year		<u>2,891,871</u>	<u>2,139,371</u>
37.1.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,883,695	2,654,442
Interest income on plan assets		409,287	285,644
Contribution by the Holding Company - net		268,817	216,848
Benefits paid		(245,809)	(223,825)
Re-measurement loss	37.1.10	<u>(270,412)</u>	<u>(49,414)</u>
Fair value at the end of the year	37.1.11	<u>3,045,578</u>	<u>2,883,695</u>
37.1.7 Movement in receivable under defined benefit plan			
Opening balance		(744,324)	(692,399)
Charge for the year		282,939	216,848
Contribution by the Holding Company - net		(268,817)	(216,848)
Re-measurement loss / (gain) recognised in OCI during the year	37.1.10	<u>576,495</u>	<u>(51,925)</u>
Closing balance		<u>(153,707)</u>	<u>(744,324)</u>
37.1.8 Charge for defined benefit plans			
37.1.9 Cost recognised in profit and loss			
Current service cost	37.1.5	446,331	314,483
Net interest on defined benefit asset / liability	37.1.5 & 37.1.6	<u>(163,392)</u>	<u>(97,635)</u>
		<u>282,939</u>	<u>216,848</u>
37.1.10 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Demographic assumptions		-	-
- Financial assumptions		285,766	(13,561)
- Experience adjustment		20,317	(87,778)
Return on plan assets over interest loss		<u>270,412</u>	<u>49,414</u>
Total re-measurements recognised in OCI		<u>576,495</u>	<u>(51,925)</u>
37.1.11 Components of plan assets			
Cash and cash equivalents - net		352,679	377,544
Non-Government Debt securities		952,365	602,365
Ordinary shares		1,345,560	1,544,671
Units of mutual funds		<u>394,974</u>	<u>359,115</u>
		<u>3,045,578</u>	<u>2,883,695</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	2022	
	PV of Defined Benefit Obligation	Change
	----- (Rupees in '000) -----	
1% increase in discount rate	2,603,483	(288,388)
1% decrease in discount rate	3,229,114	337,243
1 % increase in expected rate of salary increase	3,247,690	355,819
1 % decrease in expected rate of salary increase	2,583,920	(307,951)
10% increase in withdrawal rate	2,894,437	2,566
10% decrease in withdrawal rate	2,889,291	(2,580)
1 year Mortality age set back	2,885,175	(6,696)
1 year Mortality age set forward	2,898,360	6,489
		2023
		(Rupees in '000)
37.1.13 Expected contributions to be paid to the fund in the next financial year		<u>467,002</u>
37.1.14 Expected charge for the next financial year		<u>467,002</u>
37.1.15 Maturity profile		

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rupees in '000)
Year 1	63,459
Year 2	56,743
Year 3	62,730
Year 4	81,892
Year 5	77,684
Year 6 to Year 10	554,436
Year 11 and above	14,000,068
	<u>14,897,012</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

The Subsidiary Company operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The Subsidiary Company has carried out an actuarial valuation on December 31, 2022 using Projected Unit Credit Method and results of the valuation are as given below:

	2022	2021
	----- (Number) -----	
The total number of employees covered under scheme	<u>70</u>	<u>65</u>

37.2.1 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Subsidiary Company as of December 31, 2022:

	Note	2022	2021
		----- (Per annum) -----	
Valuation discount rate		14.50%	11.75%
Salary increase rate		11.53%	10.00%
Mortality rates		SLIC 2001 - 2005	
Rates of employee turnover		Moderate	Moderate

37.2.2 Amount recognised in the balance sheet

		2022	2021
		----- (Rupees in '000) -----	
Defined benefit obligation	37.2.3	39,844	29,385
Fair value of plan assets		-	-
Net liability		<u>39,844</u>	<u>29,385</u>

37.2.3 Reconciliation of payable to defined benefit plan

Opening net liability		29,385	21,985
Charge for the year	37.2.4	10,115	7,119
Other comprehensive income	37.2.5	1,993	2,067
Benefits paid during the period / year		(1,649)	(1,786)
Closing net liability		<u>39,844</u>	<u>29,385</u>

37.2.4 Charge for the defined benefit plan

Current service cost		6,760	4,957
Net interest		3,355	2,162
		<u>10,115</u>	<u>7,119</u>

37.2.5 Actuarial gain / (loss) on obligation

Unrecognized actuarial (loss) / gain as at 1 January		3,285	5,352
Actuarial loss on obligations - recognized in OCI		(1,993)	(2,067)
Unrecognized actuarial loss at 31 December		<u>1,292</u>	<u>3,285</u>

37.2.6 Sensitivity analysis on significant actuarial assumptions: actuarial liability

Discount rate +1%		36,539	26,763
Discount rate -1%		43,675	32,451
Salary increases +1%		43,900	32,621
Salary increases -1%		36,298	26,580

	2022	2021
	----- (Years) -----	
37.2.7 Weighted average duration of the present value of defined benefit obligation	<u>8.95</u>	<u>9.68</u>

37.2.8 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments (time in years)	2022	2021
	----- (Rupees in '000) -----	
Year 1	4,144	3,202
Year 2	1,506	1,153
Year 3	1,639	1,114
Year 4	2,809	1,153
Year 5	1,788	1,984
Year 6 to Year 10	36,801	23,814
Year 11 and above	245,774	116,340

37.2.9 The expected gratuity expense for the next one year works out to be Rs. 4.144 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 Holding Company contribute 8.33% of basic salary in equal monthly contributions. However, employees have the option, to have their provident fund contribution deducted at 8.33%, 10% or 12% of their monthly basic salary.

During the year, the Holding Company contributed Rs. 582,159 million (2021: Rs. 495.440 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**

2022								
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.	-	-	180,000	13,817	-	-	-
2	Managerial Remuneration	-	-	-	-	-	-	-
	i) Fixed	-	-	-	3,706	67,733	294,559	992,390
	ii) Variable	-	-	-	-	-	-	-
	a) Cash Bonus / Awards	-	-	-	950	90,525	182,500	372,404
	b) Bonus and Awards in Shares	-	-	-	-	8,743	26,344	32,021
3	Charge for defined benefit plan	-	-	-	-	-	16,407	67,558
4	Contribution to defined Contribution	-	-	-	157	5,498	16,407	52,476
5	Rent & House Maintenance	-	-	-	755	27,384	78,131	263,241
6	Utilities	-	-	-	189	9,434	19,533	64,465
7	Medical	-	-	-	-	-	-	309
8	Conveyance	-	-	-	-	-	-	491
9	Ex-Gratia	-	-	-	-	-	-	-
9	Others	-	-	-	141	16,457	160	52,385
10	Total (1 - 10)	-	-	180,000	19,715	225,774	634,041	1,897,740
	Number of Persons	1	-	6	5	1	15	161

2021								
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.	-	-	158,720	11,174	-	-	-
2	Managerial Remuneration			-				
	i) Fixed	-	-	-	-	60,350	255,415	720,694
	ii) Variable							
	of which;			-				
	Cash Bonus / Awards	-	-	-	-	77,142	147,000	291,766
3	Charge for defined benefit plan	-	-	-	-	-	14,331	43,755
4	Contribution to defined Contribution	-	-	-	-	5,027	14,331	39,738
5	Rent & House Maintenance	-	-	-	-	24,968	67,623	205,472
6	Utilities	-	-	-	-	8,096	16,906	49,949
7	Medical	-	-	-	-	-	-	2,800
8	Conveyance	-	-	-	-	-	-	78
9	Ex-Gratia	-	-	-	-	-	-	5,157
10	Others	-	-	-	-	11,681	1,120	20,869
	Total (1 - 9)	-	-	158,720	11,174	187,264	516,726	1,380,278
	Number of Persons	1	-	7	5	1	15	129

The Chief Executive and certain Executives have been provided with car(s), 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 of three years, whereas remaining portion of the bonus shall be paid upfront to the MRTs / MRCs. The deferred bonus shall vest proportionately over the deferral period following the year of variable remuneration award.

In case of malus and where accountability has been determined in accordance with the conduct & accountability framework of the Holding Company, the entire or certain portion of the deferred remuneration shall be withheld and not paid to the MRT / MRC on its becoming due.

During the year, amount of Rs. 104.492 million (2021: 86.625) was deferred. The deferred portion is managed internally within the Holding Company. The Holding Company provides for the return on deferred portion at rate of return earned on government securities over the time horizon for deferral.

* includes salaries and allowance of resident member of Shariah Board who is an employee of the Holding Company.

40.1.2 Subsidiary - Alfalah CLSA Securities (Private) Limited

Total Compensation expense to the CEO and key executives of the subsidiary is Rs. 73.286 million (2021: 63.040 million).

40.2 Remuneration Paid to Directors for Participation in Board and Board Committees Meetings - Holding Company

2022

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings								Total
		Board Meetings	Board Audit Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Coronavirus-Crises Management Committee	Board Real Estate Committee	
------(Rupees in '000)-----										
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-	-
2	Mr. Abdullah Nasser Hawaileel Al Mansoori	4,000	-	-	-	-	-	-	-	4,000
3	Mr. Abdulla Khalil Al Mutawa	5,600	7,200	4,000	4,800	5,600	7,680	6,720	3,840	45,440
4	Mr. Khalid Mana Saeed Al Otaiba	5,600	7,200	4,000	4,800	6,720	6,400	5,600	3,200	43,520
5	Dr. Gyorgy Tamas Ladics	5,600	-	4,000	5,760	-	6,400	5,600	-	27,360
6	Mr. Khalid Qurashi	5,600	8,640	4,000	-	5,600	6,400	5,600	-	35,840
7	Dr. Ayesha Khan	4,800	5,600	3,840	-	-	5,600	4,000	-	23,840
	Total	31,200	28,640	19,840	15,360	17,920	32,480	27,520	7,040	180,000

2021

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings								
		Board Meetings	Board Audit Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Coronavirus-Crises Management Committee	Board Real Estate Committee	Total Amount Paid
		------(Rupees in '000)-----								
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-	-
2	Mr. Abdullah Nasser Hawaileel Al Mansoori	4,800	-	-	-	-	-	-	-	4,800
3	Mr. Abdulla Khalil Al Mutawa	4,800	6,400	3,200	4,000	4,800	5,760	5,440	1,920	36,320
4	Mr. Khalid Mana Saeed Al Otaiba	4,800	6,400	3,200	4,000	5,760	4,800	4,800	1,600	35,360
5	Mr. Efstathios Georgios Arapoglou*	1,600	2,400	-	1,600	1,600	2,400	1,920	-	11,520
6	Dr. Gyorgy Tamas Ladics	4,800	-	3,200	-	-	1,600	4,800	-	14,400
7	Mr. Khalid Qurashi	4,800	7,680	3,200	4,800	4,800	4,800	4,800	-	34,880
8	Dr. Ayesha Khan	4,800	6,400	3,840	-	-	1,600	4,800	-	21,440
	Total	30,400	29,280	16,640	14,400	16,960	20,960	26,560	3,520	158,720

* Director resigned in 2021.

40.3 Remuneration paid to Shariah Board Members

2021

Sr. No.	Items	Chairman	Non-Resident Member	Resident Member	TOTAL	Chairman	Non-Resident Member	Resident Member	TOTAL
------(Rupees in '000)-----									
1	Fees/Remuneration and Allowances	7,421	6,396	-	13,817	6,697	4,477	-	11,174
2	Managerial Remuneration - Fixed	-	-	3,706	3,706	-	-	2,609	2,609
3	Rent & House Maintenance	-	-	755	755	-	-	568	568
4	Utilities	-	-	189	189	-	-	142	142
5	Others	-	-	1,248	1,248	-	-	718	718
	Total	7,421	6,396	5,898	19,715	6,697	4,477	4,037	15,211
	Total Number of Persons	1	3	1	5	1	3	1	5

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 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, 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 Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

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

	2022			
	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	-	946,606,485	-	946,606,485
Shares	6,456,107	-	-	6,456,107
Non-Government Debt Securities	14,937,000	4,347,503	-	19,284,503
Foreign Securities	-	56,376,070	-	56,376,070
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	73,518,446	-	73,518,446
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	922,573	-	922,573
Forward sale of foreign exchange	-	455,164	-	455,164
Forward purchase government securities	-	4,432	-	4,432
Forward sale government securities	-	(7,946)	-	(7,946)
Derivatives purchases	-	4,761,605	-	4,761,605
Derivatives sales	-	33,940	-	33,940
	2021			
	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	-	660,430,601	-	660,430,601
Shares	4,959,952	-	-	4,959,952
Non-Government Debt Securities	12,180,000	7,550,203	-	19,730,203
Foreign Securities	-	49,972,071	-	49,972,071
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	69,624,622	-	69,624,622
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,249,270	-	2,249,270
Forward sale of foreign exchange	-	(1,021,507)	-	(1,021,507)
Forward purchase government securities	-	(46,547)	-	(46,547)
Forward sale government securities	-	-	-	-
Derivatives purchases	-	(191,189)	-	(191,189)
Derivatives sales	-	-	-	-

41.2 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.

41.3 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 listed 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 Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts, forward government securities contracts, cross currency swap and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3 except as disclosed in note 41.3.1.

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.

41.3.1 Fair value of non-financial assets

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 13. The valuations are conducted by the valuation experts appointed by the Holding Company which are also on the panel of State Bank of Pakistan.

41.3.2 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.
Derivative Instruments	Derivatives that are valued using valuation techniques based on market observable inputs are mainly interest rate swaps and cross currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS) including their forward contracts	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 Sukuks, Overseas and GoP 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 Holding Company's properties. The market approach used prices and other relevant information generated by market transactions involving identical, comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

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42.1

PROFIT & LOSS	
Net mark-up/return/profit	
Inter segment revenue - net	
Non mark-up / return / interest income	
Total Income	
Segment direct expenses	
Inter segment expense allocation	
Total expenses	
Provisions/ (reversals)	
Profit / (loss) before tax	
Balance sheet	
Cash & Bank balances	
Investments	
Net inter segment lending	
Lendings to financial institutions	
Advances - performing	
Advances - non-performing	
Others	
Total Assets	
Borrowings	
Subordinated debt	
Deposits and other accounts	
Net inter segment borrowing	
Others	
Total liabilities	
Net Assets	
Equity	
Contingencies and Commitments	

0*

2021

	Retail	Corporate	Islamic (Domestic)	Treasury	Digital	Overseas	Brokerage	Others *	Total
Profit & Loss									
Net mark-up/return/profit	(3,189,979)	12,166,963	8,147,369	26,731,655	(50,425)	2,879,147	(4,174)	(416,788)	46,263,768
Inter segment revenue - net	27,202,228	(6,072,211)	(254,231)	(22,154,009)	564,472	925,954	-	(212,203)	-
Non mark-up / return / interest income	6,152,976	2,161,044	1,251,977	4,618,385	399,051	1,041,837	308,069	1,083,999	17,017,338
Total Income	30,165,225	8,255,796	9,145,115	9,196,031	913,098	4,846,938	303,895	455,008	63,281,106
Segment direct expenses	15,142,938	1,204,799	4,846,353	501,976	1,769,228	2,031,977	229,820	11,335,471	37,062,562
Inter segment expense allocation	7,235,541	1,034,835	1,742,555	413,579	606,933	309,272	-	(11,342,715)	-
Total expenses	22,378,479	2,239,634	6,588,908	915,555	2,376,161	2,341,249	229,820	(7,244)	37,062,562
Provisions/ (reversals)	537,430	1,054,684	1,272,031	(64,390)	10,112	1,201,989	-	(1,700,000)	2,311,856
Profit/ (loss) before tax	7,249,316	4,961,478	1,284,176	8,344,866	(1,473,175)	1,303,700	74,075	2,162,252	23,906,688

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others *	Total
Balance Sheet									
Cash & Bank balances	59,681,508	11,541,859	16,233,178	6,799,542	494,255	20,606,452	231,443	-	115,588,237
Investments	-	2,072,227	91,822,133	645,414,966	-	69,050,718	26,166	3,537,036	811,923,246
Net inter segment lending	431,128,123	-	-	-	6,355,852	-	-	86,291,183	523,775,158
Lendings to financial institutions	-	-	16,493,641	11,172,904	-	8,315,520	-	-	35,982,065
Advances - performing	203,165,570	282,208,814	132,877,992	-	65,423	41,101,258	2,661	10,876,876	670,298,594
Advances - non-performing	1,069,060	2,138,566	224,685	-	2,337	150,043	-	-	3,584,691
Others	21,021,729	19,167,418	21,637,954	11,100,835	1,490,652	3,353,196	725,440	20,899,034	99,396,258
Total Assets	716,065,990	317,128,884	279,289,583	674,488,247	8,408,519	142,577,187	985,710	121,604,129	2,260,548,249
Borrowings	26,768,170	79,969,245	31,305,163	207,951,783	-	37,314,358	300,000	500,153	384,108,872
Subordinated debt	-	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	668,667,896	182,007,203	200,390,388	-	8,293,361	79,650,772	-	-	1,139,009,620
Net inter segment borrowing	-	26,502,870	12,724,121	464,701,513	-	19,846,654	-	-	523,775,158
Others	20,591,423	28,649,566	32,493,099	3,089,606	115,158	5,658,006	350,984	13,832,658	104,780,500
Total liabilities	716,027,489	317,128,884	276,912,771	675,742,902	8,408,519	142,469,790	650,984	21,332,811	2,158,674,150
Net Assets	38,501	-	2,376,812	(1,254,655)	-	107,397	334,726	100,271,318	101,874,099
Equity									101,874,099
Contingencies and Commitments	69,140,430	182,035,105	73,345,099	160,268,743	78,313	83,682,843	450,000	2,239,467	571,240,000

* Others include head office related activities.

42.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2022				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	73,233,261	1,820,529	1,745,557	471,200	77,270,547
Inter segment revenue - net	(702,118)	528,737	202,961	(29,580)	-
Non mark-up / return / interest income	21,696,665	391,473	628,283	(9,875)	22,706,546
Total Income	94,227,808	2,740,739	2,576,801	431,745	99,977,093
Segment direct expenses	48,437,503	696,281	1,334,944	363,831	50,832,559
Inter segment expense allocation	(297,525)	112,185	136,429	48,911	-
Total expenses	48,139,978	808,466	1,471,373	412,742	50,832,559
Provisions/ (reversals)	9,548,167	1,409,029	160,987	1,348,950	12,467,133
Profit / (loss) before tax	36,539,663	523,244	944,441	(1,329,947)	36,677,401
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Balance Sheet					
Cash and Bank balances	92,327,373	39,547,744	5,403,568	13,440,515	150,719,200
Investments	1,045,052,164	48,525,759	13,782,240	10,256,200	1,117,616,363
Net inter segment lendings	738,911,981	-	-	-	738,911,981
Lendings to financial institutions	111,309,826	(2,717,443)	6,761,216	-	115,353,599
Advances - performing	690,085,168	152,597	36,573,446	-	726,811,211
Advances - non-performing	5,412,081	-	162,523	-	5,574,604
Others	125,632,215	11,328,860	2,170,543	1,513,113	140,644,731
Total Assets	2,808,730,808	96,837,517	64,853,536	25,209,828	2,995,631,689
Borrowings	477,885,070	10,366,609	3,398,262	-	491,649,941
Subordinated debt	14,000,000	-	-	-	14,000,000
Deposits and other accounts	1,350,444,247	69,461,994	44,229,172	22,700,847	1,486,836,260
Net inter segment borrowing	712,357,579	11,472,621	13,470,794	1,610,987	738,911,981
Others	149,353,757	7,895,965	3,755,308	1,165,108	162,170,138
Total liabilities	2,704,040,653	99,197,189	64,853,536	25,476,942	2,893,568,320
Net Assets	104,690,155	(2,359,672)	-	(267,114)	102,063,369
Equity					102,063,369
Contingencies and Commitments	507,726,843	65,456,077	2,363,106	9,060,905	584,606,931

2021

Pakistan	Middle East	Bangladesh	Afghanistan	Total
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(Rupees in '000)

Profit & Loss

Net mark-up/return/profit	43,384,621	1,054,682	1,597,208	227,257	46,263,768
Inter segment revenue - net	(925,954)	409,515	347,316	169,123	-
Non mark-up / return / interest income	15,975,501	272,794	371,494	397,549	17,017,338
Total Income	58,434,168	1,736,991	2,316,018	793,929	63,281,106
Segment direct expenses	35,030,585	534,955	1,133,872	363,150	37,062,562
Inter segment expense allocation	(309,272)	98,266	148,224	62,782	-
Total expenses	34,721,313	633,221	1,282,096	425,932	37,062,562
Provisions/ (reversals)	1,109,867	167,480	13,051	1,021,458	2,311,856
Profit / (loss) before tax	22,602,988	936,290	1,020,871	(653,461)	23,906,688

Pakistan	Middle East	Bangladesh	Afghanistan	Total
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(Rupees in '000)

Balance Sheet

Cash & Bank balances	94,981,785	6,637,739	3,223,304	10,745,409	115,588,237
Investments	742,872,528	43,572,211	13,970,123	11,508,384	811,923,246
Net inter segment lendings	523,775,158	-	-	-	523,775,158
Lendings to financial institutions	27,666,545	1,235,578	7,079,942	-	35,982,065
Advances - performing	629,197,336	16,462,333	24,638,925	-	670,298,594
Advances - non-performing	3,434,648	-	150,043	-	3,584,691
Others	96,043,062	2,615,391	1,669,213	(931,408)	99,396,258
Total Assets	2,117,971,062	70,523,252	50,731,550	21,322,385	2,260,548,249
Borrowings	346,794,514	33,118,198	5,102,179	(906,019)	384,108,872
Subordinated debt	7,000,000	-	-	-	7,000,000
Deposits and other accounts	1,059,358,848	28,145,664	31,161,489	20,343,619	1,139,009,620
Net inter segment borrowing	503,928,504	8,185,915	9,958,452	1,702,287	523,775,158
Others	99,122,494	1,076,917	4,509,430	71,659	104,780,500
Total liabilities	2,016,204,360	70,526,694	50,731,550	21,211,546	2,158,674,150
Net Assets	101,766,702	(3,442)	-	110,839	101,874,099
Equity					101,874,099
Contingencies and Commitments	487,557,157	64,164,006	11,897,761	7,621,076	571,240,000

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. Assets held under trust in IPS accounts are shown in the table below:

		2022			
Category	Number of IPS Accounts	Securities held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	GoP Ijarah Sukuks	
------(Rupees in '000)-----					
Asset Management Companies / Mutual Funds	91	69,256,520	2,972,650	1,300	72,230,470
Corporates	171	67,562,430	13,034,000	-	80,596,430
Individuals	2,034	3,771,630	840,565	106,100	4,718,295
Insurance Companies	12	3,557,000	21,575,200	-	25,132,200
NGO / Charitable Organisation	8	1,200,500	-	-	1,200,500
Pension & Employee Funds	81	26,999,190	6,267,400	-	33,266,590
	2,397	172,347,270	44,689,815	107,400	217,144,485

		2021			
Category	Number of IPS Accounts	Securities held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	GoP Ijarah Sukuks	
------(Rupees in '000)-----					
Asset Management Companies / Mutual Funds	78	2,571,000	4,107,980	-	6,678,980
Corporates	8	45,667,390	13,606,100	57,500	59,330,990
Individuals	110	1,018,370	721,200	-	1,739,570
Insurance Companies	74	10,272,500	13,101,500	-	23,374,000
NGO / Charitable Organisation	958	3,845,440	675,500	-	4,520,940
Pension & Employee Funds	12	7,218,825	9,533,350	-	16,752,175
	1,240	70,593,525	41,745,630	57,500	112,396,655

44 RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, subsidiaries, 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 December 31, 2022-----				-----As at December 31, 2021-----			
	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	-	-	-	2,330,078	-	-	-	1,745,830
Addition during the year	-	-	-	25,964,631	-	-	-	136,191,858
Repaid during the year	-	-	-	(28,294,709)	-	-	-	(133,658,672)
Transfer in / (out) - net	-	-	-	-	-	-	-	(1,948,938)
Closing balance	-	-	-	-	-	-	-	2,330,078
Investments								
Opening balance	-	-	4,118,122	1,119,230	-	-	3,675,044	1,241,405
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	(22,245)
Equity method adjustment	-	-	515,949	-	-	-	443,078	-
Transfer in / (out) - net*	-	-	-	-	-	-	-	(99,930)
Closing balance	-	-	4,634,071	1,119,230	-	-	4,118,122	1,119,230
Provision for diminution in value of investments								
	-	-	-	-	-	-	-	-
Advances								
Opening balance	77	1,184,057	-	1,997,552	78,132	791,521	-	3,346,278
Addition during the year	20,498	605,570	-	37,536,790	-	681,118	-	1,954,966
Repaid during the year	(2,513)	(173,521)	-	(38,264,097)	(78,055)	(263,110)	-	(3,398,044)
Transfer in / (out) - net*	-	(943,498)	-	1,097,679	-	(25,472)	-	94,352
Closing balance	18,062	672,608	-	2,367,924	77	1,184,057	-	1,997,552
Provision held against advances	-	-	-	1,097,028	-	-	-	-
Other Assets								
Interest / mark-up accrued	944	54,009	-	26,069	-	109,318	-	20,294
Receivable from staff retirement fund	-	-	-	153,707	-	-	-	744,324
Prepayment / rent receivable	-	-	975	-	-	-	-	-
Others	-	-	337	-	-	-	-	-
Borrowings								
Opening balance	-	-	-	2,280,921	-	-	-	2,384,849
Borrowings during the year	-	-	-	21,218,496	-	-	-	29,725,920
Settled during the year	-	-	-	(21,319,210)	-	-	-	(29,829,848)
Closing balance	-	-	-	2,180,207	-	-	-	2,280,921

-----As at December 31, 2022-----				-----As at December 31, 2021-----				
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	59,026	371,859	13,465,085	6,410,266	103,392	397,194	5,586,652	3,706,519
Received during the year	517,842	4,736,925	255,922,837	92,145,150	1,313,242	2,777,580	191,394,115	34,036,364
Withdrawn during the year	(538,402)	(4,728,481)	(266,309,224)	(87,581,596)	(1,357,608)	(2,785,788)	(183,515,682)	(31,371,402)
Transfer in / (out) - net	-	(195,309)	-	1,334,959	-	(17,127)	-	38,785
Closing balance	38,466	184,994	3,078,698	12,308,779	59,026	371,859	13,465,085	6,410,266
Other Liabilities								
Interest / mark-up payable	253	158	-	13,231	131	750	-	22,597
Lease Liabilities	-	-	-	-	-	-	-	-
Dividend Payable	1,146,264	39	-	2,201,513	-	-	-	-
Others	-	-	-	70,267	-	23,141	-	92,748
			-					
Contingencies and Commitments								
Other contingencies	-	-	-	-	-	-	-	24,491

	-----For the year ended December 31, 2022-----				-----For the year ended December 31, 2021-----			
	(Rupees in '000)				(Rupees in '000)			
	944	26,427	-	130,332	283	43,863	-	224,613
	-	-	103,017	-	-	1,504	82,382	
	-	-	140,995	379,384	-	-	111,000	11,066
	-	(110)	-	-				
	-	64	26,903	-	-	1,480	3,387	5,502
	-							
	1,647	13,356	692,153	797,799	1,305	12,853	515,815	547,700
	-	-	-	-	-	-	-	652
	180,000	-	-	-	158,720	-	-	-
e:	225,774	987,241	-	-	187,264	1,531,912	-	-
	-	-	-	120,184	-	-	-	101,469
	-	-	-	1,864	-	-	-	-
	-	-	-	220,222	-	-	-	45,362
	-	-	-	282,939	-	-	-	216,848
	-	-	-	582,159	-	-	-	495,440
	-	-	-	12,218	-	-	-	8,783
	4,611	10,766	2,463	241,565	1,095,780	13,908	2,621	2,813,193
	-	-	827,530	-	-	-	731,184	-
	-	-	567,445	-	-	-	510,335	-

* The definition of Key Management Personels has been changed in light of the SBP Corporate Governance Regulatory Framework.

45 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2022 2021
----- (Rupees in '000) -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	15,771,651	17,771,651
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	84,234,454	77,928,098
Eligible Additional Tier 1 (ADT 1) Capital	13,568,130	7,013,781
Total Eligible Tier 1 Capital	97,802,584	84,941,879
Eligible Tier 2 Capital	23,442,613	24,985,562
Total Eligible Capital (Tier 1 + Tier 2)	121,245,197	109,927,441

Risk Weighted Assets (RWAs):

Credit Risk	755,004,734	659,974,433
Market Risk	8,815,338	13,389,075
Operational Risk	121,895,800	94,040,288
Total	885,715,872	767,403,796

Common Equity Tier 1 Capital Adequacy ratio	9.51%	10.15%
Tier 1 Capital Adequacy Ratio	11.04%	11.07%
Total Capital Adequacy Ratio	13.69%	14.32%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Holding Company:

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%	11.50%

For Capital adequacy calculation, the Holding Company 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*	98,201,491	84,941,879
Total Exposures	2,710,331,582	2,292,529,009
Leverage Ratio	3.62%	3.71%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	688,048,074	474,660,774
Total Net Cash Outflow	371,947,384	275,665,253
Liquidity Coverage Ratio	185%	172%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	1,275,978,211	1,017,917,252
Total Required Stable Funding	849,343,576	753,951,739
Net Stable Funding Ratio	150%	135%

*Eligible Tier -1 Capital measure for calculation of Leverage Ratio is based on three months average.

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/>.

46 RISK MANAGEMENT

The variety of business activities undertaken by the Group 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, regularly evaluate and timely updating the risk management framework of the Holding Company. 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 Board Crisis Management Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies, procedures, responsibilities and accountabilities;
- Well constituted organizational structure, in the form of separate risk management departments within Credit and Risk Management Group, 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 Group'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. Further, there is an advanced focus on optimal utilization of capital while ensuring compliance with capital requirements. The results of stress tests and internal capital adequacy assessment process are given due consideration in capital and business planning.

46.1 Credit Risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Holding Company 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 Group's exposure to credit risk. The Holding Company's credit risk management philosophy is based on Holding Company's overall business strategy / direction as established by the Board. The Group is committed to the appropriate level of due diligence to ensure that credit risks have been properly 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 Holding Company has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by the 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 Holding Company 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, the Holding Company 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 is enhanced to compute the ECL calculation for IFRS 9 & 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 Holding Company has a separate client facing unit to negotiate repayment/settlement of the Group's non-performing exposure and protect the interests of the Holding Company'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 Holding Company's assets. The Credit & Risk Management Group also monitors the NPL portfolio of the Group and reports the same to CCC/ BRMC.

46.1.1 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.

46.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

46.1.2.1 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) and Moodys, Fitch and Standard & Pools.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 accorded approval to the Holding Company for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and Credit Rating Information and Services Limited (CRISL). The Holding Company 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.

46.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

46.1.3.1 Credit risk mitigation policy

The Holding Company defines collateral as the assets or rights provided to the Holding Company by the borrower or a third party in order to secure a credit facility. The Holding Company would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

46.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II / III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Holding Company 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 Holding Company 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.

46.1.3.3 Types of collateral taken by the Holding Company

The Holding Company 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 Holding Company. 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 Holding Company 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.

46.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Holding Company 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.

46.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower, group borrowers and related parties. Moreover, in order to restrict the industry concentration risk, Holding Company's annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Holding Company 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 Group's on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

46.1.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Public Sector	49,671,202	9,220,051	-	-	-	-
Private Sector	65,682,634	26,762,014	-	-	-	-
	115,353,836	35,982,065	-	-	-	-

46.1.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Textile	211,285	211,285	211,285	211,285	211,285	211,285
Chemical and Pharmaceuticals	51,477	151,477	51,477	51,477	51,477	51,477
Electronics and electrical appliances	1,785	1,785	1,785	1,785	1,785	1,785
Engineering	437,500	500,000	-	-	-	-
Power (electricity), Gas, Water, Sanitary	18,746,135	19,656,825	-	-	-	-
Transport, Storage and Communication	189,896	189,896	189,896	189,896	189,896	189,896
Financial	32,434,313	35,359,758	158,688	58,768	158,688	58,768
	52,072,391	56,071,026	613,131	513,211	613,131	513,211

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Public Sector	18,746,135	19,656,825	-	-	-	-
Private Sector	33,326,256	36,414,201	613,131	513,211	613,131	513,211
	52,072,391	56,071,026	613,131	513,211	613,131	513,211

46.1.6 Advances**Credit risk by industry sector**

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	----- (Rupees in '000) -----					
Agriculture, Forestry, Hunting and Fishing	18,881,068	36,934,519	1,274,425	2,052,056	1,111,433	1,276,528
Automobile and transportation equipment	15,707,114	11,617,391	480,060	445,617	411,510	381,640
Cement	16,609,030	14,261,277	-	-	-	-
Chemical and Pharmaceuticals	32,391,164	25,085,461	188,082	49,608	100,059	38,522
Construction	18,714,929	13,949,755	400,433	442,485	408,100	438,745
Electronics and electrical appliances	14,160,299	12,664,994	1,089,908	1,091,722	581,054	654,958
Exports / Imports	4,142,353	5,791,296	486,131	613,203	479,384	592,340
Financial	9,283,029	15,443,092	675,979	691,577	675,979	691,577
Food & Allied Products	75,005,691	69,237,720	4,526,775	3,009,967	3,195,779	2,578,414
Footwear and Leather garments	4,056,207	3,311,734	95,539	139,790	92,293	138,222
Glass and Ceramics	490,792	139,387	42,563	42,563	42,563	42,563
Individuals	117,329,967	102,990,311	1,434,322	1,072,901	867,789	726,231
Insurance	1,027,676	1,359,010	-	-	-	-
Metal & Allied industries	33,401,672	31,941,307	1,524,531	1,091,683	1,249,283	1,048,175
Mining and Quarrying	5,397,808	3,696,043	-	-	-	-
Oil and Allied	25,646,999	20,064,650	1,780,774	1,768,014	1,771,204	1,768,014
Paper and Board	6,938,290	5,843,460	2,980	8,717	2,980	8,717
Plastic and Allied Industries	4,532,958	3,119,793	259,851	265,206	275,130	267,399
Power (electricity), Gas, Water, Sanitary	70,914,805	80,769,013	2,827,910	2,845,810	2,348,310	2,348,310
Services	14,597,907	13,087,420	714,011	67,441	371,174	56,952
Sugar	19,774,618	16,346,614	1,032,653	1,110,455	1,032,653	1,110,455
Technology and Related Services	127,161	417,245	-	-	-	-
Textile	173,999,611	154,347,521	7,523,780	3,203,146	6,190,879	2,660,904
Transport, Storage and Communication	19,843,698	6,076,904	1,123,990	1,238,451	1,123,274	1,238,142
Wholesale & Retail Trade	38,850,582	27,705,363	2,099,287	2,030,407	1,921,743	1,872,134
Others	23,879,672	22,875,579	1,388,498	1,430,210	1,145,305	1,187,396
	765,705,100	699,076,859	30,972,482	24,711,029	25,397,878	21,126,338

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	----- (Rupees in '000) -----					
Public Sector	44,390,789	74,133,800	273,965	955,809	202,265	263,780
Private Sector	721,314,311	624,943,059	30,698,517	23,755,220	25,195,613	20,862,558
	765,705,100	699,076,859	30,972,482	24,711,029	25,397,878	21,126,338

46.1.7 Contingencies and Commitments**Credit risk by industry sector**

	2022	2021
	----- (Rupees in '000) -----	
Agriculture, Forestry, Hunting and Fishing	723,212	652,576
Automobile and transportation equipment	14,816,068	13,827,029
Cement	5,475,715	8,452,761
Chemical and Pharmaceuticals	23,350,141	15,494,268
Construction	19,819,304	16,934,503
Electronics and electrical appliances	7,916,285	7,765,873
Exports / Imports	1,055,443	1,559,127
Financial	242,634,726	238,773,944
Food & Allied Products	25,267,090	14,495,025
Footwear and Leather garments	481,069	551,052
Glass and Ceramics	1,056,977	1,290,944
Individual	5,066,833	6,387,256
Insurance	1,055,913	987,918
Metal & Allied industries	12,831,797	16,185,864
Mining and Quarrying	743,294	2,220,668
Oil and Allied	47,582,718	35,780,921
Paper and Board	1,858,270	2,095,589
Plastic and Allied Industries	3,589,217	4,177,858
Power (electricity), Gas, Water, Sanitary	33,780,926	33,169,261
Services	4,468,156	3,003,898
Sugar	1,916,993	1,388,343
Technology and Related Services	2,034,031	2,016,360
Textile	60,671,268	79,404,488
Transport, Storage and Communication	7,997,088	8,008,275
Wholesale and Retail Trade	22,987,066	14,855,620
Others	35,427,331	41,760,579
	584,606,931	571,240,000

	2022	2021
	----- (Rupees in '000) -----	
Credit risk by public / private sector		
Public/ Government	47,521,777	47,521,777
Private	537,085,154	523,718,223
	<u>584,606,931</u>	<u>571,240,000</u>

46.1.8 Concentration of Advances

The Holding Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 116.153 billion (2021: Rs. 126.411 billion) are as

Funded	45,445,076	65,552,579
Non Funded	70,708,066	60,858,405
Total Exposure	<u>116,153,142</u>	<u>126,410,984</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 215.558 billion (2021: Rs. 165.367 billion).

None of the top 10 exposures are classified.

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

46.1.9 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2022						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----						
Punjab	1,663,807,992	1,607,641,972	28,727,917	1,814,584	177	25,522,820	100,522
Sindh	1,672,169,912	17,793,854	1,649,513,267	490,556	68,967	4,289,276	13,992
KPK including FATA	27,345,835	3,616	-	27,342,219	-	-	-
Balochistan	6,258,010	13,484	24,463	-	6,220,063	-	-
Islamabad	195,588,631	63,220,130	6,068	31,398,130	67,511	100,896,792	-
AJK including Gilgit-Baltistan	1,109,673	8,734	-	-	47,989	-	1,052,950
Total	<u>3,566,280,053</u>	<u>1,688,681,790</u>	<u>1,678,271,715</u>	<u>61,045,489</u>	<u>6,404,707</u>	<u>130,708,888</u>	<u>1,167,464</u>

Province/Region	2021						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----						
Punjab	1,535,636,134	1,497,229,452	19,158,667	1,301,073	1,281	17,872,171	73,490
Sindh	1,452,628,374	21,380,293	1,430,999,299	24,345	81,166	140,384	2,887
KPK including FATA	18,436,472	-	-	18,434,073	-	2,399	-
Balochistan	9,324,591	-	18,727	-	9,305,864	-	-
Islamabad	110,736,834	45,577,717	9,750	25,640,122	191,174	39,318,071	-
AJK including Gilgit-Baltistan	905,447	-	-	-	27,886	-	877,561
Total	<u>3,127,667,852</u>	<u>1,564,187,462</u>	<u>1,450,186,443</u>	<u>45,399,613</u>	<u>9,607,371</u>	<u>57,333,025</u>	<u>953,938</u>

46.2 Market Risk

Market risk exposes the Holding Company to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in 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 at a portfolio level. Furthermore, it 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. This structure is reviewed, adjusted and approved periodically.

Under the BoD approved policy, the Holding Company's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of market risk, supported by Market & Liquidity Risk Department of Risk Management Division (RMD). The Holding Company 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 Holding Company also ascertains the impact of market risk on relevant portfolios through stress testing and the Internal Capital Adequacy Assessment processes.

46.3 Foreign exchange risk

Foreign exchange (FX) risk arises from fluctuation in the value of financial instruments due to 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. Currency risk is regulated and monitored against regulatory limits enforced by the State Bank of Pakistan. FX limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is conducted on a regular basis through VaR analysis.

The analysis below represents the concentration of the Holding Company's foreign currency risk for on and off balance sheet financial instruments:

	2022				2021			
	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	32,283,471	90,877,646	61,120,650	2,526,475	113,749,064	153,534,871	35,554,066	(4,231,741)
Great Britain Pound	2,589,310	7,600,127	5,025,968	15,151	923,610	6,706,737	5,797,050	13,923
Euro	1,708,419	5,488,202	3,638,000	(141,783)	2,220,058	5,386,496	3,226,568	60,130
Japanese Yen	15,446	45,788	42,840	12,498	86,150	8,326	(77,120)	704
Other currencies	891,879	921,163	274,917	245,633	57,257,245	57,330,913	116,386	42,718
	<u>37,488,525</u>	<u>104,932,926</u>	<u>70,102,375</u>	<u>2,657,974</u>	<u>174,236,127</u>	<u>222,967,343</u>	<u>44,616,950</u>	<u>- 4,114,266</u>

	2022		2021	
	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	-	(26,580)	-	(41,149)
- Other comprehensive income	(281,366)	-	(232,166)	-

46.3.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- (Rupees in '000) -----					
Cash and balances with treasury banks	140,613,751	-	140,613,751	105,606,930	-	105,606,930
Balances with other banks	10,105,449	-	10,105,449	9,981,307	-	9,981,307
Lendings to financial institutions	115,353,599	-	115,353,599	35,982,065	-	35,982,065
Investments	1,104,044,090	13,572,273	1,117,616,363	710,743,433	101,179,813	811,923,246
Advances	732,385,815	-	732,385,815	673,883,285	-	673,883,285
Fixed assets	48,493,284	-	48,493,284	39,561,952	-	39,561,952
Intangible assets	1,304,181	-	1,304,181	1,119,389	-	1,119,389
Deferred tax assets	7,550,773	-	7,550,773	1,157,470	-	1,157,470
Other assets	83,296,493	-	83,296,493	57,557,447	-	57,557,447
	<u>2,243,147,435</u>	<u>13,572,273</u>	<u>2,256,719,708</u>	<u>1,635,593,278</u>	<u>101,179,813</u>	<u>1,736,773,091</u>

46.3.2 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 Holding Company. The Holding Company's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of classifying investments as HFT 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 Holding Company's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Unit of RMD monitors portfolio and scrip level internal and regulatory limits. The Holding Company also has dealer and management limits in place.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 5% adverse movement in equity prices on				
- Profit and loss account	-	(25,903)	-	(49,854)
- Other comprehensive income	(296,134)	-	(198,644)	-

46.4 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 Holding Company 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 Holding Company has formulated a separate Interest Rate Risk Management (IRR) framework which establishes aggregate and tenor-wise balance sheet level PVO1 (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 Group 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

		2022		2021	
		Banking book	Trading book	Banking book	Trading book
		(Rupees in '000)			
		6,541,155 (6,098,611)	(79,865)	3,990,279 (5,043,323)	(333,046)
			-		-

46.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/Interest rate	Total	2022									
		Exposed to Yield/ Interest risk									
		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	Non-interest bearing financial instruments
(Rupees in '000)											
On-balance sheet financial instruments											
Assets											
0.00%	140,613,751	2,366,771	-	-	-	-	-	-	-	-	138,246,980
0.38%	10,105,449	635,871	-	-	-	-	-	-	-	-	9,469,578
10.92%	115,353,599	114,036,479	1,37,120	-	-	-	-	-	-	-	-
12.71%	1,117,616,363	528,212,480	239,062,859	135,009,958	15,004,713	12,226,809	28,098,579	71,574,905	71,174,020	-	17,252,040
11.24%	732,385,815	279,842,161	152,840,696	78,914,398	63,232,090	4,010,215	8,842,692	23,692,262	90,482,664	24,954,033	5,574,604
-	77,849,490	-	-	-	-	-	-	-	-	-	77,849,490
	2,193,924,467	925,093,762	393,220,675	213,924,356	78,236,803	16,237,024	36,941,271	95,267,167	161,656,684	24,954,033	248,392,692
Liabilities											
-	40,033,806	-	-	-	-	-	-	-	-	-	40,033,806
9.54%	491,649,941	137,329,071	187,143,295	17,053,319	2,310,237	12,192,522	43,220,723	11,458,426	79,773,929	1,168,419	-
6.32%	1,486,836,260	537,189,613	67,256,602	69,575,912	103,064,245	2,222,826	451,743	345,053	-	-	706,730,266
14.64%	14,000,000	-	14,000,000	-	-	-	-	-	-	-	-
Other liabilities											
12.92%	17,514,201	209,730	527,931	93,826	1,782,198	58,258	393,864	1,750,922	9,375,551	2,483,921	-
	53,071,516	-	-	-	-	-	-	-	-	-	53,071,516
	2,103,105,724	674,728,414	268,927,828	87,561,057	107,156,680	14,473,606	44,066,330	13,554,401	89,149,480	3,652,340	799,835,588
On-balance sheet gap											
	90,818,743	250,365,348	124,292,847	126,363,299	(28,919,877)	1,763,418	(7,125,059)	81,712,766	72,507,204	21,301,693	(551,442,896)
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions											
Commitments in respect of:											
- Forward exchange contracts - purchase	120,494,702	83,541,288	27,708,311	8,892,523	352,580	-	-	-	-	-	-
- Forward exchange contracts - sale	(50,226,749)	(18,789,622)	(29,602,435)	(1,834,692)	-	-	-	-	-	-	-
- Forward government security - purchase	12,990,116	6,615,259	1,471,322	4,834,042	69,493	-	-	-	-	-	-
- Forward government security - sale	(4,448,697)	(174,395)	(984,344)	(369,060)	-	-	-	(2,920,898)	-	-	-
- Interest Rate Swaps - purchase	46,160,838	33,458,064	12,702,774	-	-	-	-	-	-	-	-
- Interest Rate Swaps - Sale	(46,160,838)	-	-	(1,811,447)	-	(6,113,634)	(3,448,860)	(12,483,453)	(22,303,444)	-	-
- Cross Currency Swaps - Purchase	574,073	-	574,073	-	-	-	-	-	-	-	-
- Cross Currency Swaps - Sale	(574,073)	-	(574,073)	-	-	-	-	-	-	-	-
	390,899,316	140,316,141	37,546,437	51,801,269	162,893,959	9,983,963	1,554,747	2,831,112	(19,216,956)	3,188,644	-
Total Yield/Interest Risk Sensitivity Gap											
	390,681,489	161,839,284	178,164,568	133,974,082	864,659,423	876,406,804	870,836,492	955,380,370	1,008,670,618	24,490,337	(551,442,896)
Cumulative Yield/Interest Risk Sensitivity Gap											
	390,681,489	552,520,773	730,685,341	730,685,341	864,659,423	876,406,804	870,836,492	955,380,370	1,008,670,618	1,033,160,955	481,718,059

Effective Yield/Interest rate	Total	2021										Above 10 Years	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				
------(Rupees in '000)-----													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	105,606,930	11,498,201	-	-	-	-	-	-	-	-	-	-	94,108,729
Balances with other banks	9,981,307	347,184	-	-	-	-	-	-	-	-	-	-	9,634,123
Lending to financial institutions	35,982,065	33,381,356	2,600,709	-	-	-	-	-	-	-	-	-	-
Investments	811,923,246	316,547,359	183,990,609	6,065,348	28,646,686	9,663,268	37,680,328	82,555,236	889,010	13,544,586			
Advances	673,883,285	217,158,409	159,928,637	112,974,943	57,037,377	7,882,908	9,568,054	27,563,621	60,069,631	3,581,990	18,117,715		
Other assets	48,166,493	-	-	-	-	-	-	-	-	-	-	-	48,166,493
	1,685,543,326	578,932,509	294,870,162	296,965,552	63,102,725	36,529,594	19,231,322	65,243,949	142,624,867	19,006,725			169,035,921
Liabilities													
Bills payable	22,825,500	-	-	-	-	-	-	-	-	-	-	-	22,825,500
Borrowings	384,108,872	70,040,897	140,864,221	24,713,954	25,975,199	1,765,859	17,240,189	46,294,521	54,132,946	3,081,086			-
Deposits and other accounts	1,139,009,620	478,135,979	77,440,458	16,014,930	39,482,808	615,688	519,913	308,407	-	-	-	-	526,491,437
Subordinated debt	7,000,000	-	7,000,000	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,220,387	184,641	410,782	822,356	1,621,294	59,799	244,333	1,507,468	6,836,299	1,533,415			-
Lease liability against right-of-use asset	42,241,967	-	-	-	-	-	-	-	-	-	-	-	42,241,967
Others	1,608,406,346	548,361,517	225,715,461	41,551,240	67,079,301	2,441,346	18,004,435	48,110,396	60,969,245	4,614,501			591,558,904
	77,136,980	30,570,992	69,154,701	255,414,312	(3,976,576)	34,088,248	1,226,887	17,133,553	81,655,622	14,392,224			(422,522,983)
On-balance sheet gap													
	278,161,918	22,220,939	25,640,933	47,174,370	137,898,098	18,565,864	4,645,497	11,562,104	5,299,020	5,155,093			-
Off-balance sheet financial instruments													
Documentary credits and short-term trade-related transactions													
Commitments in respect of:													
- Forward exchange contracts - purchase	104,574,460	31,930,041	43,366,015	24,939,832	3,988,822	349,750	-	-	-	-	-	-	-
- Forward exchange contracts - sale	(60,201,900)	(21,440,406)	(21,753,720)	(16,583,327)	(424,447)	-	-	-	-	-	-	-	-
- Forward government security - purchase	10,167,457	20,613	501,389	-	9,645,455	-	-	-	-	-	-	-	-
- Forward government security - sale	(29,617,393)	(939,661)	(19,157,327)	-	(2,646,673)	(45,109)	-	-	(376,831)	-	-	-	-
- Interest Rate Swaps - purchase	36,820,716	12,444,203	15,903,866	8,472,647	(6,451,792)	(2,646,673)	-	-	-	-	-	-	-
- Interest Rate Swaps - Sale	(36,820,716)	-	(1,412,107)	-	(3,177,243)	(1,412,108)	(4,059,811)	(8,490,300)	(18,092,634)	(176,513)			-
	303,084,542	44,235,729	43,089,049	64,003,522	141,478,893	14,856,833	540,577	3,071,804	(13,170,445)	4,978,580			-
Off-balance sheet gap													
	74,806,721	112,243,750	319,417,834	137,502,317	48,945,081	1,767,464	694,683,167	20,205,357	68,485,177	19,370,804			(422,522,983)
Total Yield/Interest Risk Sensitivity Gap													
	74,806,721	187,050,471	506,468,305	643,970,622	692,915,703	692,915,703	694,683,167	714,888,524	783,373,701	802,744,505			380,221,522
Cumulative Yield/Interest Risk Sensitivity Gap													
------(Rupees in '000)-----													
2022													
2021													
Total financial assets as per note 46.4.1													
Add: Non financial assets													1,685,543,326
Operating fixed assets													39,561,952
Intangibles													1,119,389
Deferred tax assets													1,304,181
Other assets													7,550,773
Total assets as per statement of financial position													1,157,470
													5,447,003
													9,390,954
													1,736,773,091
													1,608,406,346
Total financial liabilities as per note 46.4.1													-
Add: Non financial liabilities													51,550,615
Deferred tax liabilities													2,154,656,339
Other liabilities													26,492,646
Total liabilities as per statement of financial position													1,634,898,992

46.5 Operational Risk

Basel II defines Operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk Management Framework, policy and Standards of the Holding Company duly approved by the Central Management Committee and the Board, cover 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.

46.5.1 Operational Risk Disclosures - Basel II Specific

The Holding Company is among the first few banks in the industry to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on operational risk in December 2013. The Holding Company 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 three 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).

Embedding a sustainable risk culture remains our core objective, which includes effective management of operational issues and emerging risks across the Holding Company and in our overseas operations via deployment of required resources, tools and continuous supervision. The new Operational Risk Framework, Policy and Standards, duly approved by the Board, have been rolled out along with new system platforms (Operational Risk System) for recording and tracking of risk events, including non-financial risks. We aim to implement a new process based Risk and Control Self-Assessment method across the Holding Company in order to effectively manage operational risks and continually monitor the effectiveness of defined controls through first line self-assessment reviews, especially for the processes and activities that may significantly impact the Holding Company's risk appetite. Furthermore, new and amended products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation and launch.

46.5.2 Information Security Risk

The Holding Company has in place an Information 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 information security risks to Holding Company'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.

46.5.3 Environmental Risk Unit

The Holding Company 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 Environmental & Social review prior to approval of the competent authority.

On 9th November, 2022 State Bank of Pakistan (SBP) has issued Environmental & Social Risk Management (ESRM) Implementation Manual, based on IFC performance standards, which is applicable to all banks in Pakistan. Bank Alfalah is currently aligning its procedures and policy with the afore-mentioned SBP manual.

46.5.4 Country risk

Country risk refers to the possibility that economic and political conditions in a foreign country could adversely impact the Holding Company's exposure in that country. For the Holding Company, country risk arises as a result of the Holding Company'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, the Holding Company 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.

46.6 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, the Holding Company calculates Liquidity Coverage Ratio (LCR) on a monthly basis. Based on December 31, 2022 numbers Holding Company's LCR is 2.11 or 2.11% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of Rs. 894,686.108 million and Net Cash Outflows of Rs. 424,966.702 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2022 numbers the Holding Company's NSFR is 1.50 or 150% against SBP minimum requirement of 100%, with Total Available Stable Funding of Rs. 1,275,841.967 million and Total Required Stable Funding of Rs. 849,189.870 million.

The Holding Company 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.

The Board approves the Holding Company's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Holding Company's ALCO is primarily responsible for the implementation of Board's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Holding Company's liquidity on day to day basis and is the Holding Company'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 the Holding Company's own risk appetite.

The Holding Company's overall funding strategy is based on the principles of diversification and stability. The Holding Company 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 Holding Company has in place internally approved limits to monitor and manage risk emanating from volatile funding concentration. Moreover, the Holding Company is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of high quality liquidity assets in relation to its liability profile.

Stress testing is used in an attempt to highlight the vulnerability of the Holding Company'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. The Holding Company 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 Holding Company's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At the Holding Company, Contingency Funding Plan (CFP), is implemented to address liquidity issues in times of stress / crises situations. The Treasury division 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 High Quality Liquid Assets (HQLA) and Net Cash Outflow. HQLA is defined by the liquidity quality of the Holding Company's assets and net cash outflow is mainly determined through volatility of the Holding Company's liability profile. The table below showcases the composition of HQLA as of December 31, 2022.

HQLA*	Market Value	Weighted Amount
	----- (Rupees in '000) -----	
Level 1 Assets	884,736,343	884,736,343
Level 2A Assets	2,123,715	1,805,158
Level 2B Assets	7,260,282	3,700,744
	<u>894,120,340</u>	<u>890,242,245</u>

* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

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

2022

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days to 1 Month	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	140,613,751	140,613,751	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	10,105,449	10,105,449	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	115,353,599	5,334,159	86,791,703	8,778,207	13,132,410	-	1,317,120	-	-	-	-	-	-	-
Investments	1,117,616,363	-	439,604	33,327	4,862,878	6,013,457	4,867,979	14,833,378	113,373,246	292,522,652	112,948,473	91,258,266	246,873,481	229,589,622
Advances	732,385,815	112,075,255	13,921,677	16,553,118	56,750,069	48,827,594	92,844,372	61,626,258	27,379,544	25,508,923	53,561,337	50,891,076	78,891,005	93,555,587
Fixed assets	48,493,284	21,398	128,381	149,954	359,473	440,934	440,819	1,314,571	1,284,090	1,263,225	4,207,375	3,958,028	6,544,622	28,380,414
Intangible assets	1,304,181	1,677	10,065	11,742	28,516	55,501	52,001	156,003	157,656	156,004	168,095	168,277	336,144	2,500
Deferred tax assets	7,550,773	-	24,405	-	-	-	-	-	-	7,526,368	-	-	-	-
Other assets	83,296,493	1,872,484	13,519,817	14,134,931	35,130,967	5,428,311	4,941,466	1,780,917	1,690,273	1,228,829	2,088,675	379,867	550,728	549,228
	2,256,719,708	270,024,173	114,835,652	39,661,279	110,264,313	60,765,797	104,463,757	79,711,127	143,884,809	328,206,001	172,973,955	146,655,514	333,195,980	352,077,351
Liabilities														
Bills payable	40,033,806	40,033,806	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	491,649,941	5,606,603	3,786,417	2,357,090	125,578,960	124,383,151	62,760,145	17,053,319	75,452	2,234,785	12,192,522	43,220,723	11,458,426	80,942,348
Deposits and other accounts	1,486,836,260	1,120,804,488	43,682,297	16,928,132	26,429,368	26,210,801	64,322,063	71,231,915	35,589,480	78,312,018	2,378,256	579,593	367,849	-
Subordinated debt	14,000,000	-	-	-	-	-	-	-	-	-	-	-	-	14,000,000
Other liabilities	122,136,332	1,453,758	10,084,583	11,193,920	26,467,989	6,391,973	6,966,683	7,062,158	5,340,129	24,236,642	3,271,993	2,753,568	4,839,063	12,073,873
	2,154,656,339	1,167,898,655	57,553,297	30,479,142	178,476,317	156,985,925	134,048,891	95,347,392	41,005,061	104,783,445	17,842,771	46,553,884	16,665,338	107,016,221
Net assets														
	102,063,369	(897,874,482)	57,282,355	9,182,137	(68,212,004)	(96,220,128)	(29,585,134)	(15,636,265)	102,879,748	223,422,556	155,131,184	100,101,630	316,530,642	245,061,130
Share capital	15,771,651													
Reserves	34,283,201													
Unappropriated profit	47,033,616													
Surplus on revaluation of assets	4,847,101													
Non-controlling interest	127,800													
	102,063,369													

2021

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	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	105,606,930	105,606,930	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,981,307	9,981,307	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	35,982,065	63	22,529,649	6,318,676	2,000,000	600,709	-	-	-	-	-	-	-
Investments	811,923,246	54,472	1,177,217	26,167,758	42,682,801	90,880,684	12,684,283	4,519,999	1,545,349	269,518,549	14,608,614	133,355,864	213,754,559
Advances	673,883,285	66,782,185	8,771,946	14,773,731	87,660,856	49,059,507	77,435,095	19,842,263	29,402,651	24,880,395	36,267,252	68,421,452	143,255,173
Fixed assets	39,561,952	5,023	30,121	35,161	156,754	162,282	805,779	519,553	624,938	2,245,681	2,311,238	5,178,628	27,401,451
Intangible assets	1,119,389	600	3,601	4,202	18,608	18,607	55,823	55,822	55,857	223,625	223,288	446,652	2,500
Deferred tax assets	1,157,470	-	-	15,859	-	-	31,891	-	1,106,678	1,705	394	108	835
Other assets	57,557,447	1,671,763	10,771,583	11,955,619	199,376	241,173	579,314	592,729	725,563	2,012,700	370,422	557,132	555,632
	1,736,773,091	184,102,343	43,284,117	59,255,147	132,718,395	140,962,962	91,592,185	25,530,366	33,461,036	298,882,655	53,781,208	207,959,836	384,970,150
Liabilities													
Bills payable	22,825,500	22,825,500	-	-	-	-	-	-	-	-	-	-	-
Borrowings	384,108,872	1,774,248	56,415,611	4,879,316	121,746,564	19,117,657	25,463,954	12,915,364	13,059,835	1,765,859	17,240,189	46,294,521	56,464,032
Deposits and other accounts	1,139,009,620	910,770,730	20,730,420	7,272,827	39,609,845	55,585,601	16,076,983	14,032,001	26,169,575	597,966	665,078	339,702	-
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	-	-	-	7,000,000
Other liabilities	81,955,000	715,301	4,291,807	5,007,109	1,579,685	1,930,727	5,310,880	10,694,654	13,386,565	2,632,379	2,389,303	13,778,610	8,793,160
	1,634,898,992	936,085,779	81,437,838	17,159,252	162,936,094	76,633,985	46,851,817	37,642,019	52,615,975	4,996,204	20,294,570	60,412,833	72,257,192
Net assets													
	101,874,099	(751,983,436)	(38,153,721)	42,095,895	14,697,257	(30,217,699)	64,328,977	44,740,368	(12,111,653)	293,886,451	33,486,638	147,547,003	312,712,958
Share capital	17,771,651												
Reserves	29,953,963												
Unappropriated profit	42,578,350												
Surplus on revaluation of assets	11,440,246												
Non-controlling interest	129,889												
	101,874,099												

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.

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

2022

2022									
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	140,613,751	-	-	-	-	-	-	-	-
Balances with other banks	10,105,449	-	-	-	-	-	-	-	-
Lending to financial institutions	115,353,599	1,317,120	-	-	-	-	-	-	-
Investments	1,117,616,363	5,335,809	14,833,378	405,895,898	112,948,473	91,258,266	246,873,481	224,155,552	5,434,070
Advances	732,385,815	199,300,119	61,626,257	52,888,467	53,561,337	50,891,076	78,891,005	78,427,460	15,128,127
Fixed assets	48,493,284	881,753	1,314,571	2,547,315	4,207,375	3,958,028	6,544,622	8,034,153	20,346,261
Intangible assets	1,304,181	107,502	156,003	313,660	168,095	168,277	336,144	2,500	-
Deferred tax assets	7,550,773	24,405	-	7,526,368	-	-	-	-	-
Other assets	83,296,493	10,369,777	1,780,917	2,919,102	2,088,675	379,867	550,728	549,228	-
	2,256,719,708	534,785,417	79,711,126	472,090,810	172,973,955	146,655,514	333,195,980	311,168,893	40,908,458
Liabilities									
Bills payable	40,033,806	-	-	-	-	-	-	-	-
Borrowings	491,649,941	187,143,296	17,053,319	2,310,237	12,192,522	43,220,723	11,458,426	79,773,929	1,168,419
Deposits and other accounts	1,486,836,260	119,013,588	138,019,531	247,476,733	276,949,568	41,248,983	81,706,628	203,346,948	244,016,340
Subordinated debt	14,000,000	-	-	-	-	-	-	-	14,000,000
Other liabilities	122,136,332	49,200,250	7,062,158	29,576,771	3,271,993	2,753,568	4,839,063	7,911,399	4,162,474
	2,154,656,339	345,576,714	162,135,008	279,363,741	292,414,083	87,223,274	98,004,117	291,032,276	263,347,233
Net assets									
	102,063,369	189,208,703	(82,423,882)	192,727,069	(119,440,128)	59,432,240	235,191,863	20,136,617	(222,438,775)

2021

2021										
	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	105,606,930	105,606,930	-	-	-	-	-	-	-	-
Balances with other banks	9,981,307	9,981,307	-	-	-	-	-	-	-	-
Lending to financial institutions	35,982,065	33,381,356	2,600,709	-	-	-	-	-	-	-
Investments	811,923,246	28,372,544	133,585,526	12,684,283	6,065,348	266,813,011	14,608,614	133,355,864	208,959,514	7,478,542
Advances	673,883,285	137,659,331	136,721,617	77,435,006	49,244,007	24,879,447	36,267,252	68,421,452	103,933,059	39,322,114
Fixed assets	39,561,952	171,507	319,036	837,670	1,156,672	2,247,386	2,311,632	5,178,736	11,572,719	15,766,594
Intangible assets	1,119,389	18,607	37,215	55,823	111,679	223,625	223,288	446,652	2,500	-
Deferred tax assets	1,157,470	-	-	-	1,157,470	-	-	-	-	-
Other assets	57,557,447	51,755,415	441,956	579,403	1,319,199	1,978,288	370,422	557,132	555,632	-
	1,736,773,091	366,946,997	273,706,059	91,592,185	59,054,375	296,141,757	53,781,208	207,959,836	325,023,424	62,567,250
Liabilities										
Bills payable	22,825,500	22,825,500	-	-	-	-	-	-	-	-
Borrowings	384,108,872	70,040,897	140,864,221	25,463,954	25,975,199	1,765,859	17,240,189	46,294,521	53,382,946	3,081,086
Deposits and other accounts	1,139,009,620	97,606,002	120,583,510	54,838,836	117,657,712	159,601,604	42,683,728	84,320,448	209,871,718	251,846,062
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	7,000,000
Other liabilities	81,955,000	21,774,359	3,510,412	5,310,880	23,765,897	2,632,379	2,389,305	13,778,610	4,396,578	4,396,580
	1,634,898,992	212,246,758	264,958,143	85,613,670	167,398,808	163,999,842	62,313,222	144,393,579	267,651,242	266,323,728
Net assets										
	101,874,099	154,700,239	8,747,916	5,978,515	(108,344,433)	132,141,915	(8,532,014)	63,566,257	57,372,182	(203,756,478)
Share capital	17,771,651									
Reserves	29,953,963									
Unappropriated profit	42,578,350									
Surplus on revaluation of assets	11,440,246									
Non-controlling interest	129,889									
	101,874,099									

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Holding Company 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.

46.7 Derivative Risk

The Holding Company deals in derivative instruments including Interest Rate Swaps and Cross Currency Swaps for hedging and market making purposes within Holding Company's risk appetite. Interest rate swaps are primarily conducted to hedge interest rate risk present in the Holding Company's foreign currency bond portfolio.

Additionally, to facilitate client business enabling them to hedge long term foreign currency exposure, Holding Company offers solutions through Cross Currency Swaps subject to approval from State Bank of Pakistan. The counterparty risk associated in the cross currency swaps is approved by the relevant Credit Approval Authority.

Market & Liquidity Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bonds portfolio against interest rate swaps on a periodic basis. For Cross Currency Swaps, Market & Liquidity Risk Department monitors the revaluation and counterparty exposures on regular 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.

46.8 Trade Pricing Risk

Trade Pricing Risk – TPRD established under the umbrella of Risk Management Division – RMD 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, goods declaration, Bloomberg etc.

The unit has been established as required by SBP framework for managing risk of Trade Based Money Laundering and Terrorist Financing.

47 AFGHANISTAN OPERATIONS

The Holding Company's maintains a two-branch presence in Afghanistan. The board and management of the Holding Company continue to closely monitor the evolving situation in Afghanistan which has been hampered due to country's frozen reserves and uncertainty regarding international recognition which prevent normal flows in and out of Afghanistan. The Holding Company has taken impairment against assets where there is an indication that carrying amount may be higher than its recoverable amount. The Holding Company remains focused on maintaining its control standards i.e. both onshore and through Head Office oversight.

48 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company in its meeting held on February 02, 2023 has announced final cash dividend of Rs. 2.5 per share (25%) (2021: 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, 2022 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2022. Furthermore, treasury stock will not be eligible for this dividend. The Board had earlier declared and paid an interim cash dividend of Rs. 2.5 (2021: cash dividend: Rs. 2.0) per share.

49 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 02, 2023 by the Board of Directors of the Holding Company.

50 GENERAL

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

The effect of reclassification, rearrangement, restatement in the comparative information presented in these consolidated financial statements is as follows:

Description of item	Nature	Rupees in '000	From	To
Business Partner Incentive - Card Centre	Income	124,080	Fee & Commission Income - Card Related Fees (Debit And Credit Cards)	Mark-Up/Return/Interest Earned - Loans And Advances
Step By Step Fee - Credit Card	Income	95,430	Fee & Commission Income - Card Related Fees (Debit And Credit Cards)	Mark-Up/Return/Interest Earned - Loans And Advances
Foreign currency account	Asset	1,434,190	Cash and balance with treasury banks - With other central banks (Foreign currency deposit accounts)	Cash and balance with treasury banks - With other central banks (Foreign currency current accounts)
Islamic Refinance Facility for Combating COVID (IRFCC)	Liability	66,861	Borrowings - Other refinance schemes	Borrowings - Refinance Facility for Combating COVID (RFCC)
Refinance Facility for Combating COVID (RFCC)	Liability	134,184	Borrowings - Export Refinance Scheme	Borrowings - Refinance Facility for Combating COVID (RFCC)
Refinance and Credit Guarantee Scheme for Women Entrepreneurs	Liability	177,244	Borrowings - Other refinance schemes	Borrowings - Refinance and Credit Guarantee Scheme for Women Entrepreneurs
Modernization of Small and Medium Entites (MSMES)	Liability	1,309,288	Borrowings - Export Refinance Scheme	Borrowings - Modernization of Small and Medium Entites (MSMES)
Government of Pakistan Euro Bond	Asset	5,374,105	Investment - Overseas Bonds	Investment - Government of Pakistan Euro Bond

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Pattern of Shareholding

As at December 31, 2022

Number of Shareholders	From	Shareholding	To	Number of Shares Held
2085	1	-	100	53,672
1923	101	-	500	553,780
1725	501	-	1000	1,267,667
3916	1001	-	5000	11,659,001
1002	5001	-	10000	7,329,171
290	10001	-	15000	3,615,721
137	15001	-	20000	2,443,625
116	20001	-	25000	2,673,744
73	25001	-	30000	2,046,346
53	30001	-	35000	1,735,980
39	35001	-	40000	1,487,396
33	40001	-	45000	1,419,538
50	45001	-	50000	2,445,245
39	50001	-	55000	2,085,159
24	55001	-	60000	1,383,718
22	60001	-	65000	1,378,396
15	65001	-	70000	1,008,693
17	70001	-	75000	1,240,124
16	75001	-	80000	1,242,550
8	80001	-	85000	669,433
7	85001	-	90000	622,059
6	90001	-	95000	547,482
31	95001	-	100000	3,085,264
7	100001	-	105000	717,563
23	105001	-	110000	2,510,821
5	110001	-	115000	565,675
7	115001	-	120000	827,954
10	120001	-	125000	1,230,562
6	125001	-	130000	770,589
5	130001	-	135000	666,881
11	135001	-	140000	1,518,175
2	140001	-	145000	288,052

Number of Shareholders	From	Shareholding	To	Number of Shares Held
9	145001	-	150000	1,331,386
3	150001	-	155000	458,762
1	155001	-	160000	155,500
5	160001	-	165000	822,600
3	165001	-	170000	508,374
5	170001	-	175000	864,928
2	175001	-	180000	358,721
5	180001	-	185000	915,810
1	185001	-	190000	186,500
1	190001	-	195000	191,875
16	195001	-	200000	3,190,865
5	200001	-	205000	1,008,606
2	205001	-	210000	414,520
8	210001	-	215000	1,696,621
4	215001	-	220000	879,037
1	220001	-	225000	224,766
2	225001	-	230000	458,769
4	230001	-	235000	929,746
1	235001	-	240000	237,000
3	245001	-	250000	750,000
3	250001	-	255000	758,903
6	255001	-	260000	1,545,203
2	260001	-	265000	525,900
5	265001	-	270000	1,334,982
11	270001	-	275000	3,003,746
5	280001	-	285000	1,415,261
2	285001	-	290000	574,814
5	290001	-	295000	1,461,701
4	295001	-	300000	1,197,500
3	300001	-	305000	907,735
2	305001	-	310000	618,318
1	315001	-	320000	319,000
3	320001	-	325000	971,500
4	325001	-	330000	1,318,243
1	330001	-	335000	330,934
2	335001	-	340000	676,300
2	340001	-	345000	684,736
3	345001	-	350000	1,050,000

Number of Shareholders	From	Shareholding	To	Number of Shares Held
2	350001	-	355000	705,100
1	355001	-	360000	356,264
1	360001	-	365000	362,598
1	365001	-	370000	367,500
2	375001	-	380000	753,188
2	380001	-	385000	765,526
2	385001	-	390000	776,196
4	395001	-	400000	1,593,954
1	410001	-	415000	412,164
2	425001	-	430000	856,030
1	430001	-	435000	432,700
3	435001	-	440000	1,320,000
1	445001	-	450000	447,675
1	465001	-	470000	470,000
1	475001	-	480000	477,245
1	480001	-	485000	484,000
9	495001	-	500000	4,498,618
1	500001	-	505000	500,047
1	510001	-	515000	514,080
1	515001	-	520000	518,100
3	520001	-	525000	1,569,566
2	545001	-	550000	1,100,000
2	550001	-	555000	1,101,831
1	555001	-	560000	558,048
1	570001	-	575000	574,655
2	605001	-	610000	1,215,500
2	610001	-	615000	1,225,395
2	615001	-	620000	1,233,800
2	630001	-	635000	1,262,564
1	635001	-	640000	638,500
2	645001	-	650000	1,295,554
1	660001	-	665000	660,216
1	665001	-	670000	670,000
1	670001	-	675000	673,022
1	675001	-	680000	675,690
1	685001	-	690000	686,187
1	690001	-	695000	692,875
2	695001	-	700000	1,400,000

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	700001	-	705000	704,756
1	720001	-	725000	721,200
1	770001	-	775000	770,100
1	780001	-	785000	784,400
1	785001	-	790000	788,301
1	820001	-	825000	824,999
1	830001	-	835000	830,173
1	845001	-	850000	850,000
1	855001	-	860000	857,004
1	905001	-	910000	909,700
1	945001	-	950000	946,600
4	995001	-	1000000	4,000,000
1	1000001	-	1005000	1,000,999
2	1020001	-	1025000	2,045,019
1	1035001	-	1040000	1,038,778
1	1045001	-	1050000	1,047,750
1	1075001	-	1080000	1,078,320
1	1090001	-	1095000	1,091,605
2	1095001	-	1100000	2,200,000
1	1195001	-	1200000	1,200,000
1	1205001	-	1210000	1,208,000
1	1210001	-	1215000	1,210,500
1	1300001	-	1305000	1,305,000
2	1330001	-	1335000	2,663,321
2	1335001	-	1340000	2,674,849
2	1370001	-	1375000	2,745,378
1	1395001	-	1400000	1,395,338
1	1400001	-	1405000	1,401,618
1	1420001	-	1425000	1,421,200
1	1495001	-	1500000	1,500,000
1	1500001	-	1505000	1,501,000
1	1510001	-	1515000	1,510,581
1	1520001	-	1525000	1,524,805
1	1525001	-	1530000	1,526,257
1	1530001	-	1535000	1,534,017
1	1540001	-	1545000	1,543,434
1	1560001	-	1565000	1,560,400
1	1635001	-	1640000	1,636,770

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	1675001	-	1680000	1,675,450
1	1680001	-	1685000	1,683,064
2	1685001	-	1690000	3,378,717
3	1695001	-	1700000	5,100,000
1	1735001	-	1740000	1,740,000
1	1770001	-	1775000	1,774,779
1	1795001	-	1800000	1,800,000
1	1815001	-	1820000	1,815,841
1	1945001	-	1950000	1,945,035
1	1970001	-	1975000	1,973,934
2	1995001	-	2000000	4,000,000
1	2085001	-	2090000	2,085,762
1	2100001	-	2105000	2,101,517
1	2305001	-	2310000	2,310,000
1	2365001	-	2370000	2,369,400
1	2535001	-	2540000	2,539,897
1	2550001	-	2555000	2,551,353
1	2710001	-	2715000	2,711,000
1	2855001	-	2860000	2,859,000
1	2865001	-	2870000	2,865,748
1	2965001	-	2970000	2,966,529
1	3250001	-	3255000	3,254,080
1	3255001	-	3260000	3,258,839
1	3350001	-	3355000	3,354,374
1	3820001	-	3825000	3,822,400
1	3880001	-	3885000	3,884,505
1	3935001	-	3940000	3,937,500
1	4140001	-	4145000	4,144,831
1	4230001	-	4235000	4,231,489
1	4495001	-	4500000	4,500,000
1	4630001	-	4635000	4,634,424
1	4780001	-	4785000	4,780,395
1	4790001	-	4795000	4,791,994
1	4810001	-	4815000	4,811,019
1	5495001	-	5500000	5,500,000
1	5550001	-	5555000	5,551,500
1	5750001	-	5755000	5,751,769
1	5845001	-	5850000	5,850,000

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	6010001	-	6015000	6,013,414
1	6490001	-	6495000	6,495,000
1	7075001	-	7080000	7,080,000
1	7560001	-	7565000	7,563,521
1	7580001	-	7585000	7,583,114
1	7715001	-	7720000	7,717,396
1	9005001	-	9010000	9,006,562
1	9995001	-	10000000	10,000,000
1	10065001	-	10070000	10,069,099
1	10475001	-	10480000	10,478,050
1	10825001	-	10830000	10,828,972
1	11515001	-	11520000	11,515,105
1	12755001	-	12760000	12,756,825
1	13005001	-	13010000	13,008,399
1	13465001	-	13470000	13,469,118
1	14845001	-	14850000	14,850,000
1	15095001	-	15100000	15,095,283
1	19335001	-	19340000	19,335,937
1	19350001	-	19355000	19,350,500
1	20200001	-	20205000	20,201,763
1	21040001	-	21045000	21,041,084
1	22125001	-	22130000	22,129,462
1	35360001	-	35365000	35,364,941
1	40360001	-	40365000	40,363,866
1	42420001	-	42425000	42,422,788
1	44640001	-	44645000	44,643,661
1	58395001	-	58400000	58,399,658
1	59360001	-	59365000	59,362,875
1	60545001	-	60550000	60,548,683
1	62800001	-	62805000	62,802,806
1	75685001	-	75690000	75,685,854
1	83255001	-	83260000	83,255,882
1	113525001	-	113530000	113,528,781
1	123885001	-	123890000	123,885,969
1	145520001	-	145525000	145,520,291
1	244715001	-	244720000	244,718,557
12038				1,777,165,119

Categories of Shareholders

As at December 31, 2022

S.No.	Categories of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer their Spouse(s) and Minor Children (if any).	441,111,966	24.82
2	Associated Companies, Undertakings and Related Parties	552,774,178	31.10
3	NIT and ICP	6,017,460	0.34
4	Banks Development Financial Institutions, Non Banking Financial Institutions	52,699,970	2.97
5	Insurance Companies	62,939,219	3.54
6	Modarabas and Mutual Funds	74,633,303	4.20
7	General Public		
	a) Local	197,469,581	11.11
	b) Foreign	77,955,881	4.39
8	Others		
	a) Foreign Companies	24,627,178	1.39
	b) Joint Stock Companies	121,407,620	6.83
	c) Provident Funds, Pension Funds, Gratuity Funds and other entitie	165,528,763	9.31
		1,777,165,119	100.00

Shareholders holding 10% Shares or more

	Shareholding	Percentage
H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman	338,483,156	19.05

Sale/Purchase of Shares of the Bank

By Directors/Executives and their Spouses and minor children during the year 2022

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)	Nature of Transaction
			Sale	Purchase / Acquire		
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	18-Aug-2022		148,893,722		The shares transferred through Share Assignment, without any monetary consideration
3	International Finance Corporation	14-Dec-2022	3,125,080		Rs. 31.18	Sold
		15-Dec-2022	25,750,000		Rs. 30.72	Sold
		16-Dec-2022	15,829,398		Rs. 30.74	Sold
		19-Dec-2022	27,332,071		Rs. 30.66	Sold
		27-Dec-2022	13,872,577		Rs. 30.17	Sold
2	Ms. Mehreen Ahmed	10-May-2022	77,000		Rs. 35.25	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 Key Executives (as defined in SBP's Corporate Governance Regulatory Framework) and Employees of Bank Alfalah Limited in the grades SEVP-I & SEVP-II.

Details of Shares Buy Back

(Buy Back) by the Bank during the year 2022

As required under the Regulation No. 10(h) of
the Listed Companies (Buy-Back of Shares) Regulations, 2019

Date of Purchase / Buy-Back	Number of Shares Purchased	Average Price per Share
14-Dec-2022	1,467,548	Rs. 31.10
15-Dec-2022	26,300,000	Rs. 30.71
16-Dec-2022	15,968,712	Rs. 30.74
19-Dec-2022	27,812,050	Rs. 30.66
20-Dec-2022	3,413,687	Rs. 30.21
21-Dec-2022	352,944	Rs. 29.83
22-Dec-2022	895,000	Rs. 29.97
23-Dec-2022	20,712	Rs. 29.77
26-Dec-2022	15,975	Rs. 29.90
27-Dec-2022	12,593,000	Rs. 30.16
28-Dec-2022	56,680,663	Rs. 29.97
29-Dec-2022	50,900,000	Rs. 29.84
30-Dec-2022	3,579,709	Rs. 30.03
Total	200,000,000	

* The above mentioned 200,000,000 (two hundred million) shares purchased by the Bank were cancelled on January 4, 2023

Notice of the 31st Annual General Meeting

NOTICE is hereby given that the 31st Annual General Meeting ("AGM") of Bank Alfalah Limited ("the Bank") will be held on Monday, 20th March 2023 at 11:00 AM at Ballroom, Movenpick Hotel, Karachi as well as through electronic means/web link to transact the following businesses:

Ordinary Business:

1. To confirm Minutes of the Extra-Ordinary General Meeting held on 6th December 2022.
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended 31st December 2022 together with Chairman's Review Report, 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's Regulatory Framework.

The Annual Report 2022 including Financial Statements of the Bank for the year ended 31st December 2022 has been placed at Bank's website at; www.bankalfalah.com/financial-reports/

3. To approve, as recommended by the Board of Directors, payment of Final cash dividend at the rate of Rs. 2.5/- per share i.e. 25% for the year ended 31st December 2022. This is in addition to the Interim Cash Dividend already paid by the Bank at the rate of Rs. 2.5/- per share i.e. 25%.
4. To appoint auditors of the Bank for the year ending 31st December 2023 and to fix their remuneration. M/s. A. F. Ferguson & Co. (PWC), Chartered Accountants have consented to act as auditors of the Bank. The retiring auditors M/s. EY Ford Rhodes, Chartered Accountants have completed the period of five (5) years in accordance with the Regulation 33 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and therefore, are not eligible for re-appointment.
5. To transact any other business with the permission of the Chair.

Karachi Dated: 27th February 2023

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 14th March 2023 to 20th March 2023 (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 13th March 2023 will be treated in time for the purpose of above entitlement to the transferees and of attending the meeting.

Shareholders having shares in physical form are requested to notify any change in their address and/or email address, to our Share Registrar, in writing, whereas CDC account holders are requested to contact their CDC Participant/CDC Investor Account Services.

2. Participation in AGM through electronic means:

The shareholders who wish to participate through online platform/facility (either in person or through proxy) are requested to please provide below information at Bank's designated Email: cosec@bankalfalah.com, at least 48 hours before the time of AGM.

Folio/CDC Account No.	Name	CNIC No.	Cell No.	Email address

The login details will be sent to such shareholders through email enabling them to join the AGM on given time through web/internet.

3. Members' Right to Appoint Proxy

Members appointing proxies are requested to submit their proxy forms along with attested copies of proxy's CNIC/ Passport mentioning folio/CDC account # of proxy holder at the Office of Share Registrar of the Bank, not less than 48 hours before the time of the Meeting. A corporation appointing a proxy must also submit their proxy forms along with a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney.

4. Payment of Cash Dividend Electronically (e-Dividend)/Dividend Mandate

In accordance with the Companies (Distribution of Dividends) Regulations, 2017, the Bank is required to withhold dividend payment of those shareholders who have not yet provided their dividend mandate/bank account details and/or CNIC details. Such shareholders are requested to provide their CNIC details and/or their dividend mandate information including 1) IBAN number 2) Title of Bank Account; 3) Bank Account number; 4) Bank Code and Branch Code; 5) Bank Name, Branch Name and Address; 6) Cell Number; 7) CNIC number; and 8) Email Address to Bank's Share Register (if shares are held physically), whereas CDC account holders are requested to contact their CDC Participant/CDC Investor Account Services.

5. Financial Statements and Notice of Annual General Meeting through email

In compliance with SECP's SRO No. 787(I)2014 dated 8th September 2014, the shareholders who desire to receive the audited financial statements and notice of Annual General Meeting through email are requested to provide their valid email address and their consent in writing to the Bank's Share Registrar.

6. Un-claimed Dividends/ Shares

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.

7. Withholding Tax on dividends

Withholding Tax on cash dividend of those shareholders, whose name will not appear (at the time of issuance/process of dividend) in the Active Tax Payers List, will be subject to higher rate of tax deduction as required under prevailing Income Tax Laws. Corporate shareholders are also required to update their NTN number in CDC records or provide copy of their NTN certificate to Bank's Share Registrar (if shares are held in physical form).

8. Tax in case of Joint Shareholders

In accordance with the instructions of Federal Board of Revenue, the tax on dividend income of joint holders of shares will be deducted in accordance with their shareholding proportion or in equal proportion, if such proportion is not provided. Therefore, shareholders are requested to provide, if not provided earlier, shareholding proportion of each joint shareholder(s) to the Bank's Share Registrar latest by 16th March 2023 in the following manner:

Folio / CDC A/c No.	Name of Shareholders (Joint Holders)	No. of shares (propor- tion)	CNIC No. (valid copy attached)	Signature
	1)			
	2)			
			
Total Shares				

9. Conversion of Physical Shares into Book Entry Form

As per provisions of Section 72(2) of the Companies Act, 2017 and as per the instructions issued by SECP vide its Letter No. CSD/ED/Misc./2016-639-640 date March 26, 2021, every existing company is required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission. Physical shareholders are requested to arrange to convert their shares held in physical form into book-entry-form. For this purpose, the shareholder shall be required to have an account either with Central Depository Company of Pakistan Limited (CDC) or with any Trading Rights Entitlement Certificate holder of Pakistan Stock Exchange Limited/CDC Participant.

The benefits associated with the Book-Entry-Form Shares includes "readily available for trading, whereas trading of physical scrips is currently not permitted", "no risk of damaged, lost, forged or duplicate certificates", "reduced stamp duty on physical to book-entry-form transfers", "Instantaneous transfer of ownership", "Instant receipt/credit of dividends and other corporate entitlements (i.e. bonus, rights and new issues etc.)" and convenient pledging of securities etc.

Glossary and Definition of Terms

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words 'accepted' above his signature and a designated payment date.

Activity/Turnover Ratios

Evaluate the operational efficiency of the company to convert inventory and receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales

Basel III

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk.

Basis Point

One hundredth of a percent i.e. 0.01 per cent. 100 basis points is 1 percent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per Share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets, excluding the impact of revaluation on fixed assets, divided by the total number of shares outstanding at year end.

Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is the process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

Call Money Rate

Interbank clean (without collateral) lending/borrowing rates are called Call Money Rates

Capital Structure Ratios

Provide an indication of the long-term solvency of the Company and its cost of debt, in relation to equity and profits.

Coupon Rate

Interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi annual basis.

Call Deposits

These include short notice and special notice deposits.

Computer Software (Intangible fixed assets)

An asset consisting of computer programmes, programme descriptions and supporting materials for both systems and applications software; included are purchased software and software developed on own account, if the expenditure is large.

Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

CAGR

An abbreviation for Compound Annual Growth Rate.

Corporate Governance

It is 'the system by which companies are directed and controlled' by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

Commitment to Extend Credit

Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

Cost to Income Ratio

The proportion of admin expenses to total income, represented as combination of net interest income and non interest income.

Currency (cash In hand)

Notes and coins that are of fixed nominal values and accepted as legal tender in an economy that are issued by the central bank and/or government. This category should also include currency that is no longer legal tender, but that can be exchanged immediately for current legal tender.

Credit Risk Spread

The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets
- Requires no or very little initial net investment
- It is settled at a future date

Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age and other factors. The risks of paying for the plan rest entirely with the plan.

Deferred Taxation

Sum set aside for tax in financial statements that will become payable/receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

Discount Rate

The rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Dividends

Distribution of earnings to shareholders prorated by the class of security and paid in the form of money, stock, scrip, and rarely company products or property.

Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio

Dividend per share (DPS) divided by the market value of share.

Earnings per Share (EPS)

Profit after taxation divided by the weighted average number of ordinary shares in issue.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Electrical, Office and Computer Equipment

All office equipment, other than those acquired through financial leases, that are used for the business, including counting and computing equipment, printers, scanners, photocopiers, fax machines, etc.

Finance Lease

The one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

The value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged/pledged assets in a forced/distressed sale conditions.

Forward Exchange Contract

Agreements between two parties to exchange two designated currencies at a specific time in the future.

Forward Purchase Contract

Forward purchase contract is one in which the exporter enters into the forward booking contract to protect himself from the exchange rate fluctuation at the time of receiving payment.

Forward Sale Contract

In a forward sale contract the importer enters into a transaction to buy foreign currency from the Bank at the predetermined rate to protect himself from the exchange fluctuation at the date the payment.

Furniture and Fixture

All type of furniture and fixtures other than those acquired under financial leases for business are included.

Government Securities

Government Securities shall include such types of Pak. Rupee obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be Government Securities.

Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

Head Office/Branch Adjustment Account

All adjustments made with head offices or branches and are payable.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

Impairment Provisions

A provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be identified or unidentified and individual or collective.

Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is usually 'fixed to floating' or 'floating to floating' exchanges of interest rate between two parties. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating/floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter party.

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest In Suspense

Interest suspended on non-performing loans and advances.

Investment/Market Ratios

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the Company's ability to generate profits.

KIBOR (Karachi Interbank Offered Rate)

The Interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

The interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association. Liquid Assets

Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

Liquidity Ratios

The Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

Medium Enterprise

A Medium Enterprise (E) is a business entity which meets both the following parameters:

Number of employees* more than 50 less than 250

Annual Sales Turnover more than Rs. 150 million but less than Rs. 800 million

*includes contract employees

Non-Performing Loan

A loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

Non-Performing Loan-Substandard Category

Where mark-up/interest or principal is overdue by 90 days or more from the due date.

Non-Performing Loan-Doubtful Category

Where mark-up/interest or principal is overdue by 180 days or more from the due date.

Non-Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill

(Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

NPLs to Gross Advances/Loans

Represents the infected portfolio of the bank and is calculated by dividing the total non-performing loans by gross advances.

Nostro Account

An accounts held with a bank outside Pakistan

Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

Off Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the statement of financial position, but which give rise to contingencies and commitments.

Other Deposits

All claims of customers on banks/DFIs other than transferable or restricted deposits in national currency or in foreign currency that are represented by evidence of deposits. Banks/DFIs commonly raise funds through issuing certificate of deposits. This category also includes call deposits and special notice deposits.

Pakistan Investment Bonds (PIBs)

They are the long-term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 year.

Profitability Ratios

Used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer, and resale back to the seller at a future date and specified price.

Return on Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Return on Average Assets

Profit after tax divided by the average assets.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Retained Earnings

The category of retained earnings shows all earnings (after tax profit) from the overall operations of the banks/DFIs less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks of the banks/DFIs.

Revenue Reserves

Reserves set aside for future distribution and investment.

Small Enterprise

A Small Enterprise (SE) is a business entity which meets both the following parameters:

Number of employees* Up to 50

Annual Sales Turnover Up to Rs. 150 million

*includes contract employees

Subordinated Loans

Funds raised by the banks/DFIs from subsidiary companies, managed modarabas, associated undertakings, director or holders have priority in the event of failure of the institution. Such debts are created by a subordination agreement under which a creditor acknowledges that his claim is secondary to the claim of other creditors, such as depositors.

Strategic Investment

Strategic Investment is an investment which a bank / DFI makes with the intention to hold it for a period of minimum 5 years.

Subsidiary Company

A company is a subsidiary of another company, if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

Treasury bills

These are short-term debt instrument issued by the government treasury to raise funds for the government or to regulate money supply through open market operations of the central bank. The market transactions are managed by the State Bank of Pakistan on behalf of the treasury.

Unrealised Gain on Forward Foreign Exchange Contracts

In a forward contract, the counter parties agree to exchange, on a specified date, a specified quantity of an underlying item (real or financial) at an agreed-upon contract price. Either party to a forward contract is a potential debtor. The unrealised gain to be received due to difference between the rates agreed upon and the rate prevailing in the market should be reported under this item. You lock in today's exchange rate instead of a volatile currency exchange rate in the future that could significantly devalue your purchasing power.

Unrealised Gain on Interest Rate Swaps

It is the exchange of one set of cash flows for another. A pre-set index, notional amount and set of dates of exchange determine each set of cash flows. The most common type of interest rate swap is the exchange of fixed rate flows for floating rate flows.

Vehicles

Vehicles (as assets) other than those acquired through financial leases consist of equipment for moving people and objects, other than any such equipment acquired by households for final consumption. Transport equipment such as motor vehicles, trailers, ships, aircrafts, motorcycles, bicycles, etc.

Weighted Average Cost of Deposits

Percentage of the total interest expense on average deposits of the bank for the period.

Glossary - Acronyms

AGM	Annual General Meeting
BAC	Board Audit Committee
BAFL	Bank Alfalah Limited
BCC	Board Compensation Committee
BHRNC	Board Human Resource and Nomination Committee
BRMC	Board Risk Management Committee
BSFC	Board Strategy and Finance Committee
BCP	Business Continuity Planning
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
HRLG	Human Resource and Learning Group
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretation Committee
ITG	Information Technology Governance
NFI	Non Funded Income
NII	Non Interest Income

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 31st Annual General Meeting of the Bank to be held on Monday 20th March, 2023 at 11:00 am and at any adjournment thereof.

Signed under my/our hand this _____ day of _____ 2023.

(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 مُسَمَّی / مُسَمَّی اکاؤنٹ نمبر _____ فولیو / سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____
ضلع _____ بحیثیت ممبر بینک الفلاح لمیٹڈ مُسَمَّی / مُسَمَّی _____
فولیو / سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____ یا ان کی غیر حاضری کی صورت میں مُسَمَّی / مُسَمَّی _____
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 31 ویں سالانہ اجلاس عام جو بتاریخ 20 مارچ 2023ء بروز پیر کو صبح 11:00 بجے منعقد ہو رہا ہے، میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

بتاریخ _____ 2023ء کو گواہان کی موجودگی میں دستخط کئے۔

گواہ (وٹنس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

گواہ (وٹنس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

(ممبر / رکن کے دستخط)
5 روپے کی رسیدی ٹکٹ پر

اہم نکات








- ایسا ممبر جو میٹنگ میں شمولیت اور ووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر کو اپنے / اپنی پراکسی کے طور پر میٹنگ میں شمولیت اور ووٹ دینے کے لیے نامزد کر سکتا ہے۔ علاوہ ازیں، کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔
- ہر لحاظ سے مکمل پراکسی فارم اور پاور آف اٹارنی یا کوئی اور متعلقہ اتھارٹی جس کے تحت اس فارم کا مکمل کیا گیا ہو، لازمی طور پر بینک کے شیئر رجسٹرار میسرز ایف۔ ڈی۔ رجسٹرار سروسز پرائیویٹ لمیٹڈ کے دفتر واقع، آفس نمبر 1705، سترہویں منزل، صائمہ ٹریڈ ٹاور۔ اے، آئی آئی چندریگر روڈ، کراچی پر میٹنگ سے 48 گھنٹے قبل جمع کروادیا جائے۔
- سی ڈی سی اکاؤنٹ ہولڈر فرد کے لیے ضروری ہے کہ وہ ممبر کی تصدیق شدہ شناختی کارڈ کی کاپی بیج سی ڈی سی اکاؤنٹ کی تفصیل شیئر رجسٹرار کو جمع کروائے۔ جبکہ پراکسی کا میٹنگ کے وقت اصل شناختی کارڈ مہیا کرنا ضروری ہے۔










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