

MOVING FORWARD WITH

PRIDE

ANNUAL REPORT 2019



Best Bank 2019



Best Customer Franchise 2019



Bank Alfalah
The Way Forward

THE

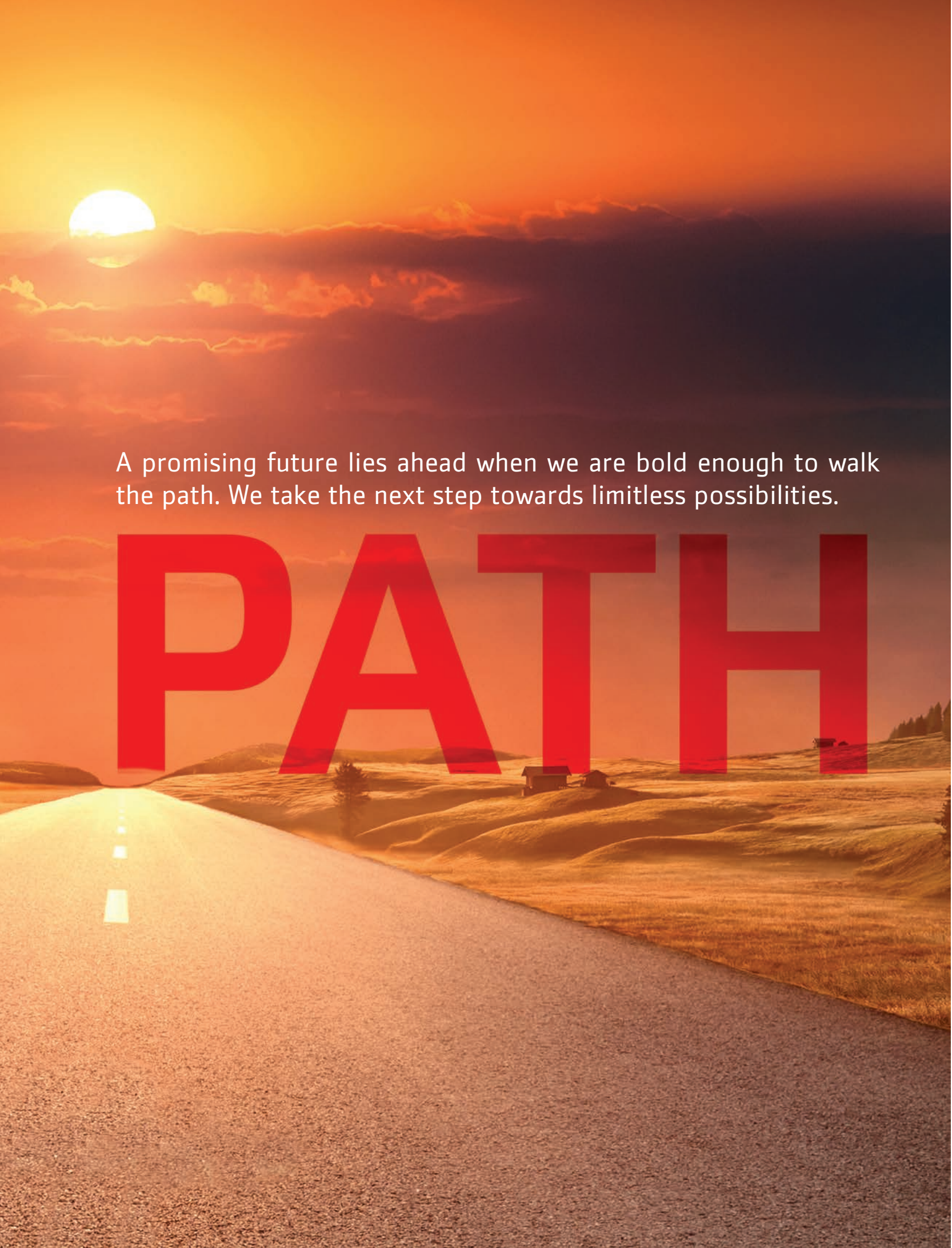


The world is within reach when we look at it from a different viewpoint. We continue to expand as we spread our influence across the globe.

VIEW

THE



A landscape photograph at sunset. The sun is a bright white circle on the left side of the sky, partially obscured by a thin layer of clouds. The sky transitions from a pale yellow near the horizon to a deep orange and red at the top. In the foreground, a paved road with a dashed white line down the center leads from the bottom left towards the middle ground. The middle ground features rolling hills covered in golden-brown grass. A few small, dark structures, possibly barns or houses, are scattered across the hills. The overall mood is one of hope and a journey towards a bright future.

A promising future lies ahead when we are bold enough to walk the path. We take the next step towards limitless possibilities.

PATH



THE

The climb to reach the top is the hardest, but the view is breathtaking. We strive to maintain excellence as we go beyond to explore the unknown.

CLIMB



THE

Our successes and achievements rely on the very people we serve.
They are the guiding light that shape our purpose.

LIGHT



Bank Alfalah is committed to building a diverse workforce and an inclusive work culture where everyone's uniqueness is valued. We are also devoted to offering the best benefits to our employees. In 2019, we participated in Global Diversity and Inclusion Benchmarks (GDIB) Awards. The benchmarks used as the criteria for these awards serve as the standards for organisations around the world in the development and implementation of Diversity and Inclusion best practices.



Best Bank 2019



Best Customer Franchise 2019

ACHIEVE



Best Customer Franchise 2018



Best SME Bank 2018



Best Bank 2017



Best Customer Franchise 2017

MENTS



Best Customer Franchise 2016

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Company Information

Board of Directors

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman/Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Shehzad Naqvi
Director
(Resigned in February, 2020)

Dr. Gyorgy Tamas Ladics
Director

Dr. Ayesha Khan
Director

Nauman Ansari
President/CEO and Director
(Resigned in February, 2020)

Senior Management Team

Nauman Ansari

President and Chief Executive Officer

Aasim Wajid Jawad

Group Head Strategy, Transformation and Customer Experience

Anjum Hai

Chief Financial Officer

Bilal Asghar

Group Head Corporate, Investment Banking & International Business

Faisal Rabbani

Chief Risk Officer

Hafsa Abbasy

Group Head Human Resource and Learning

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, Head of Legal and Corporate Affairs

Dr. Muhammad Imran

Group Head Islamic Banking

Muhammad Yahya Khan

Group Head Digital Banking

Syed Ali Sultan

Group Head Treasury and Capital Markets

Tahir Khurshid

Group Head Audit and Inspection

Zahid Anjum

Group Head Special Assets Management

Chief Financial Officer

Anjum Hai

Company Secretary

Muhammad Akram Sawleh

Auditors

EY Ford Rhodes

Chartered Accountants

Registered/Head Office

B. A. Building

I. I. Chundrigar Road

Karachi, Pakistan.

bankalfalah.com

Share Registrar

F. D. Registrar Services (Pvt) Limited

1705, 17th Floor, Saima Trade Tower-A

I. I. Chundrigar Road

Karachi, Pakistan.



Chairman's Message

It gives me immense pleasure to see Bank Alfalah's progress and pace of growth year over year. Our financial performance demonstrates our focus on building long-term customer franchises and delivering high shareholder returns. The Bank has a strong capital base and robust balance sheet with sustainable earnings and inherent value across its businesses. It shows strength of our diversified business model and our disciplined approach to controlling costs, deploying capital and managing risk.

Bank Alfalah has been recognised as **The Best Bank** and **The Best Customer Franchise** at the Pakistan Banking Awards jointly organised by the Institute of Bankers, A. F. Ferguson & Co. and Dawn Media Group for 2019. The award is a recognition of our standing in the financial industry through offering pioneering services and products that best fit the needs of our customers.

Pakistan has all the requisites of being a major economic player in the region and Asia. Its economic potential is immense. According to a recent World Bank report, with sound economic policies, Pakistani economy could reach US\$ 2 trillion by 2047. The new government soon after taking the office took several steps to counter the immediate risks to the economy. The next step is to unleash the investment and growth potential of the country. We are confident that the government with aggressive economic revival agenda will establish a fast growing and efficient economy which is capable of creating more quality jobs to absorb its labour force, especially the youth of the country; an economy which is self-sustainable yet economically integrated with other economies in the region; an economy which is forward and outward looking, willing and capable of competing for its place in international trade and commerce.

The banking industry around the globe is undergoing massive changes. Where, innovative digital technologies are altering conventional banking norms and consumer expectations, as well as the competitor landscape. In lieu of the rapidly changing scenario, the importance of branches in attracting and retaining customer's remains, however, consumers now demand more convenience, connectivity and enhanced experience from their Bank. Keeping the changing dynamics at hand, we at Bank Alfalah are focusing and investing more in mobile-centric digital customer experience; innovating the way we engage our consumers across their financial lifecycle.

Bank Alfalah will continue to invest in both, branches and digital technologies; as well as the organisational values and culture, building competencies that will enable us to lead the digital wave. Furthermore, we are continuously improving digital processes and user experiences to cater to a larger ecosystem of services, which go beyond the products currently being offered by our competitor banks in the industry.

I believe that we have substantial opportunities in the years ahead to drive organic growth in our Bank. We have confidence in the underlying improvement in the Pakistan economy, which will fuel the growth in our customer base. Equally important is using technology to serve clients better and to grow our businesses – with better products and services.

Our commitment to our people is self-evident with the launch of the People Happiness Charter in 2019. Under this charter, we promise our employees a values driven culture, an exceptional employee experience and opportunities to learn and grow. I strongly believe that only by delivering on these promises and by having a people centric approach,

we will be able to achieve our vision of becoming the employer of choice. Moreover, to shape the workforce of the future, we are relentlessly working on identifying critical skills and behaviours needed and developing a framework to address this critical agenda.

On behalf of the sponsors, I would like to reiterate our commitment to the Bank and to the people of Pakistan. Our franchise is strong, and with our Bank's products and services, our commitment to innovation, and a focus on customers and their needs, I am confident that the Bank shall be able to continue its growth momentum heading into 2020. As Chairman of the Board, I thank all shareholders for their continued support, the regulatory authorities for their counsel, and the management team and employees for their contributions.

HH SHEIKH NAHAYAN MABARAK AL NAHAYAN

Abu Dhabi

13th February, 2020



Directors' Report to the Shareholders

Dear shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Bank along with the audited financial statements and Auditors' report for the year ended 31st December, 2019.

Economic Review

2019 can best be termed as a tale of two halves for Pakistan's economy. First half of CY19 continued to see structural imbalances in the economy getting corrected, as policy rate jumped 325 bps to 13.25% and Pakistan Rupee depreciated by ~18% at one point during the year. Nascent signs of stabilisation of the Pakistan economy began to emerge in the second half of the year, with a steady build-up of FX reserves, marked improvement in the external account and stabilisation of the Pakistani Rupee. It seems that the major phase of structural adjustments is behind us and the upcoming year should witness revival of economic activity on the back of improvement in confidence.

Money market, stock exchange and currency markets have started depicting signs of returning investor confidence as market participants took a view on potentially better times ahead. SBP, while raising the policy rate to 13.25% in July 2019 also mentioned that the over-due adjustments of the past had been completed in both interest rates and currency. Secondary market rates i.e. 10-year PIB yields peaked at 13.9% in May 2019 then sharply corrected to 11.0% towards the end of the year. Currency also bounced off the lows (PKR164/USD seen in June 2019) but subsequently stabilized and recovered in the second half to end of the year at PKR154/USD; tentamounts to depreciation of 11.0% for the year. Foreign investors too appeared to be taking the view that major adjustments had been completed, which

reflected in foreign inflows to the tune of USD 2.2bn during 2019, primarily in Treasury Bills.

The KSE-100 index, which witnessed a bearish sentiment for most part of the year, corrected itself from its 5-year low of 28,765pts in August to end the year at 40,735pts – a return of 9.9% on a YoY basis. The year also saw positive inflows from foreign investors amounting to USD 58mn as against four years of net outflows of c. USD 1.7bn. Participation in the market also increased considerably in the latter part of the year with higher average traded volumes showing a gradual increase in confidence.

The confidence of investors was underpinned by Pakistan entering into a USD 6bn IMF programme in July 2019, as IMF programme also unlocked other bilateral and multi-lateral flows. These were in addition to flows received from friendly countries in the late 2018 and early 2019. As part of the stabilisation plans, the government launched extensive tax reforms resulting in removal of tax exemptions and initiation of administrative measures through the Federal Budget FY20 to register undocumented segment of the economy. In addition the government also gradually started transitioning prices to a more sustainable model with hikes seen in electricity and gas value chain. GDP Growth numbers as expected slowed down considerably, projected at around 3% for fiscal year ending June 2020, but the same was a conscious decision to address the imbalances.

The slowing down of the economy due to the above mentioned factors, however, reflected positively in the external account, with the Current Account Deficit narrowing to USD 2.15bn in 6MFY20 compared to USD 8.61bn during the same period last year – a decline of 75% on a YoY basis. This was driven by 21% decline in imports to USD 22.2bn and an increase in exports of 4.45% to

USD 12.4bn for 6MFY20 during the same period. A 3.3% increase in remittances also helped the overall external account picture.

The fiscal side has also seen significant improvement with Pakistan's tax revenue in 3QCY19 rising by 17% YoY, with 25% YoY growth in the domestic component of tax revenue, aided by a modest 7% YoY rise in import-based taxes. Importantly, a primary surplus of 0.6% of GDP was recorded in 3QCY19, with the overall budget deficit also coming in better than expected. This fiscal space has led to better than expected PSDP disbursements in 2H19. The flip side of the adjustments was however seen in inflation, which persisted in double digits, under the new CPI basket, with the December reading for CPI coming in at 12.6%, following on the back of 12.67% reading for November 2019.

Outlook of economy

Heading into 2020, Pakistan's status on the FATF list is likely to garner attention where steady progress made on the measures, combined with support from international partners will be key. Geopolitical developments in the region could play an indirect role on how Pakistan's position within the FATF plays out. On the structural side, restructuring of State Owned Enterprises (SOEs), tapping international markets for Eurobond and Sukuk and the privatisation programme are likely to be high on the agenda for the government to lower fiscal strain. Finding common ground with business community vis-à-vis the documentation drive also remains critical to ensure smooth functioning of the economy.

Inflationary pressures however are likely to top the list in terms of significance, given the follow through impact of the same on monetary policy and external account. Inflationary pressures easing off

would provide government and regulators with the flexibility to provide impetus to the economy as economic participations await the transition from the stabilisation phase to a measured growth phase.

Banking Sector Review

Pakistan's banking sector in 2019 for the most part, mirrored macro developments in the economy. The 325bp increase in interest rates during first half of the year; followed by an expectation of interest rates having peaked and overall emphasis on increasing documentation, reflected in the key data points reported for the sector till September 2019.

In absolute terms, deposits of the sector grew by PKR 1.3tr (9.9%) YoY; which was in line with the growth of circa 10% per annum that has been seen in the last couple of years. Fixed deposits however grew at a comparatively higher rate of 15% YoY, which saw CASA ratio of the sector dip marginally from 79% to 78% vs September 2018.

Banking Sectors' Advances however depicted the dual impact of 1) high base effect and 2) higher interest rates, reporting a modest growth of 1.2% compared to December 2018 and 8% vs 2018. The sector had witnessed loan growth of 21% in 2018 and hence a slower growth trajectory in 2019 was somewhat expected. The ADR reported in September 2019 however has only seen a modest decline to 53.6% from 54.5% at the same time last year and 55.8% in December 2018.

Investments reported on a sector wide level reflected increasing focus of banks towards this avenue, as government securities of different tenors drove the 39% YoY growth in investment book as of September 2019. Investments to Deposits Ratio increased to 65% vs 51% in September 2018. The higher IDR combined with a relatively stable ADR reflected the trend that part of this growth in investments was also funded by borrowings.

The banks changed preferences for their investment books as they took a

view that interest rates had peaked. The same reflected in both secondary market yields inverting and participation patterns in auction of government paper. Participation shifted to longer dated PIBs and T-Bills vs an earlier trend of shortest tenor T-Bill. Entry of foreign investors in the government securities market introduced a relatively new angle for domestic participants but the quantum of the same remains nominal compared to the overall size of the market.

Asset quality of the banking sector, somewhat expectedly, witnessed signs of strain due to higher interest rates and economic challenges, which saw outstanding NPLs increase PKR78bn in first nine months of 2019. NPL ratio deteriorated slightly to 8.8% in Sep-19 as compared to 8% in Dec-18. Coverage of the NPLs also decreased slightly to 80% in Sep-19 as compared to 84% in Dec-18.

Outlook of banking sector

Going forward, asset quality is likely to remain the key area of focus for banks as inflation and interest rates determine how borrowers fare in terms of their timely repayment capacity. The new equilibrium that emerges between government's documentation drive and trader community concerns on the same, could also be a key driver of asset quality, as the same will determine the pace and vibrancy of economic activity in the near future. Other profitability levers of banks appear to be placed strategically as Net Interest Income (NII) is likely to remain strong entering in 2020, while stabilising capital markets could provide avenues for non-interest income.

On a structural level, FATF and documentation related measures, while positive for the longer term health of the banking sector, could slow things down in the interim. In addition, banks will also be preparing and adjusting to implementation of Single Treasury Account and IFRS 9, both of which will have meaningful impact on the

way banks go about their business models going forward.

Awards and Recognition

2019 has been a rewarding year for us at Bank Alfalah across many spectrums. We continued on our journey of delivering sustainable and solid financial results. During the year, Bank Alfalah won the 'Best Bank' award as well as the 'Best Customer Franchise' award, for the fourth year running, at the Pakistan Banking Awards. These awards are a testament to our continued commitment and dedication towards our customers and stakeholders. Please see our annual report's page number 09 for other awards and accolades the Bank has received.

The Bank's Performance

The Bank's performance for 2019 remained impressive as we closed the year delivering sound financial results.

The Bank recorded an impressive growth of 19.5% in profit after tax despite a challenging operating environment. The Bank posted profit after tax of Rs. 12.695 billion as against Rs. 10.625 billion last year and profit before taxation for the year stands at Rs. 22.382 billion as against Rs. 17.618 billion last year, showing improvement of 27.0%. This translates into an EPS of Rs. 7.15 per share (2018: Rs. 5.99 per share).

On the revenue front, net markup income and non markup income show combined growth of 30.4%. Net markup income was 40.5% higher than last year and closed at Rs. 44.857 billion. Higher spreads and average earning assets along with effective balance sheet management contributed to a strong rise in the net interest income. This was after sustaining the impact of high yielding government securities, which boosted the net interest income last year and also resulted in high capital gain on their realisation. Non-funded income stood at Rs. 10.396 billion.

The highlights of the financial results for 2019 are as follows:

	2019	2018*
Financial Position	Rupees in Millions	
Shareholders' Equity	88,028	75,647
Total Deposits	782,284	702,895
Total Assets	1,064,672	1,006,218
Advances – net	511,236	501,636
Investments – net	299,098	277,660

*Comparative figures do not include an overseas setup which was held-for-sale, whereas current year figures include the same as it has been declassified in 2019.

	2019	2018
Financial Performance	Rupees in Millions	
Net Markup Income	44,857	31,926
Non-Markup Income	10,396	10,431
Non-Markup Expenses	29,843	24,712
Provisions and write offs (net)	3,028	27
Profit before Tax	22,382	17,618
Profit after Tax	12,695	10,625
Basic Earnings per Share – Rupees	7.15	5.99
Diluted Earnings per Share - Rupees	7.15	5.98

This has been impacted by negative swing on capital gains, excluding that, non funded income for the year 2019, is up by 8.8% over last year. The reason for capital gain during last year is PIB gain versus equity losses posted this year due to bearish capital market. Fee and commission income stood 8.6% higher than same period last year primarily driven by income from card related fees, trade commissions, home remittance, bancassurance, branchless banking, and alternate delivery channels.

Total non-markup expenses were reported at Rs. 29.843 billion as against Rs. 24.713 billion last year, higher by 20.8%. Administrative expenses was Rs. 29.066 billion compared to Rs. 24.313 billion for the corresponding period last year, up 19.5%, largely driven by technology, marketing, deposit protection insurance which is a new levy, new initiatives like branch openings and

investment in digital channels along with overall impact of inflationary adjustments and PKR devaluation. The cost to income ratio of the Bank has improved to 52.6% from 57.4% for last year which is a testament of the Bank's focus on cost control.

The Bank's gross advances portfolio increased by Rs. 11.578 billion, i.e. 2.2% year on year. Our strategy is to acquire high quality credit while maintaining an efficient risk weighted assets (RWA) profile. The Bank has non-performing advances of Rs. 22.417 billion and our NPL ratio remains at 4.2%, and continues to remain one of the lowest infection ratios in the industry. These ratios incorporate the impact of subjective provisioning taken by the bank based on prudence. While credit headwinds remain strong, the Bank does not see any sign of broad based deterioration across its portfolio. A charge of Rs. 1.018 billion was taken against equity investments versus a net

provision charge of Rs. 52.137 million last year. The decline in KSE-100 index during the current period led to an impairment being booked on a number of equity scrips. Recovery of the index is visible in unrealised surplus on listed shares of Rs. 2.506 billion as at the year end.

We continue to carry a diversified deposit mix on the balance sheet, with improved concentration levels. Our focus throughout the year remained on improving our deposit profile and managing spreads. Total Deposits were Rs. 782.284 billion at the year end as against Rs. 702.895 billion reported last year mainly led by growth in current accounts by 11.4%. At the year end, our gross advances to deposits ratio stands at 67.7%, and remains an indicator where Bank maintains a lead in the industry. Current deposits mix has increased from 42.5% to 43.4% amidst declining longer term interest rates.

As at 31st December, 2019, the Bank remains adequately capitalised as outlined in the section on Capital structure below.

Business Performance Review

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

The Group's Performance

Bank Alfalah posted consolidated profit after Tax (PAT) of Rs. 13.032 billion for the year ended 31st December, 2019 (2018: Rs. 10.991 billion). Earnings per share (EPS) was measured at Rs. 7.35 in comparison to Rs. 6.14 for the last year. Last year's consolidated profit included profit from Alfalah GHP Investment Management Limited, which has been classified as an associate during the year based on management's reassessment of control over the subsidiary. Consequently, the current year's profit includes a share of profit from Alfalah GHP Investment Management Limited's earnings.

The Bank has 60.21% shareholding in Alfalah CLSA Securities (Private) Limited (formerly Alfalah Securites (Private) Limited, which is engaged in the business of stock brokerage, investment banking, corporate finance and fund placements.

Performance of Subsidiaries

Alfalah Securities earned an operating revenue of Rs. 134.366 million as compared to Rs. 130.807 million for the last year. The loss per share for the year stood at Rs. 0.88 as compared to loss per share of Rs. 3.02 last year. The main reasons for low revenue and earnings were persistent low market volumes reflective of the economic slowdown the country has been facing. The hike in interest rates negatively affected major sectors and their profitability which led to a dearth of investors. However, the last quarter of CY 19 saw a sharp reversal in market volumes, a steep climb in the benchmark KSE100 index and, subsequently, a return to breakeven in Q4. This was also helped by the

imposition of minimum commission by the SECP. For the upcoming year, the company expects the economic slowdown to bottom out, improvement in macroeconomic indicators, reversal of interest rates and a drop in inflation from 2HF onwards. These should bode well for the stock market, leading to improved volumes and profitability for brokers.

Dividend, Bonus Shares and Other Appropriations

The Directors have recommended final payment of cash dividend of Rs. 2.0 per share (20%) for the year ended 31st December, 2019, subject to approval of the shareholders in the upcoming Annual General Meeting, bringing the total cash dividend for the year to Rs. 4.0 per share. The Board had earlier declared and paid an interim cash dividend of Rs. 2.0 per share (20%).

Additionally, the Board approves an appropriation of Rs. 1.269 billion from the current year profit to the statutory reserve in compliance with the requirements of the Banking Companies Ordinance, 1962.

Assets Held for Sale

During 2018, the Bank had signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as 'Assets held for sale'. However, during the current period, the DAB declined the application for approval and consequently Afghanistan operations are now classified as continuing.

Resultantly, all assets and liabilities of the Bank's Afghanistan operations have been presented as part of the actual balance sheet line items, rather than presented separately as 'Assets held for sale', while the balances at December end are still under 'held for sale' category as per the prospective treatment required under IFRS. However, all the income and expenses for the Bank's

Afghanistan operations previously presented as a separate line item 'profit after taxation from discontinuing operations' have been reclassified and represented as part of the actual profit and loss line items for all prior periods presented. The details have been given in note 21 to the unconsolidated interim financial statements.

Credit Rating

The Bank has been assigned an Entity Rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term by PACRA, with Outlook assigned as 'Stable'. The unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of 'AA' (Double A), with Outlook assigned as 'Stable'.

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

The assigned ratings reflect the Bank's diversified operations, healthy financial risk profile, strong sponsors and existing market presence. These ratings denote a very low expectation of credit risk, a strong capacity for timely payment of financial commitments in the long term and the highest capacity for timely repayment in the short term, respectively.

Corporate Governance

The Bank is in compliance with the significant requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed as part of the annual report.

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

1. The total number of directors are nine as per the following:
 - i. Male Eight
 - ii. Female One
2. The composition of the Board is as follows:
 - i. Independent Directors Three (including a female Director)
 - ii. Non-executive Directors Five
 - iii. Executive Director 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 the 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

For committees' members and ToRs, please refer to the corporate governance section of the Annual Report.
4. The Directors' fee structure was approved by the members in annual general meeting held on 29th March, 2012, whereas payout is approved on post facto basis every year by the members, as required by SBP Prudential Regulations. The new Code requires a formal policy which is in the process of being formulated and shall be in place in due course. The formal policy will account for the all relevant SBP and SECP guidelines issued from time to time related to Directors' remuneration. The required disclosure regarding Directors' fee form part of note 41 of the unconsolidated financial statements.

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 the best practices of corporate governance;
 - h) Summarised key operating and financial data of last six years has been presented as part of the annual report;
 - i) The number of Board and Board Committee meetings held during the year 2019 and the attendance by each director was as follows:

Number of Board and Board Committees meetings attended							
Name of Director	Board Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource, Remuneration and Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Compensation Committee Meetings
Total meetings held	5	6	6	5	6	4	2
HH Sheikh Nahayan Mabarak Al Nahayan	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	5	6	6	5	6	4	2
Mr. Khalid Mana Saeed Al Otaiba	5	6	6	5	6	4	2
Mr. Efstratios Georgios Arapoglou	5	6	6	N/A	6	4	2
Mr. Shehzad Naqvi	4	5	5	4	5	N/A	N/A
Dr. Ayesha Khan	5	6	N/A	5	N/A	N/A	2
Dr. Gyorgy Tamas Ladics	5	N/A	N/A	5	N/A	4	N/A
Mr. Nauman Ansari	5	N/A	6	N/A	6	4	N/A

- j) As at 31st December, 2019, the Bank is compliant in respect of the Director's training requirement provided in the Code of Corporate Governance;
- k) The pattern of shareholding is attached as part of this annual report;
- l) There are no loans, TFCs, sukuks or any other debt instruments in which the Bank is in default or likely to default;
- m) Trading pattern in the shares of the Bank, by directors, executives, their spouses and minor children have been disclosed as part of the Annual Report; and
- n) The Board performance was evaluated by the external consultant, Pakistan Institute of Corporate Governance (PICG), during 2019, at a mutually agreed fee.

Risk Management

During the course of the year, Bank Alfalah continued to further strengthen its risk management framework. This includes refinement of credit approval process, strengthening of our overseas risk management footprint and enhancement of our credit monitoring process.

Owing to its branch-led model, robust credit underwriting criteria and strong collection framework, the Bank has maintained lower infection ratio than industry average. Bank has also been able to retain sustainable growth in advances despite the economic downturn. Furthermore, Bank has stepped into the implementation of IFRS 9 for Pakistan Operation after the completion of qualitative and quantitative impact assessment. To oversee the implementation, a Project Steering Committee has been constituted.

Capital structure of the Bank

The Bank remained a well-capitalised institution with a capital base well above the regulatory limits and Basel capital requirements. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 16.88% against the requirement of 12.50% (including capital conservation buffer of 2.50%). Quality of the capital is evident from the Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 12.01% against the

requirement of 6.00%. The Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.50% of the total Risk Weighted Assets (RWA), to be maintained in the form of Common Equity Tier 1 by the year end of 2019. The Bank's adequate capitalisation also resulted in a leverage ratio of 5.83% which is above the regulatory limit of 3.0%.

Information security

Information security is a key risk for the financial industry amid growing cyber security threats and events across the globe. Information security mitigates risks to Bank's technology assets by developing IT security baselines for IT solutions that support products and services. Additionally, significant developments with respect to the cyber security action plan took place during the year 2019, including further strengthening our resilience and defence capabilities through monitoring of threats and vulnerabilities via 24/7 enhanced Information Security Monitoring Centre, by utilising the global threat landscape services, concentrating more towards BAFL orientation. Expanded our Information Security awareness campaigns



programmes covering various targeted segments. Security Risk Assessment process and Penetration testing is being performed not only on conventional but also for digital products, while giving them security clearance, keeping in view the emerging threats evolving day by day.

Compliance Risk

Bank Alfalah stands committed in strengthening its compliance, AML, CFT, Sanction Screening and Internal Control functions including overseas operations. The Group comprises of two divisions i.e. Compliance Division and Internal Control Division, and has a major participation in the meetings of Board Audit Committee. The committee monitors an approved Annual Compliance Plan through the management's Compliance and Control Committee. Over the last year the Bank has taken major leap in enhancement of its Structure, Regulatory Technology and Compliance Systems, including key system integrations to cover the AML/Sanction Screening and Trade AML Risks, update of the policies and procedures to support the new processes and systems. The Bank has also engaged a qualified firm for an independent validation of its Financial Crime Risk, document and systems.

Internal Controls

The Board considers Sound Control Framework as a key to sustainable growth and vehicle for Value Creation. In accordance with Board Vision and in line with SBP and SECP guidelines, the Management has been continuously striving for implementing a Comprehensive Governance and Control Framework to ensure efficiency and effectiveness of operations, compliance with legal requirements and reliability of financial reporting. Adequate systems, processes and controls have been put in place to identify and mitigate the risk of failure to achieve the overall objectives of the Bank.

The Bank has a dedicated Internal Control Division (ICD), which,

through its regular onsite field visits and offsite thematic reviews facilitates the management in timely identification and resolution of the key control/compliance risk exposures, which can affect the Bank adversely. The ICD helps management to ensure that the Bank's operations are carried out as per the defined procedures; transactions are recorded on timely manner; financial and management reporting is accurate, reliable and complete; and that the Bank is compliant with the applicable laws, regulations and policies. Showing commitment to culture focusing on controls improvement, in 2019, ICD introduced 'ICD Dashboard' for Centralised Control Monitoring that serves as an effective monitoring tool for the management and a means to enhance entity wide coverage of Control Risk Exposure in order to safeguard the Bank from any financial or reputational losses. Besides ICD, Compliance Division and Risk Management Division are also integral part of the Bank's Control Framework, helping the management in improving controls.

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

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

The Board endorses the management's evaluation on effectiveness of the overall internal controls, including ICFR, as detailed in the Statement of Internal Controls.

Corporate Social Responsibility

At Bank Alfalah, we believe that our success and the success of our customers go hand-in-hand. We aim to conduct business by creating shared values for all our stakeholders. Corporate Social Responsibility is an instrument of positive change and continues to be one of the most important aspects of our business.

We are firm in our commitment to operate within an ethical framework, while contributing to socio-economic development. As we continue to build responsible business practices across the Bank, we ensure that we capture every opportunity deepening the impact of our Corporate Social Responsibility and philanthropic footprint. During the year, the Bank has paid charitable donation amounting to Rs. 12.426 million to different educational and charitable institutions.

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

External Audit

The Bank has received an unqualified audit report for the year ended 31st December, 2019, from its external auditors, M/s EY Ford Rhodes, Chartered Accountants.

Based on the consent received from the Bank's existing auditors, M/s EY Ford Rhodes & Co., Chartered Accountants, to continue to act as auditors of the Bank, if so appointed. The Audit Committee has suggested their name to be appointed as external auditors of the Bank for the next year.

The 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

Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value. We will continue to invest in Digital Banking, our technology infrastructure, human capital and strengthening our compliance and controls environment. At the same time, we will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimising returns from the banking book and enforcing a strong cost discipline across the Bank. Given the high interest rate scenario and the risk of credit headwinds, we will continue to follow prudent risk management practices and manage the loan book optimally.

Uncertainties that could affect the Bank's resource, revenues and operations

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

- Decisions on Discount Rate/Monetary policy;
- Revisions to rate of returns on deposits;
- Geo-Political risks and uncertainties across the geography that we operate in;
- Law and order situation;
- Local Government rules and regulations;
- Inflation, fuel and general commodity prices; and
- Corporate taxation measures.

The Bank's Risk Management Group performs stress testing against various pre-determined scenarios to analyse potential losses and to determine whether the Bank has enough capital to

withstand the impact of adverse economic developments. The results of such tests has showed that the Bank has adequate capital, liquidity and profitability to bear such losses.

The Bank continuously monitors these uncertainties and the risks which it faces in the operating environment and constantly takes corrective and protective measures to maintain performance and protect shareholder interests.

Subsequent Events

There are no post balance sheet events which could materially affect company's performance as presented in these financials or could have required a disclosure of the 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. We are pleased with the performance of the Bank's management and employees who serve our clients, communities and shareholders with distinction and dedication.

Our values are to put our customers and their needs front and center by servicing them in a way they want and with the products and services they choose. This includes delivering a consistent customer experience, designing an integrated product offering and continually innovating for our customers. We are constantly looking for better ways to deliver products and services that meet or exceed our customers' expectations.

With continued commitment to reform, combined with productive investment in infrastructure and strategic capacity development, helped by recovering consumer

confidence, we expect Pakistan economy to show a reasonable growth in 2020.

Nauman Ansari
President and
Chief Executive
Officer

Shehzad Naqvi
Director

Abu Dhabi
13th February, 2020

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

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

- ڈسکاؤنٹ ریٹ / مانیٹری پالیسی کے حوالے سے فیصلے
- ڈپازٹس کی شرح منافع پر نظر ثانی
- جہاں ہم آپریٹ کرتے ہیں وہاں کے خطے میں جیو پولیٹکل خطرات اور غیر یقینی صورتحال
- امن و امان کی صورتحال
- مقامی حکومت کے قوانین اور ضابطے
- افراط زر، فیول اور عام اجناس کی قیمتیں، اور
- کارپوریٹ ٹیکسیشن کے پیمانے
- بینک کا رسک منیجمنٹ گروپ مختلف پیشگی تعین کردہ صورتحال میں اسٹریٹجی ٹیسٹنگ کرتا ہے تاکہ ہونے والے ممکنہ نقصانات کا تجزیہ کیا جاسکے اور بینک کے پاس مناسب سرمائے کا تعین کرنا تاکہ برے معاشی حالات کا سامنا کر سکے۔ ایسی جانچ کے نتائج نے ظاہر کیا کہ ایسے نقصانات کو برداشت کرنے کیلئے بینک کے پاس مناسب کیپٹل، لیکوئڈٹیٹی اور منافع کمانے کی اہلیت موجود ہے۔

بینک ان غیر یقینی صورت حال اور خطرات کی مسلسل نگرانی کرتا ہے جن کا سامنا وہ اپنے عملی ماحول میں کرتا ہے اور کارکردگی برقرار رکھنے اور شیئر ہولڈر کے مفادات کو محفوظ رکھنے کے لیے مسلسل اصلاحی اور حفاظتی اقدامات اختیار کرتا ہے۔

ضمنی ایونٹس

کوئی پوسٹ بیلنس شیٹ ایونٹس موجود نہیں ہیں جو ان فنانشیلز میں پیش کردہ کمپنی کی کارکردگی کو مادی طور پر متاثر کر سکے یا حقائق کو افشاء کرنا درکار ہو۔

اظہار تشکر:

بورڈ کی جانب سے ہم اسٹیٹ بینک آف پاکستان، سیکورٹیز ایکسچینج کمیشن آف پاکستان، وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی مسلسل رہنمائی اور تعاون کی فراہمی کا شکریہ ادا کرتے ہیں۔ ہم مشاورت اور سرپرستی کرنے والے اپنے معزز شیئر ہولڈرز، صارفین، کاروباری شریک اور بینک کے عملے کے بھی تہہ دل سے شکر گزار ہیں۔ ہم بینک کی انتظامیہ اور ملازمین کی کارکردگی سے خوش اور مطمئن ہیں جو ہمارے کلائنٹس، کمیونیٹیز اور شیئر ہولڈرز کو اپنی بھرپور خدمات پیش کرتے ہیں۔

ہم اپنی اقدار کے مطابق اپنے صارفین کی ضروریات کو پورا کرنے کیلئے کوشاں ہیں اور انہیں وہی سروسز اور پروڈکٹس فراہم کرتے ہیں جن کا وہ

انتخاب کرتے ہیں۔ ان میں صارف کو یکساں ایک اچھا ماحول فراہم کرنا، انٹیگریٹڈ پروڈکٹ آفرنگ کو ترتیب دینا اور اپنے صارفین کے لیے جدید پروڈکٹس متعارف کروانا شامل ہے۔ ہم پروڈکٹس اور خدمات کی فراہمی کے لیے بہتر سے بہتر طریقے اختیار کرنے میں مسلسل کوشاں ہیں جن کی مدد سے ہم صارفین کی توقعات پر پورا اتر سکیں۔

اصلاح کے لیے ہمارا مسلسل عزم اور انفراسٹرکچر اور اسٹریٹیجک کیپیسیٹی ڈیولپمنٹ میں پیداواری سرمایہ کاری کنزیومر کے اعتماد کی بحالی میں مددگار رہی۔ ہمیں امید ہے کہ سال 2020 میں پاکستان کی معیشت میں مزید ترقی دیکھنے میں آئے گی۔

نعمان انصاری
پریزیڈنٹ اور
چیف ایگزیکٹو آفیسر

شہزاد تقوی
ڈائریکٹر

ابوظہبی
13 فروری، 2020

جامعہ گریڈنگ فریم ورک متعارف کروایا جس سے منیجمنٹ کو کنٹرول کے مسائل کو حل کرنے کیلئے حکمت عملی ترتیب میں مدد ملے گی۔ آئی سی ڈی کے ساتھ کمپلائنس ڈویژن اور رسک منیجمنٹ ڈویژن بی اے ایف ایل کنٹرول فریم کا لازمی حصہ ہیں اور منیجمنٹ کو کنٹرولز کو بہتر بنانے میں معاونت کرتے ہیں۔

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

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

بورڈ نے انٹرنل کنٹرول کی صلاحیت سے متعلق کی جانے والی منیجمنٹ کی قدر پیمائی (ایولوشن) کی توثیق کی ہے، جس میں آئی سی ایف آر بھی شامل ہے، اور اس کی وضاحت اسٹیٹمنٹ آف انٹرنل کنٹرولز میں کی گئی ہے۔

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

ہم پختہ عزم کے ساتھ اخلاقی فریم ورک کے دائرے میں رہتے ہوئے سماجی و معاشی ترقی میں اپنا بھرپور کردار ادا کر رہے ہیں۔ ہم بینک میں ذمہ دارانہ کاروباری عمل کو جاری رکھتے ہوئے یقینی بناتے ہیں کہ ہم نے ہر موقع سے فائدہ اٹھا یا ہے جس سے ہمارے کارپوریٹ سوشل رسپانسبلٹی اور رفاعی کاموں کے اثر کو بڑھانے میں مدد ملے۔ سال کے دوران بینک نے 12.426 ملین روپے کی رقم مختلف تعلیمی اور خیراتی اداروں کو عطیہ کی ہے۔

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

ایکسٹرنل آڈٹ

بینک نے 31 دسمبر، 2019 کو ختم ہونے والے سال کے لیے اپنے ایکسٹرنل آڈیٹرز میسرز ای وائی فورڈ روڈز اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سے ایک

آن کوالیفائیڈ آڈٹ رپورٹ وصول کی ہے۔ بینک کے موجودہ آڈیٹرز میسرز ای وائی فورڈ روڈز اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے بینک کے آڈیٹرز کے طور پر کام جاری رکھنے کی رضامندی کی بنیاد پر انہیں نامزد کیا جاسکتا ہے۔ آڈٹ کمیٹی نے اگلے سال کیلئے ان کا نام بطور ایکسٹرنل آڈیٹرز نامزد کیا ہے۔ ایکسٹرنل آڈیٹرز کی فرم نے اس بات کی تصدیق کی ہے کہ انہیں انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس کے کوالٹی کنٹرول ریویو پروگرام کے تحت اطمینان بخش ریٹنگ دی گئی ہے۔ آڈٹ فرم اور ان کے تمام پارٹنرز انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی کوڈ آف ایٹھکس سے متعلق ICAP کی اختیار کردہ گائیڈ لائنز پر عمل پیرا ہیں اور آڈیٹر مقرر ہونے سے متعلق تمام قابل اطلاق قوانین پر پورا اترتے ہیں۔

آگے بڑھنے کا عزم

بینک الفلاح مستحکم نمو اور شیئر ہولڈرز کے لیے مستقل بنیادوں پر ویلیو بنانے کی مؤثر پوزیشن میں ہے۔ ہم ڈیجیٹل بینکنگ، ٹیکنالوجی انفراسٹرکچر، ہیومن کپیٹل، کمپلائنس اور کنٹرول ماحول کو بہتر بنانے کے لیے مزید سرمایہ کاری کریں گے۔ اس کے ساتھ ساتھ ہم کم لاگت کے ڈپازٹ بیس، کپیٹل آن رسک ایسیٹ، بینکنگ بک کے منافع جات کو بہتر بنانے اور لاگت میں مضبوط نظم و ضبط لانے کے لیے کوشاں ہیں پچھلے سال کے انٹرسٹ ریٹس کے اضافے اور کریڈٹ رسک کے خدشات کے پیش نظر ہم محتاط رسک مینجمنٹ کے اصولوں اور لون بک کے انتظام کو بہتر بنائیں گے۔

ضرورت سے زیادہ ہے۔ بینک مناسب منافع برقرار رکھنے کی پالیسی کو جاری رکھے ہوئے ہے تاکہ اس کی رسک برداشت کرنی کی صلاحیت میں اضافہ ہو۔ بینک کی کل کیپٹل موزوں شرح درکار 12.50% کے مقابلے میں 16.88% ہے (بشمول 2.50% کیپٹل کنزرویشن بفر)۔ بینک کی عام ایکوٹی (Tier-1 (CET1) میں کل رسک ویڈڈ ایسٹس کی شرح سے سرمائے کا معیار ظاہر ہے جو درکار 6.00% کے مقابلے میں 12.01% ہے۔ آر ڈبلیو اے کی کل 2.50% کیپٹل کنزرویشن بفر (سی سی بی) پورا کرنے کے لئے بینک کی کیپٹل بیس کافی محفوظ ہے جو سال 2019 کے آخر میں کیپٹل ایکوٹی Tier 1 کی صورت میں برقرار رکھا جائے گا۔ بینک کے معقول سرمائے کا نتیجہ 5.83% شرح ہے جو ریگولیٹری حد 3.0% سے زیادہ ہے۔

انفارمیشن سیکورٹی

انفارمیشن سیکورٹی تھریٹس اور دنیا بھر میں واقعات کی وجہ سے انفارمیشن سیکورٹی بینکنگ انڈسٹری کے لئے اہم خطرہ ہے۔ آئی ٹی سیکورٹی کی بیس لائن تیار کر کے بینک کی ٹیکنالوجی ایسٹس سے انفارمیشن سیکورٹی خطرات میں کمی آئی ہے جو پروڈکٹس اور سروسز کی معاونت کرتی ہے۔ سال 2019 کے دوران سائبر سیکورٹی ایکشن پلان کے حوالے سے اہم پیش رفت مسائل کو حل کرنے اور حفاظتی صلاحیت کو انفارمیشن سیکورٹی مانیٹرنگ سینٹر میں خطروں اور قابل ہدف ہونے کی مانیٹرنگ کے ذریعے مزید مضبوط بنائے گی، عالمی تھریٹ لینڈ سکیپ

انٹرنل کنٹرول

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

بینک کا مخصوص انٹرنل کنٹرول ڈپارٹمنٹ ہے۔ یہ منیجمنٹ کو بروقت اہم کنٹرول رسک مسائل جو بینک پر برے اثرات مرتب کر سکتے ہیں، باقاعدگی سے آن سائٹ فیلڈ وزٹ اور آف سائٹ تھمیٹک ریویوز سے ان کی نشاندہی اور انہیں حل کرنے میں معاونت کرتا ہے۔ آئی سی ڈی منیجمنٹ کی مدد کرتے ہوئے یقینی بناتا ہے کہ بینک کے آپریشنز طے کردہ طریقوں سے مکمل ہوئے ہیں، تمام فنانشل ٹرانزیکشنز بروقت ریکارڈ ہوئیں ہیں، فنانشل اور منیجمنٹ رپورٹنگ درست، قابل بھروسہ اور مکمل ہے اور بینک لاگو قوانین، ریگولیشنز اور پالیسیز سے ہم آہنگ ہے۔ 2018 میں کنٹرولز میں بہتری پر توجہ دینے کا عزم کیا گیا۔ مختلف نوعیت کے کنٹرول رسک ایکسپوزر کی شناخت اور تعداد کیلئے بورڈ کی رہنمائی میں آئی سی ڈی نے

سروسز کے استعمال کے ذریعے بینک الفلاح لمیٹڈ کے اورینٹیشن کی طرف مزید مستحکم پورے ہیں۔ ہماری انفارمیشن سیکورٹی کی آگاہی کیمپینز پروگرامز میں توسیع کی گئی جس نے کئی ٹارگٹڈ سیگمنٹس کو پورا کیا۔ سیکورٹی رسک اسسمنٹ پروسس اور پینٹیٹریشن پروسس سرانجام دیئے گئے نہ صرف کنوینشنل سطح پر بلکہ ڈیجیٹل پروڈکٹس کے لیے بھی، سیکورٹی کلیئرنس دینے وقت یہ بات مد نظر رکھی گئی نئی تھریٹس دن بہ دن بڑھ رہی ہیں۔

کمپلائنس رسک

بینک الفلاح، اس کے کمپلائنس، اے ایم ایل، سی ایف ٹی، سینکشن اسکریننگ اور انٹرنل کنٹرول فنکشنز بشمول اوور سیز آپریشنز کو مضبوط کرنے کا عزم رکھتا ہے۔ گروپ دو ڈیویژنز پر مشتمل ہے یعنی کمپلائنس ڈیویژن اور انٹرنل کنٹرول ڈیویژن اور بورڈ آڈٹ کمیٹی کے اجلاسوں میں بڑے پیمانے پر حصہ داری رکھتا ہے۔ کمیٹی، منیجمنٹ کے کمپلائنس اور کنٹرول کمیٹی کے ذریعے منظور شدہ سالانہ کمپلائنس پلان کی نگرانی کرتی ہے۔ پچھلے سال میں بینک نے اپنی ساخت، ریگولیٹری ٹیکنالوجی اور کمپلائنس سسٹمز میں بڑی حد تک اضافہ کیا ہے، بشمول سسٹم کی اہم انٹیگریشنز تاکہ اے ایم ایل / سینکشن اسکریننگ اور ٹریڈ اے ایم ایل رسکس کو کور کیا جائے، نئے پروسسز اور سسٹمز کی سپورٹ کے لیے پالیسیز اور پروسیجرز کی اپ ڈیٹ کیا۔ بینک نے ایک کوالیفائیڈ فرم کو بھی شامل کیا تاکہ اس کے فنانشل کرائم رسک، ڈو کیومنٹ اور سسٹمز کی آزادانہ طور پر توثیق ہو سکے۔

- انداز میں نافذ اور مانیٹر کیا جا رہا ہے۔
- f. اس بات میں کوئی شک نہیں ہے کہ بینک ایک منافع بخش ادارے کے طور پر اپنا سفر جاری رکھنے کی مکمل صلاحیت رکھتا ہے۔
- g. اختیار کردہ کارپوریٹ گورننس اصولوں سے انحراف نہیں کیا گیا۔
- h. گزشتہ چھ سال کا اہم آپریشنل اور فنانشل ڈیٹا کا خلاصہ سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔
- i. سال 2019 کے دوران بورڈ اور بورڈ کمیٹی کے اجلاس اور ڈائریکٹرز کی شرکت کی انفرادی تفصیل درج ذیل ہے:

Number of Board and Board Committees meetings attended							
Name of Director	Board Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resources, Remuneration & Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Compensation Committee Meetings
Total meetings held	5	6	6	5	6	4	2
HH Sheikh Nahayan Mabarak Al Nahayan	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	5	6	6	5	6	4	2
Mr. Khalid Mana Saeed Al Otaiba	5	6	6	5	6	4	2
Mr. Efstratios Georgios Arapoglou	5	6	6	N/A	6	4	2
Mr. Shehzad Naqvi	4	5	5	4	5	N/A	N/A
Dr. Ayesha Khan	5	6	N/A	5	N/A	N/A	2
Dr. Gyorgy Tamas Ladics	5	N/A	N/A	5	N/A	4	N/A
Mr. Nauman Ansari	5	N/A	6	N/A	6	4	N/A

ورک کے ساتھ بینک نے انڈسٹری کے اوسط تناسب کے مقابلے کم انٹیکشن تناسب کو برقرار رکھا ہے۔ بینک نے معیشت میں مندی کے رجحان کے باوجود ایڈوانسز میں اچھی ترقی کو برقرار رکھا ہے۔ مزید یہ کہ، بینک نے معیاری اور مقداری تاثر کی تخمینہ کاری کے بعد پاکستان آپریشن کے لیے آئی ایف آر ایس 9 کی تکمیل میں قدم رکھ دیا ہے۔ اس تکمیل کی نگرانی کے لیے ایک پروجیکٹ اسٹینڈنگ کمیٹی تشکیل دی گئی ہے۔

بینک کے سرمائے کی ساخت

بینک معقول سرمایہ رکھنے والا ادارہ ہے، جس کی سرمائے کی بنیاد ریگولیٹری حد اور بیس کیپٹل

n. 2019 کے دوران بورڈ کی کارکردگی کا تخمینہ لگانے کے لیے بیرونی کنسلٹنٹ، پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس کی خدمات باہمی متفقہ فیس ادا کر کے حاصل کی جاتی ہیں

رسک مینجمنٹ

سال کے دوران بینک الفلاح نے اپنا رسک مینیجمنٹ فریم ورک مزید مضبوط کیا۔ اس میں کریڈٹ کی منظوری کا عمل میں بہتری، ہمارے اوور سیز رسک مینجمنٹ فوٹ پرنٹ کی مضبوطی اور ہمارے کریڈٹ کی نگرانی کے عمل میں اضافہ شامل ہے۔ اپنے برانچ لیڈ ماڈل اور مضبوط کریڈٹ کے معیار اور مضبوط کلیکشن فریم

j. 31 دسمبر 2019 کی مدت کے اختتام پر بینک کوڈ آف کارپوریٹ گورننس کے تحت ڈائریکٹرز کی تربیت کا تقاضہ بھی پورا کر چکا ہے۔

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

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

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

مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ بینک کے ان سیکیورڈ Tier 1 کیپٹل (ٹرم فنانس سرٹیفکیٹ) کی ریٹنگ AA- (ڈبل اے مائنس) تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

تفویض کردہ کریڈٹ ریٹنگ بینک الفلاح کے متنوع آپریشنز، مستحکم مالیاتی رسک پروفائل، اسپانسرز کی مضبوطی اور مارکیٹ میں بینک کی مستحکم پوزیشن کی عکاسی کرتی ہے۔ یہ ریٹنگ بینک کے بہت کم کریڈٹ رسک کے ساتھ طویل مدت کے لیے اپنے مالیاتی وعدوں کی بروقت تکمیل کی بھرپور صلاحیت اور قلیل مدت کے لیے اپنے مالیاتی وعدوں کی تکمیل کی اعلیٰ تر صلاحیت کو ظاہر کرتی ہے۔

کارپوریٹ گورننس

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

مذکورہ بالا ریگولیشنز کے چیپٹر XII - رپورٹنگ اینڈ ڈسکلوزر کے تحت ڈائریکٹرز مندرجہ ذیل اسٹیٹمنٹ دے رہے ہیں:

1. مندرجہ ذیل کے مطابق ڈائریکٹرز کی کل تعداد مندرجہ ذیل ہے:

- i. مرد: آٹھ
- ii. عورت: ایک

2. بورڈ کی کمپوزیشن مندرجہ ذیل ہے:

- i. انڈیپنڈنٹ ڈائریکٹرز تین (بشمول خاتون ڈائریکٹر)
- ii. نان ایگزیکٹو ڈائریکٹرز پانچ
- iii. ایگزیکٹو ڈائریکٹرز ایک

3. بورڈ اپنی ذمہ داریوں سے سبکدوش ہونے کیلئے وقتاً فوقتاً کمیٹیز قائم کرتا ہے۔ بورڈ ہر کمیٹی کیلئے تشکیل،

قوانین، عمل، ذمہ داریوں اور ایڈمنسٹریشن سے متعلق معاملات کے حوالے سے بورڈ ٹرم آف ریفرنس (ٹی او آر) اختیار کرتا ہے۔ بورڈ کی جانب سے مندرجہ ذیل کمیٹیز تشکیل دی گئی ہیں:

- i. بورڈ آڈٹ کمیٹی
- ii. بورڈ اسٹریٹجی اینڈ فنانس کمیٹی
- iii. بورڈ رسک منیجمنٹ کمیٹی
- iv. بورڈ ہیومن ریسورس، ریمونیریشن اینڈ نومینیشن کمیٹی
- v. بورڈ انفارمیشن ٹیکنالوجی کمیٹی
- vi. بورڈ کمپنیشن کمیٹی

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

4. ڈائریکٹرز کا فیس اسٹرکچر 29 مارچ

2012 کو ہونے والے سالانہ اجلاس عام میں منظور کیا گیا۔ ممبرز کی جانب سے ہر سال پوسٹ فیکٹو کی بنیاد پر ادائیگی کی منظوری ایس بی پی پروڈینشل ریگولیشنز کے مطابق دی جاتی ہے۔ نئے کوڈ کو فارمل پالیسی کی ضرورت ہے جو تشکیل کے مرحلے میں

ہے اور مناسب وقت پر پیش کی جائے گی۔ فارمل پالیسی، ڈائریکٹرز کی ریمونیریشن سے متعلق وقتاً فوقتاً جاری کردہ تمام متعلقہ ایس بی پی اور ایس ای سی پی کی گائیڈ لائنز کے لیے بنائی گئی ہے۔ ڈائریکٹرز فیس کی تفصیلات ان کنسولیدیٹڈ فنانشل اسٹیٹمنٹس کے نوٹ 41 کے حصے میں ظاہر کی گئی ہیں۔

معاملات کو احسن طریقے سے چلاتے ہوئے، ڈائریکٹرز کی جانب سے مندرجہ ذیل بیان دیا جا رہا ہے:

a. بینک کی انتظامیہ کی جانب سے مرتب کردہ فنانشل اسٹیٹمنٹس، بینک کے معاملات کی درست عکاسی کرتے ہیں جن میں بینک کے آپریشنز، کیش فلو اور ایکویٹی میں ہونے والی تبدیلی سے متعلق تفصیلات بھی شامل ہیں۔

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

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

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

e. انٹرنل کنٹرول کا سسٹم ڈیزائن کے لحاظ سے مضبوط ہونے کے ساتھ مؤثر

سبسائیڈ ریز کی کارکردگی

الفلاح سیکیورٹیز نے اس سال 134.366 ملین روپے کا آپریٹنگ ریوینیو حاصل کیا ہے جبکہ پچھلے سال یہ 130.807 ملین روپے تھا۔ فی شیئر نقصان 0.88 روپے رہا جبکہ پچھلے سال 3.02 روپے تھا۔ کم ریوینیو اور آمدنی کی اصل وجوہات میں مارکیٹ والیومز میں کمی تھی جو کہ ملک میں معاشی فقدان کی عکاسی تھی۔ سودی شرحوں میں تیزی سے اضافے نے زیادہ تر سیکٹرز اور ان کے منافع پر منفی اثر ڈالا۔ تاہم، سال 2019 کی آخری سہ ماہی میں مارکیٹ والیومز میں تیزی سے تبدیلی آئی۔ کے ایس ای 100 انڈیکس تیزی سے بڑھا اور نتیجتاً چوتھی سہ ماہی میں نفع نقصان کے بغیر ریٹرنز ملے۔ اس کی وجہ ایس ای سی پی کی طرف سے کم سے کم کمیشن عائد کرنا تھی۔ آنے والے سال میں دوسری سہ ماہی سے کمپنی معاشی فقدان کے ختم ہونے، میکرو اکنامک انڈیکٹرز میں بہتری سودی شرحوں میں ریورسل اور مہنگائی میں کمی ہونے کی توقع رکھتی ہے۔ یہ اسٹاک مارکیٹ کے لیے ایک اچھی پیش گوئی ہوگی جس سے بروکرز کے لیے پہلے سے بہتر والیومز اور منافع حاصل ہونگے۔

ڈیوڈنڈ، بونس شیئرز اور دیگر تخصیصات

31 دسمبر 2019 کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے کیش ڈیوڈنڈ 2.0

روپے فی شیئر (20%) حتمی ادائیگی کی تجویز دی ہے جو آنے والے سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری سے مشروط ہے، اس سال کے لیے کل کیش ڈیوڈنڈ 4.0 روپے فی شیئر ہے۔ بورڈ نے پہلے عبوری کیش ڈیوڈنڈ 2 روپے فی شیئر (20%) کا اعلان اور ادائیگی کی تھی۔

مزید یہ کہ، بینکنگ کمپنیز آرڈیننس 1962 کی ضروریات کی تکمیل میں قانونی طور پر محفوظ سرمایہ کے حالیہ سال کے منافع سے بورڈ 1.269 ارب روپے کی ایک تخصیص منظور کرتا ہے

فروخت کیلئے پیش کردہ اثاثے

2018 کے دوران بینک نے افغانستان آپریشنز کی فروخت کیلئے موزوں خریدار سے بزنس ٹرانسفر ایگریمنٹ کیا اور فروخت کی منظوری کے عمل کی تکمیل کیلئے ڈی اے افغانستان بینک (DAB) کو درخواست دی گئی جو افغانستان کا مرکزی بینک ہے۔ مذکورہ بالا بزنس کو ”فروخت کیلئے پیش کردہ اثاثے“ کے طور پر درجہ بندی کی گئی۔ تاہم، حالیہ مدت کے دوران، ڈی اے بی نے درخواست منظور کرنے سے انکار کر دیا اور نتیجتاً افغانستان آپریشنز کو جاری آپریشن کے طور پر پیش کیا گیا۔

مذکورہ بالا کے نتیجے میں بینک کے افغانستان آپریشن کے تمام اثاثے اور واجبات کو علیحدہ اثاثے برائے فروخت میں رکھنے کی بجائے بیلنس

شیٹ کے لائن آئٹمز میں شامل کر کے پیش کیا گیا ہے۔ جبکہ دسمبر کے اختتام کے بیلنس کو اب بھی اثاثے برائے فروخت، جو کہ IFRS کے مطابق ہیں، میں رکھا گیا ہے۔ تاہم، تمام آمدنی اور اخراجات برائے افغانستان آپریشنز جو کہ گذشتہ مدت میں الگ سے منافع بعد از ٹیکس برائے متقطع آپریشنز کے طور پر رکھا تھا، کو اس بار اصل آمدنی اور اخراجات کے لائن آئٹمز میں شامل کیا گیا ہے۔ اسکی تفصیلات نوٹ نمبر 21 غیر انضباطی شدہ عبوری گوشوارے میں موجود ہیں۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کی ریٹنگ طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) تفویض کی گئی۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ بینک کے ان سیکیورڈ سب آرڈینیٹڈ ڈیبٹ (ٹرم فنانس سرٹیفکیٹ) کی ریٹنگ AA (ڈبل اے) تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

کریڈٹ ریٹنگ کمپنی JCR-VIS نے بینک الفلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A-1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ

اخراجات 29.066 ارب روپے رہے جبکہ پچھلے سال اسی مدت کے لیے 24.313 ارب روپے تھے، اس سے 19.5% کا اضافہ ظاہر ہوتا ہے جس کی بنیادی وجہ ٹیکنالوجی، مارکیٹنگ، ڈپازٹ پروٹیکشن انشورنس تھے جو کہ ایک نیا لیوی تھا، نئے اقدامات جیسے برانچیں کھولنا اور ڈیجیٹل چینلز میں سرمایہ کاری بمعہ مہنگائی کی ایڈجسٹمنٹ اور پاکستانی روپے کی قدر میں کمی کا تمام تر اثر شامل ہیں۔ بینک کی آمدنی کی تناسبی لاگت پچھلے سال کے مقابلے میں 57.4% سے کم ہو کر اس سال 52.6% رہی، جو کہ بینک کا لاگت پر قابو پانا ظاہر کرتا ہے۔

بینک کے مجموعی ایڈوانسز 11.578 ارب روپے یعنی سال بہ سال 2.2% بڑھ گئے۔ ہماری حکمت عملی ہے کہ اعلیٰ معیاری کریڈٹ کا حصول رہے اور مؤثر رسک ویڈو ایسیٹس پروفائل قائم رہے۔ بینک 22.417 ارب روپے کے نان پرفارمنگ ایڈوانسز رکھتا ہے اور ہمارا این پی ایل کا تناسب 4.2% ہے اور انڈسٹری میں سب سے کم انفیکشن کے تناسبوں میں سے ایک ہے۔ یہ تناسب انفرادی پروویژنز کا تاثر قائم کرتے ہیں جبکہ کریڈٹ ہیڈ ونڈز مستحکم ہیں اور بینک کو اپنے پورے پورٹ فولیو میں کارکردگی میں کمی کی علامت نہیں ملتی۔ اس سال ایکوئٹی انویسٹمنٹس کے لیے 1.018 ارب روپے چارج کیے گئے جبکہ

پچھلے سال خالص پروویژنز کے لیے 52.137 ملین روپے چارج کیے گئے تھے۔ کے ایس ای 100 انڈیکس میں حالیہ مدت میں کمی رہی جس سے کئی ایکوئٹی اسکرپٹس میں نقصان ہوا۔ انڈیکس کی بحالی سال کے آخر میں لسٹڈ شیئرز پر 2.506 ارب روپے کے غیر وصول کردہ سرپلس میں نظر آتی ہے۔

ہم نے بہتر تناسب کے لیولز کے ساتھ بیلنس شیٹ پر ایک متنوع ڈپازٹ مکس قائم رکھا ہے۔ پورے سال ہماری توجہ اپنے ڈپازٹ پروفائل کو آگے بڑھانے اور اسپریڈز کو منظم کرنے پر قائم رہی۔ سال کے اختتام پر کل ڈپازٹس 782.284 ارب روپے تھے جبکہ پچھلے سال 702.895 ارب روپے تھے۔ اس اضافے کی بڑی وجہ کرنٹ اکاؤنٹس میں 11.4% کا اضافہ ہے۔ سال کے اختتام پر ہمارے ڈپازٹس کے تناسب پر مجموعی ایڈوانسز 67.7% رہے اور یہ اس بات کی علامت ہے کہ بینک نے انڈسٹری میں سرفہرست مقام قائم رکھا ہوا ہے۔ کرنٹ ڈپازٹس مکس 42.5% سے 43.4% تک بڑھ گئے جس سے طویل مدتی سودی شرحوں میں کمی ہوئی۔

31 دسمبر، 2019 تک بینک کیپیٹلائزڈ رہا جیسا کہ مندرجہ ذیل میں کیپیٹل اسٹرکچر میں بیان کیا گیا ہے۔

کاروباری کارکردگی کا جائزہ

کاروباری ترقی، کارکردگی اور بینک کی پوزیشن اور ماحول پر اس کے تاثر کے بارے میں سالانہ رپورٹ کے دیگر سیکشنز میں تفصیلات بیان کی گئی ہیں۔

گروپ کی کارکردگی

بینک الفلاح نے 31 دسمبر، 2019 کو ختم ہونے والے سال کے لیے 13.032 ارب روپے کے بعد از ٹیکس منافع کا اعلان کر دیا ہے۔ (2018: 10.991 ارب روپے) فی شیئر آمدنی جو پچھلے سال 6.14 روپے تھی، اس سال 7.35 روپے ریکارڈ کی گئی۔ پچھلے سال کے منافع میں الفلاح جی ایچ پی انویسٹمنٹ مینجمنٹ لمیٹڈ کا منافع شامل کیا گیا تھا جس کو سال کے دوران ایک ایسوسی ایٹ کا درجہ دیا گیا ہے جو مینجمنٹ کی سبسیڈیری پر کنٹرول کی دوبارہ جانچ کرنے کا نتیجہ ہے۔ نتیجتاً، حالیہ سال کے منافع میں الفلاح جی ایچ پی انویسٹمنٹ مینجمنٹ لمیٹڈ کے منافع کا شیئر شامل کیا گیا ہے۔

بینک، الفلاح سی ایل ایس اے سیکورٹیز (پرائیویٹ) لمیٹڈ (سابقہ الفلاح سیکورٹیز (پرائیویٹ) لمیٹڈ) میں 60.21% کی شیئر ہولڈنگ رکھتا ہے۔ جو کہ اسٹاک بروکریج، انویسٹمنٹ بینکنگ، کارپوریٹ فنانس اور فنڈ پلیسمنٹس کے کاروبار کرتا ہے۔

2018*	2019	مالیاتی پوزیشن
75,647	88,028	شیئر ہولڈرز کی ایکویٹی
702,895	782,284	جمع شدہ رقم (ڈپازٹس)
1,006,218	1,064,672	اثاثوں کی مجموعی مالیت
501,636	511,236	ایڈوانسز - خالص
277,660	299,098	سرمایہ کاری - خالص
* مقابلی اعداد و شمار میں اوورسیز سیٹ آپ شامل نہیں ہے جو فروخت کے لیے رکھا گیا تھا جبکہ حالیہ سال کے اعداد و شمار میں شامل ہے کیونکہ 2019 میں اسے غیر مخفی کر دیا گیا۔		

2018	2019	مالیاتی کارکردگی
31,926	44,857	خالص مارک آپ آمدنی
10,431	10,396	نان مارک آپ آمدنی
24,712	29,843	نان مارک آپ اخراجات
27	3,028	پروویژنز اور رانٹ آفز (خالص)
17,618	22,382	قبل از ٹیکس منافع
10,625	12,695	بعد از ٹیکس منافع
5.99	7.15	بنیادی آمدنی فی شیئر - روپے
5.98	7.15	ڈائیلیوٹڈ آمدنی فی شیئر - روپے

تو نان فنڈڈ ڈانکم پچھلے سال کے مقابلے میں %8.8 بلند رہا۔ پچھلے سال کے دوران کیپیٹل گین کی وجہ سے پی آئی بی گین ہے جبکہ کیپیٹل مارکیٹ میں کمی کے باعث اس سال ایکویٹی میں نقصانات رہے۔ فیس اور کمیشن انکم پچھلے سال کے مقابلے میں %8.6 زیادہ رہی، یہ بنیادی طور پر کارڈ سے متعلق فیس، تجارتی کمیشنز، بینکا شورنس، برانچ لیس بینکنگ اور آلٹرنیٹ ڈلیوری چینلز کے ذریعے حاصل ہوا۔

کل نان مارک اپ اخراجات پچھلے سال 24.713 ارب روپے کے مقابلے میں 29.843 ارب روپے رہے، جو %20.8 زیادہ رہے۔ انتظامی

خالص مارک اپ آمدنی پچھلے سال کے مقابلے میں %40.5 زیادہ ہے اور 44.857 ارب روپے پر قائم ہوئی۔ زیادہ اسپریڈز اور اوسط آمدنی کے اثاثوں بمعہ مؤثر بیلنس شیٹ مینجمنٹ نے خالص سودی آمدنی کو مستحکم کرنے میں بڑا کردار ادا کیا۔ یہ زیادہ منافع بخش حکومتی سیکیورٹیز کے تاثر کے بعد قائم ہوا جس سے پچھلے سال خالص سودی آمدنی میں اضافہ ہوا تھا اور ان کی وصولی پر بلند سرمایہ حاصل ہوا تھا۔ نان فنڈڈ ڈانکم 10.396 ارب روپے پر قائم ہوئی۔ اس میں کیپیٹل گینز کے منفی رجحان کے باعث کمی نظر آئی، اس کو نظر انداز کرتے ہوئے سال 2019 کے لیے دیکھیں

بینک نے چیلنجنگ آپریٹنگ ماحول کے باوجود بعد از ٹیکس منافع میں %19.5 متاثر کن گروتھ حاصل کی ہے۔ سال کے لیے بینک کے بعد از ٹیکس منافع کی مالیت 12.695 ارب روپے رہی جبکہ گذشتہ سال 10.625 ارب روپے رہی تھی۔ بینک کا قبل از ٹیکس منافع 22.382 ارب روپے رہا جبکہ گذشتہ سال قبل از ٹیکس منافع 17.618 ارب روپے تھا، جس سے %27.0 کی بہتری ظاہر ہوتی ہے اور EPS 7.15 روپے فی شیئر ہے (2018: 5.99 روپے فی شیئر)۔

ریوینیو کے سلسلے میں خالص مارک اپ آمدنی اور نان مارک اپ آمدنی مل کر %30.4 کی گروتھ ظاہر کرتے ہیں۔

تناسب ستمبر 2018 کے مقابلے میں 79% سے 78% تک گرا۔

بینکنگ سیکٹر کے ایڈوانسز نے دگنا تاثر قائم کیا (1) بیس پر بلند تاثر اور (2) بلند سودی شرحیں، جس سے دسمبر 2018 کے مقابلے میں 1.2% کی گروتھ ہوئی، 8% بمقابلہ 2018 ہے۔ 2018 میں لون گروتھ 21% رہی اور 2019 میں ترقی کم رہی۔ اے ڈی آر ستمبر 2019 میں 53.6% تک کم ہوئے جو پچھلے سال اسی مدت میں 54.5% تھے اور دسمبر 2018 میں 55.8% رہے۔

سیکٹر لیول پر سرمایہ کاریاں ہوئیں جس سے بینکوں کی توجہ اس ایونینو کی طرف بڑھی کیونکہ ستمبر 2019 کے مقابلے میں مختلف مدتوں کی حکومتی سیکورٹیز نے سال بہ سال سرمایہ کاری میں 39% اضافہ کیا۔ سرمایہ کاریوں میں ڈپازٹس کا تناسب ستمبر 2018 میں 51% کے مقابلے میں 65% رہا۔ بلند آئی ڈی آر کو مستحکم اے ڈی آر کے ساتھ ملایا گیا جس سے یہ رجحان ملا کہ سرمایہ کاریوں میں اضافے کا یہ حصہ بھی قرضوں سے مکمل کیا گیا تھا۔

بینکوں نے سرمایہ کاری کی بکس کے لیے ترجیحات میں تبدیلی کی کیونکہ انہوں نے دیکھا کہ سودی شرحوں میں اضافہ ہوا ہے۔ یہی سیکنڈری مارکیٹ کی پیداوار اور حکومتی پیپر کی نیلامی میں حصہ داری کے

طریقوں دونوں میں دیکھا گیا۔ حصہ داریاں سابقہ قلیل مدتی ٹی بل کے مقابلے میں طویل مدتی پی آئی بیز اور ٹی بلز میں بدل گئے۔ حکومتی سیکورٹیز مارکیٹ میں غیر ملکی سرمایہ کاروں کی شمولیت نے مقامی حصہ داری کے لیے نسبتاً ایک نیا زاویہ متعارف کروایا لیکن مارکیٹ کے پورے سائز کے مقابلے میں اس کا حصہ معمولی رہا۔

بینکنگ سیکٹر کے اثاثے کے معیار میں بلند سودی شرحوں اور معاشی چیلنجز کی وجہ سے تناؤ کی علامات نظر آئیں۔ جس کے باعث 2019 کے پہلے نو ماہ میں این پی ایلز میں 78bn روپے کا اضافہ ہوا۔ این پی ایل کا تناسب دسمبر 2018 کے 8% کے مقابلے میں ستمبر 2019 میں 8.8% بڑھا۔ این پی ایلز کی کوریج بھی کم ہو کر دسمبر 2018 کے 84% کے مقابلے میں ستمبر 2019 میں 80% رہی۔

بینکنگ سیکٹر کا آؤٹ لک

آگے بڑھتے ہوئے، اثاثوں کا معیار ممکنہ طور پر بینکوں کی توجہ کا مرکز رہا کیونکہ مہنگائی اور سودی شرحوں سے اس بات کا اندازہ لگا کہ قرض داروں کا بروقت واپس ادائیگی کے لحاظ سے کتنی رقم بنتی ہے۔ نیا توازن جو حکومت کی ڈوکومینٹیشن ڈرائیو اور ٹریڈ کمیونٹی کے درمیان نظر آتا ہے وہ اثاثے کے معیار کو آگے بڑھانے میں بہت اہم ہو سکتا ہے

کیونکہ مستقبل قریب میں اسی سے معاشی سرگرمی کی رفتار اور ارتعاش کا اندازہ ہوگا۔ بینکوں کے دیگر منافع جات کو بطور خالص سودی آمدنی رکھا جائے گا جو 2020 میں مستحکم ہے، جبکہ کیپیٹل مارکیٹس غیر سودی آمدنی کے لیے ایونینوز فراہم کر سکتی ہیں۔

ایوارڈز اور قدر شناسی

سال 2019 کئی لحاظ سے بینک الفلاح کے لیے ریوارڈنگ سال رہا۔ ہم قابل برداشت اور ٹھوس مالیاتی نتائج فراہم کرنے کے سفر پر گامزن ہیں۔ سال کے دوران، بینک الفلاح نے 'بیسٹ بینک' کا ایوارڈ جیتا اور پاکستان بینکنگ ایوارڈ نے بینک الفلاح کو 'بیسٹ کسٹمر فرنچائز' ایوارڈ سے نوازا۔ یہ ایوارڈز، ہمارے صارفین اور اسٹیک ہولڈرز کی طرف ہماری کٹمنٹ اور ان کے لیے وقف ہونے کے عزم کی نشاندہی کرتے ہیں۔ 2019 کے دوران حاصل کردہ دیگر ایوارڈز کا جائزہ لینے کے لیے برائے مہربانی سالانہ رپورٹ کے صفحہ نمبر 9 کا مطالعہ کریں۔

بینک کی کارکردگی کا جائزہ

بینک کی کارکردگی برائے 2019 متاثر کن رہی۔ سال کے اختتام پر بہترین مالی نتائج فراہم کیے گئے۔

تاکہ معیشت کی فعلیت کو ہموار بنانا یقینی ہو جائے۔

اہمیت کے لحاظ سے مہنگائی کا دباؤ ممکنہ طور پر سب سے زیادہ رہا، جس کے ذریعے مالیاتی پالیسی اور بیرونی اکاؤنٹ پر اس کا اثر رہا۔ مہنگائی کا دباؤ آہستہ آہستہ کم ہو رہا ہے جس سے حکومت اور ریگولیٹرز کو لچک پذیری فراہم ہوگی جو معیشت میں تیزی لائے گی کیونکہ معاشی حصے داری استحکامی مرحلے سے ترقی کے مرحلے میں تبدیلی کی منتظر ہے۔

بینکنگ سیکٹر کا جائزہ

پاکستان کے بینکنگ سیکٹر نے 2019 میں معیشت میں بڑے پیمانے پر ترقی ظاہر کی۔ سودی شرحوں کے بڑھنے کی توقعات اور دستاویز کاری بڑھانے پر تمام تر توجہ کے پیش نظر ششماہی سال کے دوران سودی شرحوں میں 325 bp کا اضافہ ہوا، جو ستمبر 2019 تک سیکٹر کے لیے بیان کیے گئے اہم ڈیٹا پوائنٹس میں نظر آئے۔

سیکٹر کے ڈپازٹس سال بہ سال 1.3 tr روپے (9.9%) بڑھے جو تقریباً سالانہ 10% گروتھ کے مطابق ہے جو پچھلے دو سالوں میں دیکھی گئی۔ تاہم، فکسڈ ڈپازٹس سال بہ سال 15% تک بڑھے جس سے سیکٹر کے کرنٹ اکاؤنٹ سیونگ اکاؤنٹ کا

تمام تر بجٹ ڈیفیٹ کے ساتھ جو کہ توقع سے بہتر آ رہا تھا۔ 2019 کے دوسرے حصے میں پی ایس ڈی پی کی تقسیم توقع سے بہتر رہی۔ ایڈجسٹمنٹس کی دوسری طرف مہنگائی دیکھنے میں آئی جو کہ نئی سی پی آئی باسکٹ کے تحت ڈبل ڈیجٹس کے ساتھ تھی، بمعہ سی پی آئی کے لیے دسمبر کی ریڈنگ کے ساتھ جو 12.6% آ رہی تھی اور نومبر 2019 کے لیے لی گئی ریڈنگ 12.67% تھی۔

معاشی آؤٹ لک

سال 2020 میں آگے بڑھتے ہوئے، ایف اے ٹی ایف کی فہرست میں پاکستان کی حیثیت سرفہرست رہی کیونکہ اقدامات میں تیزی آئی اور ساتھ ہی بین الاقوامی شراکت داروں سے تعاون حاصل رہا جو کہ سب سے اہم ہے۔ ایف اے ٹی ایف میں پاکستان کی پوزیشن پر ریجن میں جغرافیائی سیاسی ترقی کا بڑا کردار ہے۔ ساختی طرف، اسٹیٹ اونڈ انٹر پرائزز کی تنظیم نو کے باعث یورو بونڈ اور سکوک کے لیے بین الاقوامی مارکیٹس میں قدم رکھا اور مالی دباؤ کو کم کرنے کے لیے حکومت کے مقاصد میں پرائیویٹائزیشن پروگرام ممکنہ طور پر سب سے بلند ہیں۔ بزنس کمیونٹی کے ساتھ ایک جیسی سطح پر کام کرنے کے مقابلے میں ڈوکیومنٹیشن ڈرائیو کی بھی نازک صورتحال رہی

شروع کیا جس سے بجلی اور گیس کی ویلیو چین میں اضافہ دیکھا گیا۔ جی ڈی پی گروتھ متوقع طور پر کم ہوئی اور جون 2020 کے اختتام پر 3% رہی لیکن یہی غیر متوازن صورتحال کو صحیح کرنے کا ایک اہم فیصلہ تھا۔

مذکورہ بالا عوامل کی وجہ سے معیشت میں کمی بیرونی اکاؤنٹ میں مثبت طور پر ظاہر ہوتی ہے جس سے کرنٹ اکاؤنٹ ڈیفیٹ میں 2.15 بلین یو ایس ڈالر کی کمی ہوئی، مالی سال 20 کے چھ ماہ میں جبکہ پچھلے سال اسی مدت میں 8.61 بلین یو ایس ڈالر تھی، سال بہ سال کی بنیاد پر 75% کی کمی۔ جس سے مالی سال 2020 کے پہلے چھ ماہ کی اسی مدت کے دوران درآمدات 21% کم ہو کر 22.2 بلین یو ایس ڈالر رہی اور برآمدات 4.45% کے اضافے سے 12.4 بلین یو ایس ڈالر ہو گئی۔ ترسیلات زر میں 3.3% کا اضافہ ہوا جس سے بیرونی اکاؤنٹ کی تمام تر حالت میں بہتری آئی۔

مالی طرف پاکستان کے ٹیکس ریویونیو میں بہتری آئی یعنی سال 2019 کی تیسری سہ ماہی میں 17% سال بہ سال ترقی، ٹیکس ریویونیو کے مقامی حصوں میں سال بہ سال 25% ترقی جو درآمدی ٹیکسز میں سال بہ سال 7% کی ترقی کے باعث ہوا۔ سب سے اہم یہ کہ سال 2019 کی تیسری سہ ماہی میں جی ڈی پی کا بنیادی سرپلس 0.6% تھا،

ڈائریکٹرز کی رپورٹ برائے شیئر ہولڈرز

معزز شیئر ہولڈرز،

ہم بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2019 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

2019 کو پاکستان کی معیشت کے لیے دو حصوں کی کہانی کہا جا سکتا ہے۔ پہلے حصے میں معیشت کی ساخت میں غیر متوازن صورت حال دیکھی گئی جس کو صحیح کیا جا رہا ہے کیونکہ پالیسی کی شرح میں 325 bps کا اضافہ ہوا جو % 13.25 ہے اور سال میں ایک پوائنٹ پر پاکستانی روپے میں % 18~ کی کمی ہوئی۔ ایف ایکس ریزیورز میں تیزی سے ترقی، بیرونی اکاؤنٹ میں نمایاں بہتری اور پاکستانی روپے کے استحکام کے ساتھ سال کے دوسرے حصے میں پاکستان کی معیشت کے استحکام کے لیے ابھرتی علامات سامنے آئیں۔ ایسا لگتا ہے کہ ساختی ہم آہنگی کے اہم حصے عبور ہو گئے ہیں اور آنے والے سال میں معاشی سرگرمی کی بحالی ملے گی جس سے اعتماد میں اضافہ ہوگا۔

مَنی مارکیٹ، اسٹاک ایکسچینج اور کرنسی مارکیٹس نے سرمایہ کاروں

کے اعتماد کی بحالی کی علامات ظاہر کرنا شروع کر دی ہیں کیونکہ مارکیٹ کے حصہ داروں نے آگے بہتر وقت آنے کی نشاندہی کی ہے۔ جولائی 2019 میں جب اسٹیٹ بینک آف پاکستان پالیسی کی شرح میں % 13.25 تک اضافہ کر رہا تھا، اس وقت یہ بھی بتایا گیا تھا کہ ماضی کی تمام واجب الادا ایڈجسٹمنٹس کو سودی شرح اور کرنسی دونوں میں مکمل کر دیا گیا ہے۔ سیکنڈری مارکیٹ کی شرحیں یعنی 10 سالہ پی آئی بی کی پیداوار میں % 13.9 تک اضافہ مئی 2019 میں ہوا پھر سال کے آخر میں % 11.0 ہو گیا۔ کرنسی میں بھی کمی ہوئی (جون 2019 میں 164 پاکستانی روپے / یو ایس ڈالر) لیکن بعد ازاں مستحکم ہو کر سال کے دوسرے حصے میں 154 پاکستانی روپے / یو ایس ڈالر ہو گیا، سال کے لیے کمی % 11.0 رہی۔ غیر ملکی سرمایہ کاروں نے بھی جائزہ لیا کہ بڑی ایڈجسٹمنٹس مکمل ہو چکی ہیں جس سے 2019 کے دوران بنیادی طور پر ٹریڈری بلز میں 2.2 بلین یو ایس ڈالر فارن ان فلوز کی عکاسی ہوتی ہے

آخر میں 40,735 pts ہو گئے، جو سال بہ سال کی بنیاد پر % 9.9 ہے۔ سال کے دوران غیر ملکی سرمایہ کاروں کی طرف سے مثبت سرمایہ کاری کی گئی جو کہ 58 ملین یو ایس ڈالر ہے جبکہ چار سالوں سے مجموعی آؤٹ فلوز 1.7 بلین ڈالر تھے۔ سال کے آخری حصے میں مارکیٹ کی حصے داری میں بھی بلند اوسط تجارتی والیومز کے ساتھ اضافہ ہوا جس سے اعتماد بڑھتا گیا۔

جولائی 2019 میں 6 بلین یو ایس ڈالر کے آئی ایم ایف پروگرام کے تحت سرمایہ کاروں کے اعتماد میں اور بھی اضافہ ہوا، کیونکہ آئی ایم ایف پروگرام دیگر دو طرفہ اور کئی طرفہ فلوز کو بھی کھولتا ہے۔ یہ دوستانہ ملکوں سے حاصل کردہ فلوز کے علاوہ ہیں جو کہ 2018 کے آخر اور 2019 کے شروع میں ملے۔ استحکامی منصوبوں کے حصے کے طور پر حکومت نے وسیع بنیاد پر ٹیکس اصلاحات کا آغاز کیا جس کے نتیجے میں مالی سال 2020 کے وفاقی بجٹ کے ذریعے ٹیکس سے استثناء کو ختم کیا گیا اور انتظامی اقدامات کی شروعات ہوئیں، تاکہ معیشت کے غیر دستاویزی سیگمنٹ کو رجسٹر کر سکیں۔ مزید یہ کہ حکومت نے آہستہ آہستہ تبدیل ہونے والی قیمتوں کو بھی قابل برداشت بنانا

کے ایس ای 100 انڈیکس سے سال کے زیادہ تر حصے میں مندی کا رجحان رہا، جو کہ اگست میں اس کے 5 سال کے 28,765 pts سے بڑھ کر سال کے



ORGANI

AND EXTERNAL ENVIRONMENT

SATIION



CORPORATE BRANCH
I.I.CHUNDRIGAR ROAD KARACHI



About Bank Alfalah

Bank Alfalah is one of the largest banks in Pakistan, with a network of 698 branches across more than 200 cities in the country and international presence in Afghanistan, Bangladesh, Bahrain and Dubai. The Bank also has a representative office in the UAE. Bank Alfalah is owned and operated by the Abu Dhabi Group.

Incorporated as a public limited company on 21st June, 1992 under the Companies Act, 2017, Bank Alfalah commenced its banking operations in the same year. The Bank provides financial solutions to consumers, corporations, institutions and governments through a broad spectrum of products and services, including corporate and investment banking, consumer banking and credit, securities brokerage, commercial, SME, agri-finance, Islamic and asset financing solutions.



VIS

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

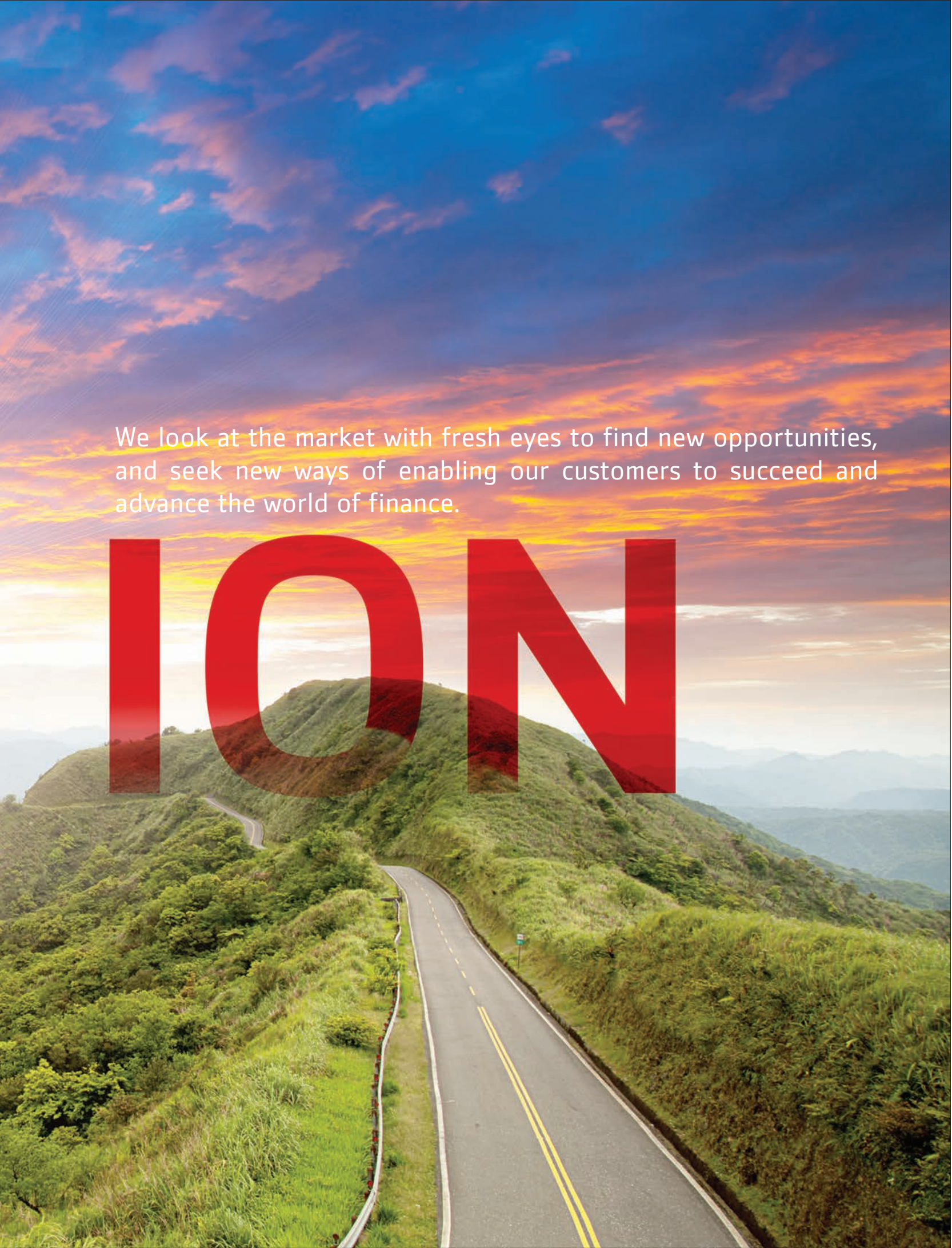
ION



MISS

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

ION



WALL



YOU

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

YOUR NEEDS

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

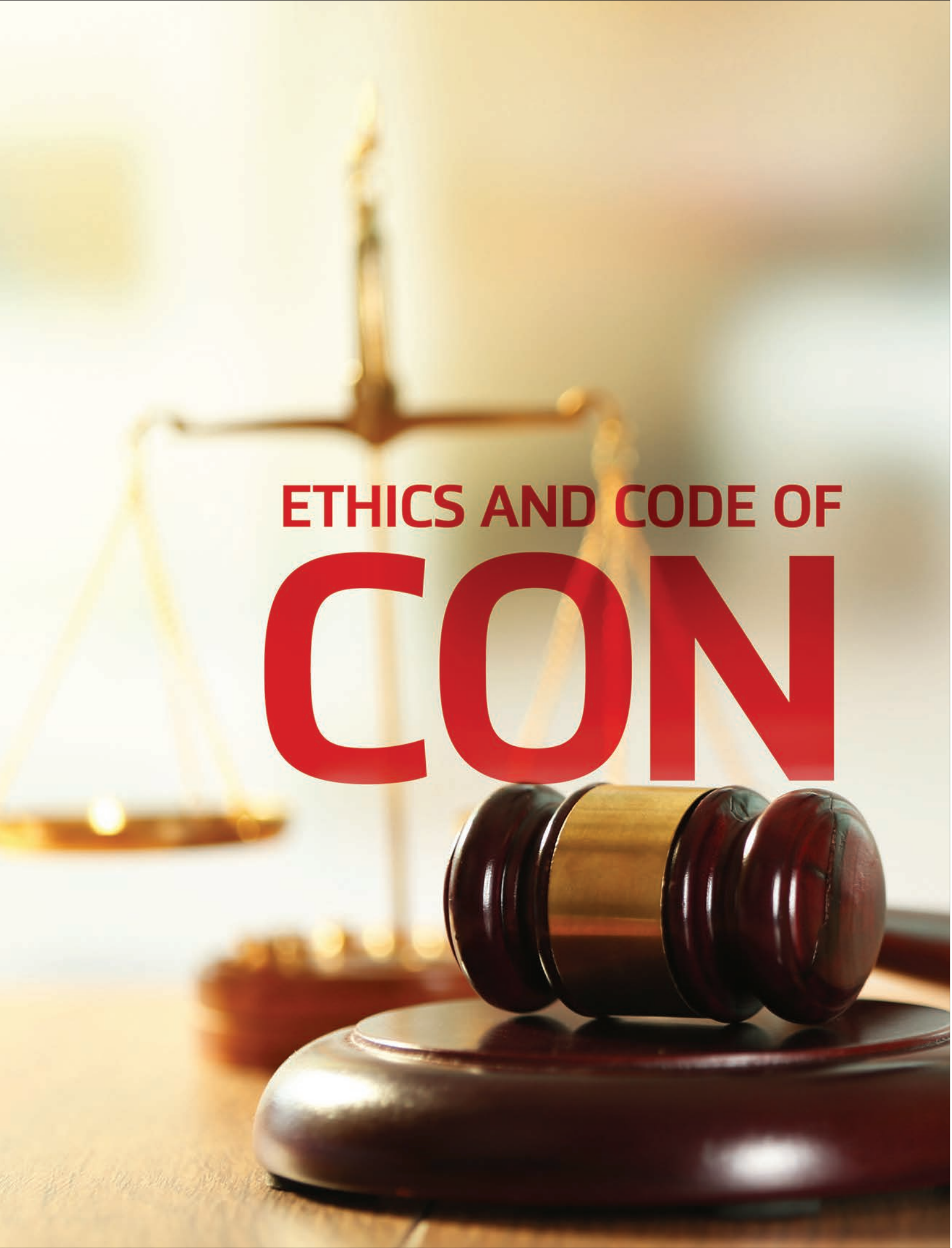
YOUR WAY

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

THE RIGHT WAY

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

UES



**ETHICS AND CODE OF
CON**

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

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

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

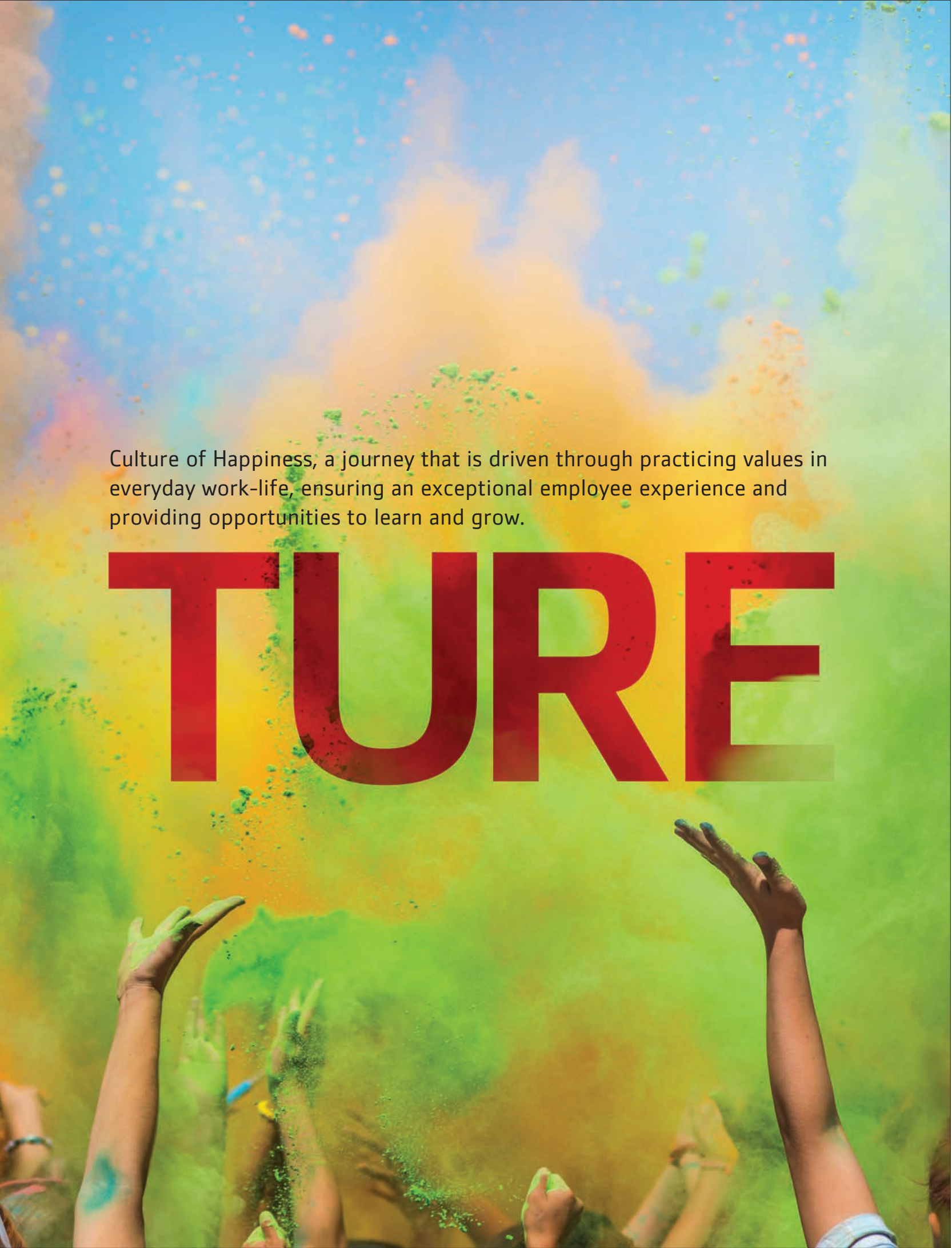
- Conduct business with honesty, transparency and integrity in a professional manner;
- Understand and comply with the legal/regulatory requirements and internal policies and procedures of the Bank; and
- Exhibit exemplary personal conduct towards the Bank, its employees and customers, and maintain the 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 and illegal activities.

DUCT



CUL



Culture of Happiness, a journey that is driven through practicing values in everyday work-life, ensuring an exceptional employee experience and providing opportunities to learn and grow.

TURE

History and Calendar of Major Events



Financial Calendar

2019

1st Quarter Results approved on	25th April, 2019
2nd Quarter Results approved on	18th August, 2019
3rd Quarter Results approved on	18th October, 2019
Annual Budget approved on	6th December, 2019
4th Quarter Results approved on	13th February, 2020
Annual Accounts to be approved in	
28th Annual General Meeting scheduled on	27th March, 2020

2018

1st Quarter Results approved on	19th April, 2018
Election of Directors held on	27th May, 2018
2nd Quarter Results approved on	26th August, 2018
3rd Quarter Results approved on	25th October, 2018
Annual Budget approved on	6th December, 2018
4th Quarter Results approved on	21st February, 2019
Annual Accounts approved in	
27th Annual General Meeting held on	28th March, 2019

2017

1st Quarter Results approved on	24th April, 2017
2nd Quarter Results approved on	17th August, 2017
3rd Quarter Results approved on	25th October, 2017
Annual Accounts approved in	
26th Annual General Meeting held on	28th March, 2018

Incorporation of
Alfalrah Insurance Limited

2005

Investments in Sapphire
Wind Power Company Limited

2013

ADT Tier 1 Capital Issuance

2017

2016

1st Quarter Results approved on	27th April, 2016
2nd Quarter Results approved on	24th August, 2016
3rd Quarter Results approved on	26th October, 2016
Annual Accounts approved in	
25th Annual General Meeting held on	28th March, 2017

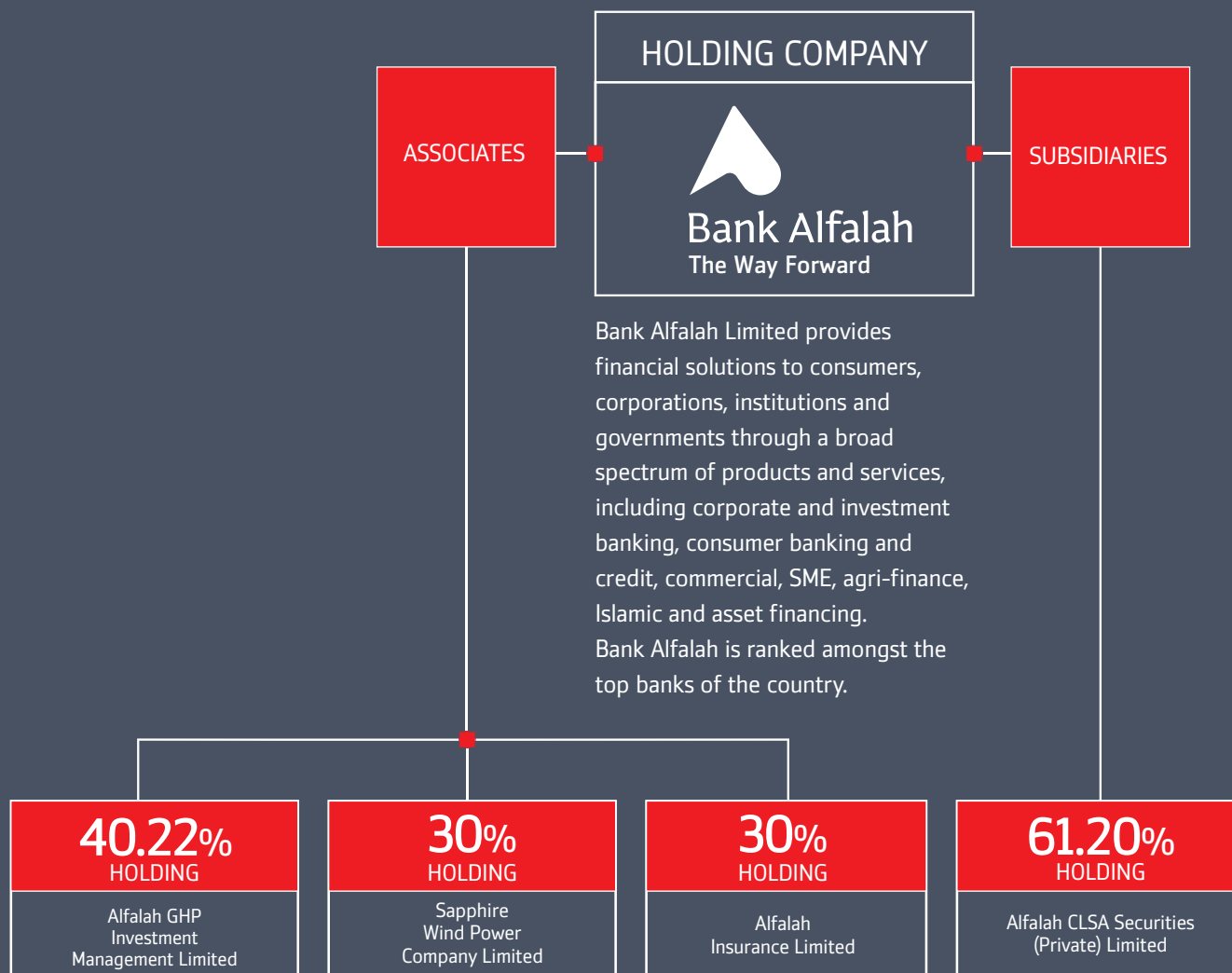
2015

1st Quarter Results approved on	22nd April, 2015
Election of Directors held on	27th May, 2015
2nd Quarter Results approved on	18th August, 2015
3rd Quarter Results approved on	21st October, 2015
Annual Accounts approved in	
24th Annual General Meeting held on	28th March, 2016

2014

1st Quarter Results approved on	27th April, 2014
2nd Quarter Results approved on	18th August, 2014
Extra Ordinary General Meeting held on	10th October, 2014
3rd Quarter Results approved on	28th October, 2014
Annual Accounts approved in	
23rd Annual General Meeting held on	27th March, 2015

Group Ownership Structure



Alfalah GHP Investment Management Limited is an asset management company and pension fund manager. It also manages portfolio of investors under non-discretionary portfolio management agreements. It has the right solutions to match the needs of individuals, corporates and retirement funds.

Sapphire Group and Bank Alfalah took the lead in entering the nascent wind energy sector in Pakistan and established Sapphire Wind Power Company Limited (SWPCL) for undertaking independent development of a wind farm in the country. It is committed to be part of the revolutionary shift in the energy paradigm by offering clean, green and affordable energy solutions.

Alfalah Insurance Company Limited is a general non-life insurance company, which also works as window Takaful operator. Alfalah Insurance Limited offers best in class insurance services to the insuring public, which is comparable to the international standards.

Alfalah CLSA Securities (Private) Limited is engaged in the business of stock brokerage, investment counseling, fund placements and investment consultancy. It has a promise to offer exceptional service to its clients based on its strong research and execution capability.

Our Presence

Touchpoints

Bank Alfalah is connected with you by 13,500+ touchpoints.



Branch Network

Pakistan

Bank Alfalah is one of the largest private bank in Pakistan with a network of 698 branches in more than 200 cities across Pakistan.

Afghanistan

Branch Banking Operations

Largest foreign bank in term of assets and third most profitable bank in Afghanistan

Services offered to clients include retail and wholesale banking.

Bahrain

Offshore Banking Unit

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

UAE

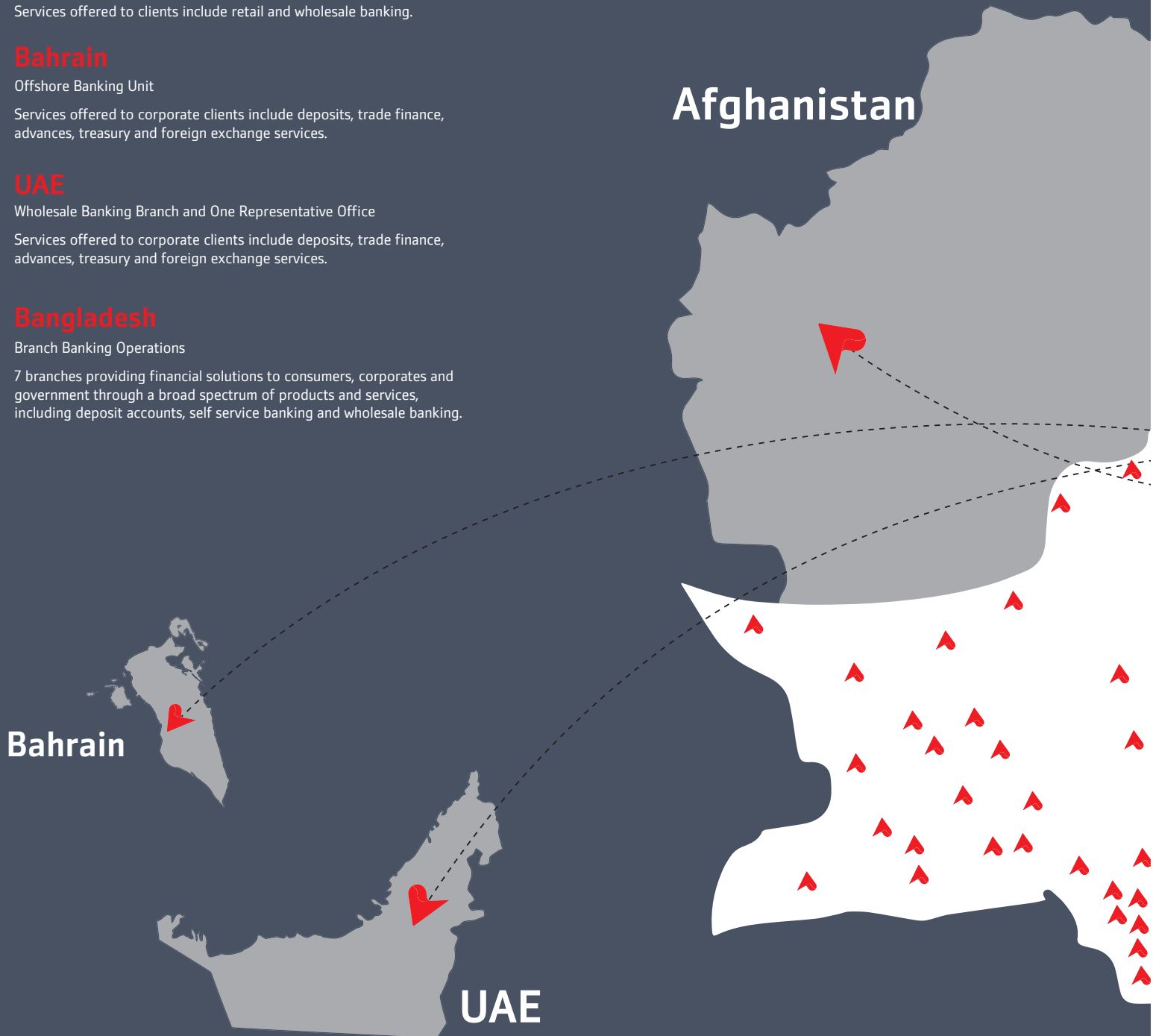
Wholesale Banking Branch and One Representative Office

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

Bangladesh

Branch Banking Operations

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



Categories and types of branches

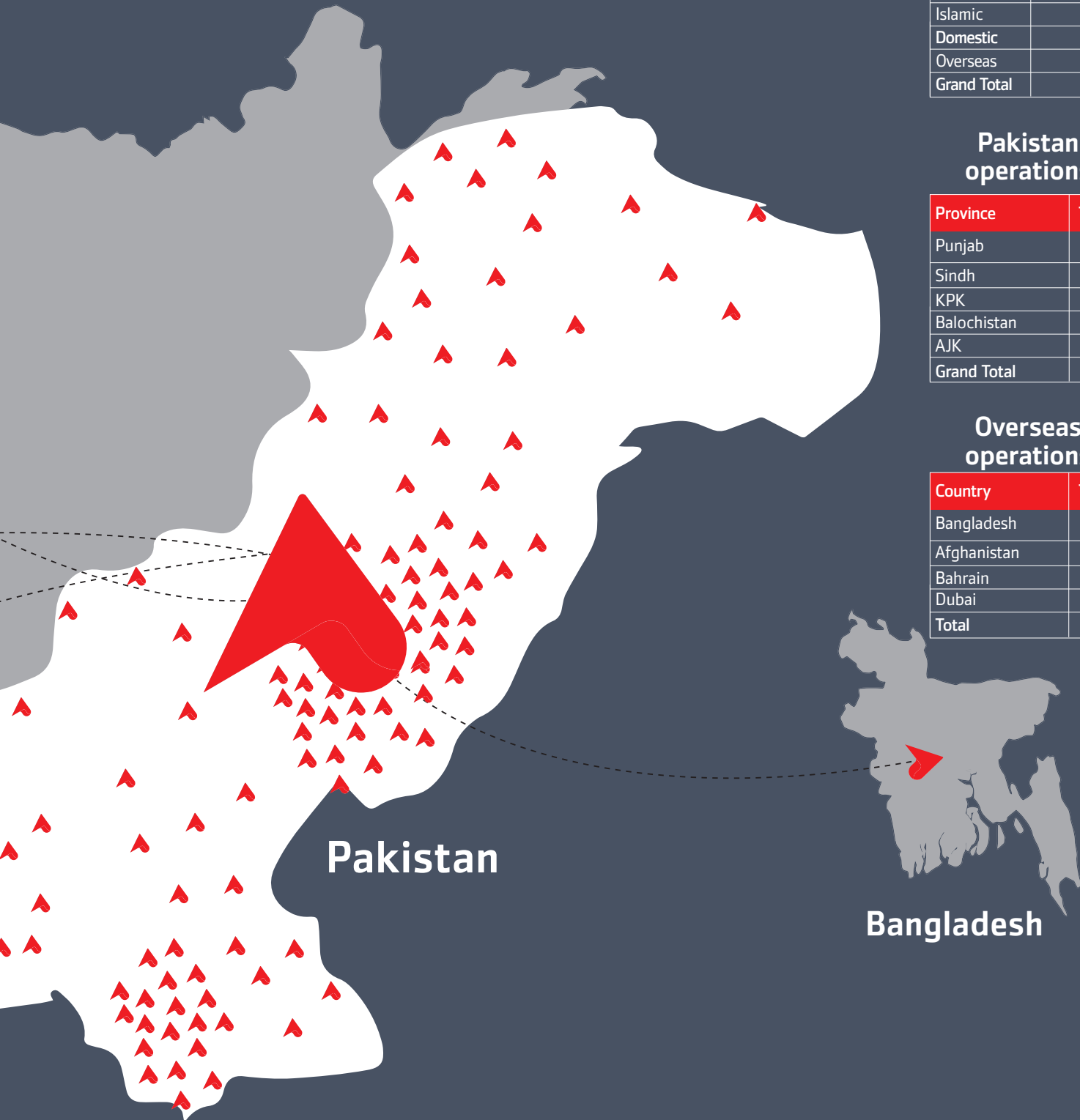
Category	Branch & Sub-Branch
Conventional	519
Corporate	5
Islamic	163
Domestic	687
Overseas	11
Grand Total	698

Pakistan operations

Province	Total
Punjab	422
Sindh	159
KPK	64
Balochistan	35
AJK	7
Grand Total	687

Overseas operations

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



Pakistan

Bangladesh

Our Employees

Human capital strength

Head Count (as at 31st December, 2019) **10,234**

Pakistan	9,929
- Sindh	3,528
- Punjab	5,103
- Balochistan	240
- KPK	381
- AJK	39
- Gilgit Baltistan	36
- Federal Capital	602
United Arab Emirates	20
Bahrain	9
Afghanistan	69
Bangladesh	207

Average Head Count (throughout the year) **9,783**

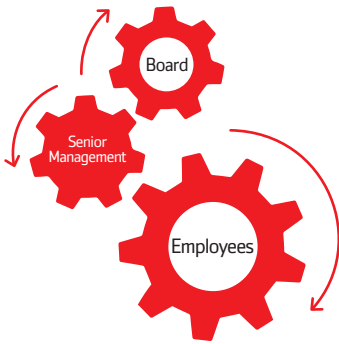

Female employees **1,766 (17%)**
(as at 31st December, 2019) increased from 13% in 2018

New hiring during 2019 **3,703**
increased from 2,584 in 2018

Attritions during 2019 **1,998 (19%)**
decreased from 22% in 2018

Staff trainings (hours) **22,219**
increased by 110% from 10,570 hours in 2018

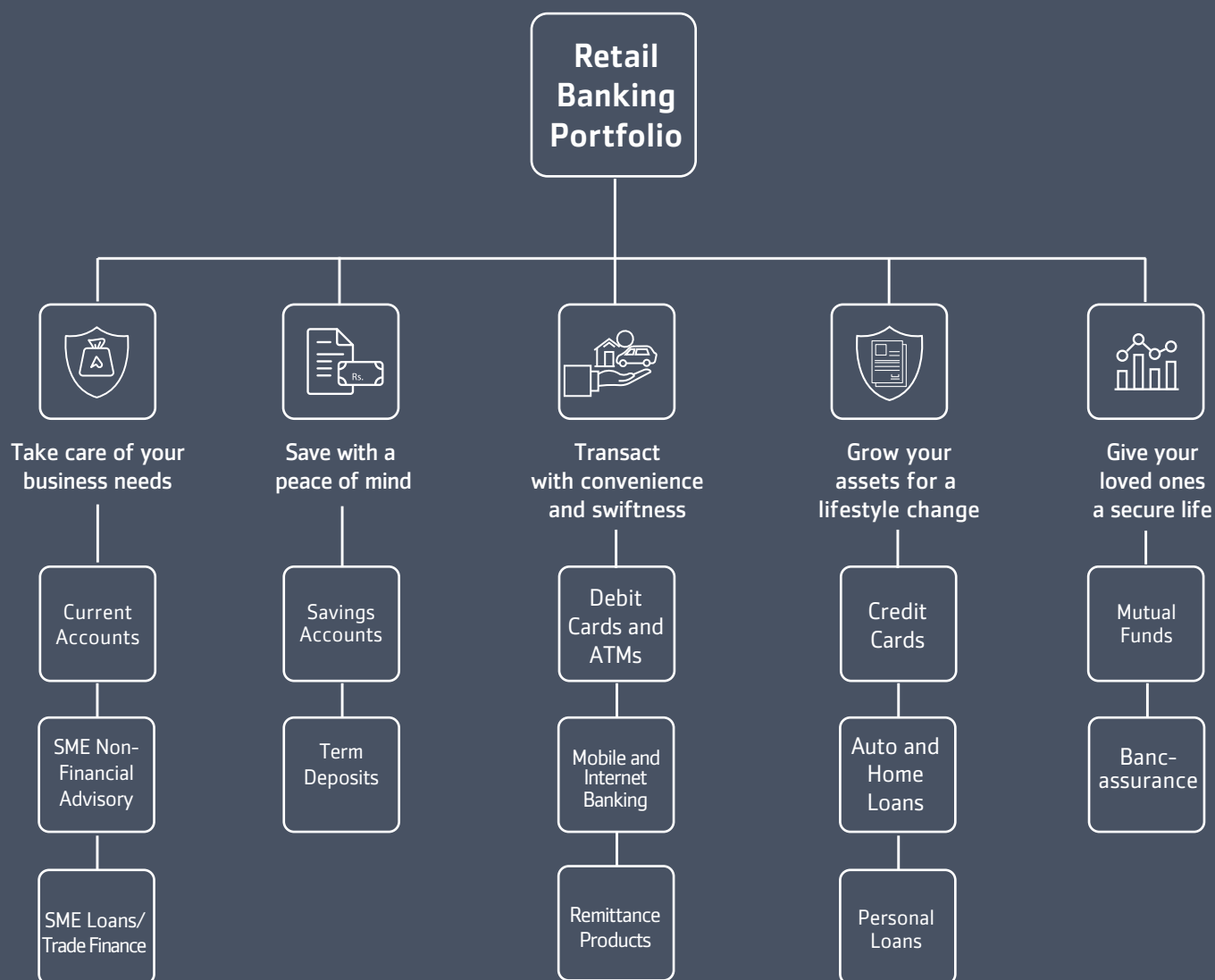
Our Business Model - Bank Alfalah and the Value Chain

CAPITALS	CORE BUSINESS ACTIVITIES	VALUE ADDITION																				
<p>Financial</p> <p>Share Capital Rs. 17.6 Bn</p> <p>Total Equity Rs. 88.0 Bn</p> <p>Deposits Rs. 782.3 Bn</p> <p>Subordinated Debt Rs. 11.9 Bn</p> <p>Human Capital</p> <p>Head Count - Permanent 10,234</p> <p>Manufactured</p> <p>Branches and Sub-branches 698</p> <p>ATMs and CDMs 800+</p> <p>Intangible Assets Rs. 1.3 Bn</p> <p>Property and Equipment Rs. 29.1 Bn</p> <p>Intellectual Capital</p> <p>Experienced Board</p> <p>Competent Management</p> <p>Strong Risk Management</p> <p>Secured and Updated IT infrastructure</p> <p>Compliance Framework</p> <p>Policies and Procedures</p> <p>Social and Relationship</p> <p>Number of Customers 3.2 Mn+</p> <p>Natural Capital</p> <p>Solar Branches/ATMs</p> <p>Inverters</p> <p>Green Banking Initiatives</p> <p>Health and Safety considerations at all premises</p>	<p>Our Engine</p>  <p>Value and Growth Drivers</p>  <p>Our Products and Services</p> <p>Principles to Operate</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Customer Experience</td> <td>Managed Risk</td> <td>IT Advancement</td> <td>Health and Safety</td> </tr> <tr> <td>Depositors' Protection</td> <td>Compliance with Laws</td> <td>Reputation Managed</td> <td>Digital Innovation</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>Investment</td> <td>Profitability</td> <td>Ethics</td> </tr> <tr> <td>Employee Happiness</td> <td>Market Share Staff Training</td> <td>Record Safety Gender Diversity</td> <td>Secured Lending</td> </tr> </table>	Customer Experience	Managed Risk	IT Advancement	Health and Safety	Depositors' Protection	Compliance with Laws	Reputation Managed	Digital Innovation	Digital Solutions	Regulator Facilitation	Data Analytics	Green Banking	CSR	Investment	Profitability	Ethics	Employee Happiness	Market Share Staff Training	Record Safety Gender Diversity	Secured Lending	<p>Shareholders</p> <p>Profit after Tax Rs. 12.7 Bn</p> <p>Earnings per Share Rs. 7.15</p> <p>Dividend per Share Rs. 4.0</p> <p>Return on Assets 1.26%</p> <p>Return on Equity 15.65%</p> <p>Cost to Income Ratio 52.6%</p> <p>Customers</p> <p>Deposits Growth 8%</p> <p>Advances Growth 2%</p> <p>NPL Ratio 4.2%</p> <p>ATM Uptime 94%</p> <p>CASA Mix 77%</p> <p>Alfa Registered Users 1.5 Mn+</p> <p>Employees</p> <p>Salaries and Benefits Rs 12.8 Bn</p> <p>Trainings Rs 78.8 Mn</p> <p>Employee Attrition Rate -3%</p> <p>Regulators</p> <p>Compliant Financial Statements and Periodical Returns</p> <p>Long-term Rating AA+</p> <p>Short-term Rating A1+</p> <p>Outlook Stable</p> <p>Society</p> <p>Contribution to Local Society/CSR 11 Mn</p> <p>Customer Relations</p> <p>Improving Workplace</p> <p>Stable Environment</p> <p>Protected Natural Environment</p>
Customer Experience	Managed Risk	IT Advancement	Health and Safety																			
Depositors' Protection	Compliance with Laws	Reputation Managed	Digital Innovation																			
Digital Solutions	Regulator Facilitation	Data Analytics	Green Banking																			
CSR	Investment	Profitability	Ethics																			
Employee Happiness	Market Share Staff Training	Record Safety Gender Diversity	Secured Lending																			

Our Business, Products and Services

Retail Banking

Bank Alfalah offers one of the widest range of Personal Banking and SME product propositions in the market through its Retail network consisting of branches, ATMs, state-of-the-art call centres and digital banking solutions. The Bank's diverse range of services and products include a range of deposit accounts, consumer loans, SME loans, wealth management products and other payment solutions.



RETAIL DEPOSITS
492.107 BILLION

RETAIL FINANCE
148.354 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 	<ul style="list-style-type: none"> • Alfalah PLS Savings Account • Alfalah Care Account • Alfalah Royal Profit Account • Alfalah Kifayat Account • Alfalah Asaan Savings Account • Alfalah Asaan Savings Remittance Account • Alfalah SnaPack (Kid's Account) • Alfalah Remitter Savings Account • FCY Savings Account • Alfalah at Work-Savings Account • Alfalah Pehchaan 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

Asset products

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

Consumer Financing

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

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

The strong market position maintained by our Consumer Finance Business today is a reflection of our efforts to keep the customer journey at the heart of everything we do. Our flagship credit cards business continues to be one of the largest and most innovative in the market with a wide range of lifestyle offerings targeting every customer segment. In addition to this, our Platinum Card proposition combined with the travel programme 'Jetsetters' offers frequent flyers a world class travelling experience allowing them to purchase tickets and make hotel reservations using rewards points, access to international lounges and concierge services along with complementary visa assistance. The Auto Loans business bore the overall slump in auto sales well, by continuing to innovate and creating partnerships with automobile manufacturers to offer the best products for the customer along with greater ease in access to financing. The Personal Loans business remained a success story with a consistent growth in sales on the back of a strong service architecture and becoming one of the few banks in Pakistan to offer an instant loan option digitally on the Alfa app. On the Home Loans side, the business gears up for exponential growth through partnerships with the Pakistan Mortgage Refinance Corporation and innovative solutions such as the solar solutions financing project. Lastly, the Alfalah Merchant Acquiring business remains at the forefront of playing a strategic role towards financial inclusion in the country by not only continuously scaling up POS terminal distribution, but also improving capabilities to include NFC and GPRS for a greater customer experience.

SME lending/agricultural financing/trade

Bank Alfalah takes pride in providing the largest suite of financial and non-financial products and services to its SME customers. Bank Alfalah has introduced formal Non-Financial Advisory Services for its SME customers. The Bank has products ranging from working capital, long-term finance, fleet financing, bill discounting, invoice financing, supply chain finance and cash-flow based clean lending products for SME customers. The Bank's superior services, unique product propositions and world-class advisory programme enabled the Bank to receive the 'Best SME Bank Award' in 2018 at Pakistan's most prestigious banking award ceremony.

SME and Agri Loan Offerings	
SME	Agri Loans
<ul style="list-style-type: none"> • Alfalah Bill and Cash • Alfalah Fleet Finance • Alfalah Merchant Line • Alfalah Quick Finance • Alfalah Karobar Finance • Alfalah Value Chain Financing • Alfalah Milkiat Finance • Alfalah Green Energy 	<ul style="list-style-type: none"> • Alfalah Agriculture Loans • Alfalah Paidawari 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

Premier Banking

At Bank Alfalah Premier, customers are at the front and centre of our universe as the Bank invests time and efforts in order to understand their unique needs and create tailor-made solutions for them. Bank Alfalah Premier Lounges offer unparalleled banking experience with key elements of strategy encompassing industry firsts, including, but not limited to, seamless onboarding (instant account opening and debit card issuance), dedicated Relationship Managers, designer lounges with Espresso alliance across the lounge network, and accelerated Orbit Rewards along with access to a dedicated Premier Airport Lounge at the Jinnah International Airport, Karachi.

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

Orbit rewards

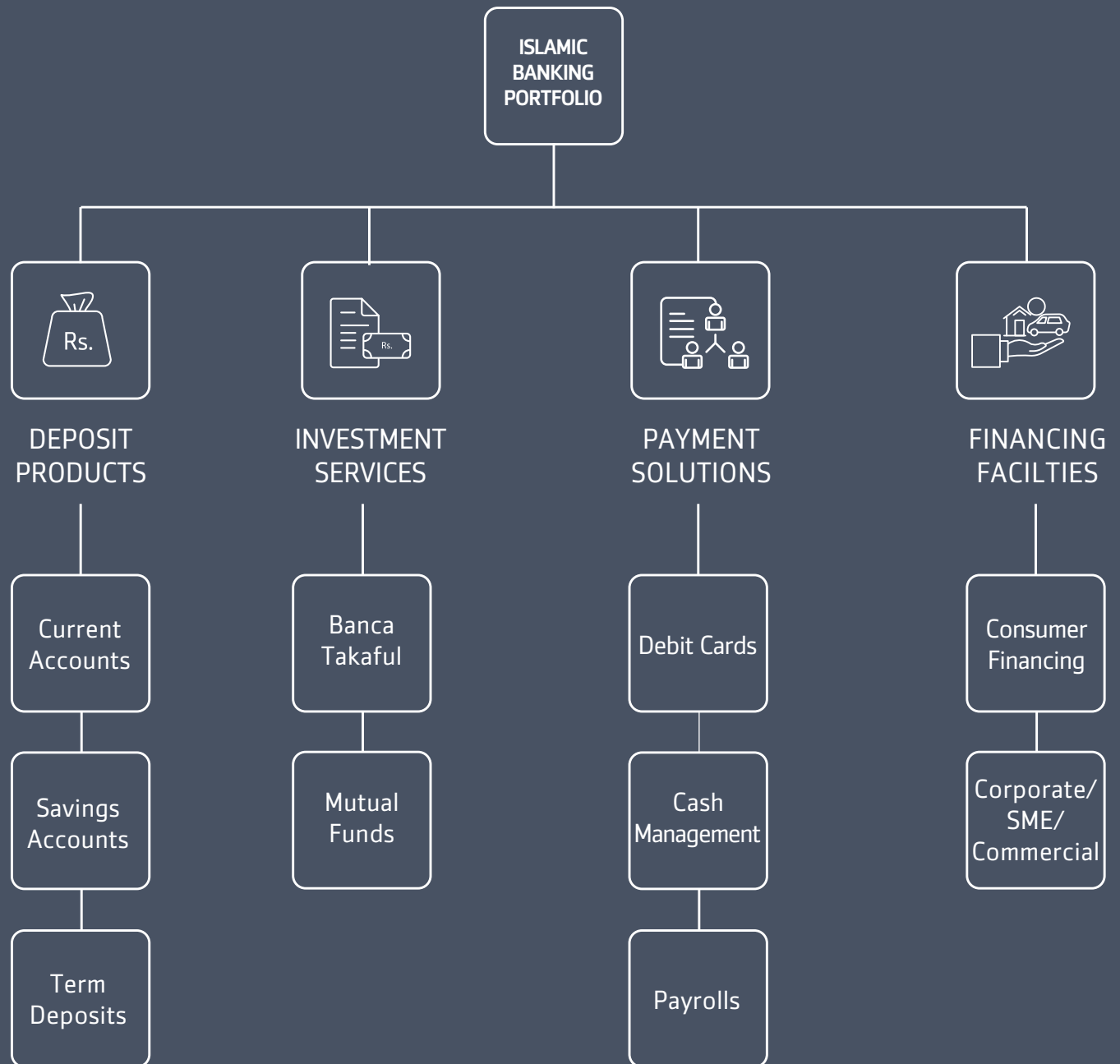
Bank Alfalah's award-winning Alfalah Orbit Rewards Programme is the first enterprise-wide loyalty programme launched by Bank Alfalah in January 2017. Under the umbrella of this rewards programme, Bank Alfalah customers can earn Orbit points across various Bank Alfalah products, and redeem against multiple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

Wealth management

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

Islamic Banking

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



ISLAMIC DEPOSITS
122.023 BILLION

ISLAMIC ADVANCES
87.512 BILLION

Deposit products

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

Current accounts

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

Savings accounts

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

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

Term deposits

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

Current Deposit Products	Savings Deposit Products	Term Deposit Products
<ul style="list-style-type: none"> • Alfalah Islamic Current Account • Alfalah Islamic Basic Banking Account • Alfalah Islamic Asaan Current Account • Alfalah Islamic Asaan Remittance Current Account • Alfalah Islamic Special Foreign Currency Current Account 	<ul style="list-style-type: none"> • Alfalah Islamic Business Way • Alfalah Islamic Classic Savings Account • Alfalah Islamic Musharakah Savings Account • Alfalah Islamic Business Account • Alfalah Islamic Asaan Savings Account • Alfalah Islamic Asaan Remittance Savings Account • Alfalah Islamic Special Foreign Currency Savings Account • Alfalah Islamic FCY Savings Account • Alfalah Islamic Profex Account • Alfalah Islamic Collection Account 	<ul style="list-style-type: none"> • Alfalah Islamic Term Deposits • Foreign Currency Term Deposits • Alfalah Islamic Recurring Value Deposit • Alfalah Islamic Mahana Amdani Account

Asset products

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

Consumer Financing

Bank Alfalah Islamic provides its retail segment with the option of availing financing facilities, which include Alfalah Islamic Car Ijarah and Alfalah Islamic Home Musharakah.

SME/Commercial/Corporate Financing

In order to efficiently cater to the needs of Small and Medium Enterprises (SMEs) that are considered to be the engine of growth for developing countries like Pakistan, enhance economic growth and increase economic activity in the country, Bank Alfalah Islamic offers various financing products to the SME segment. Bank Alfalah Islamic offers financing facilities for

different customer requirements like the purchase of goods/raw materials, manufacturing, constructions, working capital needs, and financing of corporate and commercial assets.

Corporate/Commercial	SME	Trade	Consumer
<ul style="list-style-type: none"> • Alfalah Running Musharakah • Murabaha/Import Murabaha • Alfalah Istisna • Commodity Salam • Diminishing Musharakah • Ijarah • Falah Tijarah • Musawamah/Import Musawamah • Alfalah Islamic Long Term Finance Facility (ILTFF) 	<ul style="list-style-type: none"> • Alfalah Islamic Karobar Finance (SME/Commercial) • Alfalah Islamic Fleet Finance • Alfalah Islamic Milkiat Finance 	<ul style="list-style-type: none"> • Islamic Export Refinance Scheme (IERS) • Currency Salam • Forward Contracts • Letters of Guarantee and Letters of Credit 	<ul style="list-style-type: none"> • Car Ijarah (Islamic Car Finance) • Home Musharakah (Islamic House Finance)

Wealth management

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

Islamic Premier Banking

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

Takaful coverage

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

Payment solutions

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

Orbit rewards

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

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



Corporate Banking

Bank Alfalah provides corporate banking solutions that comprise of credit, transaction banking, syndication and investment banking.

Credits

Bank Alfalah has introduced loan and fee-based products and services, which are developed keeping in focus the financial requirements of medium and large sized corporate clients. These include cash and credit facilities, demand and short-term loans, project finance, export credit, structured products, discounting of bills, documentary credits, guarantees and foreign exchange. The Bank's liability products for medium and large segments comprise of current accounts and time deposits.

Investment Banking

The Investment Banking Group offers a holistic range of solutions designed to allow our clients the freedom to choose from a wide array of financing options. The Bank is a key market player in the Project Finance and Syndications segments with focus on power, sugar and electronics. The Bank's service suite comprises of long-term and short-term lending with flexibility for structured products, syndications, project finance and advisory services.

During the year 2019, the Investment Banking team has closed multiple structured financing deals and witnessed achievement of significant milestones in form of successful closure of listed Sukuk and Commercial Paper.

Transaction Banking

Transaction Banking Division offers a wide range of transactional banking services, including cash management, international trade services, supply-chain financing solutions and online banking. This is an anchor driven financial model and a structured product programmes along with refined process flows. Supply Chain Finance helps large sized corporates by providing off balance sheet financing solutions and provides Working Capital solutions to their suppliers and distributors. This also helps in improving financial inclusion of SME sector.

Trade Finance and Supply Chain Finance are the two key pillars of the Transaction Banking Division, which in tandem with Cash Management propositions, strengthens Bank Alfalah's Transaction Banking Products' Suite

Financial Institutions

The Division offers solutions to its clients via its Financial Institution desk, NBFIs, Home Remittance and International Business desks.

The FI desk manages strategic relationships with banks globally via over 600 RMAs. The FI unit offers a suite of trade products and solutions: on-shore and off-shore discounting; LC confirmation and advising services; and guarantees and is involved in risk participation agreements, buying and selling risk in the secondary market.

The NBFIs desk offers structured financing, bilateral Credit facilities, and structured finance for NBFIs.

Bank Alfalah is now a key player in the Home Remittance market, operating under the PRI initiative of the Central Bank. The business increased its reach in pivotal remittance generating countries, tapping flows through its global network of partner banks, money transfer operators and exchange companies and providing solutions through Alfalah Home Remittance Cash over the Counter, Account Deposit, Asaan Remittance and ALFA (Digital) Remittance account. Focused efforts enabled the team to increase its commission income substantially.

International Business Unit is the business owner of the Bank's global presence in Afghanistan, Bangladesh, Dubai and Bahrain. We make effort to ensure that all operations are functioning within the regulatory requirements of the host country and State Bank of Pakistan.

CORPORATE DEPOSITS

103.018 BILLION

CORPORATE ADVANCES

243.164 BILLION



Global Treasury and Capital Markets

The Global Treasury and Capital Markets Group continued to be an active player in the financial market with an experienced and energetic team enabling it to be competitive and efficient in its dealing activities in the areas of Interbank Money Markets and FX Markets and Sales. Being a primary dealer, the Treasury is also instrumental in providing liquidity, and investment options to both interbank and corporate customers.

Global Treasury

Treasury is an established and active player in the Interbank Money and the FX markets, with major focus on client centric solutions for both conventional and Islamic franchises. It also contributes significantly to the Bank's bottom line, whilst managing its balance sheet risk exposures emanating in the form of liquidity risk, interest rate risk, foreign exchange risk and counter party risk.

Taking advantage of Treasury's strong and well-entrenched market presence, the Treasury Sales Desk with offices situated across main business centers of Pakistan, is well-positioned in terms of having a wide-reaching market presence. With an extensive range of product suite, the desk is able to provide optimal need-based solutions with respect to interest rates and foreign exchange exposures for its diverse customer base. Bank Alfalah Treasury was one of the pioneers in developing an electronic trading portal (eIPS) for individual investors, which enabled them to participate in the primary markets and also to invest through the secondary markets in Treasury bills, Pakistan Investment Bonds and Ijarah Sukuks via the Bank's Internet Banking Portal. This further enables the Treasury to enhance its outreach by capitalising on the Bank's digital capabilities.

Bank Alfalah continued to work closely with the Ministry of Finance as part of the joint financial advisory team for the issuance of domestic currency sukuks, and significant progress was made in terms of paving way for fresh Ijarah issuances.

In line with State Bank of Pakistan's (SBP) view, Treasury conducted roadshows for marketing the Government Debt securities to foreign investors. Treasury has a specific desk in order to cater the needs of foreign institutional investors.

Due to the Bank's global footprint and with a mission to serve our client's market specific needs, the Treasury has in place Overseas Treasury Units catering exclusively to that region's unique requirements.

Capital Markets

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

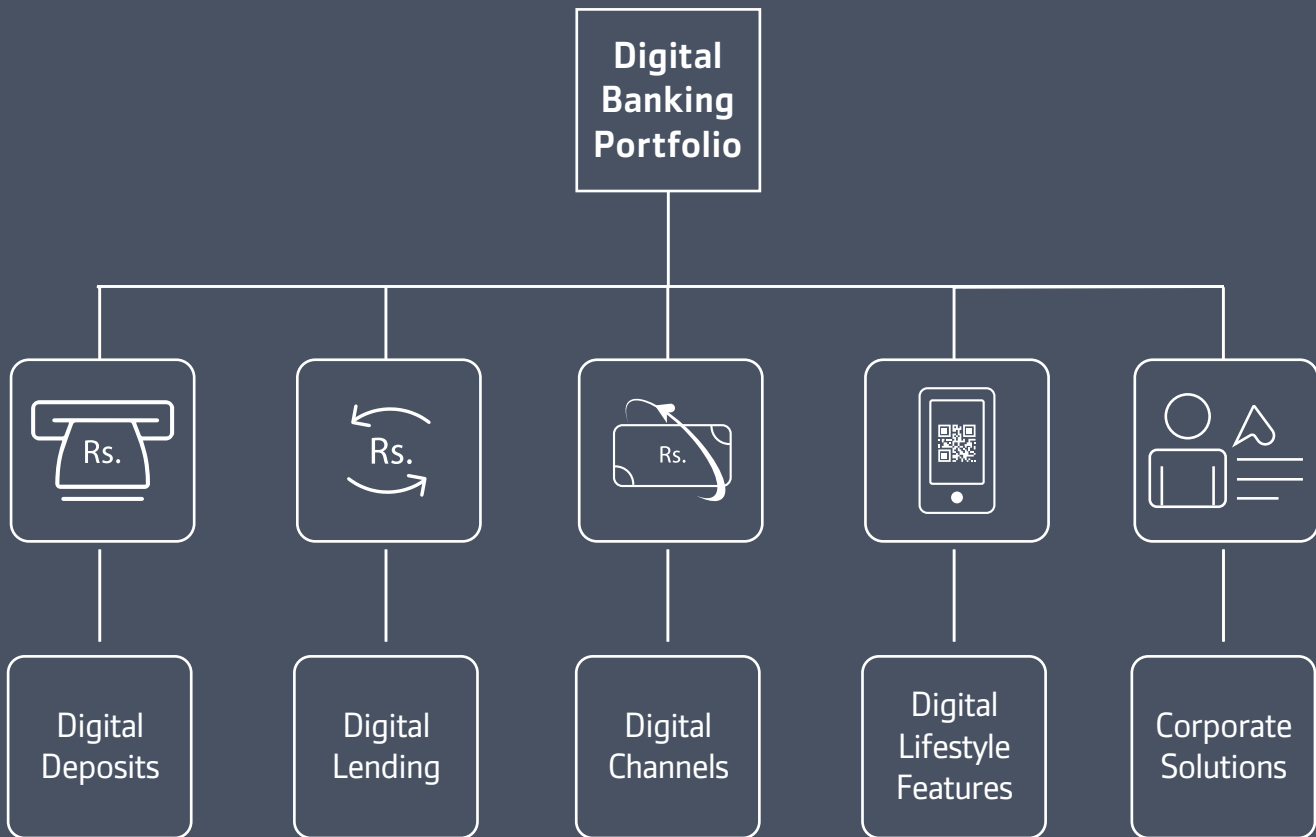
FX EARNINGS (2019)

2.826 BILLION

Digital Banking - Live more. Bank less!

Bank Alfalah believes banking can be simpler, faster and more effortless for all. Therefore, as a thought leader in the industry, it has positioned its digital services to grow beyond the core banking services.

With an aim to meet and exceed the altering financial needs of its diverse range of customers, Bank Alfalah has successfully positioned 'Alfa' as a leading premier lifestyle and financial app in Pakistan within a very short span of time.



ALFA ANNUAL
THROUGHPUT
USD 3 BILLION

ALFA
CUSTOMER BASE
1 MILLION+

Our product suite is categorised as follows:

Digital Deposits

Digital current and savings accounts

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

Goal-based savings

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

Digital home remittances account

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

Digital insurance

With Alfa Zindagi, customers can get a coverage of Rs. 100,000 to Rs. 2 million starting off from a premium payment as low as Rs. 500 and an unmatched coverage of Rs. 1 million for just Rs. 3,000.

Digital investments

Digital Investments allow customers to invest in mutual funds starting from Rs. 500 only from their mobile with just a few taps of the screen, without the hassle of any branch visits or tedious paperwork.

Digital Lending

Merchant financing

The solution helps small and medium enterprises to digitise their day-to-day payments and to meet their business financing needs.

Advance salary

Digital Advance Salary Loan is 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 and the loans are payable in 6 equal monthly instalments.

Alfa Overdraft

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

Easy instalments

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

Digital Channels

Alfa

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

Open App: Bank Alfalah's investment in digital technologies has continued to increase meaningfully with an aim to cater our consumers' constantly evolving demands. This vision has manifested in remarkable new initiatives for an enhanced mobile-centric customer experience for more than 1 million Alfa users. The concept inculcates with the journey that begins from a lifestyle open app (Alfa) that converts into a multi-issuer payment platform (Alfa can be connected to any card issuing bank in the world). The objective is to pioneer the evolving nature of financial services by adopting a unique eco-system and disrupting the banking ways on a massive scale as such that no other bank has done so yet in Pakistan. Customers using their bank debit or credit card can buy airtime and pay utility bills.

CDM (Cash Deposit Machine) and ATM

Digital Banking Group have built a customised low-cost CDM, which offers the value of conveniently deposit cash any time in any bank account. Further to this, the CDM also offers bill payments, mobile top-ups, movie, bus ticketings and branchless banking account opening.

Contact Centre Services

To increase customer convenience and realtime digital experience of branch and contact center services, the following features are offered:

- Debit Card Activation, Blocking and PIN Generation
- Credit Card Services (SBS, Cash on Phone, Utility Bill Enrollment)
- Bankers Cheque / Pay Order Request
- Home and Auto Loan Payments
- Cheque Book Request
- Account Statement (PDF)

SMS Alert and e-statement

Customers can induce the transactions through SMS not only to check their account details but also pay their registered mobile number bill by sending a text to BAF's number. A similar service was launched for Credit Card customers which is a new revenue stream for the bank. Through Pull SMS service, the Credit Card holder can get info about his/her Credit Card payment and history etc. in addition to pay their mobile bill and Credit Card bill through SMS.

Digital Lifestyle Features

Food ordering

Alfa is the first banking app in Pakistan to launch food ordering (Eat Mubarak). The users track order, review history and make payment using Alfa.

Billing and ticketing

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

School fee payment

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

Proximity payments

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

AlfaMall

AlfaMall offers a comprehensive e-commerce marketplace experience with a great variety of products ranging from electronic appliances and mobile phones, to apparel and grocery. In terms of payment method, customers can pay from account, credit card, Orbits or avail easy instalment plans on AlfaMall.

Orbits – Alfa currency

Bank Alfalah's award winning Alfalah Orbit Rewards programme enables customers to earn Orbit points across various products and make redemptions against multiple options like telco bill payments, utility bill payments, QR transactions, donations, Orbit Mall, e-commerce portals like Yayvo.com, POS merchants, and much more.

Corporate Solutions

Employee Old-Age Benefits (EOBI)

Bank Alfalah, as an exclusive banking service partner for EOBI, continues to provide pension disbursement and contribution collection services to its customers.

Benazir Income Support Programme (BISP)

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

Digital payroll account

'Alfa Payroll Solution' is a secure, reliable and cost-effective digital solution allowing small and medium industries to disburse salaries directly into mobile accounts of hundreds of employees at once.

DIL AUR DIMAGH DONO KI AWAZ



111 225 224
bankalfalah.com



Bank Alfalah
The Way Forward

A night landscape featuring a starry sky with a bright star in the upper right. Below the sky is a dark horizon line with a building illuminated by warm lights. In the foreground, a river flows through a dark, wooded area, reflecting the ambient light.

STAKE

RELATIONSHIP AND ENGAGEMENT

HOLDER



Stakeholder Information

Customers

Our customers are our focus, driving us to constantly engage with them and deliver services that surpass their expectations. We want to inspire and enable our customers to pursue what they want. Developing a deeper understanding of their evolving needs, offering innovative products, and working on our customer insights has contributed greatly to achieve this objective. Our diverse products proposition consisting of Deposit Products, Consumer Finance Products, SME Services, Corporate Banking, Wealth Management Services, Islamic Banking Operations, and Digital Banking Platforms, all underline our commitment towards customer-centricity.

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

These engagements are not only limited to the interactions made through our branch network, but are extended across multiple channels like call centres, social media, surveys, awareness sessions, roadshows, and various other advertising campaigns.

Employees

We have always believed that investing in human capital is the key to achieving the Bank's strategic objectives. We ensure that employees are kept motivated and committed through an exceptional employee experience and appreciation via various platforms and engagement in activities other



than the core business operations. Besides developing the professional skills of individuals, the Bank promotes an environment of learning and self-satisfying lifestyle through initiatives such as:

- Periodic Employee Engagement Surveys
- Adventure and Lifestyle Societies
- Recognition of Success Stories of individuals
- Learning and Development Programmes
- Assistance Schemes for Professional Qualifications to Top Performers
- BAF Awards

We acknowledge the contributions of female employees and are proud to be an equal opportunity employer.

Shareholders/ Institutional investors

One of our significant goals is to deliver long-term value to our shareholders. Shareholders' trust sets the strategic direction of any institution and their support further facilitates the achievement of key objectives. Engagement through AGMs and EOGMs certify that the shareholders actively participate to ensure the business is sustainable in the years to come. Press Releases and Financial Reports (Quarterly, Semi-Annually and Annually) are disseminated in a timely manner to ensure shareholders' engagements at all times.

The Bank, via its Investor Relations department has made concerted efforts to engage all the relevant stakeholders and keep them abreast of all the significant development within the Bank. At the end of each quarter, the Bank organises analyst briefings to brief them on the quarterly performance of the Bank and also apprise them of the Bank's strategy going forward.

In addition to this, we organised an annual Corporate Briefing session where we invited our stakeholders, including shareholders and research

analysts from the industry, providing the management an opportunity to meet the stakeholders on a one to one basis, and also listen to their views on the macro environment in general and the Bank in particular. Our investor relations team also regularly hosts institutions and potential investors at our premises to apprise them of the Bank's performance and the strategy.

Regulatory bodies

To ensure sound business operations, regulatory compliance and a transparent legal environment engagement at the regulators' level is carried out quite frequently throughout the year. Engagement channels include periodic reporting and meetings held with the regulators, both locally as well as overseas, or their authorised representatives.

The Bank has always appreciated the positive support of the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange and other regulatory bodies.

Suppliers/Service providers/Vendors

The suppliers/service providers we engage with are integral to our operations and an added arm for delivering quality services to our customers.

Analysts/Rating agencies





In order to attract potential investors, we regularly engage with analysts on details of projects already disclosed to the regulators, with due regard to regulatory restrictions imposed on inside information and/or trading, to avoid any negative impact on the Company's reputation or share price. The Bank holds its analyst briefings to apprise the attendees on operational and financial performance. The Bank also




engages with Credit Rating Agencies who assign rating for the Bank as well as our financing arrangements (TFC V & ADT 1).

Community/Society

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

Stakeholder Engagement - Process and Frequency

			
<p>CUSTOMERS</p> <p>Engagement</p> <ul style="list-style-type: none"> • Branch banking • Internet/ Mobile banking • Call centre • Complaints • Social media • Advertisements • Customer service centre <p>Frequency</p> <ul style="list-style-type: none"> • As and when customer need arises <p>Their importance to us</p> <ul style="list-style-type: none"> • Brand reputation • Customer satisfaction 	<p>EMPLOYEES</p> <p>Engagement</p> <ul style="list-style-type: none"> • Services to the customers through customer touchpoints • Support functions at the Head Office • Grievances <p>Frequency</p> <ul style="list-style-type: none"> • Daily <p>Their importance to us</p> <ul style="list-style-type: none"> • Engine to run our business • Ambassador to the customers 	<p>SHAREHOLDERS AND INSTITUTIONAL INVESTORS</p> <p>Engagement</p> <ul style="list-style-type: none"> • Dividend distribution • Financial statements • AGM/EoGM • Press releases/ Announcements • Corporate briefings <p>Frequency</p> <ul style="list-style-type: none"> • Quarterly • Annually <p>Their importance to us</p> <ul style="list-style-type: none"> • Value increase • Good returns • Reputation 	<p>SUPPLIERS AND SERVICE PROVIDERS</p> <p>Engagement</p> <ul style="list-style-type: none"> • Outsourcing • Procurement • Professional services <p>Frequency</p> <ul style="list-style-type: none"> • Daily <p>Their importance to us</p> <ul style="list-style-type: none"> • Good business relationships • Cost-effective solutions • Business sustainability

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">ANALYSTS/RATING AGENCIES</p>  <p>Engagement</p> <ul style="list-style-type: none"> • Rating reports • Results release • Investor calls and meetings <p>Frequency</p> <ul style="list-style-type: none"> • Quarterly • Semi-annually <p>Their importance to us</p> <ul style="list-style-type: none"> • Independent view providers for our customers • Build trust 	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">REGULATORS</p>  <p>Engagement</p> <ul style="list-style-type: none"> • Compliance with laws and regulations • Proactive engagement and connection with various regulatory agencies and PBA <p>Frequency</p> <ul style="list-style-type: none"> • As per regulatory timelines <p>Their importance to us</p> <ul style="list-style-type: none"> • Transparency • Integrity and openness 	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">COMMUNITY/SOCIETY</p>  <p>Engagement</p> <ul style="list-style-type: none"> • Employment • Health • Safety • Welfare • Education • Economic empowerment <p>Frequency</p> <ul style="list-style-type: none"> • On need basis <p>Their importance to us</p> <ul style="list-style-type: none"> • Socially responsible citizen • Sustainability
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Stakeholder Engagement Policy

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

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

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

Steps taken for corporate briefings and road shows

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

In addition to this, we also organise an annual Corporate Briefing session where our stakeholders are invited, including shareholders and research analysts from the industry,

which provides the management of the Bank with an opportunity to meet the stakeholders on a one to one basis, and also listen to their views on the macro environment in general and the Bank in particular.

The Bank's Investor Relations team regularly hosts institutions and potential investors at our premises to apprise them of the Bank's performance and the strategy.

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

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

Additionally, the Financial Statements and analyst briefing presentations are readily available on the Bank's website.

IR department ensures that all material developments are communicated to investors via statutory announcements and quarterly results briefings. In addition to this, designated personnel in IR department are

available to address any query or conduct meetings with investors for detailed discussions on the impacts of external and internal development of the Bank's operations, profitability, and/or share price. The Bank's investor relations team gets feedback from international investors on a timely basis through regular participation in overseas conferences and road shows.

Summary of analysis 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. We apprise the investors about the economic environment, business avenues and development indicators of the country, financial performance, competitive environment, investment decisions, and challenges faced as well as business outlook. These factors support investors in their decision-making about the Bank.

Quarterly analyst briefings are held through teleconferencing and other than quarterly briefings, business analysts are provided with the information as and when they require without compromising on the confidentiality aspect.

During the year, the following briefings were held:

Investor and Corporate Briefings held	Date
Annual – 31st December, 2018	8th March, 2019
Quarter ended – 31st March, 2019	6th May, 2019
Half year ended – 30th June, 2019	27th August, 2019
Period ended – 30th September, 2019	1st November, 2019

Investor Relations Section on Corporate Website

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

Steps taken by the Management to Encourage Minority Shareholders to Attend General Meetings

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

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

- Notice is sent to all shareholders at least 21 days before the meeting. The notice describes the venue and timing of the meeting.
- Notice is published in English and Urdu newspapers having nationwide circulation.
- Notice is posted on Pakistan Stock Exchange portal.
- Annual report of the Bank is sent in an electronic Compact Disk (CD) and hard format (on request). This enables minority shareholders to review the Bank's performance.
- Notice of the meeting includes proxy form which is a mode whereby the shareholders (including minority shareholders) can nominate anyone on their behalf to attend the meeting.
- During the meeting, a detailed briefing on the Bank's performance and future plans is given to the shareholders, both in English and Urdu.
- All shareholders (including minority shareholders) are encouraged to ask questions and give suggestions relating to the Bank's operations.

Stakeholder Engagement

Employees

Talent acquisition and advisory Talent acquisition

To ensure a ready supply of home grown talent and ensure smooth business operations, the Bank led a concerted effort to induct fresh graduates namely Management Trainees, Service Ambassadors, Front Line Trainees and Data Scientists in key entry level programmes.

All applicants went through a robust recruitment/assessment process followed by comprehensive structured learning roadmaps.

HR advisory

The Bank has established HR Advisory function this year to provide strategic support to its business functions. Main focus areas of this unit being identification and classification of talent, development of career ladders for key roles, focus on internal elevations, engagement with staff via focus groups, branch visits and periodic surveys to ascertain the 'Voice of Employees' and come with a plan to address areas of concern.

Learning and Development

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

Learning programmes

Programmes have been designed for new entrants as well as existing staff. A comprehensive suite of learning programmes have been introduced spanning the basics (Product/Process/Service) to Regulatory and Competency based skills. To list a few; 'Start Right', our signature Orientation Programme for New Joiners followed by 'Ready 2

Perform', our Frontline Induction Programme, Branch Manager Certification Programme, Service Clinics and Compliance Clinics covering programmes on the regulatory frameworks (*Anti-Money Laundering, Terrorist Financing Risk Assessment and Obligations, Trade Based Money Laundering*). A blended learning methodology is followed comprising of face to face sessions, e-learning, as well as gamified learning.

Islamic banking awareness sessions

Awareness on Islamic banking also remained the center point of attention. Sessions across major cities and remote locations were conducted to enhance Islamic banking knowledge of the staff, including members on the Central Management Committee. Learning solutions were also extended to our support functions following the Learning Need Analysis.

Chinese language course

Bank Alfalah launched an in-house Chinese language course for our employees in the wake of the increased importance of the Chinese language as CPEC related activities gain momentum.

Batch learning programmes

At Bank Alfalah, we strongly believe in providing a platform to the new generation. Different batch learning programmes were introduced, entitled *Service Ambassadors, Front Line Trainee Programme, Customer Due Diligence (CDD) Analysts and Associate Data Scientists* - for each programme, a learning roadmap was designed based on the identified competencies.

Digital learning

BAFLearn is our internally developed Learning Management System. This is a digital learning platform, which gives people the opportunity to learn at their own pace from their workspaces at any time convenient for them.

In 2020, this platform will be accessible via mobile for learning from any place and at any time.

This initiative also enables us to reach each and every employee of the Bank and give them the opportunity to learn through state-of-the-art, bite sized and engaging learning solutions.

Visionate – Our leadership development programme

Inspirational and transformational leadership is integral to both individual and company success. To ensure we have a mindset for this kind of leadership, we have invested in a 9-month leadership development journey branded as 'Visionate'.

The journey is for all leaders at any level of leadership role, including a Women Leadership Development track. We expect our leaders to inspire for performance and results and coach for development and growth, which shall enable people happiness for higher engagement and sustainable business results.

Soft skills

A Soft Skills learning calendar was also developed to enable our employees to enhance non-technical skills for improved performance. Topics like *Emotional Intelligence, Communication Skills, Building Positive Attitude and Becoming Stress Resilient* were offered for people to learn from and apply for better work performance of their everyday tasks.

Diversity and inclusion

We believe that gender diverse organisations are more profitable, creative, innovative and productive. Our 2019 Diversity and Inclusion (D&I) highlights are described as under:

Female representation in our workforce

We are proud to share that women now make up 17% of our workforce as compared to 12% in 2018. This brings us closer to our goal of achieving 20% by 2020.

Celebrating International Women's Day

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

Pursuing the 2019 theme of *#BalanceForBetter*, we rolled out *#ThanksToHim* and *#ThanksToHer* campaigns to highlight that men and women can be supporters of each other's growth and aspirations in life and can work together to build a more gender-balanced world. We rewarded the family members of the employees with the most heartfelt stories.

We also celebrated International Women's Day and organised a wonderful day of learning, discussion, and reflection. We organised a panel discussion with our CEO and the top leadership, and facilitated an open conversation with the employees to address issues like gender stereotypes and workplace harassment. We also recognised the courageous, compassionate and resilient women of Bank Alfalah by presenting them the *Woman of Strength* Award.

6 months fully paid maternity leave policy, stay in touch programme, and maternity cover policy

We do not want our female employees to have to choose between motherhood and career success. Therefore we have extended our maternity leaves to 6 months so that females can resume their jobs after having spent some time with their babies.

Alongside the extended maternity leave, we have also launched a 'stay in touch' programme under which we stay connected to mothers out of office and ease their transition back into the workplace.

Furthermore, we have also launched a maternity cover policy so that work does not get affected when employees go on maternity leave. Under this policy, another employee is given the opportunity to take over the duties of an employee on maternity leave for 6 months. The employee serving as maternity cover not only gets a chance to enhance her/his learning and diversify his/her experience, but also gets a significant monetary incentive.

A communication channel for women

We have established a communication channel for our female employees where they can reach us through email and phone

at any time so that we can remain accessible to them, hear them out, and support them if they are facing any issues regarding work environment, work-life balance, growth opportunity, etc.

SheLEAD – Bank Alfalah's signature leadership development programme for women

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

Sponsorship programme for women

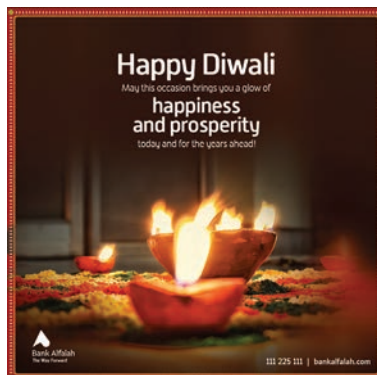
We have launched the Sponsorship Programme for Women to provide our female employees the support and direction they need to advance their careers.

Our senior management is serving as sponsors, while females in mid-level leadership have been given the opportunity to apply for this programme as protégés. Sponsors and protégés have been 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.

Partnership with

We have signed an agreement with Network of Organisations Working for People with Disabilities, Pakistan (NOWPDP) in order to hire differently-abled people at Bank Alfalah.

Celebration of festivals of minority groups



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

People Happiness

Since people are at the heart of our strategy, we declared the year 2019 as *The Year of Happiness*. We commit to making working at Bank Alfalah a memorable experience. We believe that investing in enriching the employee experience positively impacts both our productivity and customer experience. To ensure that we promised and delivered to our people, we introduced a *People Happiness Charter*, which consists of the following:

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

Throughout the year, we engaged its employees in numerous happiness initiatives from recognising what makes them unhappy, to a learning journey to improve happiness levels and engagement activities to practice learnt techniques.

As part of the People Happiness Initiative, one of the engagement initiative was the *Month of Health for Happiness* celebrated in August. Bank Alfalah engaged trainers to help employees perform and learn Desk Exercises, which emphasised healthy activity for physical well-being and productivity levels at work. To promote healthy eating, we organised organic food stalls at our offices. Furthermore, health camps for basic health check were also organised.

ALFA LEAD management trainee programme

We have revamped and digitised our Management Trainee Programme for our 5th consecutive batch onboarding, where a competency and psychometric based game with video interviews were launched to analyse the candidate's in depth proficiencies, skills and traits.

We have hired top candidates from the best universities including foreign graduates and are committed to mold them into future leaders of the Bank.



Exceptional employee experience

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

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

BAF benefits feedback survey

In order to understand how well-informed are our staff members about the employee benefits that we offer, we initiated a BAF Benefits Feedback Survey.

It was aimed at receiving invaluable feedback from our employees to help us improve our benefits' structure and processes.

Sabbatical leave

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

Employee relations Code of Conduct - Ethics and business practices

In line with our renewed focus on conduct and ethical business practices, and to simplify the content for ease of understanding for our staff, the document of *Code of Conduct – Ethics and Business Practices* has been revised, taking into account the best practices across the industry.

A few new clauses were made part of this code whereas some necessary

revisions were made in existing clauses to bring more clarity.

We have recently uploaded the document on our Learning Management System (LMS) *BAFLearn* so that employees can access it easily.

Treating employees fairly

To strengthen the concept of 'Treating Employees Fairly', more awareness sessions and workshops were organised bank-wide. The objectives of these sessions are:

- To raise awareness about Employee Relations' processes;
- To identify Employee Relations Champions;
- To provide a platform for sharing ideas and personal experiences;
- To form a partnership with Human Resources on handling technical and critical cases; and
- To encourage staff to escalate genuine whistleblowing and grievances.

Grievances related to performance appraisals

The grievances arising from disagreement on appraisals were made part of HR Policy. All the details have been described for ease of aggrieved employees. The policy also outlines the ways as to how an aggrieved employee may escalate his/her grievance and to whom they should be addressed.

Once the grievances are received at Human Resources, the prevalent grievance handling procedure applies.

HR rewards and financial services

BAF Awards



BAF Awards ceremonies were held in three major cities in order to recognise top performers of Bank Alfalah in their respective fields. The awards are adjudicated based on the following categories.

- Performance Icons
- Key Contributions
- Service and Dedication

Remuneration policy implementation

Bank Alfalah has engaged with consultant PriceWaterhouseCoopers for implementation of Remuneration Policy Guidelines, which shall enable staff to perform their appraisal exercise in Human Capital Management System (HCM) making process more efficient and transparent. This project would be completed in 2 phases; Complex issues faced such as treatment of deferrals remuneration, accounting and financial aspects besides the taxation implications are underway. Awareness sessions are being conducted in this regards and the Bank is aiming to perform Appraisal 2019 in the year 2020 through HCM.

Business intelligence module

Business Intelligence module has been developed in order to use system intelligence and provide better analytical information to the top management to enable them attend various challenges faced.

Staff finances and process digitalisation

In order to move towards best market practices, staff finances have been migrated from core banking system to Oracle Human Resource Module. This technological advancement has resulted in creating operational efficiencies, and an employee can now apply and get staff loans proceeded through using Oracle self-service option.

In continuation of our efforts towards digitalisation, following processes have been successfully materialised:

- Staff loan processing
- Probation process
- Performance management

HR quick connect

We have provided the employees with a centralised platform where they can access updated HR policy and documents with a single click. This provides hassle free ease of availability of important documents.

Customer Experience

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



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

- **Consumer Protection Policy**

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

- **Quality Assurance**

We have a comprehensive Quality Assurance platform that spans across various products and channels, including, but not limited to, Digital Channels, Branch Banking, Consumer Finance, Centralised Operations, and support segments with an aim to identify gaps resulting in high turnaround times to drive efforts to meet its committed service standards.

- **Knowledge Initiatives**

Customer Experience drives a robust knowledge enhancement programme focused towards increasing our staff awareness levels, not only for the products, processes and services, but also the soft skills and interaction basics at the branch level. To promote and embed customer centricity, not only does the Bank take the contemporary approach, but it also uses mediums like service snippets, infograms and online portals. To provide easy access to product related information, we have revived the Infopedia Initiative, a comprehensive product information document, designed for easy navigation.

- **Process Optimisation**

We constantly and continuously keep a close eye on the complaints, processes and channels to identify gaps and areas on how to increase the operational efficiency and drive improvements across the organisation. This sub unit works in synergy across the Bank to drive innovation and change in order to provide an enhanced experience and optimise the customer's journey.

- **Complaint Management Unit**

The complaint resolution at Bank Alfalah is to ensure diligent complaint closures, while maintaining high Fair Treatment of Customers standards. In 2019, the Bank directly received a total of 116,872 complaints which were successfully resolved. Additionally, we at Bank Alfalah conduct thorough root cause analyses to facilitate and drive continuous improvement in tandem with the business and product management teams via various channels as elaborated above.

- **Video Mystery Shopping (VMS) Programme**

We have a robust and unique video mystery shopping programme to gauge the service standards at our branches across all product propositions. We have

enhanced the VMS spectrum, gauging our network on the indicators, which include physical branch maintenance as well as friendly and behavioural conduct extended to our customers.

- **Voice of Customer (VoC) Programme**

Customer Experience conducts extensive surveys regarding almost every product offered by us in order to gauge customer's satisfaction.

This research activity also helps us identify customers' need for development of any future product and surpass customers' expectations. Further, we have explored digital platforms to gauge the Voice of Customer via Automated Calling System (E-Surveys).

The aim is to expand the type, channels and volume of customer feedback. ROBO calls programme was also initiated in order to automate the feedback process related to all the products and channels. In 2019, approximately 46,000 customers were successfully surveyed through E-VOC and manual VOC, gauging their satisfaction for various products and services in order to adapt and cater to their changing needs.



Investors

• **Grievance Management**

The Bank, being a public listed company, ensures timely disclosure of all material information to its shareholders through Pakistan Stock Exchange. The Bank has developed a proper Investor Relations (IR) department to effectively inform the stakeholders of any material development through various forums and organises quarterly presentation on result, operations, and concerning material development. Investor can access the financials and analyst briefings, which are easily accessible on the Bank's website.

The shareholders can reach out with their complaints electronically over the phone or in writing, and these are addressed promptly by the Bank.

The Bank endeavours to resolve every investor grievance in a timely and effective way. To achieve this, the Bank has a robust mechanism to redress investor grievances, which handles complains such as share transfer matters and non-receipt of declared dividend. The Bank has assigned a dedicated staff in Corporate Affairs Division for assisting and handling investor grievances.

• **Matters raised at the last Annual General Meeting (AGM)**

The 27th Annual General Meeting 'AGM' of the Bank was held on 28th March, 2019 and total 864 shareholders representing 72.55% of total outstanding shares of the Bank were present in person and/or through Proxy.

Although there was no significant issue raised in the last AGM, however, shareholders sought some general clarifications and comments on the progress of the Bank during the AGM:

- A shareholder said that the growth of fixed deposit is higher than the current and saving deposits growth. He enquired about the Bank's strategy on cost and deposits in 2019 and beyond. The CFO responded that the deposit growth was 9% while CASA deposits surged by 11%. With regards to the terms deposits, she said that, it is always better to take long term deposits in the rising interest rate environment. CFO added that the

Bank intends to open new branches and invest heavily on the digital banking platform, while remaining prudent on other spending.

- Upon a query from the Shareholder, the CFO informed that around 50 new branches will be opened by the Bank in 2019.
- One of the shareholder enquired about the strategy of the Bank's Islamic business. He enquired that the growth in Bank Alfalah's Islamic deposits was lower as compared to the peer banks and the Bank is losing its market share, which was very high in 2012.

The CFO responded that the Islamic banking business was and will remain the focus. She added that the Islamic banking funds can only be deployed in Islamic assets/ products, so whenever any investment/lending opportunity arises the matching deposit is generated. The CFO further said that the Bank's Islamic advances had grown tremendously this year and ample liquidity is available for future investment.

The CEO added that both the Islamic and conventional businesses had grown significantly in term of branch network and the growth was consolidated in the last two years. The CEO further said that we are not in the race with others in opening of branches, we have a clear strategy and it can be seen in our profitability, dividend pay-outs, return on equity, efficiency ratios, etc.

- A shareholder commented that the cash dividend totalling Rs. 2.50 per share (i.e. 25%) is low against the profit earned by the Bank and suggested that it should be enhanced. The CEO replied that the Board had declared interim stock dividend of 10% in addition to 25% cash dividend during 2018, which is highest in the last five years
- A shareholder said that the Bank performed well and achieved good results in 2018. He commented that despite current economic environment and frequent changes in the policy rates, the

Bank managed both markup income and markup expense due to prudent balance sheet management. He added that there are some dents in balance sheet side on account of securities. He enquired about the asset test ratio and NPLs ratios.

The CEO responded that the Bank was prudent in timely disposing the PIBs realising the capital gain in anticipation of the rising interest rates. Unlike some other banks, the Bank offloaded the PIB holding and replaced them with short-term securities (T-Bill). He added that the Bank is well-positioned and have sufficient liquidity to invest in T-bill in a short run and PIB in a long run. With regard to liquidity ratio, CEO said that the LCR and NSFR ratios are 156% and 133% at 31st December, 2018, well-above the benchmark requirements. The Bank had managed to adequately cover its non-performing advances and the NPL ratio stood at 3.6%, which continues to remain one of the lowest infection ratio in the industry. As at December 2018, the Bank's coverage ratio stands at 84.4%

- A female shareholder congratulated the management for its initiatives towards women empowerment and inclusion. She appreciated female representation on the Board of Directors and additional benefits being offered to the female staff.
- Another shareholder congratulated the management for posting a profit of Rs. 10 billion in 2018 at the same time controlling the expense lines. He also enquired reasons for decrease in the staff cost despite increase in the head count.

The CEO responded that the Bank's focus is on low cadre staff. The Bank had improved their pay scales, bonuses, privileges and they are satisfied with these changes. The Bank had also revised HR policy and introduced medical (OPD) allowance, maternity leaves and some other benefits. This is done to keep the staff motivated and encourage them to do and deliver the best.

Vendors and suppliers/outsourcing arrangements

In order to enable Financial Institutions to effectively manage the risks arising out of outsourcing, the State Bank of Pakistan has updated the Guidelines on Outsourcing Arrangements issued vide BPRD Circular No. 09 of 2007. The revised instructions are called 'Framework for Risk Management in Outsourcing Arrangement by Financial Institutions'. The framework is based on international standards and best practices. These instructions aim to enhance the

proactive environment in FIs on various aspects of the outsourcing, including, but not limited to, governance, risk management, in-sourcing of services, group outsourcing, information technology outsourcing and collaboration/outsourcing arrangements by FIs with financial technologies. As required under the guidelines, material outsourcing arrangements already in place at the Bank have been streamlined to comply with this framework.

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

Name of Outsourced Activity	Name of Service Provider	Nature of Service
Phone Banking and Business Development Services	Bulls & Bulls (Pvt) Ltd. Rondon Enterprises (Pvt) Ltd. G. M. B. Rass Services (Pvt) Ltd. Peoplesource Plus (Pvt) Ltd. HRSG Outsourcing (Pvt) Ltd.	This includes identifying sales leads, pitching services to new clients, and maintaining a good working relationship with new contacts. This also includes communicating new product developments to prospective clients.
Cash Transportation Services	Wackenhut Pakistan (Pvt) Ltd. Askari Guards (Pvt) Ltd. Phoenix Armour (Pvt) Ltd. Security Organizing System Pakistan (Pvt) Ltd.	This includes physical transfer of banknotes from one location to another. The locations include branches, ATM points and cash processing cells.
Printing Services	Constellation Printing Company Apex Printer (Pvt) Ltd.	This includes printing of cheque books.

A large iceberg floats in a deep blue ocean. The top of the iceberg is visible above the water line, while the vast majority of its mass is submerged below the surface. The sky above is a dark blue with many small white stars, suggesting a night sky. The water is a deep, clear blue, and the overall scene is illuminated from above, creating a sense of depth and mystery.

STRA

**KEY PERFORMANCE INDICATORS
AND RESOURCE ALLOCATION**



TEGY

Strategic Objectives



Strategies to Achieve Strategic Objectives, KPIs and their Future Relevance

Strategic Initiatives	Plans/Strategies for meeting Strategic Objectives	Performance against Strategic Initiatives	Key Performance Indicators (KPIs)	Future Relevance
Drive branch sales productivity across products	<ul style="list-style-type: none"> Embed a structured sales management process in branches and improve branch productivity. Enhanced focus on deposit generation and cross sell activities as well as improving customer service and utilisation of branch resources. 	<ul style="list-style-type: none"> The Bank has a dedicated team of professionals working on the Branch Transformation (BT) programme. Several initiatives have been launched under this programme, which are being executed and actively monitored at regular intervals. 	Profitability	The KPI shall remain relevant in future
Scale-up Consumer Finance	<ul style="list-style-type: none"> Revamp and automate key consumer finance processes to enhance customer experience and ramp up sales. Strengthen and enhance the risk and operational architecture of the consumer finance business 	<ul style="list-style-type: none"> Customer on-boarding process in autos, credit cards and personal loans have been revamped and automated to enhance customer experience, efficiency and transparency (including TATs). The Bank has embarked on booking consumer sales of selected products through the outbound contact centre. Consumer product acquisition has started on Alfa (Bank Alfalah – Mobile application) with instant personal loans to pre-qualified customers. Instant overdraft facility also went live for employees on Alfa. The Analytics team is generating leads for consumer products. Big Data analysis being done to enable deepening/cross sell of consumer products to existing branch customers. Extensive work done on refining and improving branch KPIs to enable cross sell. This is an iterative process and we will continue to improve KPIs. At the same time, the Bank continues to enhance the risk and operational architecture of the consumer finance business. 	Profitability	The KPI shall remain relevant in future

Strategic Initiatives	Plans/Strategies for meeting Strategic Objectives	Performance against Strategic Initiatives	Key Performance Indicators (KPIs)	Future Relevance
Grow SME book prudently	<ul style="list-style-type: none"> Our SME strategy revolves around developing innovative products and financial solutions for SME customers, and then distributing these products through dedicated relationship managers in branches. 	<ul style="list-style-type: none"> SME Banking is a significant focus area, which caters to the entire banking needs of the SME customers across the length and breadth of the country. To strengthen the capacity to lend to SMEs, the Bank has established a Supply Chain Finance platform, which provides customised products and services to the customers and their supply chain partners aimed at filling the working capital gap, reducing the cash conversion cycle, and providing liquidity. During the year, significant work was done to improve service TAT for SME/ Commercial loans which led to improvements in end-to-end service delivery. 	Profitability	The KPI shall remain relevant in future
Scale-up Islamic Banking platform	<ul style="list-style-type: none"> The Bank's focus is to scale-up the Islamic business through the introduction of innovative and Shariah compliant products and services to meet the needs of Islamic banking customers. One of the key objectives is also to enhance the sales productivity of the distribution network. 	<ul style="list-style-type: none"> Alfalah Islamic Recurring Value Deposit was launched providing long-term low risk and high return avenue for savings to depositors. Islamic Premier banking was launched to tap the High Net Worth (HNW) clients. The facility is available in Multan, Karachi and Lahore, and will be expanded in new cities in 2020. 	Profitability	The KPI shall remain relevant in future
Optimise Returns on Capital (ROC) across different business groups	<ul style="list-style-type: none"> Institutionalise value driven account planning in corporate banking, and inculcate a culture, which measures revenue and profitability of each customer. 	<ul style="list-style-type: none"> Account Profitability Reports (APR) have been automated to determine customer profitability and build on key relationships, whilst exiting unprofitable relationships ROCs across corporate, retail and Islamic banking businesses continue to grow. 	Profitability, Capital Adequacy	The KPI shall remain relevant in future
Improve operating efficiency	<ul style="list-style-type: none"> Build a strong financial discipline across the Bank and improve the cost to income ratio and intermediation cost of the Bank. 	<ul style="list-style-type: none"> Bank has enforced a strict cost control discipline within the organisation. Various initiatives were taken to keep operating expenses in control. 	Operational Efficiency and Profitability	The KPI shall remain relevant in future

Strategic Initiatives	Plans/Strategies for meeting Strategic Objectives	Performance against Strategic Initiatives	Key Performance Indicators (KPIs)	Future Relevance
Grow the fee income base	<ul style="list-style-type: none"> To drive fee income through price optimisation, fee leakage reduction, and expansion of fee heavy businesses. 	<ul style="list-style-type: none"> The Bank continued to work aggressively to enhance fee income, whilst minimising any leakages. To embed a strong control mechanism, various dashboards have been developed to monitor the income earned and waiver granted across major fee lines. 	Profitability	The KPI shall remain relevant in future
Leverage advanced analytics	<ul style="list-style-type: none"> The objective is to build a data driven culture in the Bank to drive and improve decision-making. The Bank's aim is to leverage internal and external customer data to generate meaningful customer insights and to predict/anticipate customer behaviour in order to enhance revenues, strengthen controls and improve the risk management architecture. 	<ul style="list-style-type: none"> The Advanced Analytics team has been built to help shape a data and analytics driven culture in the Bank. With the help of Big Data analytics and Machine Learning, various projects have been implemented, which generate meaningful insights and predict customer behaviour. 	Profitability, Operational Efficiency	The KPI shall remain relevant in future
Build scalability in the cash management platform	<ul style="list-style-type: none"> Build a plug and play cash management platform focused particularly on the SME, Corporate and Commercial segments in order to drive current account growth and improve customer stickiness. 	<ul style="list-style-type: none"> Significant work has been done to benchmark our cash management offerings with peers. Issuance of banker's cheque, wallet payments, corporate clients' tax payments, online dividend payments were launched on Alfalah Transact platform. Work is underway to develop innovative and differentiated offerings for our customers. 	Profitability	The KPI shall remain relevant in future
Invest in Digital Banking	<ul style="list-style-type: none"> Investing in digital banking is critical to the long-term sustainability of the Bank in order to cater to the rapid change in customer behaviours across the world as well as increased smartphone usage and technological change. The Bank aims to be the foremost player in digital banking in the country and plans to invest significantly in this area. 	<ul style="list-style-type: none"> In line with our digital banking agenda, various new products/services have been added on Alfa: <ul style="list-style-type: none"> QR payment Alfa Mall with easy instalments Overdraft facility Instant personal loan Goal-based saving Digital savings account Cash/Cheque Deposit Machines (CDMs) Food delivery platform (Eat Mubarak) Movie and bus ticketing Alfa qurbani 	Profitability, Operational Efficiency, Customer Onboarding, Service and Ease	The KPI shall remain relevant in future

Resource Allocation Plans to Implement the Strategy and Financial Capital Structure

Significant resources

Financial Capital

Share capital and equity

Shareholders' equity represents the capital commitments of shareholders and investors. Such funding entitles them to income distribution 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 in some cases to restore the capital position of an entity.

Deposits

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

Long-term financing

On the debt side, the principal component consists of long-term debt. Typical debt instruments include term finance certificates repayable over a defined term. The Bank has successfully issued 5 term finance certificates, of which 4 issues have matured. The Bank issued additional Tier-I capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments.

Human Capital

Bank Alfalah's emphasis has always been on the quality of our human capital. The Bank's strength lies in its people. The Bank has a sound and

seasoned management team, capable of delivering results by inspiring its employees to do things the right way. Learning objectives at the organisation are clearly defined to nurture and retain the best talent pool and to revert the best talent. Training, job rotations, satisfactory pay-outs to our employees, appraisals, coaching, and feedback, education assistance, leaves, and various other initiatives are taken to boost employee confidence.

Intellectual Capital

The Bank sees technological advancement as vital in terms of attaining long-term growth and sustainability. The integration of technology into the banking sector has witnessed significant breakthroughs like branchless banking through digital channels and on the go single-platform, but multi-purpose solutions. Bank Alfalah's vision to be the only 'real digital bank in Pakistan' has seen the Bank deploy cutting-edge technology to equip its customers with end-to-end solutions.

Software upgrades, process reengineering, bringing technological solutions to customers' needs, secured channels and digitisation are at the base of our progress and sustainability.

Manufactured Capital

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

Social and Relationship Capital

Our social and relationship capital includes, but not limited to, customers, investors/shareholders, suppliers, vendors, partners, and employees. We have started various initiatives to collaborate with them and enhance our Bank's image. The higher the number of people working with us, higher are the benefits of their relationships. The Bank, for the fourth running year, has been awarded as the Best Customer Franchise award by the Pakistan Banking Awards, 2019.

Natural Capital

The Bank, in achieving its objectives, utilises all natural resources efficiently. An efficient and protective use of nature's capital is one of its prime steps. Our approach for conservative usage of water and energy, and reduced carbon emissions, helps us in completing these initiatives. We have implemented Green Banking initiatives to protect the natural capital.

Capital structure

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

Bank's total Capital Adequacy Ratio stands at 16.88% against the requirement of 12.50% (including capital conservation buffer of 2.50%).

Common Equity Tier-1 (CET-1) to total risk-weighted assets ratio stands at 12.01% against the requirement of 6.00%. This has increased by 112 bps from 2018 levels despite payment of an interim dividend in 2019.

The Bank successfully issued Pakistan's first listed Additional Tier 1 Capital for PKR 7 Bn in 2018. The instrument has been rated as

'AA-' (Double A Minus) with 'Stable' Outlook by JCR-VIS. The proceeds from the issue further augmented the capital base of the Bank and are being utilised towards enhancement of the Bank's business operations.

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

presence. These ratings denote a very low expectation of credit risk, a strong capacity for timely payment of financial commitments in the long-term, and the highest capacity for timely repayment in the short-term, respectively.

The Bank regularly assesses the capital requirements and ensures that the minimum capital requirements specified by the

State Bank are adhered to. Internal Capital Adequacy Assessment is a regular activity. Stress impact of major risks are assessed against the minimum capital requirement.

The Bank will continue to maintain optimal capital in order to increase its risk-taking capacity and capitalise opportunities to protect the interests of stakeholders.

Strategy to Overcome Liquidity Problem and the Plans to Manage Debts Repayment and Meet Operational Losses

Bank Alfalah manages and controls its 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 the Bank's overall liquidity management strategy. Under this framework, the Bank closely watches its liquidity position through monitoring of early warning indicators and stress testing, which ensures efficient and timely decision-making.

The Bank's overall funding strategy is based on the principles of diversity and stability, which includes the

Banks' equity and deposits. The Bank also has in place a set of liquidity ratios along with maturity gaps, which are monitored on a regular basis for effective management of liquidity. Moreover, the Bank is fully compliant with Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), which shows the Bank's ability to meet its short-term funding requirements and provision of stable funding against its asset portfolio.

Contingency Funding Plan (CFP) is also in place to address liquidity issues in times of stress/crises situations. The plan covers triggers (systematic and bank-specific) and action plans along with roles and

responsibilities in the event of liquidity crisis. Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

The Bank's strong capital base is evident from the Bank's ability to withstand any liquidity challenge. Our LCR and NSFR ratios are well above regulatory limits. As of now, the Bank has sufficient liquidity to discharge its obligations and it has prudent strategies in place to manage its liquidity.

Significant Plans and Decisions

Significant plans and decisions during the year are as follows:

Changes in the shareholding of group companies

Bank Alfalah strategically diluted its shareholding in one of its subsidiaries, Alfalah Securities (Private) Limited, to 61.2% from 97.92%. CLSA, Asia's leading Capital Markets and Investment Group, bought a 24.9% equity stake in Alfalah Securities, renaming and rebranding the company Alfalah CLSA Securities (Pvt.) Limited. CLSA is Asia's most regionally connected Capital Markets and Investment

Group backed by CITIC Securities, China's largest investment bank and securities firm.

Discontinuation of Afghanistan operations

During 2018, the Bank had signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations. Subsequently, an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan.

However, during 2019, the DAB declined the application for

approval and consequently Afghanistan operations are now classified as continuing operations.

Branch expansion

During 2019, the Bank opened 50 new branches to increase its footprints across the country.

Significant changes in objectives and strategies

The Bank's objectives and strategies are well-planned and continually executed. No significant changes occurred during the year to affect the Bank's objectives and strategies.

A person is captured in mid-air, jumping across a deep canyon. The scene is bathed in the warm, golden light of a sunset or sunrise, with the sun low on the horizon. The background features rugged, rocky mountains under a hazy sky. The person's silhouette is dark against the bright background. The overall mood is one of adventure and risk-taking.

RISKS AND
OPPOR



TUNITIES

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 risk 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

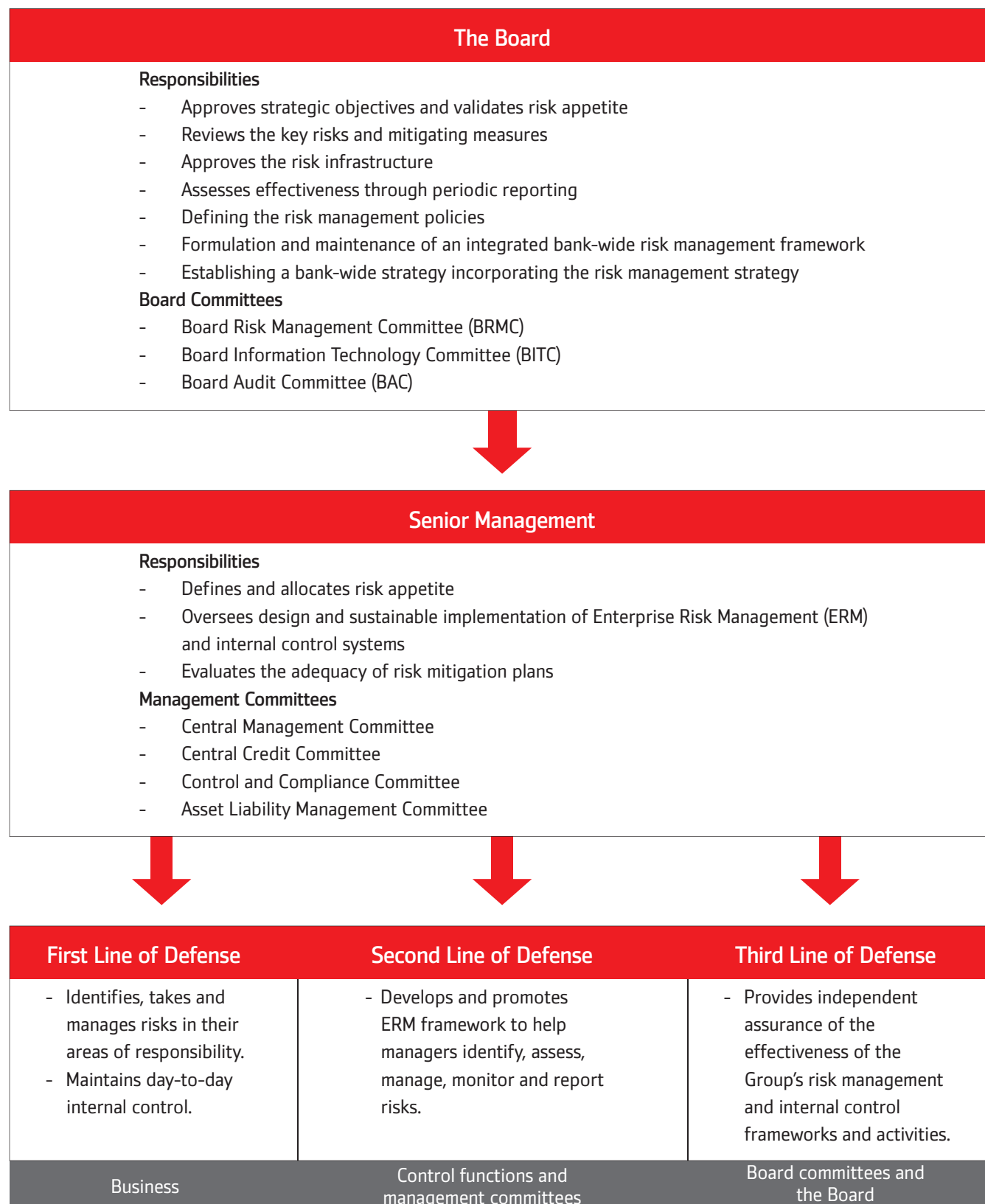
Risks are monitored continuously against approved appetite. Deviations are logged, reviewed, owned, reported and effectively mitigated.

Phase 5

Risk Framework Validation

Regularly check the effectiveness of the process through wider assessment of the framework and making necessary enhancements in the process.

How we Share our Risk Management Responsibilities



Risk and Opportunity Report

Types of risk	Likelihood	Materiality
Credit Risk	High	Medium
<p>It is the risk associated with the default or change in credit profile of a client, counterparty or customer.</p> <p>Source: External Impact: Financial</p> <p>Mitigation Strategy: The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly identified and analysed, also ensuring that the credit commitments are appropriately structured, priced (in line with market practices) and documented. Bank Alfalah has approved Credit Operational Manual (COM) and Credit Policy Manuals (CPM) in place to strategise and govern the Bank's overall lending strategy, thereby addressing the credit risk embedded in the process. Further, the portfolios and well-defined parameters are actively reviewed and, if required, corrective actions are taken at a nascent stage.</p>		
Credit Concentration Risk	Medium	Medium
<p>It is the risk that inadequate diversification of the Bank's credit portfolio in terms of industries, regions or number of counterparties may result in significant losses.</p> <p>Source: External Impact: Financial</p> <p>Mitigation Strategy: SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, to restrict the industry concentration risk, the Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industries. The Bank manages and monitors its portfolio of loan assets and limits for high risk customers. Limit concentrations are monitored in terms of risk quality, industry, maturity and large exposure.</p>		
Operational Risk	Medium	Medium
<p>It is the risk associated with inadequate or failed internal processes, people and systems, or from external events and includes compliance risk, legal risk, and estimations and model risk.</p> <p>Source: Internal and External Impact: Financial</p> <p>Mitigation Strategy: The Bank's Operational Risk Management (ORM) framework duly approved by the Board address all the significant areas of ORM within the Bank, including Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management and Operational Risk Reporting.</p> <p>The Bank is using tools like Risk and Control Self-Assessment, KRIs and capturing operational incidents and conducting Quality Assurance Reviews as tools for identification, monitoring, measuring and management of operational risk. Key Risk Indicators and operational loss incidents are captured in our Operation Loss Data Base (OLDB) and Key Risk Indicators (KRI) systems, which are aligned with international best practices. New products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation.</p>		

Types of risk	Likelihood	Materiality
Market Risk	High	Medium
<p>It is the risk associated with the effect of changes in market factors, such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long-term.</p> <p>Source: External Impact: Financial</p> <p>Mitigation Strategy: The Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Management Unit. The Bank has developed various tools for market risk measurement and its mitigation thereof i.e. Value at Risk (VaR), Duration, Price Value of a Basis Point (PVBP), Re-pricing Gaps, etc. The Bank also carries out stress tests using both internal and regulatory scenarios. Moreover, the Bank has a comprehensive risk control limit framework. The defined limits broadly include exposure limits (on a portfolio/issuer/tenor/rating/sector), PVBP limits, money market gap limits, FX gap limits, currency-wise NOP limits, stop loss limits, tolerance limits, counterparty limits, dealer limits, broker limits, etc. The Bank is using standardised approach to calculate market risk capital charge under Basel framework.</p>		
Liquidity Risk	Medium	High
<p>It 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 become due.</p> <p>Source: External Impact: Financial and Reputational</p> <p>Mitigation Strategy: The Liquidity Risk Management Department performs independent monitoring and reporting of the overall liquidity position in line with regulatory requirements and Bank's own risk appetite for bank and operations level. The Bank is fully compliant with Basel III liquidity Standards through its liquidity ratios Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) with a considerable cushion over regulatory requirement. Stress Testing are performed (both SBP and internal for all operations and at 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	Medium
<p>It is a type of risk that occurs when a financial model fails or performs inadequately and leads to adverse outcomes for the Bank. It is rather difficult to quantify model risks, as quantification calls for an estimation of both model deficiencies and their financial impacts.</p> <p>Source: Internal Impact: Financial</p> <p>Mitigation Strategy: Risk management is involved in timely review of model (internal risk rating model) accuracy and validation. A conservative approach and validation that is based on sensitivity analyses, the use of subjective elements and the permanent monitoring of the model's performance may provide sufficient protection against such unfavourable impacts.</p>		
Legal Risk	Medium	Medium
<p>It is a wide concept that includes all aspects of a legal system; it can be defined as including, but not limited to, potential for loss arising from the uncertainty of legal proceedings, exposure to fines, penalties or punitive damages resulting from supervisory actions as well as private settlements, unsuccessful recourse, indemnification to the customer and other parties.</p> <p>Source: External Impact: Financial</p> <p>Mitigation Strategy: Legal Affairs Division (LAD) is responsible for promoting and protecting the interests of the Bank, while strictly complying with the laws, rules and regulations; and ensuring that the Bank complies with the prevalent laws, rules and regulations at all times.</p>		

Types of risk	Likelihood	Materiality
Compliance Risk	Medium	Medium
<p>It is exposure to legal penalties, financial forfeiture and material loss an organisation faces when it fails to act in accordance with industry laws and regulations, internal policies, or prescribed best practices. This broad section of risk also includes Guidelines for Know Your Customer and Anti-Money Laundering laws and regulations, and the risk associated with the criminals who use a legitimate trade to disguise their criminal proceeds from their unscrupulous sources.</p> <p>Source: Internal and External Impact: Financial and Reputational</p> <p>Mitigation Strategy: Compliance and Internal Controls Department is responsible for ensuring the Bank's timely compliance with applicable regulatory guidelines and directives. Additionally, Trade Pricing Risk Department under Risk Management Division (RMD) and AML/CFT Unit housed in Compliance Division, also provide necessary advisory to the Business and Centralised Trade Operations to mitigate the risk of under/over invoicing.</p>		
Environmental Risk	Low	Medium
<p>These kinds of risk are actual or potential threat of adverse effects on the environment arising out of the organisation's activities.</p> <p>Source: External Impact: Social and Reputational</p> <p>Mitigation Strategy: The Bank has integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental and Social Management System (ESMS) has been put in place. The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated against: IFC Exclusion List, applicable national laws on environment, health, safety and social, and IFC Performance Standards. This framework is an integral part of the credit approval process and all relevant credit proposals require clearance of Environmental Risk Unit prior to approval of the competent authority. The Environmental Risk Unit is responsible for identifying, vetting and approving projects from an Environmental and Social Management Risk (ESRM) perspective.</p>		
IT Security Risk	High	Medium
<p>It is the risk of damage that may be caused due to loss of confidentiality and/or integrity of the Bank sensitive electronic data and IT systems.</p> <p>Source: External Impact: Financial and Reputational</p> <p>Mitigation Strategy: As per the Bank's IT Security Risk Management policy and procedures, the IT Security Risk Management unit caters to the regulatory requirements for IT Security Risk Management, maintains the framework which enables the Bank's management and staff to mitigate IT security risks to acceptable levels, provides feedback on IT solution designs, performs review of IT solutions before go-live by reviewing against the seven categories of IT Risk and Information Security Management System, performs periodic monitoring of access rights administration, reviews the output of IT security log and monitoring systems, investigates IT security incidents, reinforces IT security risk awareness among staff, gathers and records IT systems inventory from all groups, and performs IT security risk management reporting.</p>		
Reputational Risk	Medium to Low	Medium
<p>This risk is linked with any negative event, spreading of news pertaining to lack of services being rendered by the Bank, regular system downtimes, etc. Further, reputational risk may also derive from negative publicity about the Bank's business practices, conduct or financial condition due to a negative perception of the undertaking's image amongst the stakeholders by any event.</p> <p>Source: External Impact: Financial and Reputational</p> <p>Mitigation Strategy: The Bank ensures the assessment of reputational risk associated with the Bank's activities in order to safeguard the Bank's interests at all times. This includes ensuring that contractual obligations are being met under agreements with multilateral and international agencies that cover partnerships and credit facilities extended to the Bank.</p>		
Country Risk	Medium	Medium
<p>It refers to the possibility that economic and political conditions in a foreign country could adversely impact the Banks' exposure in that country.</p> <p>Source: External Impact: Financial</p> <p>Mitigation Strategy: In order to manage the risk, the Bank has in place a comprehensive country risk management framework. Under this framework, Country risk is sub-divided into two broad categories i.e. transfer risk and political risk.</p>		

No Defaults

There is no default by the Bank in payments of any debts during the year.

Strong Capital Base

The Bank is adequately capitalised and operating with a buffer of 4.38% over and above the SBP requirements.

Sensitivity Analysis due to Foreign Currency Fluctuations

During the calendar year 2019, PKR Exchange Rate remained highly volatile; in 1st half of the year, PKR depreciated by almost 18pct vs. USD. Post IMF programme sign up and reforms undertaken by the central bank and the government, PKR Exchange Rate appreciated against USD by almost 5.5pct.

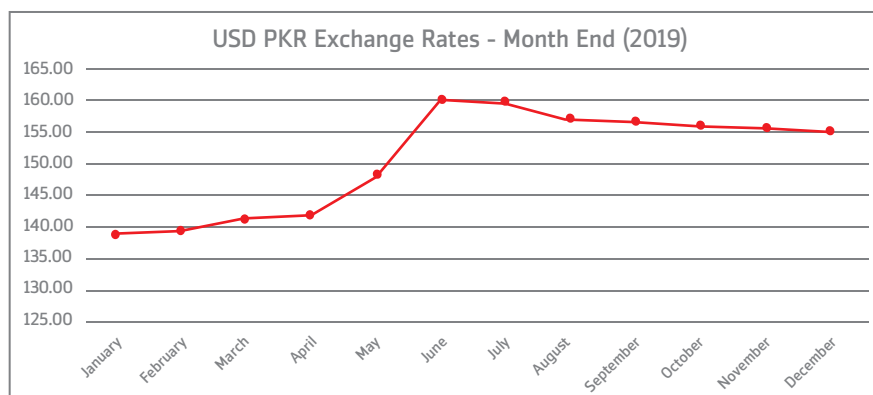
The risks associated with fluctuation in foreign exchange rate exposes the Bank to changes in values of current holding of foreign currency denominated assets and liabilities along with the forward FX commitments and Capital Investment in Foreign Branches etc.

The currency-wise Bank's net open position limits and foreign exchange exposure limits (FEEL) are in place to monitor intraday and end of day FX Risk. Besides the FX

position limits, the pre-defined 'Stop Loss level for Management Action Plan' are also instituted to manage the said risk arising out from the extreme volatility in foreign exchange markets.

The above-mentioned monitoring along with stress testing of foreign

exchange portfolio is presented to the Bank's senior management and Board Risk Management Committee (BRMC) regularly.



OUT



LOOK

Forward Looking Statement

For Bank Alfalah, 2019 was a rewarding year across many spectrums. The Bank continued its journey of delivering sustainable and solid financial results. During the year, Bank Alfalah won the 'Best Bank' award as well as the 'Best Customer Franchise' award, for the fourth year running, at the Pakistan Banking Awards. These awards are a testament to our continued commitment and dedication towards our customers and stakeholders.

Looking ahead, Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value. We will continue to invest in Digital Banking, in our technology infrastructure, in human capital and in strengthening compliance and controls environment. At the same time, the Bank will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimising returns from the banking book and enforcing a strong cost discipline across the Bank. Given the high interest rate scenario and the risk of credit headwinds, the Bank will continue 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 look to put our customers and their needs first.

In 2019, we embarked on a journey to build and work in a culture driven by Happiness. This is only possible when we are driven by our Values which was the first pillar of The Happiness Charter. In 2020, we shall move ahead in this journey and start to reinforce happiness through the enablement of our Values.

Delivering on the promised 'People Happiness Charter' remains the key priority, namely by enabling a Values based culture, providing exceptional employee experience as well as opportunities to learn and grow. The team is committed to

keep raising the bar and to become the 'Employer of Choice'.

To help us live the values in our everyday work-life we unfold - 'BAFSpirit', our Values in Action initiative and we declare the year 2020 as 'The Year of Values'.

Quantitative projections

The Bank expects to continue the momentum gained in 2019 and continue to register double digit growth in terms of profitability in 2020. The Bank aspires to increase its outreach through physical branch network (75 new branches) and digital solutions (ATMs, CDMs and CCDMs).

The Bank has made right calls pertaining to interest rate cycle. With effective balance sheet structuring, the Bank enabled to maximise Net Interest Income (NII) from interest rate movement. The Bank continues to focus on CA deposits, which is expected to grow in double digit. This will help in maintaining overall spreads, which are expected to reduce as interest rates slides down. The target of growth between 12% to 18% in advances has been kept cautious in line with the overall economic condition.

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

Besides impact of inflation and currency devaluation, there is pressure on cost side owing to wage inflation, fresh hiring, branch expansion, regulatory and compliance related costs, IT infrastructure and full year impact of Digital Banking initiative, which kicked off in 2019. Yet, challenging cost to income ratio of around 1:2 is targeted for 2020.

The Bank expects to grow its operating profit by 15%-20%.

However, owing to credit headwinds, higher credit cost is expected, which will adversely impact PBT. Despite above-mentioned challenges, PBT growth of 10%-15% and RoE at 15%-20% are targeted for 2020.

Uncertainties that could affect the Bank Resources, revenues and operations

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

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

External environment affecting the Bank's business performance Strategic objectives and availability, quality and affordability of capitals

The Bank keeps a track of the key metrics that might affect the performance and to its best judgement preempts the developments and aligns its internal strategy accordingly. The Bank's Risk Management Group performs stress testing against various pre-determined scenarios to analyse potential losses and to determine whether the Bank has enough capital to withstand the impact of adverse economic developments. The results of such tests have showed that the Bank has adequate capital, liquidity and profitability to bear such losses.

Our Performance Meeting the Forward-Looking Disclosures made Last Year

Forward looking statement disclosed last year	Our performance in 2019
<p>Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value.</p>	<ul style="list-style-type: none"> The Bank's profit after tax grew by 19.5% to reach at a level of Rs. 12.695 Bn against Rs. 10.625 Bn last year. Advances grew by Rs. 11.578 Bn and closed at Rs. 529.971 Bn. Deposits closed at Rs. 782.284 Bn as against Rs. 702.895 Bn at the close of last year. CAR stood at 16.88% at the close of this year.
<p>We will continue to invest in Digital Banking, in our technology infrastructure, in human capital and in strengthening our compliance and controls environment.</p>	<ul style="list-style-type: none"> In line with the Bank's digital banking agenda, various new products/services have been added on Alfa, including, but not limited to, QR payment, Alfa Mall with easy instalments, overdraft facility, instant personal loan, goal-based saving and digital savings account, food delivery platform (Eat Mubarak), movie and bus ticketing and Alfa qurbani. The Bank has also installed Cash/Cheque Deposit Machines at various customer touch points. For compliance and control environment, the Bank has implemented Automated Transaction Monitoring System, Sanction Screening System and Vessel Tracking System. An Internal Control Dashboard has also been launched for branches' control monitoring. On IT front, the Bank has early adopted technologies, enhanced core banking systems and digitally transformed through API Gateway, 1-Bill Mandate and Asaan Mobile Account initiatives.
<p>At the same time, we will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimising returns from the banking book and enforcing a strong cost discipline across the Bank.</p>	<ul style="list-style-type: none"> Islamic Premier banking was launched to tap the High Net Worth (HNW) clients. Account Profitability Reports (APRs) have been automated to determine customer profitability and build on key relationships. ROCs across Corporate, Retail and Islamic businesses continue to grow. The Bank has enforced a strict cost control discipline within the organisation. Various initiatives were taken to keep operating expenses in control.
<p>Given the significant rise in interest rates over the last year and the risk of credit headwinds, we will continue to follow prudent risk management practices and manage the loan book optimally.</p>	<ul style="list-style-type: none"> SME banking is a significant focus area, which caters to the entire banking needs of the SME customers across the length and breadth of the country. To strengthen the capacity to lend to SMEs, the Bank has established a Supply Chain Finance platform, which provides customised products and services to the corporate companies and their supply chain partners aimed at filling the working capital gap, reducing the cash conversion cycle, and providing liquidity. During the year, significant work was done to improve service TAT for SME/Commercial loans which led to improvements in end-to-end service delivery. Customer on-boarding process in autos, credit cards and personal loans have been revamped and automated to enhance customer experience, efficiency and transparency (including TATs). At the same time, the Bank continues to enhance the risk and operational architecture of the consumer finance business.

Forward looking statement disclosed last year	Our performance in 2019
<p>In line with our mission, we seek to be the preferred bank for our customers and will always look to put our customers and their needs first. We are also committed to providing the best workplace environment for our employees by living our values and by enriching the employee experience. To this end, 2019 has been declared as the 'Year of Happiness' at Bank Alfalah. It is ultimately through our employees that we will be able to achieve our mission.</p>	<p>A journey the Bank has started in 2019 is of enabling a culture of happiness, which is driven through practicing values in everyday work-life, ensuring an exceptional employee experience and providing opportunities to learn and grow. With leadership being the key enablers of strategy and people at Bank Alfalah, we have a unique and impactful Leadership Development journey that provides our leaders with the opportunity to lead for success through focus on people and their performance. A journey that involves all leaders and future leaders to learn new ways to lead for success and implement them in their respective teams for delivery of superior results. This is the Naye Soch and Naya Rasta philosophy our President and CEO has envisioned.</p>

Status of Projects

Projects and their details	Status
<p>Major construction works</p> <ul style="list-style-type: none"> Control and Command Centre for branch/ATM security monitoring Contact Centre - capacity enhancement Restoration of record keeping at hubs Ware housing/archiving facilities in 7 major cities 	<p>Completed</p> <p>Completed</p> <p>In-process</p> <p>In-process</p>
<p>Annual branch expansion plan 2019 – 50 branches</p>	<p>Completed</p>
<p>Major IT Projects</p> <p>Core Banking System:</p> <ul style="list-style-type: none"> Migration of Bangladesh operations to the core banking system (T-24) Migration of Afghanistan operations to the core banking system (T-24) <p>Regulatory, Compliance:</p> <ul style="list-style-type: none"> EMV Compliance Biometric Verification Real-time Customer Data Screening <p>Technology Innovation, Platform Modernisation, Digitisation:</p> <ul style="list-style-type: none"> Credit Card System Upgrade ADC Platform Upgrade Core Banking System (T24) Upgrade to Latest Version <p>Security:</p> <ul style="list-style-type: none"> Network Micro-Segmentation (Intricate project that touched the entire infrastructure of the Bank – Internet exposed systems, MZ Server (container based), CDM and ATM Network) 2 Factor Authentication Advanced DNS Security <p>Operational Excellence and Continuous Improvement:</p> <ul style="list-style-type: none"> Application Performance Monitoring Software Quality Assurance Department Setup Process Automation Platform 	<p>Completed</p> <p>In-process</p> <p>Completed</p> <p>Completed</p> <p>On-track</p> <p>On-track</p> <p>On-track</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>On-going</p>

Source of Information and Assumptions used for Projections and Forecasts

Market's view is that discount rate has already peaked and expects it to slide down in the next year. With respect to PKR, it is expected to devalue further by 10%-15%; however, the volatility observed in 2019 would not be repeated and the currency devaluation will be comparatively stable.

With regards to overall economic activity, it is expected that confidence in economic actions

undertaken by the government will positively impact banking industry in 2020. The deposits outflow owing to stricter regulatory and compliance environment is expected to stabilise and the currency in circulation as percentage of total deposits should slide down. Consequently, we will be able to increase our overall deposit book size while maintaining CA mix.

PSX witnessed an extended bearish trend after reaching all-time high in May 2017. This negatively impacted the Bank's P&L as capital losses and impairment on investments was recognised in 2019. Nevertheless, this negative sentiment is expected to change and we expect bullish trend in PSX for 2020 and profitable opportunities for our trading desk.



SUSTAIN

HEALTH, SAFETY, ENVIRONMENT AND
CORPORATE SOCIAL RESPONSIBILITY



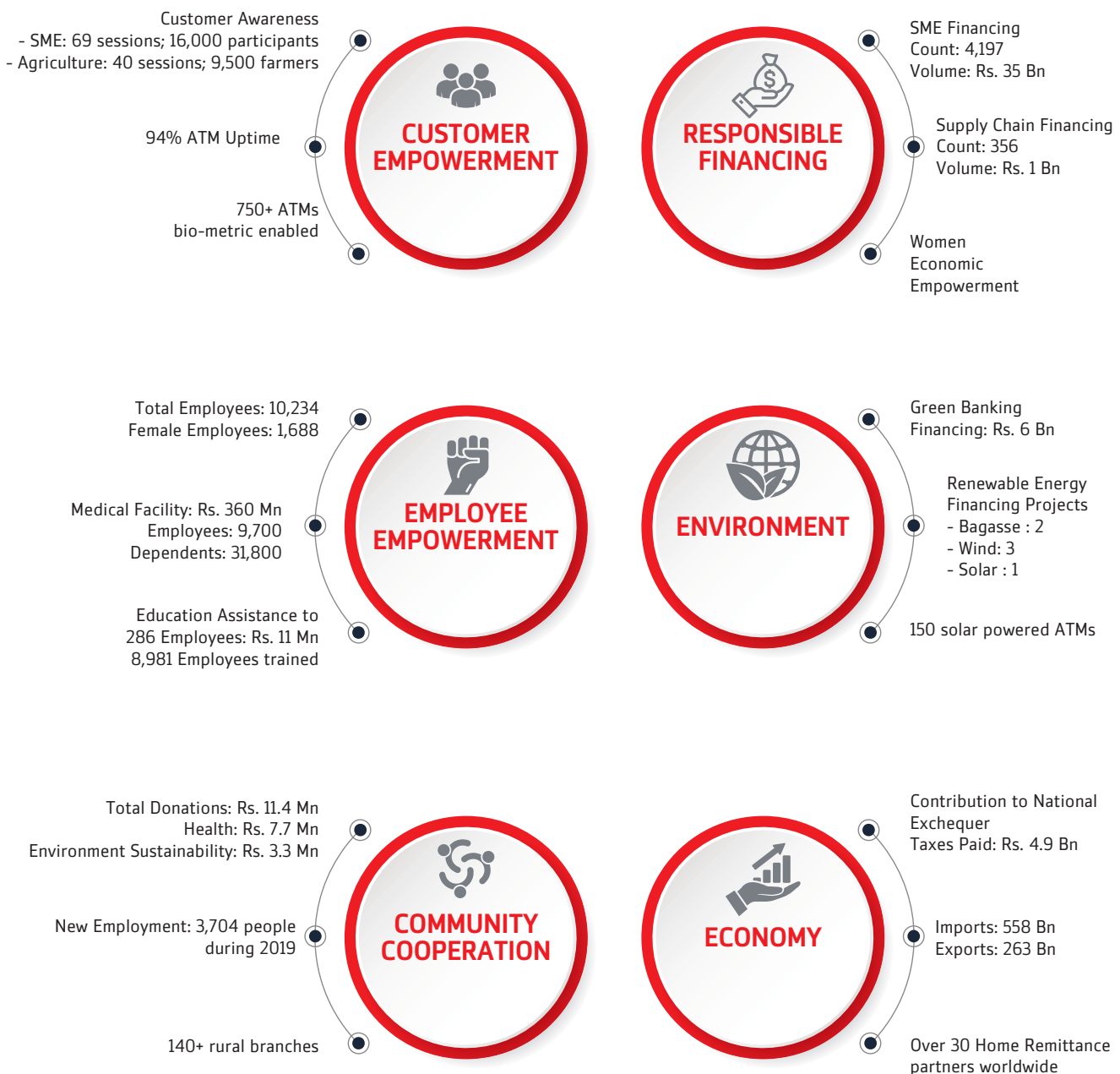
ABILITY

Sustainability Report

Philosophy

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

We align our business objectives in a way that helps us become a socially responsible corporate citizen. Highlights of Bank Alfalah's sustainability programme:



Pillars of the Sustainability Philosophy

Customer Empowerment

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

Service Leadership and Digital Innovation

Customers are at the heart of the persistent 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. Being one of the leading banks in the payments landscape of Pakistan, the Bank undertakes the responsibility of driving the society towards digital innovation by constantly introducing up-to-date payment methods and financial technologies, including Alfa app, QR Payments, CDMs, ATMs/KIOSK, POS machines and Orbit Rewards acquainting masses with present-day financial tools.

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

Customer Protection

Our Customer Protection policy encompasses broad guidelines for customer management throughout

the customer journey ranging from product development, sales practices, marketing activities, communication protocols, and handling of customers. Our Fair Treatment of Customers policy is an integral part of our orientation training programme for newly on-boarded employees.

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

Customer Experience Management

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

Customer Satisfaction

In order to track customer satisfaction, our Voice of Customer team conducts daily surveys to collect detailed feedback from the customers directly, so the Bank can proactively keep working on the gaps and improvements and adapt to the changing needs of the customers.

Process Optimisation

We constantly and consistently keep a close eye on the complaints, processes, and channels to identify gaps and areas of improvement

which are then undertaken as projects in order to improve operational efficiency and drive improvements within the organisation so our customers can be served with the utmost care and their experience could be as convenient and up to the standard as the Bank has committed.

Customer Engagement

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

The communication channels used by Bank Alfalah are as follows:

- Branch Banking
- Consumer Finance Centres
- Alfalah Contact Centre
- ATMs
- Vertika
- Internet Banking
- Website
- Email
- Facebook
- Instagram
- Twitter
- Live Web Chat
- Letter
- Fax

Safeguarding Customers' Information

The Bank places high emphasis on security and on safeguarding customer's information. It has made strategic investments in security control enhancements, implementation of Advanced Threat Analytics and Advanced Threat Protection, Identity and Access Management, Dynamic and Static Code Level Scanner implementation etc. Equipped with cyber-attack incident response and forensics service deployment along with enhanced automated technical vulnerability compliance management solutions and improved DDOS Protection, we have the security structure to detect advanced cyber-attacks. The Bank's Security Operating Centre operates proactively on a 24/7 basis.

We have taken necessary proactive measures to counteract any potential threat and have also deployed strong security controls on our critical touchpoints.

Cyber-attacks are becoming increasingly sophisticated in the financial community. The persistence of such threats underlines the importance of remaining vigilant and proactive with increased number of security-threats, breaches and cyber-attacks that have recently affected local and global industries. It is pertinent to note that not a single incident has been observed at the Bank, due to deployment of high-level security.

The Bank's Infrastructure and Networking is one of the most sophisticated and robust in the local banking industry with improved resilience through DMZ micro-segmentation, enhanced MZ containers, enhanced QoS at core and branch Level, WAN Access Control List (ACL) enhancements, improved branch link optimisation with traffic engineering and deployment of next generation

network switches and firewalls. This has in turn resulted in high level of security and excellent service response time/TAT.

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

Quality Assurance

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

Turnaround Times

In the year 2019, several projects were undertaken with the aim to improve and decrease the Bank's turnaround times in order to provide the most optimal standard of service to our customers.

Customer Awareness and Financial Literacy

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

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

Non-Financial Advisory Services (NFAS) and Agri Division have together developed and conducted

various programmes and sessions across Pakistan to increase the awareness on products and services available and also impart valuable knowledge about business efficiency and management. In this regard, NFAS has collaborated with multiple third party stakeholders and governmental institutions to tap into the undocumented segment of the society in order to spread awareness and to promote financial inclusion. Our market storming activities, helpdesks and awareness sessions have helped us in broadening our horizon and allowed us to reach out to communities at the grassroots level.

We have managed to organise over 29 awareness and knowledge sharing sessions on SME products and services along with specialised workshops, with industry/subject matter experts, to improve understanding of industries, business dynamics and improve business affairs of SMEs.

We have interacted with over 6,500 SMEs and business owners during these sessions. Additionally, we have made footprints in the digital sphere through SME Toolkit, which has resulted in gaining attention of our potential clients. Over 13,500 users made use of the digital platform.

Numerous awareness sessions and events have been organised by Agri Division to increase market outreach and to develop an ecosystem for rural businesses to flourish and develop.

Our efficiently targeted financial literacy programmes and farmer's engagement sessions has reaped very encouraging results. In 40 different events organised by Agri department across Pakistan, we have been able to interact with over 9,500 farmers and Agri related business owners.

Bank Alfalah's customer awareness programme highlights:

Innovative Product Design

In order to cater to different segments and their banking needs, the Bank introduced four different products for Women, Senior Citizens, Non-Resident Pakistanis (NRP) and Home Remittance beneficiaries respectively.

Alfalah Pehchaan Account is designed to cater to women's financial and lifestyle needs, which provides them with features such as free lockers, higher rate on savings and discount on alliances via customised Pehchaan Debit Card.



- Waiver on Locker
- Exclusive Discounts
- Free Cheque Book
- Alfa App

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[YouTube](#) [Facebook](#) [Instagram](#) [Twitter](#)

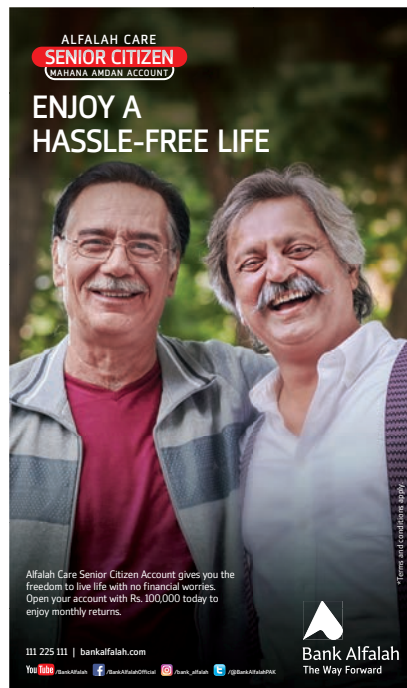


For Remittance beneficiaries, **Alfalah Asaan Remittance Account** has been developed which allows crediting of home remittances along with the facility of free SMS alerts and debit card for easy access to funds.

For **Non-Resident Pakistani** segment, a holistic product offering which includes deposit accounts, home and car loan and credit card services was also introduced to provide a one-window solution for NRPs banking needs while being abroad.

To better cater to the Senior Citizens segment, Bank Alfalah introduced **Alfalah Senior Care Mahana Amdan** term deposit, which offers a higher monthly rate of return on their fixed deposits.

To promote and create awareness of aforementioned and existing products, product advertising during cricket world cup, remittance campaigns both within Pakistan and UAE along with newspaper ads and social media campaign was utilised throughout the year.



Financial Inclusion

The Bank constantly contributes towards poverty-alleviation by increasing financial inclusion of the underprivileged and vulnerable with digitally advanced products like Digital Payroll, Benazir Income Support Programme (BISP) and Employees' Old-Age Benefits Institution (EOBI) wallets.

Responsible Financing

Non-financial advisory services

The Bank takes pride in being the pioneer for introducing Non-Financial Advisory Services to its existing SME clientele as well as general population by providing them the necessary guidance and support in documenting their business transactions which makes them ready to access loan ultimately required for their growth. With the aim to empower SMEs in Pakistan, we have always strived to take initiatives that allow in engaging communities and extend market outreach by 'Banking with the Un-Bankables'. Our key initiatives like rural outreach programmes, market storming activities, seminars, helpdesks and its digital presence through the SME Toolkit portal contribute significantly in reaching out to the wider target audience.

- SME Helpdesk
- Market Storming Activities
- Farmers' Literacy Programme
- **Green financial products and services**

Our most recent venture is to finance the renewable energy sector, based on the current energy crisis faced by the business community as well as playing our part in the social responsibility as a corporate entity to keep this world green. The product offerings are in line with the view of SBP's Refinance Scheme for Renewable Energy. SME Division takes pride in introducing an environmental friendly product 'Alfalah Green Energy.' As the world moves towards a future of clean and cheap electricity, we are ready to make our footprints in this area as we are aware that green financing products like these have the capacity to contribute to the society at large.

Karandaaz Pakistan

Bank Alfalah has partnered with Karandaaz, an organisation funded by UK's Department for International Development (DFID) and the Bill & Melinda Gates Foundation, to further support

small and medium enterprises by increasing access to finance through well-defined product programmes. Karandaaz provides capital to MSMEs by entering into structured financing agreements with Partner Financial Institutions based on defined product programmes. One of the objectives of these programmes is to introduce viable credit models and direct capital to viable SMEs that generate positive enterprise value and employment. The other is to develop and demonstrate sustainable investment models and product programmes, which can be replicated and scaled up by private commercial financiers and mobilise private and development capital.

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

Pakistan Mortgage Refinance Company Limited

With the aim to serve our customers, and facilitate them in fulfilling their dreams, we have launched a hybrid-financing product where customers can avail both fixed and variable financing options. With drastic fluctuations in interest rates, the hybrid product makes Home

Financing more affordable. The product has been launched in collaboration with Pakistan Mortgage Refinance Company (PMRC), a first of its kind partnership in the industry that provides an enhanced Home Finance offering for our customers.

Responsible consumer lending

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

Services with greener impact

We continue to work on helping the customers to reduce their environmental footprint from our services, which focus on enhancing operational efficiency, and reducing material and energy consumption. Our green services include e-statements and SMS alert service.

Employees Empowerment

Human Resources and Learning Group (HRLG) focuses on establishing a link between people, strategy, and performance as a means to executing the Bank's overall strategy and making it a great employer to work for.

Equal opportunity employer

As a progressive organisation, we strongly believe in providing equal opportunity. Our diversity and inclusion of people and ideas qualifies us to be an organisation that practices equal opportunity to join us, learn through targeted learning programmes and grow within ranks.

Education and well-being of staff

People Happiness and People Development is at the heart of Bank Alfalah. This is the Naye Soch and Naya Rasta philosophy our President and CEO has envisioned. Our people drive our success hence the significance they hold in our strategy to deliver superior results in a compliant manner.

At Bank Alfalah we facilitate a culture of happiness and learning to drive engagement and elevate performance.

From functional training to behavioural skills development and happiness improvement journey our learning framework ensures that our people are equipped with the right capability and provided with the conducive environment to deliver results.

Business ethics and anti-corruption measures

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

Employee engagement through celebration of national events

Under the Naye Soch and Naya Rasta philosophy, we ensure a culture to drive better engagement of our employees. Engagement through celebration of national and religious events, success, wellbeing activities and learning initiatives enables more engagement to create an environment where people enjoy work.

Happiness and leadership

A journey that we have started 2019 is of enabling a Culture of Happiness, which is driven through practicing values in everyday work-life, ensuring an exceptional employee experience and providing opportunities to learn and grow.

With leadership being the key enabler of strategy and people at Bank Alfalah, we have a unique and impactful Leadership Development Journey that provides our leaders with the opportunity to lead for success through focus on people and their performance.

This is a journey that involves all

present and future leaders to learn new ways to lead for success and implement them in their respective teams for delivery of superior results.

Gender diversity

Female representation in our workforce is 17% of our workforce.

Competitive reward

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

Employees welfare (health and life insurance, retirement benefits, etc.)

We have health and life insurance benefits for employees. Our post retirement funds are also benefiting employees as a reward from us against their services and association with the Bank.

Diversity for all – life experience, age, group, abilities and thoughts

We respect each staff irrespective of age and experience. Being a responsible corporate citizen, we value our staff with disabilities and we facilitate them in achieving their lives' goals.

Employees Helpdesk

HR Quick Connect is a centralised platform where employees can access updated HR policy and documents with a single click; providing hassle free ease of availability of important documents. This platform is also used as an inquiry service by the employees.

Scholarship

We provide scholarships to meritorious staff for completion of their education.

Environment – protecting the natural capital

Environment plays an important role in the healthy living of human beings. Humanity's entire life support system depends on the well-being of all the environmental factors. The

environment is important because it is a source of natural beauty, and it is necessary for proper physical and mental health.

Renewable energy

As a step towards sustainable environment, the Bank has taken various initiatives that help in reducing cost as well as reduce carbon footprints. The Bank has installed solar panels that power 150 ATMs across the country.

Paperless operations

The business impact of going paperless manifests itself in an enhanced customer experience, increased productivity, improved operational efficiency and reduced carbon footprint by limiting the use of paper. Cash/ Cheque Deposit Machines (CDMs), branch report digitisation and various other initiatives are being implemented to explore the opportunities to eliminate/ minimise the use of paper through digital transformation, change in employee behaviour, customer facilitation and processes improvement.

Bank Alfalah building design and operations

All new branches and buildings are designed in line with the Branch Design Manual launched in 2019



for the sake of standardisation and control. The following are a few areas upgraded through this manual:

- All main entrances, including ATM vestibules are accessible through ramps, where possible;
- Railings is a mandatory feature at every facility with more than one-step to climb;
- Emergency exits with push-bar doors for unhindered escape; and
- All new buildings have access to natural light or direct sunlight, where possible, to reduce electric lighting and saving energy.

Environment protection measures

A continuous drive to create the Bank's environment an eco-friendly workplace, regular awareness campaigns and broadcasts to staff are the key feature to encourage employees for an efficient use of energy with emphasis on environment protection.

Energy conservation

The Bank is replacing conventional light fixtures and ACs with LED lights and invertors through discipline life cycle replacement plan and smart investment to reduce maintenance cost and efficacy levels, long backup UPS are in use in place of generators to reduce carbon footprints.

Water conservation

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

Waste management

We use shredder machines to destroy unwanted papers. The offices are cleaned daily and the waste is managed through proper dump sites.

Tree plantation

With an aim to conserve the environment, the Bank supports tree plantation drives for a greener Pakistan. Efforts are made to plant trees within and outside office premises.

Corporate Social Responsibility/Community Cooperation

Bank Alfalah CSR programme

Philanthropic investments and donations are instrumental in enhancing the Bank's reputation, projecting a positive image amongst its internal and external stakeholders. We are committed to serve our role as responsible corporate citizens and aim to support, both, infrastructural and capacity building endeavours through our philanthropic investments. Our Corporate Social Responsibility (CSR) initiatives help us give back to the community and play our role in alleviating the less privileged in the society out of hardships.

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

Education

Education remains one of the most underdeveloped sectors of Pakistan. Through our philanthropic investments, we intend to uplift the lives of the citizens of Pakistan from ignorance and despair. In 2019, we provided funds to The Citizens Foundation to help them serve this cause.

- **The Citizens Foundation (TCF):** TCF is a non-profit organisation set up in 1995 to bring about positive social change through education. TCF is one of Pakistan's leading organisations in the field of education for the less privileged.

TCF has a network of 1,567 purpose-built school units nationwide with an enrolment of 252,000 students.

Bank Alfalah sponsored Class 1 students at TCF School Mian Muhammad Yousuf Campus – 1 in Baldia Town Karachi for the entire year, giving 31 deserving children access to a safe, creative and colourful learning space.

Health

In the year 2019, we supported organisations like Child Aid Association, MOVE Pakistan, ACELP, Society of Rehabilitation of Special Children and Muslim Hands to provide healthcare to the needy. The funds given were utilised for providing better healthcare to underprivileged communities.

- **Child Aid Association:** Child Aid Association (CAA) is a voluntary organisation which works to support poor children undergoing treatment at NICH. Since 1999 it has been running the first Paediatric Oncology Unit through public donations. So far, 7,000 underprivileged children have been provided treatment for various types of cancer. The facility has about 14 indoor beds, chemo-bays for around 25 out-patient treatments and state-of-the-art labs to improve diagnostic facilities for cancer patients.

An important part of its diagnostic facilities is an equipment, 'Electrolyte Analyzer' at the oncology lab. This equipment had been operational for over 8 years and got worn out from overuse. The Bank helped Child Aid Association to replace this equipment.

- **MOVE Pakistan:** MOVE (Making Our Voices Effective) is a Not-for-Profit organisation established to undertake social welfare projects in Pakistan. It concentrates its efforts on providing high-quality educational and healthcare services in under-privileged communities at affordable prices.

MOVE is running a school, which caters to over 600 students with a majority of female enrolments. It focuses on training its teachers and equipping them with teaching tools and techniques. Their financial resources are utilised for these two purposes to ensure that the students receive quality education. Besides its work in the education sector, MOVE is also running a Diabetic and Medical Centre (DMC).

This centre provides high quality healthcare services by offering free OPD and consultation at affordable prices to low income families. It also works towards building a culture of preventive healthcare and early diagnosis by organising free Sugar and Medical Camps and awareness programmes. MOVE DMC provides testing and treatment for diabetes and related diseases as well as general healthcare services. Bank Alfalah provided MOVE with the necessary financial assistance to support the aforementioned causes.

- **The Society for the Rehabilitation of Special Children:** The Society for the Rehabilitation of Special Children (SRSC) is a non-profit organisation established to provide daycare facilities for the physical and mentally challenged special children of the community. It does so by looking after their need areas of physiotherapy, physical fitness, etc. Additionally, it rehabilitates these children into our everyday lives through increasing their ability to stand on their own feet. All of the facilities provided are free of charge such as classroom teaching, vocational training, physiotherapy, occupational therapy, speech therapy, transport and sports. The Bank supported SRSC to meet its financial needs.

- **Association for Children with Emotional and Learning Problems:** ACELP is an institute for adolescent and children with special needs. The institute currently has in its care around 250 children and young adults for educational and therapeutic reasons. Bank Alfalah helped ACELP with funds to overcome its monthly deficits and to proceed with its further development projects such as providing training and home programmes to children with severe problems, a Jacuzzi for a physiotherapy facility and enhanced facilities for autistic children.

- **Muslim Hands International:** Established in 1993, Muslim Hands is an international charity/humanitarian

organisation working in over 50 countries worldwide to help those affected by natural disasters, conflict and poverty. In 2019, the Bank helped Muslim Hands purchase 100 wheelchairs for the underprivileged people.

Environment

We believe that initiatives directed towards the conservation of the environment can play a vital role in mitigating the damage from climate change at large. In 2019, Bank Alfalah provided funds to Karachi Relief Trust to help them carry out a mangrove plantation drive in the coastal areas of Karachi.

- **Karachi Relief Trust:** Karachi Relief Trust is disaster management voluntary organisation which organises donation drives, emergency ration preparation efforts, transportation of relief goods and were active participants in rebuilding homes in the affected areas. In 2019, KRT organised a mangrove plantation drive in which the Bank joined hands with the organisation in this initiative in order to play its part in environment conservation.

This was an important cause to serve as mangroves are vital to the sustainability of our environment, they offer coastal protection against unpredictable weather, food and



shelter for various animal species, and carbon sequestration. Mangroves in Indus Delta have been degraded; this has not only affected the coastline but also the fisheries to a large extent.

Deforestation of mangrove is a threat to the environment and should be addressed if the coastal environment is to be brought back to its earlier pristine glory. The Bank supported KRT to carryout 25 acres mangrove plantation in the Port Qasim area, Karachi.

Welfare

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

Youth programmes

The Bank is interested in supporting the opportunities and causes focusing on promoting healthy outcomes for the country's youth. The causes supporting our area of interest include special clubs and service programmes, scholarships, community service organisations, academic enrichment programmes, etc.

Sports

We believe that sports play an important role in fostering development and communication in any society. Not just that, it also helps in building the image of a country at large. Sports have always remained an essential part of our CSR agenda and we are always proud to help and be associated with sportsmen who are promising and who strive to make us proud.

Women economic empowerment

We strongly believe that there is a need to increase the chances of more women having access to economic resources and the power to make decisions that benefit themselves, their families and their communities.

Our CSR philosophy acknowledges women's economic empowerment and we are always willing to support the causes relevant to it.

The Bank strives for women economic empowerment and at various platforms, we have been working for women's economic upliftment.



Donations

Bank Alfalah has contributed to various causes during the year. The information has been disclosed in financial statements.

Volunteering in the community

- **Employee Volunteering Leave:** In order to become a socially responsible organisation and to provide our employees the opportunity to volunteer their time and talents to the communities around them, we have introduced an Employee Volunteering Leave of up to 2 days.
- **Raah-e-Falah – our CSR Initiative:** We have collaborated with The Citizen's Foundation to offer the following programmes for which our employees can volunteer for:

Career Counselling - a one-day session with the students of graduating batches to help them choose their future career path.

Rahbar Programme - a (6 Saturday long) full day session to mentor students of grades 8 and 9.

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



- **Blood Donation Drives:** We conducted blood donation drives this year in collaboration with Fatimid Foundation in order to collect blood for children suffering from Thalassemia. Our employees participated wholeheartedly in these drives.

Economy

Intermediation – Key trade and banking figures

The Bank intermediated the economy by channelising the business for various traders/ business firms in the imports and exports business. Serving the business adds to the country's economy. During 2019, the Bank transacted Rs. 558.582 Bn imports and 263.425 Bn exports.

Contribution to the government

The Bank contributed Rs. 4.989 Bn to the government against income taxes. The Bank also collected and deposited indirect taxes to the government treasury. Paying the taxes is one of the Bank's focus towards being a responsible tax payer.

Remittances from workers abroad

The Bank has been a noticeable contributor in the flow of remittances to Pakistan through its global network of partner banks, money transfer operators and exchange companies and by ensuring fast, reliable and low cost services to the remittance beneficiaries. The Bank has invested in various initiatives for financial inclusion comprising of the launch of Asaan and Digital Remittance Accounts, awareness raising labour camp activities in the UAE, and marketing activities to promote cash over the counter payments through our network of 700 branches in 200+ cities across the country.

Jobs

The Bank has consistently created employment opportunities across Pakistan through its extensive recruitment programmes. In the year 2019, we have on-boarded 3,703 resources to drive its vast business operations network. Moreover, through diverse batch hiring programs, the Bank also taps into the country's fresh talent pool to create commendable opportunities for young applicants.

Green Banking Initiatives

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

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

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

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

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

Green Banking is divided into the following three areas.

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

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

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

This framework is an integral part of the credit approval process and all relevant credit proposals require clearance of

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

ALFALAH GREEN ENERGY

A facility designed for customers to install solar energy equipment and take a step towards a sustainable environment.

- 📅 Easy instalments
- 📅 Up to 5 years easy repayment period
- 📊 Affordable mark-up rates
- 💡 Save on electricity bills

Let's make way for a prosperous, Progressive Pakistan

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Bank Alfalah
The Way Forward

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

We encourage our clients to improve their operations and

technologies by initiating eco-friendly initiatives. In 2019, the Bank launched a new green financing product 'Alfalah Green Energy'. It is a term finance facility for customers willing to install solar energy equipment for generation of electricity ranging from 4 KW to 1000 KW with net metering.

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

S. No.	Name of Projects	Source/ Type	Capacity (in MW)
1	Fatima Energy Limited	Bagasse	118
2	Chiniot Power Limited	Bagasse	62
3	Gul Ahmed Wind Power Limited	Wind	49
4	Metro Power Company (Pvt.) Limited	Wind	49
5	Gharo Solar (Pvt.) Limited	Solar	50
6	Master Green Energy Limited	Wind	50

Green Energy Policy for the Bank Employees

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

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

For its own impact reduction, the Bank is continuously bringing about resource efficiency and reducing cost by optimal utilisation of all resources.

Some of the initiatives include 150 ATMs converted on solar energy, paper consumption is on the decline, diesel fuelled generators are being replaced with UPSs for backup power supplies, regular saver lights are being replaced with low consumption LEDs and inverter ACs are replacing conventional ones.

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



Health, Safety and Environment (HSE)

Occupational health awareness and measures

We have put in place dedicated functions managing HSE domain and building a culture of safety leading towards healthy and creative delivery of service, inside and outside workplace. Our HSE team is running an active annual training programme, simulation exercises, incident tracking and branch inspections to spread awareness and focused mitigation measures on the basis of preemptive knowledge rule. This includes, but not limited to, Premises Emergency Protocols, Dust and Rainstorms Precautions, Ramazan Advisory, Heat Wave, Housekeeping at Work, No Smoking, Inclement Weather Precautions, Eco-friendly Environment, Dengue Fever, Cyclone, SMOG, etc.

Automatic fire extinguishers

As a control measure to protect the Bank's assets and staff, adequate

measures have been taken to reduce elements of fire eruption hazard, this includes automatic fire extinguishers being installed at hazardous locations.

Emergency preparedness and responses

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

Employee awareness initiatives

We continuously educate our staff against the possible health and environment hazards through formal and informal training programmes and sessions. This

enables the staff to 'Think', 'Act' and 'Be Safe' all the time.



Other initiatives

Our building structures include ramps and emergency exits to reduce likelihood of incidents at our premises and make it compliant with international safety practices and standards.

Certifications Acquired and International Standards Adopted for Best Sustainability and CSR Practices

The Environmental Risk Unit is responsible for identifying, vetting and approving projects from an Environmental and Social Management Risk (ESRM) perspective. All personnel working in this unit

have acquired IFC online certification of 'Sustainability Training and E-Learning Programme (STEP)'. Our Health and Safety team acquires reputable industry wide and

internationally recognised degrees and certifications, including, but not limited to, NEBOSH, 10SH, ISO45001, HABC (international - fire safety and first aider).

internationally recognised degrees and certifications, including, but not limited to, NEBOSH, 10SH, ISO45001, HABC (international - fire safety and first aider).

A photograph of a modern conference room. A long, dark, reflective table is in the foreground, with several black office chairs lined up along it. The room is brightly lit by large windows in the background, which are out of focus. The word "GOVER" is overlaid in large, bold, red, sans-serif capital letters across the middle of the image, partially obscuring the chairs and the table.

GOVER

A photograph of a modern conference room. A long, dark, reflective table is in the foreground, with several black office chairs lined up along its edge. The background is a bright window with vertical frames, creating a high-contrast, clean aesthetic. The word "FINANCE" is overlaid in large, bold, red, sans-serif capital letters across the middle of the image, partially obscuring the chairs and the table.

FINANCE

Board of Directors



HIS HIGHNESS SHEIKH NAHAYAN MABARAK 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 Minister of State for Tolerance. Prior to his current responsibility, he served as Minister of Culture and Knowledge Development; Culture, Youth, and Social Development and Minister of Higher Education and Scientific Research. Besides his ministerial responsibilities, he has been playing a leading and distinguished part in the educational advancements, focusing on the role of education in achieving development and progress. His Highness owns substantial business interests, hotels and other investments in UAE, Pakistan, Africa, US and Central Asia. His Highness also holds various offices as Chairman and Director at boards and trusts along with patronship of various local and foreign organizations and affiliates. His direct and indirect business interest spread throughout various industry sectors such as banking, telecom, insurance, hospitality, healthcare, construction, project financing and investment management. Moreover, he supports many charitable institutions and devotes special attention to the disabled children as the Honorary President of Abu Dhabi Future Rehabilitation Center, formerly known as Future Center for Special Needs. His Highness is also recipient of Pakistan's highest civilian award, the 'Hilal-e-Pakistan', which was conferred upon him in 2005 for his contribution to the economic growth of Pakistan. His Highness received his education from the British Midfield School until the high secondary level before joining Magdalen College at Oxford University, UK.



ABDULLA NASSER HAWAILEEL AL MANSOORI

Director

Abdulla Nasser Hawaileel Al Mansoori is a prominent businessman of Abu Dhabi, UAE. He is Chairman of Al Nasser Holdings and Group Companies. He was also Director of the National Investor, Abu Dhabi, UAE. In the past, Hawaileel Al Mansoori was Director of United Arab Bank, Water & Electricity Department of Abu Dhabi, Director of Projects, ADNOC, General Industries Corporation, Abu Dhabi, and Director General and Vice Chairman of General Industrial Corporation, Abu Dhabi. In addition, he held other Board positions and Chairmanship of Abu Dhabi Ship Building Co., PJSC. He was also a nominated member of Federal National Council. Abdulla Nasser Hawaileel holds a B.Sc. (Hons.) degree in Electrical Engineering from Swansea University, UK.



ABDULLA KHALIL AL MUTAWA

Director

Abdulla Khalil Al Mutawa is the General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahayan. He is also Director of the Abu Dhabi Commercial Bank Ltd, and Chairman of Makhazen Investment Company in Abu Dhabi. Abdulla Khalil Al Mutawa is a non-Executive Member of the Board of EFG Hermes Holding, S.A.E. and Abu Dhabi National Hotels Company. Abdulla Khalil Al Mutawa holds a B.Sc. degree in Business Administration from the University of North Carolina, USA.



KHALID MANA SAEED AL OTAIBA

Director

Khalid Mana Saeed Al Otaiba is the Office Manager of His Excellency Dr. Mana Saeed Al Otaiba (Personal Advisor to His Highness, the President of UAE). He is also Deputy Chairman of Al Otaiba Group of Companies. Khalid Mana is Director of Alfalah Insurance Company Limited, Pakistan and EFG Hermes Holding, S.A.E. He is also Chairman of Liwa International Investment Tourism and Royal Mirage Hotel & Resort Ltd, Morocco. He is also Director of Ghantout International. Khalid Mana Saeed Al Otaiba holds a Bachelor of Arts & Science degree in International Economics from Suffolk University of Massachusetts, Boston, USA.



EFSTRATIOS GEORGIOS ARAPOGLOU

Director

Efstratios Georgios Arapoglou is a Corporate Advisor, with an international executive career in corporate and investment banking, international capital markets, and in managing, restructuring and advising financial institutions. He has been CEO of Commercial Banking at EFG Hermes Holding, S.A.E. Group, operating in the Middle East and Africa (2010-2013). Earlier, he was Chairman and CEO of the National Bank of Greece Group (2004-2009), Chairman of the Hellenic Banks Association (2005-2009), and Managing Director and Global Head of the Banks and Securities Industry for Citigroup (1999-2004). He has served on several boards of publicly listed companies in Europe, the Middle East and Africa, as well as on boards of educational foundations, including the Institute of Corporate Culture Affairs in Frankfurt as Chairman. He is currently holding the following non-executive board positions: Chairman of Tsakos Energy Navigation (TEN) Ltd., listed in the NYSE; Chairman of Titan Cement SA, listed in the Athens SE; board member of EFG Hermes Holding, S.A.E., listed in Cairo and the London SE, board member of Bank of Cyprus and board member of Bank Alfalah Ltd., listed in Pakistan, representing the International Finance Corporation (IFC). He is a member of the International Advisory Board of Tufts University in Boston, MA, and a member of the Business Advisory Board for the International MBA programme of Athens University of Economics and Business. He has degrees in Mathematics, Naval Architecture & Ocean Engineering and Management from Greek and British Universities.



SHEHZAD NAQVI*

Director

Shehzad Naqvi is a seasoned banker with more than 30 years diversified senior level banking experience. Presently, he is the Director, Solaris Research Ltd. and Children's Foundation of Pakistan and Partner in Silicon Valley Venture Capital Firm ePlanet Ventures. He is also an advisor to the chairman, Ajan and Brothers Holding, Riyadh, Saudi Arabia. Shehzad Naqvi started his career with Saudi American Bank (Jeddah, Saudi Arabia) in 1982. Later he joined American Express Bank and Citibank N.A., Karachi. He joined ABN AMRO in 1993 as country head in Pakistan and was then appointed head of Asia-Pacific Relationship Management and Structured Finance, based in Hong Kong and Singapore. In 1996, he joined Citibank as Managing Director and Country Head in Singapore. Moving back to Pakistan as Managing Director and Country Head in 1998, he was subsequently appointed as a Managing Director and Regional Head of Citibank's global corporate and investment banking operations in the Gulf, Levant and Pakistan, based in Dubai. In 2004, he moved to Citigroup London, UK, as a Managing Director, Central and Eastern Europe, Middle East and Africa. From June 2005 to February 2008, he served as President and CEO of Crescent Commercial Bank in Pakistan and from March 2008 to July 2010 as President and CEO of Royal Bank of Scotland (RBS) in Pakistan (ex ABN AMRO Bank). He was also Senior Advisor, Khan Bank Mongolia, a member of the Board of Directors of Engro Corp and Chairman FIP/State Bank of Pakistan Innovation Challenge Committee. He has also served as a Director on the Board of MasterCard International SAAMEA region and as a member of the National Advisory Council to the Prime Minister of Pakistan. He is a graduate in Economic Institutions and Planning from the London School of Economics.



DR. GYORGY TAMAS LADICS

Director

Dr. Gyorgy Tamas Ladics is a dynamic, versatile professional and organizational leader having 25+ years of progressive experience. Strong management acumen with a background in Digital Banking, FinTech collaboration, Innovation, Business strategy, Open API and Multi-Channel banking platforms, Organisation and Business Transformation and Development, IPO preparation, Operations and Technology, Digital Transformation, Credit administration and Collections, business planning, programme and project management, business intelligence and analytics, business expansion activities, quality initiatives, business case development for mergers and acquisitions, development of resources, employee and third party relations, operational processes, controls, risk assessment frameworks and quality assurance. He has extensive experience in business and product enhancements (digital, retail, commercial, treasury and global markets), technical and operational solution delivery, process implementation, achieving and maintenance of quality standards, customer service benchmarks, employee satisfaction. Skilled in the strategic planning and use of information technology, business processes and providing practical solutions to business issues. Wide geographical field experience including UAE, Egypt, Africa, India, Pakistan, Central Europe, Russia, Singapore and Brunei. At present he is Chief Operating Officer at Bank Islam Brunei Darussalam (BIBD) in Brunei – secondment by Fajr Capital and International Director at Fajr Capital.

In the past, he has worked as Chief Technology Officer with 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 Budapest University of Technology and Economics. He also has qualifications on Foreign Trade – Advance Business Administration and Advanced Banking Financial Management Programme.



DR. AYESHA KHAN

Director

Dr. Ayesha K. Khan is an expert in the field of corporate strategy and institutional growth in emerging markets. She is currently the CEO and Country Head for Pakistan at Acumen – a global impact investment fund. Dr. Khan has previously been the head of strategy and corporate planning at HBL - and was the first person to hold this position at the Bank. She has also worked in New York as a management consultant with McKinsey and Company, where she focused on the financial sector, taught economics at Harvard University and consulted with the UNDP on the Millennium Development Project. Dr. Khan holds a doctorate from 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 several dimensions of building a successful business for various publications - including the Harvard Business Review and Harvard Law School ILSP. Dr. Khan also holds a Masters in International Development from Harvard Kennedy School, as well as an undergraduate degree in Economics from Princeton University.



NAUMAN ANSARI*

Director and CEO

Nauman Ansari joined Bank Alfalah Limited as President and CEO in July 2017. Prior to this, Nauman served various banks during his 26 years professional career, including leading institutions like Standard Chartered Bank, Bank of America, ABN AMRO, Fortis Bank and Samba. He began his career with Standard Chartered Bank, Karachi in 1993, followed by three years at the Bank of America. After joining ABN AMRO Bank in 1998, he was appointed Director Portfolio Strategy & Execution in 2004. He then joined Fortis Bank, Dubai, in 2006, as Head of Institutional Banking – Middle East & Pakistan, followed by the role of Head of Corporate Banking at Samba Bank Limited (formerly known as Crescent Commercial Bank) in 2007. He joined Faysal Bank as Group Head, Corporate & Investment Banking in 2008 and was appointed President and CEO in 2014. Nauman is reputed to be a seasoned banker with strong professional acumen. He is a business graduate of Miami University, USA.

* Resigned in February 2020

Senior Management



Left to Right

Khawaja Muhammad Ahmad (Group Head Operations and Corporate Services)

Mohib Hasan Khan (Chief Information Officer)

Muhammad Yahya Khan (Group Head Digital Banking)

Anjum Hai (Chief Financial Officer)

Syed Ali Sultan (Group Head Treasury and Capital Markets)

Hafsa Abbasy (Group Head Human Resource and Learning)

Haroon Khalid (Group Head Compliance and Control Group)

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



Dr. Muhammad Imran (Group Head Islamic Banking)
Mehreen Ahmed (Group Head Retail Banking)
Nauman Ansari (Director and CEO)
Bilal Asghar (Group Head Corporate, Investment Banking and International Business)

Tahir Khurshid (Group Head Audit and Inspection)
Zahid Anjum (Group Head Special Assets Management)
Faisal Rabbani (Chief Risk Officer)
Aasim Wajid Jawad (Group Head Strategy, Transformation and Customer Experience)

Meet Our Management



NAUMAN ANSARI

President and Chief Executive Officer

Nauman Ansari joined Bank Alfalah as President and CEO in July 2017. He is reputed to be a seasoned banker with strong professional acumen. Prior to this, Nauman served various banks during his 25 years of professional career, including leading institutions like Standard Chartered Bank, Bank of America, ABN AMRO Bank, Fortis Bank (Dubai) and Samba Bank Limited (formerly known as Crescent Commercial Bank). He is a business graduate of Miami University, USA.



BILAL ASGHAR

Group Head Corporate, Investment Banking and International Business

Bilal Asghar joined Bank Alfalah as Group Head Corporate, Investment Banking and International Business in December 2017. He possesses over 23 years of experience in the banking industry, including well-known institutions like Faysal Bank Limited, Soneri Bank Limited, RBS, NIB Bank Limited, Dubai Islamic Bank, ABN AMRO Bank and Citibank. He is a graduate of the University of Southern California, USA.



MEHREEN AHMED

Group Head Retail Banking

Mehreen Ahmed is currently heading the Retail Banking Group of Bank Alfalah. She joined Bank Alfalah in April 2012 as Group Head Consumer Business and New Initiatives. She carries 31 years of banking and non-banking experience with financial institutions like Soneri Bank, MCB Bank and Standard Chartered Bank. She holds an MBA degree in Finance and Marketing from the Institute of Business Administration (IBA).



MUHAMMAD YAHYA KHAN

Group Head Digital Banking

Muhammad Yahya Khan joined Bank Alfalah as Group Head Digital Banking in February 2018. He carries over 23 years of banking and non-banking experience with leading organisations like ICI Pakistan, Engro Chemical, Unilever Pakistan, AXA Sun Life Services (UK), PricewaterhouseCoopers (London), J. P. Morgan Chase Bank (London) and Telenor Bank. He is a Fellow Chartered Accountant and holds an M.Sc. degree from Cranfield University, UK.



DR. MUHAMMAD IMRAN

Group Head Islamic Banking

Dr. Muhammad Imran joined Bank Alfalah in August 2018. He has over 22 years of banking and non-banking experience with leading institutions like National Bank of Oman, United Bank Limited, Bank Islami Pakistan Limited, Standard Chartered Bank, Shell Pakistan Limited and Philips Pakistan Limited. He holds a Ph.D. in Economics from University of Karachi and a Master's degree in Business Administration from IBA, Karachi, in which he was awarded a gold medal.



SYED ALI SULTAN

Group Head Treasury and Capital Markets

Syed Ali Sultan joined Bank Alfalah in February 2012 and is currently heading Treasury, Capital Markets and Financial Institutions Group. He has over 27 years of experience in the financial sector in Pakistan and overseas, including institutions like Standard Chartered Bank (Pakistan and Dubai), BNP Paribas Bank (Bahrain) and State Bank of Pakistan. He holds a Master's degree in Applied Mathematics from the University of Karachi.



ANJUM HAI

Chief Financial Officer

Anjum Hai joined Bank Alfalah as Chief Financial Officer in November 2017. She has over 25 years of work experience with 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 Fellow Member of Associated Chartered Certified Accountants and holds Accelerated Certificate in Company Direction from Institute of Directors, UK.



HAFSA ABBASY

Group Head Human Resources and Learning Group

Hafsa Abbasy joined Bank Alfalah as Head of Human Resources and Learning Group in December 2017. She has over 28 years of experience in Banking and Human Resource Management with leading organisations like Citibank, RBS (formerly known as ABN AMRO Bank), Engro Polymer and Chemicals, Standard Chartered Bank and Habib Bank Limited. She holds an MBA degree in Finance and Marketing from the Institute of Business Administration (IBA).



FAISAL RABBANI

Chief Risk Officer

Faisal Rabbani joined Bank Alfalah in November 2018. Faisal has over 26 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. Faisal holds a Master's degree in Business Administration from IBA, Karachi.



AASIM WAJID JAWAD

Group Head Strategy, Transformation and Customer Experience

Aasim Wajid joined Bank Alfalah as Head Strategy in June 2013. Prior to this, he served various senior and leading positions in 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 London School of Economics.



KHAWAJA MUHAMMAD AHMAD

Group Head Operations and Corporate Services

Khawaja Muhammad Ahmed joined Bank Alfalah in April 2015. He is currently heading the Operations and Corporate Services Group. He has over 26 years of experience in diverse facets of banking with well-known institutions like Standard Chartered Bank, Prime Commercial Bank, The Bank of Punjab, Dubai Islamic Bank (UAE), Allied Bank and Soneri Bank Limited. He holds a Bachelor's degree in Finance from Drake University Iowa, USA.



MOHIB HASAN KHAN

Chief Information Officer

Mohib Hasan Khan joined Bank Alfalah as Chief Information Officer in January 2016. He holds over 26 years of rich experience in information technology, including 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 NED University.



HAROON KHALID

Group Head Compliance and Control

Haroon Khalid is currently heading the Compliance and Control Group of Bank Alfalah. He carries over 24 years of banking experience, primarily with MCB Bank and 13 years of association with Bank Alfalah as he joined the Bank in May 2007. He holds an MBA degree from the Lahore University of Management Sciences (LUMS).



MUHAMMAD AKRAM SAWLEH

Company Secretary and Head of Legal and Corporate Affairs Group

Muhammad Akram Sawleh joined Bank Alfalah in August 2018. He possesses over 27 years of diversified experience as a practicing lawyer as well as in-house counsel for some renowned corporations like Habib Bank Limited, Standard Chartered Bank, Union Bank and State Bank of Pakistan. He holds a LLB degree from University Law College, Punjab University, Lahore.



TAHIR KHURSHID

Group Head Audit and Inspection

Tahir Khurshid is currently heading the Audit and Inspection Division of Bank Alfalah. He has over 23 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 done his MBA (Finance) from American International University.

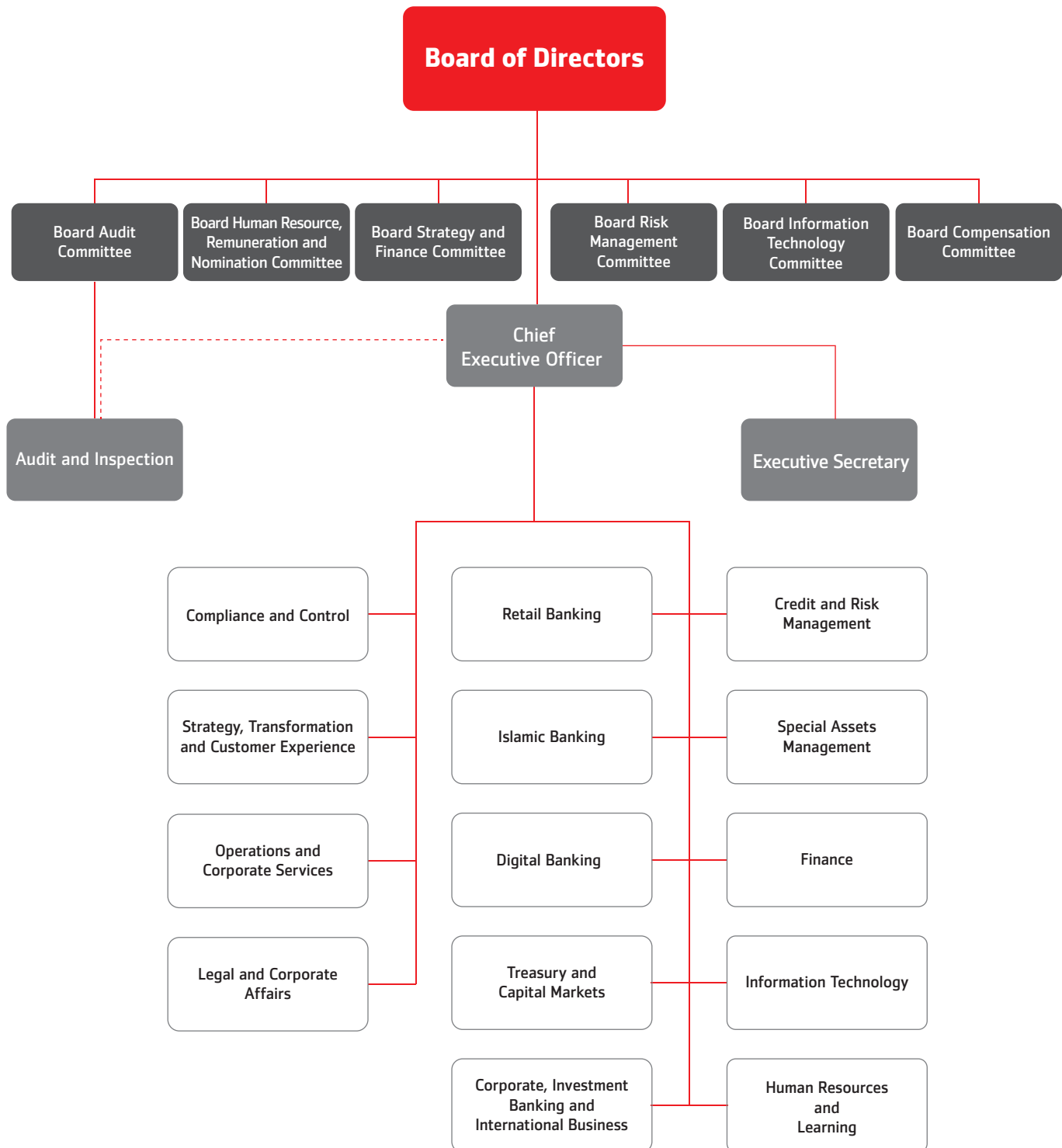


ZAHID ANJUM

Group Head Special Assets Management Group

Zahid Anjum joined Bank Alfalah in August 2018. Zahid has over 26 years of diversified experience with leading commercial banks; his main area of expertise being management of special assets, credit management and structuring, and relationship management. Prior to joining Bank Alfalah, Zahid was associated with Faysal Bank Limited as Head Special Assets Management and Government Relations. He holds a Master's degree in Business Administration and Law from Punjab University, Lahore.

Organisational Structure



Board Committees and Terms of Reference

Board Audit Committee (BAC)

- To oversee the integrity of the accounting and financial reporting processes 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 the compliance of applicable Laws and Regulations and to ensure the adherence of Accounting and Reporting Standards.
- To oversee adherence of employees and management to Bank's Control Framework and Code of Conduct.
- Selection and recommendation of the External Auditor to the BOD, after thorough analysis of qualification and competence, and ensuring its independence from the Management.
- Establishment and smooth functioning of an independent, objective and competent Internal Audit Group supported by adequate resources.
- To review the performance of Internal Audit Function (IAF) and External Auditors.
- Review and recommend to the Board of Directors the amendments in the internal audit policy.
- Approval of the Audit Manual, Assurance Level and Audit Rating System, prepared and presented by Group Head-ALG, after thorough discussion and analysis, with prime focus on Risk Based Audit Approach.
- To ensure that ALG is independent of the activities it audited and from the everyday internal control process and is adequately structured to achieve its chartered objectives and responsibilities.
- To oversee Shariah Audit Function, Credit Risk Review of Corporate portfolio and Management's actions for identification of gaps and implementation of controls as a preventive measure against frauds as stated in the fraud preventive policy.
- Review and discuss with Group Head-ALG and Management, the status of implementation of the Committee's Decisions and reasons for any significant delay(s) together with Committee's direction for necessary actions.
- Formulation and approval of Key Performance Indicators (KPIs) of CIA/ Head of Internal Audit .
- To ensure independence of any investigation/disciplinary action against CIA/Head of Internal Audit or Internal Auditors.
- To review effectiveness of Whistle Blow mechanism of the Bank.
- Provision of reports to the Board regarding any other matter as per the requirement of BOD further communication with the relevant sub-committees of the Board/BOD regarding significant findings by Internal Audit or External Audit and their implementation status relating to their respective areas for consideration and follow-up for corrective actions thereon.
- Fulfillment of any other task/responsibility assigned by the Board as well as by the Regulators.

Committee Members

Shehzad Naqvi
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios
Arapoglou
Member

Dr. Ayesha Khan
Member

Tahir Khurshid
Secretary

Meetings held during the year

- 20th February, 2019
- 24th April, 2019
- 16th May, 2019
- 17th August, 2019
- 17th October, 2019
- 6th December, 2019

Board Human Resource, Remuneration and Nomination Committee (BHRNC)

- To ensure that HR policies and practices are in line with the market dynamics and business objectives of the Bank.
- To design competitive compensation programs 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's remuneration Guidelines, and ensure that remuneration policy is align with significant requirements of the guidelines.
- To periodically examine the Bank's remuneration policy.
- To review and recommend the HR policies of the Bank to the Board. Ensure development of new policies to help attract, retain, develop and motivate talent.
- To review the Management Structure/Organogram of the Bank.
- To review and recommend the selection/ appointment/ reappointment, evaluation, compensation, increments, performance bonuses, fringe benefits, including retirement benefits, and terms and conditions of service agreement of the CEO to the Board.
- To review and recommend to the Board the selection, evaluation and compensation of key executives of the Bank as defined in the State Bank of Pakistan's Fit and Proper Test Criteria (SBP's FPT).
- To review and confirm the Job Descriptions of key executives, review and recommend the appointment and promotions of all key executives and general managers.
- To investigate and recommend resolutions to the Board of major violations of the code of business conduct and ethics that may relate to personnel or internal controls relating to 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 attended Board and Board Committee meetings.
- To review and monitor the training and development budget.
- To look after any other matters relating to Human Resource Management.

Committee Members

Dr. Ayesha Khan
Chairperson

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Dr. Gyorgy Tamas Ladics
Member

Shehzad Naqvi
Member

Muhammad Akram Sawleh
Secretary

Meetings held during the year

- 21st February, 2019
- 24th April, 2019
- 16th May, 2019
- 17th August, 2019
- 17th October, 2019

Board Strategy and Finance Committee (BSFC)

- To assist the Board in performing its functions and responsibilities with focus on policy making and general direction, oversight and supervision, within the framework of applicable Regulations and without involvement into the day to day operation of the Bank.
- To review all matters relating to Strategy and Finance, as well as all other matters not specifically covered in the Terms of Reference of other specialised Board committees.
- To review the strategic plan of the Bank and periodically monitor the status of the implementation of the approved strategic plan.
- To review the annual business and capital expenditure budgets, operational budgets and periodic reviews of the Bank's performance, vis-à-vis approved budget and against peer banks and industry.
- To review financial and operational performance of the Bank as well as acquisitions, investments, impairments/write-offs, claims against the Bank, etc.
- To oversee aspects of capital management including issuance of shares and capital instruments, issuance of cash/stock dividend and capital injection decisions for overseas operations.
- To review and approve capital expenditure, recurring and operating expenses and write-offs as per defined thresholds.
- To review, obtain updates and recommend annual branch network expansion plans including plans for overseas operations, setting-up companies/operations/offices in new overseas locations, for approval to the Board.
- To review and recommend Shariah Board reports in compliance with SBP Shariah Governance Framework, for approval to the Board.
- To review and recommend matters relating to the shareholders and related parties to the board, in consultation with the Chairman.

Committee Members

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios
Arapoglou
Member

Shehzad Naqvi
Member

Nauman Ansari
Member

Aasim Wajid Jawad
Secretary

Meetings held during the year

- 21st February, 2019
- 25th April, 2019
- 16th May, 2019
- 18th August, 2019
- 17th October, 2019
- 6th December, 2019

Board Risk Management Committee (BRMC)

- To establish and maintain a system to oversee risk management policies and principles.
- To review the adequacy and effectiveness of the risk management process across the Bank.
- To establish and maintain a risk management framework to identify risks and to evaluate the alignment and effectiveness of risk management activities.
- To review the Bank's strategy from a risk perspective and ensure that it is prepared in accordance with the Bank's policies.
- To review and recommend to Board the Bank's overall risk appetite and delineating risk tolerance in relation to credit, market, liquidity, operational (including trade based money laundering risk, Shari'ah risk, legal risk, outsourcing risk, etc.), approve the exposure limits in relation to risk management strategies, and review compliance with these limits.
- To ensure a system to identify any exceptions to the appetite/ limits and the risk management policies and procedures; and to take timely corrective measures.
- To review Risk Management Information System reports, evaluate the findings and the appropriateness of the remedial measures and direct necessary actions, besides approving Credit related policies, Internal Risk rating policy and recommend the same for Board approval.
- Reviewing Product Programmes of lending/investment/derivative and Product Programmes related to new line of business and recommend them to the Board.
- Recommending to Board, delegation of authorities to management committees for achieving Board mandated strategic direction.
- To approve the Terms of Reference of the Central Credit Committee (CCC).

Committee Members

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Shehzad Naqvi
Member

Efstratios Georgios Arapoglou
Member

Nauman Ansari
Member

Farhan Ali
Secretary

Meetings held during the year

- 20th February, 2019
- 24th April, 2019
- 16th May, 2019
- 17th August, 2019
- 17th October, 2019
- 6th December, 2019

Board Compensation Committee (BCC)

- To select eligible employees from time-to-time, to be granted Options under the Scheme, as per the terms of the Companies (further issue of shares) Regulations, 2018 and the Bank's approved Employee Stock Options Scheme.
- To determine the Share Entitlement to be offered to each designated employee selected from time-to-time.
- To determine the time when an option may be granted and any conditions that must be satisfied by eligible employees and/or designated employees before an option is offered.
- To determine the Exercise Price, as per the terms of the Scheme, and the Share Entitlement in respect of which option may be granted to designated employees.
- To develop a suitable policy and system to ensure that there is no violation of the insider trading provisions of the Securities and Exchange Ordinance, 1969, and the Security Exchange Commission of Pakistan Act, 1997.
- To oversee any other matters relating to Human Resource Management as may be assigned by the Board.

Committee Members

Dr. Ayesha Khan
Chairperson

Khalid Mana Saeed Al Otaiba
Member

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios
Arapoglou
Member

Muhammad Akram Sawleh
Secretary

Meetings held during the year

- 16th May, 2019
- 17th August, 2019

Board Information Technology Committee (BITC)

- To review and recommend IT Strategy and Digital Strategy of the Bank to the Board for approval.
- To advise and report to the Board on the status of technology activities and digital initiatives in the banks. To review and monitor the implementation of SBP 'Enterprise Technology Governance and Risk Management Framework'.
- To monitor the overall impact with regard to business, customer, control as well as the impact of Information Technology infrastructure and applications, to assess and address strategic gaps and issues.
- To monitor, oversee and optimize technology related investments and capital expenditure related to Information Technology and to recommend IT budget to the Board for approval.
- 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 effectively respond to wide-scale disruptions, cyber-attacks and attacks on critical infrastructure.
- 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 & information, infrastructure & assets, human resource staff development, recruitment and the retention of skilled staff, vendors, etc.).

Committee Members

Dr. Gyorgy Tamas Ladics
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios
Arapoglou
Member

Nauman Ansari
Member

Aasim Wajid Jawad
Secretary

Meetings held during the year

- 20th February, 2019
- 25th April, 2019
- 18th August, 2019
- 17th October, 2019

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 committees and their TORs have been approved by the Board. The role of these committees is to ensure that the activities of the Bank reflects 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
3. Digital Council

Central Management Committee

- Nauman Ansari – Chairman
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Mohib Hasan Khan
- Mehreen Ahmed
- Dr. Muhammad Imran
- Hafsa Abbasy
- Anjum Hai
- Bilal Asghar
- Aasim Wajid Jawad
- Syed Ali Sultan
- Haroon Khalid
- Muhammad Akram Sawleh
- Muhammad Yahya Khan
- Zahid Anjum
- Zahra Anwar Furniturewalla – Secretary

Central Credit Committee

- Nauman Ansari – Chairman
- Faisal Rabbani
- Bilal Asghar
- Mehreen Ahmed
- Dr. Muhammad Imran
- Najam Uz Zaman Siddiqui
- Ali Sultan
- Javed Iqbal
- Beena Fawad – Secretary

Digital Council

- Nauman Ansari – Chairman
- Muhammad Yahya Khan
- Mehreen Ahmed
- Khawaja Muhammad Ahmad
- Faisal Rabbani
- Anjum Hai
- Mohib Hasan Khan
- Aasim Wajid Jawad
- Hafsa Abbasy
- Dr. Muhammad Imran
- Waseem Yousaf – Secretary

Sub-Committees of CMC

To carry out the mandate of the CMC, it has formed the sub-committees. 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 terms of reference of the sub-committees.

Customer Experience Council

- Nauman Ansari – Chairman
- Aasim Wajid Jawad
- Mehreen Ahmed
- Bilal Asghar
- Dr. Muhammad Imran
- Khawaja Muhammad Ahmad
- Mohib Hasan Khan
- Muhammad Yahya Khan
- Hafsa Abbasy
- Arif Raza
- Hasnain Zaigham
- Farooq Qamar Khan
- Talal Ali Raza
- Sarmed Ijaz Awan
- Khawaja Zia Abbas
- Talat Khurshid Mian
- Imran Assad Khan
- Suhail Siddiqui – Secretary

Information Technology Steering Committee (ITSC)

- Nauman Ansari – Chairman
- Mohib Hasan Khan
- Anjum Hai
- Kamran Mehmood
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Dr. Muhammad Imran
- Mehreen Ahmed
- Muhammad Yahya Khan
- Mehzaad Sahar
- Jerome Andrades – Secretary

Controls and Compliance Committee

- Nauman Ansari – Chairman
- Faisal Rabbani
- Anjum Hai
- Mohib Hasan Khan
- Mehreen Ahmed
- Dr. Muhammad Imran
- Khawaja Muhammad Ahmad
- Bilal Asghar
- Muhammad Akram Sawleh
- Hafsa Abbasy

- Mubashir Mustafa
- Muhammad Ayyaz Ashraf
- Aamir Patel
- Faisal Ahmed
- Haroon Khalid – Secretary

Asset and Liability Committee (ALCO)

- Nauman Ansari – Chairman
- Faisal Rabbani
- Mehreen Ahmed
- Dr. Muhammad Imran
- Anjum Hai
- Bilal Asghar
- Syed Ali Sultan
- Hasan Ahmed Khan – Secretary

Process Improvement Committee (PIC)

- Khawaja Muhammad Ahmad – Chairman
- Haroon Khalid
- Farhan Ali
- Moiez Ahmed Usmani
- Afsheen Jalal – Secretary
- Audit and Inspection Group representative (by invitation)

Investment Committee

- Nauman Ansari – Chairman
- Faisal Rabbani
- Anjum Hai
- Bilal Asghar
- Syed Ali Sultan
- Imtiaz Gadar
- Muzammil Shahid Bhatti – Secretary

Expenditure Approval Committee (EAC)

- Anjum Hai – Chairperson
- Khawaja Muhammad Ahmad
- Mohammad Maqsood Ali Usmani
- Amin Sukhiani
- Muhammad Ashraf
- Ali Murtaza – Secretary

Role of the Board and the Management

The Board has retained ultimate responsibility for the strategic direction and control of the Bank.

The Board has delegated the senior management team under the leadership of the Chief Executive Officer, to deliver the strategic direction and goals determined by the Board. A key function of the Board is to monitor the performance of senior management in this function.

The Board from time-to-time establishes committees to streamline the discharge of its responsibilities. For each standing committee, the Board adopts a 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

The committees' ToRs are reviewed annually. It is intended that each standing 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.

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 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Bank Alfalah Limited is carried out. The purpose of this evaluation is to

ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Bank. Areas where improvements are required are duly considered and action plans are framed.

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 had been identified, and that Board and its committees operated effectively throughout the period under review.

Board's Performance Evaluation Carried Out by an External Consultant

The State Bank of Pakistan (SBP), through BPRD circular no. 11 of 2016 dated 22nd August, 2016, has mandated that the Board of every bank, must carry out a formal annual performance evaluation of

the Board, its Committees, and individual directors. The circular also required performance evaluation to be carried out by an external independent evaluator at least once in every three years.

During the year, M/s Pakistan Institute of Corporate Governance (PICG) carried out performance evaluation of the Board, its sub-committee and the directors.

Annual Evaluation of the Board, Committees and Individual Directors' Performance

The Board of Directors at Bank Alfalah is responsible for devising strategies that help the Bank in reaching its desired goals, monitoring overall performance of the Bank, providing management with strategic direction, and ensuring management's compliance with the regulatory regime including SBP's requirements and the Code of Corporate Governance and Ethical Conduct. In order to ensure that interests of stakeholders in the Bank are well-protected and timely achieved, the Board plays a pivotal role as a fiduciary to act and communicate with management on their behalf.

The roles and responsibilities as specified by relevant Acts/Regulations, State Bank's Prudential Regulations and its Guidelines are well-defined.

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

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

Strategic Direction: To ensure that the Board is actively involved in

setting and devising key strategies that provide the Bank with futuristic directions going forward, and all of the management proposals, challenges, assumptions and alternatives are duly considered prior to deciding such strategy.

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

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, which help the Bank to measure level of awareness of key responsibilities; establish current baseline of the Board's performance; identify critical gaps in key areas of Board effectiveness; measure degree of alignment among the Board members; focus on high impact, low performance areas; create Board effectiveness improvement plan and execute and follow up on improvement plan.

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

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

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

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

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

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

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

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

Roles and Responsibilities of the Chairman and the CEO

The Chairman of the Board and the Chief Executive Officer of the Bank, both play a substantial and significant role in overall growth of the Bank by providing the management with a strategic direction and helping it materialise its mission and vision statement.

In this regard, key roles and responsibilities of the Chairman and the CEO are described below.

Roles and Responsibilities of the Chairman

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

Other responsibilities include:

- Serving as a leader and driving agent of the Board of Directors (BoD), monitoring and managing all of its activities, aligning the Board's goals and decisions with that of the management. The Chairman also ensures that the Board stays on the right direction with respect to achieving its objectives;

- Presiding over the Board's meetings and general meetings, and ensuring that these meetings are executed productively and key agenda is discussed along with a valuable conclusion/decision. The Chairman also oversees the Board's key decision-making activities; and
- Exercising powers and authorities that are vested in and conferred to him under Terms of Reference of Board Committees as approved by the Board of Directors.

Roles and Responsibilities of the President/CEO

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

Key responsibilities include:

- Managing and administering the affairs of the Bank in accordance with laws, rules, regulations, and the Memorandum and Articles of Association of the Bank;

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

Other Matters Relating to Governance

Non-executive directors

At present, all directors on the Board are non-executive except for the President and CEO of the Bank. The Non-Executive Directors provide an outside viewpoint to the Board. They are neither involved in managing the day to day affairs of the Bank nor are from the executive management team of the Bank.

Independent directors and their independence

The Board has three (03) Independent Directors which meets the criteria of independence under the Company Act, 2017 and the directive issued by the State Bank of Pakistan (SBP).

Representation of female directors on the Board

Dr. Ayesha Khan is the female director on the Board.

Election of the Board of Directors

The election of the Board of Directors of the Bank was held on 27th May, 2018 and the shareholders elected (9) directors for a period of three years.

Casual vacancies on the Board of Directors

There was no casual vacancy on the Board during 2019.

Directors' orientation

Board orientation refers to a process for helping new directors contribute fully, and as early as possible in their tenure to the governing work of the Board. The objective of the orientation is to enable the directors:

- To understand their roles, responsibilities and time

commitment to governance work around the Board and committees;

- Be aware of the current goals, opportunities and challenges facing the organisation;
- Be aware of who the organisation's main stakeholders are, including clients, partners, the public as well as the staff;
- Have some sense of how their own background, knowledge, experience and skills will contribute to the current work of the Board, and the goals of the organisation;
- Appreciate the background, knowledge, experience and skills of each of the other directors;
- Knowledge of how Board meetings are run, decisions are made, and what formal governing policies and practices exist; and
- Understand how the Board functions similarly or differently than other boards they have served on or are serving on.

During 2018, three new directors were elected and a comprehensive orientation session spanning two full days was held in June 2018. The session focused on areas of Business, Risk Management, HR, Capital, Finance, Treasury, Business Intelligence and Digital Banking. In addition, legal orientation was also given in the Board meeting held in August 2018.

Directors' Training Programme (DTP)

The Bank is fully compliant with the criteria and requirement of the Listed Companies (Code of

Corporate Governance) Regulations, 2019 (CCG-2019).

The Bank has arranged Directors' Training Programme 'Corporate Governance Leadership Skills (CGLC) – Directors Education Programme' as per SECP's approved criteria from 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. Shehzad Naqvi
3. Dr. Gyorgy Tamas Ladics
4. Mr. Nauman Ansari

The other directors having a minimum of 14 years of education and 15 years of experience on the Board of a listed company, local and/or foreign, stand exempted from the Directors' Training Programme as per requirement of Code of Corporate Governance (CCG) 2019.

Policy for remuneration to non-executive directors

Non-executive directors of the Bank play a crucial role to the independent functioning of the Board. They bring in external and wider perspective to the decision-making by the Board. They provide leadership and strategic guidance with their objective judgment. They also help the Bank in ensuring that legal requirements and corporate governance are well taken care of.

The responsibilities and obligations imposed on the non-executive directors have increased manifold in recent years on account of a number of factors, including the growth in the activities of the

Bank and the rapid evolution arising out of legal and regulatory provisions and requirements.

The Bank follows the regulations relating to remuneration to the Directors issued by SECP and SBP. A formal policy and transparent procedure for remuneration of directors in accordance with the Regulatory Requirements, has been formulated and recommended by the Board to the shareholders for approval in the upcoming Annual General Meeting.

Foreign directors' security clearance

Foreign directors elected on the Board of the Bank requires security clearance from the Ministry of Interior Affairs through SECP. All legal formalities and requirements have been met and fulfilled in this regard.

Executive directors and their directorship

The Executive Director on the Bank's Board, Mr. Nauman Ansari, is serving as a non-executive director on the Board of three other companies/institutions.

Board's policy on diversity

The Bank recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, gender and other distinctions between directors. These differences are considered in determining the optimum composition of the Board and when possible are balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge, which the Board as a whole requires to be effective.

Details of board meetings held outside Pakistan

During the year 2019, five board meetings were held. All meetings except one, were held in Abu Dhabi.

Related party transactions

Bank Alfalah Limited enters into transactions with many related parties in its day to day operations.

The Bank enters into such transactions to meet its business objectives, and at the same time it recognises the need to maintain transparency and being compliant of its obligations towards stakeholders, including shareholders, regulators, employees, etc. It believes that there shall not be any conflicts of interest or non-disclosure of such transactions. To meet this objective, the Bank has a Related Party Transactions Policy, which aims at ensuring that the Bank follows a transparent and compliant procedure and guidelines to enter into such transactions.

The Policy is subject to guidance from the SECP and/or actions taken by the Company's Board of Directors or the Board Audit Committee. The purpose of this

Policy is to ensure that Bank Alfalah meets its obligations under:

- a) The Companies Act, 2017;
- b) The Banking Companies Ordinance, 1962;
- c) The 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

The Bank has made detailed disclosures about Related Party Transactions in its financial statements annexed with this annual report. Such disclosure is in line with the regulatory requirement.

Shares held by sponsors/directors/executives

Breakup of shares held by the sponsors, directors and executives as at 31st December, 2019 is given below. Detailed categories of shareholding and pattern of shareholding are annexed with this report.

Category	Number of shares held	% holding
Sponsors (Abu Dhabi Group) and Directors	752,720,498	42.35%
Executives	5,845,762	0.33%
Others	1,018,598,859	57.32%
Total	1,777,165,119	100.00%

Particulars of major foreign shareholders, other than natural persons holding more than 5% of paid-up capital

Particulars of foreign shareholders, other than natural persons	31st December, 2019 % holding
International Finance Corporation	14.74%
Electro Mechanical Co. LLC	5.44%

Profile of the Shariah Board

Dr. Mufti Khalil Ahmad Aazami, Chairperson

Dr. Mufti Khalil Ahmad Aazami is a renowned Shariah Scholar in the Islamic Banking industry. He joined Bank Alfalah Islamic Banking in 2003 as a Shariah Advisor and is now serving as Chairperson Shariah Board.

Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate degree in 'Islamic Jurisprudence' from Karachi University. He has also served as an Advisor/Shariah Board member in different financial institutions, including Takaful Pakistan Limited (2005-2014) and Alfalah GHP Islamic Fund (2007-2014).

He is currently serving as Shariah Board member of Faysal Bank-Barkat Islamic Banking and National Bank of Pakistan-Aitemaad Islamic Banking. Moreover, he is a member of Shariah Standard Committee Pakistan of Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Dr. Aazami has 20 years of research experience related to Islamic Finance and other Shariah related subjects. He is an author of numerous publications.

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

Mufti Muhammad Mohib ul Haq Siddiqui, Member

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

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

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

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

Mr. Siddiqui has served as Shariah Scholar/Facilitator at the following institutions:

- Shariah Advisor - Faysal Bank Ltd from 2011 till 2015
- Member Shariah Board - Takaful Pakistan Ltd from 2006 till 2016
- Member Shariah Board - JS Islamic Fund from 2003 till 2017
- Faculty Member - Jamia Darul Uloom, Karachi from 2003 till date
- Faculty Member - Centre for Islamic Economics, Karachi from 2004 till date
- Visiting Faculty Member - NIBAF and PAF-KIET (Karachi Institute of Economics and Technology)

Mufti Ovais Ahmed Qazi, Resident Member

Mufti Ovais Ahmed Qazi is serving Bank Alfalah Ltd-Islamic Banking as Resident Shariah Board Member since 2015. He was Assistant Shariah Advisor in the Bank for more than two years. Prior to his time at Bank Alfalah, he worked in Shariah Compliance Department at Burque Corporation (Pvt) Ltd, Karachi.

He holds a Master's degree in Business Administration (Banking and Finance) from Institute of Business Management, Karachi (IoBM). He obtained Shahadat-ul-Aalamiyya (Dars e Nizami) and Takhassus-fil-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) qualifications from Jamia Darul Uloom, Karachi. Further, he holds 'Certified Shariah Advisor & Auditor (CSAA)' by AAOIFI and 'Certified Islamic Finance Executive (CIFE)' by ETHICA Institute of Islamic Finance (UAE).

He is also a member of Sub-Committee for Review of AAOIFI Shariah Standards, established by State Bank of Pakistan-Islamic Banking Department.

He is a visiting faculty of Centre for Islamic Economics, Hira Foundation Academy, Sheikh Zayed Islamic Center (University of Karachi) and IBA-CEIF for the subjects related with Islamic Finance and Economics.

Terms of Reference of the Shariah Board

Shariah Board

- To perform such functions as stipulated under Para 3(b) of the Revised Framework issued by State Bank of Pakistan vide its IBD Circular No. 01 of 7th June, 2018.
- To consider, decide and supervise all Shariah related matters.
- To be responsible and accountable for all its Shariah decisions.
- To cause to develop a comprehensive Shariah governance/compliance framework for all areas of operations of the BAFL-IBG.
- To meet at least on a quarterly basis and to rigorously deliberate on the proposals before giving any decisions/fatwa.
- To meet BOD on half yearly basis to have a detailed briefing on the Shari'ah compliance environment, the issues/weaknesses, if any, and recommendations to improve Shariah compliance environment, and to ensure timely and effective enforcement of the Shariah Board's decisions/ observations/recommendations.
- To review and approve all products/services and related agreements/ contracts, structures, process flows, product manuals, marketing advertisements, sales illustrations, brochures and training plan, etc. to ensure that all such matters are in confirmatory with the rules and regulations of Shariah.
- To review all internal Shariah audits, external Shariah audit, SBP inspection and Shariah compliance review reports which shall be presented to the SB for prescribing appropriate enforcement action.
- To obtain reasons from the Executive Management for not getting approval of SB for any products/services and related agreements/ contracts, structure, process flows, product manuals, marketing advertisements, sales illustrations and brochures, etc. relating to Islamic Banking business.
- To take up the 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 annual report on the Shariah compliance environment and conditions. The report is placed before BoD and published in the annual accounts. SB shall include the open issues in its annual report.
- To discuss all the significant and unresolved issues with SBP inspections team during SBP inspection, if warranted.

Committee Members

Dr. Mufti Khalil Ahmad Aazami
Chairperson

Mufti Muhammad Mohib ul Haq
Siddiqui
Member

Mufti Ovais Ahmed Qazi
Resident Member

Moiez Ahmed Usmani
Secretary

Meetings held during the year

- 6th February, 2019
- 14th May, 2019
- 5th August, 2019
- 18th November, 2019

Report of the Shariah Board

for the year ended 31st December, 2019

الحمد لله رب العالمين والعاقبة للمتقين والصلوة والسلام على سيد الرسل وخاتم النبيين وعلى آله وصحبه اجمعين.

By the grace of Almighty Allah, the year under review is the 16th year of Islamic Banking Operations of Bank Alfalah Limited (herein referred as 'the Bank'). The Board of Directors and Executive Management are solely responsible to ensure that the operations of the Bank 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 the Bank in Pakistan, from Shariah perspective as described under Shariah Governance Framework of State Bank of Pakistan.

During the year under consideration, Bank revamped, under a continuous process, the product programme guidelines, manuals and relevant documents that pertain to existing asset and liability products. Moreover, systems, policies and procedures of Islamic Banking operations of the Bank were designed and upgraded to enhance the Shariah compliance capabilities of the system. Shariah Board, in this regard, reviewed and approved the same ensuring the products and services offered by the bank to be valid as per Shariah. The Bank used Murabaha, Ijarah, Diminishing Musharakah, Istisna, Running Musharakah, Salam and Tijarah for SME and Corporate financings. For Consumer Financing, the Bank adopted Ijara and Diminishing Musharakah products.

During the year, the Bank offered SBP Refinance Scheme for Islamic Long Term Financing Facilities to cater customer's needs at subsidised rates. Shariah Board also approved Home Musharakah Facility for consumer financing on Equal Monthly Installment (EMI) basis keeping in view necessary precautions which facilitates and

provides ease to customers. As a new initiative Shariah Compliance Department under the supervision of Shariah Board developed a booklet named 'Zakat Guide' for Islamic banking customers to enable them to calculate Zakat on the financings obtained through different products.

During the year under review Alfalah Islamic Recurring Value Deposit was launched and lauded as an innovative product on the liability side. Further Alfalah Islamic Profex, Free Takaful Coverage for IBG customers, and Alfalah Islamic Non-Resident Pakistani account was also approved. The Bank continues to lead the way in the digital banking arena by innovating and launching new products. This year Alfa Current Islamic Wallet was approved by the Shariah Board for those customers seeking a Shariah compliant digital account.

During the year Shariah Compliance and Internal Shariah Audit Departments has reviewed 136 IBG branches, 17 centralised units and 4 IBG departments, including Treasury, HR-Provident Fund, ensuring compliance of Shariah Board's instructions and guidelines.

Shariah Compliance Department (SCD) also assisted the Bank in seeking approvals of different PPGs, manuals, SOPs, marketing material, website material and approval of various transactions along with customised process flows from the Shariah Board. In this regard, the department visited the customers, especially in case of new customers to ascertain their business model and feasibility for the transaction as per Shariah. This year the Department reviewed over 331 process flows for corporate, commercial and SME clients. As a

part of its responsibilities, SCD verified distribution of profit and loss to the depositors prior to disbursement on monthly basis.

To form our opinion as expressed in this report, the Shariah Compliance Department of the Bank carried out reviews, on test check basis, of each class of transactions, 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 by the Bank during the year of 2019 are, by and large, in compliance with fatwas/ opinions/advices issued by Shariah Board.
- ii) The Bank has complied with directives, regulations, instructions, and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Advisory Committee.
- iii) The Bank has a mechanism in place to ensure Shariah compliance in its operations, through Shariah Compliance Department and Internal Shariah Audit Department.
- iv) The Bank has a well-defined system in place in form of Internal Shariah Audit and Shariah Compliance Review to ensure that earnings realised from sources or means prohibited by Shariah will be credited to the charity account to warrant that the

income distributed among stakeholders generally remains Halal and pure. In year 2019, an income of Rs. 3.486 Million has been transferred to the charity account as per Shariah Board's instructions due to the violations of Shariah guidelines observed. During the year, an amount of Rs. 22.699 Million was recovered from the customers as charity on account of delay in payments.

A substantial amount of Rs. 25.900 Million has been granted to various charitable institutions against current collection and previous year's balances.

- v) The allocation of profits and losses to Mudarabah based remunerative depositors, which was reviewed on monthly basis, is generally in conformity with Shariah Rules and Principles and Pool Management Guidelines of State Bank of Pakistan.
- vi) Learning and Development Department has conducted various training programmes pertaining to the staff of IBG branches and different centralised units of the Bank.
- vii) The Management shows positive attitude towards providing resources in Shariah Compliance Department.

Further, the following is our recommendation for additional improvements of the processes:

- The Bank is working on capacity building of the staff, however the Bank needs more focus on strengthening overall structure and effective execution of training plan approved by the Shariah Board.

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

وَصَلَّى اللّٰهُ عَلٰى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّم

Dr. Khalil Ahmad Aazami
Chairperson Shariah Board

Mufti Muhammad Mohib ul Haq Siddiqui
Member Shariah Board

Mufti Ovais Ahmed Qazi
Resident Member Shariah Board

4th February, 2020/9th Jumada-us-saniah 1441 AH

اللہ تعالیٰ سے دعا ہے کہ وہ ہمارے اختیاری اور غیر اختیاری گناہوں اور لغزشوں سے درگزر فرمائیں اور ہمیں دنیا و آخرت کی کامیابی سے نوازیں اور بروز قیامت ہم سب کی دستگیری فرمائیں۔

نیز معاملات کی مزید بہتری کے لیے شریعہ بورڈ کی تجاویز درج ذیل ہیں:

- بینک عملے کی استعداد کی بہتری کے لیے کوشاں ہے، البتہ شریعہ بورڈ سے منظور شدہ تربیتی پلان اور اس پر عمل درآمد پر مزید توجہ دینا ضروری ہے۔

6. بینک کے شعبہ تعلیم و تربیت (Learning & Development Department) نے اسلامک بینکنگ کی شاخوں اور بینک کے مرکزی شعبوں کے عملے کو اسلامک بینکنگ سے متعلقہ ٹریننگ کروائی۔

7. انتظامیہ شریعہ کمپلائنس ڈپارٹمنٹ میں مزید وسائل فراہم کرنے کے حوالے سے سنجیدہ کردار ادا کر رہی ہے۔

وَصَلَّى اللّٰهُ عَلٰى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ

مفتی اویس احمد قاضی
ریڈیڈنٹ شریعہ بورڈ ممبر

مفتی محمد محب الحق صدیقی
ممبر شریعہ بورڈ

ڈاکٹر مفتی خلیل احمد اعظمی
چیئر پرسن شریعہ بورڈ

4 فروری، 2020/9 جمادی الثانی 1441 ہجری

شریعتہ بورڈ رپورٹ برائے سال 2019

الحمد لله رب العالمين والعاقبة للمتقين والصلوة والسلام على سيد الرسل وخاتم النبيين وعلى آله وصحبه اجمعين وبعد.

مطالعہ کی ہیں۔ مذکورہ معلومات کی بنا پر شریعتہ بورڈ کی رائے یہ ہے کہ:

1. 2019 کے دوران بینک الفلاح - اسلامک بینکنگ گروپ کے کاروباری معاملات، بالخصوص تمویلی عقود، متعلقہ معاہدے، طریقہ کار اور ان پر عمل درآمد مجموعی طور پر شریعتہ بورڈ کے جاری کردہ فتاویٰ / تجاویز / ہدایات کے مطابق رہے۔

2. نیز الفلاح اسلامک بینکنگ گروپ نے اسٹیٹ بینک آف پاکستان کی طرف سے اپنی شریعتہ ایڈوائزری کمیٹی کی ہدایات کی روشنی میں جاری کردہ اصولی احکام، تعلیمات اور قواعد و ضوابط کی تعمیل کی ہے۔

3. الفلاح اسلامک بینکنگ گروپ کے معاملات کی شریعتہ کمپلائنس کو یقینی بنانے کے لیے شریعتہ کمپلائنس ڈپارٹمنٹ اور داخلی شریعتہ آڈٹ کے شعبوں کی شکل میں ایک طریقہ کار موجود ہے۔

4. داخلی شریعتہ آڈٹ اور شریعتہ کمپلائنس ریویو کی شکل میں بینک کے پاس ایک مختص نظام موجود ہے جو اس بات کو یقینی بناتا ہے کہ غیر شرعی اور ممنوع ذرائع سے حاصل ہونے والی آمدنی چیریٹی اکاؤنٹ میں ڈال دی جائے گی تاکہ حصہ داروں کو حاصل ہونے والی آمدنی مجموعی طور پر حلال اور پاکیزہ ہو۔ سال 2019 کے دوران شریعتہ بورڈ کی ہدایات کے مطابق 3,486 ملین روپے کی آمدنی مشاہدے میں آنے والی شرعی اصولوں کی خلاف ورزیوں کے نتیجے میں چیریٹی اکاؤنٹ میں منتقل کروائی گئی ہے۔

سال کے دوران 22,699 ملین روپے کسٹمرز سے ادائیگی میں تاخیر کے نتیجے میں چیریٹی کے طور پر حاصل کیے گئے۔ 25,900 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. نفع کی تقسیم اور مضاربت پر مبنی کہانتوں میں 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

بینک کی مختلف پروڈکٹس سے حاصل کردہ فنانشنگ پر لاگو زکوٰۃ کا حساب کر سکیں۔

دوران سال Liability side پر ”الفلاح ریکرنگ ویلیو ڈپازٹ“ کی پروڈکٹ کا آغاز ہوا اور ایک نئی اور جدید پروڈکٹ کے طور پر اسے پذیرائی حاصل ہوئی۔ نیز ”Alfalal Islamic Profex“، اسلامک بینکنگ کے کسٹمرز کے لیے مفت تکافل اور ”Alfalal Islamic Non-Resident Pakistani Account“ کی شریعتہ بورڈ نے منظوری دی۔ ڈیجیٹل بینکنگ کے میدان میں بینک الفلاح جدت پیدا کرنے اور نئی پروڈکٹس کے ذریعے راہنمائی کا فریضہ سر انجام دے رہا ہے۔ اس سال بھی شریعتہ کمپلائنس ڈیپارٹمنٹ کی خواہش رکھنے والے کسٹمرز کے لیے ”Alfa Current Islamic Wallet“ کی منظوری دی گئی۔

شریعتہ بورڈ کی ہدایات پر عمل درآمد کی یقین دہانی کے لیے دوران سال شریعتہ کمپلائنس ڈپارٹمنٹ اور شریعتہ آڈٹ ڈپارٹمنٹ نے بینک کی کل 136 شاخوں، 17 سینٹرلائزڈ شعبوں اور 4 اسلامک بینکنگ کے شعبوں بشمول ٹریژری اور پروویڈنٹ فنڈ کا شرعی اصولوں کی روشنی میں آڈٹ اور ریویو کیا۔

شریعتہ کمپلائنس ڈپارٹمنٹ نے مختلف PPGs, Manuals, SOPs مارکیٹنگ اور ویب سائٹ کے مواد، متعدد عقود اور پروسس فلوز کی شریعتہ بورڈ سے منظوری میں بینک کا تعاون کیا۔ اس حوالے سے شریعتہ کمپلائنس ڈپارٹمنٹ نے مختلف کلانٹس کا دورہ کیا، خاص طور پر نئے کلانٹس کا تاکہ ان کے کاروباری نظام اور شرعی اعتبار سے کاروبار سے مناسبت کو جانچا جاسکے۔ اس سال کارپوریٹ، کمرشل اور SME کلانٹس کے 331 سے زائد پروسس فلوز کا جائزہ لیا۔ اپنے فرانسز کی سرانجامی کے دوران ڈپارٹمنٹ نے کہانہ داروں کو نفع کی تقسیم سے پہلے نفع نقصان کے حساب کی تصدیق ماہانہ بنیادوں پر کی۔

شریعتہ بورڈ نے اس رپورٹ میں موجود رائے شریعتہ کمپلائنس ڈپارٹمنٹ کے انجام کردہ ہر عقد کی چیدہ چیدہ ٹرانزیکشنز، متعلقہ دستاویزات اور پروسس فلوز کے ریویو کی مدد سے قائم کی ہے۔ نیز داخلی اور خارجی شریعتہ آڈٹ کی پیش کی گئی رپورٹس بھی

اللہ تعالیٰ کے فضل و کرم سے زیر نظر رپورٹ بینک الفلاح - اسلامک بینکنگ گروپ (جو آئندہ ”بینک“ کے نام سے مذکور ہے) کے آپریشنز کے سولہویں سال کی سالانہ رپورٹ ہے۔ بینک کے تمام معاملات کی شریعت کے اصولوں کے عین مطابق انجام دیے کی مکمل ذمہ داری بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ (Executive Management) پر ہے۔ اس رپورٹ کا مقصد اسٹیٹ بینک آف پاکستان کے شریعتہ گورننس فریم ورک (SGF) میں بیان کردہ شرعی پہلوؤں کی روشنی میں پاکستان میں بینک کے آپریشنز کی صورت حال بیان کرنا ہے۔

اس سال کے دوران بینک نے اثاثوں (Assets) اور ذمہ داریوں (Liabilities) سے متعلق موجودہ پروڈکٹس کی دستاویزات اور معاہدوں کی از سر نو نظر ثانی کا عمل جاری رکھا۔ نیز اسلامک بینکنگ آپریشنز کے لیے بنائے گئے سسٹم، پالیسی اور طریقہ کار (Systems, Policies & Procedures) میں جدت پیدا کی گئی تاکہ سسٹمز کی شریعتہ کمپلائنس کی صلاحیت میں مزید بہتری لائی جائے۔ اس سلسلے میں شریعتہ بورڈ نے مذکورہ امور کا جائزہ لینے کے بعد ان کی منظوری دی تاکہ بینک کی طرف سے پیش کردہ تمام پروڈکٹس اور سروسز شرعی اعتبار سے درست ہوں۔

بینک نے اسمال میڈیم انٹرنیشنل پرائیز (SME) اور کارپوریٹ تمویل کے لیے ”مراجہ“، ”اجارہ“، ”شرکت متناقصہ (Diminishing Musharka)“، ”استصناع“، ”رنگ مشارکہ“، ”سلم“ اور ”تجارہ“ کے طریقہ نامے تمویل اختیار کیے۔ کنزیومر فنانش کے لیے بینک نے ”اجارہ“ اور ”شرکت متناقصہ (Diminishing Musharka) پر مبنی پروڈکٹس کو استعمال کیا۔

اس سال کے دوران بینک نے کسٹمرز کی رعایتی شرح منافع پر فنانشنگ کی ضرورت کو پورا کرنے کے لیے طویل المیعاد تمویل کے لیے اسٹیٹ بینک کی ری فنانشنگ اسکیمز آفر کیں۔ شریعتہ بورڈ نے ”یکساں ماہانہ اقساط“ (EMI) کی بنیاد پر ہوم مشارکہ کی پروڈکٹ کی منظوری تمام پہلوؤں کو مدنظر رکھتے ہوئے دی جو کہ کسٹمرز کے لیے سہولت اور آسانی کا باعث بنے گی۔ نئے اقدام کے طور پر شریعتہ بورڈ کی نگرانی میں شریعتہ کمپلائنس ڈپارٹمنٹ نے ”راہنمائے زکوٰۃ“ کے نام سے ایک رسالہ مرتب کیا تاکہ اسلامک بینکنگ کے کسٹمرز

Compliance with the Best Practices of Code of Corporate Governance

The Board of Directors has throughout the year 2019, complied with the requirements for Code of Corporate Governance, PSX Rule Book, Banking Companies

Ordinance, Companies Act, Securities and Exchange Commissions of Pakistan directives and the requirements for Financial Reporting framework.

The statement of compliance 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 manages its structures, culture, policies and strategies, and the ways in which it

deals with its various stakeholders. We have successfully adapted our practices to reflect the changing standards of evolving governance regulations. We are committed to the highest standards of corporate

governance. We meet corporate governance legal requirements in Pakistan, as well as the best practices recommended by PSX and SECP.

Conflicts of Interest

The directors have an ultimate responsibility for managing the affairs of the Bank and accordingly holds fiduciary duties of care and loyalty to the Bank and the shareholders. One of the key duties that directors owe to the Bank is to avoid conflicts of interest. The duty includes not placing oneself in a position where the directors' personal interest may possibly conflict with their duty to the company.

Conflicts may arise in several situations, some of the typical ones are:

- where the directors have a direct or indirect material interest in transaction that the Bank enters into;
- where the directors hold positions or offices, or possess property that may result in conflicting duties; and
- where the directors stand to benefit from information received by them or opportunities made available to them in their capacity as directors or officers.

The Bank exercises particular care in monitoring whether or not they

are placed in position of actual or potential conflicts.

In dealing with conflicts of interest, the Bank pays close attention to the:

- Provision of the Companies Act, 2017;
- PSX listing rules; and
- Bank's Article of Associations.

The ultimate objective of procedures to deal with conflicts are protection of the interest of the Bank and promotion of transparency for benefit of the shareholders.

Report from the Board Audit Committee

The Audit Committee performs its functions in accordance with the instructions of the SBP, requirements of Code of Corporate Governance and the Audit Committee's terms of reference.

BAC composition

The BAC comprises of five (5) non-executive directors, with financial, banking, strategic and relevant knowledge to benefit the Bank. Names and profiles of BAC's members are set out in the relevant section of the annual report. In accordance with requirements of Code of Corporate Governance (CoCG), the Committee is chaired by an Independent Director having diversified local and foreign banking experience and exposure to key management positions.

BAC meetings

The meetings of the Committee are designed to facilitate and encourage communication among the Committee members, senior management, the internal audit function and the Bank's external auditor. The Committee discussed with Head Internal Audit/CIA and external auditors the overall scope and plans for their respective audits. The Committee held six (6) meetings during the year 2019. Members' attendance records are disclosed in the Directors' Report contained in the annual report. The BAC, in accordance with the requirements of COCG, met with the internal and external auditors with and without the presence of management, for discussion of the results of auditor's examinations/ evaluation of internal control and the overall quality of the Bank's financial reporting. The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee.

Oversight function

BAC discharged its oversight responsibilities as mandated by BOD, in accordance with the requirements of Code of Corporate Governance, listing regulations and applicable laws/ directives issued by the regulators. The key matters reviewed and discussed in the committee sessions include:

- Review of the Bank's periodic financial statements, including details and disclosure of all related party transactions prior to their approval by the Board of Directors (BOD).
- Review of significant/high risk issues highlighted by internal audit during audits/reviews of branches and other functions of the Bank (including Overseas Operations) along with the compliance status thereof.
- Review of trends of audit observation from multiple dimensions to have deep insights into state of internal controls and setting specific, time bound action points/indicators to monitor improvements.
- Review of analysis regarding themes and trends of internal control breaches observed by Internal Audit during the course of their audits including number and nature of identified medium and low risk observations.
- Monitoring of compliance status of observations highlighted in State Bank of Pakistan's inspection reports, including thematic audits along with comparative CAMELS Ratings.
- Review of analysis related to frauds and forgery incidents in the Bank along with Remedial measures taken to curb such instances in future.
- Review, approval and recommendation to BOD (where applicable) for amendments in

relevant control documents, including Internal audit policy, internal audit manual and TORs of BAC.

- Review, approval and oversight of Risk Based Audit Plan, annual audit budget along with its utilisation and resource requirements for internal audit.
- Evaluate the effectiveness of the Bank's overall management of compliance risk keeping in view domestic and international regulatory requirements.
- Review of status of complaints lodged under the Bank's Whistle Blowing Policy along with resolutions thereof. Further review of significant events during the period along with its reporting to BOD, in accordance with regulator's instructions, was also ensured.
- Consider and recommend to the Board regarding 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.
- Recommendation and appointment of external auditors for Bank (including appointment of external auditors in Overseas Operations), including finalisation of scope and remuneration thereof; keeping in view the quality and provided efficiency of the service provide by the auditors, their capabilities, technical expertise and knowledge of the Bank's operations and industry.
- Review of quarterly Statement on Internal Controls and systems of the Bank.

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 and those controls designed to detect material weaknesses) leveraging the work of the Bank's internal and external auditors, and regular reports from management, including those on risk management, regulatory compliance and legal matters.

The BAC reviewed and concurred with the management confirmation that for the year ended 31st December, 2019, the Bank's risk management and internal control systems were working effectively. The BAC is satisfied that the management has adopted necessary control mechanisms to monitor and reduce non-compliance.

Internal audit and effective implementation of internal control

The independence of internal audit function has been ensured by direct reporting of CIA/Head Internal Audit to the Board Audit Committee (BAC). The scope of work of Internal Audit functions has been finalised in accordance with BAC instructions and prevailing regulations. Further, the performance of internal audit has been gauged through reports presented at regular intervals including summary of the key audit findings during the period. The Head 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. The Audit Committee Charter/TORs are updated periodically.

BAC ensured that there were no restrictions on internal auditors' access to people, information, processes, properties, records and systems to perform their audit activities with objectivity.

Review of whistle blown

The BAC reviewed the whistles blown during the year 2019 reported to the BAC from time to time, including the action taken along with remedial measures to resolve the issue permanently and measures taken to protect the complainant.

Conclusion

In reliance on the reviews and aforementioned discussions the Committee recommended to the Board of Directors, and the Board has approved, the audited financial statements, related disclosures, including Management's Statement on Internal Controls, to be included in the annual report for the year ended 31st December, 2019.

Board Audit Committee

Mr. Shehzad Naqvi, Chairman BAC

Mr. Abdulla Khalil Al Mutawa, Director

Mr. Khalid Mana Saeed Al Otaiba, Director

Mr. Efstratios Georgios Arapoglou, Director

Dr. Ayesha Khalid Khan, Director

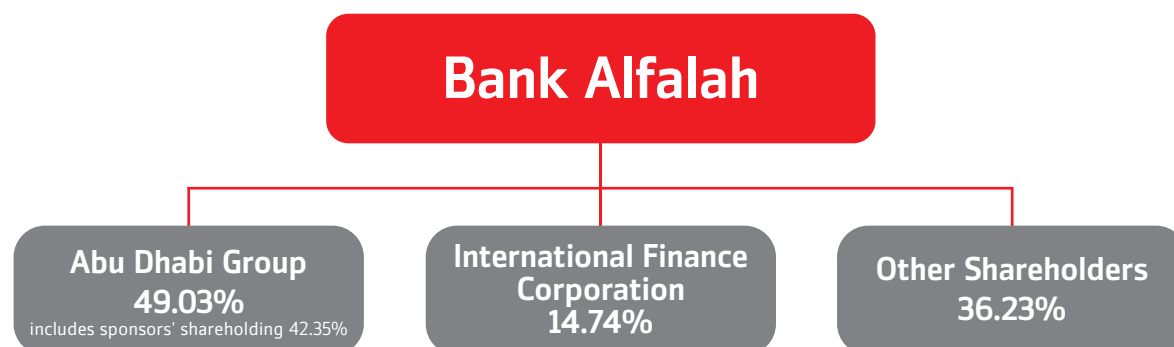
Shehzad Naqvi

Chairman Board Audit Committee

Abu Dhabi

12th February, 2020

Beneficial Ownership and Group Structure



For group structure, please refer to section 'Organisation and External Environment'.

Statement of Management's Responsibility Towards the Preparation and Presentation of the Financial Statements and Directors' Compliance Statement

The Bank's management is aware of its responsibility towards preparation and presentation of financial statements. The Directors of the Company confirm that:

- The financial statements have been prepared which fairly represent the state of affairs of the Bank, the result of its operations, comprehensive income, cash flows and changes in equity.
- Proper books of accounts of the

Bank have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates 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 control is sound in design and has been affectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance.

Authorisation of Financial Statements by the Board of Directors

The financial statements for the year ended 31st December, 2019 were authorised for issuance by the Board of Directors of the Bank on 13th February, 2020.

Business Ethics and Anti-Corruption

Bank Alfalah has a zero-tolerance policy regarding corruption and bribery. The Bank expects all employees to conduct themselves in accordance with the highest standards of personal and professional integrity and to comply with all laws, regulations and corporate policies and procedure. Our Anti-Corruption Policy as well as other policies relating to Business Ethics are described in our Employee Code of Conduct and

Vendor/Service Providers enlistment procedures. These policies are applicable to all our employees, in all our operations, as well as to all our Board members. Top level commitment is essential in ensuring dedication, focus, and compliance within anti-corruption framework. Our work within anti-corruption and related policies is authorised, endorsed, and supported by our Board of Directors and President and CEO.

The Bank has a Disciplinary Action Committee, which decides the action to be taken against the staff in the event that the Bank and/or its clients sustain any losses, damages and/or claims due to any illegal activity or any actions/inactions of employee in breach of the code of conduct and/or any other policy of the Bank.

IT Governance Policy

Bank Alfalah's IT Governance Framework, policies and procedures are benchmarked on international framework and best industry practices and aims to ensure highest level of compliance to regulatory requirements. IT Governance ensures the effective implementation of Bank's overall IT and Digital Strategy and delivers strategic alignment between business needs and technology investments. IT Governance places high emphasis on providing efficient and secure IT systems, meeting our customer's expectation in the most innovative and convenient manner.

Our vision is to be recognised as the technology driven bank and the leader in innovation, pivoting superior customer experience through innovative product offerings and personalised customer services, leveraging proactive analytics, complete automations and digital transformation, while extending partnership with Fintech Financial ecosystems. Capacity and resource

planning at Bank Alfalah ensures that people are equipped with the necessary skillset and tools, delivering exceptional value combined with seamless quality, performance and experience through highly efficient, fault tolerant and self-healing transactional processing systems.

The IT Group is managed by the Chief Information Officer who reports directly to the Chief Executive Officer and works in close coordination with other Business Groups, Board IT Committee (BITC), Central Management Committee (CMC) and the IT Steering Committee (ITSC). The CIO is responsible for the implementation of the entire Enterprise Technology Governance framework, provides valuable strategic insights to keep the Bank abreast with new technological enhancements and system deliveries, and ensures that the Bank is equipped with innovative, world-class and robust IT systems to maintain its competitive edge.

For providing complete transparency and visibility to enhance decision-making, improving alignment with the Bank's vision and business strategy, maximising resource utilisation and smooth project execution; ITG has implemented Enterprise Project Management System to manage portfolios and projects, by providing visibility and control across all projects in terms of quality, timelines and resource utilisation.

To ensure quality, an independent Service Quality Assurance (SQA) Department is in place where highest degree of agreed standards are checked and validated, focused on business requirements, customer satisfaction, high performance and strong security in line with best practices. Service standards for all ITG services offered to business are in place through approved OLAs with agreed TATs. IT Help Desk is effectively in place supported by specialist technical support teams.

Whistle Blowing Policy and Procedures

Overview

In line with the goal of maintaining highest standards of ethical, moral and legal business conduct, the Bank has established a Whistle Blowing Policy to ensure that any concerns raised in relation to unethical behaviour, corruption and fraudulent activities, that may cause damage to the Bank's assets/reputation, are duly addressed.

This reinforces enhanced focus and commitment to create an environment of trust and transparency which eventually contributes to cherish a culture based on honesty and the highest ethical standards.

Purpose

The core purpose of the Whistle Blowing Policy is to provide a safe and secure channel to internal as well as external stakeholders (i.e. our staff or any other person), having genuine suspicions about any wrongdoing/irregularity, for raising concerns/complaints without any fear of reprisal or adverse consequences. The objective of the policy is to encourage everyone to come forward and register concerns on a secure and confidential channel, for onward redressal of complaints and concerns for prevention or further detection of any impropriety or malpractice, and to safeguard the interest and repute of Bank Alfalah. It remains an ethical responsibility of all

directors, senior management and employees to comply and report violations in accordance with the Whistle Blowing Policy last reviewed/approved by BOD in its meeting held on 19th April, 2018.

Scope

The policy encompasses deliberate, voluntary disclosures by a person about any type of actual or suspected wrongdoing/improprieties at individual/organisation level, including unethical, fraudulent activities and misconducts that may pose serious threats to the Bank's operations, financial performance and reputation.

Process of the Whistle Blow

The person with an intention to disclose any wrongdoing/impropriety, whether actual or suspected, should immediately report it in writing to the Group Head – Audit and Inspection Group either through email at whistleblowing@bankalfalah.com, surface mail, or interoffice mail at the official address of CIA/Head of Internal Audit by marking the envelope as 'Confidential'. Confidentiality of the complainant's identity, the nature of the reported incident and the identity of the suspected person is strictly maintained in accordance with the contents of the policy. Keeping in view the nature, materiality and seriousness

of the allegation, CIA/Head of Internal Audit decides as whether it requires an immediate investigation/audit. All the whistle blow complaints are subject to review by Chairman Board Audit Committee (BAC) without any exception.

An alleged employee, who retaliates against someone who has blown a whistle in good faith, is subject to disciplinary action up to and/or including termination of the employment. It remains the responsibility of management to safeguard the whistle blower from harassment, retaliation or adverse consequences.

Reward for Whistle Blower

A whistle blower may even be rewarded by the Bank if any significant/critical nature issue is raised by him/her

Number of instances during the year

Reported instances are presented through Group Head-Audit and Inspection Group, for oversight of the Board Audit Committee (BAC) in BAC meetings. The instructions from the BAC are immediately circulated to concerned departments for enforcement of the actions required on real time basis. 27 whistles were blown during the year 2019 and details thereof have been duly submitted to the 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 helps protect the rights of employees, regulator and our customers simultaneously. Records, and the information we preserve, provide an audit trail to meet business,

regulatory and legal requirements. These are important corporate assets.

The Bank recognises that the efficient management of records throughout their lifecycle is necessary to support its core functions, to comply with its legal and regulatory obligations and to contribute to the effective overall management of the institution. We aim at balancing our commitment to openness and transparency with our

responsibility as an effective financial institution. Thus we create and manage records efficiently, make them accessible where possible, protect and store them securely and dispose them safely at the right time. With a view to materialise our belief, the Bank has invested its resources in developing a comprehensive Document Management System (an online record storing system) and has a dedicated team mandated with maintaining and updating records in line with the defined procedures.

Investors Engagement and Grievance Management Policy

The Bank has a two-pronged strategy i.e. a fully functional Investor Relations (IR) Department ensures that all material developments are communicated to investors via statutory announcements and quarterly result briefings. The presentation material of these briefings is readily available on the website for investors to access. In addition, designated personnel in the IR Department are available to address any queries or meet with investors for detailed discussions on the impact of external and internal developments on the Bank's operations, profitability and/or

share price. In addition, the Bank's IR team is a regular participant in international conferences and roadshows to make sure feedback of international investors is also sought on a timely basis.

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

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

Please refer to the detailed section on investors under 'Stakeholder Engagement and Relationship' for investor engagement and grievance management policy.

Social and Environmental Responsibility Policy

The Bank has very high regard for its Social and Environmental Responsibility. We are committed to understanding, monitoring and managing our social, environmental and economic impact to enable us to contribute to society's wider goal of sustainable development. This commitment is deeply ingrained in our core values and we aim at demonstrating these responsibilities

through our actions and within our corporate policies.

The following are the guiding principles for Bank Alfalah's activities:

- Ingraining our vision for a safe, environmentally friendly and socially responsible culture into the organisation;
- Effective management of our

activities to minimise the impact on the environment;

- Support for local employment and entrepreneurship; and
- Support for the development of infrastructure, health, education, training and cultural activities in collaboration with the community.

Business Resilience (Business Continuity Plan) and Disaster Recovery Planning

To ensure that the Bank services are always available to its customers even in crisis or any other disruptive event, a robust business resilience framework is in place. Our Business Resilience team continuously strives to create a culture that enables to adapt continuous business operations under any disruptions through proactive planning, maintenance and testing by aligning Business Continuity Management (BCM) of people, space, systems and dependent third parties.

Thorough and comprehensively established procedures approved by the Board of Directors (BoD), whereby the critical business processes at the Bank can be restored in a timely and orderly manner and can be operated on an interim basis with minimal delay to

operations, thereby making sure that all critical business functions continue in the case of a disaster. The Business Continuity Plan (BCP) is intended to be used by the resilience team and all concerned as an action guide in the event of a disruption, providing a pre-planned response to any unforeseen event. BCP is an uninterrupted process, which assures that the Bank remains fortified against all possible threats. Hence, key plans and documents are periodically reviewed and aligned with the changing business environment that the Bank operates in.

The most important and noteworthy aspect of Business Continuity is training and testing of critical functions; allowing relevant teams to be abreast with roles and

responsibilities during emergencies and to assess effectiveness of their respective departmental recovery plan by testing it within the decided timelines like Recovery Time Object (RTO), Recovery Point Object (RPO) and Maximum Tolerable Down Time (MTD).

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

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

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

Stakeholder Engagement Policy and Procedures

Stakeholder engagement is an integral part of developing an understanding of our stakeholders' needs, interests and expectations and assists the Bank with strategic and sustainable decision making. Stakeholders are those individuals, groups of individuals or organisations that impact and/or could be impacted by the Bank's activities or services and associated performance.

At Bank Alfalah, we identify our stakeholders and monitor our relationships through a multitude of communication channels including

regular dialogue. Our primary key stakeholders are staff, clients, shareholders, regulators and communities.

Our group stakeholder engagement principles state that:

- The Bank is committed to engaging with its stakeholders in a respectful and constructive manner, listening to concerns and suggestions with an open mind;
- The Bank strives to be reasonably accessible to its stakeholders, responsive to

legitimate stakeholder concerns and transparent in its stakeholder engagements; and

- All business functions are primarily responsible for managing engagement with their material stakeholders in line with relevant standards, policies, and guidelines.

Please refer to detailed section on 'Stakeholder Relationship and Engagement' for the Bank's stakeholder engagement policy and procedures.

Human Resource Management Policy and Succession Planning

Human Resources and Learning Group (HRLG), over the years, has strengthened its focus on establishing a link between people, strategy and performance as a means to executing the Bank's overall strategy and making Bank Alfalah a great employer to work for.

Our key focus is to deliver an exceptional employee experience, enhance our employees' happiness,

become diverse and inclusive, digitise our processes, develop and grow talent, and create a conducive work environment.

At Bank Alfalah, we create and retain a culture to keep our human capital motivated, engaged and happy with the ability to achieve the Bank's strategic objectives through consistent focus on a culture of learning and development in addition

to competitive rewards. We also focus on Succession Planning Policy, which transforms existing talent into competent, happy and engaged capital enabled to occupy future strategic positions.

Our procedures and ways to deal with our employees have been covered in the section 'Stakeholder Relationship and Engagement'.

Sustainability and CSR Policy

The Bank's sustainability values are weaved into everything we do. We are committed to constantly serving the society with the greatest dedication in line with our philosophy.

Please refer to the detailed section on 'Sustainability, Health, Safety & Corporate Social Responsibility' for the Bank's sustainability and CSR policy.

Remuneration Policies and Performance Management

With an intention to make directors and senior management more accountable for their governance and performance vis-à-vis determination and payment of compensation, and assist the bank to develop fair, transparent and sound compensation policy that is aligned with risks and responsibilities, SBP vide its circular no. BPRD no. 2 of 2016 dated 2nd March, 2016 issued Guidelines and Disclosure on Governance and Remuneration Practices. The following disclosure are given in compliance with the said circular.

Corporate Governance culture and standards followed by the Bank

The Bank observes Corporate Governance standards as stipulated in the Code of Corporate Governance and other relevant regulations, which are updated in accordance with the changing dynamics of corporate environment, culture and regulatory regime.

Directors – Appointment and Profiles

The process of appointment/nomination of the directors of the Bank is in accordance with the applicable laws and regulations and is governed by the Governance Policy of the Bank.

Profiles of directors, including their qualifications, expertise and past work experience along with their status are disclosed as part of the Governance Section of the annual report.

Board Committees

Term of Reference of the Board Committees, their composition and membership, number of meetings held and number of meetings attended by the members are disclosed as part of the Governance Section of the annual report.

Key achievements of Board Committees

Board Risk Management Committee

The Board of the Bank is ultimately responsible for development, implementation and maintenance of a robust and dynamic ERM (Enterprise Risk Management) framework in the Bank. However, to increase efficiency and effectiveness, the Board has delegated its risk oversight responsibilities to Board Risk Management Committee (BRMC). BRMC ensures that the Bank has an adequate Enterprise Risk Management Framework (policies, processes and people). BRMC also recommends to Board delegation of authorities to management committees and also approves the Terms of Reference of the Bank's Central Credit Committee (CCC).

During 2019, BRMC reviewed and recommended to Board, the Bank's overall risk appetite and risk tolerance in relation to all risk areas including Credit, Market, Liquidity, Operational, and Cyber Security. It approved the exposure limits in relation to risk management strategies and reviewed compliance with these limits. Additionally, the Committee carried out a comprehensive review of the Bank's Policies for onward recommendation to Board of Directors. In 2019, the Board Risk Management Committee continued to assess the adequacy of Bank's capital level in lieu of Pillar 1 and Pillar 2 risks; along with the resilience of Bank's capital base under adverse economic environments. During the year, BRMC reviewed the reports presented and effectively performed risk oversight function. Based on submissions, it guided the management for the actions that were required to be taken to manage the risks in a timely manner. BRMC regularly informed the Board about its activities, performance and risk related issues of the Bank.

Board Audit Committee

Board Audit Committee (BAC) has played a significant role in enhancing the credibility of financial statements, status of internal controls, and risk management practices of the Bank by performing its oversight responsibilities of reviewing financial reporting, internal controls, and risk management processes and ensuring the execution of quality audits. BAC also evaluated the effectiveness of the Bank's overall management of compliance risk keeping in view domestic and international regulatory requirements.

During the year 2019, BAC reviewed and recommended to BOD various relevant policies, related party transactions and the control weaknesses pointed out by the regulator in thematic and regular inspections. Apart from reviewing major control issues being faced by the organization, BAC also reviewed the analysis of fraud incidents in the Bank and steps/remedial measures taken to curb such instances in future.

Besides, performing the responsibilities entrusted by the BOD as per approved TORs, the BAC has followed a pro-active approach and has taken/supervised actions like approval of a formal strategy document for Internal Audit delineating strategic projects, revamping of Risk Based Annual Internal Audit Plan based on risk assessment done at entity wide and auditable unit level and accelerating the journey of internal audit function towards a paperless and fully automated environment.

Board Strategy and Finance Committee

The Board Strategy and Finance Committee (BS&FC) assists the Board of Directors of the Bank in performing its functions and responsibilities with a focus on policymaking, general direction,

oversight and supervision. BS&FC has contributed towards the growth/progress of the Bank. It has reviewed/ recommended all matters particularly involving the financial and strategic issues (including periodical financial statements, which are mandated to be reviewed by the Board Audit Committee).

During the year 2019, BS&FC has reviewed in detail and recommended to the Board the annual business plan/budget of all business groups, performance of overseas operations of the Bank, performance of Bank's subsidiaries and associate companies, branch network expansion plan, various policies/framework along with monitoring and supervision of the Central Management Committee of the Bank. The BS&FC has also demonstrated its contribution towards Corporate Social responsibility by the Bank. It has also reviewed claims and legal cases against the Bank.

The Committee has also reviewed and recommended to the Board the Bank's capital strategy/plan, reports of Shariah Board, investment plans, major capital expenditures, etc. and provided necessary directives to the Management.

Board Information Technology Committee

The Board Information Technology Committee (BITC) plays a supervisory/advisory role for IT, Information Security and Digital Banking functions within the Bank and is responsible for advising and reporting to the Board on the status of technology and digital related activities and initiatives within the Bank. The BITC monitors, at regular intervals, the successful implementation of the Enterprise Technology Governance and Risk Management Framework for financial institutions as promulgated by SBP. The digital initiatives, under the guidance of BITC, have brought lot of convenience and value to the Bank's customers and enhanced the enterprise value of the Bank. Bank

Alfalah's Alfa mobile app is the one of best mobile applications in the local market, with a wide variety of features and functionality.

During the year 2019, BITC periodically reviewed/recommended to the Board various IT policies and strived to strengthen the IT and digital governance structure. The BITC has ensured that IT, Digital and the Information Security teams have competent, sufficient and efficient resources to address the existing and future technological and business needs. The BITC has also been focused on working, supporting and guiding the management in mitigating the technology and cyber security related risks and helping to create a robust and sustainable IT and Digital structure within the Bank.

In 2019, the BITC reviewed the IT architecture of the Bank and regularly monitors the implementation of critical IT projects. It has also approved major IT and Digital investments during the year to ensure smooth functioning and best service delivery to the customers. The BITC has paid special attention and is focused on the information and cyber security issues and mitigation of the related risks. It has also reviewed the Business Continuity and Disaster Recovery Plan for the Bank and advised the management to exercise due care and vigilance.

Board Compensation Committee

The Board Compensation Committee (BCC) of the Bank has reviewed the status on the previously granted options and issuance of new shares of the Bank to eligible employees, who exercised their options under Employee Stock Option Scheme (ESOS). The ESOS was launched in 2014 with the focus on (i) retention of key talents; (ii) sense of ownership to employees and (iii) aligning employees' focus on corporate objectives and enhancing their commitment to the Bank's values and culture. The ESOS now stands closed.

Board Human Resources, Remuneration and Nomination Committee

The Board Human Resources, Remuneration and Nomination Committee (BHR&NC) has contributed towards the development of human resources in the Bank. Year 2019 was the year of Happiness at Bank Alfalah. The Human Resources and Learning Group of the Bank with the guidance provided by BHR&NC has launched People Happiness Charter, took organisational Happiness Initiatives, launched LMS (Learning Management System) etc., which are some of the accomplishments achieved in 2019 to make Bank Alfalah, the bank of choice. Work Life Balance has been improved after the introduction of flexible timings and Sabbatical leaves. Live Well Work Well Campaign has been introduced by HR to eliminate 'Unhealthy work habits'.

BHR&NC also periodically reviewed/recommended to the Board various HR policies and gave necessary directives to the Management on the same along with establishment of a standard of code of conduct (ethics and business practices) to inculcate the vision mission and values in the Bank employees and the Board of Directors. BHR&NC also reviewed/approved the best remuneration practices, change management initiatives, Bank's compensation strategies with a view to ensure that compensation and benefit levels are maintained and aligned with comparable size organisations.

Shariah Board – Appointment and Profiles

Appointment of Shariah Board members and Chairperson is subject to Board's approval, and prior approval of State Bank of Pakistan.

Profiles of the Shariah Board members and their membership on other Boards are disclosed as part of the Governance Section of the annual report.

Terms of Reference (TORs) of Shariah Board, number of meetings held and attended by each member are also disclosed as part of the Governance Section of the annual report.

Appointment and scope of work of external expert for formulation and implementation of remuneration policy

A. F. Fergusons - a member firm of PriceWaterhouseCoopers (PWC) has been engaged to provide facilitation to the Bank for implementation of Remuneration Policy Guidelines issued by State Bank of Pakistan (SBP). The scope included drafting the mechanism for identification of Material Risk Takers (MRT) and Material Risk Controllers (MRC), review of their existing scorecards and preparation of risk adjusted scorecards, drafting the Remuneration Policy for the Bank, including deferral mechanism, and assisting the Bank in implementation of the Policy.

Disclosure relating to the Remuneration Policy

Information on overall remuneration policy of the Bank

The primary objective for the Bank is to define a competitive remuneration system, balancing strategic business targets and correctly rewarding its employees.

To ensure alignment of remuneration practices with the international standards and best practices, State Bank of Pakistan (SBP) issued Guidelines on Remuneration Practices ('the Guidelines'). Accordingly, the Remuneration Framework ('the Framework') has been developed as part of the Bank initiative of implementing the Guidelines.

Following are the main objectives of this framework:

1. To promote and be consistent with sound and effective risk management and not encourage risk-taking that exceeds the risk thresholds of the Bank;
2. To ensure that the remuneration practice is in line with the Bank's objectives, taking into consideration all major risks that the Bank may face, promotes and supports long-term performance;
3. To align remuneration with risk appetite and with the conduct expectations of the Bank, regulators and stakeholders; and
4. To attract, retain and motivate highly qualified employees, but also reward those who promote corporate values with incentives correlated to the long term value generation.

Governance Framework

The Bank's Governance Framework with respect to these Guidelines, aims at ensuring an appropriate control and oversight on remuneration practices, ensuring that decisions are taken with sufficient independence and in an informed way, by such authorities and functions, to which different responsibilities are delegated.

The BoD has the overall responsibility for reviewing, approving and monitoring implementation of the Bank-wide Remuneration Framework, based on the recommendations of Board Human Resource Remuneration and Nomination Committee (BHR&NC). In addition, the Board through BHR&NC, shall review on a periodic basis, reports on remuneration structure, including composition of fixed and variable remuneration of President and CEO and the management team (direct reports of the President and CEO and Board/ Board committees).

The Board shall remain responsible for determining compensation and benefits for certain corporate roles, including the President and CEO, CFO, Head of Audit and Inspection and Company Secretary.

Features of total compensation

The Bank offers a compensation structure with a balanced mix of fixed

and variable elements. The compensation mix shall be periodically reviewed by Human Resources and Learning Group (HR & LG) to ensure external competitiveness and internal adequacy, also taking into account the results of performance evaluations, and assigned role and responsibilities. The objective of maintaining a balanced pay mix is to encourage behaviours focused on the achievement of long-term sustainable results.

This Framework, the Bank's other HR policies and frameworks, and general incentive structures focus on ensuring sound and effective risk management through the following:

1. A robust governance structure for setting goals (including risk adjustments), communicating these goals to employees, and performance measurement to ensure assigned goals have been achieved without any excessive or undue risk-taking;
2. Alignment with the Bank's business strategy, values, key priorities and long-term goals;
3. Alignment with the principles of protection of customers, investors, regulators and other stakeholders; and
4. Employees, including MRTs and MRCs, are not allowed to undertake hedging, pledging or insurance strategies for their remuneration or for any other aspect that might alter or undermine the risk alignment effects inherent in the Bank's remuneration mechanisms.

Factors considered for differentiating the variable pays across employees or group of employees

The compensation structures for MRTs and MRCs shall be determined and proposed by the HR & LG which shall ensure an appropriate balance between fixed and variable pay, considering various factors including the following as an illustrative list:

1. Whether the individual is an MRT or MRC;
2. Position within the organisation;
3. Roles and responsibilities;
4. Risk alignment (i.e. the higher the risks undertaken the more shall be the variable remuneration); and
5. Performance against financial as well as non-financial objectives and KPIs, including risk-adjusting factors etc.

Types of employees considered as Material Risk Takers (MRTs) and Material Risk Controller (MRCs)

The inclusion criteria is developed in accordance with the Guidelines and applicable best practices, and subject to approval by the BHR&NC. The inclusion criteria comprises of two sections, namely the qualitative and quantitative MRT/MRC inclusion criteria:

Qualitative inclusion criteria

The following qualitative criteria shall be applied for identification of MRTs and MRCs:

1. President and CEO or any other equivalent position;
2. Members of the management team, i.e. reporting directly to the President/CEO, and BoD or any Board committee;
3. Members of critical management committees;
4. Heads of critical functions responsible for managing business, risks and controls, that may subject the Bank to significant risks; and
5. Country heads of overseas branches unless the related branch is subject to similar remuneration regulations in the host country.

Quantitative inclusion criteria
Quantitative inclusion criteria includes:

1. Credit Risk
2. Market Risk
3. Operational Risk
4. Liquidity Risk

Implementing the remuneration measures, and their alignment with current and future risks and performance

This is done through 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.

Compensations provided to non-executive directors

In view of the regulatory requirements, the remuneration policy has been formulated, which has been considered by the Board and will be recommended to the shareholders for their approval in the upcoming Annual General Meeting

Remuneration provided to the Shariah Board members

The remuneration of the Shariah Board is governed under the compensation policy approved by the Board.

Fixed and variable pay provided to senior executives, including CEO, MRCs and MRTs

Fixed Pay

For fixed pay, HR & LG shall annually drive an appropriate benchmark with external market data, in order to

ensure the appropriateness of the fixed remuneration for the Bank to be able to attract and retain the relevant resources – particularly in relation to the MRTs/MRCs.

Variable Pay

Variable remuneration takes into account Bank's performance, Group's performance, business unit/product's performance and individual's performance. Underachievement of financial performance, taking excessive or undue risks, customer experience, audit/internal controls/compliance issues etc. are generally considered for determining risk-adjusted variable remuneration. Performance based remuneration in the form of annual or periodic bonus and sales incentives, are disbursed in cash and/or share options, in accordance with the relevant HR policies and frameworks.

Basis for payment of bonuses and awards to CEO, senior executives and MRTs/MRCs

Basis for payment of bonuses are determined keeping in view the achievement of KPIs in all value drivers.

Risk Control Function employees are remunerated independently of the functions they oversee:

The Bank ensures that Risk Control Function employees are remunerated independently of the functions they oversee through the following:

1. Provision of adequate feedback on relevant risk adjustments in the risk-adjusted balanced scorecards of MRTs/MRCs;
2. Review the benchmark/targets and measurement benchmarks against relevant risk adjustments, assigned within the risk-adjusted balanced scorecards to ensure alignment with the risk profile and risk appetite of the Bank; and

3. Timely provision of information/ feedback to assist in performance evaluation against risk adjustments of MRTs/MRCs.

Policy on vesting and deferral of variable remuneration

A certain portion of variable compensation of the CEO, Key Executives, MRTs/MRCs shall be subject to mandatory deferrals for a defined period, thus creating alignment between the employees' and stakeholders' interests and reinforcing that compensation is appropriately linked to longer-term sustainable performance. Deferred remuneration, especially with risk adjustments, is a useful tool for improving risk-taking incentives because the amount ultimately received by employees can be made to depend on risk outcomes.

The deferral amount shall be withheld for a period of three years

whereas remaining portion of the variable compensation shall be paid upfront to the CEO, Key Executive, MRT/MRC. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award.

The deferred portion of the variable remuneration shall be paid to the CEO, Key Executives, MRT/MRC on vesting, proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. In case of malus and where accountability has been determined in accordance with the conduct and accountability framework of the Bank, the entire or certain portion of the deferred remuneration shall be withheld and not paid to the CEO, key executives, MRT/MRC on its becoming due, and recorded back as income in the books of accounts of the Bank.

Employee Stock Option Scheme (ESOS)

In the year 2013, the Bank introduced Employee Stock Options Scheme (ESOS) as approved by the shareholders of the Bank and Securities and Exchange Commission of Pakistan (SECP). Under the scheme, the Bank granted share options to eligible employees as selected by the Board's Compensation Committee. The total number of shares granted under the scheme were 40,474,689 (to be adjusted for any bonus or right issues or any other restructuring of Bank Alfalah's share capital in accordance with the scheme document), to be allocated over 3 years i.e. 2014, 2015 and 2016 and would vest over 3 years. The last exercise for options granted was made in 2019.

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-97 to 03-Nov-02 (resigned) Co-Opted on 15-Jan-17	Chairman/Non-Executive Director	None	<ul style="list-style-type: none"> Chairman, Alfalah Insurance Company Ltd Chairman, Taavun (Pvt) Limited Chairman, Pakistan Mobile Communications Ltd Proprietor, Dhabi Group, UAE Chairman, Dhabi One Investment Services LLC, UAE Chairman, Dhabi Holdings PJSC, UAE Chairman, MAB Investment Inc Chairman, Salsal Petroleum LLC, UAE Chairman, JSC TeraBank, Georgia Chairman, Wincom Services Pakistan LLC, UAE Other entities (Ministries / NGO etc) Minister of State for Tolerance in the Cabinet of UAE Future Rehabilitation Center, Abu Dhabi (Honorary President) Emirates Natural History Group (Patron) Abu Dhabi Cricket Club (Chairman & Patron) Emirates Cricket Board (Chairman) Abu Dhabi Music and Arts Foundation (Patron & President) Medicins Sans Frontiers UAE (Patron)
2	Mr. Abdulla Nasser Hawaileel Al Mansoori	07-Jul-97	Non-Executive Director	None	<ul style="list-style-type: none"> Chairman of the Board, Al Nasser Holdings and Group Companies: <ul style="list-style-type: none"> Al Nasser Holdings LLC Al Nasser Investments LLC Al Qahtani Investments LLC

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
3	Mr. Abdulla Khalil Al Mutawa	07-Jul-97	Non-Executive Director	<ul style="list-style-type: none"> Board Strategy and Finance Committee Board Audit Committee Board Risk Management Committee Board Information Technology Committee Board Human Resource, Remuneration and Nomination Committee Board Compensation Committee 	<ul style="list-style-type: none"> Director, Abu Dhabi Commercial Bank Ltd Chairman, Makhazen Investment Company Director, EFG Hermes Holding S.A.E. Director, Abu Dhabi National Hotels Company
4	Mr. Khalid Mana Saeed Al Otaiba	08-Mar-03	Non-Executive Director	<ul style="list-style-type: none"> Board Risk Management Committee Board Compensation Committee Board Audit Committee Board Strategy and Finance Committee Board Information Technology Committee Board Human Resource, Remuneration and Nomination Committee 	<ul style="list-style-type: none"> Deputy Chairman, Al Otaiba Group of Companies Director, Alfalah Insurance Company Limited Chairman, Liwa International Investment Tourism Chairman, Royal Mirage Hotel & Resorts Ltd, Morocco Director, Ghantout International Director, EFG Hermes Holding S.A.E.
5	Mr. Efstratios Georgios Arapoglou	27-May-15	Non-Executive Director	<ul style="list-style-type: none"> Board Audit Committee Board Strategy and Finance Committee Board Risk Management Committee Board Information Technology Committee Board Compensation Committee 	<ul style="list-style-type: none"> Non-executive Board member, EFG Hermes Holding SAE, Egypt Non-executive Chairman, Titan Cement, Athens, Greece Non-executive Chairman, International Tanker Shipping Company TEN (Tsakos Energy Navigation) Limited (NYSE Listed) Member, International Advisory Board of Tufts University, Medford, Boston, MA Member Advisory Board, MBA programme of the Athens University of Economics and Business Non-executive Chairman, Bank of Cyprus
6	Mr. Shehzad Naqvi	Co-Opted on 19/04/2018	Independent Director	<ul style="list-style-type: none"> Board Audit Committee Board Strategy and Finance Committee Board Risk Management Committee Board Human Resource, Remuneration and Nomination Committee 	<ul style="list-style-type: none"> Director, Solaris Research Ltd Director, Children's Foundation of Pakistan Partner, Silicon Valley Venture Capital firm ePlanet Ventures (Occasional work without remuneration) Advisor to the Chairman, Ajlan and Brothers Holding, Riyadh, Saudi Arabia
7	Dr. Ayesha Khan	27-May-18	Independent Director	<ul style="list-style-type: none"> Board Human Resource, Remuneration and Nomination Committee Board Compensation Committee Board Audit Committee 	<ul style="list-style-type: none"> CEO and Pakistan Country Director, Acumen Pakistan Director, NRSP Microfinance Bank Director Nasra Public Schools
8	Dr. Gyorgy Tamas Ladics	27-May-18	Independent Director	<ul style="list-style-type: none"> Board Information Technology Committee Board Human Resource, Remuneration and Nomination Committee 	<ul style="list-style-type: none"> COO, Bank Islam Brunei Darussalam International Director, Fajr Capital (private equity) in Dubai
9	Mr. Nauman Ansari	Co-Opted on 16-Jul-17	CEO/Executive Director	<ul style="list-style-type: none"> Board Strategy and Finance Committee Board Risk Management Committee Board Information Technology Committee 	<ul style="list-style-type: none"> Director, Alfalah Insurance Company Limited Director, Institute of Bankers Pakistan (IBP) Director, Karachi Education Initiatives (Karachi School of Business & Leadership)

Shariah Board Members – details

S.No.	Name of Shariah Board Members	Date of Joining/ Leaving the Board	Designation	Relationship with other Banks
1	Dr. Khalil Ahmad Aazami	10/1/2015	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	10/1/2015	Member, Shariah Board	<ul style="list-style-type: none"> Chairman Shariah Board, Faysal Bank Limited Member Shariah Board, Bank AL Habib Limited
3	Mufti Ovais Ahmed	10/1/2015	Resident Member, Shariah Board	<ul style="list-style-type: none"> None

Directors' Participation in Board and Board Committees meeting

Name of Director	Number of Board and Board Committees meetings attended						
	Board Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource, Remuneration and Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Compensation Committee Meetings
Total meetings held	5	6	6	5	6	4	2
HH Sheikh Nahayan Mabarak Al Nahayan	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	5	6	6	5	6	4	2
Mr. Khalid Mana Saeed Al Otaiba	5	6	6	5	6	4	2
Mr. Efstratios Georgios Arapoglou	5	6	6	N/A	6	4	2
Mr. Shehzad Naqvi	4	5	5	4	5	N/A	N/A
Dr. Ayesha Khan	5	6	N/A	5	N/A	N/A	2
Dr. Gyorgy Tamas Ladics	5	N/A	N/A	5	N/A	4	N/A
Mr. Nauman Ansari	5	N/A	6	N/A	6	4	N/A

Shariah Members Participation in Shariah Board Committee meeting

Name of Director	Shariah Board Meetings
Total meetings held	4
Dr. Khalil Ahmad Aazami	4
Mufti Muhammad Mohib ul Haq Siddiqui	4
Mufti Ovais Ahmed	4

Adoption and Statement of Adherence with the International Integrated Reporting Framework

Scope and purpose

The primary purpose of this report is to establish a communication with our stakeholders about how the Bank's strategy, governance, performance and prospects, in the context of external environment, lead to the creation of value to achieve short, medium and long-term objectives.

Responsibility of the report

It is the management's responsibility for the preparation, presentation and integrity of the integrated report. The report has been presented in accordance with the International Integrated Reporting Framework.

The value creation process

The Board has created an appropriate oversight structure to support the ability of the management to create value through core business activities. Value is created through an organisation's business model, which takes inputs from the capitals and transforms them through business activities and interactions to produce outputs and outcomes that, over the short, medium and long-term, create value for the organisation, its stakeholders, society and the environment. The capitals from which the business model takes inputs are identified as financial, manufactured, intellectual, human, social and relationship, and natural capital.

Content elements incorporated in our annual report

Organisational overview, business model and external environment

Bank Alfalah Limited (BAFL) is incorporated as a commercial bank with operations in Pakistan, Middle

East & Asia Pacific. The Bank is listed on 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 PSX.

Governance

The Board of Directors (BoD) governs and sets out the strategic objectives for the Bank. BoD has assigned the responsibilities for daily operations to the Senior Management.

Stakeholder relationship and engagement

The Bank effectively manages the expectations of its stakeholders. Managing relationship with them is one of our key priorities.

Sustainability and Corporate Social Responsibility

Besides focusing on business objectives, the Bank focuses towards establishing a sustainable, safe and healthier environment. Also, caring for the community is what the Bank considers 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 protect the capitals against the odds of these risks.

Strategy and resource allocation

We have in place short, medium and long-term strategic objectives. These are to maximise shareholder

value, sustainable returns and exceed shareholder expectations. We plan our resources to achieve these objectives.

Performance and position

We measure our performance and position against Key Performance Indicators (KPIs). The Bank has been performing impressively well in terms of growth year-on-year. During 2019, Bank Alfalah has been recognised as 'The Best Bank' and 'The Best Customer Franchise' at the Pakistan Banking Awards. These awards are testimony to the hardwork, enthusiasm, zeal and commitment of our people, and our commitment to achieving excellence in customer service.

Outlook

Challenges and uncertainties to which the Bank may be exposed are government's fiscal measure including monetary policy, geo-political situation, law and order situation, inflation and taxation. We track key metrics, which might affect our performance and take corrective measures to maintain our market standing, protecting the capitals and providing a maximum return to the shareholders.

Excellence in corporate reporting

The Corporate Reporting Framework comprises of International Financial Reporting Standards (IFRS), Islamic Financial Accounting Standards (IFAS), Companies Act 2017, Banking Companies Ordinance, 1962 and the directives issued by SBP and SECP. The reporting calendar of the Bank and its subsidiaries is January to December. External auditor of the Bank is M/s EY Ford Rhodes. Key matters relating to the current year have been disclosed in the external auditors' report. The period for which this report has been prepared is year ended 31st December, 2019.

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company:
Bank Alfalah Limited ('the Bank')
 Year ended: 31st December, 2019

The Bank has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('Code/Regulations') in the following manner:

1. The total number of directors are nine as per the following:

a.	Male	Eight
b.	Female	One

2. The composition of Board is as follows:

i	Independent Directors (including one female director)	Three
ii	Other Non-Executive Directors	Five
iii	Executive Director	One

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank;
4. The Bank has prepared a 'Code of Conduct - Ethics and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board;
8. In view of the SBP's amendments in Prudential Regulations G-1, vide its BPRD Circular No. 03 of 2019 dated 17th August 2019, the updated/amended draft of the Policy on Directors' remuneration has already been prepared and is being submitted to the Board for review and recommendation to the shareholders for approval in annual general meeting;
9. The Bank has arranged Directors' Training Programme for Dr. Gyorgy Tamas Ladics, an independent director, during 2019. The other directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of

employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.;

12. The Board has formed/reconstituted the committees comprising of members given below:

A) Board Audit Committee

- Mr. Shehzad Naqvi, Chairman
- Mr. Abdulla Khalil Al Mutawa, Member
- Mr. Khalid Mana Saeed Al Otaiba, Member
- Mr. Efstratios Georgios Arapoglou, Member
- Dr. Ayesha Khan, Member

B) Board Strategy and Finance Committee

- Mr. Abdulla Khalil Al Mutawa, Chairman
- Mr. Khalid Mana Saeed Al Otaiba, Member
- Mr. Efstratios Georgios Arapoglou, Member
- Mr. Shehzad Naqvi, Member
- Mr. Nauman Ansari, Member

C) Board Risk Management Committee

- Mr. Khalid Mana Saeed Al Otaiba, Chairman
- Mr. Abdulla Khalil Al Mutawa, Member
- Mr. Shehzad Naqvi, Member
- Mr. Efstratios Georgios Arapoglou, Member
- Mr. Nauman Ansari, Member

D) Board Information Technology Committee

1. Dr. Gyorgy Tamas Ladics, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Mr. Efstratios Georgios Arapoglou, Member
5. Mr. Nauman Ansari, 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. Shehzad Naqvi, Member

F) Board Compensation Committee

1. Dr. Ayesha Khan, Chairperson
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Mr. Efstratios Georgios Arapoglou, Member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following (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 2019
Board Audit Committee	6
Board Strategy and Finance Committee	6
Board Risk Management Committee	6
Board Information Technology Committee	4
Board Human Resource, Remuneration and Nomination Committee	5
Board Compensation Committee	2

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;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (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 company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman

Nauman Ansari
President and Chief Executive Officer

Abu Dhabi
13th February, 2020

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Bank Alfalah Limited ('the Bank') for the year ended 31st December, 2019 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. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2019.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 03rd March, 2020

Statement of Internal Controls

This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the Bank's policies, aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended 31st December, 2019.

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

The Bank's Internal Control Policy outlines the understanding of the overall Control Objectives, the Bank's Controls Framework as well as our approach towards implementation of Controls Framework. BAFL Control Framework is built on the lines of globally recognised 'Three Line of Defense Model' in which Business/Support Unit serves as First Line of Defense, the various Risk, Controls and Compliance oversight functions are serving as Second Line of Defense, while independent assurance is the Third (Audit and Inspection Group).

The Control Framework focuses on devising policies and procedures that outline control activities so that process owners perform their functions without any risk exposure. This aspect is further evaluated and monitored through various organisational functions, part of Risk Management, Compliance, Internal Controls, etc.

The Board of Directors have instituted an effective Audit and Inspection Group which not only monitors compliance with the Bank's

policies, procedures and controls and reports significant deviations regularly to the Board Audit Committee, but also regularly reviews the adequacy of the overall Internal Control system. Furthermore, observations and weaknesses pointed out by the Bank's external auditors are also addressed promptly and necessary steps are taken by the management to eliminate such weaknesses.

The Bank's Compliance and Controls Committee, which comprises of CEO and Senior Executives of the Bank has been entrusted with enhanced governance and monitoring as part of the overall Control Environment. There is a Process Improvement Committee (PIC), also comprising of Senior Executives, which, as part of regular periodic evaluations, considers improvements to and changes required in policies and procedures. Recommendations from stakeholders, such as Risk, Operations and Compliance are sought as part of such exercises.

During 2019, the Bank launched an online Internal Control Dashboard for centralised monitoring of controls. It serves as a mean to enhance entity wide coverage of control risk exposure through timely identification of operational and regulatory risks including control breaches at the branches. It assists in instant closure/rectification of issues preventing the Bank from financial and reputational losses. It helps to analyse major control gaps, devise corrective action plan and develop training plans for the staff.

The Bank has adopted the internationally accepted COSO Internal Control - Integrated Framework. The Bank follows SBP guidelines on Internal Controls

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

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

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

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

Besides, with prime focus on doing business in a compliant and efficient way, the Bank is also acquiring monitoring tools, particularly to enhance monitoring of transactions carried out through Alternate Delivery Channels (ADCs). This has resulted in significant improvement in monitoring of these activities and has saved the Bank from material potential losses.

Management's Evaluation on Effectiveness of Control Framework

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

The management believes that the Bank's existing system of Internal Controls is considered reasonable in design and is being effectively implemented and monitored. There is continuous improvement in the Bank's Control Environment with the adoption of COSO framework as well as new technological solutions, as described above. Based on the work performed, the management identifies areas for process improvements as well as additional controls required to be put in place, and areas requiring strengthening of existing controls. The management takes all reasonable steps to ensure that the timelines and priorities assigned to the same are adhered to.

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

Nauman Ansari

President and Chief Executive Officer

Abu Dhabi

13th February, 2020

Management Statement of Compliance with Employees Stock Option Scheme

Bank Alfalah Limited as of 31st December, 2019 has implemented its Employees Stock Option Scheme as approved by the shareholders and the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SMD/CIW/ESOS/02/2013 dated 27th December, 2013.

The Bank has complied in all material respects with the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 ('the Rules') issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated 11th May, 2001. The details of the

scheme, including pricing formula, options granted, lapsed, etc. have been disclosed in note 40 to the financial statements. A summary of the scheme is described in the annexure attached with this statement.

Nauman Ansari

President and Chief Executive Officer
Abu Dhabi
13th February, 2020

Employees Stock Option Scheme

The Bank has granted share options to certain critical employees ('the employees') under the Employee Stock Options Scheme (ESOS) as approved by the shareholders and Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SMD/CIW/ESOS/02/2013 dated 27th December, 2013.

Under the Scheme, the Bank has granted options to these employees (as selected by the Board Compensation Committee, specifically formulated as required under the Public Companies (Employees Stock Option Scheme)

Rules, 2001) to subscribe for fresh ordinary shares of the Bank (being issuance of further capital without issue of rights) in the years 2014, 2015 and 2016. No fresh grants were made after the year 2016.

However, due to a bonus issue of 10% in October 2018, all employees having exercisable options outstanding were entitled to additional Shares worked out in accordance with the provisions of the scheme. The revised option entitlement and the revised option price have been disclosed below. Under the scheme, the options

entitle the selected employees to purchase shares at 40% discount (the Option Discount), of the market price prevailing at the date of the grant. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

Details of share options granted under the scheme together with the status as at 31st December, 2019 are as follows:

Particulars	Granted in 2016	Granted in 2015	Granted in 2014
Total number of options issued	13.737 million	12.614 million	11.331 million
Date of Grant	1st April 2016	1st April, 2015	1st April, 2014
Options no longer in issue	4.293 million	3.294 million	1.732 million
Options vested during the years:			
- 2014	N/A	N/A	Nil
- 2015	N/A	Nil	3.553 million
- 2016	Nil	4.063 million	3.283 million
- 2017	4.415 million	3.748 million	3.083 million
- 2018	3.113 million	2.407 million	N/A
- 2019	2.431 million	N/A	N/A
Options exercised during the years:			
- 2014	N/A	N/A	N/A
- 2015	N/A	N/A	2.563 million
- 2016	N/A	2.782 million	2.620 million
- 2017	3.838 million	4.110 million	4.416 million
- 2018	3.058 million	2.428 million	N/A
- 2019 (including bonus shares)	2.802 million	N/A	N/A
Vested options cumulatively carried forward	Lapsed	Lapsed	Lapsed
Options not yet vested up to 31st December, 2019	NIL	NIL	NIL
Number of Senior Managerial Personnel, to whom options were granted and remained outstanding at the year end 2019	NIL	NIL	NIL
Options granted to Senior Managerial Personnel which remained outstanding at the year end 2019	NIL	NIL	NIL
Option Exercise Price	Rs. 14.95 per share	Rs. 15.15 per share	Rs. 16.32 per share
Revised Option Exercise Price*	Rs. 13.59 per share	N/A	N/A
Option discount	Rs. 9.96 per share	Rs. 10.10 per share	Rs. 10.88 per share
Total shares issued on account of options exercised			
- During the year 2014	N/A	N/A	N/A
- During the year 2015	N/A	N/A	2.563 million
- During the year 2016	N/A	2.782 million	2.620 million
- During the year 2017	3.838 million	4.110 million	4.416 million
- During the year 2018	3.058 million	2.428 million	N/A
- During the year 2019 (including bonus shares)	2.802 million		

Particulars	Granted in 2016	Granted in 2015	Granted in 2014
Amount received against exercise of options			
- During the year 2014	N/A	N/A	N/A
- During the year 2015	N/A	N/A	Rs. 41.836 million
- During the year 2016	N/A	Rs. 42.146 million	Rs. 42.749 million
- During the year 2017	Rs. 57.383 million	Rs. 62.267 million	Rs. 72.063 million
- During the year 2018	Rs. 45.712 million	Rs. 36.777 million	N/A
- During the year 2019	Rs. 38.083 million	N/A	N/A
Shares issued to Senior Managerial Personnel on account of options availed			
- During the year 2014	N/A	N/A	N/A
- During the year 2015	N/A	N/A	1.685 million
- During the year 2016	N/A	1.774 million	1.937 million
- During the year 2017	2.551 million	3.169 million	3.605 million
- During the year 2018	1.855 million	1.578 million	N/A
- During the year 2019 (Including bonus shares)	1.758 million	N/A	N/A
Vesting period	3 years (with one third of the options vesting on completion of each year of service from 1st April, 2016)	3 years (with one third of the options vesting on completion of each year of service from 1st April, 2015)	3 years (with one third of the options vesting on completion of each year of service from 1st April, 2014)

The options granted to the ex-CEO were more than 5% of the total options granted during the years 2014, 2015 and 2016. The options that remained un-availed by the ex-CEO at the time of resignation stand lapsed.

No employee was granted with options more than 1% of the issued/paid-up capital of the Bank.

Tax under Salary has been deducted in respect of shares issued on account of Options exercised by the employees during the relevant years, in accordance with applicable laws.

The above information has been presented as per the requirements of the Scheme and the Public Companies (Employees Stock Option

Scheme) Rules, 2001 (the Rules) issued by the SECP vide SRO 300(I) 2001 dated 11th May, 2001, and in accordance with the relaxation granted to the Bank by the SECP vide their letter No. SMD/CI-W/ESOP/02/2013 dated 24th February, 2015 in clubbed form instead of employee wise.

Independent Assurance Report to the Members on the Statement of Compliance with Employees Stock Option Scheme (ESOS)

Scope of our work

We were engaged by the Board of Directors of Bank Alfalah Limited ('the Bank') to provide reasonable assurance on Bank's Compliance with the Employees Stock Option Scheme ('the Scheme') approved by the shareholders in their Annual General Meeting held on 29th March, 2013 and the Public Companies (Employees Stock Option Scheme) Rules, 2001 ('the Rules'), as set out in the Statement of Compliance with Employees Stock Options Scheme ('the Statement') prepared by the Bank as of 31st December, 2019, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Bank's compliance with the Scheme and the Rules.

Applicable criteria

The criteria for the assurance engagement against which the underlying subject matter (the Statement) for the year ended 31st December, 2019 is assessed, comprise the aforementioned Scheme and the Rules. Our engagement was carried out as required under Rule 14 of the Rules.

Responsibility of the Bank's management

The responsibility for the preparation of the Statement (the subject matter information) and for compliance with the requirements of the Scheme and the Rules is that of the management of the Bank. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the

Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The Firm applies International Standard on Quality Control 1 'Quality Control for Firms that perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our responsibility and summary of work performed

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagement 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the Statement reflects the status of Bank's compliance with the Scheme and the Rules (the Criteria) and is free from material misstatement whether due to fraud or error.

The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliances with the requirements of the Scheme and the Rules whether due to fraud or error. In making those risk assessments, we have considered

internal control relevant to the Bank's compliance with the Scheme and the Rules in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Bank was not materially non-compliant with the Scheme and the Rules. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Our procedures applied to the selected data primarily comprised of:

- Verifying that only eligible employees have participated in the Scheme in compliance with the Rules;
- Verifying that the share options granted, vested, lapsed, surrendered or exercised under the Scheme have been recorded in the books of account in accordance with the requirements of the Rules; and
- Ensuring that adequate disclosures have been made in respect of the Scheme in the Annual Report as required under the Rules.

We believe that the evidence we have obtained through performing our aforementioned procedures is sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our reasonable assurance engagement, in our opinion, the Statement for the year ended 31st December, 2019 has been prepared, in all material respects, in compliance with the Scheme and the Rules.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 03rd March, 2020



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Highlights

<p>Deposits</p> <p>782 Bn</p> <p>↑ by 11% from 2018</p>	<p>Equity</p> <p>88 Bn</p> <p>↑ by 16% from 2018</p>	<p>Advances</p> <p>511 Bn</p> <p>↑ by 2% from 2018</p>	<p>Investments</p> <p>299 Bn</p> <p>↑ by 8% from 2018</p>
<p>Profit After Tax</p> <p>12.6 Bn</p> <p>↑ by 19% from 2018</p>	<p>Profit Before Tax</p> <p>22.3 Bn</p> <p>↑ by 27% from 2018</p>	<p>Revenue</p> <p>55.2 Bn</p> <p>↑ by 30% from 2018</p>	<p>Operating Expenses</p> <p>29.8 Bn</p> <p>↑ by 21% from 2018</p>
<p>Earning per share</p> <p>Rs. 7.15</p>	<p>Dividend per share</p> <p>Rs. 4.00</p>	<p>Return on Equity</p> <p>15.65%</p>	<p>Return on Assets</p> <p>1.26%</p>
<p>Capital Adequacy</p> <p>16.88%</p> <p>As at Dec 31, 2019</p>	<p>Credit Rating</p> <p>AA+ (long term) AA(Short term)</p> <p>Outlook Stable</p>	<p>Book Value per share</p> <p>Rs. 49.53</p> <p>As at Dec 31, 2019</p>	<p>Number of branches</p> <p>698</p> <p>As at Dec 31, 2019</p>

Analysis of Financial and Non-financial Performance

Prospects of the Entity including Financial and Non-Financial Measures

Bank Alfalah is one of the fastest growing banks in Pakistan. Going forward, the Bank is well-positioned towards leading the way to become the only real Digital Bank in Pakistan. We aim to extend our outreach through a broader distribution footprint, digitised front channels and back-end processes. Furthermore, the Bank's focus remains on nurturing human capital. The Bank shall continue to invest in its people through extensive trainings and development initiatives. This is what makes Bank Alfalah the Best Bank in Pakistan.

Financial Measures

The Bank incorporates various financial measures, while arriving at future projections. Targets defined against the following broad financial measures:

- Deposits: The Bank periodically reviews the quality of its deposit mix with focus towards CASA. Apart from the deposit mix, it is essential that the cost of such deposits is kept at such a level that the Bank remains competitive within the industry.
- Advances: Sustainable growth in advances is the key behind profitability, as advances remain the prime revenue source for the institution. The Bank places

great emphasis on credit quality and segmental diversification of its advances portfolio. Growth in advances needs to be managed effectively, as this has a direct impact on earnings, if resources are not adequately deployed. A robust Risk Assessment mechanism is essential to maintain quality of the advances portfolio.

- Investments: The Bank depending on the interest rate forecasts manages its bonds and T-bill portfolio to maximise return.
- Business Volume: Business Volume refers to the application of a bank's resources to cater to customers' demands. This incorporates New-to-Business customer advances, trade business volumes, advisory services, over the counter services, and services channeled through digital platforms. One-shop solutions and cross-sell initiatives have been a 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 a bank's earning assets to generate income. This is often the result of sound management policies as well as the company's ability to garner a larger share of the market evaluating the core profitability of a bank. Interest earned on advances and other interest bearing assets, and

interest paid out on deposits and borrowings is prudently managed for all sources and uses of funds.

- Return on Equity: Return on equity remains a key measure to assess returns for the Bank's shareholders.

Non-Financial Measures

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

- Compliance with the regulatory framework
- Corporate image
- Stakeholders' engagement
- Brand preference
- Relationship with customers and business partners
- Employee satisfaction and well-being
- Responsibility towards the society
- Environmental protection
- SBP inspection rating and effective internal control

Performance versus Budget

The bank performed well against budget and surpassed overall profitability targets despite levy of super-tax (2017) and additional tax on income of Federal Government

Securities.

- Higher NII mainly driven by higher average spread and earning assets versus budget. This fully compensated the shortfall in NFI due to capital losses incurred due to prolonged bearish trend in capital market. However, higher FX income (attributable to volatility) and gain on sale of fixed assets reduced gap in NFI.

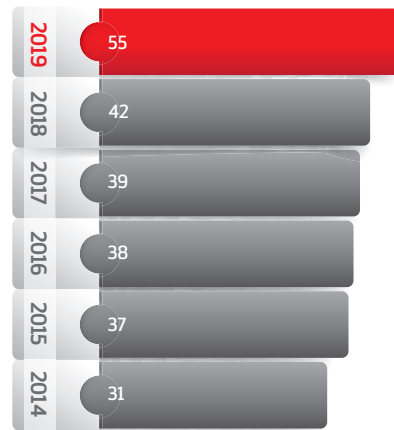
- Total expenses slightly higher than budget mainly due to imposition of SBP penalties and certain regulatory requirements (re-carding exercise, bio-metric verification exercise).
 - Impairment charge on investments was booked due to lackluster capital market. Nevertheless, lower credit cost enabled bank to stay within the budget.

Performance versus last year

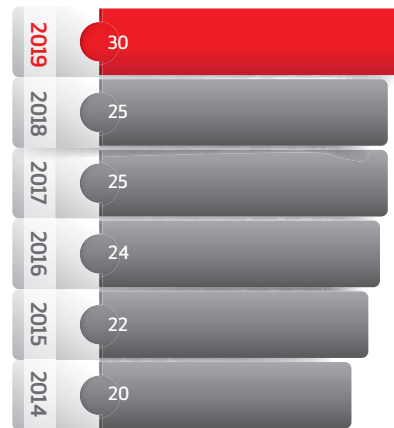
Please see the Bank's Performance section of the Directors' Report for detailed analysis on bank's performance versus last year.

Significant events affecting bank's financial position and performance

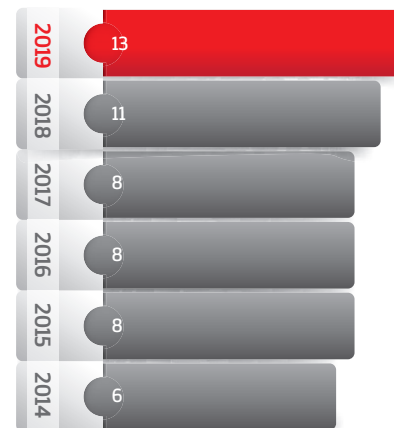
There were no unanticipated events during the year except bearish stock market impacting the bank's profitability.



Revenue (Rs. in Billion)

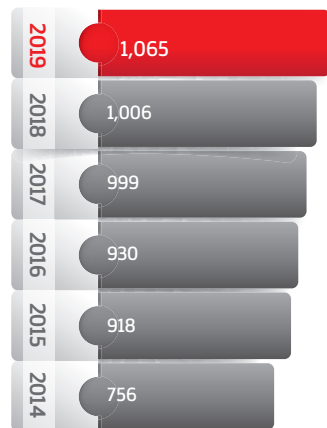


Operating Expenses (Rs. in Billion)

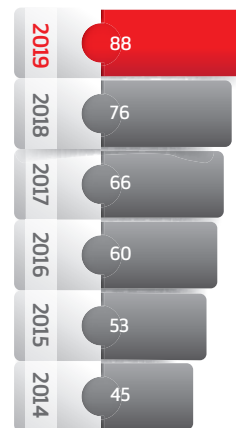


Profit After Tax (Rs. in Billion)

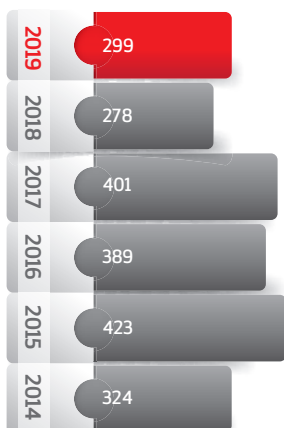
Graphical Presentation



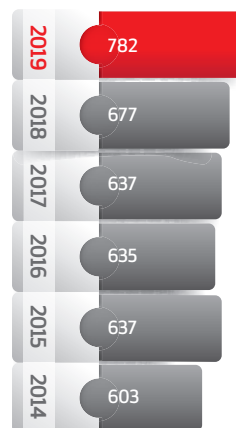
Total Assets (Rs. in Billion)



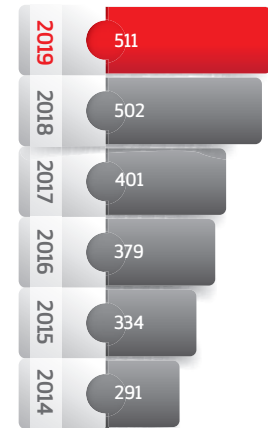
Shareholders' Equity (Rs. in Billion)



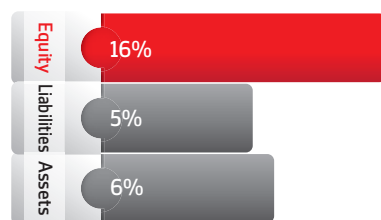
Investment - net* (Rs. in Billion)



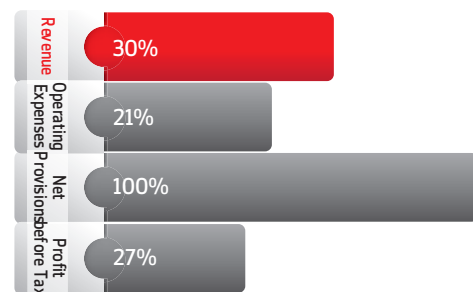
Deposits* (Rs. in Billion)



Advances* (Rs. in Billion)



Balance sheet variance from 2018



Profit & Loss variance from 2018

*2017 and 2018 balance sheet numbers do not include Bank's Afghanistan Operation, which was held for sale, whereas 2019 numbers include the same as it has been disclassified.

Six Years' Financial Summaries

		2019	2018	2017	2016	2015	2014
Profit & Loss Account							
Mark-up / return / interest earned	Rs. Million	92,481	59,672	56,920	57,144	61,439	55,378
Mark-up / return / interest expensed	Rs. Million	47,623	27,746	27,354	28,153	32,811	33,505
Non-Fund based income	Rs. Million	10,396	10,431	9,381	8,907	8,860	8,876
Total Income	Rs. Million	55,253	42,357	38,946	37,899	37,488	30,749
Operating Expenses	Rs. Million	29,843	24,713	25,425	23,802	22,286	20,307
Operating Profit before tax and provision	Rs. Million	25,410	17,645	13,522	14,097	15,202	10,442
Provisions / write-offs	Rs. Million	3,029	27	(523)	1,073	2,599	1,929
Profit before tax	Rs. Million	22,382	17,618	14,045	13,023	12,603	8,513
Profit after tax	Rs. Million	12,696	10,625	8,367	7,900	7,522	5,640
Statement of Financial Position							
Authorised Capital	Rs. Million	23,000	23,000	23,000	23,000	23,000	23,000
Paid up Capital	Rs. Million	17,772	17,744	16,076	15,952	15,898	15,872
Reserves	Rs. Million	26,046	23,051	18,157	15,896	14,164	12,338
Unappropriated Profit	Rs. Million	32,843	27,470	24,283	17,307	12,363	9,614
Surplus on revaluation of assets - net of tax	Rs. Million	11,367	7,383	7,285	10,970	10,928	6,995
Shareholders' equity	Rs. Million	88,028	75,647	65,800	60,125	53,353	44,819
Total Assets	Rs. Million	1,064,672	1,006,218	998,828	929,645	918,404	755,902
Earning Assets	Rs. Million	901,960	855,072	860,123	811,546	808,641	651,422
Gross Advances	Rs. Million	529,971	518,392	417,182	395,863	350,351	304,848
Advances - net of Provision	Rs. Million	511,236	501,636	400,655	378,720	334,159	290,597
Non Performing Loans	Rs. Million	22,417	18,822	17,579	19,019	18,455	19,412
Investments - at Cost	Rs. Million	295,103	279,135	398,188	381,458	419,329	324,336
Investments - Net	Rs. Million	299,098	277,660	400,733	389,093	423,100	324,319
Total Liabilities	Rs. Million	976,645	930,571	933,028	869,520	865,051	711,083
Deposits & Other Accounts	Rs. Million	782,284	702,895	644,985	634,740	636,863	603,440
Borrowings	Rs. Million	102,842	123,738	207,194	178,311	172,393	55,233
Cash Flow Summary							
Cash and cash equivalents at the beginning of the year	Rs. Million	100,501	93,421	88,751	93,596	65,879	98,406
Cash flow from Operating Activities	Rs. Million	80,948	(142,470)	30,800	(29,344)	103,453	50,840
Cash flow from Investing Activities	Rs. Million	(37,948)	146,470	(22,993)	27,665	(72,611)	(87,293)
Cash flow from Financing Activities	Rs. Million	(8,447)	3,080	(3,137)	(3,166)	(3,127)	3,925
Increase in cash and cash equivalents	Rs. Million	34,553	7,080	4,670	(4,845)	27,715	(32,526)
Cash and cash equivalents at the end of the year	Rs. Million	135,055	100,501	93,421	88,751	93,596	65,879
Trade							
Imports - Volume	Rs. Million	558,582	563,947	509,036	415,187	400,879	374,901
Exports - Volume	Rs. Million	263,425	248,159	194,993	199,230	211,785	202,369
Others							
No of Branches		698	649	638	639	653	648
No of Permanent Employees		10,234	8,530	7,849	7,808	7,565	7,509

Notes:

(1) Prior year comparative information has been re-classified and re-arranged, wherever necessary to facilitate comparison.

(2) For 2017 & 2018, Assets and Liabilities for the Bank's Afghanistan Operations have been presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale, such balances are being reported under their respective line items in 2019.

Six Years' Vertical Analysis

Statement Of Financial Position

Assets

	2019		2018		2017		2016		2015		2014	
	Rs in Million	%	Rs in Million	%	Rs in Million	%	Rs in Million	%	Rs in Million	%	Rs in Million	%
Cash and balances with treasury banks	100,732	9%	82,408	8%	70,381	7%	74,071	8%	62,369	7%	50,516	7%
Balances with other banks	4,710	0%	3,875	0%	3,754	0%	9,373	1%	16,552	2%	12,332	2%
Lendings to financial institutions	71,435	7%	62,172	6%	48,896	5%	30,149	3%	27,626	3%	18,313	2%
Investments - net	299,098	28%	277,660	28%	400,733	40%	389,093	42%	423,100	46%	324,319	43%
Advances - net	511,236	48%	501,636	50%	400,655	40%	378,720	41%	334,159	36%	290,597	38%
Operating fixed assets and Intangibles assets	30,344	3%	19,556	2%	17,628	2%	18,133	2%	17,242	2%	15,740	2%
Deferred tax assets	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Assets held for sale	-	0%	23,589	2%	26,821	3%	-	0%	-	0%	-	0%
Other assets	47,117	4%	35,321	4%	29,959	3%	30,106	3%	37,356	4%	44,085	6%
	1,064,672	100%	1,006,218	100%	998,828	100%	929,645	100%	918,404	100%	755,902	100%

Liabilities

Bills Payable	17,169	2%	35,988	4%	20,883	2%	19,091	2%	13,059	1%	14,281	2%
Borrowings	102,842	10%	123,738	12%	207,194	21%	178,311	19%	172,393	19%	55,233	7%
Deposits & other accounts	782,284	73%	702,895	70%	644,985	65%	634,740	68%	636,863	69%	603,440	80%
Subordinated loans	11,987	1%	11,989	1%	4,991	0%	8,318	1%	9,983	1%	9,987	1%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	3,451	0%	2,071	0%	3,154	0%	2,650	0%	1,824	0%	853	0%
Liabilities directly associated with the assets held for sale	-	0%	20,435	2%	24,759	2%	-	0%	-	0%	-	0%
Other Liabilities	58,911	6%	33,455	3%	27,063	3%	26,410	3%	30,929	3%	27,289	4%
	976,645	92%	930,571	92%	933,028	93%	869,520	94%	865,051	94%	711,083	94%

Net Assets

	88,028	8%	75,647	8%	65,800	7%	60,125	6%	53,353	6%	44,819	6%
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Represented By :

Authorized Capital	23,000		23,000		23,000		23,000		23,000		23,000	
Share capital	17,772	2%	17,744	2%	16,076	2%	15,952	2%	15,898	2%	15,872	2%
Reserves	26,046	2%	23,051	2%	18,157	2%	15,896	2%	14,164	2%	12,338	2%
Unappropriated profit	32,843	3%	27,470	3%	24,283	2%	17,307	2%	12,363	1%	9,614	1%
Surplus on revaluation of fixed assets - net of tax	11,367	1%	7,383	1%	7,285	1%	10,970	1%	10,928	1%	6,995	1%
	88,028	8%	75,647	8%	65,800	7%	60,125	6%	53,353	6%	44,819	6%

Profit & Loss Account

Mark-up / return / interest earned	92,481	90%	59,672	85%	56,920	86%	57,144	87%	61,439	87%	55,378	86%
Mark-up / return / interest expensed	(47,623)	-46%	(27,746)	-40%	(27,354)	-41%	(28,153)	-43%	(32,811)	-47%	(33,505)	-52%
Net mark-up / interest income (NMR)	44,857	44%	31,926	46%	29,565	45%	28,991	44%	28,628	41%	21,873	34%
Non mark-up/interest Income	10,396	10%	10,431	15%	9,381	14%	8,907	13%	8,860	13%	8,876	14%
Total income	55,253	54%	42,357	60%	38,946	59%	37,899	57%	37,488	53%	30,749	48%
Non mark-up/interest expenses	(29,843)	-29%	(24,713)	-35%	(25,425)	-38%	(23,802)	-36%	(22,286)	-32%	(20,307)	-32%
Net mark-up / interest income before provisions	25,410	25%	17,645	25%	13,522	20%	14,097	21%	15,202	22%	10,442	16%
Provision and Write-offs	(3,029)	-3%	(27)	0%	523	1%	(1,073)	-2%	(2,599)	-4%	(1,929)	-3%
Profit Before Taxation	22,382	22%	17,618	25%	14,045	21%	13,023	20%	12,603	18%	8,513	13%
Taxation	(9,686)	-9%	(6,993)	-10%	(5,678)	-9%	(5,123)	-8%	(5,081)	-7%	(2,873)	-4%
Profit After Taxation	12,696	12%	10,625	15%	8,367	13%	7,900	12%	7,522	11%	5,640	9%

Six Years' Horizontal Analysis

Statement Of Financial Position

Assets

	2019 Rs in Million	19 vs 18 %	2018 Rs in Million	18 vs 17 %	2017 Rs in Million	17 vs 16 %	2016 Rs in Million	16 vs 15 %	2015 Rs in Million	15 vs 14 %	2014 Rs in Million	14 vs 13 %
Cash and balances with treasury banks	100,732	22%	82,408	17%	70,381	-5%	74,071	19%	62,369	23%	50,516	-17%
Balances with other banks	4,710	22%	3,875	3%	3,754	-60%	9,373	-43%	16,552	34%	12,332	-65%
Lendings to financial institutions	71,435	15%	62,172	27%	48,896	62%	30,149	9%	27,626	51%	18,313	626%
Investments - net	299,098	8%	277,660	-31%	400,733	3%	389,093	-8%	423,100	30%	324,319	48%
Advances - net	511,236	2%	501,636	25%	400,655	6%	378,720	13%	334,159	15%	290,597	11%
Operating fixed assets and Intangibles assets	30,344	55%	19,556	11%	17,628	-3%	18,133	5%	17,242	10%	15,740	6%
Deferred tax assets	-	0%	-	0%	-	0%	-	0%	-	0%	-	-100%
Assets held for sale	-	-100%	23,589	-12%	26,821	100%	-	0%	-	0%	-	0%
Other assets	47,117	33%	35,321	18%	29,959	0%	30,106	-19%	37,356	-15%	44,085	51%
	1,064,672	6%	1,006,218	1%	998,828	7%	929,645	1%	918,404	21%	755,902	21%

Liabilities

Bills Payable	17,169	-52%	35,988	72%	20,883	9%	19,091	46%	13,059	-9%	14,281	30%
Borrowings	102,842	-17%	123,738	-40%	207,194	16%	178,311	3%	172,393	212%	55,233	139%
Deposits & other accounts	782,284	11%	702,895	9%	644,985	2%	634,740	0%	636,863	6%	603,440	15%
Subordinated loans	11,987	0%	11,989	140%	4,991	-40%	8,318	-17%	9,983	0%	9,987	0%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	3,451	67%	2,071	-34%	3,154	19%	2,650	45%	1,824	114%	853	0%
Liabilities directly associated with the assets held for sale	-	-100%	20,435	-17%	24,759	100%	-	0%	-	0%	-	0%
Other Liabilities	58,911	76%	33,455	24%	27,063	2%	26,410	-15%	30,929	13%	27,289	13%
	976,645	5%	930,571	0%	933,028	7%	869,520	1%	865,051	22%	711,083	20%

Net Assets

	88,028	16%	75,647	15%	65,800	9%	60,125	13%	53,353	19%	44,819	40%
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Represented By :

Share capital	17,772	0%	17,744	10%	16,076	1%	15,952	0%	15,898	0%	15,872	18%
Reserves	26,046	13%	23,051	27%	18,157	14%	15,896	12%	14,164	15%	12,338	70%
Unappropriated profit	32,843	20%	27,470	13%	24,283	40%	17,307	40%	12,363	29%	9,614	28%
Surplus on revaluation of fixed assets-net of tax	11,367	54%	7,383	1%	7,285	-34%	10,970	0%	10,928	56%	6,995	92%
	88,028	16%	75,647	15%	65,800	9%	60,125	13%	53,353	19%	44,819	40%

Profit & Loss Account

Mark-up / return / interest earned	92,481	55%	59,672	5%	56,920	0%	57,144	-7%	61,439	11%	55,378	26%
Mark-up / return / interest expensed	(47,623)	72%	(27,746)	1%	(27,354)	-3%	(28,153)	-14%	(32,811)	-2%	(33,505)	24%
Net mark-up / interest income (NMR)	44,857	41%	31,926	8%	29,565	2%	28,991	1%	28,628	31%	21,873	29%
Non mark-up/interest Income	10,396	0%	10,431	11%	9,381	5%	8,907	1%	8,860	0%	8,876	7%
Total income	55,253	30%	42,357	9%	38,946	3%	37,899	1%	37,488	-32%	55,253	119%
Non mark-up/interest expenses	(29,843)	21%	(24,713)	-3%	(25,425)	7%	(23,802)	7%	(22,286)	10%	(20,307)	15%
Net mark-up / interest income before provisions	25,410	44%	17,645	30%	13,522	-4%	14,097	-7%	15,202	-56%	34,946	116%
Provision and Write-offs	(3,029)	11283%	(27)	-105%	523	-149%	(1,073)	-59%	(2,599)	35%	(1,929)	163%
Profit Before Taxation	22,382	27%	17,618	25%	14,045	8%	13,023	3%	12,603	48%	8,513	25%
Taxation	(9,686)	39%	(6,993)	23%	(5,678)	11%	(5,123)	1%	(5,081)	77%	(2,873)	35%
Profit After Taxation	12,696	19%	10,625	27%	8,367	6%	7,900	5%	7,522	33%	5,640	21%

Six Years' Review of Business Performance

Balance Sheet

Total Assets

The asset base of the Bank has grown remarkably over the last 6 years and stood at Rs. 1.064 billion at December 2019 from Rs. 755.902 billion at December 2014 – a CAGR of 7.09 percent. Key contributions to the increase have been through investments and advances, which are detailed below. Our strategy over the years has been to manage the asset mix in a way that maximises returns to stakeholders, while maintaining an efficient risk weighted assets (RWA) profile.

Advances

The Bank's ADR ratio continues to remain one of the highest in the industry. At December 2019, the Bank's Gross ADR stands at 67.75 percent, and has been consistently above the industry average over the last six years. Over the period, the Bank's Net Advances grew at a CAGR of 11.96 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 significant drop, from 6.37 percent in 2013 to 4.37 percent in 2019 - 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 significantly improved from 73.41 percent in 2014 to 83.57 percent in 2019. The ratio at Dec 2019 incorporates the impact of subjective provisioning taken by the bank based on prudence.

Investments

Our investments portfolio has grown over the years and predominantly concentrated in high yielding Government Securities. Due to reprofiling of the balance sheet, the investment base of the Bank has decreased from Rs. 324.319 billion in 2014 to Rs. 299.098 billion at end 2019. Our equity book consists of investments in diverse companies with strong fundamentals with a view to earn stable dividends. The decline in KSE-100 index during 2019 led to an impairment being booked on a number of equity scripts.

Deposits

The deposit base of the Bank has continued to grow over the last six years, which has supported the balance sheet growth indicated above. Total Deposits have increased from Rs. 603.440 billion in 2014 to Rs. 782.284 billion in 2019. The Bank's CASA percentage at December 2019 stands at 77.4 percent. Our focus remained on

improving our deposit profile by expanding current account and shedding high cost deposits. The buildup in the core deposit levels positions the Bank ideally to maximize on the yield upside in its net earnings as interest rates trend upwards. The Bank enjoys a diversified product suite, with products catered to meet varying customer needs. Our focus remains on maintaining service excellence, and providing adequate returns to our depositors together with transactional convenience through our Digital Banking and Alternate Delivery Channels.

Equity

The paid-up capital of the Bank has grown from Rs. 15.872 billion in 2014 to Rs. 17.772 billion in 2019. In 2014, IFC acquired a stake of 15 percent in the Bank, which represented a key strategic alliance in the Bank's history. This alliance has continued to bring in synergies in technology, human resource and trade business. Furthermore, the Bank's first-ever Employee Stock Option scheme successfully ran from 2014 to 2016, in which options were granted to certain key executives and employees as approved by the Board Compensation Committee. Under the scheme, selected employees granted with options were eligible to exercise the same over the defined exercise periods, and subscribe for new shares (without rights) at an agreed discount. In 2018, the Bank issued its first ever additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent

convertible debt instruments. The size of the issue was Rs. 7 billion and was oversubscribed. The proceeds from the issue contributed towards the bank's additional Tier-1 capital and utilized towards enhancement of the bank's business operations.

Dividends

Over the years, the Bank has had a consistent dividend payout stream, however, for 2015 and 2016, profit retention was also focused to increase the Bank's risk absorption capacity, and in turn facilitate greater returns over the medium to long term. The Bank's Capital Adequacy Ratio is currently above the requirement (including capital conservation buffer). The Board has recommended a payout of 20 percent as final Dividend for the year 2019, bringing the total cash dividend for the year to Rs. 4 per share. The Board had earlier declared and paid interim cash dividend of Rs. 2.00 per share.

Profit And Loss Account

Income

The composition of markup income saw a shift in recent years on the back of concentration shift in the Bank's earning asset base, as referred to above. The net markup income of the bank almost doubled in the last six years, supported by increase in core deposits primarily current accounts. Increase in high quality advance book led by Corporate Group has also helped to increase the net interest margin. Contributions from non-fund income during the last six years have supported bottom line profitability. Core fee, commission income, foreign exchange income, have all indicated growth, while

capital gains on both capital and money market fronts have supplemented the NFI. Over the course of the years, key changes to our technology platform, cross-sell initiatives, branch transformation programmes, have helped the Bank deliver further transactional convenience to its customers, and have facilitated contribution from non-fund based income.

Operating Expenses

Over the years, the Bank has seen a significant transformation. The overall growth in administrative costs has primarily been on account of costs attributable to additional branches under the Bank's expansion plan, rising rentals and utility costs, customer promotions, hiring, regulatory compliance and significant IT costs relating to infrastructural improvements to the core banking system and the overall technological platform including digital banking platform. However, the Bank has kept a check on these factors, and strict cost discipline measures were introduced with a focus on improving the cost to income ratio. Centralisation of various expenses and regular revisits to expenditure approval authorities were undertaken to keep costs in check. Non-recurring items continue to be tracked separately.

Cash Flow Statement

Cash Flow from Operating Activities

Cash flow from operating activities showed a positive trend in most of the years from 2014 to 2019. This is primarily due to steady growth in profitability, stable deposits and advances. Due to arbitrage opportunity available in 2015, funds were borrowed from the inter-bank

market for investment in high yielding government securities. In 2018, majority of these borrowings were replaced with deposits. Also in 2018, due to significant increase in advances, the cash flow from operating activities is negative.

Cash Flow from Investing Activities

The residual funds available after loans and advances is invested in the high yielding government securities. The investment is also required to comply with the Statutory Liquidity Requirement of the State Bank of Pakistan. In all years under review the bank has increased its investment portfolio except in case of 2016, when the deposit growth was very low and in 2018, when the portfolio was re-profiled into loans and advances.

Cash Flow from Financing Activities

Bank Alfalah has paid steady dividend in all the year under review with the exception in 2016. The dividend payment and TFC redemptions have resulted in negative cash flow from financing activities. In 2018, the cash flow is positive due to issuance of ADT 1 instrument.

Segmental Review of Business Performance

Retail Banking Group

The Bank's retail business strategy for 2019 concentrated primarily 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.

Sublime results in 2019, were testament to the effective implementation of the bank's strategy. Financial health further solidified, revenue exhibited upward trend through steady and sustainable growth. YoY profitability grew through 10% growth in current accounts, focus was conserved on growth in non-funded income (NFI) as well. Retail's New Initiative (NI) segments' Banca assurance and wealth grew by 26% & 20% respectively YoY. Premier banking robust performance was another highlight of the year as its deposit base grew by 214% YOY. Despite a hike of 3.75% in interest rates in FY2019, the bank astutely managed to keep the cost of deposit (COD) to 5.23%(Year to date).

Digital Banking Group

2019 has been a year of staggering growth for the Digital Banking Group.

Alfa has successfully digitized processes and banking products and services such as account opening, money transfer, bill payments, savings, investments; while encompassing the ingredients of a modern lifestyle: traveling, enjoying exquisite cuisines, entertainment in cinemas, staying connected with friends via chat, online shopping and discounts; which made Alfa the favourite choice for 1 million+ customers in 2019. And with mobile bill payment, funds transfer and utility bill payment as top transactions, Alfa has recorded over 16 Million transactions and a throughput of over USD 3 billion till date.

Alfa aced the landscape of proximity payments in Pakistan being the only mobile app accepting QR payments for both financial schemes: MasterCard and VISA; with a network of 5000+ QR Merchants across the country having generated a throughput of more than 100 million in 2019.

Alfa become Pakistan's first banking app to offer a comprehensive ecommerce marketplace experience – AlfaMall – with a great variety of products ranging from electronic appliances and mobile phones, to apparel and grocery where customers can pay from account, credit card, orbits or avail easy installment plans. Within a year, 32,000 sale transactions were recorded with a total worth of approximately PKR 100 million.

Bank Alfalah launched a first of its kind, completely digital savings

account: 'Alfa Savings Account' and in the year 2019 only, 100,000+ branchless Alfa Savings Accounts have been opened with a total deposit of 35 million in savings.

Bank Alfalah's award winning Alfalah Orbit Rewards programme, the number of unique orbit redeeming customers has increased substantially from 73,000 to 164,000 in 2019 and Orbit earning customer has increased from 816,000 to 935,000 highlighting a highly positive engagement of customers in the program. Furthermore, digital channel utilization for Orbit redemption is now at 100% that includes redemptions through Alfa, Internet Banking, POS, and AlfaMall.

'Alfa Payroll Solution' continued to grow with 125 companies on board and a monthly disbursement of PKR 800 million for 65,000+ blue collar workers in their payroll wallets.

Alfa Home Remittance Account, in partnership with two of key remittance partners namely Xpress Money & Aftab Currency Exchange in 2019, crossed a total collection of PKR 5.4 million and new customer base of 4,500 unique Alfa users.

Bank Alfalah also won the BISP contract this year once again, continuing to be a payment solution provider for BISP, facilitating beneficiaries in the KPK, Gilgit-Baltistan and AJK regions of Pakistan, through a robust and transparent biometric verification

based payment solution. EOBI pension disbursement & contribution collection services continued throughout the year with 30,000+ new customers & disbursed around PKR 35 billion to a total of 435,000+ pensioners, facilitating the cash withdrawal through the 10,000+ ATM network across Pakistan.

With an objective to increase the financial penetration and expand payments footprint across Pakistan, Digital Banking Group also designed a wide-ranging portfolio of digital lending products including Merchant Financing, Advance Salary, Overdraft and Easy Installments.

Bank Alfalah has established a footprint of 770+ ATMs covering more than 150 cities across the country and installed 35 Cash Deposit Machines (CDM) in branches across Pakistan. Further, with the newly launched Alfa Chat Customers can now chat, send voice notes with an experience just like their favourite social apps at their fingertips with Alfa.

Islamic Banking Group

Bank Alfalah's Islamic Banking business offers a complete range of Shari'ah compliant products and services. With a network of 162 branches spread throughout the country, Bank Alfalah is one of the leading Islamic Banks in Pakistan. The Bank has a zero tolerance policy for non-compliance of Shari'ah principles. Extensive staff trainings were conducted during the year to help employees understand and uphold Shari'ah compliant banking practices.

On the liabilities side, IBG's main focus was on low cost Current

deposit, which increased by 11%, improving CA mix to 46%. CASA mix stood strong at 83%. On the assets side, IBG maintained its financing exposure in all sectors and continued to actively pursue growth in Small and Medium Enterprise (SME)/Commercial and Consumer segment. Islamic financing and related assets grew by 2% from December 2018. Trade business grew by 7% to close at PKR 147 billion.

Bank Alfalah's Islamic Banking group posted profit before tax of 4.778 billion, an impressive growth from last year.

With a well-diversified product base, the Bank is well-positioned to cater to all the financing needs of customers in a Shari'ah compliant manner. Our continuous strive for excellence this year has steered IBG to add in new services and re-vamp existing products to suit the evolving needs of the Islamic customers. We take pride in launching most unique product propositions this year that includes Recurring Value Deposits (RVD), Profex Accounts, Islamic PayPak Debit Card, Islamic Long Term Financing and Islamic Premier Banking services with market leading and differentiated card strategy.

Corporate, Investment Banking and International Business Group

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

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

Investment Banking

The Investment Banking Group offers a holistic range of solutions designed to allow our clients the freedom to choose from a wide array of financing options. The Bank is a key market player in the Project Finance and Syndications segments with focus on power, sugar and electronics. The Bank's service suite comprises of long-term and short-term lending with flexibility for structured products, syndications, project finance and advisory services.

During the year 2019, the Investment Banking team achieved financial close for 2 renewable energy projects and also witnessed achievement of significant milestones in form of successful closure of HUBCO's listed Sukuk (PKR 7,000 million) and Commercial Paper (PKR 5,000 million).

Transaction Banking

Transaction Banking Division offers comprehensive transactional banking services, including cash management, international trade services and supply chain financing. Anchor driven financial models, structured product programs along with refined process flows, state of the art customized products are that empower its clients to maximize their financial performance.

Cash Management

Our Cash Management unit in TB brings wide range of products suite for Corporate, Commercial, SME and Retail clients for both Conventional and Islamic Banking divisions. Our distinctive product features in addition to certain other factors such as socializing cash management solutions with internal stakeholders to capture cross sell opportunities for relationship deepening and accelerated growth for cash management unit by recruiting technical resources and enhancing existing product suite in 2019, enabled us to enhance our client's portfolio by 31% (YOY). Similarly, we have increased our volumes by 60% (YOY) in 2019 on account of collections and payments.

Trade Finance

Within the ambit of Transaction Banking Division, Trade Finance has also witnessed decent growth despite challenging economic conditions and testing environment for the local market. In collaboration with various functions that includes relationship teams, compliance unit, trade operations and credit risk; we have offered quality and timely trade services/ solutions while strictly adhering to regulatory framework and bank's internal controls and processes. With the aim of acquiring meaningful market share, we have deliberately adopted business oriented approach that led us to achieve and maintain sizeable trade volumes. We envisage further growth in these volumes based on our strategic initiatives in terms of process reengineering, capacity building and technological advancements.

Supply Chain

In collaboration with IFC, we have implemented the Supply Chain Finance (SCF), a program based lending solution to the market. This product aims to work with Corporates & their value chain partners to design customized solutions for key buyers and suppliers to provide structured financing products in order to optimize liquidity. SCF was started during the year 2018. Despite, a fairly new team, BAF has shown immense growth by increasing the no. of anchor deals & vendors / dealers booked by 75% with the size of total deals increasing by 82% as of December, 2019. In order to introduce technology to the solution for optimal usage and ease of doing business, BAF has entered into an agreement with the leading UK based Technology Company, for procurement of supply chain finance platform that will be the "first ever in Pakistan".

Financial Institutions

The Division offers solutions to its clients via its FI, NBF, Home Remittance, and International Business desks.

The FI desk manages strategic relationships with banks globally via over 600 RMAs. The FI unit offers a suite of trade products and solutions: on-shore and off-shore discounting; LC confirmation and advising services; and guarantees and is involved in risk participation agreements, buying and selling risk in the secondary market. Due to the team's consolidated and robust efforts, the FI desk was able to double its rebate income.

The NBF desk offers structured financing, loans, and TFCs in order to cater to clients' capital and

liquidity requirements. The desk also offers customized cash management solutions to facilitate the clients' ever evolving needs. The NBF desk is venturing into various agreements with the development sector and is partnering with majority of the key player therefore, aligning the bank with national initiative of financial inclusion.

Bank Alfalah is now a key player in the Home Remittance market, operating under the PRI initiative of the Central Bank. The Business increased its reach in pivotal remittance countries, tapping flows through its global network of partner banks, money transfer operators and exchange companies and providing solutions through Alfalah Home Remittance Cash over the counter, Account Deposit, Asaan Remittance and ALFA (Digital) Remittance account. Focused efforts enabled the team to increase its commission income by 59%.

International Business unit is the business owner of the Bank's global presence, aligning the strategy of our international network and streamlining operations. Furthermore ensuring, all operations are functioning within the regulatory requirements of the host country and State Bank of Pakistan.

Treasury and Capital Market Group

As a result of actions taken in previous years, Treasury was in an ideal position to rebuild the investment portfolio during CY19 to reap the benefits of higher interest

rates. This contributed towards increased bank's Net Interest Income (NII) by 40% over previous year, which is one of the highest among peer banks. Furthermore, Treasury also contributed significantly towards achieving bank's profitability by realizing capital gains of PKR 436 million on sale of government securities.

On the Foreign Exchange side, Treasury remained one of the leading market player in the industry taking advantage of its strong sales clientele with more focused approach on SME sector of the country. The total 'Income from Dealing in Foreign Currencies' in 2019 stands PKR 2.8 billion at the overall Bank level. Building upon our client centric approach and to attain market penetration, the team at both satellite treasury sales offices increased with cross functional roles, during the outgoing year.

IBG Treasury played a pivotal role in efficiently deploying the commercial surplus despite liquidity management challenges. Moreover, dedicated sales team continued to service Islamic banking corporate, institutional and retail clientele through our wide spectrum of Shariah compliant hedging solutions.

Capital Markets endured a volatile year, in line with equity markets, as a combination of impairment and capital losses weighed negatively on the bank's bottom line. Dividend income from listed entities has remained intact to a large extent, where the decline in dividend income is emanating from one of the bank's investments in an unlisted power company.

Recovery in equity markets seen towards the end of 2019 meant that the equity portfolio ended with

overall positive return for 2019 with part of the return is reflecting in unrealized gains at the end of the year.

The process of establishing the bank's Capital Market activities as a leading franchise found further impetus as CFA Society Pakistan rated the bank Runners Up for "Best Equity Corporate Finance House – Banks" and as the 'Best in Investor Relations' for the 6th year running.

Bank Alfalah has a dedicated structure of Fraud Risk Management under Compliance & Control Group, which performs both preventive and detective functions with respect to the frauds relating to Consumer Products (both Conventional & Islamic), ADC & Branchless Banking. The preventive functions are performed by the FRMU through vigilance of Consumer & ADC products. Whereas, detective functions are carried out by the FRMU through detailed investigations of fraudulent incidents and taking corrective actions accordingly. This unit also provides input in the development of controls at pre & post planning stages to prevent any future instances of fraud.

Compliance and Control Group

The prime objective of Compliance & Control group is to ensure effective implementation of regulatory requirements, best practices, internal policies, and applicable International laws etc. . The agenda is driven by the highest level commitment of the Board of Directors and the senior management of the bank which is focusing on nurturing a compliance culture in the bank in order to becoming more pro-active in its

actions including strategic decision and also to avoid any reputation or regulatory risk.

Compliance function has taken various measures including development of Policies & Procedures, implementation of various solutions including Automated Transaction Monitoring, Sanction Screening, Trade Based Transaction Screening and Vessel Tracking Systems. Most of these initiatives are focused on both domestic & International network with a view to mitigate the Financial Crime Risk.

In 2019, Internal Control Division (ICD) launched ICD Dashboard which is State of Art Digitalized Control Monitoring Tool for branches (Pan Pakistan). Ever since its launch, it has been a game changer as it has changed the whole spectrum of Control & Compliance Monitoring from sample based periodic reviews of selected entities through reports to continuous monitoring of key risk areas with coverage of whole population. It not only generates various Alerts/Exceptions on branch screen on daily basis for resolution related to critical risk area of branch Operations including KYC Overdue Reviews and Transaction Monitoring but also have automatic escalation feature to senior management if issues remain unresolved beyond TAT. Thus, each branch/Area/Region performance became visible to senior management and its periodic monitoring has now being done through ICD Dashboard Score Card launched by ICD for Business on monthly basis.

Besides, ICD have also conducted various Analytics (Off-Site Reviews) based on the database of Alerts/Exceptions generated on ICD Dashboard as well as Core Banking

System in the area of KYC, AML and other Critical Key Regulatory segments and have identified and engaged stakeholders for remedial measures for their rectification which significantly contributed in improving control environment.

During year 2019, ICD has conducted On-Site Reviews of total 367 branches as a part of its BAU function and continuous follow-up being made for resolution of identified exceptions. Beside this, all CFG Units have also been reviewed by ICD On-Site team as well.

Fraud Risk Management setup (FRMU) of BAFL is one of the best performing setup in the industry. BAFL Fraud Detection teams are functional 24/7 (Round the clock) in order to mitigate fraud & risk and to save bank from financial & reputational losses by monitoring Consumer & Digital Product transactions through 05 online rule based motoring systems. Around Rs. 618.75 million potential loss has been saved through effective handling of alerts /detection of fraudulent transactions and identification of 336 POCs (Point of compromise) with immediate actions accordingly. In addition, amount of Rs.42 million has been potentially saved (Detection of suspicious transactions, cancellations & reversals) in e-commerce acquiring business. Besides saving Bank from potential loss mentioned above, bank has managed to reduce actual fraud loss significantly (over 25% of 2018 fraud loss) as well. FRMU has also busted an international gang of fraudsters involved in skimming fraud in collaboration of FIA Cybercrime and recovered number of fake plastics & cards skimming devices.

Audit & Inspection Group

The role of the Internal Audit function is manifold: to gauge the overall strength of the entity's control environment, to provide reasonable assurance about the internal control environment and to place matters for oversight of the Board and Board-subcommittees. Internal Audit staff within Group works with professional competence and due care and follows a globally recognized internal auditing standards on best practices including Risk Based Audit Methodology along with the adoption of relevant components of internationally acclaimed COSO-Internal Control framework.

The Group has been continuously striving to follow a multi-faceted approach and becoming a team leader and trendsetter with respect to steps/measures taken by the Group including but not limited to holding control conferences, conducting training sessions/ creating awareness among stakeholders, formulation of audit booklet comprising of maximum possible exceptions (audit universe) and continuous and enhanced monitoring through Offsite surveillance system. The Group also performs fraud investigations to identify fraudulent acts and conducts post investigation fraud audits to identify control breakdowns and establish financial loss. Further, the stakeholders' interest has been secured by establishment of robust Whistle Blow policy where every whistle blown has been invariably reported to the Chair of the Audit Committee along with Group Head – Audit & Inspection.

Legal and Corporate Affairs

This Division 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 2019 the Legal Affairs Division has advised on and assisted various departments, particularly the digital banking, by itself developing agreements and other requisite documentation in-house for various new products and transactions. The work assigned to external counsel in 2019 has been considerably lower than previous years resulting in major cost saving for the bank as a whole

Corporate Services & Operations Group

The bank's operations have grown manifold and the Group is now also entrusted with Branch Banking Operations along with the expanding role of Centralized Operations. As a consequence of this transformation, we have now been able to further galvanize our controls and mitigate inherent risks. We have also been able to create greater business synergies, implement cost efficiencies, and streamline processes while achieving higher standards of performance and productivity throughout.

A fundamental component of our strategy is geared towards cleanup of legacy data and creating greater

awareness in staff vis-à-vis the importance of service quality for developing a service mindset amongst the staff for both internal and external customers. A centralized data cleansing unit was set up to update BAFL legacy data and various exercises were completed to close down zero balance and dormant accounts.

Keeping abreast with changing regulatory requirements, the group made great strides in 2019 to ensure compliance and undertook the challenge of biometrically verifying accounts maintained with the bank as per directives of the regulator. The group has also made significant progress in combating Money Laundering and identifying Ultimate Beneficiary Owners by introducing stringent controls through implementation of systems enhancements, policies and procedures in coordination with Compliance and Control Group.

Centralized Admin division was revamped with emphasis towards providing exclusive and effective services, in adherence to policies and procedures. Through efficient space/ people management, structured maintenance and resource management, with an aim towards safeguarding organizational resources and proactively dealing with contingencies, we have upheld our high standards of performance and will continue to instill these critical success parameters at all levels. Security department has also set-up command and control center in Karachi for real time monitoring of branches and other critical locations which will allow for rapid support and deployment in the event of unforeseen circumstances.

Special Assets Management Group

Pursuant to a prudent credit policy, the Bank successfully exercised a tight control on advances which is evident from the fact that the Bank's infection ratio remained below 5% as at Dec 31, 2019. SAMG is responsible to oversee overall provision reversal of the Bank. During 2019, Bank Alfalah's accumulative reversals of provision was recorded for a sum Rs. 2.222 billion. Our recovery efforts eventually transpired into this P&L impact toward overall profitability of the Bank. Though the CY 2019 posed numerous challenges, however, the Bank has been successful in maintaining its legacy of recording cash recoveries.

The Bank has placed experience and specialized team with SAMG who is fully geared to cope with the all adverse situations and to ensure maximum support to all Business Groups, for recovery of NPLs.

Information Technology Group

Early Adopter of New Technology and Creating Good Business Value

Bank Alfalah maintaining leadership in adopting new technologies has successfully implemented many state-of-the-art technologies, including micro-services, micro-segmentation, enhanced Quality of Service etc. Hyper Converged Infrastructure (HCI), Software Defined Networks (SDN) with Access Control Infrastructure (ACI) as well as being the first local bank to install Big Data solution for competitors to follow. All these initiatives have led Bank Alfalah to boost its performance efficiency by creating good business value.

Extensive efforts in automation of manual processes for improved turnaround time and customer satisfaction have led to the successful implementation of large number of processes for Consumer Finance, Retail Banking, Finance, Compliance and Operations; automated with end-to-end approval cycle integrated with core banking and card management systems. The seamless process automation of Banks Core Banking, Card Systems Operations has not only eliminated human intervention, but has effectively improved system efficiency, quality and release cycle time. Extensive efforts have been put into adoption of Robotic Process Automation (RPA) and compliance related solution which has just been rolled-out and same methodology is being adapted across different domains.

Core Banking System Enhancements

In continuation of the Bank's strategy of 'One Bank One System', now our international operations UAE, Bahrain, Bangladesh and Afghanistan (in process) are running on T24 (core banking system). In July 2019, T24 Bangladesh went live. This exercise was conducted mainly by in-house team using multi-tenant deployment, involving same infrastructure for all our international operations (UAE, Bahrain and Bangladesh). All modules are developed using AA Module (T24 latest development architecture – Arrangement Architecture) with TAFJ (Temenos Application Framework for Java) and modern architecture practices / recommendations from Temenos in-line with their current roadmap. Proactive exercise for CBS upgrade to new T24 R19/R20 version is already in progress. T24

support is managed from Centralised location by the Bank's in-house technology experts.

T24 Insight MIS Reporting System

This is the first ever sourcing and successful development of T24 Insight Model in Pakistan market of this scale comprising of both core and local developments, covering conventional & Islamic data sources for both local and international operations, with the capability to handle data from other applications without any major changes. It is intelligently designed to handle simultaneous retrieving of data for various streams without any performance impact. The complete model of designing and its implementation has been done in-house by the IT team without any support from TEMENOS or its partners. This model is designed to provide analytical capability unlike traditional reporting based models.

Bank's Unique Disaster Recovery Setup and Strategy

The Bank has effectively addressed the inherent Disaster Recovery (DR) challenge of complexity, uptime and availability of all allied systems and infrastructure. Enhancements to the Bank's DR Strategy includes complete end-to-end automation and monitoring of 'switch-over and switch-back' through defined and vetted workflows and dashboard, with complete control and authentication. The simplified process has resulted in reduced turnaround time, avoidance of manual intervention and availability of comprehensive reports and logs for review. Bank's unparalleled Disaster Recovery Setup and Strategy, is one of its kind and known for its robustness, stability, prolonged sustainability,

automated switchover of all critical and core supporting applications between Karachi and Lahore Data Centers. The Bank has certified its DR site by a third party audit firm in terms of robustness, seamless switch-over, equal capacity and performance as production in line with the best industry practices. The Bank uses its production and DR sites alternatively to run the business. Two planned switchovers have already been successfully and seamlessly conducted in 2019, where the bank ran from DR Site for an extended period as long as three months.

Digital Transformation

Bank Alfalah's open and collaborative culture has helped inspire technology and business teams, with innovative and new ideas that have been turned into value proposition for the Bank, by successfully floating in the market in a short span of time. This is achieved through unmatched team-efforts while undertaking major challenges and delivering results surpassing the Bank and business objectives and expectations.

The Bank has implemented the largest number of API Gateway Service with 200+ API services available and integrated across multiple channels and external entities, which also includes interactive booking of transport and cinema tickets as well as other e-commerce related processes/transactions. BAFL was the first Bank to comply with 1-Bill Mandate and the first bank to go live with State Bank initiative of Assan Mobile Account. Various other initiatives such as multilingual SMS service; Self Service KIOSK & Cash Deposits Machines with

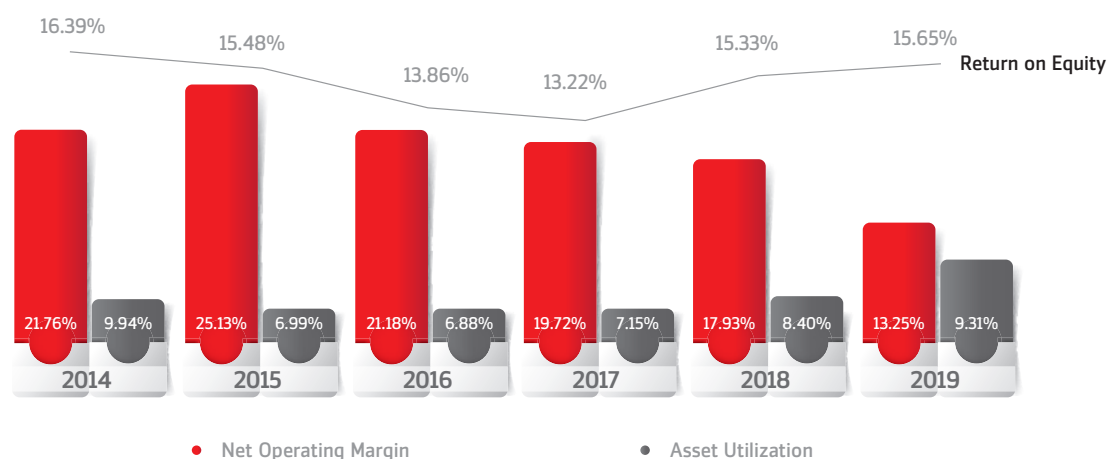
customized services; biometric facility activated on all channels were implemented during the year.

Financial Ratios

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Profit before tax ratio (PBT / Gross Markup Income)	%	24.20%	29.53%	24.67%	22.79%	20.51%	15.37%
Gross Yield on Average Earning Assets	%	10.53%	6.96%	6.81%	7.05%	8.42%	9.64%
Gross Spread	%	48.50%	53.50%	51.94%	50.73%	46.60%	39.50%
Non Interest income to total income	%	10.10%	14.88%	14.15%	13.49%	12.60%	13.81%
Return on equity (ROE)	%	15.65%	15.33%	13.22%	13.86%	15.48%	16.39%
Return on average assets (ROA)	%	1.26%	1.11%	0.87%	0.88%	0.93%	0.83%
Return on Capital Employed (ROCE)	%	13.64%	13.30%	11.90%	11.85%	12.84%	13.30%
Cost to income ratio (Total Operating Expense / Revenue)	%	54.01%	58.34%	65.28%	62.80%	59.45%	66.04%
Investment Ratios							
Earnings per share [as reported]	Rs	7.15	5.99	4.74	4.93	4.73	4.09
Diluted Earnings per share	Rs	7.15	5.98	4.72	4.93	4.73	4.09
Breakup value per share - with revaluation on Fixed assets and Investment	Rs	49.53	42.63	40.93	37.69	33.56	28.24
Breakup value per share - without revaluation on Fixed assets and Investment	Rs	43.14	38.47	36.40	30.81	26.69	23.83
Market Ratios							
Cash Dividend - Interim	%	20%	10%	0%	0%	0%	0%
- Final	%	20%	15%	15%	0%	10%	20%
Stock Dividend	%	0%	10%	0%	0%	0%	0%
Dividend Yield ratio (based on cash dividend)	%	8.75%	6.16%	3.53%	0%	3.47%	5.73%
Dividend Payout ratio	%	55.94%	41.74%	31.65%	0.00%	21.14%	48.90%
Price to book ratio	%	92.26%	95.21%	103.83%	100.71%	85.88%	123.52%
Price to book value ratio	Times	0.92	0.95	1.04	1.01	0.86	1.24
Price to earning ratio	Times	6.39	6.78	8.97	7.70	6.09	8.53
Dividend cover ratio	Times	1.79	2.40	3.16	-	4.73	2.05
Share Information							
Market value per share - Dec 31 (Closing Rate)	Rs.	45.70	40.59	42.50	37.96	28.82	34.88
High - during the year	Rs.	50.70	58.94	47.24	38.00	35.05	35.10
Low - during the year	Rs.	36.50	40.59	36.03	23.90	23.82	24.91
Market Capitalisation	Rs. in Million	81,216	72,021	68,322	60,554	45,818	55,362
No. of Shares outstanding	Mn	1,777	1,774	1,608	1,595	1,590	1,587
Assets Quality and Liquidity Ratios							
Gross Advances to Deposits ratio	%	67.75%	73.75%	64.68%	62.37%	55.01%	50.52%
Net Advances to Deposits ratio	%	65.35%	71.37%	62.12%	59.67%	52.47%	48.16%
Net Investments to Deposits ratio	%	38.23%	39.50%	62.13%	61.30%	66.44%	53.75%
Cost of Deposits	%	5.00%	3.10%	2.70%	3.06%	4.03%	5.17%
NPLs to Gross Advances ratio	%	4.23%	3.63%	4.21%	4.80%	5.27%	6.37%
Coverage Ratio (specific provision / NPLs)	%	79.14%	84.39%	89.22%	86.06%	83.73%	70.06%
Earnings assets to total assets ratio	%	84.72%	84.98%	86.11%	87.30%	88.05%	86.18%
Deposits to shareholders equity	Times	8.89	9.29	9.80	10.56	11.94	13.46
Assets to Equity	Times	12.09	13.30	15.18	15.46	17.21	16.87
Current Ratio	Times	1.33	1.32	1.28	1.23	1.35	1.45
Quick Ratio	Times	1.27	1.24	1.21	1.19	1.30	1.38
Cash to Current liabilities	%	10.19%	8.74%	7.56%	9.15%	8.76%	8.49%
Capital Adequacy							
Tier 1 Capital	Rs. in Million	73,650	66,810	53,662	42,550	36,850	33,399
Total Eligible Capital	Rs. in Million	93,677	82,050	65,779	56,902	50,957	44,490
Risk Weighted Assets (RWA)	Rs. in Million	554,836	549,173	491,228	431,628	380,195	348,833
RWA to Total Assets	%	52.11%	54.58%	49.18%	46.43%	41.40%	46.15%
Tier 1 to RWA	%	13.27%	12.17%	10.92%	9.86%	9.69%	9.57%
Capital Adequacy Ratio	%	16.88%	14.94%	13.39%	13.18%	13.40%	12.75%

Dupont Analysis

		2019	2018	2017	2016	2015	2014
Net Operating Margin	%	21.76%	25.13%	21.18%	19.72%	17.93%	13.25%
Asset Utilization	%	9.94%	6.99%	6.88%	7.15%	8.40%	9.31%
Equity Multiplier	Times	12.09	13.30	15.18	15.46	17.21	16.87
Return on Assets	%	1.26%	1.11%	0.87%	0.88%	0.93%	0.83%
Return on Equity	%	5.65%	15.33%	13.22%	13.86%	15.48%	16.39%

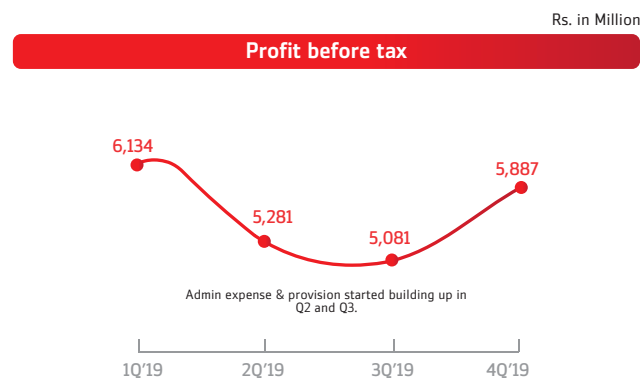
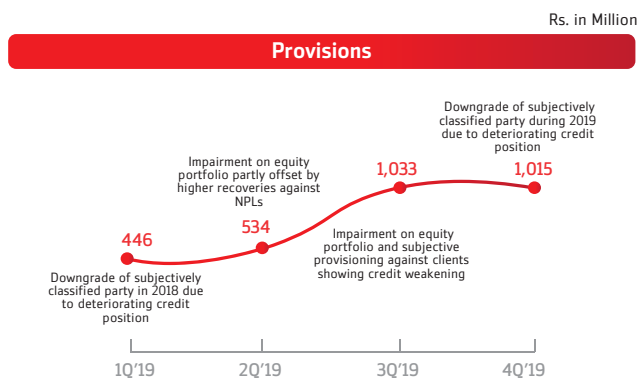
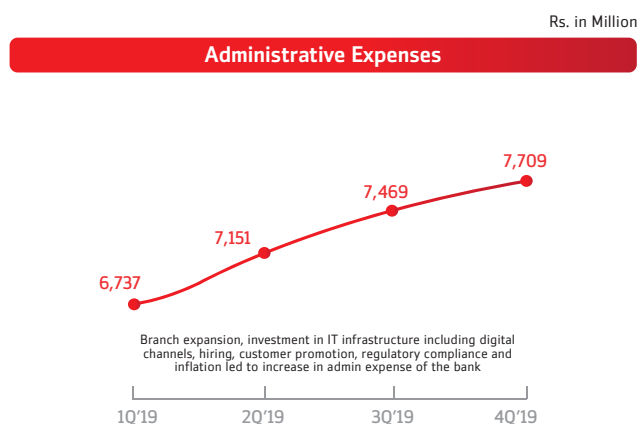
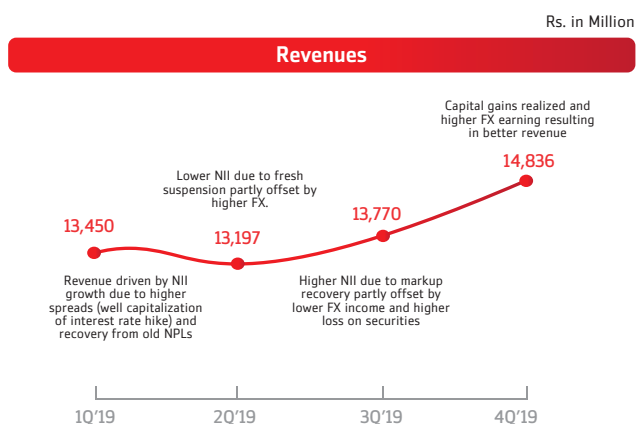


Free Cash Flows

		2019	2018	2017	2016	2015	2014
Profit Before Taxation	Rs. in Million	22,382	17,618	14,045	13,023	12,603	8,513
Adjustments for non cash items and operating assets/liabilities changes	Rs. in Million	(58,566)	160,088	(16,755)	42,367	(90,850)	(42,327)
Net cash generated from operations	Rs. in Million	80,948	(142,470)	30,800	(29,344)	103,453	50,840
Capital Expenditure	Rs. in Million	(3,925)	(1,307)	(1,851)	(2,837)	(1,951)	(3,289)
Free Cash flows	Rs. in Million	84,872	(141,163)	32,651	(26,507)	105,404	54,129

Quarterly Performance Review

	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Total
Rupees in Million					
Revenue (Net Markup Income and Non Markup Income)	13,450	13,197	13,770	14,836	55,253
Administrative Expenses	6,737	7,151	7,469	7,709	29,066
Other charges and WWF	133	231	187	225	776
Operating Profit	6,580	5,815	6,114	6,902	25,411
Provisions / (Reversals)	446	534	1,033	1,015	3,029
Profit Before Tax	6,134	5,281	5,081	5,887	22,382

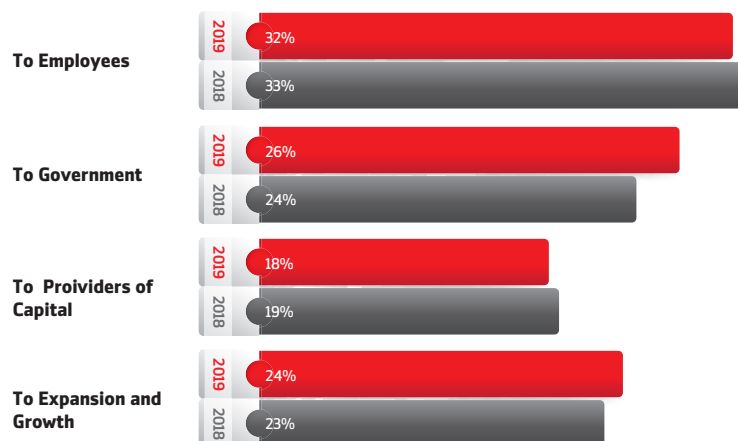


Direct Method Cash Flow Statement

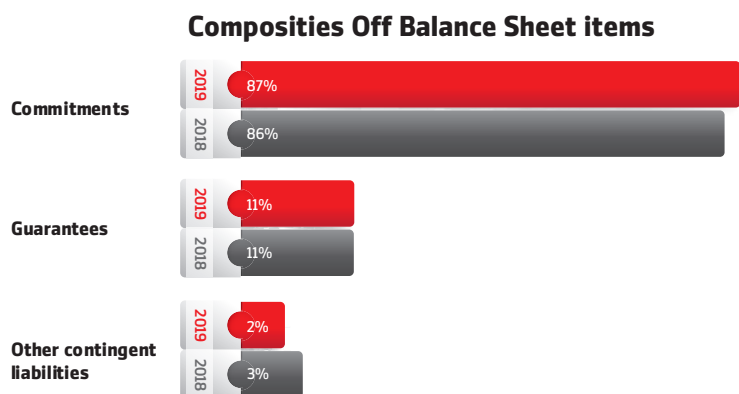
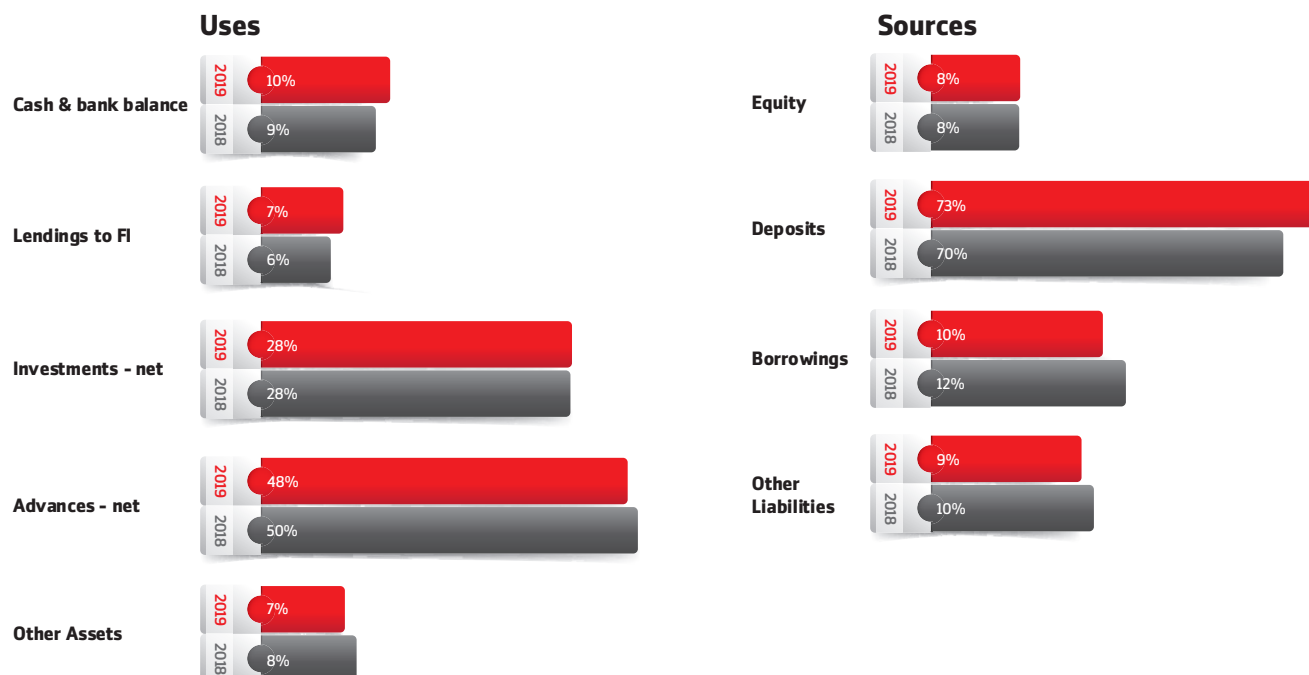
	2019	2018
 Rupees in Million	
Cash flow from Operating activities		
Markup / return / interest and commission receipts	82,496	59,041
Markup / return / interest payments	(46,091)	(26,620)
Payments to employees, suppliers and Others	(5,720)	(12,656)
	<u>30,684</u>	<u>19,765</u>
Increase / (decrease) in operating assets		
Lending to Financial Institutions	6,123	(18,366)
Net Investment in 'Held for Trading' securities	20,478	(24,767)
Advances - Net	(11,453)	(100,850)
Other Assets	10,897	(2,953)
	<u>26,044</u>	<u>(146,937)</u>
Increase / (decrease) in operating liabilities		
Bills Payables	(18,19)	15,105
Borrowings	(20,888)	(83,433)
Deposits and Other Accounts	79,389	57,910
Other Liabilities	(10,474)	422
	<u>29,209</u>	<u>(9,995)</u>
	<u>85,937</u>	<u>(137,168)</u>
Income tax paid	(4,990)	(5,301)
Net Cash flow from Operating activities	80,948	(142,470)
Cash flows from Investing activities		
Net Investment from 'available for sale' securities	(29,396)	142,543
Net Investment from 'held to maturity' securities	(7,091)	1,227
Dividend received	341	587
Investments in operating fixed assets	(3,925)	(1,307)
Proceeds from sale of operating fixed assets, intangible assets and non banking assets	403	446
Exchange differences on translation of the net investment of foreign branches	1,721	2,975
Net cash flows used in investing activities	(37,948)	146,470
Cash flows from financing activities		
Redemption of subordinated loans	(2)	6,998
Payment of lease liability	(2,276)	-
Proceeds from issue of shares	38	82
Dividend paid	(6,207)	(4,001)
Net Cash flows used in financing activities	(8,447)	3,080
	<u>34,553</u>	<u>7,080</u>
Increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	104,342	99,527
Effects of exchange rates changes on cash and cash equivalents	(3,840)	(6,106)
Cash and cash equivalents at end of the year	135,055	100,501

Statement of Value Added

	2019		2018	
	Rs. in Million		Rs. in Million	
Value Added				
Net Interest Income	44,857		31,926	
Non Interest Income	10,396		10,431	
Operating Expenses excluding Staff costs depreciation, amortization, donations and WWF	(12,619)		(11,980)	
Provision against advances, lendings, investments & others	(3,029)		(27)	
Value added available for distribution	39,606		30,350	
Distribution of Value Added				
	2019	%	2018	%
	Rs. in Million		Rs. in Million	
To Employees				
Remuneration, provident fund and other benefits	12,830	32%	10,092	33%
To Government				
Worker Welfare Fund	508	1%	392	1%
Income Tax	9,686	24%	6,993	23%
	10,194	26%	7,385	24%
To providers of capital				
Interim/Final Cash dividends to shareholders	7,109	18%	4,275	14%
Bonus Shares	-	0%	1,613	5%
	7,109	18%	5,888	19%
To Society				
Donations	11	0.03%	37	0.12%
To expansion and growth				
Depreciation	3,402	9%	1,723	6%
Amortization	473	1%	488	2%
Retained Earnings	5,587	14%	4,737	16%
	9,462	24%	6,948	23%
	39,606	100%	30,350	100%



Sources and Uses of Funds



Share Price Sensitivity Analysis

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

Regulatory / Policy Changes

Any regulatory or policy changes that directly impact the overall banking landscape along with cost and / or revenue drivers are likely to exert the biggest influence on the Bank's stock price. For example, a change in the discount rate has a direct impact on yields of government securities, spreads made on advances and to a certain extent on funding costs. All these factors backed by a change in the discount rate can materially impact profitability and the share price as well.

Similarly any regulatory changes made by the Central Bank such as a change in the minimum rate of deposit payable on certain types of deposits can have a significant impact on the cost of funds,

profitability and may also reflect on the stock price.

Investor and Market Sentiment

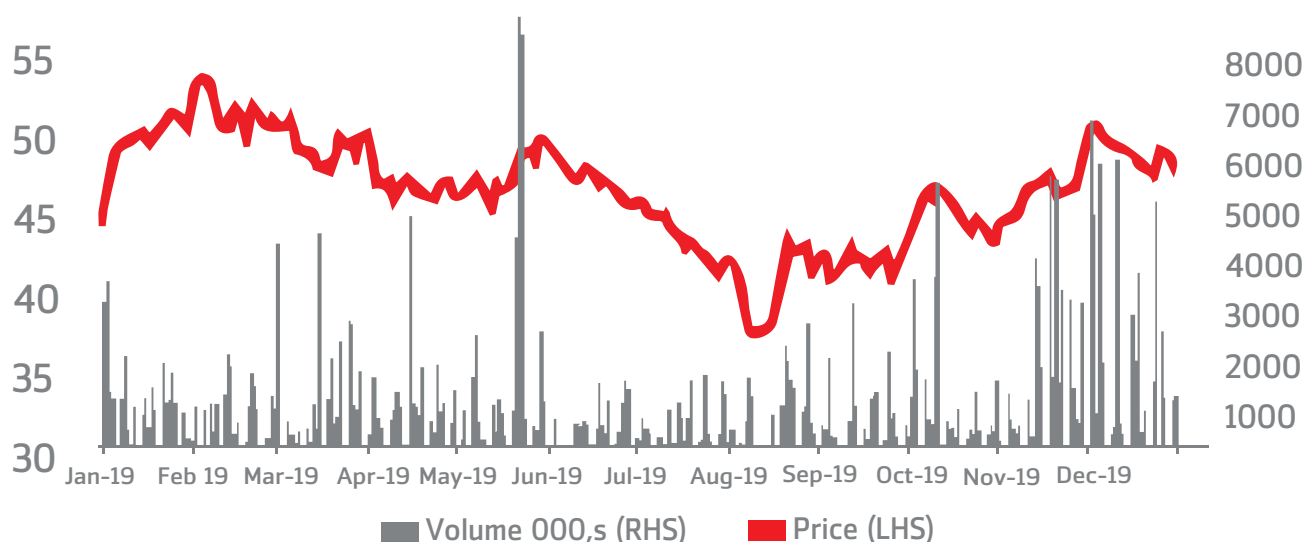
While this is difficult to quantify but a change in sentiments due to the investment climate in general or the stock market in particular can have an impact on the Bank's share price as well. Such a sentiment driven impact on the share price can occur even in the absence of any fundamental development or change in the Bank's business case.

Change in Macro Environment

Any changes in the macro environment, such as political, law and order, inflation and / or currency devaluation could see the stock price of the Bank move alongside as market preempts such developments and extrapolates their impact on policy / regulatory changes in the Bank's share price. Hence, there could be a situation where the price of the Bank's share

moves well in advance of the actual occurrence of regulatory / policy change.

High Price (Rupees)	50.7
Low Price (Rupees)	36.5
Average Volume	1,005,658
No. of trading Days	247
Days Traded	247
% of days traded	100%



Other Information

Business rationale for major capital expenditure / projects

During the year the bank invested Rs. 3.9 billion on purchase of fixed assets which includes properties (land & buildings), equipment, fixtures, intangible assets etc. A detailed disclosure of fixed asset is given in the financial statements. All the assets purchased have been capitalized as the management intends to take benefit from them over their useful life, which spans over more than a year. These additions are for meeting the business and operational needs of the Bank including but not limited to digital infrastructure, new branches, existing branch / office renovations, strengthening IT infrastructure with an aim to operate within secured environment and with the best customer data protection.

Particulars of significant / material assets and immovable property

The Bank has the following fixed assets as at 31 December 2019.

Items from the fixed & intangible assets	Rs. in Million	
	Dec '19 - WDV	% composition
Land - Freehold & Leasehold	9,238	30%
Building on Freehold & Leasehold land	4,690	15%
Office equipment	3,021	10%
Vehicles, Lease hold improvement, Furniture and fixture	2,308	8%
Property & equipment	19,256	63%
Right-of-use assets	9,187	30%
Intangible assets	1,004	3%
Capital work-in-progress	897	3%
Total fixed & intangible assets	30,344	100%

Management's assessment of sufficiency of tax

The bank maintains sufficient provision for taxation as required under the accounting standards and the relevant regulations. Contingencies with respect to the direct or indirect taxation have been disclosed in these financial statements. Our assessment of sufficiency of tax provision made in financial statements along with comparisons to tax assessment for last three years are satisfactory.

Debt funds utilisation

At the year end 2019, ADT 1 & TFC V debt instruments are outstanding in the books. The terms and conditions of both these debts have been disclosed in the financial

statements. The debt utilization is as per the plans disclosed in the prospectus/offering document of the debt instruments. The Bank may in the course of time, as and when the need arises, explore new funding opportunities.

Particulars of loans / advances and investments in foreign companies or undertakings

The Bank's overseas branches in Bahrain, UAE, Afghanistan and Bangladesh invest and lend to foreign companies and undertakings. As at 31 December 2019, the bank's advances and investments portfolio at overseas branches were Rs. 24.291 billion (31 Dec 2018: Rs. 19.366 billion) and Rs. 53.548 billion (31 December 2018: Rs. 29.435 billion) respectively.

A wooden table with various business documents, sticky notes, and a hand holding a pen. The documents include a circular chart with percentages and text. The scene is lit with warm, soft light, creating a professional and collaborative atmosphere.

CORP

REPORTING

A close-up, high-angle shot of a person's hand pointing at a design board on a wooden desk. The board is covered with various papers, including a color palette, a grid of color swatches, and several sticky notes in yellow, pink, and blue. The background is slightly blurred, showing a white mug, a desk lamp, and other office supplies. The word "ORATE" is overlaid in large, bold, red capital letters across the center of the image.

ORATE

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 2019, 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 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 2019 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 assess 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, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> • We reviewed the Bank's process for identification and classification of non-performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be. • We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations. • In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' unconsolidated financial statements, nature of collateral held by the bank and status of litigation, if any, with the borrower; • Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear 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; • 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.

Key audit matters	How the matter was addressed in our audit
<p>• Adoption of IFRS 16 "Leases"</p> <p>As referred to in note 2.2.2 to the unconsolidated financial statements, IFRS 16 'Leases' (the standard) has become effective for the current financial year as per the SECP notification S.R.O. 434 (I)/2018 dated April 09, 2018 read with SBP's directive BPRD Circular Letter No. 08 of 2019 dated April 30, 2019.</p> <p>The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Bank is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The impacts of the adoption of the standard on the unconsolidated financial statements of the Bank are disclosed in note 2.2.2 to the unconsolidated financial statements.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> • We evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the unconsolidated financial statements • We obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts in lease database; • We corroborated the completeness of lease database by comparing the previously identified operating lease contracts and the lease/rent expenses with the contracts appearing in the lease database; • We performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations; • We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; • We evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the unconsolidated financial statements of the Bank for the year.

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 auditors' 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 auditors' report is Omer Chughtai.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 03rd March, 2020

Unconsolidated Statement of Financial Position

As at December 31, 2019

	Note	2019	2018
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	5	100,731,873	82,407,700
Balances with other banks	6	4,709,968	3,874,955
Lendings to financial institutions	7	71,434,895	62,172,287
Investments	8	299,098,115	277,660,403
Advances	9	511,235,949	501,636,452
Fixed assets	10	29,087,028	18,272,215
Intangible assets	11	1,257,361	1,283,516
Deferred tax assets		-	-
Other assets	12	47,116,896	35,320,826
Assets held for sale	21	-	23,589,489
		1,064,672,085	1,006,217,843
LIABILITIES			
Bills payable	13	17,169,059	35,988,225
Borrowings	14	102,842,330	123,738,241
Deposits and other accounts	15	782,284,196	702,895,280
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	11,987,000	11,989,000
Deferred tax liabilities	17	3,450,993	2,070,702
Other liabilities	18	58,910,931	33,454,124
Liabilities directly associated with the assets held for sale	21	-	20,435,396
		976,644,509	930,570,968
NET ASSETS		88,027,576	75,646,875
REPRESENTED BY			
Share capital	19	17,771,651	17,743,629
Reserves		26,046,019	23,050,754
Surplus on revaluation of assets	20	11,367,004	7,382,950
Unappropriated profit		32,842,902	27,469,542
		88,027,576	75,646,875
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 50 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, 2019

	Note	2019	2018
------(Rupees in '000)-----			
Mark-up/Return/Interest Earned	24	92,480,855	59,672,279
Mark-up/Return/Interest Expensed	25	47,623,373	27,746,216
Net Mark-up/ Interest Income		44,857,482	31,926,063
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	26	7,034,345	6,479,721
Dividend Income		338,989	576,034
Foreign Exchange Income		2,826,363	2,183,186
(Loss) / gain from derivatives		(68,293)	28,095
Gain on securities	27	83,940	950,302
Other Income	28	180,209	213,988
Total non-markup/interest Income		10,395,553	10,431,326
Total Income		55,253,035	42,357,389
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	29	29,065,738	24,312,745
Workers Welfare Fund	30	507,668	392,089
Other charges	31	269,203	7,693
Total non-markup/interest expenses		29,842,609	24,712,527
Profit Before Provisions		25,410,426	17,644,862
Provisions and write offs - net	32	3,028,585	26,607
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		22,381,841	17,618,255
Taxation	33	9,686,324	6,993,035
PROFIT AFTER TAXATION		12,695,517	10,625,220
Rupees			
Basic Earnings per share	34	7.15	5.99
Diluted Earnings per share	35	7.15	5.98

The annexed notes 1 to 50 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, 2019

	2019	2018
	----- (Rupees in '000) -----	
Profit after taxation	12,695,517	10,625,220
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	1,720,854	2,974,642
Movement in surplus / (deficit) on revaluation of investments - net of tax	4,001,228	(2,591,788)
	5,722,082	382,854
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	62,104	126,157
Movement in (deficit) / surplus on revaluation of operating fixed assets - net of tax	(95,097)	2,663,884
Movement in surplus on revaluation of non-banking assets - net of tax	77,923	25,606
	44,930	2,815,647
Total comprehensive income	18,462,529	13,823,721

The annexed notes 1 to 50 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, 2019

	Capital Reserves				Statutory reserve	Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Total
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed / Non Banking Assets		
(Rupees in '000)										
Balance as at January 1, 2018	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,635,518	4,649,730	24,200,508	65,718,145
Profit after taxation	-	-	-	-	-	-	-	-	10,625,220	10,625,220
Other comprehensive income - net of tax	-	-	-	2,974,642	-	-	(2,591,788)	2,723,389	126,157	3,232,400
Transfer to statutory reserve	-	-	-	-	1,878,770	-	-	-	(1,878,770)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(33,899)	33,899	-
Transactions with owners, recorded directly in equity										
Final cash dividend for the year ended December 31, 2017 @15%	-	-	-	-	-	-	-	-	(2,411,358)	(2,411,358)
Interim cash dividend for the half year ended June 30, 2018 @10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)
Shares issued under stock option scheme during the year	54,852	-	27,637	-	-	-	-	-	-	82,489
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-
Amortisation of deferred employee compensation expense - note 40	-	-	-	-	-	13,036	-	-	-	13,036
Transfer to Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-
Balance as at January 1, 2019	17,743,629	-	4,695,600	5,051,449	13,273,115	30,590	43,730	7,339,220	27,469,542	75,646,875
Profit after taxation	-	-	-	-	-	-	-	-	12,695,517	12,695,517
Other comprehensive income - net of tax	-	-	-	1,720,854	-	-	4,001,228	83,991	62,104	5,868,177
Transfer to statutory reserve	-	-	-	-	1,269,552	-	-	-	(1,269,552)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(101,165)	101,165	-
Transactions with owners, recorded directly in equity										
Final cash dividend for the year ended December 31, 2018 @15%	-	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)
Interim cash dividend for the half year ended June 30, 2019 @20%	-	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Reversal of deferred employee compensation expense	-	-	-	-	-	(5,201)	-	-	-	(5,201)
Shares issued during the year	28,022	-	10,060	-	-	-	-	-	-	38,082
Transfer to Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	25,389	-	-	(25,389)	-	-	-	-
Balance as at December 31, 2019	17,771,651	-	4,731,049	6,772,303	14,542,667	-	4,044,958	7,322,046	32,842,902	88,027,576

The annexed notes 1 to 50 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, 2019

	Note	2019	2018
		------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		22,381,841	17,618,255
Dividend income		(338,989)	(576,034)
		<u>22,042,852</u>	<u>17,042,221</u>
Adjustments			
Depreciation		3,402,463	1,722,841
Amortisation		472,739	488,400
Provisions and write offs - net	32	3,028,585	26,607
Unrealised loss on revaluation of investments classified as held for trading - net		19,952	42,406
Borrowing cost on lease liability	2.2.2	1,226,672	-
Workers' Welfare Fund		507,668	392,089
Gain on sale of operating fixed assets - net		(122,962)	(135,794)
Charge for defined benefit plan		106,243	185,753
		<u>8,641,360</u>	<u>2,722,302</u>
		<u>30,684,212</u>	<u>19,764,523</u>
Decrease / (Increase) in operating assets			
Lendings to financial institutions		6,123,146	(18,366,107)
Held for trading securities		20,477,866	(24,767,391)
Advances		(11,453,278)	(100,850,303)
Other assets (excluding advance taxation)		10,896,743	(2,953,399)
		<u>26,044,477</u>	<u>(146,937,200)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(18,819,166)	15,105,255
Borrowings		(20,887,515)	(83,432,878)
Deposits		79,388,916	57,910,313
Other liabilities (excluding current taxation)		(10,367,403)	607,649
		<u>29,314,832</u>	<u>(9,809,661)</u>
		<u>86,043,521</u>	<u>(136,982,338)</u>
Contribution made to gratuity fund		(106,243)	(185,753)
Income tax paid		(4,989,746)	(5,301,420)
Net cash generated from / (used in) operating activities		<u>80,947,532</u>	<u>(142,469,511)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(29,396,375)	142,542,537
Net investments in held-to-maturity securities		(7,091,196)	1,227,241
Dividends received		340,687	587,158
Investments in operating fixed assets		(3,924,614)	(1,307,248)
Proceed from sale of fixed assets		403,122	445,792
Effect of translation of net investment in foreign branches		1,720,854	2,974,642
Net cash (used in) / generated from investing activities		<u>(37,947,522)</u>	<u>146,470,122</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(redemption) / Issuance of sub-ordinated debt		(2,000)	6,998,000
Payment of lease liability		(2,275,693)	-
Issue of share capital		38,082	82,489
Dividend paid		(6,207,063)	(4,000,915)
Net cash (used in) / generated from financing activities		<u>(8,446,674)</u>	<u>3,079,574</u>
Increase in cash and cash equivalents		<u>34,553,336</u>	<u>7,080,185</u>
Cash and cash equivalents at beginning of the year		104,341,676	99,526,939
Effects of exchange rate changes on cash and cash equivalents		(3,840,280)	(6,105,728)
		<u>100,501,396</u>	<u>93,421,211</u>
Cash and cash equivalents at end of the year	36	<u>135,054,732</u>	<u>100,501,396</u>

The annexed notes 1 to 50 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, 2019

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 674 branches (December 31, 2018: 624 branches) and 24 sub-branches (December 31, 2018: 25 sub-branches). Out of these, 501 (December 31, 2018: 462) are conventional, 162 (December 31, 2018: 151) are Islamic, 10 (December 31, 2018: 10) are overseas and 1 (December 31, 2018: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under Companies Act 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017.
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS).

SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements; except for overseas branches where such standards are applicable.

2.1.1 These unconsolidated financial statements represent separate financial statements of Bank Alfalah Limited in which investment in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results.

2.1.2 Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 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, except as disclosed below:

2.2.1 IFRS 15 Revenue from contracts with customers

IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (such as interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). The application of this standard did not have any material impact on these unconsolidated financial statements.

2.2.2 IFRS 16 Leases

IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is a lessor.

The Bank has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

New accounting policy of the Bank upon adoption of IFRS 16 have been disclosed in the note 4.5.4.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets

Operating lease commitments as at 31 December 2018	16,897,381
Weighted average incremental borrowing rate as at 1 January 2019	11.68%-14.01%
Discounted operating lease commitments as at 1 January 2019	8,841,404

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease) is as follows:

	January 1, 2019 Rupees in '000
Assets	
Right-of-use (RoU) asset	9,399,241
Prepayments	(557,837)
Total Assets	<u>8,841,404</u>
Liabilities	
Lease liability	<u>8,841,404</u>

The carrying amounts of the Bank's right-of-use assets, lease liabilities and the movements during the year is as below:

	December 31, 2019	
	RoU asset	Lease liability
	-----Rupees in '000 ----	
As at January 1, 2019	9,399,241	8,841,404
Additions / renewals	1,574,631	1,574,631
Depreciation	(1,786,605)	-
Borrowing cost	-	1,226,672
Payments	-	(2,275,693)
As at December 31, 2019	<u>9,187,267</u>	<u>9,367,014</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.9,187.267 million and Rs.9,367.014 million respectively. Rent expense would have been higher by Rs.2,242.532 million and depreciation charge and mark-up expense would have been lower by Rs. 1,786.605 million and Rs.1,226.672 million respectively.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2020:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Amendment to IFRS 3 'Business Combinations'	January 01, 2020
IFRS 9 'Financial Instruments'	January 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements'	January 01, 2020
IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	January 01, 2020
IFRS 14 'Regulatory Deferral Accounts'	July 01, 2019
International Accounting Standard Board (IASB) revised Conceptual Framework.	January 01, 2020
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	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2021

2.4 Critical accounting estimates and judgments

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

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

- i) classification and provisioning against investments (notes 4.3.5 and 8)
- ii) classification and provisioning against non-performing loans and advances (notes 4.4 and 9)
- iii) income taxes (notes 4.12 and 33)
- iv) accounting for defined benefit plan and compensated absences (notes 4.9 and 38)
- v) depreciation of operating fixed assets (notes 4.5.2 and 10)
- vi) amortisation of intangibles (notes 4.5.3 and 11)
- vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.5.2, 4.5.6, 10 and 12.1)
- viii) impairment of assets (note 4.3.5)
- ix) employee stock option scheme (note 40)
- x) fair value measurement of financial instruments (note 42)
- xi) other provisions and contingent liabilities (notes 32 and 22)
- xii) Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee) (note 4.5.4.1)
- 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; held for trading, available for sale investments and derivative financial instruments are measured at fair value and defined benefit obligation which are carried at present value.

3.2 Functional and Presentation Currency

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 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 except as disclosed in note 2.2.

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as below:

Sale under repurchase agreements

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

Purchase under resale agreements

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

4.3 Investments

4.3.1 Classification

The Bank classifies its investments as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

Associates

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

Subsidiary

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

4.3.2 Regular way contracts

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

4.3.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

4.3.4 Subsequent measurement

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

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

4.3.5 Impairment

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

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

4.4 Advances

Loans and advances

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. 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.

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. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

Finance Lease Receivables

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

4.4.1 Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/ receivable on Ijarah under IFAS 2 are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

4.5 Fixed assets

4.5.1 Capital work in progress

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

4.5.2 Property and Equipment (owned and leased)

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 10.2 to these unconsolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

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

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in OCI and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

4.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Intangible assets are assessed for impairment, if any, as described under note 4.13.

4.5.4 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.5.4.1 Bank as a lessee

The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Incremental borrowing rate (IBR)

The IBR is the rate of interest 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 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested for impairment annually or whenever there is an indication of impairment, as per the requirement of IAS 36, Impairment of Assets. An impairment charge in respect of goodwill is recognized through the profit and loss account.

4.5.6 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the surplus on revaluation of non-banking assets in other comprehensive income, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account.

4.6 Non-current assets held for sale and discontinued operations

The Bank classifies a non-current asset (or disposal group) as held for sale if it represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale; and its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

4.7 Borrowings / Deposits and their cost

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

4.7.1 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.

4.8 Subordinated loans

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.

4.9 Staff retirement / Employee benefits

a) Defined benefit plan

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

b) Defined contribution plan

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

c) Compensated absences

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

d) Employees Stock Option Scheme

The Bank had granted share options to its employees under the Bank's Employee Stock Options Scheme (ESOS) as approved by the shareholders and SECP. Under the scheme, the employees could subscribe to new ordinary shares for which options have been granted to them under the scheme upto the period of 2019. As per the scheme the entitlements and exercise price are subject to adjustments because of issuance of right shares and bonus issues.

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

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

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

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

4.10 Foreign currencies

4.10.1 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.

4.10.2 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.

4.10.3 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.

4.10.4 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.

4.10.5 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.

4.11 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.

4.11.1 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.

4.11.2 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.

4.11.3 Non Markup / interest income

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

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

Other income is recognised on accrual basis.

4.12 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.

4.12.1 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. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments during the year.

4.12.2 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.

4.13 Impairment

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

4.14 Provision for claims under guarantees

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

4.15 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.

4.16 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.

4.17 Off-setting

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

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

4.21 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. 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 monthly basis for the purpose of strategic decision making and performance management.

4.22.1 Business segments

Retail banking

This includes loans, deposits, trading activity, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Bank. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

Corporate banking

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

Treasury

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

Digital banking

This segment includes branchless banking accounts, deposits and lending products, digital channels (including ATMs, internet banking, call centre and alfa app), corporate, G2P & SMME portfolio (including EOBI, BISP, payroll solutions), digital payments and digital products.

Islamic banking

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

International operations

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

Others

This includes the head office related activities, and all other activities not directly tagged 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	2019 ------(Rupees in '000)-----	2018
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency	5.1	15,799,677	11,801,703
Foreign currency	5.2	2,418,292	5,711,022
		18,217,969	17,512,725
With State Bank of Pakistan in			
Local currency current account	5.3	44,854,841	31,122,141
Foreign currency current account	5.4	5,551,990	4,413,423
Foreign currency deposit account	5.5	14,084,512	10,931,812
		64,491,343	46,467,376
With other central banks in			
Foreign currency current account	5.6	8,529,825	2,733,265
Foreign currency deposit account	5.6	659,039	744,879
		9,188,864	3,478,144
With National Bank of Pakistan in local currency current account			
Prize bonds		8,469,281	14,931,225
		364,416	18,230
		<u>100,731,873</u>	<u>82,407,700</u>

5.1 This includes cash in transit amounting to Rs. 3,465.118 million (2018: Rs. 77.743 million).

5.2 This includes cash in transit amounting to Rs. 219.079 million (2018: Rs. 478.410 million).

5.3 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

5.4 As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

5.5 Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry interest rates ranging from 0.70% to 1.51% per annum (2018: 0.56% to 1.35%).

5.6 These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Bank. The deposit accounts carry interest 0.71 % to 3.67% (2018: 0.62% to 1.71%).

	Note	2019 ------(Rupees in '000)-----	2018
6 BALANCES WITH OTHER BANKS			
In Pakistan in current account			
		574,335	432,345
Outside Pakistan			
In current account	6.1	3,535,371	2,184,134
In deposit account	6.2	600,262	1,258,476
		4,135,633	3,442,610
		<u>4,709,968</u>	<u>3,874,955</u>

- 6.1** This includes amount held in Automated Investment Plans. The Bank is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount.
- 6.2** This includes placement of funds generated through foreign currency deposits scheme (FE-25) and non-contractual deposits at interest rates ranging from 2.00% to 9.75% per annum (2018: 1.00% to 3.00% per annum).

	Note	2019 ------(Rupees in '000)-----	2018 ------(Rupees in '000)-----
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	7.1	30,552,042	15,166,288
Repurchase agreement lendings(Reverse Repo)	7.2 & 7.3	24,931,724	37,214,313
Bai Muajjal receivable			
with State Bank of Pakistan	7.3	9,018,518	-
with other financial institutions	7.3	6,942,429	9,811,504
		15,960,947	9,811,504
		71,444,713	62,192,105
Less: expected credit loss - overseas branches		(9,818)	(19,818)
Lending to Financial Institutions - net of provision		71,434,895	62,172,287

7.1 These represent lendings to financial institutions at markup rates ranging from 2.35% to 12.00% per annum (2018: 0.50% to 9.90% per annum) having maturities upto March 2020 (2018: June 2019).

7.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 2.04% to 13.37% per annum (2018: 3.00% to 10.45% per annum) with maturities upto January 2020 (2018: January 2019).

7.3 These represent Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) and other commercial banks. The rates of return range from 9.70% to 13.40% per annum (2018: 9.90% to 10.05% per annum), and these are due to mature by February 2022 (2018: March 2019).

7.4 Particulars of lending - gross

In local currency	62,722,732	55,400,871
In foreign currencies	8,721,981	6,791,234
	71,444,713	62,192,105

7.5 Securities held as collateral against lending to financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	15,179,737	-	15,179,737	28,757,067	-	28,757,067
Pakistan Investment Bonds	9,751,987	-	9,751,987	8,457,246	-	8,457,246
Total	24,931,724	-	24,931,724	37,214,313	-	37,214,313

8 INVESTMENTS

Note

8.1 Investments by type:

	2019				2018				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
------(Rupees in '000)-----									
Held-for-trading securities									
Federal Government Securities									
Market Treasury Bills	20,533,478	-	(14,058)	20,519,420	45,898,957	-	(13,261)	45,885,696	
Pakistan Investment Bonds	5,148,051	-	(12,795)	5,135,256	1,209,673	-	(13,174)	1,196,499	
Shares									
Ordinary shares / units - Listed	449,778	-	4,858	454,636	155,944	-	(22,122)	133,822	
Foreign Securities									
Overseas Bonds - Sovereign	915,694	-	2,043	917,737	302,699	-	6,151	308,850	
	27,047,001	-	(19,952)	27,027,049	47,567,273	-	(42,406)	47,524,867	
Available-for-sale securities									
Federal Government Securities									
Market Treasury Bills	72,573,764	-	(14,777)	72,558,987	114,893,151	-	(40,902)	114,852,249	
Pakistan Investment Bonds	92,232,030	-	3,220,117	95,452,147	26,490,800	-	(464,211)	26,026,589	
Government of Pakistan Sukuks	4,212,347	-	86,367	4,298,714	15,726,083	-	(120,264)	15,605,819	
Government of Pakistan Euro Bonds	1,925,652	-	40,577	1,966,229	2,440,076	-	(134,045)	2,306,031	
Shares									
Ordinary shares - Listed	5,605,847	(1,029,285)	2,506,441	7,083,003	7,371,290	(22,383)	712,253	8,061,160	
Ordinary shares - Unlisted	1,151,285	(59,661)	-	1,091,624	382,055	(59,661)	-	322,394	
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-	-	
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-	
Non Government Debt Securities									
Term Finance Certificates	1,753,977	(409,577)	(22,887)	1,321,513	1,504,126	(359,706)	(12,071)	1,132,349	
Sukuks	4,817,886	(96,510)	170,457	4,891,833	4,775,082	(96,510)	323,930	5,002,502	
Foreign Securities									
Overseas Bonds - Sovereign	10,206,335	-	144,151	10,350,486	1,357,353	-	(49,426)	1,307,927	
Overseas Bonds - Others	19,409,473	-	330,542	19,740,015	9,147,217	-	(223,671)	8,923,546	
Redeemable Participating Certificates	2,727,165	-	-	2,727,165	2,362,923	-	-	2,362,923	
	216,749,596	(1,728,868)	6,460,988	221,481,716	186,583,991	(672,095)	(8,407)	185,903,489	
Held-to-maturity securities									
Federal Government Securities									
Pakistan Investment Bonds	25,968,179	-	-	25,968,179	26,280,990	-	-	26,280,990	
Government of Pakistan Euro Bonds	-	-	-	-	243,011	-	-	243,011	
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215	
Non Government Debt Securities									
Term Finance Certificates	714,266	(524,266)	-	190,000	524,266	(524,266)	-	-	
Sukuks	1,255,831	(120,898)	-	1,134,933	2,689,965	(141,399)	-	2,548,566	
Foreign Securities									
Overseas Bonds - Sovereign	13,901,861	-	-	13,901,861	8,185,947	-	-	8,185,947	
Overseas Bonds - Others	771,808	-	-	771,808	690,721	-	-	690,721	
	49,828,311	(645,164)	-	49,183,147	42,737,115	(665,665)	-	42,071,450	
Associates	8.1.1	1,177,606	-	1,177,606	1,816,343	-	-	1,816,343	
Subsidiaries	8.1.1	300,000	(42,981)	257,019	430,493	(42,981)	-	387,512	
General provision and expected credit loss - Overseas operations		-	(28,422)	(28,422)	-	(43,258)	-	(43,258)	
Total Investments		295,102,514	(2,445,435)	6,441,036	299,098,115	279,135,215	(1,423,999)	(50,813)	277,660,403

8.1.1 Particulars of Assets and Liabilities of Subsidiaries and Associates

2019 2018
------(Rupees in '000)-----

SUBSIDIARIES

Alfalah CLSA Securities (Private) Limited (formerly: Alfalah Securities (Private) Limited)

Percentage of holding: 61.20% (2018: 97.91%)

Country of incorporation: Pakistan

Audited financial statements as of December 31, 2019

Assets	789,032	564,793
Liabilities	551,172	430,395
Revenue	134,366	130,807
Loss for the year	(39,983)	(75,556)
Total comprehensive loss	(29,037)	(97,279)

ASSOCIATES

Alfalah GHP Investment Management Limited *

Percentage of holding: 40.22% (2018: 40.22%)

Country of incorporation: Pakistan

Audited financial statements as of December 31, 2019

Assets	1,246,271	1,063,569
Liabilities	250,200	206,309
Revenue	469,739	469,820
Profit for the year	138,812	164,221
Total comprehensive income	138,812	164,402

*Classified to investment in associates during the year.

Alfalah Insurance Company Limited

Percentage of holding: 30% (2018: 30%)

Country of incorporation: Pakistan

Audited financial statements as of December 31, 2019

Assets	4,009,075	3,186,871
Liabilities	2,659,419	2,120,005
Revenue	1,583,734	1,302,298
Profit for the year	185,514	65,766
Total comprehensive income	282,790	12,448

Sapphire Wind Power Company Limited

Percentage of holding: 30% (2018: 30%)

Country of incorporation: Pakistan

Un-audited financial statements as of December 31, 2019

Assets	16,641,391	17,382,836
Liabilities	9,643,298	11,241,054
Revenue for the year	3,400,281	2,897,048
Profit for the year	1,452,381	1,463,469
Total comprehensive income	1,452,381	1,463,469

TriconBoston Consulting Corporation (Private) Limited

Classified to available for sale securities during the year.

8.2 Investments by segments:	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	------(Rupees in '000)-----							
Federal Government Securities:								
Market Treasury Bills	93,107,242	-	(28,835)	93,078,407	160,792,108	-	(54,163)	160,737,945
Pakistan Investment Bonds	123,348,260	-	3,207,322	126,555,582	53,981,463	-	(477,385)	53,504,078
Government of Pakistan Euro Bonds	1,925,652	-	40,577	1,966,229	2,683,087	-	(134,045)	2,549,042
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
Government of Pakistan Sukuks	4,212,347	-	86,367	4,298,714	15,726,083	-	(120,264)	15,605,819
	229,809,867	-	3,305,431	233,115,298	237,304,956	-	(785,857)	236,519,099
Shares:								
Listed Companies	6,164,460	(1,138,120)	2,511,299	7,537,639	7,636,069	(131,218)	690,131	8,194,982
Unlisted Companies	1,176,285	(84,661)	-	1,091,624	407,055	(84,661)	-	322,394
	7,340,745	(1,222,781)	2,511,299	8,629,263	8,043,124	(215,879)	690,131	8,517,376
Non Government Debt Securities								
Listed	651,745	1,785	12,091	665,621	651,765	1,785	12,091	665,641
Unlisted	7,890,215	(1,153,036)	135,479	6,872,658	8,841,674	(1,123,666)	299,768	8,017,776
	8,541,960	(1,151,251)	147,570	7,538,279	9,493,439	(1,121,881)	311,859	8,683,417
Foreign Securities								
Government securities	25,023,890	-	146,194	25,170,084	9,845,999	-	(43,275)	9,802,724
Non Government Debt securities	22,908,446	-	330,542	23,238,988	12,200,861	-	(223,671)	11,977,190
	47,932,336	-	476,736	48,409,072	22,046,860	-	(266,946)	21,779,914
Associates								
Alfaluh Insurance Company Limited	68,990	-	-	68,990	68,990	-	-	68,990
Sapphire Wind Power Company Limited	978,123	-	-	978,123	978,123	-	-	978,123
TriconBoston Consulting Corporation (Private) Limited *	-	-	-	-	769,230	-	-	769,230
Alfaluh GHP Investment Management Limited **	130,493	-	-	130,493	-	-	-	-
	1,177,606	-	-	1,177,606	1,816,343	-	-	1,816,343
Subsidiaries								
Alfaluh Securities (Private) Limited	300,000	(42,981)	-	257,019	300,000	(42,981)	-	257,019
Alfaluh GHP Investment Management Limited **	-	-	-	-	130,493	-	-	130,493
	300,000	(42,981)	-	257,019	430,493	(42,981)	-	387,512
General provision and expected credit loss- Overseas operations	-	(28,422)	-	(28,422)	-	(43,258)	-	(43,258)
Total Investments	295,102,514	(2,445,435)	6,441,036	299,098,115	279,135,215	(1,423,999)	(50,813)	277,660,403

*Classified to available for sale securities during the year.

**Classified to investment in associates during the year.

8.2.1 Investments given as collateral

	2019	2018
	------(Rupees in '000)-----	
Market Treasury Bills	10,243,269	39,445,702
Pakistan Investment Bonds	10,841,800	15,854,600
Overseas Bonds	4,630,519	4,818,676
Sukuk Bonds	4,641,103	3,885,659
	<u>30,356,691</u>	<u>64,004,637</u>

The market value of securities given as collateral is Rs. 30,746.266 million (2018: Rs. 63,858.995 million).

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	1,423,999	1,427,028
Exchange and other adjustments	3,548	13,876
Charge / reversals		
Charge for the year	1,589,125	128,747
Reversals for the year	(49,130)	(180,884)
Reversal on disposals	(522,107)	-
	1,017,888	(52,137)
Transfers - net	-	(3,947)
Provision adjusted during the year	-	(43,632)
Afghanistan classified as discontinued operation	-	82,811
Closing Balance	<u>2,445,435</u>	<u>1,423,999</u>

8.3.1.2 Particulars of provision against debt securities Category of classification	2019		2018	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,151,251	1,151,251	1,121,881	1,121,881
Overseas	-	-	-	-
Total	<u>1,151,251</u>	<u>1,151,251</u>	<u>1,121,881</u>	<u>1,121,881</u>

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

8.4.1 Federal Government Securities - Government guaranteed	2019	2018
	Cost ----- (Rupees in '000) -----	
Market Treasury Bills	72,573,764	114,893,151
Pakistan Investment Bonds	92,232,030	26,490,800
Government of Pakistan Sukuks	4,212,347	15,726,083
Government of Pakistan Euro Bonds	<u>1,925,652</u>	<u>2,440,076</u>
	<u>170,943,793</u>	<u>159,550,110</u>
8.4.2 Shares	2019	2018
	Cost ----- (Rupees in '000) -----	
8.4.2.1 Listed Companies		
Ordinary Shares		
Automobile Parts & Accessories	-	169,581
Cement	452,244	1,224,060
Chemicals	17,909	17,909
Commercial Banks	1,433,176	1,596,590
Engineering	110,496	333,633
Fertilizer	430,828	308,635
Insurance	-	92,708
Investment Banks	15,000	15,000
Oil and Gas Exploration Companies	1,666,312	1,754,619
Oil and Gas Marketing Companies	347,886	534,549
Pharmaceuticals	102,392	202,738
Power Generation & Distribution	602,191	749,175
Real Estate Investment Trust	372,093	372,093
Textile Composite	<u>55,320</u>	-
	<u>5,605,847</u>	<u>7,371,290</u>
Preference Shares		
Fertilizer	108,835	108,835
	<u>5,714,682</u>	<u>7,480,125</u>

8.4.2.2 Unlisted Companies	Break up value as at	2019		2018	
		Cost	Breakup value	Cost	Breakup value
------(Rupees in '000)-----					
Ordinary Shares					
Al-Hamara Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited	Dec 31, 2018	22,235	71,986	22,235	53,150
Pakistan Mortgage Refinance Company Limited	Dec 31, 2018	300,000	304,476	300,000	300,686
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2016	4,095	11,754	4,095	11,754
TriconBoston Consulting Corporation (Private) Limited *	June 30, 2019	769,230	941,130	N/A	N/A
		<u>1,151,285</u>	<u>1,377,232</u>	<u>382,055</u>	<u>413,476</u>
Preference Shares					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,784
		<u>1,176,285</u>	<u>1,405,016</u>	<u>407,055</u>	<u>441,260</u>

*Classified to available for sale securities during the year.

8.4.3 Non Government Debt Securities	2019		2018	
	Cost			
------(Rupees in '000)-----				

8.4.3.1 Listed

Categorised based on long term rating by Credit Rating Agency :

- AA+, AA, AA-	450,000	450,000
- A+, A, A-	100,000	199,980
- BBB+, BBB, BBB-	99,960	-
- Unrated	987,446	1,785
	<u>1,637,406</u>	<u>651,765</u>

8.4.3.2 Unlisted

Categorised based on long term rating by Credit Rating Agency:

- AAA	4,430,154	4,444,440
- Unrated	504,303	1,183,003
	<u>4,934,457</u>	<u>5,627,443</u>

8.4.4 Foreign Securities

8.4.4.1 Government Securities

	2019		2018	
	Cost	Rating	Cost	Rating
------(Rupees in '000)-----				
Kingdom of Saudi Arabia	2,300,570	A	672,170	A1
People's Republic of China	2,319,136	A+	-	-
Sultanate of Oman	1,085,187	BB+	-	-
Abu Dhabi	1,534,677	AA	685,183	AA
Republic of Korea	154,594	AA	-	-
Republic of South Africa	544,583	BB+	-	-
Italy	905,970	BBB	-	-
United Mexican States	85,929	BBB	-	-
Republic of Kazakhstan	346,587	BBB-	-	-
Sharjah	929,102	BBB+	-	-
	<u>10,206,335</u>		<u>1,357,353</u>	

8.4.4.2 Non Government Debt Securities

Unlisted	2019	2018
	----- (Rupees in '000) -----	
<i>Categorised based on long term rating by Credit Rating Agency</i>		
- AAA	10,361,622	-
- A+, A, A-	4,870,744	8,040,314
- BBB+, BBB, BBB-	2,947,365	1,106,903
- BB+, BB, BB-	232,275	-
- Unrated	3,724,632	2,362,923
	<u>22,136,638</u>	<u>11,510,140</u>

	2019	2018
	----- Cost	
	----- (Rupees in '000) -----	

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	25,968,179	26,280,990
Government of Pakistan Euro Bonds	-	243,011
Other Federal Government Securities	7,216,366	4,122,215
	<u>33,184,545</u>	<u>30,646,216</u>

Non Government Debt Securities

Unlisted

Categorised based on long term rating by Credit Rating Agency

- AAA	1,041,670	1,041,670
- AA+, AA, AA-	-	566,667
- A+, A, A-	283,263	190,230
- Unrated	645,164	1,415,664
	<u>1,970,097</u>	<u>3,214,231</u>

Foreign Securities

	2019		2018	
	Cost	Rating	Cost	Rating
	----- (Rupees in '000) -----			
People's Republic of Bangladesh	12,364,315	Unrated	7,497,232	Unrated
State of Qatar	1,537,546	AA-	688,715	AA-
	<u>13,901,861</u>		<u>8,185,947</u>	

Non Government Debt Securities

	2019	2018
	----- Cost	
	----- (Rupees in '000) -----	
- BBB+, BBB, BBB-	771,808	690,721
	<u>771,808</u>	<u>690,721</u>

8.5.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 49,648.885 million (December 31, 2018 : Rs. 40,750.384 million).

9 ADVANCES

	Note	Performing		Non Performing		Total	
		2019	2018	2019	2018	2019	2018
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1	403,040,273	402,385,420	20,686,613	17,284,834	423,726,886	419,670,254
Islamic financing and related assets	9.2	87,309,952	85,660,964	1,532,279	1,393,959	88,842,231	87,054,923
Bills discounted and purchased		17,203,494	11,524,510	198,336	143,478	17,401,830	11,667,988
Advances - gross		507,553,719	499,570,894	22,417,228	18,822,271	529,970,947	518,393,165
Provision against advances							
- Specific	9.5	-	-	(17,740,415)	(15,883,399)	(17,740,415)	(15,883,399)
- General	9.5	(994,583)	(873,314)	-	-	(994,583)	(873,314)
		(994,583)	(873,314)	(17,740,415)	(15,883,399)	(18,734,998)	(16,756,713)
Advances - net of provision		506,559,136	498,697,580	4,676,813	2,938,872	511,235,949	501,636,452

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2019				2018			
	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	430,979	2,864,065	52,356	3,347,400	1,403,651	2,030,833	41,335	3,475,819
Residual value	222,973	718,226	11,353	952,552	594,353	998,436	13,347	1,606,136
Minimum lease payments	653,952	3,582,291	63,709	4,299,952	1,998,004	3,029,269	54,682	5,081,955
Financial charges for future periods	(17,117)	(537,608)	(19,354)	(574,079)	(220,675)	(258,985)	-	(479,660)
Present value of minimum lease payments	636,835	3,044,683	44,355	3,725,873	1,777,329	2,770,284	54,682	4,602,295

9.1.1 Advances include an amount of Rs. 147.568 million (2018: Rs. 82.953 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 markup at the rates ranging from 9.46% to 24.46% (2018: 9.46% to 20.30%) with maturities up to December 2039 (2018: December 2038).

9.2 These represents financing and related assets placed under shariah permissible modes and presented in Annexure-II.

9.3 Particulars of advances (Gross)	2019	2018
	----- (Rupees in '000) -----	
In local currency	490,264,805	493,634,332
In foreign currencies	39,706,142	24,758,833
	529,970,947	518,393,165

9.4 Advances include Rs. 22,417.228 million (2018: Rs. 18,822.271 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned	1,712,714	8,347	104,121	3,330
Substandard	2,382,226	579,152	3,077,658	762,678
Doubtful	1,918,480	947,661	552,920	235,663
Loss	15,868,239	15,777,510	14,590,618	14,517,512
	21,881,659	17,312,670	18,325,317	15,519,183
Overseas				
Not past due but impaired				
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	42,787	3,536
181 to 365 days	-	-	104,384	46,637
> 365 days	535,569	427,745	349,783	314,043
	535,569	427,745	496,954	364,216
Total	22,417,228	17,740,415	18,822,271	15,883,399

9.5 Particulars of provision against advances

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	15,883,399	873,314	16,756,713	15,683,771	842,737	16,526,508
Impact of adoption of IFRS 9	-	-	-	-	25,297	25,297
Exchange and other adjustments	36,327	26,819	63,146	62,512	2,944	65,456
Charge for the year	4,262,029	94,450	4,356,479	3,007,907	-	3,007,907
Reversals	(2,222,967)	-	(2,222,967)	(2,631,522)	(31,511)	(2,663,033)
	2,039,062	94,450	2,133,512	376,385	(31,511)	344,874
Amounts written off	(201,332)	-	(201,332)	(179,305)	-	(179,305)
Amounts charged off - agriculture financing	(17,041)	-	(17,041)	(59,964)	-	(59,964)
9.6	(218,373)	-	(218,373)	(239,269)	-	(239,269)
Afghanistan classified as discontinued operation	-	-	-	-	33,847	33,847
Closing balance	17,740,415	994,583	18,734,998	15,883,399	873,314	16,756,713

9.5.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	16,404,371	768,497	17,172,868	14,707,026	698,705	15,405,731
In foreign currencies	1,336,044	226,086	1,562,130	1,176,373	174,609	1,350,982
	17,740,415	994,583	18,734,998	15,883,399	873,314	16,756,713

9.5.2 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2019 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 38.426 million (2018: Rs. 30.106 million).

9.5.3 General provision includes provision against consumer loans being maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio. Provision against Small Enterprise(SE) portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

9.5.4 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

9.6 PARTICULARS OF WRITE OFFS:	Note	2019 ------(Rupees in '000)-----	2018
9.6.1 Against Provisions Directly charged to Profit & Loss account	9.6.2	218,373	239,269
		-	-
		<u>218,373</u>	<u>239,269</u>
9.6.2 Write Offs of Rs. 500,000 and above			
- Domestic	9.7	88,452	130,566
- Overseas		-	-
Write Offs of Below Rs. 500,000		129,921	108,703
		<u>218,373</u>	<u>239,269</u>

9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2019 is given in Annexure-I.

10 FIXED ASSETS	Note	2019 ------(Rupees in '000)-----	2018
Capital work-in-progress	10.1	643,413	175,339
Property and equipment	10.2	19,256,348	18,096,876
Right-of-use assets	2.2.2	9,187,267	-
		<u>29,087,028</u>	<u>18,272,215</u>
10.1 Capital work-in-progress			
Civil works		328,506	115,840
Equipment		295,383	55,670
Advances to suppliers		-	1,075
Others		19,524	2,754
		<u>643,413</u>	<u>175,339</u>

10.2 Property and Equipment

	2019								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total
	------(Rupees in '000)-----								
At January 1, 2019									
Cost / Revalued amount	6,150,446	3,278,701	1,440,029	3,038,083	5,272,656	1,996,822	11,520,228	349,844	33,046,809
Accumulated depreciation	-	-	-	-	(3,695,795)	(1,654,117)	(9,361,666)	(238,355)	(14,949,933)
Net book value	<u>6,150,446</u>	<u>3,278,701</u>	<u>1,440,029</u>	<u>3,038,083</u>	<u>1,576,861</u>	<u>342,705</u>	<u>2,158,562</u>	<u>111,489</u>	<u>18,096,876</u>
Year ended December 2019									
Opening net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	342,705	2,158,562	111,489	18,096,876
Additions	-	-	215,304	141,288	591,629	100,953	1,922,612	39,135	3,010,921
Disposals	(61,950)	(192,501)	-	(2,700)	(646)	(750)	(13,589)	(8,024)	(280,160)
Depreciation charge	-	-	(39,725)	(83,576)	(291,695)	(94,039)	(1,056,370)	(50,453)	(1,615,858)
Exchange rate adjustments	-	-	-	-	810	4,855	8,930	2,130	16,725
Other adjustments / transfers	63,450	-	(7,600)	(11,288)	(17,144)	(114)	540	-	27,844
Closing net book value	<u>6,151,946</u>	<u>3,086,200</u>	<u>1,608,008</u>	<u>3,081,807</u>	<u>1,859,815</u>	<u>353,610</u>	<u>3,020,685</u>	<u>94,277</u>	<u>19,256,348</u>
At December 31, 2019									
Cost / Revalued amount	6,151,946	3,086,200	1,655,333	3,174,993	5,881,693	2,095,553	13,250,977	367,004	35,663,699
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,021,878)	(1,741,943)	(10,230,292)	(272,727)	(16,407,351)
Net book value	<u>6,151,946</u>	<u>3,086,200</u>	<u>1,608,008</u>	<u>3,081,807</u>	<u>1,859,815</u>	<u>353,610</u>	<u>3,020,685</u>	<u>94,277</u>	<u>19,256,348</u>
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

2018								
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, 2018

Cost / Revalued amount	4,376,934	2,959,930	1,243,306	2,744,105	5,110,322	1,973,238	11,155,314	429,009	29,992,158
Accumulated depreciation	-	(33,745)	(71,991)	(156,504)	(3,375,387)	(1,541,720)	(8,509,580)	(227,143)	(13,916,070)
Net book value	<u>4,376,934</u>	<u>2,926,185</u>	<u>1,171,315</u>	<u>2,587,601</u>	<u>1,734,935</u>	<u>431,518</u>	<u>2,645,734</u>	<u>201,866</u>	<u>16,076,088</u>

Year ended December 2018

Opening net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	431,518	2,645,734	201,866	16,076,088
Additions	11,000	-	9,114	75,031	193,907	29,643	645,457	18,479	982,631
revalued during the year	1,773,512	624,804	321,619	473,718	-	-	-	-	3,193,653
Deficit on revaluation recognised in the profit and loss account - net	(11,000)	(12,273)	(24,027)	(19,569)	-	-	-	-	(66,869)
Disposals	-	(242,490)	-	-	(12,367)	(3,643)	(8,137)	(43,361)	(309,998)
Depreciation charge	-	(17,525)	(37,992)	(78,698)	(327,113)	(116,751)	(1,076,100)	(68,662)	(1,722,841)
Afghanistan classified as discontinued operation	-	-	-	-	520	698	3,218	-	4,436
Exchange rate adjustments	-	-	-	-	988	1,559	4,779	3,179	10,505
Other adjustment / transfer	-	-	-	-	(14,009)	(319)	(56,389)	(12)	(70,729)
Closing net book value	<u>6,150,446</u>	<u>3,278,701</u>	<u>1,440,029</u>	<u>3,038,083</u>	<u>1,576,861</u>	<u>342,705</u>	<u>2,158,562</u>	<u>111,489</u>	<u>18,096,876</u>

At December 31, 2018

Cost / Revalued amount	6,150,446	3,278,701	1,440,029	3,038,083	5,272,656	1,996,822	11,520,228	349,844	33,046,809
Accumulated depreciation	-	-	-	-	(3,695,795)	(1,654,117)	(9,361,666)	(238,355)	(14,949,933)
Net book value	<u>6,150,446</u>	<u>3,278,701</u>	<u>1,440,029</u>	<u>3,038,083</u>	<u>1,576,861</u>	<u>342,705</u>	<u>2,158,562</u>	<u>111,489</u>	<u>18,096,876</u>
Rate of depreciation (percentage)	-	1% - 3%	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

10.2.1 Land and buildings were last revalued on December 31, 2018 on the basis of market values, determined by independent valuer M/s Akbani & Javed Associates, M/s Harvester Service (Private) Limited and M/s Hamid Mukhtar & Co. (Private) Limited. Had there been no revaluation, the net book value of the office premises would have been Rs.5,577.693 million (2018: Rs. 5,443.968 million).

	2019		2018	
	Net book value at Cost	Net book value at Revalued amount	Net book value at Cost	Net book value at Revalued amount
Freehold land	1,567,670	6,151,946	1,536,928	6,150,446
Leasehold land	1,281,564	3,086,200	1,441,656	3,278,701
Buildings on freehold land	1,221,557	1,608,008	1,043,992	1,440,029
Buildings on leasehold land	1,506,902	3,081,807	1,421,392	3,038,083
	<u>5,577,693</u>	<u>13,927,961</u>	<u>5,443,968</u>	<u>13,907,259</u>

10.2.2 Included in cost of building and equipment are fully depreciated items still in use having cost of Rs. 11,740.137 million (2018: Rs. 9,773.910 million).

Note	2019	2018
	----- (Rupees in '000) -----	
	42,000	299,150

10.2.3 Carrying amount of idle and held for sale properties.

10.2.4 Sale of fixed assets to related parties are disclosed in Annexure III to these unconsolidated financial statements.

11 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers		253,483	180,901
Software	11.1	1,003,878	1,102,615
		<u>1,257,361</u>	<u>1,283,516</u>

11.1 At January 1

Cost		3,761,047	3,448,109
Accumulated amortisation and impairment		(2,658,432)	(2,105,528)
Net book value		<u>1,102,615</u>	<u>1,342,581</u>

Year ended December 31

Opening net book value		1,102,615	1,342,581
Additions - directly purchased		373,826	249,669
Amortisation charge		(472,739)	(488,400)
Exchange rate adjustments		398	1,170
Other adjustments		(222)	(2,405)
Closing net book value		<u>1,003,878</u>	<u>1,102,615</u>

At December 31

Cost		4,140,395	3,761,048
Accumulated amortisation and impairment		(3,136,517)	(2,658,433)
Net book value		<u>1,003,878</u>	<u>1,102,615</u>

Rate of amortisation (percentage)		<u>20%</u>	<u>20%</u>
Useful life		<u>5 years</u>	<u>5 years</u>

11.2 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 1,925.272 million (2018: Rs. 1,349.493 million).

12 OTHER ASSETS	Note	2019 ------(Rupees in '000)-----	2018
Income/ Mark-up accrued in local currency - net of provision		21,292,325	11,861,352
Income/ Mark-up accrued in foreign currency - net of provision		1,092,865	538,855
Advances, deposits, advance rent and other prepayments		1,842,797	2,347,511
Advance against subscription of share		82,312	50,000
Non-banking assets acquired in satisfaction of claims	12.1.1	763,935	615,517
Dividend receivable		1,070	2,768
Mark to market gain on forward foreign exchange contracts		2,436,300	4,519,604
Mark to market gain on derivatives		20,977	68,224
Stationery and stamps on hand		23,164	37,631
Defined benefit plan	38.4	1,019,177	923,633
Branch adjustment account		247,174	311,104
Account receivable		829,639	527,067
Receivable against fraud and forgeries	12.2	117,010	206,651
Acceptances		16,645,791	13,319,265
Others		689,837	221,880
		<u>47,104,373</u>	<u>35,551,062</u>
Less: Provision held against other assets	12.3	<u>(230,236)</u>	<u>(389,766)</u>
Other Assets (Net of Provision)		46,874,137	35,161,296
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	12.1.1	<u>242,759</u>	<u>159,530</u>
		<u>47,116,896</u>	<u>35,320,826</u>
12.1 Market value of Non-banking assets acquired in satisfaction of claims - properties only		<u>987,862</u>	<u>748,865</u>

The Non-banking assets (properties) of the Bank have been revalued by independent professional valuers as at December 31, 2019. The revaluation was carried out by M/s. Josheph Lobo (Pvt) Ltd, M/s. Harvester Services (Pvt) Ltd and M/s. Hamid Mukhtar & Co. (Pvt) Ltd on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 89.447 million (2018: Rs. 33.421 million).

12.1.1 Non-banking assets acquired in satisfaction of claims

Opening Balance		775,047	775,211
Additions		222,278	-
Revaluation		89,447	33,421
Disposals	12.1.2	(7,350)	(24,775)
Transfer to Property and Equipment		(63,450)	-
Depreciation		<u>(9,278)</u>	<u>(8,810)</u>
Closing Balance		<u>1,006,694</u>	<u>775,047</u>

12.1.2 Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims

Disposal Proceeds		7,350	24,775
less			
- Cost		7,350	24,775
- Impairment / Depreciation		<u>(7,350)</u>	<u>(24,775)</u>
		-	-
Gain/Loss		<u>7,350</u>	<u>24,775</u>

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

	Note	2019 ----- <i>(Rupees in '000)</i> -----	2018
12.3 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		219,631	371,811
Non banking assets acquired in satisfaction of claims		10,605	17,955
		<u>230,236</u>	<u>389,766</u>
12.4 Movement in provision held against other assets			
Opening balance		389,766	153,049
Charge for the year		72,108	421,760
Reversals		(54,540)	(452,135)
		17,568	(30,375)
Amount Written off		(167,949)	(144,945)
Exchange and other adjustments		(9,149)	(29,750)
Afghanistan classified as discontinued operation		-	441,787
Closing balance		<u>230,236</u>	<u>389,766</u>
13 BILLS PAYABLE			
In Pakistan		16,950,808	35,825,039
Outside Pakistan		218,251	163,186
		<u>17,169,059</u>	<u>35,988,225</u>
14 BORROWINGS			
<i>Secured</i>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	14.1	31,680,935	26,344,557
Long-Term Finance Facility	14.2	17,892,935	11,199,254
Financing Facility for Storage of Agriculture Produce (FFSAP)	14.3	325,330	263,033
Repurchase agreement borrowings	14.4	5,000,000	35,962,700
		54,899,200	73,769,544
Repurchase agreement borrowings	14.5	16,064,786	11,163,509
Bai Muajjal	14.6	19,192,374	22,268,894
Total secured		<u>90,156,360</u>	<u>107,201,947</u>
<i>Unsecured</i>			
Call borrowings	14.7	10,126,463	14,951,967
Overdrawn nostro accounts	14.8	939,151	947,547
Others			
- Pakistan Mortgage Refinance Company	14.9	494,646	200,000
- Karandaaz Risk Participation	14.10	502,375	436,780
- Borrowing from other financial institutions	14.11	623,335	-
Total unsecured		<u>12,685,970</u>	<u>16,536,294</u>
		<u>102,842,330</u>	<u>123,738,241</u>

- 14.1** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 1.00% to 2.00% per annum (2018: 1.00% to 2.00% per annum) payable on a quarterly basis.
- 14.2** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2018: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.3** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.00% per annum (2018: 6.00% per annum) payable on a quarterly basis.
- 14.4** This represents repurchase agreement borrowing from SBP at the rate 13.32% per annum (2018: 5.78% to 10.16% per annum) having maturing in March 2020 (2018: January 2019).
- 14.5** This represents repurchase agreement borrowing from other banks at the rate of ranging from 2.04% to 13.32% per annum (2018: 2.78% to 10.25% per annum) having maturities upto January 2020 (2018: January 2019).
- 14.6** This represents borrowings from financial institutions at mark-up rates ranging from 10.85% to 13.25% per annum (2018: 6.10% to 9.70%) having maturities upto October 2020 (2018: March 2019).
- 14.7** This represents borrowings from financial institutions at mark-up rates ranging from 0.40% to 3.15% per annum (2018: 0.50% to 10.25%) having maturities upto November 2020 (2018: June 2019).
- 14.8** 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 rates.
- 14.9** 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 of 3 years PKRV less 50bps.
- 14.10** This includes borrowing from Karandaaz Pakistan Limited in lieu of Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a mark-up rates ranging from 13.84% to 25.24% per annum. (December 2018:7.93% to 14.62%).
- 14.11** This represents borrowing from financial institution at the rate of 3.15% per annum (2018: Nil) having maturity upto December 2020.

2019 2018
-----**(Rupees in '000)**-----

14.12 Particulars of borrowings with respect to Currencies

In local currency	80,416,670	101,980,729
In foreign currencies	22,425,660	21,757,512
	102,842,330	123,738,241

15 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Current deposits	270,761,170	66,720,895	337,482,065	253,826,090	31,077,261	284,903,351
Savings deposits	191,837,354	33,470,756	225,308,110	182,286,764	29,222,301	211,509,065
Term deposits	106,891,979	52,368,120	159,260,099	103,144,924	42,383,783	145,528,707
Others	9,393,064	2,215,457	11,608,521	10,007,520	1,920,061	11,927,581
	578,883,567	154,775,228	733,658,795	549,265,298	104,603,406	653,868,704
Financial Institutions						
Current deposits	1,885,877	468,616	2,354,493	2,133,977	533,400	2,667,377
Savings deposits	28,412,020	56,425	28,468,445	30,625,516	53,409	30,678,925
Term deposits	17,579,094	78,196	17,657,290	14,220,573	1,401,959	15,622,532
Others	144,086	1,087	145,173	47,926	9,816	57,742
	48,021,077	604,324	48,625,401	47,027,992	1,998,584	49,026,576
	626,904,644	155,379,552	782,284,196	596,293,290	106,601,990	702,895,280

	2019	2018
----- (Rupees in '000) -----		
15.1 Composition of deposits		
- Individuals	361,511,449	347,805,455
- Government (Federal and Provincial)	31,193,413	45,416,762
- Public Sector Entities	57,074,016	46,524,311
- Banking Companies	6,225,840	528,326
- Non-Banking Financial Institutions	42,399,561	48,498,250
- Private Sector / Others	283,879,917	214,122,176
	<u>782,284,196</u>	<u>702,895,280</u>

15.2 Deposits include Eligible Deposits of Rs. 417,047.985 million (2018: Rs. 400,654.623 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

		2019	2018
		----- (Rupees in '000) -----	
16	SUBORDINATED DEBT		
16.1	Term Finance Certificates V - Quoted, Unsecured	4,987,000	4,989,000
	Issue amount	Rs. 5,000,000,000	
	Issue date	February 2013	
	Maturity date	February 2021	
	Rating	"AA" (Double A) by Pakistan Credit Rating Company Limited ("PACRA").	
	Security	Unsecured	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.	
	Mark-up	Base Rate + 1.25 percent Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.	
	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.	
	Call option	There is no call option available to the Bank.	
16.2	Term Finance Certificates - Additional Tier-I (ADT-1) - Quoted, Unsecured		
	Issue amount	7,000,000	7,000,000
	Issue date	March 2018	
	Maturity date	Perpetual	
	Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.	
	Security	Unsecured	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	Perpetual	
	Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.	
	Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.	
	Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.	
		<u>11,987,000</u>	<u>11,989,000</u>

17 DEFERRED TAX LIABILITIES

	2019			
	At January 1, 2019	Recognised in P&L A/C	Recognised in OCI	At December 31 2019
	------(Rupees in '000)-----			
Deductible Temporary Differences on				
- Provision against investments	(168,568)	(513,728)	-	(682,296)
- Provision against advances	(266,938)	(299,267)	-	(566,205)
- Provision against other assets	(223,866)	(118,038)	-	(341,904)
- Provision against lending to financial institutions	(5,720)	3,723	-	(1,997)
- ljarah depreciation taxed	(16,690)	16,690	-	-
- Unrealised loss on revaluation of HFT investments	(14,842)	7,859	-	(6,983)
	(696,624)	(902,761)	-	(1,599,385)
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets and non banking assets	1,329,184	(18,402)	(11,752)	1,299,030
- Surplus on revaluation of investments	(2,882)	-	2,264,228	2,261,346
- Accelerated tax depreciation	1,284,793	205,209	-	1,490,002
- Exchange translation reserve	156,231	-	(156,231)	-
	2,767,326	186,807	2,096,245	5,050,378
	2,070,702	(715,954)	2,096,245	3,450,993

	2018			
	At January 1, 2018	Recognised in P&L A/C	Recognised in OCI	At December 31 2018
	------(Rupees in '000)-----			
Deductible Temporary Differences on				
- Provision against investments	(174,218)	32,844	(27,194)	(168,568)
- Provision against advances	(118,504)	(148,434)	-	(266,938)
- Provision against other assets	(244,487)	20,621	-	(223,866)
- Provision against lending to financial institutions	-	(5,720)	-	(5,720)
- ljarah depreciation taxed	-	(16,690)	-	(16,690)
- Unrealised loss on revaluation of HFT investments	(2,573)	(12,269)	-	(14,842)
	(539,782)	(129,648)	(27,194)	(696,624)
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets and non banking assets	828,306	(2,807)	503,685	1,329,184
- Surplus on revaluation of investments	1,411,085	-	(1,413,967)	(2,882)
- Accelerated tax depreciation	1,454,141	(170,019)	671	1,284,793
- Exchange translation reserve	-	-	156,231	156,231
	3,693,532	(172,826)	(753,380)	2,767,326
	3,153,750	(302,474)	(780,574)	2,070,702

18 OTHER LIABILITIES

	Note	2019		2018	
		------(Rupees in '000)-----			
Mark-up/ Return/ Interest payable in local currency		3,539,887		2,107,388	
Mark-up/ Return/ Interest payable in foreign currency		710,032		610,511	
Unearned commission and income on bills discounted and guarantees		295,257		220,584	
Accrued expenses		5,433,669		3,954,081	
Current taxation		6,379,668		926,956	
Acceptances		16,645,791		13,319,265	
Dividends payable		93,040		84,229	
Mark to market loss on forward foreign exchange contracts		3,658,322		970,502	
Mark to market loss on derivatives		35,385		1,169	
Provision for Compensated absences		540,000		498,010	
Payable against redemption of customer loyalty / reward points		372,334		274,076	
Charity payable		1,155		20	
Provision against off-balance sheet obligations	18.1	129,249		78,450	
Security deposits against leases, lockers and others		7,121,497		6,808,459	
Worker's Welfare Fund		1,478,588		970,920	
Payable to vendors and suppliers		637,962		601,657	
Indirect Taxes Payable		754,542		449,732	
Lease Liabilities	2.2.2	9,367,014		-	
Others		1,717,539		1,578,115	
		58,910,931		33,454,124	

18.1 Provision against off-balance sheet obligations	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Opening balance	78,450	65,463
Exchange and other adjustments	11,113	13,759
Charge for the year	39,686	-
Reversals	-	(4,088)
	39,686	(4,088)
Afghanistan classified as discontinued operation	-	3,316
Closing balance	129,249	78,450

The provision against off balance sheet obligations include general provision of Rs. 108.787 million (2018: Rs. 66.500 million) held in Bangladesh books and Rs.8.512 million (2018: 3.316 million) held in Afghanistan books as required under the local regulation and specific provision of Rs. 11.950 million (2018: Rs. 11.950 million) held against defaulted letter of guarantees.

19 SHARE CAPITAL

19.1 Authorized Capital

2019 ----- (Number of shares) -----	2018 ----- (Number of shares) -----		2019 ----- (Rupees in '000) -----	2018 ----- (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

2019 ----- (Number of shares) -----	2018 ----- (Number of shares) -----		2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
		Ordinary shares		
891,453,153	888,650,908	Fully paid in cash	8,914,531	8,886,509
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
1,777,165,119	1,774,362,874		17,771,651	17,743,629

During the year, the Bank issued 2,802,245 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS).

20 SURPLUS ON REVALUATION OF ASSETS	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Surplus on revaluation of			
- Available for sale securities	8.1	6,460,988	(8,407)
- Fixed Assets	20.1	8,378,317	8,508,874
- Non-banking assets acquired in satisfaction of claims	20.2	242,759	159,530
- Surplus on revaluation of Investment held for sale in Afghanistan		-	303
		15,082,064	8,660,300
Deferred tax on surplus on revaluation of:			
- Available for sale securities		2,261,346	(2,943)
- Fixed Assets	20.1	1,263,070	1,298,530
- Non-banking assets acquired in satisfaction of claims	20.2	35,960	30,654
- Surplus on revaluation of Investment held for sale in Afghanistan		-	61
		3,560,376	1,326,302
Derivatives		(154,684)	48,952
		11,367,004	7,382,950

	2019	2018
	------(Rupees in '000)-----	
20.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	8,508,874	5,365,558
Transferred to owned property	3,938	-
Recognised during the year	-	3,193,653
Realised on disposal during the year - net of deferred tax	(66,341)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(32,694)	(32,719)
Related deferred tax liability on incremental depreciation charged during the year	(17,604)	(17,618)
Related deferred tax liability on surplus realised on disposal	(17,856)	-
Surplus on revaluation of fixed assets as at December 31	8,378,317	8,508,874
Less: related deferred tax liability on:		
Revaluation as at January 1	1,298,530	819,099
- revaluation recognised during the year	-	497,049
- surplus realised on disposal during the year	(17,856)	-
- incremental depreciation charged during the year	(17,604)	(17,618)
	1,263,070	1,298,530
	<u>7,115,247</u>	<u>7,210,344</u>
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 1	159,530	127,925
Recognised during the year	89,447	33,421
Transferred to owned property	(3,938)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(1,482)	(1,180)
Related deferred tax liability on incremental depreciation charged during the year	(798)	(636)
Surplus on revaluation as at December 31	242,759	159,530
Less: related deferred tax liability on:		
- revaluation as at January 1	30,654	24,654
- revaluation recognised during the year	6,104	6,636
- incremental depreciation charged during the year	(798)	(636)
	35,960	30,654
	<u>206,799</u>	<u>128,876</u>

21 ASSETS HELD FOR SALE

21.1 The Bank signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations in 2018 and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as "Asset held for sale". However, during the year, the DAB vide its letter dated February 27, 2019 declined the application for approval. Consequently, the plan for the disposal has been withdrawn. In line with the requirements of IFRS 5 'Non-current assets held for sale and Discontinued Operations' the results of the Afghanistan operations previously presented in discontinued operations have been reclassified and included in income from continuing operations for all periods presented and the amounts presented for 'assets and liabilities held for sale' in the comparative statement of financial position have not been reclassified or re-presented.

21.2 The financial position and results of assets classified as held for sale are as follows:

STATEMENT OF FINANCIAL POSITION

	2018 (Rupees in '000)
Assets held for sale	
Cash and balances with treasury banks	4,764,918
Balances with other banks	3,431,895
Lendings to financial institutions	10,470,354
Investments - net	4,596,965
Advances - net	224,090
Fixed assets	9,370
Other assets	91,897
	<u>23,589,489</u>
Liabilities directly associated with the assets held for sale	
Bills payable	4,549
Deposits and other accounts	20,287,651
Deferred tax liabilities	223
Other liabilities	142,973
	<u>20,435,396</u>

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
22 CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	63,456,341	57,086,398
-Commitments	22.2	496,023,657	437,946,961
-Other contingent liabilities	22.3.1	10,150,887	13,222,064
		<u>569,630,885</u>	<u>508,255,423</u>
22.1 Guarantees:			
Financial guarantees		639,642	731,536
Performance guarantees		34,663,032	32,153,833
Other guarantees		28,153,667	24,201,029
		63,456,341	57,086,398
22.2 Commitments:			
Documentary credits and short-term trade-related transactions		93,696,623	68,026,025
- Letters of credit		93,696,623	68,026,025
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	305,449,119	228,265,364
- forward government securities transactions	22.2.2	39,382,735	76,821,957
- derivatives	22.2.3	17,745,535	12,051,091
- forward lending	22.2.4	38,052,512	34,773,260
- operating leases	2.2.2	-	16,897,381
Commitments for acquisition of:			
- operating fixed assets		1,283,925	604,674
- intangible assets		413,208	507,209
Other commitments		-	-
		<u>496,023,657</u>	<u>437,946,961</u>

		2019	2018
		----- (Rupees in '000) -----	
22.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	185,084,250	140,128,603
	Sale	120,364,869	88,136,761
		305,449,119	228,265,364
22.2.2	Commitments in respect of forward government securities transactions		
	Purchase	11,353,334	39,518,422
	Sale	28,029,401	37,303,535
		39,382,735	76,821,957
22.2.3	Commitments in respect of derivatives		
22.2.3.1	Interest Rate Swaps		
	Purchase	17,745,535	10,650,708
	Sale	-	-
		17,745,535	10,650,708
22.2.3.2	Futures		
	Purchase	-	-
	Sale	-	1,400,383
		-	1,400,383
	Total commitments in respect of derivatives	17,745,535	12,051,091
22.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	32,688,405	29,428,567
	Commitments in respect of investments	5,364,107	5,344,693
		38,052,512	34,773,260
22.2.4.1	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
22.3	Other contingent liabilities		
22.3.1	Claims against the Bank not acknowledged as debts	10,150,887	13,222,064
	These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.		
22.4	Contingency for tax payable		
22.4.1	There were no tax related contingencies other than as disclosed in note 33.2.		

23 DERIVATIVE INSTRUMENTS

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

23.1 Product Analysis

Counterparties	2019					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
	------(Rupees in '000)-----					
With Banks for Hedging	30	17,745,535	(14,408)	-	-	-
Total Hedging	30	17,745,535	(14,408)	-	-	-

Counterparties	2018					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
	------(Rupees in '000)-----					
With Banks for Hedging	22	10,650,708	88,487	-	-	-
With FIs other than banks Hedging	-	-	-	88	1,400,383	(21,432)
Total Hedging	22	10,650,708	88,487	88	1,400,383	(21,432)

23.2 Maturity Analysis

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

Remaining Maturity	2018				
	------(Rupees in '000)-----				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
Upto 1 month	-	-	-	-	-
1 to 3 months	88	1,400,383	21,432	-	(21,432)
3 to 6 months	6	3,540,979	-	16,651	16,651
6 month to 1 Year	4	1,624,684	-	13,821	13,821
1 to 2 Year	2	1,388,619	-	17,286	17,286
2 to 3 Years	4	1,596,912	-	20,548	20,548
3 to 5 Years	2	1,110,895	-	12,432	12,432
5 to 10 years	4	1,388,619	-	7,749	7,749
Above 10 Years	-	-	-	-	-
Total	110	12,051,091	21,432	88,487	67,055

23.3 Risk management related to derivatives is discussed in note 47.7

	Note	2019 ------(Rupees in '000)-----	2018
24 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		58,516,547	37,212,673
b) Investments		21,187,154	19,124,696
c) Lendings to financial institutions		5,639,126	1,548,600
d) Balances with banks		50,543	88,727
e) On securities purchased under resale agreements / Bai Muajjal		7,087,485	1,697,583
		<u>92,480,855</u>	<u>59,672,279</u>
25 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		35,181,326	19,711,228
b) Borrowings		2,196,815	1,304,981
c) Securities sold under repurchase agreements		2,257,269	4,355,706
d) Subordinated debt		1,530,436	989,221
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		5,104,750	1,282,525
f) Borrowing cost on lease liability	2.2.2	1,226,672	-
g) Reward points		126,105	102,555
		<u>47,623,373</u>	<u>27,746,216</u>
26 FEE & COMMISSION INCOME			
Branch banking customer fees		1,234,220	1,494,477
Consumer finance related fees		262,513	224,444
Card related fees (debit and credit cards)		963,301	848,120
Credit related fees		111,121	149,945
Investment banking fees		232,755	195,491
Commission on trade		1,487,061	1,247,677
Commission on guarantees		345,120	382,270
Commission on cash management		40,178	20,948
Commission on remittances including home remittances		336,269	247,036
Commission on bancassurance		510,927	394,931
Card acquiring business		307,153	305,410
Wealth Management Fee		161,984	67,006
Commission on Employees' Old-Age Benefits Institution (EOBI)		109,409	114,130
Commission on Benazir Income Support Programme (BISP)		284,443	282,920
Alternate Delivery Channel (ADC)		466,317	330,650
Others		181,574	174,266
		<u>7,034,345</u>	<u>6,479,721</u>
27 GAIN ON SECURITIES			
Realised	27.1	103,892	992,708
Unrealised - held for trading	8.1	(19,952)	(42,406)
		<u>83,940</u>	<u>950,302</u>
27.1 Realised gain / (loss) on:			
Federal Government Securities		385,094	1,243,684
Shares		(331,264)	(242,227)
Non Government Debt Securities		-	2,811
Foreign Securities		50,062	(11,560)
		<u>103,892</u>	<u>992,708</u>

	Note	2019 ------(Rupees in '000)-----	2018
28 OTHER INCOME			
Rent on property		24,229	22,215
Gain on sale of fixed assets-net		122,962	135,794
Gain on sale of non banking assets - net	12.1.2	7,350	24,775
Profit on termination of leased contracts (Ijarah)		43,511	31,204
Unrealised loss on short sale transactions		(19,150)	-
Others		1,307	-
		<u>180,209</u>	<u>213,988</u>
29 OPERATING EXPENSES			
Total compensation expense	29.1	12,829,715	10,092,250
Property expense			
Rent and taxes		249,759	2,096,375
Utilities cost		1,051,429	886,558
Security (including guards)		640,692	618,163
Repair and maintenance (including janitorial charges)		497,757	780,353
Depreciation on right-of-use assets	2.2.2	1,786,605	-
Depreciation on owned assets		414,997	461,329
		4,641,239	4,842,778
Information technology expenses			
Software maintenance		1,239,156	800,222
Hardware maintenance		311,321	276,826
Depreciation		361,092	381,629
Amortisation		472,739	488,400
Network charges		415,077	335,949
		2,799,385	2,283,026
Other operating expenses			
Directors' fees and allowances		204,243	153,921
Fees and allowances to Shariah Board		7,800	6,990
Legal and professional charges		287,896	307,145
Outsourced services costs	29.2	993,012	1,278,434
Travelling and conveyance		564,594	515,593
Clearing and custodian charges		81,503	82,185
Depreciation		839,769	879,883
Training and development		78,776	59,634
Postage and courier charges		386,737	238,528
Communication		333,112	268,434
Stationery and printing		664,274	459,755
Marketing, advertisement and publicity		1,385,260	610,604
Donations	29.3	11,426	36,594
Auditors Remuneration	29.4	47,544	42,612
Brokerage and Commission		155,029	144,918
Entertainment		231,035	211,347
Repairs and maintenance		450,093	290,276
Insurance		889,221	598,784
Cash Handling Charges		511,387	369,228
CNIC Verification		138,729	92,465
Others		533,959	447,361
		8,795,399	7,094,691
		<u>29,065,738</u>	<u>24,312,745</u>

	Note	2019 ------(Rupees in '000)-----	2018 ------(Rupees in '000)-----
29.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		9,483,762	7,704,724
ii) Variable			
a) Cash Bonus / Awards etc.		1,857,328	1,232,168
b) Bonus and Awards in Shares etc.		-	13,036
Charge for defined benefit plan	38.8.1	106,243	185,753
Contribution to defined contribution plan	39	390,250	309,371
Medical		506,878	279,870
Conveyance		240,620	183,139
Staff compensated absences		41,990	104,514
Others		122,336	17,632
Sub-total		12,749,407	10,030,207
Sign-on Bonus		58,898	37,850
Severance Allowance		21,410	24,193
Grand Total		12,829,715	10,092,250

29.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 692.686 million (2018: Rs 636.858 million) pertaining to the payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above.

	2019 ------(Rupees in '000)-----	2018 ------(Rupees in '000)-----
29.3 Donations		
Association for Children with Emotional and Learning Problems	2,034	-
Child Aid Association	2,053	1,700
Karachi Relief Trust	3,339	-
MOVE Pakistan	1,000	-
Muslim Hand International	580	-
Society of Rehabilitation of Special Children	2,000	-
The Citizen Foundation	420	-
Family Educational Services Foundation	-	3,250
IBA Karachi	-	22,000
Manabik Shahajya Sangstha	-	994
Supreme Court Diaper Bhasha And Mohmand Dam Fund	-	8,650
	11,426	36,594

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

29.4 Auditors' remuneration	2019			2018		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----					
Audit fee	14,553	13,593	28,146	14,553	7,771	22,324
Fee for other statutory certifications	6,588	-	6,588	6,588	-	6,588
Special certifications and sundry advisory service	5,860	2,070	7,930	8,009	3,691	11,700
Out-of-pocket expenses	3,301	1,579	4,880	2,000	-	2,000
	30,302	17,242	47,544	31,150	11,462	42,612

30 WORKERS WELFARE FUND

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

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

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	2019 ------(Rupees in '000)-----	2018
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		267,918	6,430
Penalties imposed by other regulatory bodies		1,285	1,263
		<u>269,203</u>	<u>7,693</u>
32 PROVISIONS & WRITE OFFS - NET			
(Reversal)/Provisions against lending to financial institutions		(10,638)	16,329
Provisions/(Reversal) for diminution in value of investments	8.3.1	1,017,888	(52,137)
Provisions against loans & advances	9.5	2,133,512	344,874
Provisions/(Reversal) against other assets	12.4	17,568	(30,375)
Provisions/(Reversal) against off-balance sheet obligations	18.1	39,686	(4,088)
Other provisions / write off		110,300	-
Recovery of written off / charged off bad debts		(279,731)	(247,996)
		<u>3,028,585</u>	<u>26,607</u>
33 TAXATION			
Current		9,846,370	7,524,962
Prior years		555,908	(229,453)
Deferred		(715,954)	(302,474)
		<u>9,686,324</u>	<u>6,993,035</u>

The Finance Act, 2018 had revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons for Tax Years 2019, 2020 and 2021 at the rates of 4%, 3% and 2% respectively on the taxable income for respective years. However, Finance Supplementary (Second Amendment) Act, 2019 has levied super tax @ 4% on taxable income for the Tax Year 2018 (Accounting year 2017) retrospectively and same rate of 4% revised up to Tax Year 2021. Accordingly, in addition to the current tax charge of super tax, provision amounting to Rs.603 million also made for Tax Year 2018 (Accounting Year 2017) in these financial statements.

	2019 ------(Rupees in '000)-----	2018
33.1 Relationship between tax expense and accounting profit		
Accounting Profit before taxation	<u>22,381,841</u>	<u>17,618,255</u>
Tax at the applicable rate of 35% (2018: 35%)	7,833,644	6,166,389
Effect of:		
- permanent differences	94,397	7,010
- tax charge pertaining to overseas branches	89,830	33,512
- adjustment of prior years	603,587	-
- Super tax	995,030	768,285
- others	69,836	17,839
Tax expense for the year	<u>9,686,324</u>	<u>6,993,035</u>

- 33.2** a) The income tax assessments of the Bank have been finalized upto and including tax year 2019. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014 and 2017 to 2019, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs. 857.729 million (December 31, 2018 : Rs. 789.862 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.306.334 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Bank has received order from tax authorities. The Bank has not made provision amounting to Rs. 24.920 million against tax demand for tax year 2019 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs. 77.592 million (December 31, 2018 : Rs. 77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.
- d) Bank has received an order from a provincial tax authority wherein tax authority has demanded sales tax on banking services and penalty amounting to Rs. 410.619 million (excluding default surcharge) allegedly for short payment of sales tax for the year 2012. Bank is in the process to file appeal before Commissioner Appeals after consultation with tax advisor. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

		2019	2018
		----- (Rupees in '000) -----	
34 BASIC EARNINGS PER SHARE			
Profit for the year		<u>12,695,517</u>	<u>10,625,220</u>
		---- (Number of shares in '000) ----	
Weighted average number of ordinary shares		<u>1,776,205</u>	<u>1,773,672</u>
		----- Rupees -----	
Basic earnings per share		<u>7.15</u>	<u>5.99</u>
35 DILUTED EARNINGS PER SHARE			
		----- (Rupees in '000) -----	
Profit for the year		<u>12,695,517</u>	<u>10,625,220</u>
		---- (Number of shares in '000) ----	
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		<u>1,776,205</u>	<u>1,775,732</u>
		----- Rupees -----	
Diluted earnings per share		<u>7.15</u>	<u>5.98</u>
35.1 Reconciliation of basic and diluted earning per share			
		---- (Number of shares in '000) ----	
Weighted average number of ordinary shares		1,776,205	1,773,672
Plus: Employee stock option scheme		-	2,060
Dilutive potential ordinary shares		<u>1,776,205</u>	<u>1,775,732</u>
		----- Rupees -----	
		<u>7.15</u>	<u>5.98</u>
36 CASH AND CASH EQUIVALENTS			
		----- (Rupees in '000) -----	
Cash and Balance with Treasury Banks	5	100,731,873	82,407,700
Balance with other banks	6	4,709,968	3,874,955
Call / clean money lendings	7.1	30,552,042	15,166,288
Overdrawn nostro accounts	14.8	<u>(939,151)</u>	<u>(947,547)</u>
		<u>135,054,732</u>	<u>100,501,396</u>

2019

	Liability		Equity	
	------(Rupees in '000)-----			
	Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable
Balances as at January 01, 2019	11,989,000	-	17,743,629	84,229
Impact of IFRS 16 using the modified retrospective method	2.2.2	-	8,841,404	-
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	(2,000)	-	-	-
Payment of leased liability	-	(2,275,693)	-	-
Shares issued during the year	-	-	38,082	-
Dividend Paid	-	-	-	(6,207,063)
	(2,000)	(2,275,693)	38,082	(6,207,063)
Other changes				
Additions / renewals of leases	-	1,574,631	-	-
Borrowing cost on lease liability	-	1,226,672	-	-
Share issued to employee on premium	-	-	(10,060)	-
Final cash dividend for the year ended December 31, 2018 @15%	-	-	-	2,661,544
Interim cash dividend for the half year ended June 30, 2019 @20%	-	-	-	3,554,330
	-	2,801,303	(10,060)	6,215,874
Balances as at December 31, 2019	11,987,000	9,367,014	17,771,651	93,040

2018

Reconciliation of debt arising from financing activities

	Liability		Equity	
	------(Rupees in '000)-----			
	Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable
Balances as at January 01, 2018	4,991,000	-	16,075,720	60,729
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	6,998,000	-	-	-
Shares issued under stock option scheme during the year	-	-	82,489	-
Dividend Paid	-	-	-	(4,000,915)
	6,998,000	-	82,489	(4,000,915)
Other changes				
Bonus Share Issued	-	-	1,613,057	-
Share issued to employee on premium	-	-	(27,637)	-
Final cash dividend for the year ended December 31, 2017 @15%	-	-	-	2,411,358
interim cash dividend for the half year ended June 30, 2018 @10%	-	-	-	1,613,057
	-	-	1,585,420	4,024,415
Balances as at December 31, 2018	11,989,000	-	17,743,629	84,229

37 STAFF STRENGTH	2019			2018		
	------(Number of employees)-----					
	Domestic	Overseas	Total	Domestic	Overseas	Total
Permanent	9,908	210	10,118	8,221	198	8,419
On Bank contract	21	95	116	29	82	111
Bank's own staff strength at the end of the year	<u>9,929</u>	<u>305</u>	<u>10,234</u>	<u>8,250</u>	<u>280</u>	<u>8,530</u>

37.1 In addition to the above, 993 (2018: 2,106) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 967 (2018: 2081) working domestically and 26 (2018: 25) working abroad.

38 DEFINED BENEFIT PLAN

38.1 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, 2019. The significant assumptions are detailed below:

38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2019	2018
	------(Number)-----	
- Gratuity fund	<u>9,929</u>	<u>8,185</u>

38.3 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, 2019

	2019	2018
	------(Per annum)-----	
Withdrawal rates	Moderate	Moderate
Mortality rates	SLIC	SLIC
	2001 - 2005	2001 - 2005
Valuation Discount rate (p.a)	11.75%	13.25%
Salary increase rate (p.a) - Short term (5 years)	6.75%	8.25%
Salary increase rate (p.a) - Long term	9.75%	11.25%
Expected rate of return on plan assets (p.a)	11.75%	13.25%
Normal Retirement Age	60 Years	60 Years
Duration	10 Years 1 month	09 Years 6 months

38.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2019	2018
		------(Rupees in '000)-----	
Present value of obligations	38.5	1,665,365	1,474,598
Fair value of plan assets	38.6	<u>(2,684,542)</u>	<u>(2,398,231)</u>
(Receivable) / payable		<u>(1,019,177)</u>	<u>(923,633)</u>

	Note	2019 ------(Rupees in '000)-----	2018
38.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		1,474,598	1,657,387
Current service cost		254,421	270,272
Interest cost		183,840	149,967
Benefits paid by the Bank		(211,974)	(304,841)
Re-measurement loss / (gain)		(35,520)	(298,187)
Obligations at the end of the year		<u>1,665,365</u>	<u>1,474,598</u>
38.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,398,231	2,386,933
Interest income on plan assets		332,018	234,486
Contribution by the Bank - net		106,243	185,753
Benefits paid		(211,974)	(304,841)
Re-measurements: Net return on plan assets over interest income gain / (loss)	38.8.2	<u>60,024</u>	<u>(104,100)</u>
Fair value at the end of the year		<u>2,684,542</u>	<u>2,398,231</u>
38.7 Movement in (receivable) / payable under defined benefit plan			
Opening balance		(923,633)	(729,546)
Charge / (reversal) for the year		106,243	185,753
Contribution by the Bank - net		(106,243)	(185,753)
Re-measurement loss / (gain) recognised in OCI during the year	38.8.2	(95,544)	(194,087)
Benefits paid by the Bank		-	-
Closing balance		<u>(1,019,177)</u>	<u>(923,633)</u>
38.8 Charge for defined benefit plans			
38.8.1 Cost recognised in profit and loss			
Current service cost		254,421	270,272
Net interest on defined benefit asset / liability		(148,178)	(84,519)
		<u>106,243</u>	<u>185,753</u>
38.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Demographic assumptions		-	(992)
- Financial assumptions		(18,174)	(310,891)
- Experience adjustment		(17,346)	13,696
Return on plan assets over interest income		(60,024)	104,100
Total re-measurements recognised in OCI		<u>(95,544)</u>	<u>(194,087)</u>
38.9 Components of plan assets			
Cash and cash equivalents - net		84,846	372,963
Government Securities		150,151	-
Non-Government Debt securities		602,365	375,000
Ordinary shares		1,537,515	1,365,596
Units of mutual funds		309,665	284,672
		<u>2,684,542</u>	<u>2,398,231</u>

38.10 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	2019	
	PV of Defined Benefit Obligation	Change
	------(Rupees in '000)-----	
1% increase in discount rate	1,510,879	(154,486)
1% decrease in discount rate	1,845,769	180,404
1 % increase in expected rate of salary increase	1,857,645	192,280
1 % decrease in expected rate of salary increase	1,498,678	(166,687)
10% increase in withdrawal rate	1,671,826	6,461
10% decrease in withdrawal rate	1,658,534	(6,831)
1 year Mortality age set back	1,666,733	1,368
1 year Mortality age set forward	1,663,989	(1,376)
		2019
		(Rupees in '000)
38.11 Expected contributions to be paid to the funds in the next financial year		<u>170,884</u>
38.12 Expected charge / (reversal) for the next financial year		<u>170,884</u>

38.13 Maturity profile

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	136,209
Year 2	107,143
Year 3	100,263
Year 4	113,423
Year 5	126,403
Year 6 to Year 10	747,834
Year 11 and above	6,657,235

38.14 Funding Policy

The bank's policy for funding the staff retirement benefit scheme is given in note 4.9 (a).

38.15 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.

39 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 390.250 million (2018: Rs. 309.371 million) to the fund.

40 EMPLOYEES STOCK OPTION SCHEME

	Granted in the year 2016	Granted in the year 2015	Granted in the year 2014
	------(Rupees in '000)-----		
Option issued	13,737	12,614	11,331
No. of employees to whom shares were allocated under ESOS	96	84	72
Options exercised	9,444	9,320	9,599
Options available for exercise	-	-	-
Options lapsed	4,294	3,294	1,732
Exercise price per share	Rs. 14.95	15.15	16.32
Adjusted exercise per share for final tranche of year 2016	Rs. 13.59	N/A	N/A

In 2018, 10% bonus shares were allotted by the Bank to all entitled shareholders. Accordingly, all those employees, who were given ESOS and present at the time of exercising their outstanding options were also given bonus shares as per ESOS scheme. The calculation of bonus shares was made as per ESOS policy.

The break-up of ESOS Options Allocation 2016 (3rd Grant) along-with said bonus shares is as follows:

Total Shares granted	13,737
Shares availed in 2017	3,838
Shares availed in 2018	3,058
Shares availed in 2019	2,548
Total Shares availed	9,444
Bonus shares (last tranche of 3rd grant)	255
Shares lapsed	4,294

41 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT

41.1 Total Compensation expense

2019								
Sr. No.	Items	Chairman	Directors		Members Shariah Board	President / CEO	Key Executives	Other MRTs / MRCs
			Executives (other than CEO)	Non-Executive				
------(Rupees in '000)-----								
1	Fees and Allowances etc.	-	-	204,243	7,800	-	-	-
2	Managerial Remuneration							
	i) Fixed	-	-	-	2,410	38,867	221,077	581,706
	ii) Total Variable							
	a) Cash Bonus / Awards	-	-	-	-	90,000	136,500	229,782
	b) Bonus & Awards in Shares*	-	-	-	-	-	-	-
3	Charge for defined benefit plan	-	-	-	-	3,237	12,086	28,212
4	Contribution to defined Contribution	-	-	-	-	3,237	12,086	28,222
5	Rent & House Maintenance	-	-	-	456	15,547	57,675	151,075
6	Utilities	-	-	-	114	3,887	14,419	37,199
7	Medical	-	-	-	-	-	-	740
8	Conveyance	-	-	-	-	-	-	45
9	Others	-	-	-	5	-	480	34,330
10	Total (1 - 10)	-	-	204,243	10,785	154,775	454,323	1,091,311
11	Number of Persons	-	-	7	3	1	15	115

2018								
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.	-	-	153,921	6,990	-	-	-
2	Managerial Remuneration							
	i) Fixed	-	-	-	-	35,334	169,915	484,752
	ii) Total Variable							
	a) Cash Bonus / Awards	-	-	-	-	50,000	122,500	184,641
	b) Bonus & Awards in Shares*	-	-	-	-	-	-	1,890
3	Charge for defined benefit plan	-	-	-	-	2,943	10,598	1,547
4	Contribution to defined Contribution	-	-	-	-	2,943	10,598	25,872
5	Rent & House Maintenance	-	-	-	-	14,133	52,822	132,435
6	Utilities	-	-	-	-	3,533	13,205	32,556
7	Medical	-	-	-	-	-	-	2,272
8	Conveyance	-	-	-	-	-	-	72
9	Others	-	-	-	84	-	-	15,113
10	Total (1 - 10)	-	-	153,921	7,074	108,886	379,638	881,150
11	Number of Persons	-	-	9 *	3	1	19	115

The Chief Executive and certain Executives have been provided with the free use of cars, household equipment and fuel.

The Bank granted share options to certain key employees of the Bank in the year 2014, 2015 and 2016. For details please see note 40.

The Banks' appraisal cycle is from 1st January till 31st December, 2019; the payout will take place by March 31, 2020 and deferral as per Human Resources Policy Guidelines will be made accordingly at the time of payment.

* Includes fees paid to directors who retired / resigned during 2018.

41.2 Remuneration Paid to Directors for Participation in Board and Board Committees Meetings

2019

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings					Total	
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Resources & Nomination Committee	Board Information Technology Committee		Board Risk Management Committee
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-
2	Mr. Abdullah Nasser Hawaileel Al Mansoori	2,959	-	-	-	-	-	2,959
3	Mr. Abdulla Khaiil Al Mutawa	7,566	7,311	2,506	6,071	4,813	7,311	9,138
4	Mr. Khalid Mana Saeed Al Otaiba	7,566	7,311	2,506	6,071	4,813	7,311	9,138
5	Mr. Efstratios Georgios Arapoglou	7,566	7,311	2,506	-	4,813	7,311	7,311
6	Dr. Gyorgy Tamas Ladics	7,566	-	-	6,071	6,016	-	-
7	Mr. Shehzad Naqvi	5,936	7,415	-	4,692	-	5,932	5,932
8	Dr. Ayesha Khan	7,495	7,491	3,065	7,423	-	-	-
	Total	46,654	36,839	10,583	30,328	20,455	29,692	29,692

2018

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings					Total Amount Paid	
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Resources & Nomination Committee	Board Information Technology Committee		Board Risk Management Committee
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-
2	Mr. Abdulla Khaiil Al Mutawa	7,612	7,109	1,163	5,116	2,743	5,116	6,395
3	Mr. Efstratios Georgios Arapoglou	7,612	7,109	-	-	2,194	3,304	5,116
4	Dr. Gyorgy Tamas Ladics *	4,168	-	-	3,334	2,224	-	-
5	Mr. Kamran Y. Mirza **	2,262	3,368	924	2,262	-	-	-
6	Mr. Khalid Mana Saeed Al Otaiba	7,612	7,109	930	5,116	2,194	6,395	5,116
7	Mr. Khalid Qureshi **	1,102	-	-	-	-	882	882
8	Mr. Shehzad Naqvi *	5,080	5,215	-	3,923	-	3,139	3,139
9	Mr. Abdullah Nasser Hawaileel Al Mansoori	5,007	-	-	-	-	-	-
10	Dr. Ayesha Khan *	4,168	4,446	-	3,335	-	-	-
	Total	44,623	34,356	3,017	23,086	9,355	18,836	20,648

* The Directors elected and appointed during 2018.

** The Directors retired / resigned during 2018.

41.3 Remuneration paid to Shariah Board Members

2019

Sr. No.	Items	Chairman	2019			2018			TOTAL
			Resident Member	Non-Resident Member	TOTAL	Chairman	Resident Member	Non-Resident Member	
1	Fees/Remuneration and Allowances	5,400	-	2,400	7,800	4,275	765	1,950	6,990
2	Managerial Remuneration - Fixed	-	2,410	-	2,410	-	-	-	-
3	Rent & House Maintenance	-	456	-	456	-	-	-	-
4	Utilities	-	114	-	114	-	-	-	-
5	Others	-	5	-	5	28	28	28	84
	Total	5,400	2,985	2,400	10,785	4,303	793	1,978	7,074
	Total Number of Persons	1	1	1	3	1	1	1	3

42 FAIR VALUE MEASUREMENTS

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.

42.1 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:

	2019			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	199,930,753	-	199,930,753
Shares	7,537,639	-	-	7,537,639
Non-Government Debt Securities	-	6,213,346	-	6,213,346
Foreign Securities	-	33,735,403	-	33,735,403
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,436,300	-	2,436,300
Forward sale of foreign exchange	-	(3,658,322)	-	(3,658,322)
Derivatives purchases	-	20,977	-	20,977
Derivatives sales	-	(35,385)	-	(35,385)
	2018			
	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	-	205,872,883	-	205,872,883
Shares	8,194,982	-	-	8,194,982
Non-Government Debt Securities	-	6,134,851	-	6,134,851
Foreign Securities	-	12,903,246	-	12,903,246
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	4,519,604	-	4,519,604
Forward sale of foreign exchange	-	(970,502)	-	(970,502)
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)

42.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 12. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

42.3 The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer, occurred. There were no transfers between levels 1 and 2 during the current period.

42.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, Overseas Government Sukuks, Overseas and Euro Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts, and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

43 SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

	2019							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
------(Rupees in '000)-----								
Profit & Loss								
Net mark-up/return/profit	(5,565,583)	22,559,864	8,766,835	17,786,506	(2,446)	2,626,569	(1,314,263)	44,857,482
Inter segment revenue - net	31,695,833	(15,253,812)	(644,840)	(17,526,597)	507,876	553,471	668,069	-
Non mark-up / return / interest income	3,950,811	1,391,727	1,097,617	2,311,399	414,362	616,872	612,765	10,395,553
Total Income	30,081,061	8,697,779	9,219,612	2,571,308	919,792	3,796,912	(33,429)	55,253,035
Segment direct expenses	12,765,199	1,016,123	3,636,424	412,268	2,015,405	1,660,201	8,336,989	29,842,609
Inter segment expense allocation	5,657,520	691,276	1,355,429	239,369	187,244	206,629	(8,337,467)	-
Total expenses	18,422,719	1,707,399	4,991,853	651,637	2,202,649	1,866,830	(478)	29,842,609
Provisions / (Reversals)	1,395,853	466,642	94,846	1,024,164	-	80,031	(32,951)	3,028,585
Profit before tax	10,262,489	6,523,738	4,132,913	895,507	(1,282,857)	1,850,051	-	22,381,841

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
------(Rupees in '000)-----								
Balance Sheet								
Cash & Bank balances	51,080,368	11,905,006	13,687,542	16,301,602	324,045	12,143,278	-	105,441,841
Investments	1,372,585	914,973	13,738,131	227,999,155	-	53,548,116	1,525,155	299,098,115
Net inter segment lending	304,115,617	-	-	-	6,760,322	-	85,510,486	396,386,425
Lendings to financial institutions	-	-	37,791,008	24,931,724	-	8,712,163	-	71,434,895
Advances - performing	146,947,933	240,367,593	87,226,466	-	5,030	24,183,451	7,828,663	506,559,136
Advances - non-performing	1,406,411	2,796,345	285,911	-	-	107,824	80,322	4,676,813
Others	27,365,192	9,325,333	13,838,916	5,633,291	942,522	1,529,100	18,826,931	77,461,285
Total Assets	532,288,106	265,309,250	166,567,974	274,865,772	8,031,919	100,223,932	113,771,557	1,461,058,510
Borrowings	12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	-	102,842,330
Subordinated debt	-	-	-	-	-	-	11,987,000	11,987,000
Deposits and other accounts	492,107,112	103,018,182	122,023,365	-	7,827,966	57,300,323	7,248	782,284,196
Net inter segment borrowing	-	123,412,730	14,836,417	238,756,902	-	19,380,376	-	396,386,425
Others	26,832,583	7,695,578	20,835,736	2,406,630	203,953	1,599,871	19,956,632	79,530,983
Total liabilities	531,376,762	265,309,250	164,669,341	271,523,909	8,031,919	100,168,873	31,950,880	1,373,030,934
Net Assets	911,344	-	1,898,633	3,341,863	-	55,059	81,820,677	88,027,576
Equity								88,027,576
Contingencies and Commitments	60,523,866	98,407,250	46,150,780	319,880,787	5,142	44,060,060	603,000	569,630,885

2018

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
----- (Rupees in '000) -----								
Profit & Loss								
Net mark-up/return/profit	(197,080)	13,611,402	5,633,022	11,781,327	-	2,108,565	(1,011,173)	31,926,063
Inter segment revenue - net	19,386,608	(9,028,965)	(637,417)	(10,430,187)	227,663	(131,704)	614,002	-
Non mark-up / return / interest income	4,024,839	742,075	1,018,851	3,365,155	399,326	483,909	397,171	10,431,326
Total Income	23,214,367	5,324,512	6,014,456	4,716,295	626,989	2,460,770	-	42,357,389
Segment direct expenses	10,468,834	682,250	3,030,761	407,791	777,182	1,313,965	8,031,744	24,712,527
Inter segment expense allocation	5,666,518	623,276	1,304,054	238,255	45,570	154,071	(8,031,744)	-
Total expenses	16,135,352	1,305,526	4,334,815	646,046	822,752	1,468,036	-	24,712,527
Provisions / (Reversals)	(29,608)	212,268	299,255	75,710	54	(531,072)	-	26,607
Profit before tax	7,108,623	3,806,718	1,380,386	3,994,539	(195,817)	1,523,806	-	17,618,255

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
----- (Rupees in '000) -----								
Balance Sheet								
Cash & Bank balances	54,448,024	11,605,738	12,356,256	2,438,440	334,892	5,099,305	-	86,282,655
Investments	860,704	694,426	22,896,107	221,983,048	-	29,434,619	1,791,499	277,660,403
Net inter segment lending	287,248,929	-	-	-	4,241,251	-	70,142,975	361,633,155
Lendings to financial institutions	-	-	17,986,558	33,315,352	-	10,870,377	-	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,549	-	-	19,233,298	4,968,048	498,697,580
Advances - non-performing	366,716	1,453,002	262,226	-	-	132,738	724,190	2,938,872
Others	16,456,975	10,628,391	4,544,390	6,258,899	407,786	26,461,314	13,708,291	78,466,046
Total Assets	513,131,750	259,553,840	143,619,086	263,995,739	4,983,929	91,231,651	91,335,003	1,367,850,998
Borrowings	10,460,314	22,698,780	5,909,819	62,173,164	-	22,092,453	403,711	123,738,241
Subordinated debt	-	-	-	-	-	-	11,989,000	11,989,000
Deposits and other accounts	464,559,441	92,224,318	113,541,482	-	4,899,847	27,670,192	-	702,895,280
Net inter segment borrowing	-	135,169,567	12,237,409	201,340,936	-	12,885,243	-	361,633,155
Others	37,459,209	9,554,126	10,975,954	1,186,034	84,082	24,397,584	8,291,458	91,948,447
Total liabilities	512,478,964	259,646,791	142,664,664	264,700,134	4,983,929	87,045,472	20,684,169	1,292,204,123
Net Assets	652,786	(92,951)	954,422	(704,395)	-	4,186,179	70,650,834	75,646,875
Equity								75,646,875
Contingencies and Commitments	58,274,791	76,420,934	31,777,895	296,162,272	47,934	30,646,372	14,925,225	508,255,423

43.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2019				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	42,230,913	610,229	1,602,878	413,462	44,857,482
Inter segment revenue - net	(553,471)	190,976	147,376	215,119	-
Non mark-up / return / interest income	9,778,681	51,867	318,728	246,277	10,395,553
Total Income	51,456,123	853,072	2,068,982	874,858	55,253,035
Segment direct expenses	28,182,408	391,552	985,173	283,476	29,842,609
Inter segment expense allocation	(206,629)	79,804	87,543	39,282	-
Total expenses	27,975,779	471,356	1,072,716	322,758	29,842,609
Provisions / (Reversals)	2,948,554	(425)	83,172	(2,716)	3,028,585
Profit before tax	20,531,790	382,141	913,094	554,816	22,381,841
Balance Sheet					
Cash and Bank balances	93,298,563	2,653,628	4,083,827	5,405,823	105,441,841
Investments	245,549,999	29,386,632	10,088,200	14,073,284	299,098,115
Net inter segment lendings	19,380,376	-	-	-	19,380,376
Lendings to financial institutions	62,722,732	-	4,386,173	4,325,990	71,434,895
Advances - performing	482,375,685	3,421,442	19,583,794	1,178,215	506,559,136
Advances - non-performing	4,568,989	-	107,824	-	4,676,813
Others	75,932,185	531,866	955,993	41,241	77,461,285
Total Assets	983,828,529	35,993,568	39,205,811	25,024,553	1,084,052,461
Borrowings	80,954,027	21,869,134	19,169	-	102,842,330
Subordinated debt	11,987,000	-	-	-	11,987,000
Deposits and other accounts	724,983,873	7,895,095	27,561,172	21,844,056	782,284,196
Net inter segment borrowing	-	6,024,102	10,191,280	3,164,994	19,380,376
Others	77,931,112	375,425	1,224,446	-	79,530,983
Total liabilities	895,856,012	36,163,756	38,996,067	25,009,050	996,024,885
Net Assets	87,972,517	(170,188)	209,744	15,503	88,027,576
Equity					88,027,576
Contingencies and Commitments	525,570,825	34,234,160	5,165,054	4,660,846	569,630,885

2018

Pakistan	Middle East	Bangladesh	Afghanistan (Held for Sale)	Total
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----- (Rupees in '000) -----

Profit & Loss

Net mark-up/return/profit	29,817,498	598,839	1,174,718	335,008	31,926,063
Inter segment revenue - net	131,704	(31,132)	(133,243)	32,671	-
Non mark-up / return / interest income	9,947,417	5,829	247,112	230,968	10,431,326
Total Income	39,896,619	573,536	1,288,587	598,647	42,357,389
Segment direct expenses	23,398,562	278,874	687,839	347,252	24,712,527
Inter segment expense allocation	(154,071)	62,831	55,508	35,732	-
Total expenses	23,244,491	341,705	743,347	382,984	24,712,527
Provisions / (Reversals)	557,679	3,214	30,550	(564,836)	26,607
Profit before tax	16,094,449	228,617	514,690	780,499	17,618,255

Pakistan	Middle East	Bangladesh	Afghanistan (Held for Sale)	Total
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----- (Rupees in '000) -----

Balance Sheet

Cash & Bank balances	81,183,350	1,318,443	3,780,862	-	86,282,655
Investments	248,225,784	21,628,793	7,805,826	-	277,660,403
Net inter segment lendings	14,849,234	-	-	-	14,849,234
Lendings to financial institutions	51,301,910	5,477,850	5,392,527	-	62,172,287
Advances - performing	479,464,282	3,001,998	16,231,300	-	498,697,580
Advances - non-performing	2,806,134	-	132,738	-	2,938,872
Others	52,004,732	911,311	1,960,513	23,589,490	78,466,046
Total Assets	929,835,426	32,338,395	35,303,766	23,589,490	1,021,067,077
Borrowings	101,645,788	21,496,019	596,434	-	123,738,241
Subordinated debt	11,989,000	-	-	-	11,989,000
Deposits and other accounts	675,225,088	4,633,530	23,036,662	-	702,895,280
Net inter segment borrowing	-	5,500,966	7,384,276	1,963,992	14,849,234
Others	67,550,863	312,035	2,460,051	21,625,498	91,948,447
Total liabilities	856,410,739	31,942,550	33,477,423	23,589,490	945,420,202
Net Assets	73,424,687	395,845	1,826,343	-	75,646,875
Equity					75,646,875
Contingencies and Commitments	477,609,051	25,773,028	4,412,416	460,928	508,255,423

44. TRUST ACTIVITIES

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

45 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans and its directors and Key Management Personnel.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	As at Dec 31, 2019					As at Dec 31, 2018				
	Directors/ CEO	Key manage- ment personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key manage- ment personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	1,500,000
Addition during the year	-	-	-	-	21,936,072	-	-	-	-	134,478,646
Repaid during the year	-	-	-	-	(21,936,072)	-	-	-	-	(135,978,646)
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments										
Opening balance	-	-	430,493	1,816,343	992,661	-	-	430,493	1,816,343	1,267,808
Investment made during the year	-	-	-	-	-	-	-	-	-	464,122
Investment redeemed / disposed off during the year	-	-	-	-	(570,466)	-	-	-	-	(739,269)
Transfer in / (out) - net	-	-	(130,493)	(638,737)	769,230	-	-	-	-	-
Closing balance	-	-	300,000	1,177,606	1,191,425	-	-	430,493	1,816,343	992,661
Provision for diminution in value of investments	-	-	42,981	-	3,936	-	-	42,981	-	3,936
Advances										
Opening balance	105,650	449,323	-	-	3,354,510	-	458,240	-	-	7,591,327
Addition during the year	-	394,810	-	-	2,783,243	-	206,246	-	-	6,738,397
Repaid during the year	(14,521)	(169,822)	-	-	(1,937,348)	(6,068)	(98,965)	-	-	(8,301,258)
Transfer in / (out) - net	-	(12,473)	-	-	-	111,718	(116,198)	-	-	(2,673,956)
Closing balance	91,129	661,838	-	-	4,200,405	105,650	449,323	-	-	3,354,510
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Other Assets										
Interest / mark-up accrued	10,939	69,192	-	-	98,163	5,507	42,368	-	-	134,900
Receivable from staff retirement fund	-	-	-	-	1,019,178	-	-	-	-	923,633
Prepayment / rent receivable	-	-	-	-	8,517	-	-	-	832	8,215
Profit Receivable on Sukuk	-	-	-	-	-	-	-	-	-	1,858
Advance against shares	-	-	-	-	82,312	-	-	-	-	50,000
Borrowings										
Opening balance	-	-	-	-	200,000	-	-	-	-	502,800
Borrowings during the year	-	-	-	-	1,268,678	-	-	-	-	35,546,898
Settled during the year	-	-	-	-	(974,032)	-	-	-	-	(35,849,698)
Closing balance	-	-	-	-	494,646	-	-	-	-	200,000
Subordinated debt										
Opening balance	-	-	-	-	-	-	-	-	45,044	19,964
Redemption / Sold during the year	-	-	-	-	-	-	-	-	(45,044)	(19,964)
Closing balance	-	-	-	-	-	-	-	-	-	-

As at Dec 31, 2019					As at Dec 31, 2018					
Directors/ CEO	Key manage- ment personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key manage- ment personnel	Subsidiaries	Associates	Other related parties	
------(Rupees in '000)-----					------(Rupees in '000)-----					
Deposits and other accounts										
Opening balance	7,438	193,954	48,155	1,056,941	3,193,911	6,275	160,416	59,984	1,509,943	4,178,787
Received during the year	599,337	3,114,936	2,374,943	25,280,433	32,495,316	206,294	1,360,283	5,531,871	33,685,682	82,662,966
Withdrawn during the year	(594,695)	(2,912,486)	(2,382,998)	(25,779,990)	(31,104,316)	(205,131)	(1,337,204)	(5,543,700)	(34,138,684)	(87,189,776)
Transfer in / (out) - net	(4)	(139,283)	(30,765)	30,765	(216)	-	10,459	-	-	3,541,934
Closing balance	12,076	257,121	9,335	588,149	4,584,695	7,438	193,954	48,155	1,056,941	3,193,911

Other Liabilities

Interest / mark-up payable	-	156	-	-	7,007	11	1,960	494	7,446	11,918
Unearned rent	-	-	-	1,560	-	-	-	-	-	-
Others	-	-	283	-	3,962	-	-	201	-	3,961

Contingencies and Commitments

Other contingencies	-	-	-	181,172	-	-	-	-	162,468	-
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For the year ended Dec 31, 2019					For the year ended Dec 31, 2018				
------(Rupees in '000)-----									

Income

Mark-up / return / interest earned	5,431	30,251	-	-	613,453	5,507	18,229	-	-	482,333
Fee and commission income	-	-	-	155,319	-	-	-	63,167	-	-
Dividend income	-	-	-	-	12,511	-	-	-	219,000	2,109
Other income	-	-	-	3,795	-	-	-	-	2,496	18,651

Expense

Mark-up / return / interest paid	44	13,687	285	81,883	243,840	20	4,536	3,942	55,367	192,261
Operating expenses										
Rent paid	-	-	-	-	10,122	-	-	-	-	1,393
Repairs and maintenance	-	-	-	-	71,405	-	-	-	-	734,031
Travelling and accommodation	-	-	1,004	-	7,219	-	-	1,172	-	4,583
Charge for defined benefit plan	-	-	-	-	106,243	-	-	-	-	185,753
Contribution to defined contribution plan	-	-	-	-	390,250	-	-	-	-	309,371
Managerial remuneration	362,750	1,297,908	-	-	-	416,849	994,463	-	-	-
Dividend paid	966,735	20,174	-	15,131	2,751,227	640,921	11,584	-	5,454	1,538,460
Insurance premium paid	-	-	-	566,033	-	-	-	-	497,497	-
Insurance claims settled	-	-	-	391,015	-	-	-	-	328,333	-

46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2019 2018
----- (Rupees in '000) -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,743,629
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	66,649,897	59,809,769
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	73,649,897	66,809,769
Eligible Tier 2 Capital	20,026,784	15,239,737
Total Eligible Capital (Tier 1 + Tier 2)	93,676,681	82,049,506

Risk Weighted Assets (RWAs):

Credit Risk	483,571,672	485,931,845
Market Risk	7,377,863	2,633,875
Operational Risk	63,886,413	60,607,038
Total	554,835,948	549,172,758

Common Equity Tier 1 Capital Adequacy ratio	12.01%	10.89%
Tier 1 Capital Adequacy Ratio	13.27%	12.17%
Total Capital Adequacy Ratio	16.88%	14.94%

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	12.50%	11.90%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit & Market Risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital	73,649,897	66,809,769
Total Exposures	1,263,841,607	1,185,191,511
Leverage Ratio	5.83%	5.64%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	285,456,439	252,703,051
Total Net Cash Outflow	174,614,928	162,363,261
Liquidity Coverage Ratio	163%	156%

	2019	2018
	----- (Rupees in '000) -----	
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	687,962,685	630,592,999
Total Required Stable Funding	499,005,864	472,759,179
Net Stable Funding Ratio	138%	133%

46.1 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/>.

47 RISK MANAGEMENT

The variety of business activities undertaken by the Bank require effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC) to supervise risk management activities within their respective scopes. CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee, Information Technology Steering Committee (ITSC), Control & Compliance Committee (C&CC) and Process Improvement Committee (PIC).

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures;
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units; and;
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank's risk management framework has a well-defined organizational structure for effective management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Information Security Risk, Trade Pricing, Environment and Social Risk.

47.1 Credit Risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure to credit risk. The Bank's credit risk management philosophy is based on Bank's overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately 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 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, Bank determines the amount for specific and general provisions as per the Prudential Regulations issued by the State Bank of Pakistan (SBP). 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 in Corporate Banking, Islamic Banking and Retail Banking Group. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Bank has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, Medium Enterprise, Small Enterprise and Agri rating models. It covers both discrimination and calibration statistical tests as per best practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to compute the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD.

Credit Policy & Portfolio Management under Credit & Risk Management Group keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authorities with a view to address further deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/settlement of the Bank's non-performing exposure and protect the interests of the bank's depositors and stakeholders. The priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Credit & Risk Management Group also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

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

47.1.1 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-party(s) 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.

47.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

47.1.2.1 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), Japan Credit Rating Agency-VIS(JCR-VIS), Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by 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 there are two ratings agencies available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

47.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

47.1.3.1 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.

47.1.3.2 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.

47.1.3.3 Types of collateral taken by the Bank

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 borrower and assignment of the underlying project contracts are generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure personal guarantees of directors / borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

47.1.3.4 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 also includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel.

47.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific 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:

47.1.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public Sector	22,044,132	9,412,722	-	-	-	-
Private Sector	49,400,581	52,779,383	-	-	-	-
	71,444,713	62,192,105	-	-	-	-

47.1.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Textile	167,888	167,888	167,888	167,888	167,888	167,888
Chemical and Pharmaceuticals	591,239	606,732	591,239	606,732	591,239	606,732
Electronics and electrical appliances	1,785	1,785	1,785	1,785	1,785	1,785
Power (electricity), Gas, Water, Sanitary	6,350,748	7,154,912	-	-	-	-
Transport, Storage and Communication	331,571	848,367	331,571	281,700	331,571	281,700
Financial	24,007,175	12,914,616	58,768	63,776	58,768	63,776
	31,450,406	21,694,300	1,151,251	1,121,881	1,151,251	1,121,881

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public Sector	6,257,485	6,964,682	-	-	-	-
Private Sector	25,192,921	14,729,618	1,151,251	1,121,881	1,151,251	1,121,881
	31,450,406	21,694,300	1,151,251	1,121,881	1,151,251	1,121,881

47.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	------(Rupees in '000)-----					
Agriculture, Forestry, Hunting and Fishing	38,965,049	52,389,474	584,628	236,973	399,561	124,732
Automobile and transportation equipment	8,665,189	10,413,594	355,173	1,000,964	266,435	376,148
Cement	14,295,707	13,051,710	-	-	-	-
Chemical and Pharmaceuticals	22,137,088	21,724,564	985,217	822,917	853,776	822,917
Construction	10,685,448	7,857,587	507,780	511,397	493,902	511,397
Electronics and electrical appliances	10,933,492	10,718,745	145,517	130,474	102,887	130,474
Exports / Imports	6,428,193	8,423,173	723,342	715,315	656,420	647,563
Financial	10,431,741	9,628,594	905,547	926,031	905,547	926,031
Food & Allied Products	55,134,590	47,322,246	3,241,613	2,367,089	3,193,852	2,145,133
Footwear and Leather garments	2,581,820	2,050,714	158,052	203,343	158,052	183,840
Individuals	56,101,688	48,257,462	714,130	787,135	546,284	539,159
Insurance	6,370	9,505	-	-	-	-
Metal & Allied industries	18,645,909	24,289,761	1,275,184	635,551	748,741	635,350
Mining and Quarrying	2,628,567	2,319,851	-	-	-	-
Oil and Allied	11,768,129	15,091,286	-	-	-	-
Power (electricity), Gas, Water, Sanitary Services	93,662,347	79,868,350	2,543,959	1,157,905	264,412	289,476
Sugar	6,184,807	6,824,348	48,503	94,578	47,518	82,733
Textile	19,670,518	11,627,623	619,017	841,130	619,017	372,009
Transport, Storage and Communication	92,435,308	93,676,552	4,482,645	3,630,707	3,971,119	3,617,203
Wholesale & Retail Trade	4,707,145	6,587,342	1,566,981	1,788,981	1,566,981	1,788,981
Others	19,724,245	18,044,357	2,046,755	1,877,105	1,879,763	1,826,156
	24,177,597	28,216,327	1,513,185	1,094,676	1,066,148	864,097
	<u>529,970,947</u>	<u>518,393,165</u>	<u>22,417,228</u>	<u>18,822,271</u>	<u>17,740,415</u>	<u>15,883,399</u>

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	------(Rupees in '000)-----					
Public Sector	90,633,597	98,240,545	-	-	-	-
Private Sector	439,337,350	420,152,620	22,417,228	18,822,271	17,740,415	15,883,399
	<u>529,970,947</u>	<u>518,393,165</u>	<u>22,417,228</u>	<u>18,822,271</u>	<u>17,740,415</u>	<u>15,883,399</u>

47.1.7 Contingencies and Commitments

Credit risk by industry sector

	2019	2018
	------(Rupees in '000)-----	
Agriculture, Forestry, Hunting and Fishing	439,167	644,423
Automobile and transportation equipment	3,672,861	3,199,346
Cement	961,095	475,659
Chemical and Pharmaceuticals	4,928,094	3,802,147
Construction	6,282,089	4,333,141
Electronics and electrical appliances	2,782,289	1,816,994
Exports / Imports	3,383,560	5,048,665
Financial	20,147,563	17,923,587
Food & Allied Products	5,913,781	7,599,602
Footwear and Leather garments	187,374	176,289
Individual	264,904	219,898
Insurance	513,549	66,831
Metal & Allied industries	995,338	343,183
Mining and Quarrying	3,541,155	3,922,471
Oil and Allied	10,282,735	586,399
Power (electricity), Gas, Water, Sanitary Services	11,099,054	7,283,152
Sugar	818,270	882,925
Textile	192,676	431,895
Transport, Storage and Communication	30,337,416	22,378,081
Wholesale and Retail Trade	1,632,528	3,354,176
Others	9,315,236	9,874,261
	<u>39,462,230</u>	<u>30,749,298</u>
	<u>157,152,964</u>	<u>125,112,423</u>

Credit risk by public / private sector

Public/ Government	29,472,553	14,722,902
Private	127,680,411	110,389,521
	<u>157,152,964</u>	<u>125,112,423</u>

47.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 117.530 billion (2018: Rs. 136.994 billion) are as following:

	2019	2018
	----- (Rupees in '000) -----	
Funded	78,905,012	119,953,989
Non Funded	38,624,736	17,039,556
Total Exposure	<u>117,529,748</u>	<u>136,993,545</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 190.337 billion (2018: Rs. 191.245 billion).

Total funded classified therein

	2019		2018	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

47.1.9 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----						
Punjab	1,151,672,254	1,133,258,377	3,473,225	49,478	7,299	14,798,931	84,944
Sindh	892,254,631	14,204,218	877,649,365	-	47,002	354,046	-
KPK including FATA	20,016,279	22,322	-	19,971,240	-	22,717	-
Balochistan	5,064,169	-	-	-	5,064,169	-	-
Islamabad	88,798,398	37,828,421	-	492,387	175,157	50,302,433	-
AJK including Gilgit-Baltistan	856,757	-	-	-	-	-	856,757
Total	<u>2,158,662,488</u>	<u>1,185,313,338</u>	<u>881,122,590</u>	<u>20,513,105</u>	<u>5,293,627</u>	<u>65,478,127</u>	<u>941,701</u>

Province/Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----						
Punjab	1,011,452,333	998,920,172	5,379,193	65,309	831	7,047,968	38,861
Sindh	728,309,305	3,367,574	724,787,847	70	18,725	135,088	-
KPK including FATA	17,503,980	-	-	17,148,717	-	355,263	-
Balochistan	3,594,319	-	-	-	3,594,319	-	-
Islamabad	75,964,135	9,031,826	-	188,364	115,751	66,628,194	-
AJK including Gilgit-Baltistan	574,345	-	-	-	-	-	574,345
Total	<u>1,837,398,417</u>	<u>1,011,319,572</u>	<u>730,167,040</u>	<u>17,402,460</u>	<u>3,729,626</u>	<u>74,166,513</u>	<u>613,206</u>

47.2 Market Risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a 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 management and methods to measure and control market risk carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

Under the BoD approved policy, the Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Unit of Risk Management Division (RMD). The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II / III. Furthermore, the Bank carries out risk assessment via diversified tools including Value at Risk (VaR), PVO1 (price value per basis point) and Duration on a regular basis. The Bank also ascertains the impact of market risk on relevant factors through stress testing and Internal Capital Adequacy Assessment processes.

47.3 Foreign exchange risk

Foreign exchange (FX) risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. FX risk is mainly managed through matched positions.

The Bank also manages FX risk by setting and monitoring dealer and currency-wise limits. The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is also conducted on a regular basis through VaR analysis.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2019				2018			
	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	81,735,823	137,080,822	56,257,834	912,835	72,109,056	117,349,741	45,325,354	84,669
Great Britain Pound Sterling	738,326	4,553,379	3,820,967	5,914	2,339,753	5,093,350	2,760,223	6,626
Euro	2,177,184	3,926,923	1,775,948	26,209	2,332,247	4,132,522	1,813,236	12,961
Japanese Yen	19,030	7,326	285	11,989	315	1,400	3,908	2,823
Other currencies	34,383,577	34,296,190	(32,224)	55,163	30,918,270	30,990,150	75,877	3,997
	<u>119,053,940</u>	<u>179,864,640</u>	<u>61,822,810</u>	<u>1,012,110</u>	<u>107,699,641</u>	<u>157,567,163</u>	<u>49,978,598</u>	<u>111,076</u>

	2019		2018	
	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	-	(10,121)	-	(1,111)
- Other comprehensive income	-	-	-	-

47.3.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	------(Rupees in '000)-----					
Cash and balances with treasury banks	100,731,873	-	100,731,873	82,407,700	-	82,407,700
Balances with other banks	4,709,968	-	4,709,968	3,874,955	-	3,874,955
lendings to financial institutions	71,434,895	-	71,434,895	62,172,287	-	62,172,287
Investments	272,071,066	27,027,049	299,098,115	230,135,536	47,524,867	277,660,403
Advances	511,235,949	-	511,235,949	501,636,452	-	501,636,452
Fixed assets	29,087,028	-	29,087,028	18,272,215	-	18,272,215
Intangible assets	1,257,361	-	1,257,361	1,283,516	-	1,283,516
Deferred tax assets	-	-	-	-	-	-
Assets held for sale	-	-	-	23,589,489	-	23,589,489
Other assets	47,116,896	-	47,116,896	35,320,826	-	35,320,826
	<u>1,037,645,036</u>	<u>27,027,049</u>	<u>1,064,672,085</u>	<u>958,692,976</u>	<u>47,524,867</u>	<u>1,006,217,843</u>

47.3.2 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 investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Unit of RMD monitors and reports portfolio and scrip level internal and external limits. Bank has dealer and MAP limits are in place.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 5% adverse movement in equity prices on				
- Profit and loss account	-	(22,732)	-	(6,691)
- Other comprehensive income	(354,150)	-	(403,058)	-

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

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

	2019	2018
	Banking book	Trading book
	----- (Rupees in '000) -----	
	1,707,854	1,723,278
	(3,518,412)	(1,034,446)
	(40,471)	(21,694)
	-	-

47.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/Interest rate	Total	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
			2019											
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
----- (Rupees in '000) -----														
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	0.25%	100,731,873	32,666,897	-	-	-	-	-	-	-	-	-	-	66,064,976
Balances with other banks	1.63%	4,709,968	600,262	-	-	-	-	-	-	-	-	-	-	4,109,706
Lending to financial institutions	10.91%	71,434,895	58,139,272	9,328,288	3,967,335	-	-	-	-	-	-	-	-	-
Investments	9.77%	299,098,115	39,848,725	98,626,885	20,595,718	40,780,606	21,657,921	16,409,864	14,947,031	33,489,415	10,895	-	-	12,791,055
Advances	12.27%	511,235,949	180,531,817	143,840,824	120,977,408	23,035,781	7,560,160	2,247,386	7,058,344	21,267,546	2,137,395	-	-	2,579,298
Other assets	-	44,820,686	-	-	-	-	-	-	-	-	-	-	-	44,820,686
		1,032,031,486	311,786,973	251,795,997	145,480,461	63,816,387	29,218,081	18,657,250	22,005,375	54,756,961	2,148,280	-	-	132,365,721
Liabilities														
Bills payable	-	17,169,059	-	-	-	-	-	-	-	-	-	-	-	17,169,059
Borrowings	4.90%	102,842,330	40,861,483	28,777,634	7,491,148	6,520,920	566,883	500,369	2,875,255	13,232,707	2,015,931	-	-	-
Deposits and other accounts	5.00%	782,284,196	297,062,197	58,632,941	37,029,746	34,163,005	2,210,276	1,281,908	346,133	248	-	-	-	351,557,742
Liabilities against assets subject to finance lease	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	12.77%	11,987,000	11,987,000	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	50,592,783	3,945	11,553	21,424	86,698	231,538	476,345	1,211,129	5,617,093	1,707,289	-	-	41,225,769
		964,875,368	337,927,625	99,409,128	44,542,318	40,770,623	3,008,697	2,298,622	4,432,517	18,850,048	3,723,220	-	-	409,952,570
On-balance sheet gap		67,156,118	(26,140,652)	152,386,869	100,938,143	23,045,764	26,209,384	16,398,628	17,572,858	35,906,913	(1,574,940)	-	-	(277,586,849)
Off-balance sheet financial instruments														
Documentary credits and short-term trade-related transactions		157,152,964	9,692,269	57,513,979	40,012,451	19,392,323	11,405,469	4,299,713	9,650,920	3,689,462	1,496,378	-	-	-
Commitments in respect of:														
- Forward exchange contracts - purchase		185,084,250	69,191,321	8,717,102	58,459,557	48,716,270	-	-	-	-	-	-	-	-
- Forward exchange contracts - sale		(120,364,869)	(319,975)	(39,844,993)	(30,186,243)	(50,013,658)	-	-	-	-	-	-	-	-
- Forward security - purchase		1,391,534	1,391,534	-	-	-	-	-	-	-	-	-	-	-
- Forward security - sale		(3,001,292)	(2,251,522)	(749,770)	-	-	-	-	-	-	-	-	-	-
- Interest Rate Swaps - receipts		17,745,535	7,432,685	10,312,850	-	-	-	-	-	-	-	-	-	-
- Interest Rate Swaps - payments		(17,745,535)	-	-	(1,548,476)	-	(1,780,747)	(3,561,495)	(4,800,276)	(6,054,541)	-	-	-	-
Off-balance sheet gap		220,262,587	85,136,312	35,949,168	66,737,289	18,094,935	9,624,722	7,38,218	4,850,644	(2,365,079)	1,496,378	-	-	-
Total Yield/Interest Rate Sensitivity Gap		58,995,660	188,336,037	167,675,432	41,140,699	35,834,106	17,136,846	22,423,502	33,541,834	(78,562)	(78,562)	-	-	(277,586,849)
Cumulative Yield/Interest Rate Sensitivity Gap		58,995,660	247,331,697	415,007,129	456,147,828	491,981,934	509,118,780	531,542,282	565,084,116	565,005,554	287,418,705	-	-	-

	Effective Yield/Interest rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
		Total	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		
On-balance sheet financial instruments													
<i>Assets</i>													
Cash and balances with treasury banks	0.10%	82,407,700	11,676,690	-	-	-	-	-	-	-	-	-	70,731,010
Balances with other banks	1.84%	3,874,955	1,258,476	-	-	-	-	-	-	-	-	-	2,616,479
Lending to financial institutions	7.14%	62,172,287	52,042,895	10,029,428	99,964	-	-	-	-	-	-	-	-
Investments	6.71%	277,660,403	128,906,051	63,267,090	15,772,057	9,143,014	12,339,429	17,690,441	11,207,473	8,600,369	13,227	10,721,232	10,721,232
Advances	7.87%	501,636,452	207,222,086	125,600,759	103,271,140	39,060,743	1,184,652	1,837,447	4,612,659	12,008,747	3,903,249	23,589,489	2,954,970
Assets held for sale	-	23,589,489	-	-	-	-	-	-	-	-	-	-	23,589,489
Other assets	-	30,977,057	-	-	-	-	-	-	-	-	-	-	30,977,057
		982,318,343	401,106,198	198,897,277	119,143,161	48,203,757	13,524,081	19,527,888	15,820,132	20,609,136	3,916,476	-	141,570,237
<i>Liabilities</i>													
Bills payable	-	35,988,225	-	-	-	-	-	-	-	-	-	-	35,988,225
Borrowings	4.51%	123,382,241	67,993,082	33,283,177	10,367,307	252,736	39,040	327,020	210,432	9,171,447	200,000	-	-
Deposits and other accounts	2.96%	702,895,280	296,878,074	58,002,086	28,514,531	16,937,603	703,523	1,760,408	113,074	4,130	425,800	-	299,556,051
Subordinated debt	8.39%	11,989,000	-	11,989,000	-	-	-	-	-	-	-	-	-
Liabilities directly associated with the assets held for sale	-	20,435,396	-	-	-	-	-	-	-	-	-	-	20,435,396
Other liabilities	-	31,417,410	-	-	-	-	-	-	-	-	-	-	31,417,410
		926,463,552	364,871,156	103,274,263	38,881,838	17,190,339	742,563	2,087,428	2,217,506	9,175,577	625,800	-	387,397,082
On-balance sheet gap		59,854,791	36,235,042	95,623,014	80,261,323	31,013,418	12,781,518	17,440,460	13,602,626	11,433,559	3,290,676	-	(245,826,845)
Off-balance sheet financial instruments													
Documentary credits and short term trade related transactions													
Commitments in respect of:													
- Forward exchange contracts - purchase		140,128,603	68,918,857	58,086,790	12,782,828	340,128	-	-	-	-	-	-	-
- Forward exchange contracts - sale		(88,136,761)	(48,295,780)	(26,788,686)	(12,632,879)	(419,416)	-	-	-	-	-	-	-
- Interest Rate Swaps - receipts		10,650,708	1,944,067	8,359,486	347,155	-	-	-	-	-	-	-	-
- Interest Rate Swaps - payments		(10,650,708)	-	(1,624,684)	(3,540,978)	(1,624,684)	(1,388,619)	(1,596,912)	(1,110,895)	(1,388,620)	-	-	-
- Futures - sale		(1,400,383)	-	(1,400,383)	-	-	-	-	-	-	-	-	-
		175,703,882	36,952,761	74,424,904	31,007,508	19,959,448	4,853,621	(362,678)	8,709,188	(909,859)	1,068,989	-	-
Off-balance sheet gap		73,187,803	170,047,918	111,268,831	50,972,866	17,635,139	17,077,782	22,311,814	10,523,700	4,359,665	(245,826,845)	-	-
Total Yield/Interest Risk Sensitivity Gap		73,187,803	243,235,721	354,504,552	405,477,418	423,112,557	440,190,339	462,502,153	473,025,853	477,385,518	231,558,673	-	-

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

	2019	2018
	----- (Rupees in '000) -----	
Total financial assets as per note 47.4.1	1,032,031,486	982,318,343
Add: Non financial assets	29,087,028	18,272,215
Operating fixed assets	1,257,361	1,283,516
Intangibles	2,296,210	4,343,769
Other assets	1,064,672,085	1,006,217,843
Total assets as per statement of financial position	964,875,368	926,463,552
Total financial liabilities as per note 47.4.1	3,450,993	2,070,702
Add: Non financial liabilities	8,318,148	2,036,714
Deferred tax liabilities	976,644,509	930,570,968
Other liabilities	-	-
Total liabilities as per statement of financial position	976,644,509	930,570,968

47.5 Operational Risk

Basel II defines Operational risk as, "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

47.5.1 Operational Risk Disclosures - Basel II Specific

The Bank is among the first few banks to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013.

The SBP approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of Capital Floor for calculation of Capital Charge under ASA was extended in line with International developments and consultations of the Basel Committee on Banking Supervision (BCBS), State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies, procedures and systems of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems are in place which have been further enhanced and the reports are submitted to Control & Compliance Committee and Board Risk Management Committee.

As required by Basel, the Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

47.5.2 Information Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated Information Security Division, functioning within Credit & Risk Management Group manages IT and information security risks to bank's technology assets by developing Information security baselines for IT solutions that support products and services; security solutions selection, and acquisition including vendor and/or service provider selection managed by Information Security in close coordination with ITG and procurement/central administration; monitoring of threats and vulnerabilities through Security Operations Centre(24/7); investigation of reported information security incidents; reinforcement of Information security risk awareness to employees via periodic communications; following up on due dates with stakeholders responsible for remediation of open issues; and reporting the status of Information security risk to the management and Board IT Committee(BITC)/Information Technology Steering Committee(ITSC)/Board.

47.5.3 Environmental Risk Unit

The Bank has integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental & Social Management System (ESMS) have been put in place.

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

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

This Framework is an integral part of the credit approval process. All relevant credit proposals require clearance of Environmental Risk Unit prior to approval of the competent authority. The Environmental Risk Unit, part of RMD, is responsible for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

47.5.4 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.

47.6 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 & reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, Bank Alfalah calculates Liquidity Coverage Ratio (LCR) on monthly basis. Based on December 31, 2019 numbers Bank's LCR is 1.57 or 157% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 320,896.800 million and Net Cash Outflows of PKR 204,739.429 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2019 numbers Bank Alfalah's NSFR is 138% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 687,962.685 million and Total Required Stable Funding of PKR 499,005.864 million.

The Bank manages and controls liquidity risk through a detailed risk management framework, which includes BoD approved policy, management level procedural document and Asset & Liability Committee (ALCO) level guidelines. Under this framework, various liquidity metrics are implemented and monitored on a regular basis.

At BAFL, BoD approves the Liquidity Risk Policy. Further, it also approves the Bank's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Bank's ALCO is primarily responsible for the implementation of BoD's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Bank's liquidity on day to day basis and is the Bank's first line of defence against liquidity risk. Under Risk Management Division, Liquidity Risk Management Unit is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and bank's own risk appetite.

The Bank's overall funding strategy is based on the principles of diversification and stability. The Bank has a diverse funding base, which includes stable funding in the form of equity, sub-ordinated loans, retail and small business deposits and non-stable funding in form of large volume depositors. The Bank has in place internally approved limits to monitor and manage risk emanating from volatile funding concentration. Moreover, the Bank is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

At BAFL, Stress Testing is used in an attempt to highlight the vulnerability of the Bank's Balance Sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. BAFL carries out the stress testing based on SBP stress tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At BAFL, Contingency Funding Plan (CFP), is implemented to address liquidity issues in times of stress / crises situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the Bank's assets and net cash outflow is mainly determined through volatility of the Bank's liability profile. The table below showcases the composition of HQLA as of December 31, 2019.

HQLA*	Market Value	Weighted Amount
	------(Rupees in '000)-----	
Level 1 Assets	314,578,751	314,578,751
Level 2A Assets	4,675,759	3,974,395
Level 2B Assets	4,687,308	2,343,654
	<u>323,941,818</u>	<u>320,896,800</u>

* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

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

2019

(Rupees in '000)

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	100,731,873	100,731,873	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	4,709,968	4,109,706	-	-	600,262	-	-	-	-	-	-	-	-	-
Lending to financial institutions	71,434,895	810,982	41,381,114	5,205,916	10,741,260	9,018,518	309,770	3,967,335	-	-	-	-	-	-
Investments	299,098,115	1,067,888	878,844	2,388,545	34,300,547	14,798,397	29,129,436	2,104,195	16,179,771	23,559,165	24,576,451	16,409,864	15,488,396	118,216,616
Advances	511,235,949	1,302,756	10,381,042	7,522,610	172,590,969	40,781,518	31,578,501	50,786,456	16,802,729	13,143,913	13,577,480	16,519,448	61,209,045	75,039,482
Fixed assets	29,087,028	3,630	21,781	25,412	61,714	114,499	114,499	646,609	369,383	369,384	1,535,678	1,780,485	3,584,441	20,459,513
Intangible assets	1,257,361	676	4,056	4,732	11,492	20,956	20,956	62,868	62,868	62,868	251,472	251,472	502,945	-
Other assets	47,116,896	1,390,738	8,344,431	9,735,169	23,642,554	119,970	119,970	328,445	676,706	676,707	1,221,796	215,102	322,654	322,654
	1,064,672,085	109,418,249	61,011,268	24,882,384	241,948,798	64,853,858	61,273,132	57,895,908	34,091,457	37,812,037	41,162,877	35,176,371	81,107,481	214,038,265
Liabilities														
Bills payable	17,169,059	17,169,059	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	102,842,330	-	24,509,118	7,519,449	8,832,915	13,889,579	14,888,055	7,491,148	679,096	5,841,824	566,883	500,369	2,875,255	15,248,639
Deposits and other accounts	782,284,196	623,307,558	13,830,947	11,456,171	12,221,031	23,676,924	35,065,626	22,103,387	12,155,325	24,700,531	2,077,010	1,241,375	446,011	2,300
Subordinated debt	11,987,000	-	-	-	-	-	1,000	-	-	1,000	4,985,000	-	-	7,000,000
Deferred tax liabilities	3,450,993	-	-	-	-	-	-	-	3,450,993	-	-	-	-	-
Other liabilities	58,910,931	559,894	3,359,363	3,919,257	9,518,196	1,829,510	1,829,510	5,501,783	9,652,207	9,652,208	1,192,940	1,437,747	3,133,933	7,324,383
	976,644,509	641,036,511	41,699,428	22,894,877	30,572,142	39,396,013	51,784,191	35,096,318	25,937,621	40,195,563	8,821,833	3,179,491	6,455,199	29,575,322
Net assets	88,027,576	(531,618,262)	19,311,840	1,987,507	211,376,656	25,457,845	9,488,941	22,799,590	8,153,836	(2,383,526)	32,341,044	31,996,880	74,652,282	184,462,943
Share capital	17,771,651													
Reserves	26,046,019													
Unappropriated profit	32,842,902													
Surplus on revaluation of assets	11,367,004													
	88,027,576													

2018

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 Years
Assets														
Cash and balances with treasury banks	82,407,700	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,874,955	2,164,427	-	830,642	879,886	-	-	-	-	-	-	-	-	-
Lending to financial institutions	62,172,287	926,456	42,799,027	3,504,659	5,328,416	5,917,382	3,596,347	100,000	-	-	-	-	-	-
Investments	277,660,403	4,347,586	26,085,500	30,433,084	69,561,334	26,707,504	26,707,503	4,488,037	4,665,257	4,665,257	13,093,595	18,629,274	11,557,473	36,718,999
Advances	501,636,452	8,644,077	50,692,438	59,693,789	140,916,128	21,431,194	23,470,214	30,990,352	11,769,670	3,732,037	20,361,623	21,672,036	45,062,867	63,200,027
Fixed assets	18,272,215	2,982	17,291	20,173	46,109	86,457	86,457	558,516	259,369	259,369	1,037,475	1,037,475	1,882,142	12,978,500
Intangible assets	1,283,516	714	4,278	4,991	11,409	21,392	21,392	64,176	64,176	64,176	256,703	256,703	513,406	-
Assets held for sale	23,589,489	-	-	-	-	-	-	23,589,489	-	-	-	-	-	-
Other assets	35,320,826	13,918,128	3,593,198	4,192,064	9,581,862	309,548	309,548	600,767	420,954	420,954	1,014,798	239,751	359,627	359,627
	1,006,217,843	112,411,970	123,191,732	98,679,402	226,325,144	54,473,477	54,191,461	60,391,337	17,179,426	9,141,793	35,764,194	41,835,239	59,375,515	113,257,153
Liabilities														
Bills payable	35,988,225	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	123,738,241	596,433	45,403,464	14,370,099	8,120,622	10,297,866	22,519,512	10,897,542	4,671	11,384	28,077	109,373	1,896,403	9,482,795
Deposits and other accounts	702,895,280	531,967,877	15,037,857	10,650,377	29,669,741	31,404,200	28,000,754	20,286,145	10,556,873	6,913,235	1,036,000	2,010,519	8,649,385	6,712,317
Subordinated debt	11,989,000	-	-	-	-	-	-	1,000	-	1,000	2,000	4,985,000	-	7,000,000
Deferred tax liabilities	2,070,702	-	-	-	-	-	-	-	2,070,702	-	-	-	-	-
Liabilities directly associated with the assets held for sale	20,435,396	-	-	-	-	-	-	20,435,396	-	-	-	-	-	-
Other liabilities	33,454,124	13,657,386	2,028,720	2,366,839	5,409,919	367,792	367,792	1,077,234	2,039,079	2,014,723	1,146,389	1,009,351	1,968,900	-
	930,570,968	582,209,921	62,470,041	27,387,315	43,200,282	42,069,858	50,888,058	52,697,317	14,671,325	8,940,342	2,212,466	8,114,243	12,514,688	23,195,112
Net assets	75,646,875	(469,797,951)	60,721,691	71,292,087	183,124,862	12,403,619	3,303,403	7,694,020	2,508,101	201,451	33,551,728	33,720,996	46,860,827	90,062,041
Share capital	17,743,629													
Reserves	23,050,754													
Unappropriated profit	27,469,542													
Surplus on revaluation of assets	7,382,950													
	<u>75,646,875</u>													

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.

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

2019

	2019									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	100,731,873	89,291,244	5,532,725	2,081,829	3,471,305	195,625	116,920	42,008	217	-
Balances with other banks	4,709,968	4,709,968	-	-	-	-	-	-	-	-
Lending to financial institutions	71,434,895	58,139,272	9,328,288	3,967,335	-	-	-	-	-	-
Investments	299,098,115	38,635,824	43,927,833	2,104,195	39,738,936	24,576,451	16,409,864	15,488,396	113,662,397	4,554,219
Advances	511,235,949	191,797,377	72,360,019	50,786,456	29,946,642	13,577,480	16,519,448	61,209,045	57,299,116	17,740,366
Fixed assets	29,087,028	112,537	228,998	646,609	738,767	1,535,678	1,780,485	3,584,441	8,865,791	11,593,722
Intangible assets	1,257,361	20,956	41,912	62,868	125,736	251,472	251,472	502,945	-	-
Other assets	47,116,896	43,112,892	239,940	328,445	1,353,413	1,221,796	215,102	322,654	322,654	-
	1,064,672,085	425,820,070	131,659,715	59,977,737	75,374,799	41,358,502	35,293,291	81,149,489	180,150,175	33,888,307
Liabilities										
Bills payable	17,169,059	17,169,059	-	-	-	-	-	-	-	-
Borrowings	102,842,330	40,861,482	28,777,634	7,491,148	6,520,920	566,883	500,369	2,875,255	13,232,707	2,015,932
Deposits and other accounts	782,284,196	51,721,963	78,495,034	49,936,427	81,337,018	101,818,233	30,565,896	58,935,626	146,112,405	183,361,594
Subordinated debt	11,987,000	-	1,000	-	1,000	4,985,000	-	-	-	7,000,000
Deferred tax liabilities	3,450,993	-	-	-	3,450,993	-	-	-	-	-
Other liabilities	58,910,931	17,356,710	3,659,020	5,501,783	19,304,415	1,192,940	1,437,747	3,133,933	5,617,094	1,707,289
	976,644,509	127,109,214	110,932,688	62,929,358	110,614,346	108,563,056	32,504,012	64,944,814	164,962,206	194,084,815
Net assets	88,027,576	298,710,856	20,727,027	(2,951,621)	(35,239,547)	(67,204,554)	2,789,279	16,204,675	15,187,969	(160,196,508)
Share capital	17,771,651									
Reserves	26,046,019									
Unappropriated profit	32,842,902									
Surplus on revaluation of assets	11,367,004									
	88,027,576									

2018

Total	2018									
	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	82,407,700	39,877,459	6,575,778	2,943,841	2,010,558	2,010,558	6,507,610	1,691,025	3,253,846	17,537,025
Balances with other banks	3,874,955	3,874,955	-	-	-	-	-	-	-	-
Lending to financial institutions	62,172,287	52,558,559	9,513,728	100,000	-	-	-	-	-	-
Investments	277,660,403	56,109,673	118,413,884	4,299,773	17,969,856	2,402,243	15,602,491	22,022,560	3,459,577	37,380,346
Advances	501,636,452	259,946,433	44,901,407	30,990,352	11,769,670	3,732,037	20,361,623	21,672,036	45,062,867	63,200,027
Fixed assets	18,272,215	86,455	172,913	558,516	518,738	1,037,475	1,037,475	1,882,142	2,846,929	10,131,572
Intangible assets	1,283,516	21,392	42,784	64,176	128,352	256,703	256,703	513,406	-	-
Assets held for sale	23,589,489	-	-	23,589,489	-	-	-	-	-	-
Other assets	35,320,826	24,806,846	4,211,193	865,673	698,349	698,349	1,797,670	560,687	841,030	841,029
	1,006,217,843	437,281,772	183,831,687	63,411,820	33,095,523	10,137,365	45,563,572	48,341,856	55,464,249	129,089,999
Liabilities										
Bills payable	35,988,225	35,988,225	-	-	-	-	-	-	-	-
Borrowings	123,738,241	68,490,619	32,817,377	10,897,542	16,055	28,077	109,373	1,896,403	9,482,795	-
Deposits and other accounts	702,895,280	68,949,720	78,661,399	49,170,814	75,239,446	116,516,119	23,137,711	50,903,769	112,319,000	127,997,302
Subordinated debt	11,989,000	-	1,000	-	1,000	2,000	4,985,000	-	-	7,000,000
Deferred tax liabilities	2,070,702	-	-	-	2,070,702	-	-	-	-	-
Liabilities directly associated with the assets held for sale	20,435,396	-	-	20,435,396	-	-	-	-	-	-
Other liabilities	33,454,124	15,482,770	1,719,964	2,708,331	6,760,866	1,695,548	1,695,548	3,391,097	-	-
	930,570,968	188,911,334	113,199,740	83,212,083	84,088,069	118,241,744	29,927,632	56,191,269	121,801,795	134,997,302
Net assets	75,646,875	248,370,438	70,631,947	(19,800,263)	(50,992,546)	(108,104,379)	15,635,940	(7,849,413)	(66,337,546)	(5,907,303)
Share capital	17,743,629									
Reserves	23,050,754									
Unappropriated profit	27,469,542									
Surplus on revaluation of assets	7,382,950									
	75,646,875									

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.

47.7 Derivative Risk

The Bank currently deals in derivative instruments namely interest rate swaps and futures with the principle view to hedge risks associated with interest rates and foreign exchange risk.

Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bonds portfolio against interest rate swaps and futures on a periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/revisited in coordination with Treasury to align the outcomes with established risk parameters.

47.8 Trade Pricing Risk

In line with SBP FE Circular No. 04 dated October 14, 2019 on Framework for Managing Risks of Trade Based Money Laundering and Terrorist Financing, new Unit Trade Pricing Risk – TPRD has been established under the umbrella of Risk Management Division – RMD.

TPRD is responsible to ascertain commodity price of trade transactions to curb under / over invoicing on best effort basis through various reliable sources such as Internet search, Custom valuation ruling, Newspaper, Bloomberg etc.

48 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 13, 2020 has announced final cash dividend of Rs. 2.0 per share (20%) (2018: Rs. 1.5 per share (15%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2019 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2020. The Board had earlier declared and paid an interim cash dividend of Rs. 2.0 (2018: cash dividend: Rs. 1.0, stock dividend: 10%) per share.

49 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 13, 2020 by the Board of Directors of the Bank.

50 GENERAL

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

ANNEXURE - I

Statement Showing Written-off Loans or any Other Financial Relief of Rupees 500,000 or above during the year ended December 31, 2019

S.No.	Name and address of the borrower	Name of individuals / Partners / Directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year as at January 01, 2019			Principal written-off (5-6+7)	Interest / Mark-up waived	Other financial relief provided	Total (9-10+11)	Product Name
				Principal	Interest / Mark-up	Others than Interest / Mark-up					
1	2	3	4	5	6	7	8	9	10	11	12
1	Aliah U Din & Ghulam Moheo Din- Rah Wali - House # Cb -3275, Mohallah Koshmianan, Gujranwala.	1- Aliah U Din CNIC: 3401-9803646-5 2- Ghulam Moheo Din CNIC: 34101-4271617-3	Ghulam Qadir	3,989	1,869	-	5,858	-	-	658	Alfalah Musaisal Zawal Sahulat
2	Abdul Garfar- Moaza Ghazi Abadi, Tehsil & Distt Rajpur.	Abdul Garfar CNIC: 3303-2497985-9	Abdul Aziz	1,500	1,264	50	2,814	-	-	1,214	Alfalah Musaisal Zawal Sahulat
3	Mushaq Ahmed- Basti Jawa Arain, Post Office Rajpur Kallan, Teh & Distt. Rahim Yar Khan.	Mushaq Ahmed CNIC: 3103-2374636-3	Abdul Aziz	1,495	1,214	-	2,709	-	-	1,159	Alfalah Musaisal Zawal Sahulat
4	Faisal Latif- Street # 02 Macca Colony G.T Road Gujrat.	Faisal Latif CNIC: 34201-8286911-3	Gh Muhammad Latif	1,337	917	-	2,254	-	54	917	CURRENT FINANCE
5	Arshad Mehmood- P/O Mehta Tehsil, Koot Momin District Sargodha	Arshad Mehmood CNIC: 38401-7464455-1	Noor Elahi	1,769	1,793	-	3,562	-	-	1,424	CURRENT FINANCE
6	Faisal Jehangir- House No. 34-A, Habib Ullah Road, Ghari Shahu, Lahore	Faisal Jehangir CNIC: 35202-8866032-9	Jehangir Ahmed	2,204	568	105	2,877	-	-	568	ALFALAH KAROBAR FINANCE
7	Muhammad Riaz & Muhammad Yousaf- H No-24 St. -10, Z- Block College Rd People Colony Grw.	1- Muhammad Riaz CNIC: 34601-0844480-3 2- Muhammad Yousaf CNIC: 34101-5289383-7	M. Bashir	2,928	1,081	-	4,009	-	-	1,464	CF-HIPO
8	Erjaz Ahmed- Near Noori Masjid House No 134, Street No 6 Mohallah Mohajir Colony Tehsil Liqat Pur	Erjaz Ahmed CNIC: 31302-870843-9	Imam Din	4,650	760	-	5,410	-	-	580	ALFALAH KAROBAR FINANCE
9	Abdul Raaf Anjum Address: Basti Mehar Din, Street N. 5, Talib Hussain Manzil, Near Grid Station, Okaraokara	Abdul Raaf Anjum CNIC: 50401-2284657-9	Muhammad Sharif	50	197	-	247	29	-	541	Credit Card
10	Kamran Hassan Address: House No. 15, Capital Street, Opp: Nust University Gate No. 05, Sector H-3, Islamabad	Kamran Hassan CNIC: 61101-275178-9	Heji Ahmad	224	110	-	334	42	-	458	Credit Card
11	Nadeem Tariq Address: HR 215- Dd/HA, Phase V, Lahore	Nadeem Tariq CNIC: 35201-3739595-5	Ashiq Muhammad Bhutt	208	200	-	408	77	-	658	Credit Card
12	Mansoor Ahmed Lodhi Address: B-37, Central Govt Society, Block 10- A, Gulshan E Iqbal, Millennium Mall, Karachi	Mansoor Ahmed Lodhi CNIC: 42201-7455304-1	Ghayoor Ahmed Lodhi	535	191	-	726	113	-	824	Credit Card
13	Irfan Afzal Malik Address: House No.18, Street No.11, Sector D, Dha Phase- Ullahabad	Irfan Afzal Malik CNIC: 13101-2326181-9	Muhammad Afzal Malik	609	11	-	620	609	-	671	Credit Card
14	Adnan Nisar Kayani Address: H. # 10-A, St. # 65, F-8/2, Islamabad	Adnan Nisar Kayani CNIC: 61101-3648866-3	Nisar Ahmed Kayani	719	411	-	1,130	719	-	411	Credit Card
15	Sheikh Naveed Ahmed Address: House No.243 Street 7 -A Bahria Town, phase II Near Pwd Road, Islamabad	Sheikh Naveed Ahmed CNIC: 61101-1977016-9	Sh Bashir Ahmed	754	373	-	1,127	754	-	481	Credit Card
16	Syed Naqeebullah Address: H.No. A-1, Adab Kuram Khan Road, Nearwajda Office & Al Syed Atta Chabi, Quetta	Syed Naqeebullah CNIC: 54303-6570221-5	Syed Wali Muhammad	439	151	-	590	443	-	195	Credit Card
17	Chaudhary Muhammad Imran Afzal Address: HR 64 H Shadman Town, Sahwal	Chaudhary Muhammad Imran Afzal CNIC: 35501-0432962-7	Chaudhary Muhammad Afzal Asid	533	192	-	725	533	-	335	Credit Card
18	Mahdoom Muhammad Asif Jaffer Address: P.O. Jaidi Sheikh Wahani, Tajpur, Muramba, Near RCB Bank Ltd, Raminpattan	Mahdoom Muhammad Asif Jaffer CNIC: 31303-6730067-1	Mahdoom Ghulam Jaffer Hashmi	429	242	-	671	429	-	313	Credit Card
19	Anis Arif Lari Address: A-602, Rao Heights, Block-G, North nazimabad, Karachi	Anis Arif Lari CNIC: 42101-4341070-9	Sahnuddin Lari	407	92	-	509	417	-	146	Credit Card
20	Abdul Manan Address: H. 54-C, Model Town, Faisalabad	Abdul Manan CNIC: 33100-0549069-5	Heji Abdul Rehman Alrahi	514	215	-	729	514	-	215	Credit Card
21	Irfan Hussain Address: Chak # 159-Rb, Bhopal Wali, Nambial Masjid, Tehsil Jhumra & Distt Faisalabad	Irfan Hussain CNIC: 3310077462521	Risat Ali	727	66	-	793	714	-	69	Auto Finance
22	Muhammad Afzal Khan Address: Mahabib Nasir Town, Near Masjid Usman Ghani, Madrasa Nasir Ujoom Uch Sherif, Bahawalpur	Muhammad Afzal Khan CNIC: 31201-0361444-5	Heji Ghulam Hussain Khan	525	73	-	598	525	-	94	Personal Loan
23	Muhammad Saleem Pasha Address: House No. 67, Block-H, Sabzari, Mullan Road, Near H Block, Graveyard, Lahore	Muhammad Saleem Pasha CNIC: 31102-0730037-3	M Suddique	695	89	-	784	670	-	140	Personal Loan
24	Abdul Raaf Address: House # 226, Block G, Johar Town, Lahore	Abdul Raaf CNIC: 35202-1221556-3	Naseem Ahmad	988	126	-	1,114	988	-	167	Personal Loan
25	Hamid Zafer Address: House No. P-21, Masjid Wali Ghali, Chintoot Gate, Chak Jhumra	Hamid Zafer CNIC: 33101-6820343-9	Muzafar Ali Zafer	482	66	-	548	482	-	101	Personal Loan
26	Abdul Ghaffoor (Lah.)- Street # 2- Nawab Pur Road Mehad Chowk Near Saleem General Store Multan.	Abdul Ghaffoor (Lah) CNIC: 36301-3185544-1	Mian Allah Bukhsh	2,798	2,891	218	5,907	-	-	2,119	Agri Finance
27	Fiza Ul Karim H # 32, St. # 20, Jinnah Park, Sultampur, G.T. Road, Lahore	Fiza Ul Karim CNIC: 35202-0728844-5	Abdul Karim	-	409	37	446	-	506	-	Iljarah

(Rupees in '000)

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				Principal	Interest / Mark-up	Others than Interest / Mark-up	Total (5+6+7)					
28	Azeem Mohallah Band Road, Khokhar Road Budami Bagh, Lahore	Azeem CNIC 35202-2446902-5	Meik Muhammad Latif	514	1,429	41	1,984	-	609	448	1,057	Ijarah
29	Muhammad Yousef 65, E-Block, Muhlitz Town, Lahore	Muhammad Yousef CNIC 35-402-6630359-9	Abdul Rehman	-	261	681	942	-	93	419	512	Ijarah
30	Ch.Shakeel Ahmed 234-C Gulshan E Raw, Lahore	Ch.Shakeel Ahmed CNIC 35202-692195-5	Choudhary Khushi Muhammad	-	864	74	938	-	390	675	1,065	Ijarah
31	Shahzad Raheed Mohallah Madina Chowk Street 722, Sher Shah Road Budami Bagh, Lahore	Shahzad Raheed CNIC 35202-5806179-5	Muhammad Raheed	-	924	43	967	-	-	822	822	Ijarah
32	Abdul Qadeer Khan Chakrani Mohallah, Lal Bagh Sikandrabad P/O Khaz Tehsil Shujabad District, Multan	Abdul Qadeer Khan Chakrani CNIC 36304-9495016-1	Abdul Aziz Khan	1,226	728	-	1,954	1,226	728	-	1,954	Alfalah Musabai Zaran Sahulat
33	Shehryar R/O Chak # 49/A-R, Tehsil & District, Okara	Shehryar CNIC 35302-072342-7	Khadim Hussain	1,498	571	-	2,069	1,498	571	-	2,069	Alfalah Musabai Zaran Sahulat
34	Syed Mazhar Ali Shah R/O Mouza Babu Shah, Tehsil Depalpur District, Okara	Syed Mazhar Ali Shah CNIC 35002-7354132-1	Syed Malik Ali Shah	715	471	-	1,186	715	471	-	1,186	Alfalah Musabai Zaran Sahulat
35	Ejaz Ahmad, Paridan Shariq, P/O Shahidan Lourid, The, Taunsa, Distt, Dara Ghazir Khan	Ejaz Ahmad CNIC 32103-190702-5	Lal Khan	604	143	-	747	474	205	-	679	Alfalah Musabai Zaran Sahulat
36	Muhammad Dilwar Hussain R/O Mouza Toraz Tehsil Arif Wala	Muhammad Dilwar Hussain CNIC 36401-411801-5	Alah Yar Khan	1,846	559	-	2,405	1,846	559	-	2,405	Alfalah Musabai Zaran Sahulat
37	Syed Nizam Ud Din Shah R/O Chak Jewan Shah Tehsil Arif Wala	Syed Nizam Ud Din Shah CNIC 36401-0879453-7	Syed Maqbool Ul Hasan Shah	1,009	488	-	1,497	1,009	488	-	1,497	Alfalah Musabai Zaran Sahulat
38	Ali Muhammad Tahir & Khadim Hussain (Chak# 79/6-R, P/O Feroza, Tehsil Laqatpur, Dist. Rahim Yar Khan	1- Ali Muhammad Tahir CNIC 31302-7965892-9 2- Khadim Hussain CNIC 31302-7304529-5	Sardar Muhammad	745	201	-	946	538	269	-	807	Alfalah Musabai Zaran Sahulat
39	Sakindar Sajjad (Basti Ameen Abad, Ko Basti Ameen Abad, Kotsamba, P Basti Ameen Abad)	Sakindar Sajjad CNIC 31303-9590809-1	Sajjad Hussain	459	154	-	613	359	195	-	554	Alfalah Musabai Zaran Sahulat
40	Jan Saeed Ahmad (Mouza Noor Wah, Teis Rhanpur Mouza Noor Wah, Tehsil Khaspur, Khaspur)	Jan Saeed Ahmad CNIC 31304-2283051-1	Jan Samar	859	321	-	1,180	459	406	-	865	Alfalah Musabai Zaran Sahulat
41	Mian Abdul Razaq Mouza Doula Pukhtia, Tehsil Depalpur District Okara	Mian Abdul Razaq Mouza Doula CNIC 35301-2028685-5	Mian Fazal Haq Doula	2,491	668	-	3,159	1,841	898	-	2,739	Alfalah Musabai Zaran Sahulat
42	Muhammad Asghar Daulti & Haroon Ghif Mouza Doula Pukhtia, Tehsil Depalpur District, Okara	Muhammad Asghar Daulti & Haroon Ghif CNIC 35301-757627-7	Muhammad Shafi	2,407	190	-	2,597	1,382	434	-	1,786	Alfalah Musabai Zaran Sahulat
43	Abdul Malik Doula Mouza Doula Pukhtia, Tehsil Depalpur District, Okara	Abdul Malik Doula CNIC 35301-2028684-9	Fazal Haq	2,497	674	-	3,171	1,847	906	-	2,753	Alfalah Musabai Zaran Sahulat
44	Abdul Bari Doula Mouza Doula Pukhtia, Tehsil Depalpur District, Okara	Abdul Bari Doula CNIC 36502-8955650-1	Mian Abdul Aziz Doula	2,175	569	-	2,744	1,345	828	-	2,373	Alfalah Musabai Zaran Sahulat
45	Muhammad Akmal Urf Kale Khan/ Basti Gul Shah P.O. Dula Badhera Tehsil Chibistan Distt, Bhawalnagar	Muhammad Akmal Urf Kale Khan CNIC 31102-6741264-9	Akbar Khan	421	910	-	1,331	421	495	-	916	Alfalah Musabai Zaran Sahulat
46	Qamar Ul Zaman R/O Moza Jaisal Jamoon P. O. Marri Hazara, Qabeola Tehsil Arifwala	Qamar Ul Zaman CNIC 36401-3204461-1	Jalal Din	763	-	4,178	4,941	763	-	-	763	Alfalah Musabai Zaran Sahulat
47	Abdul Majeed, H. No. 105, Gulshan-E-Rehman Colony, Multan Road, Burewala	Abdul Majeed CNIC 36601-0725722-5	Abdul Hameed	4,597	375	30	5,002	-	161	3,023	3,184	CF Hypo
48	M/S. Olympia Spinning & Weaving Mills Limited Regd: H-22/3 Landhi Industrial Area, Karachi.	1. M. Waqar Monnoo CNIC 42201-064541-7 2. Ghazala Waqar CNIC 42201-8157988-8 3. Siraj Sadiq Monnoo CNIC 42201-3201289-9 4. Khalid Gulzar CNIC 42000-0484880-5 5. Hajra Begum CNIC 42201-0565762-0 6. Muhammad Anwar Saigal CNIC 42000-0463306-7 7. Syed Ayaz Uddin CNIC 42101-3961787-7	M. Sadik Monnoo M. Waqar Monnoo M. Waqar Monnoo M. Gulzar M. Sadik Monnoo M. Gulzar Saigal Syed Qayyum Uddin	83,776	4,900	-	88,676	35,026	3,334	110,318	148,678	LC Import Acceptance
49	Bakhtawar Syed Medical Centre Taimour Road, Chowk Shahmardan, Multan	Sajjan Ahmed Gillani CNIC 36302-4228009-9	Syed Husnain Ahmed Gillani	355	133	-	488	355	202	-	557	AMFI-Acquisition of Property on Rent
50	Haroon Raheed Anjum Sameed Abad # 01, Mohallah Muhammad, Multan	Haroon Raheed Anjum Sameed Abad # 01, Mohallah Muhammad, Multan CNIC 36302-4229752-5	Raheed Ahmed Anjum	-	614	45	659	-	-	680	680	Ijarah
51	Sohail Raheed House No 35 Street No 10 Fazl Bagh, Lahore	Sohail Raheed CNIC 36202-2957668-5	Abdul Raheed	-	345	962	1,327	-	-	796	796	Ijarah
52	Saleem Hamid H. No. 38 - Hamid Colony Sher Shah Colony Shadbagh, Lahore	Saleem Hamid CNIC 35202-0429376-7	Syed Abdul Hamid Shah	-	469	121	590	-	-	977	977	Ijarah
53	Noor Engineering Works 176 Grace Centre L-P, Gulberg-II, Lahore	1- Nasser Ahmed CNIC 35002-8355883-3 2- Nazir Ahmed CNIC 35002-07268-5 3- Shoukat Ali CNIC 35202-2280705-7	Nazir Ahmed Nabil Ud Din Abdul Raheed	390	143	-	533	390	143	-	533	Current Finance - Hypo

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				Principal	Interest / Mark-up	Others than Interest / Mark-up	Total (5+6+7)					
54	Malik Azhar Iqbal Address: 82-A, Valencia Housing Society, Lahore	Malik Azhar Iqbal CNIC: 35202-2569577-7	Malik Maqbool Husain	425	91	-	516	425	247	-	672	Credit Card
55	Saif Ud Din Mozamir Address: P-384, Canal Road, Saeed Colony, Faisalabad	Saif Ud Din Mozamir CNIC: 33100-6625922-7	Chaudhry Mohammad Ali	1,062	541	-	1,603	1,073	732	-	1,805	Credit Card
56	Mahboob Alam Address: Rama House, House No. 1-A, Wagda Street, Main Bazar, Dahanwala, Near Habib Bank Ltd., Tehsil Chishtian, Bahawal Nagar	Mahboob Alam CNIC: 35202-049322-3	Taj Muhammad	367	212	-	579	371	280	-	651	Credit Card
57	Imran Ali Yousof Address: 316-K, Dha, Lahore Cantt., Lahore	Imran Ali Yousof CNIC: 35202-6559457-9	Haji Muhammad Yousof	514	155	-	669	530	371	-	901	Credit Card
58	Malik Muhammad Ali Awan Address: 79-A, Block # 13, New Steelite Town, Opp. Edo Office, Jinnah Road, Sargodha	Malik Muhammad Ali Awan CNIC: 61100-5355682-3	Malik Muhammad Shabbir Awan	422	152	-	574	88	553	-	641	Credit Card
59	Taimoor Yousof Address: House No. 320-D, Block-AH, Abbasia Town Rahim Yar Khan	Taimoor Yousof CNIC: 31202-6749512-7	Muhammad Yousof	689	305	-	998	689	305	-	998	Amex Card
60	M Khalid Anwar Khan Address: House No. 47-N, Marghazar Officers colony, Mehtan Road, Near Awan Town, Lahore	M Khalid Anwar Khan CNIC: 35202-7351576-9	Muhammad Anwar Khan	647	88	-	735	647	390	-	1,037	Amex Card
61	Tamoor Yousof Address: House # 17, Mohallah Trust Colony, & Dipt Rahim Yar Khan	Tamoor Yousof CNIC: 31202-6749512-7	Muhammad Yousof	1,699	97	-	1,796	1,664	166	-	1,830	Auto Finance
62	Abha Hussain Shah Address: House # 67-1, Shah Rukn-E-Nam Colony, Near Al Mehtan Market, Tehsil & Distt Malan	Azhar Hussain Shah CNIC: 36302-0436284-1	Chan Pir Shah	1,059	83	-	1,142	1,022	94	-	1,116	Auto Finance
63	Adeel Numan Address: House No. 302, Usman Block, Bahria Town, Lahore	Adeel Numan CNIC: 31301-6102735-5	Fabak Sher	439	35	-	474	439	83	-	522	Personal Loan
64	Muhammad Awois Address: Mohallah Main Bazar, Jajiy Nagar, Nagra Chowk, Band Roads, Near Ishfaq Medical Store, Lahore	Muhammad Awois CNIC: 35202-1910555-7	Ilyas Ahmed	458	82	-	540	444	115	-	559	Personal Loan
65	Syed Waqar Ul Haq Address: House No. 13, Block-B, Mehran Road, Soan Garden, Islamabad	Syed Waqar Ul Haq CNIC: 37405-4693031-7	Syed Mehmood Ali Shah	485	33	-	518	485	84	-	569	Personal Loan
66	Spectra Finance Ltd East Fish Harbor, West Wharf, Karachi	1. Muhammad Siddiqi CNIC: 42301-3629827-9 2. Mrs. Anna Siddiqi CNIC: 42301-4569122-2 3. Bashir Siddiqi CNIC: 42301-3623832-9	Mr. Siddiqi Haji Abdullah Mr. Siddiqi Haji Abdullah Mr. Siddiqi Haji Abdullah	2,054	-	-	2,054	2,054	-	-	2,054	FAPC - II / Export Refinance - SBP
67	Ramzan Sons Railway Road, Gojra	Tariq Jamil CNIC: 33100-1002036-5	Muhammad Ramzan	5,797	833	93	6,723	-	4,590	-	4,800	ALFALAH KARQBAR FINANCE
68	Alumina House 79-D, Turf Plaza G, T Road, Gujranwala	1. Abidul Sattar CNIC: 34101-3632980-3 2. Muhammad Yousof CNIC: 34101-6090676-9	Muhammad Yousof Muhammad Imtiaz	87	540	99	726	87	540	-	627	Current Finance - Hypo
69	Abdur Rauf 15-A, Moon Colony, Shih Kamal Nadeem Shaheed Road, Lahore	Abdur Rauf CNIC: 35202-0619041-1	Malik Rehmat Ali	470	1,488	323	5,171	-	640	624	1,364	Ijarah
70	Saqib Sohail House # 731-Sk # 102, Sector G-9/A, Islamabad	Saqib Sohail CNIC: 61101-7829292-9	Abdul Rehman Shah	5,481	4,147	6,842	16,470	-	2,928	3,211	6,139	Home Musharka
71	Muhammad Afzal Saeed H # 113, Rehmanis Town, Jhang Road, Faisalabad	Muhammad Afzal Saeed CNIC: 33100-0731564-1	Sultan Mahmood	5,144	6,287	-	11,431	-	6,145	6,706	12,851	Home Musharka
72	Orbit Travels Time Center Suddar Road Peshawar Cantt	Jamil Imran/Saqib Rasool CNIC: 17301-2293197-7	Abdul Jali	3,895	-	501	4,396	-	-	635	635	CURRENT FINANCE
73	Arzo Textile Mills Ltd. Address: 209, Regency Arcade The Mall, Faisalabad	Achar Majied Sheikh CNIC: 33000-0686482-3	Abdul Majied	4,000	7,446	266	11,712	-	7,446	-	7,446	FAPC Own
74	Abid Mumtaz House # 106, St # 9, Sector J-1, Phase 2, Hayatabad, Peshawar	Abid Mumtaz CNIC: 17310-4085599-1	Mumtaz Khan	595	-	50	645	-	-	662	662	Ijarah
75	Amanat Ali Shahzad Address: House No.5, Street No.1, Soba Garden , Main Ferozpur Road, Near Haq Baho Food Street, Lahore	Amanat Ali Shahzad CNIC: 35202-2206099-3	Hakim Ali	-	-	-	-	948	188	-	1,136	Personal Loan
76	Muhammad Ahmad Qureshi, Old P.O. Khaz. Road, Near Ladies Health Center, Mohallah Dar Ul Islam, Ferozabad, Sheikhpura	Muhammad Ahmad Qureshi CNIC: 35404-099795-1	Malik Nazzer Ahmed	-	19	-	19	483	118	-	611	Personal Loan
77	Ahsan Inshad Qureshi Address: House No. 681 Street No. -41, Sector-B, Askari II, Bedian Road, Lahore	Ahsan Inshad Qureshi CNIC: 35201-4271698-1	Inshad Ahmad Qureshi	404	54	-	458	404	206	-	610	Amex Card
78	Fayyaz Hussain Address: Ganeshtwan Canal Roadnear Diq Hospital, Tehsil & Distt Muzaffargarh	Fayyaz Hussain CNIC: 32303-1987474-9	Muhammad Hussain	777	408	-	1,185	690	37	-	727	Auto Finance
79	Abdul Sattar Bhutto Address: Village Wahon Bhutta, P.O Poyabtelka Kirgri, Khanpur	Abdul Sattar Bhutto CNIC: 45204-0609696-1	Wali Muhammad	892	83	-	975	875	95	-	970	Auto Finance
80	Muhammad Amdad Address: House No. 915, Street No. 9, Tip Housing Society, Near Water Tank, Tipjarpur	Muhammad Amdad CNIC: 13302-230159-3	Muhammad Aslam	633	243	-	876	592	48	-	640	Auto Finance
81	Mohammad Salman Address: H 343, St 05, Mocha Muneer Aabad Colony, Khanewal Road, Near Mubkan Karyana Store near Mutam Steel Petro Pump, Multan	Mohammad Salman CNIC: 36302-281286-1	M Aslam	311	29	-	340	356	341	-	697	Credit Card

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				Principal	Interest / Mark-up	Others than Interest / Markup			Total (9+10+11)		
82	Malik Mansoor Ahmad Address: 671 K Wapda City, Faisalabad	Malik Mansoor Ahmad CNIC: 35202-046814-9	Malik Gulzar Ahmed	499	180	679	339	828	Credit Card		
83	Usman Haider Address: T-5, Phase-1, Dha, Lahore	Usman Haider CNIC: 91509-0100713-7	Ch Ghulam Hussain	280	37	317	298	506	Credit Card		
84	Mohammad Sultan Address: B-5, Ali Rehana Apartment, Block-5, Clifton, Near Jaffar Apartments, Karachi	Mohammad Sultan CNIC: 42301-8804779-5	Saeeduddin	440	33	473	440	738	Credit Card		
85	Shahzad Riaz Address: House # 276, Raza Block, Allama Iqbal Town, Lahore	Shahzad Riaz CNIC: 35202-1491513-7	M Riaz Akhtar	483	14	497	640	1,447	Credit Card		
86	Ahmed Fawad Hashmi Address: H. No. 100/02, 23RD Street, Off Khayaban Miahafiz, Phase 6, D.H.A., Karachi	Ahmed Fawad Hashmi CNIC: 42301-0800449-3	Farooq Ahmed	1,007	26	1,033	1,071	1,725	Credit Card		
87	Khuram Shahzad Address: House # 139-C, T81 Alparka Housing Scheme, near Leader Park Rawalpindi Road, Lahore	Khuram Shahzad CNIC: 35202-8562960-5	Rashid Mehmood	400	26	426	400	677	Credit Card		
88	Saukat Azim Address: House # 184-E, Eden Valley, Chak# 204-Rip-O, Khayaban E D.H.A. Faisalabad	Saukat Azim CNIC: 42301-1902846-1	Nisarat Asim	807	203	1,010	834	1,437	Credit Card		
89	Adeel Ather Address: House # 184-E, Eden Valley, Chak# 204-Rip-O, Khayaban E D.H.A. Faisalabad	Adeel Ather CNIC: 33100-2617016-3	Ather Mehmood	236	37	273	329	549	Credit Card		
90	Sheikh Muhammad Tanveer-0034 Address: 90/E Mohallah Sheel, Attock	Sheikh Muhammad Tanveer CNIC: 37101-8638809-1	Muhammad Aslam Siddiqui	633	-	633	633	633	Auto Finance		
91	Raja Dawood Ahmed-0035 Address: F-656-Splittle Town, Rawalpindi	Raja Dawood Ahmed CNIC: 57837-4865487-1	Raja Muhammad Nawaz	554	-	554	554	554	Auto Finance		
92	Baber Enterprises, Mouza Alangir, Nag Shah Chowk, Old Shujabad Road, Multan	1- Umar Nawaz Khan Baber CNIC: 36302-3057869-3 2- Maria Baber CNIC: 86302-380650-6	1. Ashiq Nawaz Khan Baber 2. Umar Nawaz Khan Baber	6,133	611	124	6,888	2,144	CF Hypo		
93	Muhammad Abul Rehman Wattoo, House # 66, All Block, New Garden Town, Lahore	Muhammad Abul Rehman Wattoo CNIC: 36202-1162773-5	Muhammad Abber Wattoo	670	1,223	300	2,193	500	Staff House Finance		
94	Pakistan Chip Board Pvt. Ltd. Qd Road, Jhelum	1- Mirza Nasser Ahmed Tariq CNIC: 37301-235654-7 2- Mirza Ali Bashir CNIC: 37301-2264014-9 3- Hamida Qurat-ulain CNIC: 37301-2203590-6	Mirza Munir Ahmed Mirza Nasser Ahmed Tariq Mirza Ali Bashir	64,463	825	94	65,382	11,243	CF I & CF II		
95	Liaqat Ali Address: 17-E, Housing Colony, Chichawani	Liaqat Ali CNIC: 36501-1633190-1	Abdul Raheed	471	17	488	440	867	Credit Card		
96	Omer Shafiq Address: H # 153-1775 St # 2, Mohallah Tariqabad, Multan	Omer Shafiq CNIC: 36302-1547607-9	Shafiq Ur Rehman	439	14	453	480	696	Credit Card		
97	Muhammad Ameen Address: H. No. 76-B, Block-2, Pechs, Near Afifish Masjid, Karachi	Muhammad Ameen CNIC: 42301-5082674-9	Muhammad Yousof	518	25	543	533	846	Credit Card		
98	Raja Muhammad Hanif Address: 28A, 7th Glazi Lane, Phase-IV, D.H.A., Karachi	Raja Muhammad Hanif CNIC: 42301-1727869-9	Raja Lal Khan	538	17	555	538	788	Credit Card		
99	Umar Address: Plot # 14, Fazal Qadir Road, House # 17, Near McDonalds, Sialkot, Cantt., Sialkot.	Umar CNIC: 34603-8682925-1	Nasser Ud Din	-	-	-	496	591	Personal Loan		
100	Syed Mubashar Address: 32 Kaleem Ullah Scheme, Near M-Block, Gate Peco Road, Multan Road, Lahore	Syed Mubashar CNIC: 35202-2086095-1	Syed Muhammad Raufique Shah	610	-	610	587	701	Personal Loan		
101	Tufail Muhammad Address: H No.39, St. No.3-A, Block H, Soan Garden, Islamabad	Tufail Muhammad CNIC: 17501-6404965-5	Tila Muhammad Khan	-	-	-	500	616	Personal Loan		
102	Shahid Nazir Address: H No.E-316-B, Rehmatabad, Near Madni Hospital, Rawalpindi	Shahid Nazir CNIC: 37405-0231885-1	Nazir Hussain	871	-	871	827	986	Personal Loan		
103	Raja Ghulam Mustafa Address: House No. 88, Block-E, Izmeeer Housing Society, Lahore	Raja Ghulam Mustafa CNIC: 37201-7668972-9	Raja Ghulam Haider	878	22	900	785	948	Personal Loan		
104	M Imran Khan Address: House No. 877, Street No. 16, Mustafabad, Dharanpura, Near Zainab Clinic, Lahore	M Imran Khan CNIC: 35201-8047215-3	Mohammad Shahid Khan Durrani	733	76	809	594	781	Personal Loan		
105	Muhammad Bashir Address: House # 94, Mohallah Hafizana Bheratehsil Bhalwal & Disttargodha	Muhammad Bashir CNIC: 38401-0245703-1	Maula Baksh	575	54	629	533	578	Auto Finance		
106	Malik Yasir Mehmood Address: House # 786, Mohallah Bradarai, Goria Sharimmar, Hakeem Naeemabad	Malik Yasir Mehmood CNIC: 61011-1900096-1	Tariq Mehmood	588	18	606	562	612	Auto Finance		
107	Khawaja Ahsan Farooq Address: H No.234, I Road/Bahia Town, Ph-III, Rawalpindi	Khawaja Ahsan Farooq CNIC: 37405-4272061-9	Khawaja Ghulam Farooq	2,012	67	2,079	1,987	2,222	Auto Finance		
TOTAL				264,433	60,451	18,509	343,393	88,452	63,095	142,363	293,910

(Rupees in '000)

ANNEXURE - II
ISLAMIC BANKING BUSINESS

The bank is operating 163 Islamic banking branches including 1 sub branch (December 31, 2018: 152 branches including 1 sub branch) and 121 Islamic banking windows (December 31, 2018: 121 Islamic banking windows) as at year end.

STATEMENT OF FINANCIAL POSITION

	Note	2019 ------(Rupees in '000)-----	2018
ASSETS			
Cash and balances with treasury banks		12,870,647	11,718,901
Balances with other banks		816,895	777,602
Due from financial institutions	1	37,791,008	17,986,558
Investments	2	13,738,131	23,200,001
Islamic financing and related assets - net	3	87,512,377	85,835,618
Fixed assets		5,921,069	2,788,299
Intangible assets		28,653	3,273
Due from Head Office		-	-
Other assets		2,503,492	4,783,879
Total Assets		161,182,272	147,094,131
LIABILITIES			
Bills payable		4,016,519	3,854,125
Due to financial institutions		6,973,823	6,019,338
Deposits and other accounts	4	122,023,365	113,525,994
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		159,203	112,207
Other liabilities		12,899,271	11,262,890
		<u>146,072,181</u>	<u>134,774,554</u>
NET ASSETS		15,110,091	12,319,577
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		1,837,884	1,932,828
Unappropriated/ Unremitted profit	6	<u>11,472,207</u>	<u>8,586,749</u>
		<u>15,110,091</u>	<u>12,319,577</u>
CONTINGENCIES AND COMMITMENTS			
	7		

The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2019 is as follows:

PROFIT AND LOSS ACCOUNT

		2019 ------(Rupees in '000)-----	2018
Profit / return earned	8	13,948,134	8,632,523
Profit / return expensed	9	<u>5,181,299</u>	<u>2,999,501</u>
Net Profit / return		8,766,835	5,633,022
Other income			
Fee and Commission Income		869,964	852,169
Dividend Income		-	-
Foreign Exchange Income		214,894	203,265
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		(30,445)	(26,145)
Other Income		43,204	34,041
Total other income		<u>1,097,617</u>	<u>1,063,330</u>
Total Income		<u>9,864,452</u>	<u>6,696,352</u>
Other expenses			
Operating expenses		4,844,641	4,361,325
Workers Welfare Fund		97,505	43,659
Other charges		49,707	91
Total other expenses		<u>4,991,853</u>	<u>4,405,075</u>
Profit / (loss) before provisions		<u>4,872,599</u>	<u>2,291,277</u>
Provisions and write offs - net		94,846	279,817
Profit / (loss) before taxation		4,777,753	2,011,460
Taxation		1,892,751	765,036
Profit / (loss) after taxation		<u>2,885,002</u>	<u>1,246,424</u>

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
1 Due from Financial Institutions	------(Rupees in '000)-----					
Unsecured	21,830,061	-	21,830,061	8,175,054	-	8,175,054
Bai Muajjal Receivable						
from other Financial Institutions	6,942,429	-	6,942,429	9,811,504	-	9,811,504
from State Bank of Pakistan	9,018,518	-	9,018,518	-	-	-
	<u>37,791,008</u>	<u>-</u>	<u>37,791,008</u>	<u>17,986,558</u>	<u>-</u>	<u>17,986,558</u>

	2019				2018			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
2 Investments by segments:	------(Rupees in '000)-----							
Federal Government Securities:								
-Ijarah Sukuks	496,004	-	(1,004)	495,000	11,532,764	-	(6,033)	11,526,731
-Others Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
	<u>7,712,370</u>	<u>-</u>	<u>(1,004)</u>	<u>7,711,366</u>	<u>15,654,979</u>	<u>-</u>	<u>(6,033)</u>	<u>15,648,946</u>
Non Government Debt Securities								
-Listed	-	-	-	-	-	-	-	-
-Unlisted	5,977,205	(120,898)	170,458	6,026,765	7,368,524	(141,399)	323,930	7,551,055
	<u>5,977,205</u>	<u>(120,898)</u>	<u>170,458</u>	<u>6,026,765</u>	<u>7,368,524</u>	<u>(141,399)</u>	<u>323,930</u>	<u>7,551,055</u>
Total Investments	<u>13,689,575</u>	<u>(120,898)</u>	<u>169,454</u>	<u>13,738,131</u>	<u>23,023,503</u>	<u>(141,399)</u>	<u>317,897</u>	<u>23,200,001</u>

	Note	2019	2018
		------(Rupees in '000)-----	
3 Islamic financing and related assets			
Ijarah	3.1	13,316,958	11,472,292
Murabaha	3.2	8,513,403	8,467,690
Musharaka		37,119,860	41,654,940
Diminishing Musharaka		1,798,472	1,779,050
Salam		3,160,589	2,694,881
Other Islamic Modes		5,319,660	3,691,855
Advances against Islamic assets		15,870,982	11,201,704
Inventory related to Islamic financing		3,742,307	6,092,511
Gross Islamic financing and related assets		<u>88,842,231</u>	<u>87,054,923</u>
Less: provision against Islamic financings			
- Specific		(1,246,416)	(1,101,967)
- General		(83,438)	(117,338)
		<u>(1,329,854)</u>	<u>(1,219,305)</u>
Islamic financing and related assets - net of provision		<u>87,512,377</u>	<u>85,835,618</u>

	2019							Book Value as at 31 Dec 2019
	Cost			Depreciation				
	As at Jan 01, 2019	Additions / (deletions)	As at Dec 31, 2019	As at Jan 01, 2019	Charge for the year	Depreciation on disposal	As at Dec 31, 2019	
	------(Rupees in '000)-----							
Plant & Machinery	1,014,919	345,617	1,360,536	(386,185)	(294,102)	73,473	(606,814)	753,722
Vehicles	15,312,763	2,897,662	18,210,425	(4,473,561)	(2,570,378)	1,396,750	(5,647,189)	12,563,236
Equipment	7,492	(7,492)	-	(3,135)	-	3,135	-	-
Total	<u>16,335,174</u>	<u>3,235,787</u>	<u>19,570,961</u>	<u>(4,862,881)</u>	<u>(2,864,480)</u>	<u>1,473,358</u>	<u>(6,254,003)</u>	<u>13,316,958</u>

	2018							Book Value as at 31 Dec 2018
	Cost			Depreciation				
	As at Jan 01, 2018	Additions / (deletions)	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year	Depreciation on disposal	As at Dec 31, 2018	
	------(Rupees in '000)-----							
Plant & Machinery	668,702	346,217	1,014,919	(208,924)	(199,016)	21,755	(386,185)	628,734
Vehicles	12,544,123	2,768,640	15,312,763	(3,848,045)	(2,094,361)	1,468,845	(4,473,561)	10,839,202
Equipment	7,492	-	7,492	(3,287)	-	152	(3,135)	4,357
Total	<u>13,220,317</u>	<u>3,114,857</u>	<u>16,335,174</u>	<u>(4,060,256)</u>	<u>(2,293,377)</u>	<u>1,490,752</u>	<u>(4,862,881)</u>	<u>11,472,293</u>

3.1.1 Future Ijarah payments receivable

	2019				2018			
	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	2,422,180	10,894,778	-	13,316,958	2,086,660	9,385,633	-	11,472,293

	Note	2019	2018
		------(Rupees in '000)-----	
3.2 Murabaha			
Murabaha financing	3.2.1	8,513,403	8,467,690
Inventory for Murabaha	3.2.3	1,787,301	4,191,772
Advances for Murabaha		1,602,681	1,404,686
		<u>11,903,385</u>	<u>14,064,148</u>
3.2.1 Murabaha receivable - gross	3.2.2	9,092,834	8,882,106
Less: Deferred murabaha income	3.2.4	(1,157)	(5,104)
Profit receivable shown in other assets		(578,274)	(409,312)
Murabaha financings		<u>8,513,403</u>	<u>8,467,690</u>
3.2.2 The movement in Murabaha financing (gross) during the year is as follows:			
Opening balance		8,882,106	7,901,022
Sales during the year		210,728	981,084
Closing balance		<u>9,092,834</u>	<u>8,882,106</u>
3.2.3 Murabaha sale price		59,635,392	59,451,967
Murabaha purchase price		<u>(57,848,091)</u>	<u>(55,260,195)</u>
		<u>1,787,301</u>	<u>4,191,772</u>
3.2.4 Deferred murabaha income			
Opening balance		5,104	5,104
Less: Recognised during the year		<u>(3,947)</u>	-
Closing balance		<u>1,157</u>	<u>5,104</u>

4 Deposits

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	49,796,551	3,924,311	53,720,862	43,975,307	3,272,005	47,247,312
Savings deposits	42,140,823	2,579,906	44,720,729	46,196,859	2,749,769	48,946,628
Term deposits	14,952,359	245,276	15,197,635	13,325,851	181,518	13,507,369
Other deposits	2,359,360	181,527	2,540,887	3,305,410	154,481	3,459,891
	<u>109,249,093</u>	<u>6,931,020</u>	<u>116,180,113</u>	<u>106,803,427</u>	<u>6,357,773</u>	<u>113,161,200</u>
Financial Institutions						
Current deposits	2,827	-	2,827	4,273	-	4,273
Savings deposits	310,398	-	310,398	360,521	-	360,521
Term deposits	5,530,027	-	5,530,027	-	-	-
	<u>5,843,252</u>	<u>-</u>	<u>5,843,252</u>	<u>364,794</u>	<u>-</u>	<u>364,794</u>
	<u>115,092,345</u>	<u>6,931,020</u>	<u>122,023,365</u>	<u>107,168,221</u>	<u>6,357,773</u>	<u>113,525,994</u>

	2019	2018
	------(Rupees in '000)-----	
4.1 Composition of deposits		
- Individuals	75,312,810	82,746,432
- Government / Public Sector Entities	2,794,493	3,014,177
- Banking Companies	5,500,092	131
- Non-Banking Financial Institutions	343,160	364,664
- Private Sector / Others	<u>38,072,810</u>	<u>27,400,590</u>
	<u>122,023,365</u>	<u>113,525,994</u>

4.2 Deposits include Eligible Deposits of Rs. 96,026.411 million (2018: Rs. 98,206.476 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

		2019	2018
	Note	----- (Rupees in '000) -----	
5 Charity Fund			
Opening Balance		24,146	54,253
Additions during the period			
Received from customers on account of delayed payment		22,699	41,067
Other Non-Shariah compliant income		3,486	3,584
Profit on charity saving account		841	630
		27,026	45,281
Payments / utilization during the period			
Education		(9,000)	(42,188)
Health		(8,900)	(7,800)
Others		(8,000)	(25,400)
	5.1	(25,900)	(75,388)
Closing Balance		25,272	24,146
		2019	2018
		----- (Rupees in '000) -----	
5.1 Donations paid during the year are as follows:			
Karwan-e-Hayat		3,000	-
Memon Medical Institute Hospital		5,000	-
Pakistan Children's Heart Foundation		5,000	4,935
Parents Voice (Association of Parents of Mentally Handicapped Children)		900	-
The Citizen Foundation		12,000	-
Alif Noon Parents Foundation (ANPF)		-	12,000
Association of the Physically Handicapped Adults (APHA)		-	1,000
Cancer Care Hospital And Research Center		-	5,000
Dar Us Shifa Foundation		-	5,000
DR. AQ Khan Trust Hospital		-	2,675
Fatima Kidney Care Hospital		-	3,000
Gulab Devi Chest Hospital		-	7,700
Ismail Welfare Hospital		-	2,500
KSBL		-	13,278
Patient Aid Foundation, Jinnah Post Graduate Medical Centre, Karachi		-	3,300
Patient Welfare Society, Allied Hospital Faisalabad		-	2,500
Rising Sun Education & Welfare Society		-	2,500
SIUT Trust		-	10,000
		25,900	75,388
6 Islamic Banking Business Unappropriated Profit			
Opening Balance		8,586,749	7,340,325
Add: Islamic Banking profit before taxation for the period		4,777,753	2,011,460
Less: Taxation		(1,892,751)	(765,036)
Less: Transfer from surplus on revaluation of assets to unappropriated profit - net of tax		456	-
Closing Balance		11,472,207	8,586,749
7 CONTINGENCIES AND COMMITMENTS			
-Guarantees		6,862,663	3,603,386
-Commitments		39,288,117	23,113,159
		46,150,780	26,716,545
8 Profit/Return Earned of Financing, Investments and Placement			
Financing		8,267,389	5,589,933
Investments		987,137	2,199,658
Placements		4,693,608	842,932
		13,948,134	8,632,523
9 Profit on Deposits and other Dues Expensed			
Deposits and other accounts		4,368,126	2,678,689
Due to Financial Institutions		436,262	320,812
Borrowing cost on lease liability		366,685	-
Reward Points		10,226	-
		5,181,299	2,999,501

DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

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

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

Currently IBG is managing following pools:

- 1) General Pool for LCY Depositors
- 2) FCY Pool for Foreign Currency (USD, GBP and EURO) depositors
- 3) FIs Pool for Treasury Purposes
- 4) IERS Pool for Islamic Export Refinance Scheme facilities
- 5) Special pool
- 6) Islamic Banking Afghanistan Operations Pool

All the Mudaraba based Remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBG's own share of equity, which is also commingled in the pool. The applications of these funds are on Advances, Investments, and Placements for generating profits to be shared among the depositors as per the Weightage system.

The IERS pool is maintained as per the guideline under SBP IERS Scheme.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

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

	2019	2018
	----- (Rupees in '000) -----	
Agriculture, Forestry, Hunting and Fishing	12,471,430	15,000,000
Automobile and transportation equipment	1,749,256	2,097,804
Cement	4,985,228	5,385,332
Chemical and Pharmaceuticals	2,953,882	2,190,108
Construction	2,385,646	729,632
Electronics and electrical appliances	1,872,046	2,374,655
Exports / Imports	486,837	755,014
Financial	488,492	879,968
Food & Allied Products	5,100,512	4,229,633
Footwear and Leather garments	563,986	522,909
Individuals	14,678,109	12,390,545
Insurance	6,370	9,911
Metal & Allied industries	2,634,532	820,436
Mining and Quarrying	1,745	3,665
Oil and Allied	17,178	47,846
Power (electricity), Gas, Water, Sanitary	12,379,177	9,176,794
Services	1,789,679	743,714
Sugar	1,347,178	827,065
Textile	17,915,169	16,789,601
Transport, Storage and Communication	-	1,856,348
Wholesale and Retail Trade	3,773,126	3,467,685
Others	1,242,653	6,756,258
Total Gross Islamic Financing and Related Assets	88,842,231	87,054,923
Total Gross Investments	13,689,575	23,023,503
Total Islamic Placements	37,791,008	17,986,558
Total Invested Funds	140,322,814	128,064,984

3. The major components of Profit distribution and charging of the expenses.

Profit is distributed among the Mudaraba deposits on the basis of underlying principles of weightage mechanism which are announced before the beginning of the concerned period. Only direct attributable expenses such as depreciation on ijarah assets, brokerage, CIB Charges, bad debts write off on advances and loss on sale of investments etc are charged to the pool. Expenses of pool(s) do not include general and specific provisioning created against non-performing financings and diminution in the value of investments.

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

Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share/Fee	Rabbul Maal Share				
					(Rupees in '000)			
General Pool								
PKR Pool	Monthly	11.17%	50.00%	50.00%	3,415,531	6.50%	10.93%	381,450
USD Pool	Monthly	3.40%	85.00%	15.00%	71,067	0.59%	4.13%	2,518
GBP Pool	Monthly	6.20%	85.00%	15.00%	10,989	1.03%	0.00%	-
EUR Pool	Monthly	6.03%	85.00%	15.00%	14,549	0.94%	0.00%	-
Special Pool								
Special Pool (Saving)	Monthly	11.85%	15.90%	84.10%	6,076	9.95%	0.00%	-
Special Pool (TDR)	Monthly	12.52%	15.89%	84.11%	10,539	11.88%	0.00%	-

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Bank Share	SBP Share				
					(Rupees in '000)			
Islamic Export Refinance (IERS) Pool	Monthly	8.67%	85.87%	14.13%	652,930	Nil	1.19%	7,765

ANNEXURE - III
SALE OF FIXED ASSETS TO RELATED PARTIES

Particulars of assets		Cost	Net book value	Sale price	Mode of disposal	Particular of purchaser
------(Rupees in '000)-----						
Office equipment						
Mobile Phone	Samsung S7 edge	40	-	4	As per policy	Aadil Bin Akmal
Mobile Phone	IPhone	75	-	8	As per policy	Aasim W. Jawed
Mobile Phone	Samsung Galaxy S7	50	-	5	As per policy	Fakhar Ahmad
Mobile Phone	Samsung Mobile	50	-	5	As per policy	Irfan Mirza
Mobile Phone	Samsung Mobile	50	-	5	As per policy	Khawaja Zia Abbas
Mobile Phone	Iphone 5S	40	-	4	As per policy	Masood Ahmed Awan
Mobile Phone	Black Berry	25	-	3	As per policy	Mohammad Hussain
Mobile Phone	Black Berry Bold	54	-	5	As per policy	Mehreen Ahmed
Mobile Phone	Samsung S6	39	-	4	As per policy	Muhammad Azhar Khan
Mobile Phone	Huawei Mobile	40	-	4	As per policy	Muhammad Qasim Rashid
Mobile Phone	Apple Iphone	50	-	5	As per policy	Mustafa Rabbani
Mobile Phone	Blackberry Bold	31	-	3	As per policy	Mustafa Rabbani
Mobile Phone	iPhone 6	40	-	4	As per policy	Shahzad Gulzar
Mobile Phone	iPhone 6s plus	50	-	5	As per policy	Shahzad Ishaq
Mobile Phone	Black Berry	39	-	4	As per policy	Shahzad Ishaq
Mobile Phone	Black Berry	51	-	5	As per policy	Sharif Khawar
Mobile Phone	Samsung Glaxy Note-3	40	-	4	As per policy	Shehzad Lalani
Mobile Phone	Oppo F7	50	26	28	As per policy	Syed Ali Khalid
Mobile Phone	Samsung Edge S7	50	-	5	As per policy	Syed Mohsin Ali Shah
Mobile Phone	Samsung Mobile	50	-	5	As per policy	Tanwir Ali Khan
Tablet	Apple iPad	104	-	10	As per policy	Aasim W. Jawed
Laptop	Laptop Core i7	100	-	10	As per policy	Aasim W. Jawed
Laptop	Laptop	124	5	12	As per policy	Mehvish Waliqy
Laptop	Laptop	103	2	10	As per policy	Muhammad Imran
Laptop	Laptop	69	-	7	As per policy	Muhammed Omer
Laptop	Laptop	68	-	7	As per policy	Sarfraz Nazar Chattha
Laptop	Laptop	78	-	8	As per policy	Shahzad Gulzar
Laptop	Laptop	78	-	8	As per policy	Sharif Khawar
Laptop	Laptop Core i7	65	-	6	As per policy	Syed Ali Khalid
Laptop	Laptop I5	78	-	8	As per policy	Syed Mohsin Ali Shah
Laptop	Laptop I5	65	-	6	As per policy	Tanwir Ali Khan
		1,846	33	207		
Vehicle						
Vehicle	Mercedes Benz Car E-200 BGQ 200	13,488	6,023	6,310	As Per Policy	Dr. Muhammad Imran
		15,334	6,056	6,517		

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 2019, 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 2019, 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, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> • We reviewed the Group's process for identification and classification of non-performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be. • We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations. • In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; • Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear 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; • 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.

Key audit matters	How the matter was addressed in our audit
<p>• Adoption of IFRS 16 "Leases"</p> <p>As referred to in note 2.3.2 to the consolidated financial statements, IFRS 16 'Leases' (the standard) has become effective for the current financial year as per the SECP notification S.R.O. 434 (I)/2018 dated April 09, 2018 read with SBP's directive BPRD Circular Letter No. 08 of 2019 dated April 30, 2019.</p> <p>The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Group is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The impacts of the adoption of the standard on the consolidated financial statements of the Group are disclosed in note 2.3.2 to the consolidated financial statements.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> • We evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the consolidated financial statements; • We obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts in lease database; • We corroborated the completeness of lease database by comparing the previously identified operating lease contracts and the lease/rent expenses with the contracts appearing in the lease database; • We performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations; • We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; • We evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the consolidated financial statements of the Group for the year.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' 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 auditors' 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 auditors' report is Omer Chughtai.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 03rd March, 2020

Consolidated Statement of Financial Position

As at December 31, 2019

	Note	2019	2018
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	5	100,731,903	82,407,736
Balances with other banks	6	4,926,851	3,911,554
Lendings to financial institutions	7	71,434,895	62,172,287
Investments	8	300,905,557	279,251,731
Advances	9	511,237,779	501,639,727
Fixed assets	10	29,107,720	18,317,042
Intangible assets	11	1,260,320	1,317,271
Deferred tax assets		-	-
Other assets	12	47,505,354	35,998,315
Assets held for sale	21	-	23,589,489
		1,067,110,379	1,008,605,152
LIABILITIES			
Bills payable	13	17,169,059	35,988,225
Borrowings	14	103,133,573	124,017,735
Deposits and other accounts	15	782,274,860	702,847,125
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	11,987,000	11,989,000
Deferred tax liabilities	17	4,137,405	2,500,097
Other liabilities	18	59,125,295	33,805,722
Liabilities directly associated with the assets held for sale	21	-	20,435,396
		977,827,192	931,583,300
NET ASSETS		89,283,187	77,021,852
REPRESENTED BY			
Share capital	19	17,771,651	17,743,629
Reserves		26,046,019	23,050,754
Surplus on revaluation of assets	20	11,376,517	7,389,127
Unappropriated profit		33,996,699	28,323,585
Total equity attributable to the equity holders of the Bank		89,190,886	76,507,095
Non-controlling interest		92,301	514,757
		89,283,187	77,021,852
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, 2019

	Note	2019	2018
------(Rupees in '000)-----			
Mark-up/Return/Interest Earned	24	92,489,828	59,677,459
Mark-up/Return/Interest Expensed	25	47,627,878	27,751,714
Net Mark-up/ Interest Income		44,861,950	31,925,745
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	26	7,153,220	6,984,004
Dividend Income		339,149	357,296
Foreign Exchange Income		2,826,363	2,183,186
(Loss) / gain from derivatives		(68,293)	28,095
Gain on securities	27	84,611	949,749
Share of profit from associates		547,198	646,093
Other Income	28	180,209	216,358
Total non-markup/interest Income		11,062,457	11,364,781
Total Income		55,924,407	43,290,526
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	29	29,203,218	24,718,983
Workers Welfare Fund	30	507,668	396,390
Other charges	31	269,503	7,693
Total non-markup/interest expenses		29,980,389	25,123,066
Profit Before Provisions		25,944,018	18,167,460
Provisions and write offs - net	32	3,028,585	(16,442)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		22,915,433	18,183,902
Taxation	33	9,883,626	7,192,627
PROFIT AFTER TAXATION		13,031,807	10,991,275
Profit attributable to:			
Equity holders of the Bank		13,046,800	10,898,845
Non-controlling interest		(14,993)	92,430
		13,031,807	10,991,275
Rupees			
Basic Earnings per share	34	7.35	6.14
Diluted Earnings per share	35	7.35	6.14

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, 2019

	2019	2018
	----- (Rupees in '000) -----	
Profit after taxation	13,031,807	10,991,275
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	1,720,854	2,974,642
Movement in surplus / (deficit) on revaluation of investments - net of tax	4,003,887	(2,608,585)
	5,724,741	366,057
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	74,797	122,770
Movement in (deficit) / surplus on revaluation of operating fixed assets - net of tax	(95,097)	2,662,351
Movement in surplus on revaluation of non-banking assets - net of tax	77,923	25,606
	57,623	2,810,727
Total comprehensive income	<u>18,814,171</u>	<u>14,168,059</u>
Profit attributable to:		
Equity holders of the Bank	18,824,916	14,071,943
Non-controlling interest	(10,745)	96,116
	<u>18,814,171</u>	<u>14,168,059</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 Changes in Equity

For the year ended December 31, 2019

	Capital Reserves				Statutory reserve	Revenue Reserves	Surplus/(Deficit) on revaluation			Sub-total	Non Controlling Interest	Total
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed / Non Banking Assets	Unappropriated profit			
	(Rupees in '000)											
Balance as at January 1, 2018	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,658,141	4,651,231	24,784,242	66,326,003	422,781	66,748,784
Profit after taxation	-	-	-	-	-	-	-	-	10,898,845	10,898,845	92,430	10,991,275
Other comprehensive income - net of tax	-	-	-	2,974,642	-	-	(2,608,234)	2,721,888	122,841	3,211,137	(454)	3,210,683
Transfer to statutory reserve	-	-	-	-	1,878,770	-	-	-	(1,878,770)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(33,899)	33,899	-	-	-
Transactions with owners, recorded directly in equity												
Final cash dividend for the year ended December 31, 2017 @15%	-	-	-	-	-	-	-	-	(2,411,358)	(2,411,358)	-	(2,411,358)
Interim cash dividend for the half year ended June 30, 2018 @10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)	-	(1,613,057)
Shares issued under stock option scheme during the year	54,852	-	27,637	-	-	-	-	-	-	82,489	-	82,489
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-	-	-
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-	-	-
Amortisation of deferred employee compensation expense - note 40	-	-	-	-	-	13,036	-	-	-	13,036	-	13,036
Transfer to Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-	-	-
Balance as at January 1, 2019	17,743,629	-	4,695,600	5,051,449	13,273,115	30,590	49,907	7,339,220	28,323,585	76,507,095	514,757	77,021,852
Profit after taxation	-	-	-	-	-	-	-	-	13,046,800	13,046,800	(14,993)	13,031,807
Other comprehensive income - net of tax	-	-	-	1,720,854	-	-	4,004,564	83,991	69,872	5,879,281	4,248	5,883,529
Transfer to statutory reserve	-	-	-	-	1,269,552	-	-	-	(1,269,552)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(101,165)	101,165	-	-	-
Transactions with owners, recorded directly in equity												
Final cash dividend for the year ended December 31, 2018 @15%	-	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)	-	(2,661,544)
Interim cash dividend for the half year ended June 30, 2019 @20%	-	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Reversal of deferred employee compensation expense	-	-	-	-	-	(5,201)	-	-	-	(5,201)	-	(5,201)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	-	157,500	157,500
Cost of issuance of shares by the subsidiary company	-	-	-	-	-	-	-	-	(15,299)	(15,299)	(9,701)	(25,000)
Movement in reserves due to capital injection by non-controlling interest	-	-	-	-	-	-	-	-	47,035	47,035	(47,035)	-
Shares issued during the year	28,022	-	10,060	-	-	-	-	-	-	38,082	-	38,082
Transfer to Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	25,389	-	-	(25,389)	-	-	-	-	-	-
Reclassification of subsidiary and associate - net of tax	-	-	-	-	-	-	-	-	(91,033)	(91,033)	(512,475)	(603,508)
Balance as at December 31, 2019	17,771,651	-	4,731,049	6,772,303	14,542,667	-	4,054,471	7,322,046	33,996,699	89,190,886	92,301	89,283,187

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, 2019

	Note	2019	2018
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		22,915,433	18,183,902
Dividend income		(339,149)	(357,296)
Share of profit from associates		(547,198)	(646,093)
		22,029,086	17,180,513
Adjustments			
Depreciation		3,417,774	1,737,598
Amortisation		473,541	489,716
Provisions and write offs - net	32	3,028,585	(16,442)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net		24,692	43,511
Borrowing cost on lease liability	2.3.2	1,227,986	-
Workers' Welfare Fund		507,668	396,390
Gain on sale of operating fixed assets - net		(122,962)	(137,915)
Charge for defined benefit plan		106,243	185,753
		8,663,527	2,698,611
		30,692,613	19,879,124
Decrease / (increase) in operating assets			
Lendings to financial institutions		6,123,146	(18,366,107)
Held for trading securities		20,397,599	(24,776,244)
Advances		(11,451,833)	(100,849,080)
Other assets (excluding advance taxation)		11,092,426	(3,194,929)
		26,161,338	(147,186,360)
Increase / (decrease) in operating liabilities			
Bills payable		(18,819,166)	15,105,255
Borrowings		(20,875,766)	(83,496,637)
Deposits		79,427,735	57,922,141
Other liabilities (excluding current taxation)		(10,457,910)	748,546
		29,274,893	(9,720,695)
		86,128,844	(137,027,931)
Contribution made to gratuity fund		(106,243)	(185,753)
Income tax paid		(4,949,854)	(5,295,164)
Net cash generated from / (used in) operating activities		81,072,747	(142,508,848)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(29,387,896)	142,536,128
Net investments in held-to-maturity securities		(7,091,196)	1,227,241
Disposal of investment in subsidiaries / associated companies		-	(126,213)
Dividends received from associated companies		-	201,051
Dividends received		340,847	368,420
Investments in operating fixed assets		(3,867,027)	(1,322,251)
Proceed from sale proceeds of fixed assets		403,122	447,931
Effect of translation of net investment in foreign branches		1,720,854	2,974,642
Net cash (used in) / generated from investing activities		(37,881,296)	146,306,949
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance / (redemption) of sub-ordinated debt		(2,000)	6,998,000
Payment of leased obligations		(2,286,856)	-
Issue of share capital		38,082	82,489
Dividend paid		(6,207,063)	(4,000,915)
Net cash (used in) / generated from financing activities		(8,457,837)	3,079,574
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		104,378,311	99,766,084
Effects of exchange rate changes on cash and cash equivalents		(3,840,280)	(6,105,728)
		100,538,031	93,660,356
Cash and cash equivalents at end of the year	36	135,271,645	100,538,031

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, 2019

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Holding Company / the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Holding Company'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 674 branches (December 31, 2018: 624 branches) and 24 sub-branches (December 31, 2018: 25 sub-branches). Out of these, 501 (December 31, 2018: 462) are conventional, 162 (December 31, 2018: 151) are Islamic, 10 (December 31, 2018: 10) are overseas and 1 (December 31, 2018: 1) is an offshore banking unit.

	Note	Percentage of Holding 2019	2018
Subsidiary			
Alfalah CLSA Securities (Private) Limited, Pakistan	1.1.1	61.20%	97.91%
Formerly: Alfalah Securities (Private) Limited			

1.1.1 During the year, the Subsidiary Company issued additional shares which were renounced by the Holding Company. Consequently, the shares were offered to new investors resulting in a reduction of percentage of holding by the Parent.

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	1.2.1	40.22%	40.22%
TriconBoston Consulting Corporation (Private) Limited	1.2.2	9.25%	9.25%

1.2.1 Alfalah GHP Investment Management Limited has been classified as an associate during the year based on management's reassessment of control over the subsidiary. Consequently, the current year's profit includes a share of profit from Alfalah GHP Investment Management Limited's earnings.

1.2.2 TriconBoston Consulting (Private) Limited has been classified as an available for sale investment during the year based on management's reassessment of significant influence over the investee.

2 BASIS OF PRESENTATION

2.1 These consolidated financial statements represent financial statements of holding company - Bank Alfalah Limited and its subsidiary. The assets and liabilities of subsidiary have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of subsidiary in these consolidated financial statements.

2.2 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under Companies Act 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.
- 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).

SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements; except for overseas branches and subsidiary where such standards are applicable.

2.2.1 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect those return through its power over the investee.

These consolidated financial statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.

Associates are those entites in which the Group has significant influence, but not control, over the financial and operating polices. Associates as well as investment in mutual funds established under trust structure (not consolidated as subsidiaries) are accounted for using the equity method.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interest which are not owned by the Holding Company. Material intra-group balances and transactions are eliminated.

Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2019 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, except as disclosed below:

2.3.1 IFRS 15 Revenue from contracts with customers

IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (such as interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). The application of this standard did not have any material impact on these consolidated financial statements.

2.3.2 IFRS 16 Leases

IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is a lessor.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on Group's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

New accounting policy of the Group upon adoption of IFRS 16 have been disclosed in the note 4.5.4.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets

Operating lease commitments as at 31 December 2018	16,916,060
Weighted average incremental borrowing rate as at 1 January 2019	11.68%-14.83%
Discounted operating lease commitments as at 1 January 2019	8,858,137

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, 2019
	Rupees in '000
Assets	
Right-of-use (RoU) asset	9,417,669
Prepayments	(559,532)
Total Assets	<u>8,858,137</u>
Liabilities	
Lease liability	<u>8,858,137</u>

The carrying amounts of the Group's right-of-use assets, lease liabilities and the movements during the period is as below:

	December 31, 2019	
	RoU asset	Lease liability
	-----Rupees in '000 -----	
As at January 1, 2019	9,417,669	8,858,137
Addition	1,574,972	1,574,972
Depreciation	(1,797,117)	-
Borrowing cost	-	1,227,986
Payments	-	(2,286,856)
As at December 31, 2019	<u>9,195,524</u>	<u>9,374,239</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.9,195.524 million and Rs.9,374.239 million respectively. Rent expense would have been higher by Rs.2,183.224 million and depreciation charge and mark-up expense would have been lower by Rs. 1,797.117 million and Rs.1,227.986 million respectively.

2.4 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2020:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Amendment to IFRS 3 'Business Combinations'	January 01, 2020
IFRS 9 'Financial Instruments'	January 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements'	January 01, 2020
IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	January 01, 2020
IFRS 14 'Regulatory Deferral Accounts'	July 01, 2019
International Accounting Standard Board (IASB) revised Conceptual Framework.	January 01, 2020

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	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2021

2.5 Critical accounting estimates and judgments

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

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

- i) classification and provisioning against investments (notes 4.3.5 and 8)
- ii) classification and provisioning against non-performing loans and advances (notes 4.4 and 9)
- iii) income taxes (notes 4.12 and 33)
- iv) accounting for defined benefit plan and compensated absences (notes 4.9 and 38)
- v) depreciation of operating fixed assets (notes 4.5.2 and 10)
- vi) amortisation of intangibles (notes 4.5.3 and 11)
- vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.5.2, 4.5.6, 10 and 12.1)
- viii) impairment of assets (note 4.3.5)
- ix) employee stock option scheme (note 40)
- x) fair value measurement of financial instruments (note 42)
- xi) other provisions and contingent liabilities (notes 32 and 22)
- xii) Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee) (note 4.5.4.1)
- xiii) incremental borrowing rate (note 4.5.4.1)
- xiv) consolidation of subsidiary (note 2.2.1)

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 and defined benefit obligation which are carried at present value.

3.2 Functional and Presentation Currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 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 except as disclosed in note 2.3.

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

The Group enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as below:

Sale under repurchase agreements

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

Purchase under resale agreements

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

4.3 Investments

4.3.1 Classification

The Group classifies its investments as follows:

Held for trading

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

Held to maturity

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

Available for sale

These are investments which do not fall under the 'held for trading' and 'held to maturity' categories.

Associates

Associates are all entities over which the Group has significant influence but not control. These are accounted for using the equity method of accounting. The investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves.

4.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Group commits to purchase or sell the investments.

4.3.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

4.3.4 Subsequent measurement

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

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

4.3.5 Impairment

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

The Group considers that a decline in the recoverable value of its investments in associates and joint ventures below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the cost of the investment in associates and joint ventures, is credited to the profit and loss account.

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

4.4 Advances

Loans and advances

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. 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.

Islamic Financing and Related Assets

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

Finance Lease Receivables

Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. The Group determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

4.4.1 Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/ receivable on Ijarah under IFAS 2 are recorded as income / revenue. The Group charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

4.5 Fixed assets

4.5.1 Capital work in progress

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

4.5.2 Property and Equipment (owned and leased)

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 10.2 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

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

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in OCI and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

4.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Intangible assets are assessed for impairment, if any, as described under note 4.13.

4.5.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.5.4.1 Group as a lessee

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Group recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Incremental borrowing rate (IBR)

The IBR is the rate of interest 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 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested for impairment annually or whenever there is an indication of impairment, as per the requirement of IAS 36, Impairment of Assets. An impairment charge in respect of goodwill is recognized through the profit and loss account.

4.5.6 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the surplus on revaluation of non-banking assets in other comprehensive income, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account.

4.6 Non-current assets held for sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale if it represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale; and its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

4.7 Borrowings / Deposits and their cost

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

4.7.1 Deposits - Islamic Banking

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

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

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

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

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

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

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

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

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

4.8 Subordinated loans

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.

4.9 Staff retirement / Employee benefits

a) Defined benefit plan

The Holding Company operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with Holding Company is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income.

The Subsidiary - Alfalah CLSA Securities (Private) Limited operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The cost of providing benefits under the defined benefit scheme is determined using the "Projected Unit Credit Method". Actuarial (remeasurement) gains and losses are recognised as income or expense in full in the year in which they occur in other comprehensive income.

b) Defined contribution plan

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

The Subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the company and the employees at the rate of 10% of basic salary.

c) Compensated absences

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

d) Employees Stock Option Scheme

The Holding Company had granted share options to its employees under the Bank's Employee Stock Options Scheme (ESOS) as approved by the shareholders and SECP. Under the scheme, the employees could subscribe to new ordinary shares for which options have been granted to them under the scheme upto the period of 2019. As per the scheme the entitlements and exercise price are subject to adjustments because of issuance of right shares and bonus issues.

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

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

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

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

4.10 Foreign currencies

4.10.1 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.

4.10.2 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.

4.10.3 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.

4.10.4 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.

4.10.5 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.

4.11 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.

4.11.1 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.

4.11.2 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.

4.11.3 Non Markup / interest income

Fee and commission income is recognised at an amount that reflects the consideration to which the Group's expects to be entitled in exchange for providing the services.

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

Other income is recognised on accrual basis.

4.12 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.

4.12.1 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. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments during the year.

4.12.2 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.

4.13 Impairment

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

4.14 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.

4.15 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.

4.16 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.

4.17 Off-setting

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

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

4.21 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 Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.22 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, trading activity, 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 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

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

International operations

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

Retail Brokerage

It includes asset management activities mainly through the subsidiary Alfalah Securities (Private) Limited.

Asset Management

It includes asset management activities mainly through the subsidiary Alfalah GHP Investment Management Limited.

Others

This includes the head office related activities, and all other activities not directly tagged 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	2019 ------(Rupees in '000)-----	2018
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency	5.1	15,799,707	11,801,739
Foreign currency	5.2	2,418,292	5,711,022
		18,217,999	17,512,761
With State Bank of Pakistan in			
Local currency current account	5.3	44,854,841	31,122,141
Foreign currency current account	5.4	5,551,990	4,413,423
Foreign currency deposit account	5.5	14,084,512	10,931,812
		64,491,343	46,467,376
With other central banks in			
Foreign currency current account	5.6	8,529,825	2,733,265
Foreign currency deposit account	5.6	659,039	744,879
		9,188,864	3,478,144
With National Bank of Pakistan in local currency current account			
Prize bonds		8,469,281	14,931,225
		364,416	18,230
		<u>100,731,903</u>	<u>82,407,736</u>

5.1 This includes cash in transit amounting to Rs. 3,465.118 million (2018: Rs. 77.743 million).

5.2 This includes cash in transit amounting to Rs. 219.079 million (2018: Rs. 478.410 million).

5.3 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

5.4 As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

5.5 Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry interest rates ranging from 0.70% to 1.51% per annum (2018: 0.56% to 1.35%).

5.6 These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Bank. The deposit accounts carry interest 0.71 % to 3.67% (2018: 0.62% to 1.71%).

	Note	2019 ------(Rupees in '000)-----	2018
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		726,795	457,760
In deposit account	6.1	64,423	11,184
		791,218	468,944
Outside Pakistan			
In current account	6.2	3,535,371	2,184,134
In deposit account	6.3	600,262	1,258,476
		4,135,633	3,442,610
		<u>4,926,851</u>	<u>3,911,554</u>

- 6.1** This represents funds deposited with various banks at profit rates ranging from 10.25% to 11.30% per annum (2018: 2.98% to 8.05% per annum).
- 6.2** This includes amount held in Automated Investment Plans. The Group is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount.
- 6.3** This includes placement of funds generated through foreign currency deposits scheme (FE-25) and non-contractual deposits at interest rates ranging from 2.00% to 9.75% per annum (2018: 1.00% to 3.00% per annum).

	Note	2019	2018
------(Rupees in '000)-----			
7	LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lendings	7.1	30,552,042	15,166,288
Repurchase agreement lendings(Reverse Repo)	7.2 & 7.3	24,931,724	37,214,313
Bai Muajjal receivable			
with State Bank of Pakistan	7.3	9,018,518	-
with other financial institutions	7.3	6,942,429	9,811,504
		15,960,947	9,811,504
		71,444,713	62,192,105
Less: expected credit loss - overseas branches		(9,818)	(19,818)
Lending to Financial Institutions - net of provision		71,434,895	62,172,287

7.1 These represent lendings to financial institutions at markup rates ranging from 2.35% to 12.00% per annum (2018: 0.50% to 9.90% per annum) having maturities upto March 2020 (2018: June 2019).

7.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 2.04% to 13.37% per annum (2018: 3.00% to 10.45% per annum) with maturities upto January 2020 (2018: January 2019).

7.3 These represent Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) and other commercial banks. The rates of return range from 9.70% to 13.40% per annum (2018: 9.90% to 10.05% per annum), and these are due to mature by February 2022 (2018: March 2019).

7.4 Particulars of lending - gross

In local currency	62,722,732	55,400,871
In foreign currencies	8,721,981	6,791,234
	71,444,713	62,192,105

7.5 Securities held as collateral against lending to financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	15,179,737	-	15,179,737	28,757,067	-	28,757,067
Pakistan Investment Bonds	9,751,987	-	9,751,987	8,457,246	-	8,457,246
Total	24,931,724	-	24,931,724	37,214,313	-	37,214,313

8 INVESTMENTS

Note

8.1 Investments by type:

	2019				2018				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
------(Rupees in '000)-----									
Held-for-trading securities									
Federal Government Securities									
Market Treasury Bills	20,533,478	-	(14,058)	20,519,420	45,898,957	-	(13,261)	45,885,696	
Pakistan Investment Bonds	5,148,051	-	(12,795)	5,135,256	1,209,673	-	(13,174)	1,196,499	
Shares									
Ordinary shares / units - Listed	537,793	-	118	537,911	164,797	-	(23,227)	141,570	
Foreign Securities									
Overseas Bonds - Sovereign	915,694	-	2,043	917,737	302,699	-	6,151	308,850	
	27,135,016	-	(24,692)	27,110,324	47,576,126	-	(43,511)	47,532,615	
Available-for-sale securities									
Federal Government Securities									
Market Treasury Bills	72,573,764	-	(14,777)	72,558,987	114,893,151	-	(40,902)	114,852,249	
Pakistan Investment Bonds	92,232,030	-	3,220,117	95,452,147	26,490,800	-	(464,211)	26,026,589	
Government of Pakistan Sukuks	4,212,347	-	86,367	4,298,714	15,726,083	-	(120,264)	15,605,819	
Government of Pakistan Euro Bonds	1,925,652	-	40,577	1,966,229	2,440,076	-	(134,045)	2,306,031	
Shares									
Ordinary shares - Listed	5,616,886	(1,029,285)	2,515,407	7,103,008	7,390,808	(22,383)	718,558	8,086,983	
Ordinary shares - Unlisted	1,151,285	(59,661)	-	1,091,624	382,055	(59,661)	-	322,394	
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-	-	
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-	
Non Government Debt Securities									
Term Finance Certificates	1,753,977	(409,577)	(22,887)	1,321,513	1,504,126	(359,706)	(12,071)	1,132,349	
Sukuks	4,817,886	(96,510)	170,457	4,891,833	4,775,082	(96,510)	323,930	5,002,502	
Foreign Securities									
Overseas Bonds - Sovereign	10,206,335	-	144,151	10,350,486	1,357,353	-	(49,426)	1,307,927	
Overseas Bonds - Others	19,409,473	-	330,542	19,740,015	9,147,217	-	(223,671)	8,923,546	
Redeemable Participating Certificates	2,727,165	-	-	2,727,165	2,362,923	-	-	2,362,923	
	216,760,635	(1,728,868)	6,469,954	221,501,721	186,603,509	(672,095)	(2,102)	185,929,312	
Held-to-maturity securities									
Federal Government Securities									
Pakistan Investment Bonds	25,968,179	-	-	25,968,179	26,280,990	-	-	26,280,990	
Government of Pakistan Euro Bonds	-	-	-	-	243,011	-	-	243,011	
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215	
Non Government Debt Securities									
Term Finance Certificates	714,266	(524,266)	-	190,000	524,266	(524,266)	-	-	
Sukuks	1,255,831	(120,898)	-	1,134,933	2,689,965	(141,399)	-	2,548,566	
Foreign Securities									
Overseas Bonds - Sovereign	13,901,861	-	-	13,901,861	8,185,947	-	-	8,185,947	
Overseas Bonds - Others	771,808	-	-	771,808	690,721	-	-	690,721	
	49,828,311	(645,164)	-	49,183,147	42,737,115	(665,665)	-	42,071,450	
Associates (under equity method)	8.1.1	3,138,787	-	-	3,138,787	3,761,612	-	-	3,761,612
General provision and expected credit loss-									
Overseas operations	-	(28,422)	-	(28,422)	-	(43,258)	-	(43,258)	
Total Investments	296,862,749	(2,402,454)	6,445,262	300,905,557	280,678,362	(1,381,018)	(45,613)	279,251,731	

8.1.1 Movement in values of investments accounted for under equity method of accounting

The details of investments accounted for under equity method of accounting is as follows.

	2019						Balance as at December 31
	Investment as at January 1	Investment made during the year	Redeemed during the year	Other adjustments (reclassification of associate)	Dividend received during the year	Share of profit / (Loss)	
	----- (Rupees in '000) -----						
Alfalsh Insurance Company Limited	340,921	-	-	-	-	55,654	396,575
Sapphire Wind Power Company Limited	1,905,883	-	-	-	-	435,714	2,341,597
TriconBoston Consulting Corporation (Private) Limited	793,893	-	-	(793,893)	-	-	-
Alfalsh GHP Investment Management Limited	-	-	-	344,785	-	55,830	400,615
Alfalsh GHP Money Market Fund	298,913	-	-	(298,913)	-	-	-
Alfalsh GHP Income Multiplier Fund	6	-	-	(6)	-	-	-
Alfalsh GHP Sovereign Fund	75,600	-	-	(75,600)	-	-	-
Alfalsh GHP Income Fund	157,437	-	-	(157,437)	-	-	-
Alfalsh GHP Islamic Income Fund	5,827	-	-	(5,827)	-	-	-
Alfalsh GHP Pension Fund	86,881	-	-	(86,881)	-	-	-
Alfalsh GHP Islamic Pension Fund	85,951	-	-	(85,951)	-	-	-
Alfalsh GHP Cash Fund	10,300	-	-	(10,300)	-	-	-
	3,761,612	-	-	(1,170,023)	-	547,198	3,138,787

	2018						Balance as at December 31
	Investment as at January 1	Investment made during the year	Redeemed during the year	Other adjustments (reclassification of associate)	Dividend received during the year	Share of profit / (Loss)	
	----- (Rupees in '000) -----						
Alfalsh Insurance Company Limited	319,725	-	-	-	-	21,196	340,921
Sapphire Wind Power Company Limited	1,557,584	-	-	-	(219,000)	567,299	1,905,883
TriconBoston Consulting Corporation (Private) Limited	764,575	-	-	-	-	29,318	793,893
Alfalsh GHP Money Market Fund	381,416	137,356	(245,914)	-	-	26,055	298,913
Alfalsh GHP Income Multiplier Fund	6	-	-	-	-	-	6
Alfalsh GHP Sovereign Fund	491	75,071	-	-	-	38	75,600
Alfalsh GHP Income Fund	1,529	153,906	-	-	-	2,002	157,437
Alfalsh GHP Islamic Income Fund	5,576	394	-	-	-	(143)	5,827
Alfalsh GHP Pension Fund	86,343	-	-	-	-	538	86,881
Alfalsh GHP Islamic Pension Fund	86,277	-	-	-	-	(326)	85,951
Alfalsh GHP Cash Fund	9,800	-	384	-	-	116	10,300
	3,213,322	366,727	(245,530)	-	(219,000)	646,093	3,761,612

8.1.2 Particulars of assets and liabilities of associates and mutual funds established under trust structure not considered for consolidation.

	Financial statements date	2019			
		Assets	Liabilities	Revenue	Profit/ (loss) for the year
		----- (Rupees in '000) -----			
Alfalsh Insurance Company Limited	December 31, 2019	4,009,075	2,659,419	1,583,734	185,514
Sapphire Wind Power Company Limited	December 31, 2019	16,641,391	9,643,298	3,400,281	1,452,381
Alfalsh GHP Investment Management Limited	December 31, 2019	1,246,271	250,200	469,739	138,812
	Financial	2018			
		Assets	Liabilities	Revenue	Profit/ (loss)
		----- (Rupees in '000) -----			
Alfalsh Insurance Company Limited	December 31, 2018	3,186,871	2,120,005	1,302,298	65,766
Sapphire Wind Power Company Limited	December 31, 2018	17,382,836	11,241,054	2,897,048	1,463,469
TriconBoston Consulting Corporation (Private) Limited	December 31, 2018	46,805,961	38,350,514	2,085,328	365,622
Alfalsh GHP Money Market Fund	December 31, 2018	13,804,942	56,736	421,847	378,539
Alfalsh GHP Income Multiplier Fund	December 31, 2018	470,770	23,886	13,455	7,575
Alfalsh GHP Sovereign Fund	December 31, 2018	1,762,416	826,233	37,082	27,665
Alfalsh GHP Income Fund	December 31, 2018	325,279	15,491	14,384	10,341
Alfalsh GHP Islamic Income Fund	December 31, 2018	4,612,301	19,943	175,274	134,527
Alfalsh GHP Pension Fund	December 31, 2018	139,752	594	(1,413)	(2,919)
Alfalsh GHP Islamic Pension Fund	December 31, 2018	114,890	497	(1,424)	2,811
Alfalsh GHP Cash Fund	December 31, 2018	116,582	14,493	5,355	3,704

8.2 Investments by segments:	2019				2018			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	------(Rupees in '000)-----							
Federal Government Securities:								
Market Treasury Bills	93,107,242	-	(28,835)	93,078,407	160,792,108	-	(54,163)	160,737,945
Pakistan Investment Bonds	123,348,260	-	3,207,322	126,555,582	53,981,463	-	(477,385)	53,504,078
Government of Pakistan Euro Bonds	1,925,652	-	40,577	1,966,229	2,683,087	-	(134,045)	2,549,042
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
Government of Pakistan Sukuks	4,212,347	-	86,367	4,298,714	15,726,083	-	(120,264)	15,605,819
	229,809,867	-	3,305,431	233,115,298	237,304,956	-	(785,857)	236,519,099
Shares:								
Listed Companies	6,263,514	(1,138,120)	2,515,525	7,640,919	7,664,440	(131,218)	695,331	8,228,553
Unlisted Companies	1,176,285	(84,661)	-	1,091,624	407,055	(84,661)	-	322,394
	7,439,799	(1,222,781)	2,515,525	8,732,543	8,071,495	(215,879)	695,331	8,550,947
Non Government Debt Securities								
Listed	651,745	1,785	12,091	665,621	651,765	1,785	12,091	665,641
Unlisted	7,890,215	(1,153,036)	135,479	6,872,658	8,841,674	(1,123,666)	299,768	8,017,776
	8,541,960	(1,151,251)	147,570	7,538,279	9,493,439	(1,121,881)	311,859	8,683,417
Foreign Securities								
Government securities	25,023,890	-	146,194	25,170,084	9,845,999	-	(43,275)	9,802,724
Non Government Debt securities	22,908,446	-	330,542	23,238,988	12,200,861	-	(223,671)	11,977,190
	47,932,336	-	476,736	48,409,072	22,046,860	-	(266,946)	21,779,914
Associates (valued at equity method)								
Alfalsh Insurance Limited	396,575	-	-	396,575	340,921	-	-	340,921
Sapphire Wind Power Company Limited	2,341,597	-	-	2,341,597	1,905,883	-	-	1,905,883
TriconBoston Consulting Corporation (Private) Limited *	-	-	-	-	793,893	-	-	793,893
Alfalsh GHP Investment Management Limited **	400,615	-	-	400,615	-	-	-	-
Alfalsh GHP Money Market Fund	-	-	-	-	298,913	-	-	298,913
Alfalsh GHP Income Multiplier Fund	-	-	-	-	6	-	-	6
Alfalsh GHP Sovereign Fund	-	-	-	-	75,600	-	-	75,600
Alfalsh GHP Income Fund	-	-	-	-	157,437	-	-	157,437
Alfalsh GHP Islamic Income Fund	-	-	-	-	5,827	-	-	5,827
Alfalsh GHP Pension Fund	-	-	-	-	86,881	-	-	86,881
Alfalsh GHP Islamic Pension Fund	-	-	-	-	85,951	-	-	85,951
Alfalsh GHP Cash Fund	-	-	-	-	10,300	-	-	10,300
	3,138,787	-	-	3,138,787	3,761,612	-	-	3,761,612
General provision and expected credit loss- Overseas operations	-	(28,422)	-	(28,422)	-	(43,258)	-	(43,258)
Total Investments	296,862,749	(2,402,454)	6,445,262	300,905,557	280,678,362	(1,381,018)	(45,613)	279,251,731

*Classified to available for sale securities during the year.

**Classified to investment in associates during the year.

8.2.1 Investments given as collateral

	2019	2018
	------(Rupees in '000)-----	
Market Treasury Bills	10,243,269	39,445,702
Pakistan Investment Bonds	10,841,800	15,854,600
Overseas Bonds	4,630,519	4,818,676
Sukuk Bonds	4,641,103	3,885,659
	<u>30,356,691</u>	<u>64,004,637</u>

The market value of securities given as collateral is Rs. 30,746.266 million (2018: Rs. 63,858.995 million).

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	1,381,018	1,427,028
Exchange and other adjustments	3,548	13,876
Charge / reversals		
Charge for the year	1,589,125	85,766
Reversals for the year	(49,130)	(180,884)
Reversal on disposals	(522,107)	-
	1,017,888	(95,118)
Transfers - net	-	(3,947)
Provision adjusted during the year	-	(43,632)
Afghanistan classified as discontinued operation	-	82,811
Closing Balance	<u>2,402,454</u>	<u>1,381,018</u>

8.3.2 Particulars of provision against debt securities
Category of classification

	2019		2018	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,151,251	1,151,251	1,121,881	1,121,881
Overseas	-	-	-	-
Total	<u>1,151,251</u>	<u>1,151,251</u>	<u>1,121,881</u>	<u>1,121,881</u>

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2019	2018
	Cost ----- (Rupees in '000) -----	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	72,573,764	114,893,151
Pakistan Investment Bonds	92,232,030	26,490,800
Government of Pakistan Sukuks	4,212,347	15,726,083
Government of Pakistan Euro Bonds	1,925,652	2,440,076
	<u>170,943,793</u>	<u>159,550,110</u>

	2019	2018
	Cost ----- (Rupees in '000) -----	
Shares		
Listed Companies		
Ordinary Shares		
Automobile Parts & Accessories	-	169,581
Cement	452,244	1,224,060
Chemicals	17,909	17,909
Commercial Banks	1,433,176	1,596,590
Engineering	110,496	333,633
Fertilizer	430,828	308,635
Insurance	-	92,708
Investment Banks	26,039	34,518
Oil and Gas Exploration Companies	1,666,312	1,754,619
Oil and Gas Marketing Companies	347,886	534,549
Pharmaceuticals	102,392	202,738
Power Generation & Distribution	602,191	749,175
Real Estate Investment Trust	372,093	372,093
Textile Composite	55,320	-
	<u>5,616,886</u>	<u>7,390,808</u>
Preference Shares		
Fertilizer	108,835	108,835
	<u>5,725,721</u>	<u>7,499,643</u>

	Break up value as at	2019		2018	
		Cost	Breakup value	Cost	Breakup value
		----- (Rupees in '000) -----			
Unlisted Companies					
Ordinary Shares					
Al-Hamara Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited	Dec 31, 2018	22,235	71,986	22,235	53,150
Pakistan Mortgage Refinance Company Limited	Dec 31, 2018	300,000	304,476	300,000	300,686
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2016	4,095	11,754	4,095	11,754
TriconBoston Consulting Corporation (Private) Limited *	June 30, 2019	769,230	941,130	N/A	N/A
		<u>1,151,285</u>	<u>1,377,232</u>	<u>382,055</u>	<u>413,476</u>

Break up value as at	2019		2018		
	Cost	Breakup value	Cost	Breakup value	
	------(Rupees in '000)-----				
Preference Shares					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,784
		<u>1,176,285</u>	<u>1,405,016</u>	<u>407,055</u>	<u>441,260</u>

*Classified to available for sale securities during the year.

Non Government Debt Securities	2019		2018	
	Cost			
	------(Rupees in '000)-----			

Listed

Categorised based on long term rating by Credit Rating Agency :

- AA+, AA, AA-	450,000	450,000
- A+, A, A-	100,000	199,980
- BBB+, BBB, BBB-	99,960	-
- Unrated	987,446	1,785
	<u>1,637,406</u>	<u>651,765</u>

Unlisted

Categorised based on long term rating by Credit Rating Agency:

Unlisted	2019		2018	
	Cost Rupees in '000			
- AAA	4,430,154	4,444,440		
- Unrated	504,303	1,183,003		
	<u>4,934,457</u>	<u>5,627,443</u>		

Foreign Securities

Government Securities

	2019		2018	
	Cost	Rating	Cost	Rating
	------(Rupees in '000)-----			
Kingdom of Saudi Arabia	2,300,570	A	672,170	A1
People's Republic of China	2,319,136	A+	-	-
Sultanate of Oman	1,085,187	BB+	-	-
Abu Dhabi	1,534,677	AA	685,183	AA
Republic of Korea	154,594	AA	-	-
Republic of South Africa	544,583	BB+	-	-
Italy	905,970	BBB	-	-
United Mexican States	85,929	BBB	-	-
Republic of Kazakhstan	346,587	BBB-	-	-
Sharjah	929,102	BBB+	-	-
	<u>10,206,335</u>		<u>1,357,353</u>	

Non Government Debt Securities

Unlisted

	2019	2018
	----- (Rupees in '000) -----	
<i>Categorised based on long term rating by Credit Rating Agency</i>		
- AAA	10,361,622	-
- A+, A, A-	4,870,744	8,040,314
- BBB+, BBB, BBB-	2,947,365	1,106,903
- BB+, BB, BB-	232,275	-
- Unrated	3,724,632	2,362,923
	<u>22,136,638</u>	<u>11,510,140</u>

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

	2019	2018
	----- (Rupees in '000) -----	
Pakistan Investment Bonds	25,968,179	26,280,990
Government of Pakistan Euro Bonds	-	243,011
Other Federal Government Securities	7,216,366	4,122,215
	<u>33,184,545</u>	<u>30,646,216</u>

Non Government Debt Securities

Unlisted

Categorised based on long term rating by Credit Rating Agency

- AAA	1,041,670	1,041,670
- AA+, AA, AA-	-	566,667
- A+, A, A-	283,263	190,230
- Unrated	645,164	1,415,664
	<u>1,970,097</u>	<u>3,214,231</u>

Foreign Securities

Government Securities

	2019		2018	
	Cost	Rating	Cost	Rating
	----- (Rupees in '000) -----			
People's Republic of Bangladesh	12,364,315	Unrated	7,497,232	Unrated
State of Qatar	<u>1,537,546</u>	AA-	<u>688,715</u>	AA-
	<u>13,901,861</u>		<u>8,185,947</u>	

Non Government Debt Securities

Unlisted

	2019	2018
	----- (Rupees in '000) -----	
- BBB+, BBB, BBB-	<u>771,808</u>	<u>690,721</u>

8.5.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 49,648.885 million (December 31, 2018 : Rs. 40,750.384 million).

9 ADVANCES

	Note	Performing		Non Performing		Total	
		2019	2018	2019	2018	2019	2018
------(Rupees in '000)-----							
Loans, cash credits, running finances, etc.	9.1	403,042,104	402,388,697	20,687,883	17,286,103	423,729,987	419,674,800
Islamic financing and related assets	9.2	87,309,952	85,660,964	1,532,279	1,393,959	88,842,231	87,054,923
Bills discounted and purchased		17,203,494	11,524,510	198,336	143,478	17,401,830	11,667,988
Advances - gross		507,555,550	499,574,171	22,418,498	18,823,540	529,974,048	518,397,711
Provision against advances							
- Specific	9.5	-	-	(17,741,685)	(15,884,669)	(17,741,685)	(15,884,669)
- General	9.5	(994,584)	(873,315)	-	-	(994,584)	(873,315)
		(994,584)	(873,315)	(17,741,685)	(15,884,669)	(18,736,269)	(16,757,984)
Advances - net of provision		506,560,966	498,700,856	4,676,813	2,938,871	511,237,779	501,639,727

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2019				2018			
	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	430,979	2,864,065	52,356	3,347,400	1,403,651	2,030,833	41,335	3,475,819
Residual value	222,973	718,226	11,353	952,552	594,353	998,435	13,347	1,606,135
Minimum lease payments	653,952	3,582,291	63,709	4,299,952	1,998,004	3,029,268	54,682	5,081,954
Financial charges for future periods	(17,117)	(537,608)	(19,354)	(574,079)	(220,675)	(258,985)	-	(479,660)
Present value of minimum lease payments	636,835	3,044,683	44,355	3,725,873	1,777,329	2,770,283	54,682	4,602,294

9.1.1 Advances include an amount of Rs. 147.568 million (2018: Rs. 82.953 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 markup at the rates ranging from 9.46% to 24.46% (2018: 9.46% to 20.30%) with maturities up to December 2039 (2018: December 2038).

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

9.3 Particulars of advances (Gross)	2019	2018
	------(Rupees in '000)-----	
In local currency	490,267,906	493,638,878
In foreign currencies	39,706,142	24,758,833
	529,974,048	518,397,711

9.4 Advances include Rs. 22,418.498 million (2018: Rs. 18,823.540 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	1,712,714	8,347	104,121	3,330
Substandard	2,382,226	579,152	3,077,658	762,678
Doubtful	1,918,480	947,661	552,920	235,663
Loss	15,869,509	15,778,780	14,591,887	14,518,782
	21,882,929	17,313,940	18,326,586	15,520,453
Overseas				
Not past due but impaired				
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	42,787	3,536
181 to 365 days	-	-	104,384	46,637
> 365 days	535,569	427,745	349,783	314,043
	535,569	427,745	496,954	364,216
Total	22,418,498	17,741,685	18,823,540	15,884,669

9.5 Particulars of provision against advances

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	15,884,669	873,315	16,757,984	15,685,041	842,738	16,527,779
Impact of adoption of IFRS 9	-	-	-	-	25,297	25,297
Exchange and other adjustments	36,327	26,819	63,146	62,512	2,944	65,456
Charge for the year	4,262,029	94,450	4,356,479	3,007,907	-	3,007,907
Reversals	(2,222,967)	-	(2,222,967)	(2,631,522)	(31,511)	(2,663,033)
	2,039,062	94,450	2,133,512	376,385	(31,511)	344,874
Amounts written off	(201,332)	-	(201,332)	(179,305)	-	(179,305)
Amounts charged off - agriculture financing	(17,041)	-	(17,041)	(59,964)	-	(59,964)
	(218,373)	-	(218,373)	(239,269)	-	(239,269)
Afghanistan classified as discontinued operation	-	-	-	-	33,847	33,847
Closing balance	17,741,685	994,584	18,736,269	15,884,669	873,315	16,757,984

9.5.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	16,405,641	768,498	17,174,139	14,708,296	698,706	15,407,002
In foreign currencies	1,336,044	226,086	1,562,130	1,176,373	174,609	1,350,982
	17,741,685	994,584	18,736,269	15,884,669	873,315	16,757,984

9.5.2 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2019 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 38.426 million (2018: Rs. 30.106 million).

9.5.3 General provision includes provision against consumer loans being maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio. Provision against Small Enterprise(SE) portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

9.5.4 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

9.6 PARTICULARS OF WRITE OFFS:	Note	2019	2018
----- (Rupees in '000) -----			
9.6.1 Against Provisions	9.6.2	218,373	239,269
Directly charged to Profit & Loss account		-	-
		<u>218,373</u>	<u>239,269</u>
9.6.2 Write Offs of Rs. 500,000 and above			
- Domestic	9.7	88,452	130,566
- Overseas		-	-
Write Offs of Below Rs. 500,000		<u>129,921</u>	<u>108,703</u>
		<u>218,373</u>	<u>239,269</u>

9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2019 is given in Annexure-I to the unconsolidated financial statements.

10 FIXED ASSETS	Note	2019	2018
----- (Rupees in '000) -----			
Capital work-in-progress	10.1	643,413	175,339
Property and equipment	10.2	19,268,783	18,141,703
Right-of-use assets	2.3.2	9,195,524	-
		<u>29,107,720</u>	<u>18,317,042</u>
10.1 Capital work-in-progress			
Civil works		328,506	115,840
Equipment		295,383	55,670
Advances to suppliers		-	1,075
Others		<u>19,524</u>	<u>2,754</u>
		<u>643,413</u>	<u>175,339</u>

10.2 Property and Equipment

	2019								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total
----- (Rupees in '000) -----									
At January 1, 2019									
Cost / Revalued amount	6,150,446	3,278,701	1,440,029	3,038,083	5,272,656	2,025,376	11,598,377	358,827	33,162,495
Accumulated depreciation	-	-	-	-	(3,695,795)	(1,662,650)	(9,417,251)	(245,096)	(15,020,792)
Net book value	<u>6,150,446</u>	<u>3,278,701</u>	<u>1,440,029</u>	<u>3,038,083</u>	<u>1,576,861</u>	<u>362,726</u>	<u>2,181,126</u>	<u>113,731</u>	<u>18,141,703</u>
Year ended December 2019									
Opening net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	362,726	2,181,126	113,731	18,141,703
Additions	-	-	215,304	141,288	591,629	100,953	1,924,572	39,135	3,012,881
Disposals	(61,950)	(192,501)	-	(2,700)	(646)	(750)	(13,589)	(8,024)	(280,160)
Depreciation charge	-	-	(39,725)	(83,576)	(291,695)	(95,326)	(1,059,833)	(50,502)	(1,620,657)
Subsidiary classified as associate during the year	-	-	-	-	-	(11,197)	(16,183)	(2,174)	(29,554)
Exchange rate adjustments	-	-	-	-	810	4,855	8,930	2,130	16,725
Other adjustments / transfers	63,450	-	(7,600)	(11,288)	(17,144)	(113)	540	-	27,845
Closing net book value	<u>6,151,946</u>	<u>3,086,200</u>	<u>1,608,008</u>	<u>3,081,807</u>	<u>1,859,815</u>	<u>361,148</u>	<u>3,025,563</u>	<u>94,296</u>	<u>19,268,783</u>
At December 31, 2019									
Cost / Revalued amount	6,151,946	3,086,200	1,655,333	3,174,993	5,881,693	2,108,507	13,272,506	367,227	35,698,405
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,021,878)	(1,747,359)	(10,246,943)	(272,931)	(16,429,622)
Net book value	<u>6,151,946</u>	<u>3,086,200</u>	<u>1,608,008</u>	<u>3,081,807</u>	<u>1,859,815</u>	<u>361,148</u>	<u>3,025,563</u>	<u>94,296</u>	<u>19,268,783</u>
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

	2018								
	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, 2018									
Cost / Revalued amount	4,376,934	2,959,930	1,243,306	2,744,105	5,110,322	1,998,763	11,221,513	439,860	30,094,733
Accumulated depreciation	-	(33,745)	(71,991)	(156,504)	(3,375,387)	(1,547,643)	(8,555,315)	(234,885)	(13,975,470)
Net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	451,120	2,666,198	204,975	16,119,263
Year ended December 2018									
Opening net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	451,120	2,666,198	204,975	16,119,263
Additions	11,000	-	9,114	75,031	193,907	32,671	657,449	19,885	999,057
Movement in surplus on assets revalued during the year	1,773,512	624,804	321,619	473,718	-	-	-	-	3,193,653
Deficit on revaluation recognised in the profit and loss account - net	(11,000)	(12,273)	(24,027)	(19,569)	-	-	-	-	(66,869)
Disposals	-	(242,490)	-	-	(12,367)	(3,643)	(8,155)	(43,361)	(310,016)
Depreciation charge	-	(17,525)	(37,992)	(78,698)	(327,113)	(119,360)	(1,085,974)	(70,936)	(1,737,598)
Afghanistan classified as discontinued operation	-	-	-	-	520	698	3,218	-	4,436
Exchange rate adjustments	-	-	-	-	988	1,559	4,779	3,179	10,505
Other adjustment / transfer	-	-	-	-	(14,009)	(319)	(56,389)	(11)	(70,728)
Closing net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	362,726	2,181,126	113,731	18,141,703
At December 31, 2018									
Cost / Revalued amount	6,150,446	3,278,701	1,440,029	3,038,083	5,272,656	2,025,376	11,598,377	358,827	33,162,495
Accumulated depreciation	-	-	-	-	(3,695,795)	(1,662,650)	(9,417,251)	(245,096)	(15,020,792)
Net book value	6,150,446	3,278,701	1,440,029	3,038,083	1,576,861	362,726	2,181,126	113,731	18,141,703
Rate of depreciation (percentage)	-	1% - 3%	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

10.2.1 Land and buildings were last revalued on December 31, 2018 on the basis of market values, determined by independent valuer M/s Akbani & Javed Associates, M/s Harvester Service (Pvt) Ltd and M/s Hamid Mukhtar & Co. (Pvt) Ltd. Had there been no revaluation, the net book value of the office premises would have been Rs.5,577.693 million (2018: Rs. 5,443.968 million).

	2019		2018	
	Net book value at Cost	Net book value at Revalued amount	Net book value at Cost	Net book value at Revalued amount
	------(Rupees in '000)-----			
Freehold land	1,567,670	6,151,946	1,536,928	6,150,446
Leasehold land	1,281,564	3,086,200	1,441,656	3,278,701
Buildings on freehold land	1,221,557	1,608,008	1,043,992	1,440,029
Buildings on leasehold land	1,506,902	3,081,807	1,421,392	3,038,083
	5,577,693	13,927,961	5,443,968	13,907,259

10.2.2 Included in cost of building and equipment are fully depreciated items still in use having cost of Rs. 11,750.590 million (2018: Rs. 9,779.020 million).

	Note	2019		2018	
		------(Rupees in '000)-----			
10.2.3 Carrying amount of idle and held for sale properties.			42,000		299,150

10.2.4 Sale of fixed assets to related parties are disclosed in Annexure III to the unconsolidated financial statements.

11 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers		253,483	180,901
Software	11.1	1,006,837	1,136,370
		1,260,320	1,317,271

11.1 At January 1

Cost		3,822,430	3,562,816
Accumulated amortisation and impairment		(2,686,060)	(2,183,740)
Net book value		1,136,370	1,379,076

Year ended December 31

Opening net book value		1,136,370	1,379,076
Additions - directly purchased		373,824	250,671
Amortisation charge		(473,541)	(489,716)
Exchange rate adjustments		398	1,170
Subsidiary classified as associate during the year		(29,992)	-
Other adjustments		(222)	(4,831)
Closing net book value		1,006,837	1,136,370

At December 31

Cost		4,149,922	3,822,430
Accumulated amortisation and impairment		(3,143,085)	(2,686,060)
Net book value		1,006,837	1,136,370

Rate of amortisation (percentage)		20% - 25%	20% - 33%
Useful life		4 - 5 years	3 - 5 years

11.2 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 1,931.099 million (2018: Rs. 1,349.493 million).

	Note	2019 ------(Rupees in '000)-----	2018
12 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		21,292,859	11,880,512
Income/ Mark-up accrued in foreign currency - net of provision		1,092,865	538,855
Advances, deposits, advance rent and other prepayments		2,040,310	2,613,485
Advance against subscription of share		82,312	50,000
Advance taxation (payments less provisions)		-	90,885
Non-banking assets acquired in satisfaction of claims	12.1.1	763,935	615,517
Dividend receivable		1,070	2,768
Mark to market gain on forward foreign exchange contracts		2,436,300	4,519,604
Mark to market gain on derivatives		20,977	68,224
Stationery and stamps on hand		23,164	37,631
Defined benefit plan	38.1.4	1,019,177	923,633
Branch adjustment account		247,174	311,104
Account receivable		1,559,672	1,393,630
Receivable against fraud and forgeries	12.2	117,010	206,651
Acceptances		16,645,791	13,319,265
Others		689,334	195,906
		<u>48,031,950</u>	<u>36,767,670</u>
Less: Provision held against other assets	12.3	<u>(769,355)</u>	<u>(928,885)</u>
Other Assets (Net of Provision)		47,262,595	35,838,785
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	12.1.1	<u>242,759</u>	<u>159,530</u>
		<u><u>47,505,354</u></u>	<u><u>35,998,315</u></u>

	Note	2019 ------(Rupees in '000)-----	2018
12.1 Market value of Non-banking assets acquired in satisfaction of claims - properties only		<u>987,862</u>	<u>748,865</u>

The Non-banking assets (properties) of the Bank have been revalued by independent professional valuers as at December 31, 2019. The revaluation was carried out by M/s. Josheph Lobo (Pvt) Ltd, M/s. Harvester Services (Pvt) Ltd and M/s. Hamid Mukhtar & Co. (Pvt) Ltd on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 89.447 million (2018: Rs. 33.421 million).

	Note	2019 ------(Rupees in '000)-----	2018
12.1.1 Non-banking assets acquired in satisfaction of claims			
Opening Balance		775,047	775,211
Additions		222,278	-
Revaluation		89,447	33,421
Disposals	12.1.2	(7,350)	(24,775)
Transfer to Property and Equipment		(63,450)	(8,810)
Depreciation		(9,278)	-
Closing Balance		<u>1,006,694</u>	<u>775,047</u>
12.1.2 Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims			
Disposal Proceeds		7,350	24,775
less			
- Cost		7,350	24,775
- Impairment / Depreciation		(7,350)	(24,775)
		<u>-</u>	<u>-</u>
Gain/Loss		<u>7,350</u>	<u>24,775</u>

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

12.3 Provision held against other assets

Advances, deposits, advance rent & other prepayments	758,750	910,930
Non banking assets acquired in satisfaction of claims	10,605	17,955
	<u>769,355</u>	<u>928,885</u>

12.4 Movement in provision held against other assets

Opening balance	928,885	692,236
Charge for the year	72,108	421,760
Reversals	(54,540)	(452,203)
	17,568	(30,443)
Amount Written off	(167,949)	(144,945)
Exchange and other adjustments	(9,149)	(29,750)
Afghanistan classified as discontinued operation	-	441,787
Closing balance	<u>769,355</u>	<u>928,885</u>

13 BILLS PAYABLE

In Pakistan	16,950,808	35,825,039
Outside Pakistan	218,251	163,186
	<u>17,169,059</u>	<u>35,988,225</u>

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

14 BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under export refinance scheme	14.1	31,680,935	26,344,557
Long-Term Finance Facility	14.2	17,892,935	11,199,254
Financing Facility for Storage of Agriculture Produce (FFSAP)	14.3	325,330	263,033
Repurchase agreement borrowings	14.4	5,000,000	35,962,700
		54,899,200	73,769,544

Repurchase agreement borrowings	14.5	16,064,786	11,163,509
Bai Muajjal	14.6	19,192,374	22,268,894
Others	14.7	291,243	279,494
Total secured		<u>90,447,603</u>	<u>107,481,441</u>

Unsecured

Call borrowings	14.8	10,126,463	14,951,967
Overdrawn nostro accounts	14.9	939,151	947,547
Others			
- Pakistan Mortgage Refinance Company	14.10	494,646	200,000
- Karandaz Risk Participation	14.11	502,375	436,780
- Borrowing from other financial institutions	14.12	623,335	-
Total unsecured		<u>12,685,970</u>	<u>16,536,294</u>

	<u>103,133,573</u>	<u>124,017,735</u>
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- 14.1** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 1.00% to 2.00% per annum (2018: 1.00% to 2.00% per annum) payable on a quarterly basis.
- 14.2** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2018: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.3** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.00% per annum (2018: 6.00% per annum) payable on a quarterly basis.
- 14.4** This represents repurchase agreement borrowing from SBP at the rate 13.32% per annum (2018: 5.78% to 10.16% per annum) having maturity in March 2020 (2018: January 2019).
- 14.5** This represents repurchase agreement borrowing from other banks at the rate of ranging from 2.04% to 13.32% per annum (2018: 2.78% to 10.25% per annum) having maturities upto January 2020 (2018: January 2019).
- 14.6** This represents borrowings from financial institutions at mark-up rates ranging from 10.85% to 13.25% per annum (2018: 6.10% to 9.70%) having maturities upto October 2020 (2018: March 2019).
- 14.7** This represents short term running finance to meet the working capital requirements. This facility carries quarterly mark-up at the rate of three month KIBOR plus 3% (2018: three month KIBOR plus 3%) and valid upto 31 January 2021. The facility is secured against hypothecation charge over book debts / receivables of the Company amounting to Rs. 535 million.
- 14.8** This represents borrowings from financial institutions at mark-up rates ranging from 0.40% to 3.15% per annum (2018: 0.50% to 10.25%) having maturities upto November 2020 (2018: June 2019).
- 14.9** 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 rates.
- 14.10** 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 of 3 years PKRV less 50bps.
- 14.11** This includes borrowing from Karandaaz Pakistan Limited in lieu of Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a mark-up rates ranging from 13.84% to 25.24% per annum. (December 2018:7.93% to 14.62%).
- 14.12** This represents borrowing from financial institution at the rate of 3.15% per annum (2018: Nil) having maturity upto December 2020.

2019 **2018**
-----**(Rupees in '000)**-----

14.13 Particulars of borrowings with respect to Currencies

In local currency	80,707,913	102,260,223
In foreign currencies	22,425,660	21,757,512
	103,133,573	124,017,735

15 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Current deposits	270,761,170	66,720,895	337,482,065	253,826,090	31,077,261	284,903,351
Savings deposits	191,837,354	33,470,756	225,308,110	182,286,764	29,222,301	211,509,065
Term deposits	106,891,979	52,368,120	159,260,099	103,144,924	42,383,783	145,528,707
Others	9,393,064	2,215,457	11,608,521	10,007,520	1,920,061	11,927,581
	578,883,567	154,775,228	733,658,795	549,265,298	104,603,406	653,868,704
Financial Institutions						
Current deposits	1,877,599	468,616	2,346,215	2,130,211	533,400	2,663,611
Savings deposits	28,410,962	56,425	28,467,387	30,581,127	53,409	30,634,536
Term deposits	17,579,094	78,196	17,657,290	14,220,573	1,401,959	15,622,532
Others	144,086	1,087	145,173	47,926	9,816	57,742
	48,011,741	604,324	48,616,065	46,979,837	1,998,584	48,978,421
	626,895,308	155,379,552	782,274,860	596,245,135	106,601,990	702,847,125

	2019	2018
	----- (Rupees in '000) -----	
15.1 Composition of deposits		
- Individuals	361,511,449	347,805,455
- Government (Federal and Provincial)	31,193,413	45,416,762
- Public Sector Entities	57,074,016	46,524,311
- Banking Companies	6,225,840	528,326
- Non-Banking Financial Institutions	42,390,225	48,450,095
- Private Sector	283,879,917	214,122,176
	<u>782,274,860</u>	<u>702,847,125</u>

15.2 Deposits include Eligible Deposits of Rs. 417,047.985 million (2018: Rs. 400,654.623 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

		2019	2018
		----- (Rupees in '000) -----	
16	SUBORDINATED DEBT		
16.1	Term Finance Certificates V - Quoted, Unsecured	4,987,000	4,989,000
Issue amount	Rs. 5,000,000,000		
Issue date	February 2013		
Maturity date	February 2021		
Rating	"AA" (Double A) by Pakistan Credit Rating Company Limited ("PACRA").		
Security	Unsecured		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.		
Mark-up	Base Rate + 1.25 percent Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.		
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.		
Call option	There is no call option available to the Bank.		
16.2	Term Finance Certificates - Additional Tier-I (ADT-1) - Quoted, Unsecured		
Issue amount	Rs. 7,000,000,000	7,000,000	7,000,000
Issue date	March 2018		
Maturity date	Perpetual		
Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.		
Security	Unsecured		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	Perpetual		
Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.		
		<u>11,987,000</u>	<u>11,989,000</u>

17 DEFERRED TAX LIABILITIES

	2019				
	At January 1, 2019	Recognised in P&L A/C	Recognised in OCI	Other adjustments (reclassification of subsidiary & associate)	At December 31 2019
	------(Rupees in '000)-----				
Deductible Temporary Differences on					
- Provision against investments	(168,568)	(513,728)	-	-	(682,296)
- Provision against advances	(266,938)	(299,267)	-	-	(566,205)
- Provision against other assets	(224,973)	(118,038)	-	-	(343,011)
- Provision against lending to financial institutions	(5,720)	3,723	-	-	(1,997)
- Ijarah depreciation taxed	(16,690)	16,690	-	-	-
- Unrealised loss on revaluation of HFT investments	(14,532)	7,859	-	(765)	(7,438)
	(697,421)	(902,761)	-	(765)	(1,600,947)
Taxable Temporary Differences on					
- Surplus on revaluation of fixed assets and non banking assets	1,329,184	(18,402)	(11,752)	-	1,299,030
- Surplus on revaluation of investments	(2,882)	-	2,264,228	1,075	2,262,421
- Share of profit from associates	428,524	191,519	-	66,370	686,413
- Accelerated tax depreciation	1,286,460	205,209	-	(1,181)	1,490,488
- Exchange translation reserve	156,232	-	(156,232)	-	-
	3,197,518	378,326	2,096,244	66,264	5,738,352
	2,500,097	(524,435)	2,096,244	65,499	4,137,405

	2018				
	At January 1, 2018	Recognised in P&L A/C	Recognised in OCI	Other adjustments (reclassification of subsidiary & associate)	At December 31 2018
	------(Rupees in '000)-----				
Deductible Temporary Differences on					
- Provision against investments	(174,218)	32,844	(27,194)	-	(168,568)
- Provision against advances	(118,504)	(148,434)	-	-	(266,938)
- Provision against other assets	(245,594)	20,621	-	-	(224,973)
- Provision against lending to financial institutions	-	(5,720)	-	-	(5,720)
- Ijarah depreciation taxed	-	(16,690)	-	-	(16,690)
- Unrealised loss on revaluation of HFT investments	(2,263)	(12,269)	-	-	(14,532)
	(540,579)	(129,648)	(27,194)	-	(697,421)
Taxable Temporary Differences on					
- Surplus on revaluation of fixed assets	828,306	(2,807)	503,685	-	1,329,184
- Surplus on revaluation of investments	1,411,085	-	(1,413,967)	-	(2,882)
- Share of profit from associates	288,939	139,585	-	-	428,524
- Accelerated tax depreciation	1,455,261	(169,471)	670	-	1,286,460
- Exchange translation reserve	-	-	156,232	-	156,232
	3,983,591	(32,693)	(753,380)	-	3,197,518
	3,443,012	(162,341)	(780,574)	-	2,500,097

18 OTHER LIABILITIES

	Note	2019 ------(Rupees in '000)-----	2018
Mark-up/ Return/ Interest payable in local currency		3,541,232	2,108,495
Mark-up/ Return/ Interest payable in foreign currency		710,032	610,511
Unearned commission and income on bills discounted and guarantees		295,257	220,584
Accrued expenses		5,439,895	4,206,509
Current taxation		6,334,458	926,956
Acceptances		16,645,791	13,319,265
Dividends payable		93,040	84,229
Mark to market loss on forward foreign exchange contracts		3,658,322	970,502
Mark to market loss on derivatives		35,385	1,169
Provision for Compensated absences		540,000	498,010
Payable against redemption of customer loyalty / reward points		372,334	274,076
Charity payable		1,155	20
Provision against off-balance sheet obligations	18.1	129,249	78,450
Security deposits against leases, lockers and others		7,121,497	6,808,459
Worker's Welfare Fund		1,478,588	979,662
Payable to vendors and suppliers		638,208	606,480
Indirect Taxes Payable		754,542	563,970
Lease Liabilities	2.3.2	9,374,239	-
Others		1,962,071	1,548,375
		59,125,295	33,805,722

18.1 Provision against off-balance sheet obligations	2019	2018
	----- (Rupees in '000) -----	
Opening balance	78,450	65,463
Exchange adjustment and other adjustments	11,113	13,759
Charge for the year	39,686	-
Reversals	-	(4,088)
	39,686	(4,088)
Afghanistan classified as discontinued operation	-	3,316
Closing balance	129,249	78,450

The provision against off balance sheet obligations include general provision of Rs. 108.787 million (2018: Rs. 66.500 million) held in Bangladesh books and Rs.8.512 million (2018: 3.316 million) held in Afghanistan books as required under the local regulation and specific provision of Rs. 11.950 million (2018: Rs. 11.950 million) held against defaulted letter of guarantees.

19 SHARE CAPITAL

19.1 Authorized Capital

2019	2018		2019	2018
----- (Number of shares) -----			----- (Rupees in '000) -----	
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

19.2 Issued, subscribed and paid up Capital

2019	2018		2019	2018
----- (Number of shares) -----			----- (Rupees in '000) -----	
		Ordinary shares		
891,453,153	888,650,908	Fully paid in cash	8,914,531	8,886,509
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
1,777,165,119	1,774,362,874		17,771,651	17,743,629

During the year, the Holding Company issued 2,802,245 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS).

20 SURPLUS ON REVALUATION OF ASSETS	Note	2019	2018
		----- (Rupees in '000) -----	
Surplus on revaluation of			
- Available for sale securities	8.1	6,469,954	(2,102)
- Fixed Assets	20.1	8,378,317	8,508,874
- Non-banking assets acquired in satisfaction of claims	20.2	242,759	159,530
- Surplus on revaluation of Investment held for sale in Afghanistan		-	303
		15,091,030	8,666,605
Deferred tax on surplus on revaluation of:			
- Available for sale securities		2,261,346	(2,943)
- Fixed Assets	20.1	1,263,070	1,298,530
- Non-banking assets acquired in satisfaction of claims	20.2	35,960	30,654
- Surplus on revaluation of Investment held for sale in Afghanistan		-	61
		3,560,376	1,326,302
Derivatives		(154,684)	48,952
Surplus on revaluation of available for sale securities attributable to non-controlling interest		547	(128)
		11,376,517	7,389,127

	2019	2018
	----- (Rupees in '000) -----	
20.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	8,508,874	5,365,558
Transferred to owned property	3,938	
Recognised during the year	-	3,193,653
Realised on disposal during the year - net of deferred tax	(66,341)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(32,694)	(32,719)
Related deferred tax liability on incremental depreciation charged during the year	(17,604)	(17,618)
Related deferred tax liability on surplus realised on disposal	(17,856)	-
Surplus on revaluation of fixed assets as at December 31	8,378,317	8,508,874
Less: related deferred tax liability on:		
Revaluation as at January 1	1,298,530	819,099
- revaluation recognised during the year	-	497,049
- surplus realised on disposal during the year	(17,856)	-
- incremental depreciation charged during the year	(17,604)	(17,618)
	1,263,070	1,298,530
	<u>7,115,247</u>	<u>7,210,344</u>
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 1	159,530	127,925
Recognised during the year	89,447	33,421
Transferred to owned property	(3,938)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(1,482)	(1,180)
Related deferred tax liability on incremental depreciation charged during the year	(798)	(636)
Surplus on revaluation as at December 31	242,759	159,530
Less: related deferred tax liability on:		
- revaluation as at January 1	30,654	24,654
- revaluation recognised during the year	6,104	6,636
- incremental depreciation charged during the year	(798)	(636)
	35,960	30,654
	<u>206,799</u>	<u>128,876</u>

21 ASSETS HELD FOR SALE

21.1 The Holding Company signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations in 2018 and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as "Asset held for sale". However, during the current period, the DAB vide its letter dated February 27, 2019 declined the application for approval. Consequently, the plan for the disposal has been withdrawn. In line with the requirements of IFRS 5 'Non-current assets held for sale and Discontinued Operations' the results of the Afghanistan operations previously presented in discontinued operations have been reclassified and included in income from continuing operations for all periods presented and the amounts presented for 'assets and liabilities held for sale' in the comparative statement of financial position have not been reclassified or re-presented.

21.2 The financial position and results of assets classified as held for sale are as follows:

STATEMENT OF FINANCIAL POSITION

Assets held for sale

	2018 (Rupees in '000)
Cash and balances with treasury banks	4,764,918
Balances with other banks	3,431,895
Lendings to financial institutions	10,470,354
Investments - net	4,596,965
Advances - net	224,090
Fixed assets	9,370
Other assets	91,897
	<u>23,589,489</u>

Liabilities directly associated with the assets held for sale

Bills payable	4,549
Deposits and other accounts	20,287,651
Deferred tax liabilities	223
Other liabilities	142,973
	<u>20,435,396</u>

22 CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Other contingent liabilities

Note **2019** **2018**
-----**(Rupees in '000)**-----

22.1	63,456,341	57,086,398
22.2	496,023,657	437,956,428
22.3.1	10,150,887	13,222,064
	<u>569,630,885</u>	<u>508,264,890</u>

22.1 Guarantees:

- Financial guarantees
- Performance guarantees
- Other guarantees

639,642	731,536
34,663,032	32,153,833
28,153,667	24,201,029
63,456,341	57,086,398

22.2 Commitments:

- Documentary credits and short-term trade-related transactions
- Letters of credit

93,696,623	68,026,025
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- Commitments in respect of:

- forward foreign exchange contracts
- forward government securities transactions
- derivatives

22.2.1	305,449,119	228,265,364
22.2.2	39,382,735	76,821,957
22.2.3	17,745,535	12,051,091

- forward lending
- operating leases

22.2.4	38,052,512	34,773,260
2.3.2	-	16,906,848

- Commitments for acquisition of:

- operating fixed assets
- intangible assets

1,283,925	604,674
413,208	507,209

- Other commitments

-	-
<u>496,023,657</u>	<u>437,956,428</u>

		2019	2018
		----- (Rupees in '000) -----	
22.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	185,084,250	140,128,603
	Sale	120,364,869	88,136,761
		305,449,119	228,265,364
22.2.2	Commitments in respect of forward government securities transactions		
	Purchase	11,353,334	39,518,422
	Sale	28,029,401	37,303,535
		39,382,735	76,821,957
22.2.3	Commitments in respect of derivatives		
22.2.3.1	Interest Rate Swaps		
	Purchase	17,745,535	10,650,708
	Sale	-	-
		17,745,535	10,650,708
22.2.3.2	Futures		
	Purchase	-	-
	Sale	-	1,400,383
		-	1,400,383
		17,745,535	12,051,091
22.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	32,688,405	29,428,567
	Commitments in respect of investments	5,364,107	5,344,693
		38,052,512	34,773,260
22.2.4.1	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
22.3	Other contingent liabilities		
22.3.1	Claims against the Bank not acknowledged as debts	10,150,887	13,222,064
	These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.		
22.4	Contingency for tax payable		
22.4.1	There were no tax related contingencies other than as disclosed in note 33.2.		

23 DERIVATIVE INSTRUMENTS

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

23.1 Product Analysis

Counterparties	2019					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
	----- (Rupees in '000) -----					
With Banks for						
Hedging	30	17,745,535	(14,408)	-	-	-
Total						
Hedging	30	17,745,535	(14,408)	-	-	-

Counterparties	2018					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
	----- (Rupees in '000) -----					
With Banks for						
Hedging	22	10,650,708	88,487	-	-	-
With FIs other than banks						
Hedging	-	-	-	88	1,400,383	(21,432)
Total						
Hedging	22	10,650,708	88,487	88	1,400,383	(21,432)

23.2 Maturity Analysis

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

Remaining Maturity	2018				
	----- (Rupees in '000) -----				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
Upto 1 month	-	-	-	-	-
1 to 3 months	88	1,400,383	21,432	-	(21,432)
3 to 6 months	6	3,540,979	-	16,651	16,651
6 month to 1 Year	4	1,624,684	-	13,821	13,821
1 to 2 Year	2	1,388,619	-	17,286	17,286
2 to 3 Years	4	1,596,912	-	20,548	20,548
3 to 5 Years	2	1,110,895	-	12,432	12,432
5 to 10 years	4	1,388,619	-	7,749	7,749
Above 10 Years	-	-	-	-	-
Total	110	12,051,091	21,432	88,487	67,055

23.3 Risk management related to derivatives is discussed in note 47.7

	Note	2019 ----- (Rupees in '000) -----	2018
24 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		58,516,843	37,212,888
b) Investments		21,187,154	19,124,696
c) Lendings to financial institutions		5,639,126	1,548,600
d) Balances with banks / Financial Institutions		59,220	93,692
e) On securities purchased under resale agreements / Bai Muajjal		7,087,485	1,697,583
		<u>92,489,828</u>	<u>59,677,459</u>
25 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		35,181,041	19,711,228
b) Borrowings		2,200,291	1,310,479
c) Securities sold under repurchase agreements		2,257,269	4,355,706
d) Subordinated debt		1,530,436	989,221
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		5,104,750	1,282,525
f) Borrowing cost on lease liability	2.3.2	1,227,986	-
g) Reward points		126,105	102,555
		<u>47,627,878</u>	<u>27,751,714</u>
26 FEE & COMMISSION INCOME			
Branch banking customer fees		1,234,103	1,494,267
Consumer finance related fees		262,513	224,444
Card related fees (debit and credit cards)		963,301	848,120
Credit related fees		111,121	149,945
Investment banking fees		233,255	210,029
Commission on trade		1,487,061	1,247,677
Commission on guarantees		345,120	382,270
Commission on cash management		40,178	20,948
Commission on remittances including home remittances		336,269	247,036
Commission on bancassurance		510,927	394,931
Card acquiring business		307,153	305,410
Wealth Management Fee		161,984	7,633
Commission on Employees' Old-Age Benefits Institution (EOBI)		109,409	114,130
Commission on Benazir Income Support Programme (BISP)		284,443	282,920
Alternate Delivery Channel (ADC)		466,317	330,650
Brokerage/Commission income		117,743	122,918
Management fee		-	424,992
Others		182,323	175,684
		<u>7,153,220</u>	<u>6,984,004</u>
27 GAIN ON SECURITIES			
Realised	27.1	109,303	993,260
Unrealised - held for trading	8.1	(24,692)	(43,511)
		<u>84,611</u>	<u>949,749</u>
27.1 Realised gain/(loss) on:			
Federal Government Securities		385,094	1,243,684
Shares		(325,853)	(241,675)
Non Government Debt Securities		-	2,811
Foreign Securities		50,062	(11,560)
		<u>109,303</u>	<u>993,260</u>

	Note	2019 ----- (Rupees in '000) -----	2018
28 OTHER INCOME			
Rent on property		24,229	22,215
Gain on sale of fixed assets-net		122,962	137,915
Gain on sale of non banking assets - net	12.1.2	7,350	24,775
Profit on termination of leased contracts (Ijarah)		43,511	31,204
Unrealised loss on short sale transactions		(19,150)	-
Others		1,307	249
		<u>180,209</u>	<u>216,358</u>
29 OPERATING EXPENSES			
Total compensation expense	29.1	12,922,356	10,311,849
Property expense			
Rent and taxes		249,759	2,126,892
Utilities cost		1,053,173	899,471
Security (including guards)		640,692	619,841
Repair and maintenance (including janitorial charges)		497,757	780,353
Depreciation on right-of-use assets	2.3.2	1,797,117	-
Depreciation on owned assets		414,997	461,329
		4,653,495	4,887,886
Information technology expenses			
Software maintenance		1,243,004	800,222
Hardware maintenance		311,352	276,826
Depreciation		361,092	389,823
Amortisation		473,541	489,716
Network charges		417,878	335,949
Others		10,938	-
		2,817,805	2,292,536
Other operating expenses			
Directors' fees and allowances		204,243	153,921
Fees and allowances to Shariah Board		7,800	6,990
Legal and professional charges		289,501	339,484
Outsourced services costs	29.2	993,012	1,278,434
Travelling and conveyance		568,328	537,344
Clearing and custodian charges		96,493	82,185
Depreciation		844,568	886,446
Training and development		79,204	61,194
Postage and courier charges		386,837	238,528
Communication		334,015	301,410
Stationery and printing		665,172	462,059
Marketing, advertisement and publicity		1,385,260	615,043
Donations	29.3	11,426	36,594
Auditors Remuneration	29.4	48,930	44,094
Brokerage and Commission		160,024	143,824
Entertainment		231,666	212,164
Repairs and maintenance		450,787	299,111
Insurance		891,264	604,805
Cash Handling Charges		511,387	369,228
CNIC Verification		138,729	92,465
Others		510,916	461,389
		8,809,562	7,226,712
		<u>29,203,218</u>	<u>24,718,983</u>

	Note	2019 ------(Rupees in '000)-----	2018
29.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		9,565,374	7,924,323
ii) Variable			
a) Cash Bonus / Awards etc.		1,857,328	1,232,168
b) Bonus and Awards in Shares etc.		-	13,036
Charge for defined benefit plan	38.1.8.1	106,243	185,753
Contribution to defined contribution plan	39	390,250	309,371
Medical		506,958	279,870
Conveyance		240,620	183,139
Staff compensated absences		41,990	104,514
Others		133,285	17,632
Sub-total		12,842,048	10,249,806
Sign-on Bonus		58,898	37,850
Severance Allowance		21,410	24,193
Grand Total		12,922,356	10,311,849

29.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 692.686 million (2018: Rs 636.858 million) pertaining to the payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above.

29.3 Donations	2019 ------(Rupees in '000)-----	2018
Association for Children with Emotional and Learning Problems	2,034	-
Child Aid Association	2,053	1,700
Karachi Relief Trust	3,339	-
MOVE Pakistan	1,000	-
Muslim Hand International	580	-
Society of Rehabilitation of Special Children	2,000	-
The Citizen Foundation	420	-
Family Educational Services Foundation	-	3,250
IBA Karachi	-	22,000
Manabik Shahajya Sangstha	-	994
Supreme Court Diامر Bhasha And Mohmand Dam Fund	-	8,650
	11,426	36,594

29.3.1 None of the Directors, Sponsor shareholders, Key management personnel or their spouses have any direct interest in the Donees.

29.4 Auditors' remuneration	2019			2018		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----					
Audit fee	14,553	13,593	28,146	14,553	7,771	22,324
Fee for other statutory certifications	6,588	-	6,588	6,588	-	6,588
Audit fee of Subsidiary	1,386	-	1,386	1,482	-	1,482
Special certifications and sundry advisory services	5,860	2,070	7,930	8,009	3,691	11,700
Out-of-pocket expenses	3,301	1,579	4,880	2,000	-	2,000
	31,688	17,242	48,930	32,632	11,462	44,094

30 WORKERS WELFARE FUND

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

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

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	2019	2018
		----- (Rupees in '000) -----	
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		267,918	6,430
Penalties imposed by other regulatory bodies		1,585	1,263
		<u>269,503</u>	<u>7,693</u>
32 PROVISIONS & WRITE OFFS - NET			
(Reversal)/Provisions against lending to financial institutions		(10,638)	16,329
Provisions/(Reversal) for diminution in value of investments	8.3.1	1,017,888	(95,118)
Provisions against loans & advances	9.5	2,133,512	344,874
Provisions/(Reversal) against other assets	12.4	17,568	(30,443)
Provisions/(Reversal) against off-balance sheet obligations	18.1	39,686	(4,088)
Other provision / write off		110,300	-
Recovery of written off / charged off bad debts		(279,731)	(247,996)
		<u>3,028,585</u>	<u>(16,442)</u>
33 TAXATION			
Current		9,852,153	7,593,109
Prior years		555,908	(238,141)
Deferred		(524,435)	(162,341)
		<u>9,883,626</u>	<u>7,192,627</u>

The Finance Act, 2018 had revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons for Tax Years 2019, 2020 and 2021 at the rates of 4%, 3% and 2% respectively on the taxable income for respective years. However, Finance Supplementary (Second Amendment) Act, 2019 has levied super tax @ 4% on taxable income for the Tax Year 2018 (Accounting year 2017) retrospectively and same rate of 4% revised up to Tax Year 2021. Accordingly, in addition to the current tax charge of super tax, provision amounting to Rs.603 million also made for Tax Year 2018 (Accounting Year 2017) in these financial statements.

	2019	2018
	----- (Rupees in '000) -----	
33.1 Relationship between tax expense and accounting profit		
Accounting Profit before taxation	<u>22,915,433</u>	<u>18,183,902</u>
Tax at the applicable rate of 35% (2018: 35%)	8,020,402	6,364,366
Effect of:		
- income tax chargeable to tax at different rates	5,783	14,206
- permanent differences	94,397	7,010
- tax charge pertaining to overseas branches	89,830	33,512
- adjustment of prior years	603,587	1,666
- Super tax	995,030	768,285
- others	74,597	3,582
Tax expense for the year	<u>9,883,626</u>	<u>7,192,627</u>
33.2 a) The income tax assessments of the Bank have been finalized upto and including tax year 2019. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.		

In respect of tax years 2008, 2014 and 2017 to 2019, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.857.729 million (December 31, 2018 : Rs.789.862 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.306.334 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Bank has received order from tax authorities. The Bank has not made provision amounting to Rs.24.920 million against tax demand for tax year 2019 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2018 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.
- d) Bank has received an order from a provincial tax authority wherein tax authority has demanded sales tax on banking services and penalty amounting to Rs.410.619 million (excluding default surcharge) allegedly for short payment of sales tax for the year 2012. Bank is in the process to file appeal before Commissioner Appeals after consultation with tax advisor. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

		2019	2018
		----- (Rupees in '000) -----	
34 BASIC EARNINGS PER SHARE			
Profit attributable to equity holders of the bank		<u>13,046,800</u>	<u>10,898,845</u>
		----- (Number of shares in '000) -----	
Weighted average number of ordinary shares		<u>1,776,205</u>	<u>1,773,672</u>
		Rupees	
Basic earnings per share		<u>7.35</u>	<u>6.14</u>
35 DILUTED EARNINGS PER SHARE			
		----- (Rupees in '000) -----	
Profit attributable to equity holders of the bank		<u>13,046,800</u>	<u>10,898,845</u>
		----- (Number of shares in '000) -----	
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		<u>1,776,205</u>	<u>1,775,732</u>
		Rupees	
Diluted earnings per share		<u>7.35</u>	<u>6.14</u>
35.1 Reconciliation of basic and diluted earning per share			
		----- (Number of shares in '000) -----	
Weighted average number of ordinary shares		1,776,205	1,773,672
Plus: Employee stock option scheme		-	2,060
Dilutive potential ordinary shares		<u>1,776,205</u>	<u>1,775,732</u>
		Note	
		----- (Rupees in '000) -----	
36 CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks	5	100,731,903	82,407,736
Balance with other banks	6	4,926,851	3,911,554
Call / clean money lendings	7.1	30,552,042	15,166,288
Overdrawn nostro accounts	14.9	<u>(939,151)</u>	<u>(947,547)</u>
		<u>135,271,645</u>	<u>100,538,031</u>

2019

	Liability		Equity	
	----- (Rupees in '000) -----			
	Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable

36.1 Reconciliation of debt arising from financing activities

Balances as at January 01, 2019		11,989,000	-	17,743,629	84,229
Impact of IFRS 16 using the modified retrospective method	2.3.2	-	8,858,137	-	-

Changes from financing cash flows

Issuance / (redemption) of sub-ordinated debt	(2,000)	-	-	-
Payment of leased liability	-	(2,286,856)	-	-
Shares issued during the year	-	-	38,082	-
Dividend Paid	-	-	-	(6,207,063)
	(2,000)	(2,286,856)	38,082	(6,207,063)

Other changes

Additions / renewals of leases	-	1,574,972	-	-
Borrowing cost on lease liability	-	1,227,986	-	-
Share issued to employee on premium	-	-	(10,060)	-
Final cash dividend for the year ended December 31, 2018 @15%	-	-	-	2,661,544
Interim cash dividend for the half year ended June 30, 2019 @20%	-	-	-	3,554,330
	-	2,802,958	(10,060)	6,215,874

Balances as at December 31, 2019		11,987,000	9,374,239	17,771,651	93,040
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2018

	Liability		Equity	
	----- (Rupees in '000) -----			
	Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable

Reconciliation of debt arising from financing activities

Balances as at January 01, 2018		4,991,000	-	16,075,720	60,729
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Changes from financing cash flows

Issuance / (redemption) of sub-ordinated debt	6,998,000	-	-	-
Shares issued under stock option scheme during the year	-	-	82,489	-
Dividend Paid	-	-	-	(4,000,915)
	6,998,000	-	82,489	4,000,915

Other changes

Bonus Share Issued	-	-	1,613,057	-
Share issued to employee on premium	-	-	(27,637)	-
Final cash dividend for the year ended December 31, 2017 @15%	-	-	-	2,411,358
interim cash dividend for the half year ended June 30, 2018 @10%	-	-	-	1,613,057
	-	-	1,585,420	4,024,415

Balances as at December 31, 2018		11,989,000	-	17,743,629	84,229
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37	STAFF STRENGTH	2019			2018		
		Domestic	Overseas	Total	Domestic	Overseas	Total
	Permanent	9,957	210	10,167	8,390	198	8,588
	On Group's contract	21	95	116	29	82	111
	Group's own staff strength at the end of the year	9,978	305	10,283	8,419	280	8,699

37.1 In addition to the above, 993 (2018: 2,106) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 967 (2018: 2081) working domestically and 26 (2018: 25) working abroad.

38 DEFINED BENEFIT PLAN

38.1 Holding Company

38.1.1 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, 2019. The significant assumptions are detailed below.

38.1.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2019	2018
	----- (Number) -----	
- Gratuity fund	9,929	8,185

38.1.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2019

	2019	2018
	----- (Per annum) -----	
Withdrawal rates	Moderate	Moderate
Mortality rates	SLIC 2001 - 2005	SLIC 2001 - 2005
Valuation Discount rate (p.a)	11.75%	13.25%
Salary increase rate (p.a) - Short term (3 years)	6.75%	8.25%
Salary increase rate (p.a) - Long term	9.75%	11.25%
Expected rate of return on plan assets (p.a)	11.75%	13.25%
Normal retirement age	60 Years	60 Years
Duration	10 Years 1 month	09 Years 6 months

38.1.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2019	2018
		----- (Rupees in '000) -----	
Present value of obligations	38.1.5	1,665,365	1,474,598
Fair value of plan assets	38.1.6	(2,684,542)	(2,398,231)
(Receivable) / payable		(1,019,177)	(923,633)

38.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	1,474,598	1,657,387
Current service cost	254,421	270,272
Interest cost	183,840	149,967
Benefits paid by the Bank	(211,974)	(304,841)
Re-measurement loss / (gain)	(35,520)	(298,187)
Obligations at the end of the year	1,665,365	1,474,598

38.1.6 Movement in fair value of plan assets

Fair value at the beginning of the year		2,398,231	2,386,933
Interest income on plan assets		332,018	234,486
Contribution by the Bank - net		106,243	185,753
Benefits paid		(211,974)	(304,841)
Re-measurements: Net return on plan assets over interest income gain / (loss)	38.1.8.2	60,024	(104,100)
Fair value at the end of the year		<u>2,684,542</u>	<u>2,398,231</u>

38.1.7 Movement in (receivable) / payable under defined benefit plan

Note	2019	2018	
	----- (Rupees in '000) -----		
Opening balance	(923,633)	(729,546)	
Charge / (reversal) for the year	106,243	185,753	
Contribution by the Bank - net	(106,243)	(185,753)	
Re-measurement loss / (gain) recognised in OCI during the year	38.1.8.2	(95,544)	(194,087)
Benefits paid by the Bank	-	-	
Closing balance	<u>(1,019,177)</u>	<u>(923,633)</u>	

38.1.8 Charge for defined benefit plans**38.1.8.1 Cost recognised in profit and loss**

Current service cost	254,421	270,272
Net interest on defined benefit asset / liability	<u>(148,178)</u>	<u>(84,519)</u>
	<u>106,243</u>	<u>185,753</u>

38.1.8.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation		
- Demographic assumptions	-	(992)
- Financial assumptions	(18,174)	(310,891)
- Experience adjustment	(17,346)	13,696
Return on plan assets over interest income	<u>(60,024)</u>	<u>104,100</u>
Total re-measurements recognised in OCI	<u>(95,544)</u>	<u>(194,087)</u>

38.1.9 Components of plan assets

Cash and cash equivalents - net	84,846	372,963
Government Securities	150,151	-
Non-Government Debt securities	602,365	375,000
Ordinary shares	1,537,515	1,365,596
Units of mutual funds	<u>309,665</u>	<u>284,672</u>
	<u>2,684,542</u>	<u>2,398,231</u>

38.1.10 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	2019	
	PV of Defined Benefit Obligation	Change
	----- (Rupees in '000) -----	
1% increase in discount rate	1,510,879	(154,486)
1% decrease in discount rate	1,845,769	180,404
1 % increase in expected rate of salary increase	1,857,645	192,280
1 % decrease in expected rate of salary increase	1,498,678	(166,687)
10% increase in withdrawal rate	1,671,826	6,461
10% decrease in withdrawal rate	1,658,534	(6,831)
1 year Mortality age set back	1,666,733	1,368
1 year Mortality age set forward	1,663,989	(1,376)

	2019 (Rupees. in '000)
38.1.11 Expected contributions to be paid to the funds in the next financial year	170,884
38.1.12 Expected charge / (reversal) for the next financial year	170,884

38.1.13 Maturity profile

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	136,209
Year 2	107,143
Year 3	100,263
Year 4	113,423
Year 5	126,403
Year 6 to Year 10	747,834
Year 11 and above	6,657,235

38.1.14 Funding Policy

The bank's policy for funding the staff retirement benefit scheme, is given in note 4.9 (a).

38.1.15 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.

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

The Company operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The Company has carried out an actuarial valuation on 31 December 2019 using Projected Unit Credit Method and results of the valuation are as given below:

38.2.1 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the company as of December 31, 2019

	2019	2018
	(Per annum)	
Valuation discount rate	11.75%	13.75%
Salary increase rate	11.75%	13.75%

		SLIC 2001 - 2005 Moderate	SLIC 2001 - 2005 Moderate
Mortality rates			
Rates of employee turnover			
38.2.2 Amount recognised in the balance sheet			
	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Defined benefit obligation	38.2.3	20,786	22,636
Fair value of plan assets		-	-
Net liability		<u>20,786</u>	<u>22,636</u>
38.2.3 Reconciliation of payable to defined benefit plan			
	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Opening net liability		22,636	12,487
Charge for the year	38.2.4	10,843	6,762
Other comprehensive income	38.2.5	(12,693)	3,387
Benefits paid during the period / year		-	-
Closing net liability		<u>20,786</u>	<u>22,636</u>
38.2.4 Charge for the defined benefit plan			
Current service cost		7,730	5,576
Net interest		3,113	1,186
		<u>10,843</u>	<u>6,762</u>
38.2.5 Actuarial gain / (loss) on obligation			
Unrecognized actuarial (loss) / gain as at 1 January		(7,860)	(4,473)
Actuarial loss on obligations - recognized in OCI		12,693	(3,387)
Unrecognized actuarial loss at 31 December		<u>4,833</u>	<u>(7,860)</u>
38.2.6 Sensitivity analysis on significant actuarial assumptions: actuarial liability			
Discount rate +1%		18,623	20,224
Discount rate -1%		23,359	25,512
Salary increases +1%		23,438	25,597
Salary increases -1%		18,522	20,116
		2019	2018
		(Years)	
38.2.7 Weighted average duration of the present value of defined benefit obligation		<u>11.39</u>	<u>11.68</u>
38.2.8 Maturity profile of the defined benefit obligation			
Distribution of timing of benefit payments (time in years)		2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Year 1		8,974	1,369
Year 2		525	1,444
Year 3		782	1,096
Year 4		202	1,212
Year 5		229	1,204
Year 6 to Year 10		3,351	15,038
Year 11 and above		68,357	218,556

38.2.9 The expected gratuity expense for the next one year works out to be Rs. 7.469 million.

38.2.10 Risks associated with defined benefit plans

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

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.

39 DEFINED CONTRIBUTION PLAN

39.1 Holding Company - Bank Alfalah Limited

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 390.250 million (2018: Rs. 309.371 million) to the fund.

40 EMPLOYEES STOCK OPTION SCHEME

	Granted in the year 2016	Granted in the year 2015	Granted in the year 2014
	----- (Rupees in '000) -----		
Option issued	13,737	12,614	11,331
No. of employees to whom shares were allocated under ESOS	96	84	72
Options exercised	9,444	9,320	9,599
Options available for exercise	-	-	-
Options lapsed	4,294	3,294	1,732
Exercise price per share	Rs. 14.95	15.15	16.32
Adjusted exercise per share for final tranche of year 2016	Rs. 13.59	N/A	N/A

In 2018, 10% bonus shares were allotted by the Bank to all entitled shareholders. Accordingly, all those employees, who were given ESOS and present at the time of exercising their outstanding options were also given bonus shares as per ESOS scheme. The calculation of bonus shares was made as per ESOS policy.

The break-up of ESOS Options Allocation 2016 (3rd Grant) along-with said bonus shares is as follows:

Total Shares granted	13,737
Shares availed in 2017	3,838
Shares availed in 2018	3,058
Shares availed in 2019	2,548
Total Shares availed	9,444
Bonus shares (last tranche of 3rd grant)	255
Shares lapsed	4,294

41 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT

41.1 Total Compensation expense

41.1.1 Holding Company

2019

Sr. No.	Items	Chairman	Directors		Members Shariah Board	President / CEO	Key Executives	Other MRTs / MRCs
			Executives (other than CEO)	Non-Executive				
------(Rupees in '000)-----								
1	Fees and Allowances etc.	-	-	204,243	7,800	-	-	-
2	Managerial Remuneration							
	i) Fixed	-	-	-	2,410	38,867	221,077	581,706
	ii) Total Variable							
	a) Cash Bonus / Awards	-	-	-	-	90,000	136,500	229,782
	b) Bonus & Awards in Shares*	-	-	-	-	-	-	-
3	Charge for defined benefit plan	-	-	-	-	3,237	12,086	28,212
4	Contribution to defined Contribution	-	-	-	-	3,237	12,086	28,222
5	Rent & House Maintenance	-	-	-	456	15,547	57,675	151,075
6	Utilities	-	-	-	114	3,887	14,419	37,199
7	Medical	-	-	-	-	-	-	740
8	Conveyance	-	-	-	-	-	-	45
9	Others	-	-	-	5	-	480	34,330
10	Total (1 - 10)	-	-	204,243	10,785	154,775	454,323	1,091,311
11	Number of Persons	-	-	7	3	1	15	115

2018

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.	-	-	153,921	6,990	-	-	-
2	Managerial Remuneration							
	i) Fixed	-	-	-	-	35,334	169,915	484,752
	ii) Total Variable							
	a) Cash Bonus / Awards	-	-	-	-	50,000	122,500	184,641
	b) Bonus & Awards in Shares*	-	-	-	-	-	-	1,890
3	Charge for defined benefit plan	-	-	-	-	2,943	10,598	1,547
4	Contribution to defined Contribution	-	-	-	-	2,943	10,598	25,872
5	Rent & House Maintenance	-	-	-	-	14,133	52,822	132,435
6	Utilities	-	-	-	-	3,533	13,205	32,556
7	Medical	-	-	-	-	-	-	2,272
8	Conveyance	-	-	-	-	-	-	72
9	Others	-	-	-	84	-	-	15,113
10	Total (1 - 10)	-	-	153,921	7,074	108,886	379,638	881,150
11	Number of Persons	-	-	9 *	3	1	19	115

The Chief Executive and certain Executives have been provided with the free use of cars, household equipment and fuel.

The Bank granted share options to certain key employees of the Bank in the year 2014, 2015 and 2016. For details please see note 40.

The Holding Company's appraisal cycle is from 1st January till 31st December, 2019; the pay-out will take place by March 31, 2020 and deferral as per Human Resources Policy Guidelines will be made accordingly at the time of payment.

* Includes fees paid to directors who retired / resigned during 2018.

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

Total Compensation expense to the CEO and key executives of the subsidiary is Rs. 38.825 million (2018: 53.409 million).

41.2 Remuneration Paid to Directors for Participation in Board and Board Committees Meetings - Holding Company

2019

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings							Total
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	
1	H.H. Sheikh Mahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-
2	Mr. Abdullah Nasser Hawaileel Al Mansoori	2,959	-	-	-	-	-	-	2,959
3	Mr. Abdulla Khalil Al Mutawa	7,566	7,311	2,506	6,071	4,813	7,311	9,138	44,716
4	Mr. Khalid Mana Saeed Al Otaiba	7,566	7,311	2,506	6,071	4,813	9,138	7,311	44,716
5	Mr. Efratios Georgios Arapoglou	7,566	7,311	2,506	-	4,813	7,311	7,311	36,818
6	Dr. Gyorgy Tamas Ladics	7,566	-	-	6,071	6,016	-	-	19,653
7	Mr. Shehzad Naqvi	5,936	7,415	-	4,692	-	5,932	5,932	29,907
8	Dr. Ayesha Khan	7,495	7,491	3,065	7,423	-	-	-	25,474
	Total	46,654	36,839	10,583	30,328	20,455	29,692	29,692	204,243

2018

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings							Total Amount Paid
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	
1	H.H. Sheikh Mahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-
2	Mr. Abdulla Khalil Al Mutawa	7,612	7,109	1,163	5,116	2,743	5,116	6,395	35,254
3	Mr. Efratios Georgios Arapoglou	7,612	7,109	-	-	2,194	3,304	5,116	25,335
4	Dr. Gyorgy Tamas Ladics *	4,168	-	-	3,334	2,224	-	-	9,726
5	Mr. Kamran Y. Mirza **	2,262	3,368	924	2,262	-	-	-	8,816
6	Mr. Khalid Mana Saeed Al Otaiba	7,612	7,109	930	5,116	2,194	6,395	5,116	34,472
7	Mr. Khalid Qureshi **	1,102	-	-	-	-	882	882	2,866
8	Mr. Shehzad Naqvi *	5,080	5,215	-	3,923	-	3,139	3,139	20,496
9	Mr. Abdullah Nasser Hawaileel Al Mansoori	5,007	-	-	-	-	-	-	5,007
10	Dr. Ayesha Khan *	4,168	4,446	-	3,335	-	-	-	11,949
	Total	44,623	34,356	3,017	23,086	9,355	18,836	20,648	153,921

* The Directors elected and appointed during 2018.

** The Directors retired / resigned during 2018.

41.3 Remuneration paid to Shariah Board Members

2019

Sr. No.	Items	Chairman	Resident Member	Non-Resident Member	TOTAL	Chairman	Resident Member	Non-Resident Member	TOTAL
1	Fees/Remuneration and Allowances	5,400	-	2,400	7,800	4,275	765	1,950	6,990
2	Managerial Remuneration - Fixed	-	2,410	-	2,410	-	-	-	-
3	Rent & House Maintenance	-	456	-	456	-	-	-	-
4	Utilities	-	114	-	114	-	-	-	-
5	Others	-	5	-	5	28	28	28	84
	Total	5,400	2,985	2,400	10,785	4,303	793	1,978	7,074
	Total Number of Persons	1	1	1	3	1	1	1	3

42 FAIR VALUE MEASUREMENTS

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.

42.1 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:

	2019			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	199,930,753	-	199,930,753
Shares	7,640,919	-	-	7,640,919
Non-Government Debt Securities	-	6,213,346	-	6,213,346
Foreign Securities	-	33,735,403	-	33,735,403
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,436,300	-	2,436,300
Forward sale of foreign exchange	-	(3,658,322)	-	(3,658,322)
Derivatives purchases	-	20,977	-	20,977
Derivatives sales	-	(35,385)	-	(35,385)
2018				
	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	-	205,872,883	-	205,872,883
Shares	8,228,553	-	-	8,228,553
Non-Government Debt Securities	-	8,497,774	-	8,497,774
Foreign Securities	-	10,540,323	-	10,540,323
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	4,519,604	-	4,519,604
Forward sale of foreign exchange	-	(970,502)	-	(970,502)
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)

42.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 12. The valuations are conducted by the valuation experts appointed by the Holding Company which are also on the panel of State Bank of Pakistan.

42.3 The Group's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer, occurred. There were no transfers between levels 1 and 2 during the current period.

42.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, Overseas Government Sukuks, Overseas and Euro Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts, and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

43 SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

2019

	(Rupees in '000)									
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management *	Others	Total
Profit & Loss										
Net mark-up/return/profit	(5,565,583)	22,559,864	8,766,835	17,786,506	(2,446)	2,626,569	4,468	-	(1,314,263)	44,861,950
Inter segment revenue - net	31,695,833	(15,253,812)	(644,840)	(17,526,597)	507,876	553,471	-	-	668,069	-
Non mark-up / return / interest income	3,950,811	1,391,727	1,097,617	2,311,399	414,362	616,872	119,706	-	1,159,963	11,062,457
Total Income	30,081,061	8,697,779	9,219,612	2,571,308	919,792	3,796,912	124,174	-	513,769	55,924,407
Segment direct expenses	12,765,199	1,016,123	3,636,424	412,268	2,015,405	1,660,201	137,780	-	8,336,989	29,980,389
Inter segment expense allocation	5,657,520	691,276	1,355,429	239,369	187,244	206,629	-	-	(8,337,467)	-
Total expenses	18,422,719	1,707,399	4,991,853	651,637	2,202,649	1,866,830	137,780	-	(478)	29,980,389
Provisions/ (reversals)	1,395,853	466,642	94,846	1,024,164	-	80,031	-	-	(32,951)	3,028,585
Profit before tax	10,262,489	6,523,738	4,132,913	895,507	(1,282,857)	1,850,051	(13,606)	-	547,198	22,915,433

	(Rupees in '000)									
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management *	Others	Total
Balance Sheet										
Cash & Bank balances	51,080,368	11,905,006	13,687,542	16,301,602	324,045	12,143,278	216,913	-	-	105,658,754
Investments	1,372,585	914,973	13,738,131	227,999,155	-	53,548,116	103,280	-	3,229,317	300,905,557
Net inter segment lending	304,115,617	-	-	-	6,760,322	-	-	-	85,510,486	396,386,425
Lendings to financial institutions	-	-	37,791,008	24,931,724	-	8,712,163	-	-	-	71,434,895
Advances - performing	146,947,933	240,367,593	87,226,466	-	5,030	24,183,451	1,830	-	7,828,663	506,560,966
Advances - non-performing	1,406,411	2,796,345	285,911	-	-	107,824	-	-	80,322	4,676,813
Others	27,365,192	9,325,333	13,838,916	5,633,291	942,522	1,529,100	412,109	-	18,826,931	77,873,394
Total Assets	532,288,106	265,309,250	166,567,974	274,865,772	8,031,919	100,223,932	734,132	-	115,475,719	1,463,496,804
Borrowings	12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	291,243	-	-	103,133,573
Subordinated debt	-	-	-	-	-	-	-	-	11,987,000	11,987,000
Deposits and other accounts	492,097,776	103,018,182	122,023,365	-	7,827,966	57,300,323	-	-	7,248	782,274,860
Net inter segment borrowing	-	123,412,730	14,836,417	238,756,902	-	19,380,376	-	-	-	396,386,425
Others	26,832,583	7,695,578	20,835,736	2,406,630	203,953	1,599,871	214,363	-	20,643,045	80,431,759
Total liabilities	531,367,426	265,309,250	164,669,341	271,523,909	8,031,919	100,168,873	505,606	-	32,637,293	1,374,213,617
Net Assets	920,680	-	1,898,633	3,341,863	-	55,059	228,526	-	82,838,426	89,283,187
Equity										
Contingencies and Commitments	60,523,866	98,407,250	46,150,780	319,880,787	5,142	44,060,060	-	-	603,000	569,630,885

* Classified to investment in associates during the year.

2018

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
----- (Rupees in '000) -----										
Profit & Loss										
Net mark-up/return/profit	(197,080)	13,611,402	5,633,022	11,781,327	-	2,108,565	(2,584)	2,265	(1,011,172)	31,925,745
Inter segment revenue - net	19,386,608	(9,028,965)	(637,417)	(10,430,187)	227,663	(131,704)	-	-	614,002	-
Non mark-up / return / interest income	4,024,839	742,075	1,018,851	3,365,155	399,326	483,909	125,437	469,881	735,308	11,364,781
Total Income	23,214,367	5,324,512	6,014,456	4,716,295	626,989	2,460,770	122,853	472,146	338,138	43,290,526
Segment direct expenses	10,468,834	682,250	3,030,761	407,791	777,182	1,313,965	210,044	261,171	7,971,068	25,123,066
Inter segment expense allocation	5,666,518	623,276	1,304,054	238,255	45,570	154,071	-	-	(8,031,744)	-
Total expenses	16,135,352	1,305,526	4,334,815	646,046	822,752	1,468,036	210,044	261,171	(60,676)	25,123,066
Provisions/ (reversals)	(29,608)	212,268	299,255	75,710	54	(531,072)	(68)	-	(42,981)	(16,442)
Profit before tax	7,108,623	3,806,718	1,380,386	3,994,539	(195,817)	1,523,806	(87,123)	210,975	441,795	18,183,902

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
----- (Rupees in '000) -----										
Balance Sheet										
Cash & Bank balances	54,397,174	11,605,738	12,356,256	2,438,440	334,892	5,099,305	82,792	4,693	-	86,319,290
Investments	860,704	694,426	22,896,107	221,983,048	-	29,434,619	33,571	720,915	2,628,341	279,251,731
Net inter segment lending	287,248,929	-	-	-	4,241,251	-	-	-	70,142,975	361,633,155
Lendings to financial institutions	-	-	17,986,558	33,315,352	-	10,870,377	-	-	-	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,549	-	-	19,233,298	2,167	1,111	4,968,046	498,700,856
Advances - non-performing	366,716	1,453,002	262,226	-	-	132,738	-	-	724,189	2,938,871
Others	16,456,975	10,628,391	4,544,390	6,258,899	407,786	26,461,314	446,267	336,849	13,681,246	79,222,117
Total Assets	513,080,900	259,553,840	143,619,086	263,995,739	4,983,929	91,231,651	564,797	1,063,568	92,144,797	1,370,236,307
Borrowings	10,460,314	22,698,780	5,909,819	62,173,164	-	22,092,453	279,494	-	403,711	124,017,735
Subordinated debt	-	-	-	-	-	-	-	-	11,989,000	11,989,000
Deposits and other accounts	464,511,286	92,224,318	113,541,482	-	4,899,847	27,670,192	-	-	-	702,847,125
Net inter segment borrowing	-	135,169,567	12,237,409	201,340,936	-	12,885,243	-	-	-	361,633,155
Others	37,459,209	9,554,126	10,975,954	1,186,034	84,082	24,397,584	175,901	206,308	8,690,242	92,729,440
Total liabilities	512,430,809	259,646,791	142,664,664	264,700,134	4,983,929	87,045,472	455,395	206,308	21,082,953	1,293,216,455
Net Assets	650,091	(92,951)	954,422	(704,395)	-	4,186,179	109,402	857,260	71,061,844	77,021,852
Equity										77,021,852

Contingencies and Commitments	58,274,791	76,420,934	31,777,895	296,162,272	47,934	30,646,372	9,467	-	14,925,225	508,264,890
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43.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2019				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	------(Rupees in '000)-----				
Profit & Loss					
Net mark-up/return/profit	42,235,381	610,229	1,602,878	413,462	44,861,950
Inter segment revenue - net	(553,471)	190,976	147,376	215,119	-
Non mark-up / return / interest income	10,445,585	51,867	318,728	246,277	11,062,457
Total Income	52,127,495	853,072	2,068,982	874,858	55,924,407
Segment direct expenses	28,320,188	391,552	985,173	283,476	29,980,389
Inter segment expense allocation	(206,629)	79,804	87,543	39,282	-
Total expenses	28,113,559	471,356	1,072,716	322,758	29,980,389
Provisions/ (reversals)	2,948,554	(425)	83,172	(2,716)	3,028,585
Profit before tax	21,065,382	382,141	913,094	554,816	22,915,433

	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	------(Rupees in '000)-----				
Balance Sheet					
Cash and Bank balances	93,515,476	2,653,628	4,083,827	5,405,823	105,658,754
Investments	247,357,441	29,386,632	10,088,200	14,073,284	300,905,557
Net inter segment lendings	19,380,376	-	-	-	19,380,376
Lendings to financial institutions	62,722,732	-	4,386,173	4,325,990	71,434,895
Advances - performing	482,377,515	3,421,442	19,583,794	1,178,215	506,560,966
Advances - non-performing	4,568,989	-	107,824	-	4,676,813
Others	76,344,294	531,866	955,993	41,241	77,873,394
Total Assets	986,266,823	35,993,568	39,205,811	25,024,553	1,086,490,755
Borrowings	81,245,270	21,869,134	19,169	-	103,133,573
Subordinated debt	11,987,000	-	-	-	11,987,000
Deposits and other accounts	724,974,537	7,895,095	27,561,172	21,844,056	782,274,860
Net inter segment borrowing	-	6,024,102	10,191,280	3,164,994	19,380,376
Others	78,831,888	375,425	1,224,446	-	80,431,759
Total liabilities	897,038,695	36,163,756	38,996,067	25,009,050	997,207,568
Net Assets	89,228,128	(170,188)	209,744	15,503	89,283,187
Equity					<u>89,283,187</u>
Contingencies and Commitments	525,570,825	34,234,160	5,165,054	4,660,846	569,630,885

2018

	Pakistan	Middle East	Bangladesh	Afghanistan (Held for Sale)	Total
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	29,817,180	598,839	1,174,718	335,008	31,925,745
Inter segment revenue - net	131,704	(31,132)	(133,243)	32,671	-
Non mark-up / return / interest income	10,880,872	5,829	247,112	230,968	11,364,781
Total Income	40,829,756	573,536	1,288,587	598,647	43,290,526
Segment direct expenses	23,809,101	278,874	687,839	347,252	25,123,066
Inter segment expense allocation	(154,071)	62,831	55,508	35,732	-
Total expenses	23,655,030	341,705	743,347	382,984	25,123,066
Provisions/ (reversals)	514,630	3,214	30,550	(564,836)	(16,442)
Profit before tax	16,660,096	228,617	514,690	780,499	18,183,902

	Pakistan	Middle East	Bangladesh	Afghanistan (Held for Sale)	Total
(Rupees in '000)					
Balance Sheet					
Cash & Bank balances	81,219,985	1,318,443	3,780,862	-	86,319,290
Investments	249,817,112	21,628,793	7,805,826	-	279,251,731
Net inter segment lendings	14,849,234	-	-	-	14,849,234
Lendings to financial institutions	51,301,910	5,477,850	5,392,527	-	62,172,287
Advances - performing	479,467,558	3,001,998	16,231,300	-	498,700,856
Advances - non-performing	2,806,133	-	132,738	-	2,938,871
Others	52,760,803	911,311	1,960,513	23,589,490	79,222,117
Total Assets	932,222,735	32,338,395	35,303,766	23,589,490	1,023,454,386
Borrowings	101,925,282	21,496,019	596,434	-	124,017,735
Subordinated debt	11,989,000	-	-	-	11,989,000
Deposits and other accounts	675,176,933	4,633,530	23,036,662	-	702,847,125
Net inter segment borrowing	-	5,500,966	7,384,276	1,963,992	14,849,234
Others	68,331,856	312,035	2,460,051	21,625,498	92,729,440
Total liabilities	857,423,071	31,942,550	33,477,423	23,589,490	946,432,534
Net Assets	74,799,664	395,845	1,826,343	-	77,021,852
Equity					<u>77,021,852</u>
Contingencies and Commitments	477,618,518	25,773,028	4,412,416	460,928	508,264,890

44 TRUST ACTIVITIES

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

45 RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, subsidiaries, associates, employee benefit plans and its directors and Key Management Personnel.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	-----As at Dec 31, 2019-----				-----As at Dec 31, 2018-----			
	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties
	------(Rupees in '000)-----				------(Rupees in '000)-----			
Lendings to financial institutions								
Opening balance	-	-	-	-	-	-	-	1,500,000
Addition during the year	-	-	-	21,936,072	-	-	-	134,478,646
Repaid during the year	-	-	-	(21,936,072)	-	-	-	(135,978,646)
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	-	3,761,612	992,661	-	-	3,213,322	1,267,808
Investment made during the year	-	-	-	-	-	-	330,829	464,122
Investment redeemed / disposed off during the year	-	-	-	(570,466)	-	-	(205,000)	(739,269)
Equity method adjustment	-	-	547,198	-	-	-	646,093	-
Transfer in / (out) - net	-	-	(1,170,023)	769,230	-	-	(223,632)	-
Closing balance	-	-	3,138,787	1,191,425	-	-	3,761,612	992,661
Provision for diminution in value of investments								
	-	-	-	3,936	-	-	-	3,936
Advances								
Opening balance	105,650	451,375	-	3,354,510	-	460,291	-	7,591,327
Addition during the year	-	394,025	-	2,783,243	-	206,246	-	6,738,397
Repaid during the year	(14,521)	(170,463)	-	(1,937,349)	(6,068)	(98,964)	-	(8,301,258)
Transfer in / (out) - net	-	(12,473)	-	-	111,718	(116,198)	-	(2,673,956)
Closing balance	91,129	662,464	-	4,200,404	105,650	451,375	-	3,354,510
Provision held against advances								
	-	-	-	-	-	-	-	-
Other Assets								
Interest / mark-up accrued	10,939	69,192	-	98,163	5,507	42,368	-	134,900
Receivable from staff retirement fund	-	-	-	1,019,178	-	-	-	923,633
Prepayment / rent receivable	-	-	-	8,517	-	-	832	8,215
Profit Receivable on Sukuk	-	-	-	-	-	-	-	1,858
Advance against shares	-	-	-	82,312	-	-	-	50,000
Others	-	8,494	-	-	-	1,216	140,508	-
Borrowings								
Opening balance	-	-	-	200,000	-	-	-	502,800
Borrowings during the year	-	-	-	1,268,678	-	-	-	35,546,898
Settled during the year	-	-	-	(974,032)	-	-	-	(35,849,698)
Closing balance	-	-	-	494,646	-	-	-	200,000

	As at Dec 31, 2019				As at Dec 31, 2018			
	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Subordinated debt								
Opening balance	-	-	-	-	-	-	45,044	19,964
Redemption / Sold during the year	-	-	-	-	-	-	(45,044)	(19,964)
Closing balance	-	-	-	-	-	-	-	-

	As at Dec 31, 2019				As at Dec 31, 2018			
	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Deposits and other accounts								
Opening balance	7,439	194,191	1,056,739	3,194,114	6,275	161,264	1,509,741	4,178,991
Received during the year	599,337	3,179,089	25,280,433	32,495,316	206,294	1,444,556	33,685,682	82,662,966
Withdrawn during the year	(594,695)	(2,976,405)	(25,780,192)	(31,104,520)	(205,130)	(1,422,088)	(34,138,684)	(87,189,777)
Transfer in / (out) - net	(4)	(139,755)	30,765	(216)	-	10,459	-	3,541,934
Closing balance	12,077	257,120	587,745	4,584,694	7,439	194,191	1,056,739	3,194,114

Other Liabilities								
Interest / mark-up payable	-	156	-	7,007	11	1,960	7,446	11,918
Unearned rent	-	-	1,560	-	-	-	-	-
Others	-	-	3,428	3,962	-	-	9,606	3,961

Contingencies and Commitments								
Other contingencies	-	-	181,172	-	-	-	162,468	-

	For the year ended Dec 31, 2019				For the year ended Dec 31, 2018			
	(Rupees in '000)				(Rupees in '000)			
Income								
Mark-up / return / interest earned	5,431	30,251	-	613,453	5,507	18,229	-	482,333
Fee and commission income	-	-	-	-	-	-	-	-
Dividend income	-	-	-	12,511	-	-	219,000	2,109
Net gain on sale of securities	-	-	-	-	-	-	-	5,675
Other income	-	-	5,660	-	-	-	429,357	18,651
Expense								
Mark-up / return / interest paid	44	13,687	81,883	243,840	20	4,536	55,367	192,261
Rent paid	-	-	-	10,122	-	-	-	1,393
Repairs and maintenance	-	-	-	71,405	-	-	-	734,031
Travelling and accommodation	-	-	-	7,219	-	-	-	4,583
Charge for defined benefit plan	-	-	-	106,243	-	-	-	185,753
Contribution to defined contribution plan	-	-	-	390,250	-	-	-	309,371
Operating expenses								
Selling and marketing expense	-	-	-	-	-	-	89,216	-
Managerial remuneration	362,750	1,329,709	-	-	416,849	994,463	-	-
Dividend paid	966,735	20,174	15,131	2,751,227	640,921	11,584	5,454	1,538,460
Insurance premium paid	-	-	566,033	-	-	-	497,497	-
Insurance claims settled	-	-	391,015	-	-	-	328,333	-

46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2019 **2018**
-----**(Rupees in '000)**-----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,743,629
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	67,625,018	60,664,411
Eligible Additional Tier 1 (ADT 1) Capital	7,011,045	6,827,751
Total Eligible Tier 1 Capital	74,636,063	67,492,162
Eligible Tier 2 Capital	20,039,768	15,255,654
Total Eligible Capital (Tier 1 + Tier 2)	94,675,831	82,747,816

Risk Weighted Assets (RWAs):

Credit Risk	494,671,653	493,039,647
Market Risk	7,089,963	2,783,950
Operational Risk	65,601,200	61,403,300
Total	567,362,816	557,226,897

Common Equity Tier 1 Capital Adequacy ratio	11.92%	10.89%
Tier 1 Capital Adequacy Ratio	13.15%	12.11%
Total Capital Adequacy Ratio	16.69%	14.85%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	12.50%	11.90%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit & Market Risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital	74,636,063	67,492,162
Total Exposures	1,315,453,231	1,187,548,541
Leverage Ratio	5.67%	5.68%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	285,456,439	252,703,051
Total Net Cash Outflow	174,614,928	162,363,261
Liquidity Coverage Ratio	163%	156%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	687,962,685	630,592,999
Total Required Stable Funding	499,005,864	472,759,179
Net Stable Funding Ratio	138%	133%

46.1 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/>.

47 RISK MANAGEMENT

The variety of business activities undertaken by the holding company require effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of 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, Information Technology Steering Committee (ITSC), Control & Compliance Committee (C&CC) and Process Improvement Committee (PIC).

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures;
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units; and;
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the holding company'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 and Environment and Social Risk.

47.1 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 both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of holding company'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 holding company is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The holding company has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by 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 and 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, holding company determines the amount for specific and general provisions as per the Prudential Regulations issued by the State Bank of Pakistan (SBP). 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 in Corporate banking, Islamic banking and Retail banking Group. 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, 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 has been enhanced to compute the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & 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 holding company's non-performing exposure and protect the interests of the holding company's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of holding company's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the holding company 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 holding company and reports the same to CCC/ BRMC.

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

47.1.1 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-party(s) 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.

47.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

47.1.2.1 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), Japan Credit Rating Agency-VIS(JCR-VIS), Moodys, Fitch and Standard & Pools.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has 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 there are two ratings agencies available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

47.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

47.1.3.1 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.

47.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II / III guidelines, the holding company 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.

47.1.3.3 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 borrower and assignment of the underlying project contracts are generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. 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/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

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.

47.1.3.4 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 also includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel.

47.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, 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 holding company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

47.1.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public/ Government	22,044,132	9,412,722	-	-	-	-
Private	49,400,581	52,779,383	-	-	-	-
	<u>71,444,713</u>	<u>62,192,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

47.1.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Textile	167,888	167,888	167,888	167,888	167,888	167,888
Chemical and Pharmaceuticals	591,239	606,732	591,239	606,732	591,239	606,732
Electronics and electrical appliances	1,785	1,785	1,785	1,785	1,785	1,785
Power (electricity), Gas, Water, Sanitary	6,350,748	7,154,912	-	-	-	-
Transport, Storage and Communication	331,571	848,367	331,571	281,700	331,571	281,700
Financial	24,007,175	12,914,616	58,768	63,776	58,768	63,776
	<u>31,450,406</u>	<u>21,694,300</u>	<u>1,151,251</u>	<u>1,121,881</u>	<u>1,151,251</u>	<u>1,121,881</u>

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public/ Government	6,257,485	6,964,682	-	-	-	-
Private	25,192,921	14,729,618	1,151,251	1,121,881	1,151,251	1,121,881
	<u>31,450,406</u>	<u>21,694,300</u>	<u>1,151,251</u>	<u>1,121,881</u>	<u>1,151,251</u>	<u>1,121,881</u>

47.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	38,965,049	52,389,474	584,628	236,973	399,561	124,732
Automobile and transportation equipment	8,665,189	10,413,594	355,173	1,000,964	266,435	376,148
Cement	14,295,707	13,051,710	-	-	-	-
Chemical and Pharmaceuticals	22,137,088	21,724,564	985,217	822,917	853,776	822,917
Construction	10,685,448	7,857,587	507,780	511,397	493,902	511,397
Electronics and electrical appliances	10,933,492	10,718,745	145,517	130,474	102,887	130,474
Exports / Imports	6,428,193	8,423,173	723,342	715,315	656,420	647,563
Financial	10,431,741	9,628,594	905,547	926,031	905,547	926,031
Food & Allied Products	55,134,590	47,322,246	3,241,613	2,367,089	3,193,852	2,145,133
Footwear and Leather garments	2,581,820	2,050,714	158,052	203,343	158,052	183,840
Individuals	56,104,789	48,262,008	715,400	788,404	547,554	540,429
Insurance	6,370	9,505	-	-	-	-
Metal & Allied industries	18,645,909	24,289,761	1,275,184	635,551	748,741	635,350
Mining and Quarrying	2,628,567	2,319,851	-	-	-	-
Oil and Allied	11,768,129	15,091,286	-	-	-	-
Power (electricity), Gas, Water, Sanitary	93,662,347	79,868,350	2,543,959	1,157,905	264,412	289,476
Services	6,184,807	6,824,348	48,503	94,578	47,518	82,733
Sugar	19,670,518	11,627,623	619,017	841,130	619,017	372,009
Textile	92,435,308	93,676,552	4,482,645	3,630,707	3,971,119	3,617,203
Transport, Storage and Communication	4,707,145	6,587,342	1,566,981	1,788,981	1,566,981	1,788,981
Wholesale & Retail Trade	19,724,245	18,044,357	2,046,755	1,877,105	1,879,763	1,826,156
Others	24,177,597	28,216,327	1,513,185	1,094,676	1,066,148	864,097
	<u>529,974,048</u>	<u>518,397,711</u>	<u>22,418,498</u>	<u>18,823,540</u>	<u>17,741,685</u>	<u>15,884,669</u>

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public/ Government	90,633,597	98,240,545	-	-	-	-
Private	439,340,451	420,157,166	22,418,498	18,823,540	17,741,685	15,884,669
	<u>529,974,048</u>	<u>518,397,711</u>	<u>22,418,498</u>	<u>18,823,540</u>	<u>17,741,685</u>	<u>15,884,669</u>

47.1.7 Contingencies and Commitments

	2019	2018
	----- (Rupees in '000) -----	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	439,167	644,423
Automobile and transportation equipment	3,672,861	3,199,346
Cement	961,095	475,659
Chemical and Pharmaceuticals	4,928,094	3,802,147
Construction	6,282,089	4,333,141
Electronics and electrical appliances	2,782,289	1,816,994
Exports / Imports	3,383,560	5,048,665
Financial	20,147,563	17,923,587
Food & Allied Products	5,913,781	7,599,602
Footwear and Leather garments	187,374	176,289
Individual	264,904	219,898
Insurance	513,549	66,831
Metal & Allied industries	995,338	343,183
Mining and Quarrying	3,541,155	3,922,471
Oil and Allied	10,282,735	586,399
Power (electricity), Gas, Water, Sanitary	11,099,054	7,283,152
Services	818,270	882,925
Sugar	192,676	431,895
Textile	30,337,416	22,378,081
Transport, Storage and Communication	1,632,528	3,354,176
Wholesale and Retail Trade	9,315,236	9,874,261
Others	39,462,230	30,749,298
	<u>157,152,964</u>	<u>125,112,423</u>
Credit risk by public / private sector		
Public/ Government	29,472,553	14,722,902
Private	127,680,411	110,389,521
	<u>157,152,964</u>	<u>125,112,423</u>

47.1.8 Concentration of Advances

The holding company top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 117.530 billion (2018: Rs. 136.994 billion) are as following:

Funded	78,905,012	119,953,989
Non Funded	38,624,736	17,039,556
Total Exposure	<u>117,529,748</u>	<u>136,993,545</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 190.337 billion (2018: Rs. 191.245 billion).

Total funded classified therein

	2019		2018	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

47.1.9 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2019						
	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
Punjab	1,151,672,254	1,133,258,377	3,473,225	49,478	7,299	14,798,931	84,944
Sindh	892,254,631	14,204,218	877,649,365	-	47,002	354,046	-
KPK including FATA	20,016,279	22,322	-	19,971,240	-	22,717	-
Balochistan	5,064,169	-	-	-	5,064,169	-	-
Islamabad	88,798,398	37,828,421	-	492,387	175,157	50,302,433	-
AJK including Gilgit-Baltistan	856,757	-	-	-	-	-	856,757
Total	<u>2,158,662,488</u>	<u>1,185,313,338</u>	<u>881,122,590</u>	<u>20,513,105</u>	<u>5,293,627</u>	<u>65,478,127</u>	<u>941,701</u>
Province/Region	2018						
	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
Punjab	1,011,452,333	998,920,172	5,379,193	65,309	831	7,047,968	38,861
Sindh	728,309,305	3,367,574	724,787,847	70	18,725	135,088	-
KPK including FATA	17,503,980	-	-	17,148,717	-	355,263	-
Balochistan	3,594,319	-	-	-	3,594,319	-	-
Islamabad	75,964,135	9,031,826	-	188,364	115,751	66,628,194	-
AJK including Gilgit-Baltistan	574,345	-	-	-	-	-	574,345
Total	<u>1,837,398,417</u>	<u>1,011,319,572</u>	<u>730,167,040</u>	<u>17,402,460</u>	<u>3,729,626</u>	<u>74,166,513</u>	<u>613,206</u>

47.2 Market Risk

Market risk exposes the Group to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a comprehensive Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines a well-defined risk control structure, responsibilities of relevant stakeholders with respect to market risk management and methods to measure and control market risk carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

Under the BoD approved policy, the holding company's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Unit of Risk Management Division (RMD). The 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 holding company 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 factors through stress testing and Internal Capital Adequacy Assessment processes.

47.3 Foreign exchange risk

Foreign exchange (FX) risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. FX risk is mainly managed through matched positions.

The holding company also manages FX risk by setting and monitoring dealer and currency-wise limits. The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is also conducted on a regular basis through VaR analysis.

The analysis below represents the concentration of the holding company's foreign currency risk for on and off balance sheet financial instruments:

	2019				2018			
	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	81,735,823	137,080,822	56,257,834	912,835	72,109,056	117,349,741	45,325,354	84,669
Great Britain Pound Sterling	738,326	4,553,379	3,820,967	5,914	2,339,753	5,093,350	2,760,223	6,626
Euro	2,177,184	3,926,923	1,775,948	26,209	2,332,247	4,132,522	1,813,236	12,961
Japanese Yen	19,030	7,326	285	11,989	315	1,400	3,908	2,823
Other currencies	34,383,577	34,296,190	(32,224)	55,163	30,918,270	30,990,150	75,877	3,997
	<u>119,053,940</u>	<u>179,864,640</u>	<u>61,822,810</u>	<u>1,012,110</u>	<u>107,699,641</u>	<u>157,567,163</u>	<u>49,978,598</u>	<u>111,076</u>

	2019		2018	
	holding companying book	Trading book	holding companying book	Trading book
	----- (Rupees in '000) -----			
Impact of 1% adverse movement in foreign exchange rates on				
- Profit and loss account	-	(10,121)	-	(1,111)
- Other comprehensive income	-	-	-	-

47.3.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- (Rupees in '000) -----					
Cash and balances with treasury banks	100,731,903	-	100,731,903	82,407,736	-	82,407,736
Balances with other banks	4,926,851	-	4,926,851	3,911,554	-	3,911,554
Lendings to financial institutions	71,434,895	-	71,434,895	62,172,287	-	62,172,287
Investments	273,795,233	27,110,324	300,905,557	231,719,116	47,532,615	279,251,731
Advances	511,237,779	-	511,237,779	501,639,727	-	501,639,727
Fixed assets	29,107,720	-	29,107,720	18,317,042	-	18,317,042
Intangible assets	1,260,320	-	1,260,320	1,317,271	-	1,317,271
Deferred tax assets	-	-	-	-	-	-
Assets held for sale	-	-	-	23,589,489	-	23,589,489
Other assets	47,505,354	-	47,505,354	35,998,315	-	35,998,315
	<u>1,040,000,055</u>	<u>27,110,324</u>	<u>1,067,110,379</u>	<u>961,072,537</u>	<u>47,532,615</u>	<u>1,008,605,152</u>

47.3.2 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 group. The group's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The holding company's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Unit of RMD monitors and reports portfolio and scrip level internal and external limits. Holding company has dealer and MAP limits are in place.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 5% adverse movement in equity prices on				
- Profit and loss account	-	(27,116)	-	(7,079)
- Other comprehensive income	(355,150)	-	(404,349)	-

47.4 Yield / Interest Rate Risk in the Banking Book (IRRB)-Base II Specific

Interest Rate Risk is the adverse impact on the holding company'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 (IRRM) 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

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
	1,725,681	(40,471)	1,721,531	(21,694)
	(3,518,412)	-	(1,034,446)	-

47.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	2019										Non-interest bearing financial instruments		
		Exposed to Yield/Interest risk												
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years				
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	0.25%	32,666,927	-	-	-	-	-	-	-	-	-	-	-	68,064,976
Balances with other banks	1.63%	81,145	-	-	-	-	-	-	-	-	-	-	-	4,109,706
Lending to financial institutions	10.91%	56,139,272	9,328,288	3,967,335	-	-	-	-	-	-	-	-	-	-
Investments	9.77%	300,905,557	41,632,418	20,535,718	40,784,350	21,657,921	16,409,864	14,947,031	33,509,420	10,895	-	-	-	12,791,055
Advances	12.27%	511,237,779	180,531,817	143,840,824	23,037,115	7,560,656	2,247,386	7,059,344	21,267,546	2,137,385	-	-	-	2,579,298
Other assets	0.00%	45,209,143	371,035	-	8,550	-	-	-	-	8,736	-	-	-	44,820,686
		1,034,446,128	314,158,614	251,796,133	145,480,461	63,830,015	29,218,577	18,657,250	22,014,111	54,776,966	2,148,280	-	-	132,365,721
Liabilities														
Bills payable	0.00%	17,169,059	-	-	-	-	-	-	-	-	-	-	-	17,169,059
Borrowings	4.90%	103,133,573	41,152,726	7,491,148	6,520,920	566,883	500,369	2,875,255	13,232,707	2,015,931	-	-	-	-
Deposits and other accounts	5.00%	782,274,860	297,052,862	37,029,746	34,163,004	2,210,276	1,281,908	346,133	248	-	-	-	-	351,357,742
Subordinated debt	12.77%	11,987,000	-	11,987,000	-	-	-	-	-	-	-	-	-	-
Other liabilities	0.00%	50,852,356	235,507	21,424	92,917	232,544	476,345	1,231,915	5,617,093	1,707,289	-	-	-	41,225,769
		965,416,848	398,441,095	99,409,128	44,542,318	40,776,841	3,009,703	2,258,622	4,453,303	18,850,048	3,723,220	-	-	409,952,570
On-balance sheet gap		69,029,280	(24,282,481)	152,387,005	23,053,174	26,208,874	16,398,628	17,560,808	35,926,918	(1,574,940)	-	-	-	(277,586,849)
Off-balance sheet financial instruments														
Documentary credits and short-term trade-related transactions		157,152,964	9,692,269	57,513,979	19,392,323	11,405,469	4,299,713	9,650,920	3,689,462	1,496,378	-	-	-	-
Commitments in respect of:														
- Forward exchange contracts - purchase		185,084,250	69,191,321	8,717,102	48,716,270	58,459,557	-	-	-	-	-	-	-	-
- Forward exchange contracts - sale		(120,364,869)	(319,975)	(99,844,993)	(50,013,658)	-	-	-	-	-	-	-	-	-
- Forward security - purchase		1,391,534	-	-	-	-	-	-	-	-	-	-	-	-
- Forward security - sale		(3,001,292)	(2,251,522)	(749,770)	-	-	-	-	-	-	-	-	-	-
- Interest Rate Swaps - receipts		17,745,535	7,432,685	10,312,850	-	-	-	-	-	-	-	-	-	-
- Interest Rate Swaps - payments		(17,745,535)	-	-	-	(1,548,476)	(1,780,747)	(6,561,495)	(4,800,276)	(6,054,541)	-	-	-	-
Off-balance sheet gap		220,262,587	85,136,312	35,949,168	66,737,289	18,094,935	9,624,722	738,218	4,850,644	(2,365,079)	1,496,378	-	-	-
Total Yield/Interest Risk Sensitivity Gap		60,853,831	249,190,004	188,336,173	167,675,432	41,148,109	35,833,596	17,136,846	22,411,452	33,561,839	(78,562)	-	-	(277,586,849)
Cumulative Yield/Interest Risk Sensitivity Gap		60,853,831	249,190,004	416,865,436	458,013,545	493,847,141	510,983,987	533,395,439	566,957,278	566,878,716	289,791,867	-	-	-

	Effective Yield/Interest rate	2018 Exposed to Yield/Interest risk										Above 10 Years	Non-interest bearing financial instruments
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years			
On-balance sheet financial instruments													
<i>Assets</i>													
Cash and balances with treasury banks	0.10%	82,407,736	11,676,690	-	-	-	-	-	-	-	-	-	70,731,046
Balances with other banks	1.84%	3,911,554	1,256,476	-	-	-	-	-	-	-	-	-	2,653,078
Lending to financial institutions	7.14%	62,172,895	52,042,895	10,029,428	99,964	-	-	-	-	-	-	-	-
Investments	6.71%	279,251,731	128,906,051	63,267,090	15,772,057	9,143,014	12,339,429	17,690,441	11,207,473	8,600,389	13,227	12,312,560	
Advances	7.87%	501,639,727	207,222,086	125,600,759	103,271,140	39,060,743	1,184,652	1,837,447	4,615,934	12,008,747	3,903,249	2,934,970	
Assets held for sale		23,589,489	-	-	-	-	-	-	-	-	-	-	23,589,489
Other assets		31,623,181	-	-	-	-	-	-	-	-	-	-	31,623,181
		984,595,705	401,106,198	198,897,277	119,143,161	48,203,757	13,524,081	19,527,888	15,823,407	20,609,136	3,916,476	143,844,324	
<i>Liabilities</i>													
Bills payable		35,988,225	-	-	-	-	-	-	-	-	-	-	35,988,225
Borrowings	4.51%	124,017,735	67,993,082	33,283,177	10,646,801	252,736	39,040	327,020	2,104,432	9,171,447	200,000	-	
Deposits and other accounts	2.96%	702,847,125	296,878,074	58,002,086	28,514,531	16,937,603	703,523	1,760,408	113,074	4,130	425,800	299,507,896	
Subordinated debt	8.39%	11,989,000	-	11,989,000	-	-	-	-	-	-	-	-	
Liabilities directly associated with the assets held for sale		20,435,396	-	-	-	-	-	-	-	-	-	20,435,396	
Other liabilities		31,417,410	-	-	-	-	-	-	-	-	-	31,417,410	
		926,694,891	364,871,156	103,274,263	39,161,332	17,190,339	742,563	2,087,428	2,217,506	9,175,577	625,800	387,348,927	
On-balance sheet gap		57,900,814	36,235,042	95,623,014	79,981,829	31,013,418	12,781,518	17,440,460	13,605,901	11,433,559	3,290,676	(243,504,603)	
Off-balance sheet financial instruments													
Documentary credits and short-term trade-related transactions													
		125,112,423	14,385,617	36,167,697	34,051,382	21,663,420	6,242,240	1,234,234	9,820,083	478,761	1,068,989	-	
Commitments in respect of:													
- Forward exchange contracts - purchase		140,128,603	68,918,857	58,086,790	12,782,828	340,128	-	-	-	-	-	-	
- Forward exchange contracts - sale		(88,136,761)	(48,295,780)	(26,788,686)	(12,632,879)	(419,416)	-	-	-	-	-	-	
- Interest Rate Swaps - receipts		10,650,708	1,944,067	8,359,486	347,155	-	-	-	-	-	-	-	
- Interest Rate Swaps - payments		(10,650,708)	-	-	(3,540,978)	(1,624,684)	(1,388,619)	(1,596,912)	(1,110,895)	(1,388,620)	-	-	
- Futures - sale		(1,400,383)	-	(1,400,383)	-	-	-	-	-	-	-	-	
		175,709,882	36,952,761	74,424,904	31,007,508	19,959,448	4,853,621	(362,678)	8,709,188	(909,959)	1,068,989	-	
Off-balance sheet gap		73,187,803	170,047,918	110,989,337	50,972,866	17,635,199	17,077,782	22,315,089	462,225,934	477,749,634	4,359,665	(243,504,603)	
Total Yield/Interest Risk Sensitivity Gap		73,187,803	246,235,721	354,225,058	405,197,924	422,833,063	439,910,845	462,225,934	477,749,634	477,749,634	4,359,665	239,604,696	

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

	2019	2018
	----- (Rupees in '000) -----	
Total financial assets as per note 47.4.1	1,034,446,128	984,595,705
Add: Non financial assets	29,107,720	18,317,042
Operating fixed assets	1,260,320	1,317,271
Intangibles	2,296,211	4,375,134
Other assets	1,067,110,379	1,008,605,152
Total assets as per statement of financial position	965,416,848	926,694,891
Total financial liabilities as per note 47.4.1	4,137,405	2,500,097
Add: Non financial liabilities	8,272,939	2,388,312
Deferred tax liabilities	977,827,192	931,583,300
Other liabilities	-	-
Total liabilities as per statement of financial position	9,410,344	5,276,709

47.5 Operational Risk

Basel II defines Operational risk as, "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the holding company is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the holding company.

47.5.1 Operational Risk Disclosures - Basel II Specific

The holding company is among the first few banks to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and holding company started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013.

The SBP approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors 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 holding companying Supervision (BCBS), State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

The holding company's ORM framework and practices address all the significant areas of ORM within the holding company including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with holding company's business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies, procedures and systems of the holding company are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems are in place which have been further enhanced and the reports are submitted to Control & Compliance Committee and Board Risk Management Committee.

As required by Basel, the holding company has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

47.5.2 Information Security Risk

The holding company has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated Information Security Division, functioning within Credit & Risk Management Group manages IT and information security risks to 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.

47.5.3 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 against:

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

This Framework is an integral part of the credit approval process. All relevant credit proposals require clearance of Environmental Risk Unit prior to approval of the competent authority. The Environmental Risk Unit, part of RMD, is responsible for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

47.5.4 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 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, 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.

47.6 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 & 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, Holding Company calculates Liquidity Coverage Ratio (LCR) on monthly basis. Based on December 31, 2019 numbers holding company's LCR is 1.57 or 157% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 320,896.800 million and Net Cash Outflows of PKR 204,739.429 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2019 numbers Holding company's NSFR is 138% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 687,962.685 million and Total Required Stable Funding of PKR 499,005.864 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.

At BAFL, BoD approves the Liquidity Risk Policy. Further, it also 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 BoD'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 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.

At BAFL, 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. BAFL carries out the stress testing based on SBP stress tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the holding company's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At BAFL, Contingency Funding Plan (CFP), is implemented to address liquidity issues in times of stress / crises situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the 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, 2019.

HQLA*	Market Value ------(Rupees in '000)-----	Weighted Amount
Level 1 Assets	314,578,751	314,578,751
Level 2A Assets	4,675,759	3,974,395
Level 2B Assets	4,687,308	2,343,654
	<u>323,941,818</u>	<u>320,896,800</u>

* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

2018

	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
Assets												
Cash and balances with treasury banks	82,407,736	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,201,026	-	830,642	-	-	-	-	-	-	-	-	-
Lending to financial institutions	926,456	42,799,027	3,504,659	5,917,382	3,596,347	100,000	-	-	-	-	-	-
Investments	4,347,586	26,085,500	30,433,084	26,707,504	26,715,251	4,488,037	4,665,257	4,665,257	13,093,595	18,629,274	11,557,473	38,302,579
Advances	8,644,077	50,692,438	59,693,789	21,431,194	23,470,214	30,990,352	11,769,670	3,732,037	20,361,623	21,672,036	45,062,867	63,203,302
Fixed assets	2,882	17,291	20,173	86,457	86,457	559,516	259,369	259,369	1,037,475	1,037,475	1,926,969	12,978,500
Intangible assets	714	4,278	4,991	21,392	21,392	64,176	64,176	64,176	256,703	256,703	547,161	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	13,918,129	3,720,170	4,193,452	309,548	309,548	600,767	420,954	970,083	1,014,798	239,751	359,627	359,626
	1,008,605,152	112,448,606	123,318,704	98,680,790	226,325,144	54,473,477	54,199,209	60,391,337	17,179,426	35,764,194	41,835,239	59,454,097
												114,844,007
Liabilities												
Bills payable	35,988,225	-	-	-	-	-	-	-	-	-	-	-
Borrowings	596,433	45,403,464	14,370,099	10,297,866	22,519,512	11,177,036	4,671	11,384	28,077	109,373	1,896,403	9,482,795
Deposits and other accounts	531,919,722	15,037,857	10,650,377	31,404,200	28,000,754	20,286,145	10,556,873	6,913,235	1,036,000	2,010,519	8,649,385	6,712,317
Subordinated debt	11,989,000	-	-	-	-	1,000	-	1,000	2,000	4,985,000	-	7,000,000
Deferred tax liabilities	2,500,097	-	-	-	-	-	2,500,097	-	-	-	-	-
Liabilities directly associated with the assets held for sale	20,435,396	-	-	-	-	20,435,396	-	-	-	-	-	-
Other liabilities	33,805,722	13,657,386	2,028,720	367,792	367,792	1,077,234	2,014,723	2,390,677	1,146,389	1,009,351	1,966,900	-
	991,583,300	582,161,766	62,470,041	27,387,315	43,200,282	42,069,858	50,888,058	52,976,811	15,076,364	8,114,243	12,514,688	23,195,112
Net assets												
	77,021,852	(469,713,160)	60,848,663	71,293,475	183,124,862	12,403,619	3,311,151	7,414,526	2,103,062	33,551,728	33,720,996	46,939,409
												91,648,895
Share capital	17,743,629											
Reserves	23,050,754											
Unappropriated profit	28,323,585											
Surplus on revaluation of assets	7,389,127											
Non-controlling interest	514,757											
	77,021,852											

Share capital
Reserves
Unappropriated profit
Surplus on revaluation of assets
Non-controlling interest

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

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

	2019								
	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets									
Cash and balances with treasury banks	100,731,903	89,291,274	5,532,725	2,081,829	3,471,305	116,920	42,008	217	-
Balances with other banks	4,926,851	4,926,851	-	-	-	-	-	-	-
Lending to financial institutions	71,434,895	58,139,272	9,328,288	3,967,395	-	-	-	-	-
Investments	300,905,557	40,419,517	43,927,833	2,104,195	39,742,680	16,409,864	15,488,396	113,682,402	4,554,219
Advances	511,237,779	191,797,377	72,360,019	50,786,456	29,947,976	16,519,448	61,209,045	57,299,116	17,740,366
Fixed assets	29,107,720	112,537	228,998	646,609	746,176	1,780,485	3,595,649	8,865,791	11,593,722
Intangible assets	1,260,320	20,956	41,912	62,868	125,811	251,856	502,945	2,500	-
Other assets	47,505,354	43,483,928	240,076	328,445	1,361,963	1,221,796	331,390	322,654	-
	1,067,110,379	428,191,712	131,659,851	59,977,737	75,395,911	35,293,675	81,169,433	180,172,680	33,888,307
Liabilities									
Bills payable	17,169,059	17,169,059	-	-	-	-	-	-	-
Borrowings	103,133,573	41,152,725	28,777,634	7,491,148	6,520,920	500,369	2,875,255	13,232,707	2,015,932
Deposits and other accounts	782,274,860	51,712,628	78,495,033	49,936,427	81,337,018	30,565,896	58,935,626	146,112,405	183,361,594
Subordinated debt	11,987,000	-	1,000	-	1,000	-	-	-	7,000,000
Deferred tax liabilities	4,137,405	686,413	-	-	3,450,992	-	-	-	-
Other liabilities	59,125,295	17,588,272	3,659,020	5,501,783	19,310,634	1,437,747	3,154,719	5,617,094	1,707,289
	977,827,192	128,309,097	110,932,687	62,929,358	110,620,564	32,504,012	64,965,600	164,962,206	194,084,815
Net assets	89,283,187	299,882,615	20,727,164	(2,951,621)	(35,224,653)	(67,157,780)	16,203,833	15,210,474	(60,196,508)
Share capital	17,771,651								
Reserves	26,046,019								
Unappropriated profit	33,996,699								
Surplus on revaluation of assets	11,376,517								
Non-controlling interest	92,301								
	89,283,187								

2018

Total	2018								
	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	82,407,736	6,575,778	2,943,841	2,010,558	2,010,558	6,507,610	1,691,025	3,253,846	17,537,025
Balances with other banks	3,911,554	-	-	-	-	-	-	-	-
Lending to financial institutions	62,172,287	9,513,728	100,000	17,969,856	2,402,243	15,610,239	22,022,560	3,459,577	38,963,926
Investments	279,251,731	118,413,884	4,299,773	11,769,670	3,732,037	20,361,623	21,672,036	45,066,142	63,200,027
Advances	501,639,727	259,946,433	30,990,352	11,769,670	3,732,037	1,037,475	1,926,969	2,846,929	10,131,572
Fixed assets	18,317,042	172,913	558,516	518,738	1,037,475	256,703	547,161	-	-
Intangible assets	1,317,271	42,784	64,176	128,352	256,703	-	-	-	-
Assets held for sale	23,589,489	-	23,589,489	-	-	-	-	-	-
Other assets	35,998,315	4,211,193	865,673	1,247,478	698,349	1,797,670	560,687	841,030	841,028
	1,008,605,152	183,831,687	63,411,820	33,644,652	10,137,365	45,571,320	48,420,438	55,467,524	130,673,578
Liabilities									
Bills payable	35,988,225	-	-	-	-	-	-	-	-
Borrowings	124,017,735	32,817,377	11,177,036	16,055	28,077	109,373	1,896,403	9,482,795	-
Deposits and other accounts	702,847,125	79,698,684	50,726,741	78,351,300	122,734,667	24,092,426	52,813,199	117,089,994	133,723,012
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	11,989,000	1,000	-	1,000	2,000	4,985,000	-	-	7,000,000
Deferred tax liabilities	2,500,097	-	-	2,500,097	-	-	-	-	-
Liabilities directly associated with the assets held for sale	20,435,396	-	20,435,396	-	-	-	-	-	-
Other liabilities	33,805,722	1,719,964	2,708,331	7,112,464	1,695,548	1,695,548	3,391,097	-	-
	931,583,300	163,578,716	85,047,504	87,980,916	124,460,292	30,882,347	58,100,699	126,572,789	140,723,012
Net assets	77,021,852	273,868,052	(21,635,684)	(54,336,264)	(114,322,927)	14,688,973	(9,680,261)	(71,105,265)	(10,049,434)
Share capital	17,743,629								
Reserves	23,050,754								
Unappropriated profit	28,323,585								
Surplus on revaluation of assets	7,389,127								
Non-controlling interest	514,757								
	77,021,852								

In line with SGP 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.

47.7 Derivative Risk

The holding company currently deals in derivative instruments namely interest rate swaps and futures with the principle view to hedge risks associated with interest rates and foreign exchange risk.

Interest rate swaps and futures are conducted to hedge interest rate risk present in the holding company's foreign currency bond portfolio.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bonds portfolio against interest rate swaps and futures on a periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/revisited in coordination with Treasury to align the outcomes with established risk parameters.

47.8 Trade Pricing Risk

In line with SBP FE Circular No. 04 dated October 14, 2019 on Framework for Managing Risks of Trade Based Money Laundering and Terrorist Financing, new Unit Trade Pricing Risk – TPRD has been established under the umbrella of Risk Management Division – RMD.

TPRD is responsible to ascertain commodity price of trade transactions to curb under / over invoicing on best effort basis through various reliable sources such as Internet search, Custom valuation ruling, Newspaper, Bloomberg etc.

48 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 13, 2020 has announced final cash dividend of Rs. 2.0 per share (20%) (2018: Rs. 1.5 per share (15%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2019 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2020. The Board had earlier declared and paid an interim cash dividend of Rs. 2.0 (2018: cash dividend: Rs. 1.0, stock dividend: 10%) per share.

49 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 13, 2020 by the Board of Directors of the holding company.

50 GENERAL

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Pattern of Shareholding

As at December 31, 2019

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1939	1	-	100	44,158
1725	101	-	500	468,368
1645	501	-	1000	1,172,330
3935	1001	-	5000	11,701,875
989	5001	-	10000	7,062,105
266	10001	-	15000	3,254,729
126	15001	-	20000	2,214,398
115	20001	-	25000	2,600,930
63	25001	-	30000	1,755,548
51	30001	-	35000	1,673,455
29	35001	-	40000	1,107,601
24	40001	-	45000	1,021,949
41	45001	-	50000	1,989,508
33	50001	-	55000	1,778,734
23	55001	-	60000	1,328,852
18	60001	-	65000	1,117,617
17	65001	-	70000	1,142,386
9	70001	-	75000	658,195
12	75001	-	80000	928,662
11	80001	-	85000	914,113
8	85001	-	90000	705,059
3	90001	-	95000	280,454
19	95001	-	100000	1,877,663
6	100001	-	105000	612,411
18	105001	-	110000	1,975,050
5	110001	-	115000	560,781
5	115001	-	120000	587,187
11	120001	-	125000	1,351,067
6	125001	-	130000	763,776
2	130001	-	135000	265,100
10	135001	-	140000	1,371,987
3	140001	-	145000	430,150
5	145001	-	150000	741,904
2	150001	-	155000	302,712
3	155001	-	160000	476,800
4	160001	-	165000	652,475
1	165001	-	170000	170,000
5	170001	-	175000	865,390
2	175001	-	180000	356,762
4	180001	-	185000	733,006
2	185001	-	190000	374,000
2	190001	-	195000	386,025
5	195001	-	200000	995,300

Number of Shareholders	From	Shareholding	To	Number of Shares Held
5	200001	-	205000	1,005,237
3	205001	-	210000	622,270
4	210001	-	215000	853,724
9	215001	-	220000	1,974,003
1	220001	-	225000	225,000
2	225001	-	230000	454,750
3	230001	-	235000	692,505
3	235001	-	240000	717,537
5	245001	-	250000	1,239,368
5	250001	-	255000	1,263,963
3	255001	-	260000	770,044
4	260001	-	265000	1,049,862
1	265001	-	270000	268,030
7	270001	-	275000	1,913,278
1	275001	-	280000	276,227
2	280001	-	285000	564,320
1	285001	-	290000	288,959
4	290001	-	295000	1,169,775
1	295001	-	300000	297,185
2	300001	-	305000	606,785
5	305001	-	310000	1,539,918
2	320001	-	325000	647,461
5	325001	-	330000	1,650,000
1	330001	-	335000	335,000
1	335001	-	340000	338,800
2	345001	-	350000	694,400
2	350001	-	355000	706,100
1	355001	-	360000	358,500
2	360001	-	365000	728,100
1	365001	-	370000	369,264
2	380001	-	385000	765,526
2	385001	-	390000	777,696
1	390001	-	395000	390,700
1	400001	-	405000	401,900
2	410001	-	415000	824,666
2	425001	-	430000	856,800
2	430001	-	435000	867,000
4	435001	-	440000	1,758,050
1	445001	-	450000	450,000
2	450001	-	455000	906,000
2	455001	-	460000	914,350
1	465001	-	470000	467,500
1	480001	-	485000	484,000
4	490001	-	495000	1,972,687
2	495001	-	500000	1,000,000
1	500001	-	505000	505,000
1	505001	-	510000	506,250
1	510001	-	515000	514,080
2	515001	-	520000	1,035,100

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	520001	-	525000	522,843
1	525001	-	530000	525,300
1	530001	-	535000	532,691
1	540001	-	545000	540,869
4	545001	-	550000	2,197,250
3	550001	-	555000	1,656,801
1	555001	-	560000	555,500
1	570001	-	575000	573,000
2	585001	-	590000	1,175,773
2	595001	-	600000	1,200,000
1	600001	-	605000	604,998
2	610001	-	615000	1,225,462
1	615001	-	620000	616,000
1	620001	-	625000	621,500
2	630001	-	635000	1,265,548
1	650001	-	655000	653,050
1	675001	-	680000	676,050
1	685001	-	690000	686,187
1	690001	-	695000	692,875
1	700001	-	705000	704,000
1	710001	-	715000	714,340
1	725001	-	730000	729,450
1	735001	-	740000	739,500
1	750001	-	755000	751,300
1	765001	-	770000	769,450
1	790001	-	795000	795,000
1	795001	-	800000	796,950
1	805001	-	810000	809,469
1	820001	-	825000	824,999
1	860001	-	865000	863,500
1	865001	-	870000	865,691
1	875001	-	880000	879,999
1	895001	-	900000	900,000
1	905001	-	910000	909,700
1	910001	-	915000	914,949
1	965001	-	970000	969,750
1	975001	-	980000	979,000
1	980001	-	985000	983,500
1	985001	-	990000	987,800
3	995001	-	1000000	3,000,000
1	1020001	-	1025000	1,023,550
1	1045001	-	1050000	1,047,750
1	1055001	-	1060000	1,057,750
1	1060001	-	1065000	1,064,000
1	1065001	-	1070000	1,068,600
1	1075001	-	1080000	1,077,999
2	1095001	-	1100000	2,200,000
1	1125001	-	1130000	1,128,450
1	1135001	-	1140000	1,139,613

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	1145001	-	1150000	1,147,000
1	1150001	-	1155000	1,150,050
1	1300001	-	1305000	1,303,000
1	1320001	-	1325000	1,325,000
2	1330001	-	1335000	2,663,321
2	1370001	-	1375000	2,750,000
1	1375001	-	1380000	1,375,450
3	1380001	-	1385000	4,145,834
1	1400001	-	1405000	1,401,618
1	1420001	-	1425000	1,423,400
1	1460001	-	1465000	1,465,000
1	1465001	-	1470000	1,465,550
1	1470001	-	1475000	1,472,100
1	1530001	-	1535000	1,534,650
1	1540001	-	1545000	1,543,434
1	1620001	-	1625000	1,623,333
1	1735001	-	1740000	1,737,000
1	1795001	-	1800000	1,800,000
1	1855001	-	1860000	1,857,004
1	2045001	-	2050000	2,049,000
1	2080001	-	2085000	2,084,000
1	2180001	-	2185000	2,183,500
1	2305001	-	2310000	2,310,000
1	2320001	-	2325000	2,323,965
1	2325001	-	2330000	2,327,900
1	2350001	-	2355000	2,350,157
1	2365001	-	2370000	2,369,400
1	2490001	-	2495000	2,490,863
1	2495001	-	2500000	2,500,000
1	2545001	-	2550000	2,547,350
1	2580001	-	2585000	2,581,600
1	2690001	-	2695000	2,691,150
1	2695001	-	2700000	2,700,000
1	2785001	-	2790000	2,788,605
1	2810001	-	2815000	2,812,400
1	2950001	-	2955000	2,953,591
1	3145001	-	3150000	3,149,100
1	3245001	-	3250000	3,249,500
1	3480001	-	3485000	3,480,500
1	3520001	-	3525000	3,523,700
1	3535001	-	3540000	3,536,500
1	3545001	-	3550000	3,550,000
1	3565001	-	3570000	3,568,150
1	3665001	-	3670000	3,665,550
1	3675001	-	3680000	3,677,000
1	3785001	-	3790000	3,789,050
1	3880001	-	3885000	3,884,505
1	3900001	-	3905000	3,901,250
1	3930001	-	3935000	3,931,424

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	3995001	-	4000000	4,000,000
1	4030001	-	4035000	4,031,400
1	4055001	-	4060000	4,058,500
1	4120001	-	4125000	4,125,000
1	4300001	-	4305000	4,303,500
1	4790001	-	4795000	4,791,994
1	4940001	-	4945000	4,943,924
1	4995001	-	5000000	5,000,000
1	5345001	-	5350000	5,350,000
1	5390001	-	5395000	5,394,950
1	5685001	-	5690000	5,689,760
1	5695001	-	5700000	5,695,500
1	6550001	-	6555000	6,550,900
1	7575001	-	7580000	7,579,100
2	7580001	-	7585000	15,168,114
1	8130001	-	8135000	8,133,316
1	9005001	-	9010000	9,006,562
1	10475001	-	10480000	10,478,050
1	13005001	-	13010000	13,008,399
1	14810001	-	14815000	14,813,500
1	14845001	-	14850000	14,850,000
1	19015001	-	19020000	19,019,250
1	19250001	-	19255000	19,251,763
1	21040001	-	21045000	21,041,084
1	22065001	-	22070000	22,067,710
1	33640001	-	33645000	33,643,661
1	35360001	-	35365000	35,364,941
1	40360001	-	40365000	40,363,866
1	42420001	-	42425000	42,422,788
1	58395001	-	58400000	58,399,658
1	59360001	-	59365000	59,362,875
1	60545001	-	60550000	60,548,683
1	75685001	-	75690000	75,685,854
1	76890001	-	76895000	76,890,500
1	83255001	-	83260000	83,255,882
1	83570001	-	83575000	83,573,250
2	113525001	-	113530000	227,057,562
1	131185001	-	131190000	131,189,776
1	261895001	-	261900000	261,895,095
11479				1,777,165,119

Categories of Shareholders

As at December 31, 2019

S.No.	Categories of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer their Spouse(s) and Minor Children	277,726,726	15.63
2	Associated Companies, Undertakings and Related Parties	88,282,898	4.97
3	NIT and ICP	5,877,373	0.33
4	Banks Development Financial Institutions, Non Banking Financial Institutions	22,205,255	1.25
5	Insurance Companies	108,350,315	6.10
6	Modarabas and Mutual Funds	83,029,708	4.67
7	General Public		
	a) Local	151,569,610	8.53
	b) Foreign	458,056,470	25.77
8	Others		
	a) Foreign Companies	451,607,542	25.41
	b) Joint Stock Companies	120,826,272	6.80
	c) Provident Funds, Pension Funds, Gratuity Funds and other entities	9,632,950	0.54
		1,777,165,119	100.00

Shareholders holding 10% Shares or more Voting Rights

	Holding	%
M/s. International Finance Corporation	261,895,095	14.74
H.H. Sheikh Nahayan Mabarak Al Nahayan	189,589,434	10.67

Category Details of Shareholders

As at December 31, 2019

S.No.	Shareholder's Category	No. of Shares Held	Category wise No. of Shares	Percentage
1. Directors, Chief Executive Officers their spouse and Miner Children				
1	H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman	189,589,434		
2	Mr. Abdulla Nasser Hawaileel Al Mansoori, Director	83,255,882		
3	Mr. Abdulla Khalil Al Mutawa, Director	12,464		
4	Mr. Khalid Mana Saeed Al Otaiba, Director	74,202		
5	Mr. Nauman Ansari (Director - CEO)	550		
6	Mr. Efstratios Georgios Arapoglou, Director	550		
7	Mr. Shehzad Naqvi, Director	550		
8	Dr. Ayesha Khan, Director	550		
9	Dr. Gyorgy Tamas Ladics, Director	550		
10	H.H. Sheikhha Fakhira Saeed S Alnehayan, Spouse	4,791,994	277,726,726	15.63
2. Associated Companies, Undertakings & Related Parties.				
1	DHABI ONE INVESTMENTS SERVICES LLC	42,422,788		
2	TRUSTEE OF BANK ALFALAH LTD. EMPLOYEES GRATUITY FUND TRUST	33,643,661		
3	TRUSTEE OF BANK ALFALAH LTD. EMPLOYEES PROVIDENT FUND TRUST	9,037,499		
4	CDC - TRUSTEE ALFALAH GHP VALUE FUND	573,000		
5	CDC - TRUSTEE ALFALAH GHP STOCK FUND	1,472,100		
6	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1,057,750		
7	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	76,100	88,282,898	4.97
3. NIT and ICP				
1	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	4,943,924		
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	914,949		
3	CDC-TRUSTEE NITPF EQUITY SUB-FUND	18,500	5,877,373	0.33
4. Banks DFI and NBF				
			22,205,255	1.25
5. Insurance Companies				
			108,350,315	6.10
6. Modarabas & Mutual Funds				
1	CDC - TRUSTEE NBP STOCK FUND	19,019,250		
2	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	8,133,316		
3	CDC - TRUSTEE ATLAS STOCK MARKET FUND	7,585,000		
4	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	7,579,100		
5	CDC - TRUSTEE ABL STOCK FUND	6,550,900		
6	CDC - TRUSTEE LAKSON EQUITY FUND	3,901,250		
7	CDC - TRUSTEE PICIC GROWTH FUND	3,665,550		
8	CDC - TRUSTEE HBL - STOCK FUND	3,149,100		
9	CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	2,812,400		
10	CDC - TRUSTEE PICIC INVESTMENT FUND	2,691,150		
11	CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	2,547,350		
12	MC FSL - TRUSTEE JS GROWTH FUND	1,534,650		

13	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1,383,300		
14	CDC - TRUSTEE NBP BALANCED FUND	1,150,050		
15	CDC - TRUSTEE NBP SARMAYA IZAFSA FUND	1,128,450		
16	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	1,068,600		
17	CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	969,750		
18	MCBFSL - TRUSTEE JS VALUE FUND	729,450		
19	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	633,050		
20	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	587,773		
21	CDC - TRUSTEE JS LARGE CAP. FUND	551,800		
22	CDC - TRUSTEE LAKSON TACTICAL FUND	532,691		
23	CDC - TRUSTEE ALLIED FINERGY FUND	517,000		
24	CDC - TRUSTEE GOLDEN ARROW STOCK FUND	500,000		
25	CDC - TRUSTEE APF-EQUITY SUB FUND	455,000		
26	CDC - TRUSTEE HBL EQUITY FUND	438,050		
27	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	347,950		
28	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	322,461		
29	CDC - TRUSTEE HBL PF EQUITY SUB FUND	297,185		
30	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	247,700		
31	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	214,950		
32	CDC - TRUSTEE AKD OPPORTUNITY FUND	200,500		
33	CDC - TRUSTEE NBP SAVINGS FUND - MT	187,500		
34	CDC - TRUSTEE AKD INDEX TRACKER FUND	172,735		
35	CDC - TRUSTEE HBL MULTI - ASSET FUND	161,600		
36	CDC - TRUSTEE FIRST HABIB STOCK FUND	159,300		
37	CDC - TRUSTEE FAYSAL STOCK FUND	150,000		
38	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	135,900		
39	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	127,000		
40	CDC - TRUSTEE FAYSAL MTS FUND - MT	122,000		
41	CDC - TRUSTEE AWT ASSET ALLOCATION FUND	90,000		
42	CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	79,150		
43	CDC - TRUSTEE AWT STOCK FUND	66,500		
44	MCBFSL - TRUSTEE ALLIED CAPITAL PROTECTED FUND	63,250		
45	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	31,000		
46	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	16,500		
47	CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	11,500		
48	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	11,000		
49	CDC - TRUSTEE ATLAS INCOME FUND - MT	47	83,029,708	4.67

7. General Public

a)	Foreign	458,056,470	25.77
b)	Local	151,569,610	8.53

8. Others

a)	Foreign Company	451,607,542	25.41
b)	Joint Stock Companies	120,826,272	6.80
c)	Provident Funds, Pension Funds, Gratuity Funds and other entities	9,632,950	0.54

Paid Up Capital

1,777,165,119	100.00
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Sale / Purchase of Shares of the Bank

By directors/executives and their spouses and minor children during the year 2019

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
1	Mr. Abdulla Nasser Hawaileel Al Mansoori	10/06/2019		45,000	Rs. 46.00
		10/06/2019		30,000	Rs. 46.02
		10/06/2019		10,000	Rs. 46.05
		10/06/2019		15,000	Rs. 46.06
		10/06/2019		51,500	Rs. 46.20
		10/06/2019		1,000	Rs. 46.21
		10/06/2019		1,500	Rs. 46.25
		10/06/2019		8,500	Rs. 46.30
		11/06/2019		25,000	Rs. 45.00
		12/06/2019		20,000	Rs. 44.80
		12/06/2019		11,000	Rs. 45.00
		12/06/2019		4,500	Rs. 45.20
		18/06/2019		395,000	Rs. 45.00
		18/06/2019		5,000	Rs. 45.01
		18/06/2019		9,000	Rs. 45.10
		20/06/2019		100,000	Rs. 45.00
		21/06/2019		305,000	Rs. 45.00
		02/10/2019		309,000	Rs. 42.00
		03/10/2019		262	Rs. 41.20
		03/10/2019		191,000	Rs. 42.00
		03/10/2019		10,500	Rs. 42.01
		03/10/2019		130,500	Rs. 42.30
		03/10/2019		500	Rs. 42.44
		03/10/2019		175,610	Rs. 42.50
		07/10/2019		112,500	Rs. 43.30
		07/10/2019		1,000	Rs. 43.40
		22/10/2019		31,500	Rs. 42.25
		23/10/2019		50,000	Rs. 42.25
		23/10/2019		103,000	Rs. 42.35
		24/10/2019		50,000	Rs. 42.25
		24/10/2019		50,000	Rs. 42.35
		24/10/2019		50,000	Rs. 42.45
		24/10/2019		50,000	Rs. 42.70
		24/10/2019		150,000	Rs. 43.00
		28/10/2019		116,000	Rs. 42.50
		28/10/2019		36,500	Rs. 42.51

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		28/10/2019		500	Rs. 42.52
		28/10/2019		6,000	Rs. 42.65
		29/10/2019		36,500	Rs. 41.90
		31/10/2019		127,000	Rs. 41.90
		04/11/2019		500,000	Rs. 42.75
		04/11/2019		38,000	Rs. 42.85
		04/11/2019		69,000	Rs. 42.90
		04/11/2019		32,000	Rs. 42.95
		04/11/2019		204,000	Rs. 43.00
		05/11/2019		11,000	Rs. 41.75
		05/11/2019		41,000	Rs. 42.00
		05/11/2019		6,500	Rs. 42.01
		05/11/2019		500	Rs. 42.02
		05/11/2019		8,000	Rs. 42.05
		05/11/2019		7,000	Rs. 42.06
		05/11/2019		1,500	Rs. 42.07
		05/11/2019		500	Rs. 42.12
		05/11/2019		5,000	Rs. 42.15
		05/11/2019		1,000	Rs. 42.16
		05/11/2019		118,000	Rs. 43.00
2	Mr. Muhammad Ashraf	07/01/2019		20,000	Rs. 47.00
		31/01/2019		4,500	Rs. 48.90
		23/05/2019		20,000	Rs. 46.50
		02/10/2019		24,000	Rs. 42.00
3	Mr. Javed Iqbal	06/03/2019		5,000	Rs. 48.40
		06/03/2019		5,000	Rs. 48.50
		13/03/2019		10,000	Rs. 46.50
		14/03/2019		5,000	Rs. 46.48
		22/03/2019		10,000	Rs. 47.70
		15/05/2019		5,000	Rs. 45.50
		21/05/2019		10,000	Rs. 46.60
		21/05/2019		10,000	Rs. 46.70
		27/05/2019		10,000	Rs. 46.50
		27/05/2019		10,000	Rs. 46.60
		27/05/2019		10,000	Rs. 46.70
		18/06/2019		10,000	Rs. 44.95
		11/07/2019		4,000	Rs. 43.95
		07/08/2019		25,000	Rs. 38.80
		20/08/2019		25,000	Rs. 40.10

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		20/08/2019		50,000	Rs. 40.20
		20/08/2019		25,000	Rs. 40.43
		22/08/2019		25,000	Rs. 41.40
		22/08/2019		25,000	Rs. 41.70
		28/08/2019		25,000	Rs. 41.90
		02/09/2019		25,000	Rs. 40.40
		20/09/2019		25,000	Rs. 40.90
		24/09/2019		33,800	Rs. 40.80
4	Mr. Haroon Khalid	04/01/2019		5,000	Rs. 45.99
		01/02/2019		10,000	Rs. 49.48
		29/05/2019		15,000	Rs. 47.50
		20/08/2019		20,000	Rs. 40.43
5	Mr. Aasim Wajid Jawad	24/01/2019		5,000	Rs. 50.00
		25/01/2019		10,000	Rs. 48.75
		04/02/2019		10,000	Rs. 51.00
		07/02/2019		6,000	Rs. 50.01
		07/02/2019		14,000	Rs. 50.00
		20/06/2019		30,000	Rs. 45.00
		21/06/2019		10,000	Rs. 45.00
		21/06/2019		10,000	Rs. 45.01
		02/10/2019		10,000	Rs. 42.00
		03/10/2019		5,000	Rs. 42.50
		04/10/2019		5,000	Rs. 43.00
		06/11/2019		5,000	Rs. 43.00
		06/11/2019		5,000	Rs. 43.50
		18/11/2019		5,000	Rs. 45.00
		18/11/2019		5,000	Rs. 45.50
6	Mr. Muhammad Umer Farooq Mallick	04/01/2019	5,000		Rs. 45.99
		04/01/2019		1,000	Rs. 45.75
		04/01/2019		4,000	Rs. 45.90
		04/01/2019		5,000	Rs. 46.10
		04/01/2019		5,000	Rs. 45.50
		07/01/2019		5,000	Rs. 47.00
		08/01/2019		5,000	Rs. 46.80
		08/01/2019		5,000	Rs. 47.50
		15/01/2019		10,000	Rs. 48.00
		22/01/2019		5,000	Rs. 48.25
		25/01/2019		5,000	Rs. 48.80
		29/01/2019		5,000	Rs. 48.00
		30/01/2019		5,000	Rs. 48.00

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		23/12/2019		10,000	Rs. 45.53
7	Mr. Muhammad Ayyaz Ashraf	26/02/2019		5,000	Rs. 47.90
		26/02/2019		16,000	Rs. 48.00
		06/03/2019		2,000	Rs. 48.00
8	Mr. Hasan Ahmed Khan	15/05/2019		20,000	Rs. 45.30
		06/11/2019		13,000	Rs. 42.99
9	Mr. Mohammad Ali	14/05/2019		21,000	Rs. 43.50
		14/05/2019		5,000	Rs. 43.51
		14/05/2019		5,000	Rs. 43.60
		14/05/2019		67	Rs. 42.43
		14/05/2019		99	Rs. 42.50
10	Mr. Khawaja Zia Abbas	16/05/2019		500	Rs. 44.05
		16/05/2019		167	Rs. 44.00
		21/05/2019		2,000	Rs. 46.15
		03/06/2019		2,000	Rs. 46.50
		27/06/2019		3,000	Rs. 44.25
		15/07/2019		1,000	Rs. 42.20
		17/07/2019		500	Rs. 41.80
		18/07/2019		500	Rs. 41.20
		18/07/2019		500	Rs. 41.45
		04/10/2019		2,500	Rs. 43.00
		11/11/2019		35,000	Rs. 43.00
11	Mr. Khurram Jamshed	15/05/2019		42,500	Rs. 44.50
		15/05/2019		400	Rs. 44.00
12	Mr. Farooq Qamar Khan	21/05/2019		20,000	Rs. 46.25
		21/05/2019		27,500	Rs. 46.50
13	Mr. Muhammad Qasim Rashid	21/05/2019		5,000	Rs. 46.25
		21/05/2019		5,000	Rs. 46.50
		21/05/2019		5,000	Rs. 46.70
		23/05/2019		29,500	Rs. 46.55
		23/05/2019		1,000	Rs. 46.56
		23/05/2019		500	Rs. 46.70
		23/05/2019		10,000	Rs. 46.75
		23/05/2019		500	Rs. 46.84
		23/05/2019		324	Rs. 46.20
		23/05/2019		10	Rs. 46.21
14	Mr. Husnain Zaigham	29/05/2019		38,500	Rs. 46.50
15	Mr. Syed Talal Ali Raza	30/05/2019		5,000	Rs. 47.35
16	Mr. Shahzad Gulzar	30/07/2019		10,000	Rs. 39.35

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		30/07/2019		10,000	Rs. 39.10
		30/07/2019		5,000	Rs. 39.30
		31/07/2019		5,000	Rs. 39.90
		31/07/2019		500	Rs. 39.41
		31/07/2019		2,500	Rs. 39.36
		31/07/2019		7,000	Rs. 39.35
		31/07/2019		500	Rs. 39.45
		31/07/2019	66		Rs. 39.70
		31/07/2019	88		Rs. 40.00
		31/07/2019	5		Rs. 40.99
		31/07/2019	7		Rs. 41.49
17	Mr. Amin Dawood Saleh	21/08/2019		500	Rs. 40.00
18	Mr. Masood Ahmed Awan	17/09/2019		8,000	Rs. 41.00
		30/09/2019		9,000	Rs. 41.00
		16/12/2019		10,000	Rs. 46.75
19	Mr. Muhammed Omer	24/09/2019		4,000	Rs. 40.20
		24/09/2019		68	Rs. 40.00
		17/12/2019		22,000	Rs. 45.85
20	Mr. Amin Sukhiani	02/10/2019		61,000	Rs. 42.00
		03/10/2019		232	Rs. 42.00
21	Mr. Shehzad Lalani	03/10/2019		20,000	Rs. 42.35
		07/10/2019		13,000	Rs. 44.10
22	Mr. Tahir Khurshid	14/11/2019		5,000	Rs. 45.00
		14/11/2019		5,000	Rs. 45.05
		14/11/2019		5,000	Rs. 45.10
		14/11/2019		5,000	Rs. 45.15
		14/11/2019		5,000	Rs. 45.20
		14/11/2019		5,000	Rs. 45.25
		14/11/2019		5,000	Rs. 45.30
		18/11/2019		2,000	Rs. 44.50
		18/11/2019		414	Rs. 44.50
23	Mr. Kamran Mahmood	23/12/2019		20,000	Rs. 45.50
		24/12/2019		30,000	Rs. 45.50

As required under Rule Book of Pakistan Stock Exchange Limited, the threshold for Executives, set by the Board of Directors of the Bank for the purpose of disclosure of trades in shares of the Bank means the CEO, CFO, Head of Internal Audit, Company Secretary, and all employees of the Bank working in salary Range VIII and IX.

Bank Alfalah Limited

NOTICE OF THE 28TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 28th Annual General Meeting ("AGM") of Bank Alfalah Limited ("the Bank") will be held on Friday, March 27, 2020 at 10:00 AM at Ballroom, Pearl Continental Hotel, Karachi to transact the following business:

Ordinary Business:

1. To confirm Minutes of the Annual General Meeting held on 28th March 2019.
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended December 31, 2019 together with Directors' Report and Auditors' Report thereon including post-facto approval of remuneration paid to the non-executive directors for attending Board and Board Committees meetings as reported under Note No. 41 of the Annual Accounts, in compliance with SBP Prudential Regulations.
3. To approve as recommended by the Board of Directors, payment of final cash dividend at the rate of Rs. 2/- per share i.e. 20% for the year ended 31st December 2019. This is in addition to the Interim Cash Dividend already paid by the Bank at the rate of Rs. 2/- per share i.e. 20%.
4. To appoint Auditors of the Bank for the year 2020 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

Special Business:

6. To approve Remuneration Policy for the Directors of Bank Alfalah Limited, as per requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and State Bank of Pakistan's BPRD Circular No. 03 of 2019 dated August 17, 2019 and to pass the following Ordinary Resolution:

"RESOLVED THAT in order to meet regulatory requirements, the Remuneration Policy for the Directors of Bank Alfalah Limited, be and is hereby approved, as presented."

The statement of material facts under Section 134(3) of the Companies Act, 2017 in respect of the aforesaid special business to be considered at the Annual General Meeting is being sent to the members along with the Notice.

Karachi

Dated: 6th March 2020

By Order of the Board

MUHAMMAD AKRAM SAWLEH
Company Secretary

NOTES:

1. The Share Transfer Books of the Bank will be closed from March 20, 2020 to March 27, 2020 (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 before the close of business on March 19, 2020 will be treated in time for the purpose of attending meeting by the transferees.
2. Members may exercise their right to vote as per provisions of the Companies Act, 2017 and the Companies (Postal Ballot) Regulations, 2018. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy, any of its official or any other person whether a member of the Bank or otherwise.

3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the office of Share Registrar of the Bank, F.D. Registrar Services (Pvt.) Limited, not less than 48 hours before the time of the Meeting.
4. Those shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of the Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy with our Share Registrar. In case of Proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).
5. **Change of address and/or email address**
Shareholders having physical scrip of shares are requested to promptly notify change in their postal address and/or email address, if any, to our Share Registrar, in writing, whereas CDC account holders are requested to contact their CDC Participant/CDC Investor Account Services.
6. **Mandatory submission of CNIC**
The shareholders are informed that SECP vide its letter No. EMD/233/655/2004/2106 dated 20th April 2016, has allowed the Bank to withhold all future cash dividends of those shareholders, who have not provided a copy of their valid CNIC to the Bank. In view of this, those shareholders are once again requested to submit a valid copy of Computerized National Identity Card (CNIC) to our Share Registrar at their address M/s. F.D. Registrar Services (Pvt.) Ltd, Office # 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.

A list of shareholders, who have not yet provided copies of their valid CNICs is placed on the Bank's website, www.bankalfalah.com.

7. **Payment of Cash Dividend Electronically (e-Dividend)/Dividend Mandate**
In accordance with the Companies (Distribution of Dividends) Regulations, 2017, those shareholders who have not yet provided their dividend mandate/bank account details are requested to provide the same including IBAN to their respective Participants (if shares are held electronically) or to the Share Registrar (if shares are held in physical form) for direct credit of cash dividends into their designated bank accounts through electronic modes.

The required dividend mandate information must include 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. Further note that, as per provisions of the Companies (Distribution of Dividends) Regulations, 2017, the Bank is required to withhold cash dividend payment of those shareholders whose dividend mandate information is not available at the time of payment of cash dividend.

8. **Financial Statements and Notice of Annual General Meeting through email**
SECP vide SRO No. 787(I)2014 dated 8th September 2014 has allowed companies to circulate the audited financial statements and notice of Annual General Meeting to shareholders through their email address subject to their written consent. Desiring shareholders are requested to provide their complete email address through a duly signed letter along with copy of valid CNIC. Such shareholders are also required to notify immediately any change in email address in writing to our Share Registrar, F.D. Registrar Services (Pvt.) Limited.
9. **Video Conference Facility for Attending General Meetings**
According to the provisions of the Companies Act, 2017, members holding in aggregate 10% or more shareholding in the paid up capital of the Bank, residing in a city, may avail video conference facility to attend the meeting.

The members should provide their consent as per the following format and submit to the registered address of the Bank, 7 days before holding of AGM.

Consent Form for Video Conference Facility

"I/We, _____ of _____, being a member of Bank Alfalah Limited, holder of _____ Ordinary shares as per Register Folio/CDC Account No. _____ hereby opt for video conference facility at _____ (geographical location).

Signature of member

If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 7 days prior to date of the meeting, the Bank will arrange video conference facility in that city to such shareholders.

The Bank will intimate members regarding venue of video conference facility at least 5 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

10. Un-claimed Dividends / Shares

The shareholders are hereby informed that in accordance with Section 244 of the Companies Act, 2017 and the Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are undelivered/unclaimed for a period of three (3) years or more from the date it is due and payable. The notices to this fact have already been dispatched to the relevant shareholders.

Shareholders who have not yet collected/received their dividends/shares are advised to contact our Share Registrar for details.

11. Withholding Tax on dividends

Shareholders are informed that the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as (a) 15% for filers of income tax returns and (b) 30% for non-filers of income tax returns.

Those shareholders, whose name will not be appeared (at the time of issuance/process of dividend) in the Active Tax Payers List of filers, as updated by the Federal Board of Revenue at its website, will be subject to 30% withholding tax deduction on the dividend income.

The corporate shareholders having CDC accounts are requested to provide their National Tax Numbers (NTNs) to their respective CDC Participants/CDC Account Services, whereas corporate shareholders having shares in physical form should send a copy of their NTN certificate to the Bank's Share Registrar.

12. Tax in case of Joint Shareholders

The Federal Board of Revenue has clarified that where the shares are held in joint accounts/names, each account/joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding proportion. If the share proportion (of joint holders) is not determined then each account/joint holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

Folio / CDC A/c No.	Name of Shareholders (Joint Holders)	# of shares (proportion)	CNIC No. (valid copy attached)	Signature
	1)			
	2)			
	3)			
	4)			
Total Shares				

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 PERTAINING TO THE SPECIAL BUSINESS BEING TRANSACTED:

Agenda Item No. 6:

Directors' Remuneration Policy:

According to the provisions of Regulation No. 16 of the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Board of Directors of a listed company is required to have in place a formal policy and transparent procedure for fixing the remuneration packages of individual directors for attending meeting of the Board and its committees.

Further, State Bank of Pakistan has amended Para 2 of Section 'C' of Regulation G-1 of Prudential Regulations for Corporate/Commercial Banking through BPRD Circular No. 03 of 2019 dated August 17, 2019. The amended regulation requires that the remuneration policy for the Chairman and other Directors should be approved by the shareholders of the Bank on pre or post facto basis in the Annual General Meeting.

Therefore, in order to comply with the said requirements, the Board Human Resources, Remuneration & Nomination Committee of the Bank has reviewed and recommended to the Board of Directors, for onward recommendation to the shareholders to approve the Remuneration Policy for the Directors of the Bank in the Annual General Meeting, which is accordingly being made for consideration and approval by the shareholders.

Those shareholders, who wish to review/inspect the proposed policy document, are requested to visit the registered office of the Bank at 3rd Floor, B.A. Building, I.I. Chundrigar Road, Karachi, during business hours, along with a photocopy of his/her computerized national identity card (CNIC) and details of folio/CDC account number.

As the Remuneration Policy pertains to the Directors of the Bank, therefore, the non-executive directors of the Bank are interested in the above Special Business.

Glossary and Definition of Terms

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash, or its equivalent.

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words 'accepted' above his signature and a designated payment date.

Activity/Turnover Ratios

Evaluate the operational efficiency of the company to convert inventory and receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales

Basis Point

One hundredth of a percent i.e. 0.01 per cent. 100 basis points is 1 percent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per Share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets, excluding the impact of revaluation on fixed assets, divided by the total number of shares outstanding at year end.

Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is the process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

Call Money Rate

Interbank clean (without collateral) lending/borrowing rates are called Call Money Rates

Capital Structure Ratios

Provide an indication of the long-term solvency of the Company and its cost of debt, in relation to equity and profits.

Coupon Rate

Interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

Call Deposits

These include short notice and special notice deposits.

Current Deposits

Non-remunerative chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

Computer Software (intangible fixed assets)

An asset consisting of computer programmes, programme descriptions and supporting materials for both systems and applications software; included are purchased software and software developed on own account, if the expenditure is large.

Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

CAGR

An abbreviation for Compound Annual Growth Rate.

Corporate Governance

It is 'the system by which companies are directed and controlled' by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

Currency (cash in hand)

Notes and coins that are of fixed nominal values and accepted as legal tender in an economy that are issued by the central bank and/or government. This category should also include currency that is no longer legal tender, but that can be exchanged immediately for current legal tender.

Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets
- Requires no or very little initial net investment
- It is settled at a future date

Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age

and other factors. The risks of paying for the plan rest entirely with the plan.

Deferred Taxation

Sum set aside for tax in financial statements that will become payable/receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

Discount Rate

The rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Dividends

Distribution of earnings to shareholders prorated by the class of security and paid in the form of money, stock, scrip, and rarely company products or property.

Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio

Dividend per share (DPS) divided by the market value of share.

Earnings per Share (EPS)

Profit after taxation divided by the weighted average number of ordinary shares in issue.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Electrical, Office and Computer Equipment

All office equipment, other than those acquired through financial leases, that are used for the business, including counting and computing equipment, printers, scanners, photocopiers, fax machines, etc.

Finance Lease

The one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

The value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged/pledged assets in a forced/distressed sale conditions.

Forward Exchange Contract

Agreements between two parties to exchange two designated currencies at a specific time in the future.

Furniture and Fixture

All type of furniture and fixtures other than those acquired under financial leases for business are included.

Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

Head Office/Branch Adjustment Account

All adjustments made with head offices or branches and are payable.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is usually 'fixed to floating' or 'floating to floating' exchanges of interest rate between two parties. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating/floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter-party.

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest in Suspense

Interest suspended on non-performing loans and advances.

Investment/Market Ratios

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the Company's ability to generate profits.

KIBOR (Karachi Interbank Offered Rate)

The Interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

The interest rate at which banks can borrow funds, in marketable size, from other banks in the London chief executives with the provision that all other liability

interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

Liquidity Ratios

The Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

Non-Performing Loan

A loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

Non-Performing Loan-Substandard Category

Where mark-up/interest or principal is overdue by 90 days or more from the due date.

Non-Performing Loan-Doubtful Category

Where mark-up/interest or principal is overdue by 180 days or more from the due date.

Non-Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

Nostro Account

An account held with a bank outside Pakistan.

Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

Off Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the statement of financial position, but which give rise to contingencies and commitments.

Other Deposits

All claims of customers on banks/DFIs other than transferable or restricted deposits in national currency or in foreign currency that are represented by evidence of deposits. Banks/DFIs commonly raise funds through issuing certificate of deposits. This category also includes call deposits and special notice deposits.

Pakistan Investment Bonds (PIBs)

They are the long-term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 year.

Profitability Ratios

Used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer, and resale back to the seller at a future date and specified price.

Return on Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Return on Average Assets

Profit after tax divided by the average assets.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Retained Earnings

The category of retained earnings shows all earnings (after tax profit) from the overall operations of the banks/DFIs less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks of the banks/DFIs.

Revenue Reserves

Reserves set aside for future distribution and investment.

Subordinated Loans

Funds raised by the banks/DFIs from subsidiary companies, managed modarabas, associated undertakings, director or holders have priority in the event of failure of the institution. Such debts are created by a subordination agreement under

which a creditor acknowledges that his claim is secondary to the claim of other creditors, such as depositors.

Subsidiary Company

A company is a subsidiary of another company, if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

Treasury bills

These are short-term debt instrument issued by the government treasury to raise funds for the government or to regulate money supply through open market operations of the central bank. The market transactions are managed by the State Bank of Pakistan on behalf of the treasury.

Unrealised Gain on Forward Foreign Exchange Contracts

In a forward contract, the counter parties agree to exchange, on a specified date, a specified quantity of an underlying item (real or financial) at an agreed-upon contract price. Either party to a forward contract is a potential debtor. The unrealised gain to be received due to difference between the rates agreed upon and the rate prevailing in the market should be reported under this item. You lock in today's exchange rate instead of a volatile currency exchange rate in the future that could significantly devalue your purchasing power.

Unrealised Gain on Interest Rate Swaps

It is the exchange of one set of cash flows for another. A pre-set index, notional amount and set of dates of exchange determine each set of cash flows. The most common type of interest rate swap is the exchange of fixed rate flows for floating rate flows.

Vehicles

Vehicles (as assets) other than those acquired through financial leases consist of equipment for moving people and objects, other than any such equipment acquired by households for final consumption. Transport equipment such as motor vehicles, trailers, ships, aircrafts, motorcycles, bicycles, etc.

Weighted Average Cost of Deposits

Percentage of the total interest expense on average deposits of the bank for the period.

Glossary – Acronyms








AGM	Annual General Meeting
BAC	Board Audit Committee
BAFL	Bank Alfalah Limited
BCC	Board Compensation Committee
BHRNC	Board Human Resource and Nomination Committee
BRMC	Board Risk Management Committee
BSFC	Board Strategy and Finance Committee
BCP	Business Continuity Planning
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
HRLG	Human Resource and Learning Group










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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 28th Annual General Meeting of the Bank to be held on Friday, March 27, 2020 at 10:00 AM and at any adjournment thereof.

Signed under my/our hand this _____ day of _____ 2020.

(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 (SMC-Pvt) Limited, Office No: 1705, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi-74000, not less than 48 hours before the time of the Meeting.
3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's Computerized National Identity Card, Account and Participant's ID numbers must be deposited 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 مسماة _____ فولیو/سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____
ضلع _____ بحیثیت ممبر بینک الفلاح لمیٹڈ مسماة _____ فولیو/سی ڈی سی اکاؤنٹ نمبر _____
ساکن _____ یا انکی غیر حاضری کی صورت میں _____
مسماة _____ فولیو/سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____

کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 28 ویں سالانہ اجلاس عام جو بتاریخ 27 مارچ 2020 بروز جمعہ، دن کے 10:00 بجے منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

بتاریخ _____ 2020 کو گواہان کی موجودگی میں دستخط کیے۔

گواہ (وٹس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

گواہ (وٹس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

(ممبر ارکن کے دستخط
Rs.5/= کی رسیدی ٹکٹ پر)

اہم نکات

- 1- ایسا ممبر جو مینٹنگ میں شمولیت اور ووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر اپنے/اپنی پراکسی کے طور پر مینٹنگ میں شمولیت اور ووٹ دینے کیلئے نامزد کر سکتا ہے علاوہ ازیں کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔
- 2- ہر لحاظ سے مکمل پراکسی فارم اور پاور آف اٹارنی یا کوئی اور متعلقہ اتھارٹی جسکے تحت اس فارم کو مکمل کیا گیا ہو لازمی طور پر بینک کے شیئر رجسٹرار (ایف ڈی شیئر رجسٹرار) کے پتہ، آفس نمبر 1705، سڑھویں منزل، صائمہ ٹریڈ ٹاور۔ اے، آئی آئی چندریگر روڈ کراچی، پر مینٹنگ سے 48 گھنٹے قبل جمع کر دیا جائے۔
- 3- سی ڈی سی اکاؤنٹ ہولڈر فرد کے لئے ضروری ہے کہ وہ ممبر کی تصدیق شدہ شناختی کارڈ کی کاپی مع سی ڈی سی اکاؤنٹ کی تفصیل شیئر رجسٹرار کو جمع کرائے۔ جبکہ پراکسی کا مینٹنگ کے وقت اور بجٹل شناختی کارڈ مہیا کرنا ضروری ہے۔



Bank Alfalah

Bank Alfalah Limited
B. A. Building, I. I. Chundrigar Road
Karachi, Pakistan.
111 777 786
bankalfalah.com

You Tube /BankAlfalah  /BankAlfalahOfficial  /bank_alfalah  /@BankAlfalahPAK