Best Customer Franchise 2021

LEADING WITH INNOVATION, INCLUSION AND DIGITISATION

ANNUAL REPORT 2021

Bank Alfalah
The Way Forward

Bank Alfalah

The Way Forward

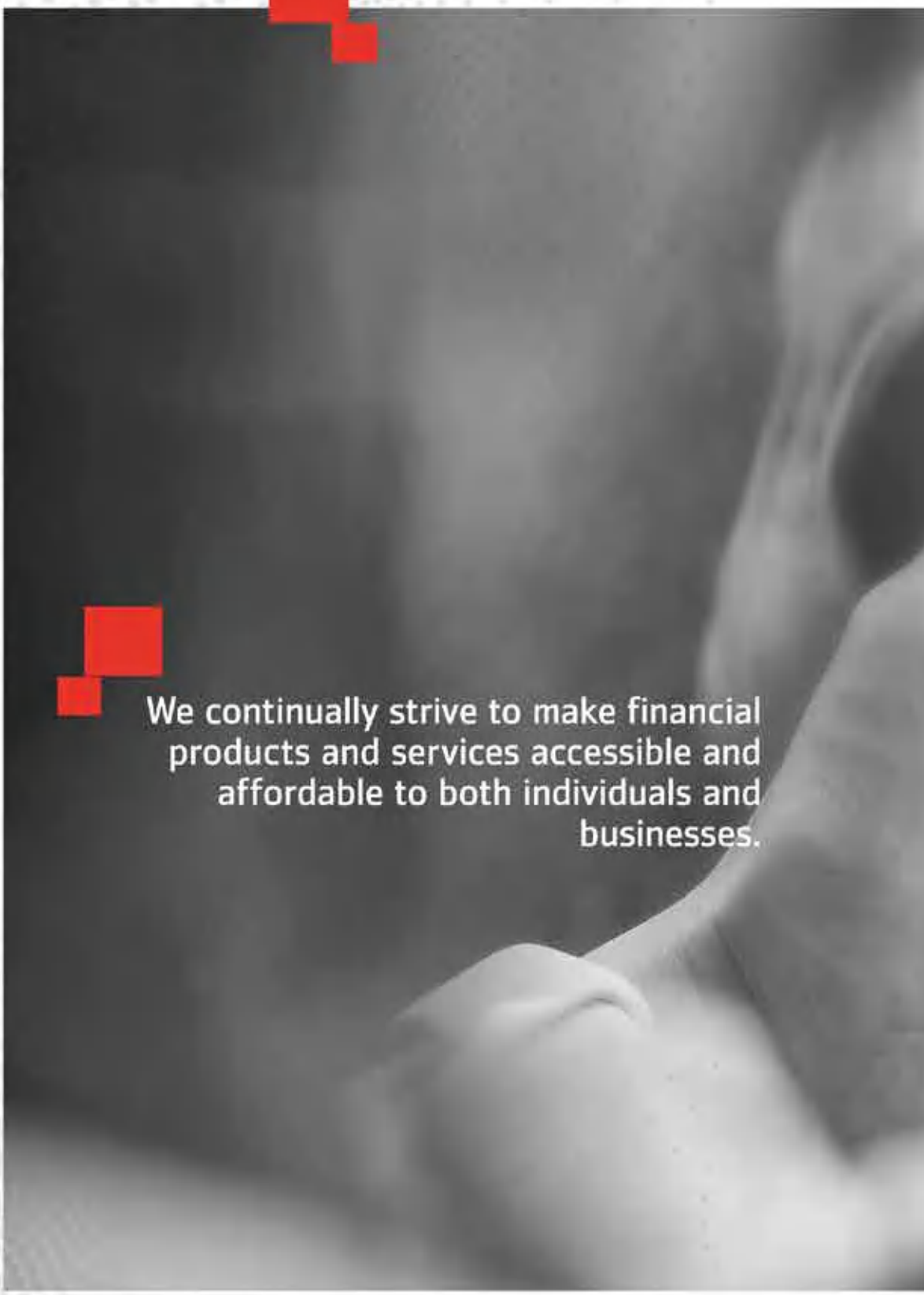
ADAPTIVE

We endeavour to pace ourselves with the challenging times and the evolving requirements of our customers.

COMPASSION

With our people and customers close to our heart, we create an environment that fosters growth and prosperity.

INCLUSION

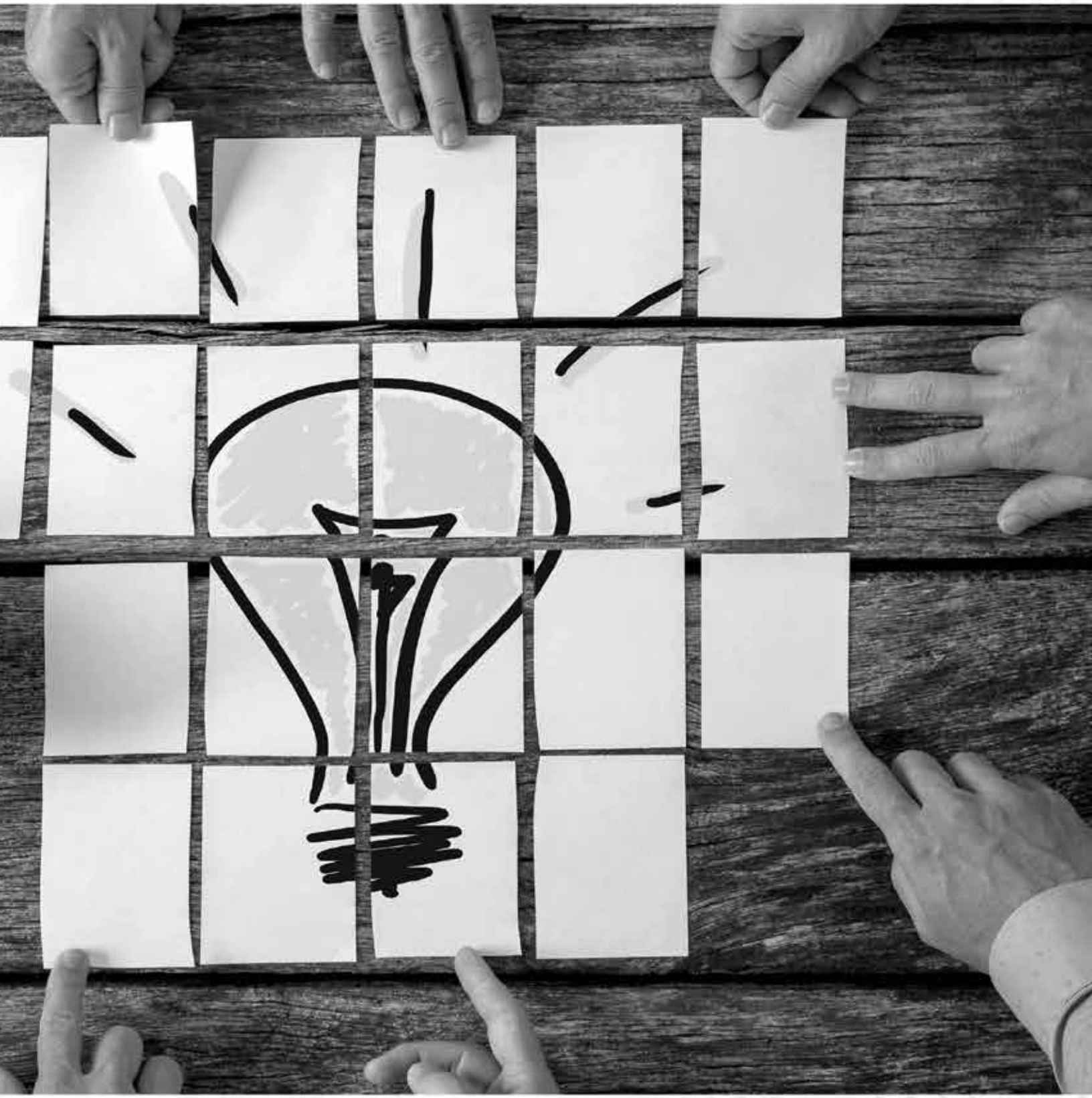


We continually strive to make financial products and services accessible and affordable to both individuals and businesses.

AHMED ALI
Last login 25/10/2021 | 14:17 PM
55%
Login
Log into your Alfa Account
Send Money
Mobile Top Up
Bill Payments
My Payees
In App Products
INSTANTLOAN
Get your
Instant Loan
now
Chat
Alfa Mall
Settings
Login

INNOVATION

We frequently pioneer innovations in the industry to extend convenience and ease for our customers.



PERSISTENCE

We are determined to counter challenges and unforeseen events with the aim to offer round-the-clock best-in-class services.

RESPONSIVE

We are aware that our customers anticipate continual improvements in the use of technology and we make sure to meet their expectations.

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

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

Board of Directors

HH Sheikh Nahayan Mabarak Al Nahayan
Chairman/Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Khalid Qurashi
Director

Dr. Gyorgy Tamas Ladics
Director

Dr. Ayesha Khan
Director

Atif Aslam Bajwa
President/CEO and Director

Senior Management Team

Atif Aslam Bajwa
President and Chief Executive Officer

Aasim Wajid Jawad
Group Head, Strategy, Transformation and Customer Experience

Anjum Hai
Chief Financial Officer

Faisal Farooq Khan
Group Head, Human Resource and Learning

Faisal Rabbani
Chief Risk Officer

Haroon Khalid
Group Head, Compliance and Control

Khawaja Muhammad Ahmad
Group Head, Operations and Corporate Services

Mehreen Ahmed
Group Head, Retail Banking

Mohib Hasan Khan
Chief Information Officer

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

Dr. Muhammad Imran
Group Head, Islamic Banking

Muhammad Yahya Khan
Group Head, Digital Banking

Pervez Shahbaz Khan
Group Head, Treasury and Capital Markets

Saad ur Rahman Khan
Group Head, Corporate, Investment Banking and International Business

Tahir Khurshid
Group Head, Audit and Inspection

Zahid Anjum
Group Head, Special Assets Management

Chief Financial Officer
Anjum Hai

Company Secretary
Muhammad Akram Sawleh

Auditors
EY Ford Rhodes
Chartered Accountants

Registered/Head Office
B. A. Building
I. I. Chundrigar Road
Karachi, Pakistan
bankalfalah.com

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

Legal Advisor
Mandviwalla & Zafar
Advocates and Legal Consultants

CHAIRMAN'S MESSAGE

Chairman's Message

It gives me immense pleasure to present the Annual Report of Bank Alfalah Limited. I am happy about our people's achievements in 2021 and grateful for the loyalty of our customers. The pandemic has put our lives on reset mode, and redefined the way of doing business. Fortunately, the development of the vaccine was a major breakthrough for the economy, and worked as a catalyst of hope.

Exceptional service level by our people to our customers in the turbulent times, strong balance sheet and liquidity helped sustain our focus on building long-term customer franchise and delivering high shareholder's returns. Bank Alfalah has been recognised as 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 2020. The award is a testament to our unparalleled customer services, and pioneering products and services that best fit the needs of different customer segments. It is our strategic focus and vision to innovate and continually evolve our product suite to exceed our customers' expectations.

Pakistan has enormous potential. The country's strategic location in Asia makes it a logical fit to be a regional economic leader. Pakistan's private sector is eager and well-placed to flourish in the large domestic market. The economy is expected to continue recovering in FY22. This growth forecast assumes various economic stimuli measures announced in the budget for FY22 through monetary and fiscal adjustments, recovery in private investment as consumer confidence and business activity improve and re-initiation of the IMF programme, which would ensure discipline in macroeconomic stability. Growth will be driven by a substantial rise in budgeted development spending, and strong private consumption underpinned by adequate agricultural harvests, strong remittance inflow, and a pickup in earnings as social restrictions are reduced and most economic activity resumes. Enhanced growth in agriculture and industry, and an expected improvement in domestic demand are projected to boost growth in services, strengthening their contribution to growth in FY22.

In 2021, a major inclination of our customers was observed towards digital platforms. As a thought leader in the industry, we accelerated our efforts to enhance digital banking offerings, and to develop innovative ways to connect with customers, while continuing to prioritise our customer-centric approach. We continue to innovate and invest in our digital capabilities to complement our strong branch network, enabling our customers to bank how and where they want. We always aspire to be better, faster and more efficient. We strive every day to improve, and make it both simple and easy for customers to manage their finances with us.

Initiatives for Nation Building

During the year, Bank Alfalah partnered with the Government of Pakistan for several programmes, and reinforced the initiatives for economic development and prosperity. The Bank has been a vital financer for primary, secondary and tertiary sectors.

I take great pride in informing you that Bank Alfalah has been a proactive ally of Roshan Digital Account (RDA), and is leading from the front, maintaining its position in the list of top 3 commercial banks for RDA. Our efforts in RDA were aimed at boosting foreign exchange reserves manifold. Other initiatives such as the Mera Pakistan Mera Ghar (MPMG) are also ushering in a new era of banking. Bank Alfalah powered the delivery of MPMG, and secured the top position with PKR 3.3 billion in home loan disbursement. The Bank is closely tied with the State Bank of Pakistan and Government of Pakistan to materialise this low-cost housing scheme for those who are at the bottom of the pyramid. Our success in RDA and MPMG is serving as a cornerstone of economic development and progression.

Bank Alfalah recognises the paramount importance of foreign inflows for Pakistan and its economic prosperity, which is why we aspire to be the first choice of money exchange agents and non-resident Pakistanis. This year, Bank Alfalah received a staggering inflow of USD 4.4 billion in remittance, up by 87% from last year.

At Bank Alfalah, it is our utmost priority to help our employees recover from the disruption of COVID-19. The Bank Alfalah team played an integral role in steering the organisation through uncertainty. Our frontline staff across Pakistan deserve acknowledgment and praise for ensuring that financial services were optimally delivered during these turbulent times.

In turn, we have made a robust commitment to our people, and created an exceptional working experience for them. This is the reason Bank Alfalah has been recognised as Best Place to Work at the Gender Diversity and Inclusion Benchmarks (GDIB) Awards.

Forward Looking Statement

Bank Alfalah is one year closer to its Vision 2025. This year, the Bank achieved its strategic milestone and became a PKR 1 trillion deposits bank. Going forward, we aim to further grow our deposits, and increase our market share of liabilities and consumer products by introducing new value added products, and by enhancing the current value proposition. Our digital landscape is growing with innovative banking products, and we collaborate with Fintechs to bring innovation to our products and processes. While our digital banking product suite will remain at the top of our agenda, our retail footprint will also continue to expand. We are committed to augmenting the performance of our trade, cash management, remittance, and employee banking business lines. As we enter the 25th year of business, our commitment to becoming Pakistan's leading bank is stronger than ever. We value brand building as an important component for building the organisation's image.

Acknowledgement

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

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

H.H. SHEIKH NAHAYAN MABARAK AL NAHAYAN
Dubai
2nd February, 2022

DIRECTORS' REPORT

Directors' Report to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Bank along with the audited financial statements and auditors' report for the year ended 31st December, 2021.

Economic Review

Global Economy

The year 2021 saw a revival as a result of supportive moves by policymakers leading to ease in lockdowns and reopening of economies. However, this drive towards normalisation and quick demand pickup created inflationary pressures that were mainly led by supply bottlenecks and labour shortages. In addition, rapid spread of new variants posed uncertainty to the global economic outlook. While the global economy is expected to grow between 4.0%-5.0% in 2022, after the 5.5%-6.0% estimated growth in 2021, withdrawal of global support packages will offset some of the benefits of strengthening external demand, and supply chain recovery will subdue commodity prices. Fed is now gearing up to raise rates as US inflation is at a four decade high of 7%.

Domestic Economy

On the domestic front, reopening of the economy led to fiscal and monetary push to counter COVID shocks as GDP growth recovered to 3.9% in FY21 after -0.5% in FY20. The quick recovery was primarily on the back of acceleration in economic activity, and various stimulus packages provided by the SBP and the Government, including Temporary Economic Refinance Facility (TERF), SBP Rozgar Scheme (Refinance Scheme for Wages to Prevent Layoffs), Ehsaas (social protection programme), and the construction package. However, rise in global commodity prices impacted the domestic economy, with an uptick in inflation.

Rising global commodity prices resulted in the Current Account Deficit (CAD) standing at USD 10.3 bn in 11MCY21 (Jan-Nov) compared to a surplus of USD 874 mn in 11MCY20. Imports of goods increased by 57% to USD 60.5 bn, jointly due to volume growth, commodity inflation, vaccine imports and TERF-related imports. Export of goods grew by 33% to USD 26.1 bn, while remittances clocked in at USD 28.1 bn in 11MCY21 – up 19% over the same period last year. Foreign Direct Investment during the year stood at USD 1.8 bn - marginally down from USD 1.9 bn during the same period last year.

Foreign Exchange Reserves as at 24th December, 2021 stood at USD 24.3 bn up from USD 20.5 bn last year. While there was stress on forex reserves, improvement was primarily driven by Roshan Digital Account deposits, higher home remittance, SDR allocation, Saudi deposit and reserves accumulation in 1HCY21. However, rising CAD resulted in the PKR depreciating by 10.4% in 2021 against the US Dollar.

Rising commodity prices and tariff/tax adjustment under the IMF programme reflected in domestic inflation with average CPI clocking in at 9.5% in CY21 led by food inflation (14.5%), which remained in double digits for most of the year. Any reversal in price trends of global commodities could provide some respite.

Amid emerging macroeconomic challenges, the Central Bank increased the Policy Rate by 275bps to 9.75% to anchor inflationary pressures and to ensure sustainable growth. In order to contain the external imbalance, regulations for auto and personal financing were tightened to curb luxury consumption.

Reflecting macroeconomic turns, the PSX posted a healthy return during 1HCY21 with the benchmark KSE-100 index improving by 8.2%. However, uncertainty on the global front, macro headwinds, delays on IMF programme and MSCI downgrade of Pakistan back to Frontier Markets completely overshadowed profitability and valuations in 2HCY21 in which the KSE-100 index fell 5.8%, closing the year with a meagre 1.9% return. Foreign investors remained net sellers throughout the year with total outflow of USD 359 million.

Outlook of the Economy

With recent monetary and fiscal adjustments, macroeconomic stability seems to be close at hand, but improvement in key economic metrics is expected to take time. Reversal in commodity prices would help, but continued fiscal discipline and efforts to keep aggregate demand in check are important for macroeconomic stability and for the 2023 elections as well.

Re-initiation of the IMF programme would ensure discipline in this regard, and will be keenly tracked by market participants as it opens possibility of flows from other multilaterals and investors.

A continued vaccination drive is necessary to keep the virus in check, especially at a time when new variants are emerging, as it determines the outlook of both health and the economy. Geopolitical and international factors and events, particularly US-PAK relations, Pakistan's fate on the FATF grey list and the unfolding Afghan situation will also impact Pakistan's economic outlook.

Banking Sector Review

Pakistan's banking sector remained resilient with relatively stable solvency through COVID cycles. Banks show improved asset quality and better profitability. Recent increase in the SBP Policy Rate is expected to favour spreads albeit with a lag, as asset re-pricing takes time. However, the revaluation impact on longer duration fixed rate investments has adversely impacted the comprehensive income position.

Banking sector deposits show an impressive growth of 17%, growing by PKR 3.0 trillion to PKR 20.97 trillion in CY21, led by strong M2 growth and higher remittances. Growth remained concentrated in transactional deposits as 82% of the new deposits comprised of current and saving accounts. These low-cost deposits have improved from 75.3% in Dec '20 to 76.0% in Sep '21.

The SBP Policy Rate, which was slashed by 625bps in 2020 to counter COVID challenges, has been increased by 275bps in 2021 to 9.75% as the stimulus had overheated the economy to some extent. Irrespective of the shift in the cycle and new tax regime penalising low ADR, most of the deposits were channelled into investments. During the period, IDRs increased to 70.9% in Sep '21 against 64.4% in Dec '20.

Advances (net) also posted decent growth of 19% YoY in 2021 to PKR 10.15 trillion, following two slow years. This is reflective of improved economic activity and strong uptick in consumer loans, while concessional financing schemes (TERF) also provided necessary stimulus. In 2HCY21, the Government imposed an additional tax of 2.5-5% on banks if ADR fell below 50%, pushing banks to improve the industry ADR ratio to 48.4% in CY21.

Asset quality remained stable with Gross NPL Ratio falling from 9.2% in Dec '20 to 8.8% in Sep '21, neutralising the fears of stress in the system. Similarly, NPL stock of PKR 877 billion remained adequately covered, for with the coverage ratio improving from 88.3% to 88.9%.

Outlook of the Banking Sector

Banking sector indicators remained stable throughout 2021 amid timely measures rolled out by the SBP and the Government. Higher interest rate, and the resultant improvement in banking spreads, is likely to help NII growth, and non-funded income is also expected to remain strong in 2022.

The SBP has set the stage for a new era for banking in Pakistan with the introduction of a Licensing and Regulatory Framework for digital banks in line with international best practices. The framework for digital banks is the latest in a series of recent initiatives by the SBP for the digitalisation of banking and payment solutions in the country. It aims to enhance financial inclusion through affordable and cost-effective digital financial services and is part of the SBP's efforts to promote digital financial services in Pakistan. The SBP has decided to initially issue up to five digital banks' licenses, looking to attract players with a strong value proposition, robust technological infrastructure, sufficient financial strength, technical expertise, and an effective risk management culture. The SBP is confident that this new initiative will play an important role in developing an inclusive and efficient financial ecosystem in Pakistan.

The Government has recently imposed higher tax on banks with low ADR. Although the ADR of Bank Alfalah remains comfortably above the threshold, banks with low ADR might focus on lending to avoid higher tax incidence. Meanwhile, implementation of IFRS-9 will shift the industry's approach to risk-based pricing on loans.

The industry will continue to watch the decision on Pakistan being removed from the FATF grey list, and while the Government remains optimistic, any adverse decision or new requirement could affect growth. However, internal controls, customer confidence and the SBP support enable Pakistan banking industry to adjust to changing regulatory requirements and the ever-evolving economic picture. The industry is expected to maintain profitability and balance sheet strength, and is poised for growth in 2022.

The Bank's Performance

The highlights of the financial results for the year ended 31st December, 2021, are as follows:

	2021	2020
Financial Position	Rupees in Millions	
Shareholders' Equity	100,003	91,017
Total Deposits	1,139,045	881,767
Total Assets	1,734,321	1,384, 874
Advances – net	673,881	577,316
Investments – net	809,214	547,090

	2021	2020
Financial Performance	Rupees in Millions	
Net Markup Income	46,048	44,705
Non-Markup Income	16,474	12,795
Non-Markup Expenses	36,840	32,032
Operating Profit	**25,682**	**25,468**
Provisions and write-offs (net)	2,312	7,589
Profit before Tax	**23,370**	**17,878**
Profit after Tax	**14,217**	**10,475**
Basic and Diluted earnings per share – Rupees	8.00	5.89

The Bank has posted solid results across all businesses benefiting on the back of reopening of the economy, continued vaccination roll-out and accommodative monetary conditions. The performance of the Bank in 2021 is testament to the extraordinary commitment of our employees who supported clients, while facing their own personal challenges. Continuing the Bank's strategy of regaining the market share and focus on deposits, consumer and SME lending, the Bank posted exceptional profit after taxation growth of 35.7% from last year; PAT stood at Rs. 14.217 billion as compared to Rs. 10.475 billion for 2020, translating into earnings per share (EPS) of Rs. 8.00 (2020: Rs. 5.89). Unprecedented deposit growth and consumer and SME lending growth, higher credit and debit card spend, phenomenal increase in home remittance and trade flows helped achieve better results. We maintained our position as industry leading card issuer. For the first time, our home remittance market share improved to 14.3%. We accomplished these, while executing our strategy, responding to a global pandemic, macroeconomic instability in the country and continuing to invest in our businesses.

Revenue increased by 8.7% year-on-year (YoY) and stood at Rs. 62.522 billion as compared to Rs. 57.499 billion last year. Markup income increased by 3.0%; compression in spreads due to interest rate cuts last year was compensated by YoY volumetric growth in earning assets backed by solid deposit growth. Non-markup income stood at Rs. 16.474 billion, higher by 28.8%, with strong contribution from fee income, dividend, FX income and capital gains. Fees and commissions of Rs. 8.221 billion demonstrated a robust increase of 25.3% over last year.

The Bank continues to keep a check on expenses and manage costs prudently, while focusing on building revenue momentum through expansion and without compromising on investments in new ventures. Admin expenses up by 15.5% due to addition of new branches, investment in Information Technology and Alternate Delivery Channels, home remittances marketing campaign, minimum wage adjustments, PKR depreciation and full inflation effects. The cost to income ratio of the Bank stood at 58.1%.

The exceptional efforts of the network, a diversified product suite and well-executed strategic plan resulted in Bank Alfalah achieving an impressive deposit growth of 29.2% in 2021. The Bank's deposits closed at Rs. 1.139 trillion at the end of year. The increase is mainly due to the strong growth of 26.9% in current accounts, which stood at Rs. 500.753 billion as at 31st December, 2021. CA mix closed at 44.0%.

The Bank's advances book grew by 16.3% YoY compared to last year. The loan book growth remained strong as the economic outlook continues to improve. Consumer grew by 52.2%, middle market by 24.4% and Islamic banking (other than Consumer) by 27.4%. Part of this growth is funded by government backed subsidised refinance schemes. As at the year end, our gross advances to deposits ratio stood at 61.4%, much higher than 50% on which higher income tax rate becomes applicable. The Bank's non-performing loans ratio improved to 3.5% as compared to 4.3% as at last year end, while the non-performing loans remain fully covered through provisions, which include provision held against subjectively classified loans and general provision against COVID restructured loans. The Bank, in light of uncertain political and economic conditions in one of the countries where the Bank operates, has taken an impairment charge of Rs. 1 billion against the cross-border risk of those operations.

As at 31st December, 2021, the Bank remains adequately capitalised as outlined in the section on capital structure below.

Capital Structure of the Bank

The Bank remained well-capitalised with a capital base well above regulatory benchmarks and Basel capital requirements. It continues with a policy of sufficient profit retention to increase its risk absorption capacity. The Bank's total Capital Adequacy Ratio is 14.43% against the requirement of 11.50% (including Capital Conservation Buffer of 1.50% of the total Risk Weighted Assets (RWA)). Quality of the capital is evident from the Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio, which comes to 10.16% against the regulatory requirement of 7.50% (including CCB of 1.5%). The Bank has ample cushion in its capital base.

Business Performance Review

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

Government of Pakistan policies and their impact on the Bank's business performance

In line with the Government's vision to achieve growth in construction, and export, and to improve the business environment for local manufacturers; the SBP with the support of local banks and DFIs has launched schemes to supplement Government's efforts for economic development. Bank Alfalah consistently demonstrated its dedication to achieving these development goals and has been recognised time and again for its remarkable performance and contribution towards economic development.

1. Roshan Digital Account (RDA)

Roshan Digital Account (RDA) is an initiative to bring foreign exchange in the country, while providing lucrative investment opportunities to non-resident Pakistanis. RDAs are foreign/local currency deposit accounts available to Pakistanis residing abroad in PKR or FCY, offering attractive rates of return for the chosen currency. Bank Alfalah successfully opened 33,849 RDAs out of a total of 299,676 accounts at the industry level. Total investment in Naya Pakistan Certificates (NPCs) through Bank Alfalah amounted to PKR 36.365 bn with closing balance of PKR 22.507 bn as at 31st December, 2021. Bank Alfalah was ranked among the top three banks in terms of investment in NPCs and received an award from the Prime Minister of Pakistan for achieving the milestone of USD 2 billion in RDA deposits.

2. Refinance Facilities

Refinance facilities are loans from the SBP to support exports and industrial growth, for both long-term and working capital requirements at competitive rates. Various refinance schemes were also launched to combat the impact of COVID-19 and provide relief to the economy, especially small and medium-sized entities. These schemes primarily include:

a. Temporary Economic Refinance Facility (TERF): A concessionary refinance facility for purchase of new plant and machinery for setting up new projects, and for existing projects to undertake Balancing, Modernisation and Replacement (BMR) or expansion. By end of December 2021, total financing of PKR 434.7 bn was approved under the scheme out of which PKR 138.6 bn were disbursed at the industry level. Bank Alfalah disbursed PKR 29.6 bn under the scheme during 2021.

b. Refinance Scheme for Payment of Wages and Salaries: The SBP introduced this scheme to encourage businesses to not downsize or lay off their employees due to poor business activity amidst the pandemic. The financing was provided by banks and DFIs to the borrowers, Participating Financial Institutions (PFIs). Bank Alfalah's outstanding amount as at 31st December, 2021, is PKR 14.153 bn under this scheme.

3. Mera Pakistan Mera Gher (MPMG)

To provide adequate housing to middle income segments of the population and boost construction activity, the Government introduced the MPMG markup subsidy scheme. As at 31st December, 2021, total loans requested were PKR 244.932 bn, out of which PKR 99.678 bn were approved and PKR 28.744 bn were disbursed at the industry level. Bank Alfalah has disbursed PKR 3.369 bn in loans, which is the highest in the industry, and the Bank was recognised as the No. 1 bank in offering home loans under MPMG scheme.

4. Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJ-YES)

The Government introduced PMKJ-YES for provision of subsidised business financing to create job opportunities and provide means for young people to set up new businesses and/or expand existing businesses. Total outstanding financing at the industry level under this scheme as at 30th September, 2021, was PKR 20.879 bn, with total disbursement of up to PKR 22.115 bn. Bank Alfalah's participation in disbursement stood at PKR 1.749 bn.

The Group's Performance

Bank Alfalah posted consolidated Profit after Tax (PAT) of Rs. 14.460 billion for the year ended 31st December, 2021 (2020: Rs. 10.843 billion). Earnings per share (EPS) were measured at Rs. 8.12 in comparison to Rs. 6.10 for the last year. The key contributor to the increase in the consolidated profit is the share of profit from associates amounting to Rs. 573.254 million (pre-tax).

The Bank has 61.20% shareholding in Alfalah CLSA Securities (Private) Limited, which is engaged in the business of stock brokerage, investment banking, corporate finance and fund placements. Further, the Bank has associated entities with equity investment of 30% in Alfalah Insurance Limited, 30% in Sapphire Wind Power Limited and 40.2% in Alfalah GHP Investment Management Limited.

Performance of Subsidiary:

Alfalah CLSA Securities earned an operating revenue of Rs. 318.265 million as compared to Rs. 238.200 million for the last year representing an increase of 33.6%. Earnings per share for the year stood at Rs. 1.53 as compared to the EPS of Re. 0.72 last year representing an increase of 114%. This is as a result of an increase in the traded volumes at the bourses by about 60%, whereby Alfalah CLSA managed to secure its share of the business and also added diversified product suite.

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

Dividend, Bonus Shares and Other Appropriations

The Directors have recommended final payment of cash dividend of Rs. 2 per share (20%) for the year ended 31st December, 2021, subject to approval of the shareholders in the upcoming Annual General Meeting, bringing the total cash dividend for the year to Rs. 4 per share. The Board had earlier declared and paid an interim cash dividend of Rs. 2 per share (20%).

Additionally, the Board has approved an appropriation of Rs. 1.422 billion from the current year's profit to the statutory reserve in compliance with the requirements of the Banking Companies Ordinance, 1962.

Credit Rating

The Bank has been assigned an entity rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term by PACRA, with outlook assigned as 'Stable'. Furthermore, 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 by VIS Credit Rating Company Limited (VIS).

PACRA has assigned AAA (Triple-A) rating to the Bank's Medium Term Note (MTN), which is a Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificate (TFCs). The assigned ratings reflect the Bank's diversified operations, healthy financial risk profile, strong sponsors, and existing market presence. These ratings denote a very low expectation of credit risk, a strong capacity for timely repayment of financial commitments in the long-term, and the highest capacity for timely repayment in the short-term, respectively.

Corporate Governance

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

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

1. The total number of Directors are eight:
   i. Male - Seven
   ii. Female - One

2. The composition of the Board is as follows:

i. Independent Directors (including a female Director)	Three
ii. Non-executive Directors	Four
iii. Executive Directors	One

3. The Board, from time to time, establishes committees to discharge its responsibilities. For each Board committee, the Board adopts a formal Terms of Reference (ToRs) setting out the matters relevant to composition, roles, functions, responsibilities and administration. The following committees have been constituted by the Board:
   i. Board Audit Committee
   ii. Board Strategy and Finance Committee
   iii. Board Risk Management Committee
   iv. Board Human Resource, Remuneration and Nomination Committee
   v. Board Information Technology Committee
   vi. Board Compensation Committee
   vii. Board Crisis Management Committee
   viii. Board Real Estate Committee

For committees' members and committees' terms of reference, please refer to the 'Governance' section of this Annual Report.

4. In accordance with the Regulations, the Bank has formulated a formal policy and transparent procedure for remuneration of Directors, which was unanimously approved by the shareholders of the Bank in the 28th Annual General Meeting,

held on 27th March, 2020. The remuneration policy and framework related disclosures have been given as part of the 'Governance' section of this Annual Report. The payment of Directors' meetings fees, as reported in note 39 of the financial statements, is approved by the members on post facto basis every year to meet the requirement of the SBP Prudential Regulations.

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

a) The financial statements, prepared by the management, present fairly the state of affairs of the Bank, the result of its operations, cash flows and changes in equity;

b) Proper books of accounts of the Bank have been maintained;

c) Appropriate accounting policies, as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;

e) The system of internal 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 2021 and the attendance by each Director are disclosed in 'Governance' section of this Annual Report;

j) As at 31st December, 2021, the Bank is compliant with respect to the Director's training requirement provided in the Code of Corporate Governance;

k) The pattern of shareholding, in accordance with The Companies (General Provisions and Forms) Regulations, 2018, is attached as part of this Annual Report;

l) There are no loans, TFCs, sukuk or any other debt instruments in which the Bank is in default or likely to default;

m) Trading pattern in the shares of the Bank, by Directors, executives, their spouses and minor children have been disclosed as part of the Annual Report; and

n) The Board performance 2020 was self-evaluated by the individual Directors during 2021.

Risk Management

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

Internal Controls

The Management believes that the Bank's existing system of Internal Controls is reasonable in design and is being effectively implemented and monitored. There is a continuous improvement in the Bank's Control Environment, including technological solutions. The Board endorses the Management's evaluation of effectiveness of the overall internal controls, including Internal Controls over Financial Reporting, as detailed in the Statement of Internal Controls disclosed as part of this Annual Report.

Corporate Social Responsibility

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

We are firm in our commitment to operate within an ethical framework, while contributing to socio-economic development. As we continue to build responsible business practices across the Bank, we ensure that we capture every opportunity, deepening the impact of our Corporate Social Responsibility and philanthropic footprint. During the year, the Bank made charitable donations amounting to Rs. 27.276 million to different educational and other charitable institutions. As a Bank, we are focused on energy conservation initiatives and providing sustainable finance. For details on the Bank's efforts on the CSR front, please refer to 'Sustainability' section of this Annual Report.

External Audit

The Bank has received an unqualified audit report for the year ended 31st December, 2021, from its external auditors, M/s EY Ford Rhodes, Chartered Accountants.

M/s EY Ford Rhodes, Chartered Accountants, existing auditors of the Bank, have given consent to continue to act as auditors of the Bank for the year 2022,

if so appointed. The Board Audit Committee has recommended their name for re-appointment for the next year.

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

Future Outlook

Looking ahead, Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value. Our focus will be on harnessing technology to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We will continue to build our deposit base and grow our market share in low-cost deposits, consumer products and SME financing. We look forward to expanding our branch network to widen our reach and serve our customers. Emphasis will remain on boosting trade volumes and increasing penetration in cash management with a focus on SME/commercial clients. To cope with changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering. We will continue to partner with Fintechs to gain a technological edge, accelerating digital adoption by leveraging our core competencies with their disruptive technologies and solutions. Most importantly, we will continue to invest in human capital and foster a caring culture that encourages collaboration, creativity and innovation.

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

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

- Decisions on discount rate/monetary policy;
- Impact of COVID-19 on economic activity and business operations;
- Geopolitical risks and uncertainties across the geographies that we operate in;
- Law and order situation;
- Corporate taxation measures and disciplined fiscal policy;
- Local government rules and regulations;
- Trade policies of trade partner countries;
- Emergence of disruptive technologies;
- Risk of cyber-attacks;
- Global AML/CFT Compliance in accordance with FATF; and
- Global macroeconomic conditions impacting overall economic activity.

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

The Bank proactively monitors these uncertainties and risks, whilst ensuring corrective and protective measures are undertaken to maintain operating performance and protect shareholder interests.

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

Subsequent Events

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

Acknowledgement

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

We continue to aspire to excellence and efficiency and strive daily to better serve our customers, making banking accessible and easy. Despite the pandemic and economic challenges, we remain optimistic regarding our future and emerge stronger. From the crisis, we learned one lesson; namely, to preserve our ability to innovate – and we will continue to do that in a way that enables our people to do things differently and shape their own path in life and business.

Atif Aslam Bajwa
President and Chief Executive Officer

Khalid Qurashi
Director

Dubai
2nd February, 2022

بیرونی آڈٹ

بینک کو 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے اپنے بیرونی آڈیٹرز، میسرز ای وائے فورڈ روہڈز، چارٹرڈ اکاؤنٹنٹس سے ایک اَن کوالیفائیڈ آڈٹ رپورٹ موصول ہوئی ہے۔

میسرز ای وائے فورڈ روہڈز، چارٹرڈ اکاؤنٹنٹس، بینک کے موجودہ آڈیٹرز نے، اگر ایسا مقرر کیا گیا، سال 2022 کے لیے بینک کے آڈیٹرز کے طور پر کام جاری رکھنے کے لیے رضامندی دی ہے۔ بورڈ آڈٹ کمیٹی نے آئندہ سال کے لیے دوبارہ تقرری کے لیے ان کے نام کی سفارش کی ہے۔
آڈیٹرز کی فرم نے تصدیق کی ہے کہ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوالٹی کنٹرول ریویو پروگرام کے تحت انہیں تسلی بخش درجہ بندی دی گئی ہے، اور یہ کہ فرم اور ان کے تمام شراکت دار انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے رہنما خطوط کے مطابق ہیں۔ کوڈ آف ایتھکس پر، جیسا کہ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان نے اپنایا ہے، اور تمام قابل اطلاق قوانین کے تحت تقرری کے تقاضے پورے کرتے ہیں۔

مستقبل کا آؤٹ لک

آگے دیکھتے ہوئے، بینک الفلاح پائیدار ترقی اور طویل مدتی شیئر ہولڈر کی قدر بڑھانے کے لیے اچھی پوزیشن میں ہے۔ ہماری توجہ ٹیکنالوجی کے استعمال پر مرکوز ہو گی تاکہ یہ یقینی بنایا جا سکے کہ صارفین کی بینکنگ ضروریات تکنیکی طور پر جدید، محفوظ اور آسان طریقے سے پوری کی جائیں۔ ہم اپنا ڈپازٹ بیس بنانا جاری رکھیں گے اور کم لاگت والے ڈپازٹس، کنزیومر پروڈکٹس اور ایس ایم ای فنانسنگ میں اپنا مارکیٹ شیئر بڑھائیں گے۔ ہم اپنی رسائی کو وسیع کرنے اور اپنے صارفین کی خدمت کے لیے اپنے برانچ نیٹ ورک کو وسعت دینے کے منتظر ہیں۔ SME/تجارتی کلائنٹس پر توجہ مرکوز کرتے ہوئے تجارتی حجم کو بڑھانے اور کیش مینجمنٹ میں دخول بڑھانے پر زور دیا جائے گا۔ بدلتی ہوئی کاروباری حرکات سے نمٹنے کے لیے، ہم ڈیجیٹل تبدیلی کو تیز کریں گے اور کاروباری عمل کی دوبارہ انجینئرنگ پر توجہ مرکوز کریں گے۔ ہم فنٹیکس کے ساتھ شراکت داری جاری رکھیں گے تاکہ ان کی خلل ڈالنے والی ٹیکنالوجیز اور حل کے ساتھ اپنی بنیادی صلاحیتوں کا فائدہ اٹھاتے ہوئے ڈیجیٹل اپنانے میں تیزی لائی جائے۔ سب سے اہم بات یہ ہے کہ ہم انسانی سرمائے میں سرمایہ کاری جاری رکھیں گے اور ایک خیال رکھنے والے کلچر کو فروغ دیں گے جو تعاون، تخلیقی صلاحیتوں اور اختراع کی حوصلہ افزائی کرتا ہے۔
غیر یقینی صورتحال جو بینک کے وسائل، محصولات اور آپریشنز کو متاثر کر سکتی ہے۔

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

- ڈسکاؤنٹ ریٹ / مانیٹری پالیسی پر فیصلے؛
- اقتصادی سرگرمیوں اور کاروباری کاموں پر COVID-19 کا اثر؛
- تمام جغرافیوں میں جغرافیائی سیاسی خطرات اور غیر یقینی صورتحال جن میں ہم کام کرتے ہیں۔
- امن و امان کی صورتحال؛
- کارپوریٹ ٹیکس کے اقدامات اور نظم و ضبط مالیاتی پالیسی؛
- مقامی حکومت کے قواعد و ضوابط؛
- تجارتی شراکت دار ممالک کی تجارتی پالیسیاں؛
- خلل ڈالنے والی ٹیکنالوجیز کا ظہور؛
- سائبر حملوں کا خطرہ؛
- FATF کے مطابق عالمی AML/CFT تعمیل؛ اور
- عالمی میکرو اکنامک حالات جو مجموعی اقتصادی سرگرمی کو متاثر کرتے ہیں۔

بینک کا رسک مینجمنٹ گروپ کسی بھی ممکنہ نقصان کے اثرات کا تجزیہ کرنے اور یہ تعین کرنے کے لیے کہ آیا بینک کے پاس منفی پیش رفت کے اثرات کو برداشت کرنے کے لیے کافی سرمایہ ہے یا نہیں، مختلف پہلے سے طے شدہ منظرناموں کے خلاف تناؤ کے ٹیسٹ باقاعدگی سے کرتا ہے۔ اس طرح کے ٹیسٹوں کے نتائج نے ظاہر کیا ہے کہ بینک کے پاس کسی بھی نقصان کو برداشت کرنے کے لیے کافی سرمایہ، لیکویڈیٹی اور منافع ہے۔

آپریٹنگ کارکردگی کو برقرار رکھنے اور شیئر ہولڈر کے مفادات کے تحفظ کے لیے اصلاحی اور حفاظتی اقدامات کو یقینی بناتے ہوئے بینک ان غیر یقینی صورتحال اور خطرات کی مسلسل نگرانی کرتا ہے۔

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

بعد کے واقعات

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

اعتراف

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

ہم عمدہ کارکردگی کی خواہش جاری رکھتے ہیں اور بینکنگ کو قابل رسائی اور آسان بناتے ہوئے اپنے صارفین کی بہتر خدمت کے لیے روزانہ کوشش کرتے ہیں۔ وبائی امراض اور معاشی چیلنجوں کے باوجود، ہم اپنے مستقبل کے حوالے سے پر امید ہیں اور مضبوط ہو کر ابھرتے ہیں۔ بحران سے، ہم نے ایک سبق سیکھا؛ یعنی، اختراع کرنے کی اپنی صلاحیت کو محفوظ رکھنا – اور ہم اسے اس طریقے سے جاری رکھیں گے جو ہمارے لوگوں کو چیزوں کو مختلف طریقے سے کرنے اور زندگی اور کاروبار میں اپنا راستہ بنانے کے قابل بنائے۔

عاطف اسلم باجوہ
صدر اور چیف ایگزیکٹو آفیسر

خالد قریشی
ڈائریکٹر

دبئی
2 فروری، 2022

3. بورڈ اپنی ذمہ داریوں سے سبکدوش ہونے کیلئے وقتاً فوقتاً کمیٹیز قائم کرتا ہے۔ہر بورڈ ہرکمیٹی کیلئے تشکیل، قوانین، عمل، ذمہ داریوں اور ایڈمنسٹریشن سے متعلق معاملات کے حوالے سے بورڈ ٹرم آف ریفرینس(ٹی او آرز) 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 نومنیشن کمیٹی
v. بورڈ انفارمیشن ٹیکنالوجی کمیٹی
vi. بورڈ کمپنسیشن کمیٹی
vii بورڈ کرائسسز مینجمنٹ کمیٹی
viii بورڈ ریئل اسٹیٹ کمیٹی

کمیٹی ممبرز اور کمیٹی ٹرمز کیلئے برائے مہربانی سالانہ رپورٹ کا کارپوریٹ گورننس سیکشن کا مطالعہ کریں۔

4. ریگولیشنز کے مطابق، بینک نے ڈائریکٹرز کے ریمونریشن کے لیے ایک فارمل پالیسی اور شفاف طریقہ تشکیل دیا ہے، جو کہ 27 مارچ 2020 کو ہونے والے 28 ویں سالانہ اجلاسِ عام میں شیئر ہولڈرز کی طرف سے منظور کیا گیا۔ معاوضے کی پالیسی اور فریم ورک سے متعلق انکشافات اس سالانہ رپورٹ کے گورننس سیکشن کے حصے کے طور پر دیئے گئے ہیں۔ ڈائریکٹرز کی میٹنگز فیس کی ادائیگی جو مالی گوشواروں کے نوٹ 39 میں بیان کیا گیا، اسٹیٹ بینک آف پاکستان کے پروڈینشل ریگولیشنز کی ضروریات کو پورا کرنے کے لیے ہر سال پوسٹ فیکٹو کی بنیاد پر ممبر کی جانب سے منظور کی گئی۔

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

a. بینک کی انتظامیہ کی جانب سے مرتب کردہ فنانشل اسٹیٹمنٹس، بینک کے معاملات کی درست عکاسی کرتے ہیں جن میں بینک کے آپریشنز، کیش فلو اور ایکویٹی میں ہونے والی تبدیلی سے متعلق تفصیلات بھی شامل ہیں۔
b. بینک کے اکاؤنٹس (حسابات) کی درست کتابیں مرتب کی گئی ہیں۔
c. فنانشل اسٹیٹمنٹس مرتب کرنے میں متعلقہ اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے اسٹیٹمنٹس مناسب اور مؤثر فیصلوں پر مبنی ہیں۔
d. فنانشل اسٹیٹمنٹس کی تیاری میں پاکستان کے بینکوں پر لاگو ہونے والے عالمی فنانشل رپورٹنگ معیارات کی پاسداری کی گئی ہے۔
e. انٹرنل کنٹرول کا سسٹم ڈیزائن کے لحاظ سے مضبوط ہونے کے ساتھ مؤثر انداز میں نافذ اور 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. کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مٹیریل ڈپارچر نہیں ہوا ہے
h. گزشتہ چھ سال کا اہم آپریشنل اور فنانشل ڈیٹا کا خلاصہ سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔
i. سال 2021 کے دوران بورڈ اور بورڈ کمیٹی کے اجلاس اور ڈائریکٹرز کی شرکت کی انفرادی تفصیل کارپوریٹ گورننس سیکشن میں درج ہے۔
j. اس طرح 31 دسمبر 2021 کی مدت کے اختتام پر بینک کوڈ آف کارپوریٹ گورننس کے تحت ڈائریکٹرز کی تربیت کا تقاضہ بھی پورا کر چکا ہے۔
k. شیئرہولڈنگ کا پیٹرن بمطابق کمپنیز (جنرل پروویژنز اور فارمز) ریگولیشنز 2018، اس سالانہ 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، ایگزیکٹیوز اور ان کی ازدواج اور کم سن بچوں کی شیئرز کا ٹریڈنگ پیٹرن سالانہ رپورٹ کے ساتھ جاری کیا گیا ہے؛ اور
n. سال 2021 کے دوران انفرادی ڈائریکٹرز کی طرف سے بورڈ کی 2020 کی کارکردگی کا خود تخمینہ لگایا گیا۔

رسک منیجمنٹ

بورڈ نے اپنی بورڈ رسک مینجمنٹ کمیٹی کے ذریعے بنیادی خطرات کا ایک مضبوط جائزہ لیا ہے۔ بورڈ کے نظم و نسق کے تحت، بینک کے پاس ایک اچھی ساخت اور مضبوط رسک مینجمنٹ نقطہ نظر ہے۔ ہمارے رسک مینجمنٹ فریم ورک، اہم خطرات اور مواقع کو اس سالانہ رپورٹ کے 'خطرہ اور مواقع' سیکشن میں تفصیل سے بیان کیا گیا ہے۔

اندرونی کنٹرول

انتظامیہ کا خیال ہے کہ بینک کا اندرونی کنٹرول کا موجودہ نظام ڈیزائن کے لحاظ سے معقول ہے اور اس پر مؤثر طریقے سے عمل درآمد اور نگرانی کی جا رہی ہے۔ تکنیکی حل سمیت بینک کے کنٹرول کے ماحول میں مسلسل بہتری آ رہی ہے۔ بورڈ مجموعی داخلی کنٹرولز کی تاثیر کے بارے میں انتظامیہ کے جائزے کی توثیق کرتا ہے، بشمول مالیاتی رپورٹنگ پر اندرونی کنٹرول، جیسا کہ اس سالانہ رپورٹ کے حصے کے طور پر ظاہر کردہ اندرونی کنٹرول کے بیان میں تفصیل سے بتایا گیا ہے۔

کارپوریٹ سماجی ذمہ داری

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

ہم ایک اخلاقی فریم ورک کے اندر کام کرنے کے اپنے عزم پر پختہ ہیں، سماجی و اقتصادی ترقی میں اپنا حصہ ڈالتے ہوئے جیسا کہ ہم نے پورے بینک میں ذمہ دارانہ کاروباری طرز عمل کی تشکیل جاری رکھی ہے، ہم اس بات کو یقینی بناتے ہیں کہ ہم ہر موقع کو حاصل کریں، اپنی کارپوریٹ سماجی ذمہ داری اور انسان دوستی کے اثرات کو گہرا کرتے ہوئے۔ سال کے دوران، بینک نے مختلف تعلیمی اور دیگر خیراتی اداروں کو 27.276 ملین روپے کے خیراتی عطیات دیے۔ ایک بینک کے طور پر، ہماری توجہ توانائی کے تحفظ کے اقدامات اور پائیدار مالیات کی فراہمی پر مرکوز ہے۔ CSR محاذ پر بینک کی کوششوں کے بارے میں تفصیلات کے لیے، براہ کرم اس سالانہ رپورٹ کے پائیداری سیکشن کا مطالعہ کریں۔

قرضے 244.932 بلین روپے تھے، جن میں سے 99.678 بلین روپے منظور کیے گئے اور 28.744 بلین روپے انڈسٹری کی سطح پر تقسیم کیے گئے۔ بینک الفلاح نے 3.369 بلین روپے کے قرضے جاری کیے ہیں جو کہ انڈسٹری میں سب سے زیادہ ہے اور MPMG اسکیم کے تحت ہوم لون کی پیشکش کرنے والا 1 بینک تسلیم کیا گیا۔

4 ۔ وزیر اعظم کامیاب جوان یوتھ انٹرپرینیورشپ اسکیم (YES-PMKJ)

حکومت نے روزگار کے مواقع پیدا کرنے اور نوجوانوں کو نئے کاروبار قائم کرنے اور/یا موجودہ کاروبار کو وسعت دینے کے ذرائع فراہم کرنے کے لیے رعایتی بزنس فنانسنگ کی فراہمی کے لیے YES-PMKJ متعارف کرایا۔ اس اسکیم کے تحت صنعت کی سطح پر 30 ستمبر 2021 تک کل بقایا فنانسنگ 20.879 بلین روپے تھی، جس کی کل ادائیگی 22.115 بلین روپے تک تھی۔ بینک الفلاح کی تقسیم میں شرکت 1.749 بلین روپے رہی۔

گروپ کی کارکردگی

بینک الفلاح نے 31 دسمبر، 2021 کو سال کے اختتام پر 14.460 ارب روپے کا بعد از ٹیکس مجموعی منافع کا اعلان کیا ہے (2020 میں 10.843 ارب روپے) ۔ آمدنی فی شیئر 8.12 روپے رہی جبکہ پچھلے سال 6.10 روپے تھی ۔ اس مجموعی منافع کی اہم وجہ منافع کے شیئر سے حاصل کردہ 573.254 ملین روپے (قبل از ٹیکس) کی منسلکہ رقم ہے ۔

بینک کی 61.20 فیصد شیئر ہولڈنگ الفلاح سی ایل ایس اے سیکیورٹیز (پرائیویٹ) لمیٹڈ میں ہے جو اسٹاک بروکیج کے کاروبار، سرمایہ کارانہ بینکنگ، کارپوریٹ فنانس اور فنڈ کی سرمایہ کاری سے منسلک ہے ۔ مزید، بینک نے الفلاح انشورنس لمیٹڈ میں 30 فیصد، سفائر ونڈ پاور لمیٹڈ میں 30 فیصد اور الفلاح جی ایچ پی انویسٹمنٹ مینجمنٹ لمیٹڈ میں 40.2 فیصد کی ایکویٹی سرمایہ کاری کے ساتھ اداروں کو منسلک کیا ہے۔

سبسیڈیری کی کارکردگی

الفلاح سی ایل ایس اے سیکیورٹیز نے 318.265 ملین روپے کا آپریٹنگ ریونیو حاصل کیا جوکہ پچھلے سال کے لیے 238.200 ملین روپے تھا ۔ جو 33.6 فیصد کا اضافہ ہے ۔ سال کے لیے فی حصص کی آمدنی 1.53 روپے رہی جو کہ گزشتہ سال کی 0.72 روپے فی حصص کی آمدنی کے مقابلے میں 114 فیصد اضافے کی نمائندگی کرتی ہے۔ یہ تجارت کے حجم میں تقریباً 60 فیصد اضافے کے نتیجے میں ہے جس کے تحت الفلاح CLSA کاروبار میں اپنا حصہ محفوظ کرنے میں کامیاب رہی اور متنوع پروڈکٹ سوٹ کو بھی شامل کیا۔

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

ڈیوڈنڈ ، بونس شیئرز اوردیگر تخصیصات

31 دسمبر2021کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے کیش ڈیویڈنڈ 2.0 روپے فی شیئر(20 فیصد) حتمی ادائیگی کی تجویز دی ہے جوآنے والے سالانہ اجلاس عام میں شیئرہولڈرز کی منظوری سے مشروط ہے، اس سال کیلئے کل کیش ڈیویڈنڈ 4.0 روپے فی شیئر ہے۔ بورڈ نے پہلے ہی عبوری کیش ڈیویڈنڈ2.0 روپے فی شیئر(20 فیصد) کا اعلان اور ادائیگی کردی ہے ۔

اس کے علاوہ، بورڈ نے بینکنگ کمپنیز آرڈیننس1962 کی ضروریات کی تعمیل میں حالیہ سال کے قانونی ذخائر کے منافع سے 1.422 ارب روپے مختص کرنے کی منظوری دے دی ہے ۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کو طویل مدت کے لیے 'AA+'(ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی گئی۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ مزید برآں، بینک کے غیر محفوظ ٹیئر 1 کیپٹل (ٹرم فنانس سرٹیفکیٹ) کو VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (VIS) کے ذریعے 'مستحکم' آؤٹ لک کے ساتھ 'AA-' (ڈبل اے مائنس) کی کریڈٹ ریٹنگ دی گئی ہے۔

PACRA نے بینک کے میڈیم ٹرم نوٹ کو AAA (ٹریل A)) کی ریٹنگ تفویض کی ہے جو کہ ایک ریٹڈ، سیکیورڈ، لسٹڈ، ریڈیم ابل فکسڈ ریٹ ٹرم فنانس سرٹیفیکٹ ہیں ۔

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

کارپوریٹ گورننس

بینک لسٹڈ کمپنیز(کوڈ آف گورننس) ریگولیشنز2019 سے متعلق بیشتر تقاضوں کو پورا کرچکا ہے۔ اس بارے میں انتظامیہ کا تفصیلی بیان اور آڈیٹرز کی جائزہ رپورٹ، سالانہ رپورٹ میں منسلک ہیں ۔

چیپٹر XII - ریپورٹنگ اینڈ ڈسکلوژر آف دا افورمنشنڈ ریگولیشنز کے تحت ڈائریکٹرزمندرجہ ذیل اسٹیٹمنٹ دے رہے ہیں:

1۔ ڈائریکٹرز کی کل تعداد آٹھ ہے:

i۔ مرد: سات

ii۔ خاتون: ایک

2۔ بورڈ کی کمپوزیشن مندرجہ ذیل ہے:

i۔ انڈپینڈنٹ ڈائریکٹرز (بشمول ایک خاتون ڈائریکٹر)	تین
ii۔ نان ایگزیکٹیو ڈائریکٹرز	پانچ
iii۔ ایگزیکٹیو ڈائریکٹرز	ایک

بینک کی ایڈوانس بک میں گزشتہ سال کے مقابلے میں 16.3% سالانہ اضافہ ہوا۔ قرض کی کتاب میں اضافہ مضبوط رہا کیونکہ اقتصادی نقطہ نظر میں بہتری جاری ہے۔ صارفین میں 52.2%، درمیانی مارکیٹ میں 24.4% اور اسلامی بینکاری (صارفین کے علاوہ) میں 27.4% اضافہ ہوا۔ اس ترقی کا ایک حصہ حکومت کی حمایت یافتہ سبسڈی والی ری فنانس اسکیموں کے ذریعے فنڈ کیا جاتا ہے۔ جیسا کہ سال کے آخر میں، ہماری مجموعی ایڈوانسز ٹو ڈپازٹس ریشو 61.4% رہی، جو کہ 50% سے بہت زیادہ ہے جس پر انکم ٹیکس کی بلند شرح لاگو ہوتی ہے۔ بینک کے غیر فعال قرضوں کا تناسب گزشتہ سال کے آخر میں 4.3 فیصد کے مقابلے میں 3.5 فیصد تک بہتر ہوا، جب کہ غیر فعال قرضے مکمل طور پر ان شرائط کے تحت آتے ہیں جن میں داخلی کیفیات کے طور پر درجہ بندی شدہ قرضوں کے خلاف رکھی گئی پرووِیژن اور کوویڈ ری سٹرکچرڈ قرضوں کے خلاف عمومی پرووِیژن شامل ہیں۔ بینک نے، جن ممالک میں بینک کام کرتا ہے ان میں سے ایک میں غیر یقینی سیاسی اور معاشی حالات کی روشنی میں، روپے کی خرابی کا 1 ارب روپے کا چارج لیا ہے۔

31 دسمبر 2021 تک، بینک مناسب طور پر سرمایہ دار ہے جیسا کہ ذیل میں کیپٹل سٹرکچر کے سیکشن میں بتایا گیا ہے۔

بینک کا کیپیٹل اسٹرکچر

بینک، ریگولیٹری بینچ مارکس سے زائد کیپیٹل بیس اور بنیادی کیپیٹل کی ضروریات کے ساتھ اچھا سرمایہ دارانہ ادارہ رہا ہے۔ بینک نے مناسب منافع کو برقرار رکھنے کی پالیسی کو جاری رکھا ہے تاکہ وہ خطرات برداشت کرنے کی صلاحیت بڑھا سکے۔ 11.50 فیصد کی ضروریات (بشمول، کُل رسک ویٹڈ ایسیٹس کے 1.50 فیصد کے کیپیٹل کنزرویشن بفر) کے لیے بینک کا کُل کیپیٹل کا موزوں تناسب 14.43 فیصد ہے۔ کیپیٹل کے معیار کی گواہی بینک کے کُل رسک ویٹڈ ایسیٹس تناسب کے کامن ایکوئٹی ٹیئر 1 (سی ای ٹی 1) سے ملتی ہے جو 7.50 فیصد (بشمول 1.5% کا سی سی بی) کی ضروریات کے لیے 16 10 فیصد ہے بینک کا کیپیٹل بیس بہت وسیع ہے

کاروباری کارکردگی کا جائزہ

بینک کی کاروباری ترقی، کارکردگی اور پوزیشن اور اس سے ماحول پر اثر کے بارے میں تفصیلی بیان، اس سالانہ رپورٹ کے دوسرے سیکشن یعنی ادارے کا جائزہ، آؤٹ لُک، کارکردگی اور پوزیشن میں دیا گیا ہے۔

حکومت پاکستان کی پالیسیاں اور بینک کی کاروباری کارکردگی پر ان کے اثرات

تعمیرات اور برآمدات میں ترقی حاصل کرنے اور مقامی صنعت کاروں کے لیے کاروباری ماحول کو بہتر بنانے کے حکومت کے وژن کے مطابق؛ اسٹیٹ بینک نے مقامی بینکوں اور DFIs کے تعاون سے معاشی ترقی کے لیے حکومت کی کوششوں کو پورا کرنے کے لیے اسکیمیں شروع کی ہیں۔ بینک الفلاح نے ان ترقیاتی اہداف کو حاصل کرنے کے لیے مسلسل اپنی لگن کا مظاہرہ کیا اور اسے اقتصادی ترقی میں نمایاں کارکردگی اور شراکت کے لیے بار بار تسلیم کیا گیا۔

1 ۔ روشن ڈیجیٹل اکاؤنٹ

روشن ڈیجیٹل اکاؤنٹ غیر مقیم پاکستانیوں کو سرمایہ کاری کے منافع بخش مواقع فراہم کرتے ہوئے ملک میں زرمبادلہ لانے کا ایک اقدام ہے۔ روشن ڈیجیٹل اکاؤنٹس غیر ملکی/مقامی کرنسی ڈپازٹ اکاؤنٹس ہیں جو بیرون ملک مقیم پاکستانیوں کے لیے پاکستانی روپے یا غیر ملکی کرنسی میں دستیاب ہیں، جو منتخب کرنسی کے لیے پرکشش شرحیں پیش کرتے ہیں۔ بینک الفلاح لمیٹڈ نے صنعت کی سطح پر کل 299,676 اکاؤنٹس میں سے 33,849 روشن ڈیجیٹل اکاؤنٹس کامیابی کے ساتھ کھولے۔ 31 دسمبر 2021 تک بینک الفلاح کے ذریعے نیا پاکستان سرٹیفکیٹس میں کل سرمایہ کاری 22.507 بلین روپے کے اختتامی بیلنس کے ساتھ 36.365 بلین روپے تھی۔ نیا پاکستان سرٹیفکیٹس میں سرمایہ کاری کے لحاظ سے بینک الفلاح کو سرفہرست تین بینکوں میں شمار کیا گیا تھا اور اس نیروشن ڈیجیٹل اکاؤنٹ ڈپازٹس میں 2 بلین امریکی ڈالر کا سنگ میل حاصل کرنے پروزیر اعظم پاکستان سے ایک ایوارڈ حاصل کیا ۔

2 ۔ ری فنانس کی سہولیات

ری فنانس کی سہولیات مسابقتی شرحوں پر طویل مدتی اور ورکنگ سرمائے کی ضروریات دونوں کے لیے برآمدات اور صنعتی نمو کو سپورٹ کرنے کے لیے اسٹیٹ بینک کے قرضے ہیں۔ کوویڈ-19 کے اثرات سے نمٹنے اور معیشت کو ریلیف فراہم کرنے کے لیے مختلف ری فنانس اسکیمیں بھی شروع کی گئیں، خاص طور پر چھوٹے اور درمیانے درجے کے اداروں کو۔ ان اسکیموں میں بنیادی طور پر شامل ہیں:

a ۔ ٹمپریری اکنامک ری فنانس فیسلیٹی: نئے منصوبوں کے قیام کے لیے نئے پلانٹ اور مشینری کی خریداری کے لیے اور موجودہ منصوبوں کے لیے توازن، جدید کاری اور تبدیلی (BMR) یا توسیع کے لیے رعایتی ری فنانس سہولت۔ دسمبر 2021 کے آخر تک، اسکیم کے تحت 434.7 بلین روپے کی کل فنانسنگ کی منظوری دی گئی تھی جس میں سے 138.6 بلین روپے انڈسٹری کی سطح پر تقسیم کیے گئے تھے۔ بینک الفلاح نے 2021 کے دوران اسکیم کے تحت 29.6 بلین روپے تقسیم کئے۔

b ۔ اجرتوں اور تنخواہوں کی ادائیگی کے لیے ری فنانس اسکیم: اسٹیٹ بینک آف پاکستان نے یہ اسکیم کاروباریوں کی حوصلہ افزائی کے لیے متعارف کرائی ہے کہ وہ وبائی امراض کے درمیان خراب کاروباری سرگرمیوں کی وجہ سے اپنے ملازمین کو کم نہ کریں یا ان کو فارغ نہ کریں۔ مالی اعانت بینکوں اور DFIs نے قرض لینے والوں، شراکت دار مالیاتی اداروں (PFIs) کو فراہم کی تھی۔ اس اسکیم کے تحت 31 دسمبر 2021 تک بینک الفلاح کی بقایا رقم 14.153 بلین روپے ہے۔

3 ۔ میرا پاکستان میرا گھر (MPMG)

آبادی کے درمیانی آمدنی والے طبقات کو مناسب رہائش فراہم کرنے اور تعمیراتی سرگرمیوں کو فروغ دینے کے لیے حکومت نے MPMG مارک اپ سبسڈی اسکیم متعارف کرائی۔ 31 دسمبر 2021 تک، کل درخواست کردہ

بینک کی کارکردگی کا جائزہ

31 دسمبر ، 2021 کو ختم ہونے والے سال کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں :

	2021	2020
مالیاتی پوزیشن	روپے ملین میں	
شیئر ہولڈرز کی ایکوئٹی	100,003	91,017
جمع شدہ رقوم(ڈپازٹس)	1,139,045	881,767
اثاثوں کی مجموعی مالیت	1,734,321	1,384, 874
ایڈوانسز ۔ خالص	673,881	577,316
سرمایہ کاری ۔ خالص	809,214	547,090

	2021	2020
مالیاتی کارکردگی	روپے ملین میں	
خالص سود آمَدنی	46,048	44,705
نان مارك اَپ آمدنی	16,474	12,795
نان مارك اَپ اخراجات	36,840	32,032
آپریٹنگ پروفٹ	**25,682**	**25,468**
پرویژنز اور رائٹ آفز (خالص)	2,312	7,589
قبل از ٹیکس منافع	**23,370**	**17,878**
بعد از ٹیکس منافع	**14,217**	**10,475**
بنیادی اور ڈائیلیوٹڈ آمدنی فی شیئر ۔ روپے	8.00	5.89

بینک نے تمام کاروباروں میں ٹھوس نتائج شائع کیے ہیں جو معیشت کے دوبارہ کھلنے، مسلسل ویکسینیشن رول آؤٹ اور موافق مانیٹری حالات سے فائدہ اٹھا رہے ہیں۔ 2021 میں بینک کی کارکردگی ہمارے ملازمین کی غیر معمولی عزم کا ثبوت ہے جنہوں نے اپنے ذاتی چیلنجوں کا سامنا کرتے ہوئے کلائنٹس کا ساتھ دیا۔ بینک کی مارکیٹ شیئر کو دوبارہ حاصل کرنے کی حکمت عملی کو جاری رکھتے ہوئے اور ڈپازٹس، صارفین اور ایس ایم ای قرضوں پر توجہ مرکوز کرتے ہوئے، بینک نے گزشتہ سال سے 35.7 فیصد ٹیکس کے بعد غیر معمولی منافع حاصل کیا۔ PAT روپے پر رہا۔ 14.217 ارب روپے کے مقابلے میں 2020 کے لیے 10.475 بلین، روپے کی فی شیئر آمدنی (EPS) میں ترجمہ۔ 8.00 (2020: 5.89 روپے)۔ ڈپازٹ میں غیرمعمولی اضافہ اور صارفین اور ایس ایم ای قرضوں میں اضافے، کریڈٹ اور ڈیبٹ کارڈ کے زیادہ اخراجات، گھریلو ترسیلات میں غیر معمولی اضافہ اور تجارتی بہاؤ نے بہتر نتائج حاصل کرنے میں مدد کی۔ ہم نے صنعت کے معروف کارڈ جاری کنندہ کے طور پر اپنی پوزیشن برقرار رکھی۔ پہلی بار، ہماری ہوم ریمی ٹینس مارکیٹ شیئر 14.3 فیصد تک بہتر ہو گئی۔ ہم نے اپنی حکمت عملی کو عملی جامہ پہناتے ہوئے، عالمی وبائی بیماری، ملک میں میکرو اکنامک عدم استحکام کا جواب دیتے ہوئے اور اپنے کاروبار میں سرمایہ کاری جاری رکھتے ہوئے یہ کامیابیاں حاصل کیں۔

ریونیو میں سال بہ سال 8.7% اضافہ ہوا اور روپے ہو گیا۔ 62.522 ارب روپے کے مقابلے میں پچھلے سال 57.499 بلین روپے۔ مارك اپ آمدنی میں 3.0% اضافہ ہوا ہے۔ پچھلے سال شرح سود میں کمی کی وجہ سے اسپریڈز میں کمپریشن کی تلافی سالڈ ڈپازٹ نمو کے ذریعے کمائی کے اثاثوں میں سالانہ حجم کی شرح نمو سے ہوئی۔ غیر مارك اپ آمدنی روپے رہی۔ 16.474 بلین روپے ، فیس کی آمدنی، ڈیویڈنڈ، ایف ایکس آمدنی اور کیپٹل گین سے مضبوط شراکت کے ساتھ، 28.8 فیصد زیادہ۔ فیس اور کمیشن روپے 8.221 بلین، گزشتہ سال کے مقابلے میں 25.3 فیصد کے مضبوط اضافہ کا مظاہرہ کیا۔

بینک اخراجات پر نظر رکھتا ہے اور اخراجات کو سمجھداری سے منظم کرتا ہے جبکہ توسیع کے ذریعے اور نئے منصوبوں میں سرمایہ کاری پر سمجھوتہ کیے بغیر آمدنی کی رفتار بڑھانے پر توجہ مرکوز کرتا ہے۔ نئی برانچوں کے اضافے، انفارمیشن ٹیکنالوجی اور متبادل ڈلیوری چینلز میں سرمایہ کاری، ہوم ترسیلات زر کی مارکیٹنگ مہم، کم از کم اجرت کی ایڈجسٹمنٹ، پی کے آر کی قدر میں کمی اور افراط زر کے مکمل اثرات کی وجہ سے ایڈمن کے اخراجات میں 15.5 فیصد اضافہ ہوا۔ بینک کی لاگت سے آمدنی کا تناسب 58.1 فیصد رہا۔

نیٹ ورك کی غیر معمولی کوششوں، ایک متنوع پروڈکٹ سوٹ اور اچھی طرح سے عمل میں لائے گئے اسٹریٹجک پلان کے نتیجے میں بینک الفلاح نے 2021 میں 29.2 فیصد کی شاندار ڈپازٹ نمو حاصل کی۔ سال کے آخر میں بینک کے ڈپازٹس 1.139 ٹریلین روپے پر بند ہوئے۔ یہ اضافہ بنیادی طور پر کرنٹ اکاؤنٹس میں 26.9% کی مضبوط ترقی کی وجہ سے ہوا ہے، جو کہ 31 دسمبر 2021 کو 500.753 بلین روپے پر تھا ۔ CA مکس 44.0% پر بند ہوا۔

وائرس کو کنٹرول میں رکھنے کے لیے ایک مسلسل ویکسینیشن مہم ضروری ہے، خاص طور پر ایسے وقت میں جب نئی شکلیں ابھر رہی ہوں، کیونکہ یہ صحت اور معیشت دونوں کے نقطہ نظر کا تعین کرتی ہے۔ جغرافیائی سیاسی اور بین الاقوامی عوامل اور واقعات، خاص طور پر پاک امریکہ تعلقات، ایف اے ٹی ایف کی گرے لسٹ میں پاکستان کی تقدیر اور ابھرتی ہوئی افغان صورتحال بھی پاکستان کے اقتصادی نقطہ نظر کو متاثر کرے گی۔

بینکنگ سیکٹر کا جائزہ

پاکستان کا بینکنگ سیکٹر کوویڈ سائیکلوں کے ذریعے نسبتاً مستحکم سالوینسی کے ساتھ لچکدار رہا۔ بینک بہتر اثاثہ معیار اور بہتر منافع ظاہر کرتے ہیں۔ SBP پالیسی کی شرح میں حالیہ اضافے سے توقع کی جاتی ہے کہ وہ وقفے کے باوجود اسپریڈز کے حق میں ہوں گے، کیونکہ اثاثوں کی دوبارہ قیمت میں وقت لگتا ہے۔ تاہم، طویل مدتی مقررہ شرح کی سرمایہ کاری پر نظرثانی کے اثرات نے جامع آمدنی کی پوزیشن پر منفی اثر ڈالا ہے۔

بینکنگ سیکٹر کے ذخائر میں 17% کی متاثر کن نمو دکھائی دیتی ہے، جو کہ CY21 میں 3.0 PKR ٹریلین سے 20.97 PKR ٹریلین ہو گئی، جس کی قیادت M2 مضبوط نمو اور زیادہ ترسیلات زر کی وجہ سے ہوئی۔ نمو ٹرانزیکشنل ڈپازٹس میں مرکوز رہی کیونکہ نئے ڈپازٹس کا 82% کرنٹ اور سیونگ اکاؤنٹس پر مشتمل ہے۔ یہ کم لاگت کے ذخائر دسمبر 20 میں 75.3 فیصد سے بڑھ کر ستمبر 21 میں 76.0 فیصد ہو گئے ہیں۔

SBP پالیسی کی شرح، جس میں 2020 میں کوویڈ چیلنجز کا مقابلہ کرنے کے لیے 625bps کی کمی کی گئی تھی، 2021 میں 275bps سے بڑھا کر 9.75% کر دی گئی ہے کیونکہ محرک نے معیشت کو کسی حد تک گرم کر دیا تھا۔ سائیکل میں تبدیلی اور کم ADR پر جرمانہ عائد کرنے والے نئے ٹیکس نظام سے قطع نظر، زیادہ تر ڈپازٹس کو سرمایہ کاری میں منتقل کر دیا گیا۔ اس مدت کے دوران، ستمبر 21 میں IDRs بڑھ کر 70.9 فیصد ہو گئے جو دسمبر 20 میں 64.4 فیصد تھے۔

ایڈوانسز (خالص) نے بھی دو سست سالوں کے بعد 2021 میں 19% YoY کی معقول نمو 10.15 ٹریلین PKR تک پہنچائی۔ یہ بہتر معاشی سرگرمیوں، اور صارفین کے قرضوں میں مضبوط اضافے کا عکاس ہے، جبکہ رعایتی مالیاتی اسکیموں (TERF) نے بھی ضروری محرک فراہم کیا ہے۔ 2HCY21 میں، حکومت نے بینکوں پر 2.5-5% کا اضافی ٹیکس عائد کیا اگر ADR 50% سے کم ہو جائے، جس سے بینکوں کو صنعتی ADR تناسب کو CY21 میں 48.4% تک بہتر کرنے پر زور دیا گیا۔

اثاثوں کا معیار مستحکم رہا اور مجموعی NPL تناسب دسمبر 20 میں 9.2 فیصد سے ستمبر 21 میں 8.8 فیصد تک گر گیا، جس سے نظام میں تناؤ کے خدشات کو بے اثر ہوا۔ اسی طرح، 877 PKR بلین کا NPL سٹاک مناسب طور پر احاطہ کرتا رہا، کیونکہ کوریج کا تناسب 88.3% سے 88.9% تک بڑھ گیا۔

بینکنگ سیکٹر کا آؤٹ لک

اسٹیٹ بینک اور حکومت کی جانب سے بروقت اقدامات کے دوران بینکنگ سیکٹر کے اشارے 2021 کے دوران مستحکم رہے۔ اعلی شرح سود، اور بینکنگ اسپریڈز میں نتیجے میں بہتری، NII کی ترقی میں مدد کرنے کا امکان ہے، اور غیر فنڈ ڈ آمدنی بھی 2022 میں مضبوط رہنے کی امید ہے۔

اسٹیٹ بینک نے بین الاقوامی بہترین طریقوں کے مطابق ڈیجیٹل بینکوں کے لیے لائسنسنگ اور ریگولیٹری فریم ورک متعارف کروا کر پاکستان میں بینکاری کے لیے ایک نئے دور کا آغاز کیا ہے۔ ڈیجیٹل بینکوں کا فریم ورک ملک میں بینکاری اور ادائیگی کے حل کی ڈیجیٹلائزیشن کے لیے اسٹیٹ بینک کے حالیہ اقدامات کے سلسلے میں تازہ ترین ہے۔ اس کا مقصد سستی اور کم لاگت ڈیجیٹل مالیاتی خدمات کے ذریعے مالی شمولیت کو بڑھانا ہے اور یہ پاکستان میں ڈیجیٹل مالیاتی خدمات کو فروغ دینے کے لیے اسٹیٹ بینک کی کوششوں کا حصہ ہے۔ اسٹیٹ بینک نے ابتدائی طور پر پانچ ڈیجیٹل بینکوں کے لائسنس جاری کرنے کا فیصلہ کیا ہے، جو کہ ایک مضبوط ویلیو پروپوزل، مضبوط تکنیکی انفراسٹرکچر، مناسب مالی طاقت، تکنیکی مہارت اور رسک مینجمنٹ کے موثر کلچر کے حامل کھلاڑیوں کو اپنی طرف متوجہ کرنے کے خواہاں ہیں۔ اسٹیٹ بینک کو یقین ہے کہ یہ نیا اقدام پاکستان میں ایک جامع اور موثر مالیاتی ماحولیاتی نظام کی ترقی میں اہم کردار ادا کرے گا۔

حکومت نے حال ہی میں کم ADR والے بینکوں پر زیادہ ٹیکس عائد کیا ہے۔ اگرچہ بینک الفلاح کا ADR آرام سے حد سے اوپر رہتا ہے، لیکن کم ADR والے بینک زیادہ ٹیکس کے واقعات سے بچنے کے لیے قرض دینے پر توجہ دے سکتے ہیں۔ دریں اثنا، IFRS-9 کا نفاذ قرضوں پر خطرے پر مبنی قیمتوں کے تعین کی طرف صنعت کے نقطہ نظر کو بدل دے گا۔

صنعت پاکستان کو FATF کی گرے لسٹ سے نکالے جانے کے فیصلے پر نظر رکھے ہوئے ہے اور جب کہ حکومت پر امید ہے، کوئی بھی منفی فیصلہ یا نئی ضرورت ترقی کو متاثر کر سکتی ہے۔ تاہم، اندرونی کنٹرول، کسٹمر کا اعتماد اور SBP کی سپورٹ پاکستان کی بینکنگ انڈسٹری کو بدلتی ہوئی ریگولیٹری تقاضوں اور ہمیشہ بدلتی ہوئی معاشی تصویر کے مطابق ایڈجسٹ کرنے کے قابل بناتی ہے۔ توقع ہے کہ صنعت منافع اور بیلنس شیٹ کی مضبوطی کو برقرار رکھے گی اور 2022 میں ترقی کے لیے تیار ہے۔

ڈائریکٹرز کی رپورٹ برائے شیئرہولڈرز

معزز شیئرہولڈرز،

ہم بورڈ آف ڈائریکٹرز کی جانب سے 31دسمبر 2021 کو ختم ہونے والے سال کے لیے ڈائریکٹرز کی رپورٹ بمعہ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

عالمی معیشت

سال 2021 میں پالیسی سازوں کے معاون اقدامات کے نتیجے میں ایک بحالی دیکھنے میں آئی جس کے نتیجے میں لاک ڈاؤن میں آسانی ہوئی اور معیشتیں دوبارہ بحال ہوئیں۔ تاہم، معمول پر لانے اور طلب میں تیزی سے اضافے کی طرف اس مہم نے افراط زر کے دباؤ کو جنم دیا جو بنیادی طور پر سپلائی میں رکاوٹوں اور مزدوروں کی کمی کی وجہ سے تھے۔ اس کے علاوہ، نئی قسموں کے تیزی سے پھیلاؤ نے عالمی اقتصادی نقطہ نظر کے لیے غیر یقینی صورتحال پیدا کر دی۔ جبکہ 2022 میں عالمی معیشت کی شرح نمو 5.0%-4.0% کے درمیان متوقع ہے، 2021 میں6.0%-5.5% متوقع نمو کے بعد، عالمی سپورٹ پیکجز کی واپسی بیرونی طلب کو مضبوط کرنے کے کچھ فوائد کو پورا کرے گی، اور سپلائی چین کی بحالی میں بہتری آئے گی۔ اجناس کی قیمتوں میں کمی ہوئی۔ وفاق اب شرح بڑھانے کی تیاری کر رہا ہے کیونکہ امریکی افراط زر 7% کی چار دہائی کی بلند ترین سطح پر ہے۔

ملکی معیشت

ملکی محاذ پر، معیشت کے دوبارہ بحال ہونے سے کووڈ شاکس کا مقابلہ کرنے کے لیے مالیاتی اور مالیاتی دباؤ کا باعث بنا کیونکہ جی ڈی پی کی نمو مالی سال 20 میں -0.5% کے بعد FY21 میں 3.9% ہو گئی۔ فوری بحالی بنیادی طور پر معاشی سرگرمیوں میں تیزی، اور اسٹیٹ بینک اور حکومت کی جانب سے فراہم کیے گئے مختلف محرک پیکجز بشمول ٹمپریری اکنامک ری فنانس فیسیلٹی (TERF)، SBP روزگار اسکیم (برطرفی کو روکنے کے لیے اجرتوں کے لیے ری فنانس اسکیم)، احساس (سماجی تحفظ) کی وجہ سے تھی۔ پروگرام اور تعمیراتی پیکیج۔ تاہم، عالمی اجناس کی قیمتوں میں اضافے نے ملکی معیشت کو متاثر کیا، افراط زر میں اضافے کے ساتھ۔

اجناس کی عالمی قیمتوں میں اضافے کے نتیجے میں کرنٹ اکاؤنٹ خسارہ 11MCY21(CAD) (جنوری-نومبر) میں 11MCY20 میں US$874 ملین کے سرپلس کے مقابلے میں 10.3 بلین امریکی ڈالر پر کھڑا ہوا۔ اشیاء کی درآمدات 57% اضافے سے 60.5 USD بلین تک پہنچ گئیں، مشترکہ طور پر حجم میں اضافے، اجناس کی افراط زر، ویکسین کی درآمدات اور TERF سے متعلقہ درآمدات کی وجہ سے۔ اشیا کی برآمدات 33% بڑھ کر 26.1 USD بلین ہو گئی جبکہ ترسیلات زر 11MCY21 میں 28.1bn USD تک پہنچ گئیں - جو پچھلے سال کی اسی مدت کے مقابلے میں 19% زیادہ ہیں۔ سال کے دوران براہ راست غیر ملکی سرمایہ کاری 1.8bn USD رہی - جو پچھلے سال کی اسی مدت کے دوران 1.9bn USD سے معمولی طور پر کم ہے۔

24 دسمبر 2021 تک زرمبادلہ کے ذخائر پچھلے سال 20.5 بلین امریکی ڈالر سے بڑھ کر 24.3 بلین امریکی ڈالر رہے۔ جب کہ غیر ملکی زرمبادلہ کے ذخائر پر دباؤ تھا، بہتری بنیادی طور پر روشن ڈیجیٹل اکاؤنٹ ڈپازٹس، زیادہ ہوم ریمیٹینس، ایس ڈی آر ایلوکیشن، سعودی ڈپازٹ اور 1HCY21 میں ذخائر کے جمع ہونے سے ہوئی۔ تاہم، بڑھتی ہوئی CAD کے نتیجے میں PKR میں 2021 میں امریکی ڈالر کے مقابلے میں 10.4 فیصد کمی واقع ہوئی۔

IMF پروگرام کے تحت اجناس کی بڑھتی ہوئی قیمتیں اور ٹیرف/ٹیکس ایڈجسٹمنٹ گھریلو افراط زر میں ظاہر ہوتی ہے جس کی اوسط CY21 CPI میں 9.5% تک پہنچ گئی جس کی قیادت غذائی مہنگائی (14.5%) تھی جو سال کے بیشتر حصوں میں دوہرے ہندسے میں رہی۔ عالمی اشیاء کی قیمتوں کے رجحانات میں کوئی تبدیلی کچھ مہلت دے سکتی ہے۔

ابھرتے ہوئے میکرو اکنامک چیلنجوں کے درمیان، مرکزی بینک نے افراط زر کے دباؤ کو روکنے اور پائیدار ترقی کو یقینی بنانے کے لیے پالیسی ریٹ کو 275bps سے بڑھا کر 9.75% کر دیا۔ بیرونی عدم توازن پر قابو پانے کے لیے، عیش و آرام کی کھپت کو روکنے کے لیے آٹو اور پرسنل فنانسنگ کے ضوابط کو سخت کیا گیا۔

میکرو اکنامک موڑ کی عکاسی کرتے ہوئے، PSX نے 1HCY21 کے دوران بینچ مارک KSE-100 انڈیکس میں 8.2% کی بہتری کے ساتھ صحت مند واپسی پوسٹ کی۔ تاہم، عالمی محاذ پر غیر یقینی صورتحال، میکرو ہیڈ ونڈز، آئی ایم ایف پروگرام میں تاخیر اور ایم ایس سی آئی کی پاکستان کی واپسی فرنٹیئر مارکیٹس میں کمی نے 2HCY21 میں منافع اور قدروں کو مکمل طور پر چھایا ہوا ہے جس میں KSE-100 انڈیکس 5.8 فیصد گر گیا، سال کا اختتام معمولی 1.9 فیصد کے ساتھ ہوا۔ واپسی غیر ملکی سرمایہ کار سال بھر 359 ملین امریکی ڈالر کے مجموعی اخراج کے ساتھ خالص فروخت کنندگان رہے۔

معیشت کا آؤٹ لک

حالیہ مانیٹری اور مالیاتی ایڈجسٹمنٹ کے ساتھ، ایسا لگتا ہے کہ میکرو اکنامک استحکام قریب ہے لیکن اہم اقتصادی میٹرکس میں بہتری کی توقع ہے کہ وقت لگے گا۔ اجناس کی قیمتوں میں ردوبدل سے مدد ملے گی، لیکن مسلسل مالیاتی نظم و ضبط اور مجموعی طلب کو کنٹرول میں رکھنے کی کوششیں، میکرو اکنامک استحکام اور 2023 کے انتخابات کے لیے بھی اہم ہیں۔ آئی ایم ایف پروگرام کا دوبارہ آغاز اس سلسلے میں نظم و ضبط کو یقینی بنائے گا اور مارکیٹ کے شرکاء کی طرف سے اس پر گہری نظر رکھی جائے گی کیونکہ اس سے دیگر کثیر الجہتی اداروں اور سرمایہ کاروں کی جانب سے بہاؤ کے امکانات کھلتے ہیں۔

ACHIEVEMENTS

Bank Alfalah takes pride in being the organisation of choice for all its stakeholders, including customers, employees, investors, etc. Our exemplary performance in varied segments is regularly recognised through awards, accolades and appreciations. In 2021 as well, we upheld our tradition of being one of the leading organisations in the country with several awards. These appreciations are an impetus for us to make further improvement in our operations and establish new benchmarks in business excellence.

ORGANISATIONAL REVIEW

SHAAHDIN MANZIL
1914
Bank Alfalah

ABOUT BANK ALFALAH

Bank Alfalah is one of the largest banks in Pakistan, with a network of 790 branches across more than 200 cities in the country, and international presence in Afghanistan, Bangladesh, Bahrain and the UAE. The Bank also has a representative office in Abu Dhabi. Bank Alfalah is owned and operated by the Abu Dhabi Group. Incorporated as a public limited company on 21st June, 1992 under the Companies Act, 2017, Bank Alfalah commenced its banking operations in the same year.

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

VISION

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

MISSION

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

VALUES

YOU – CUSTOMER CARE
We always put the customer and their needs front and centre.

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

YOUR WAY – CREATIVITY AND INNOVATION
We do things differently, challenging the status quo to find new and better ways to move ourselves and our customers forward.

THE RIGHT WAY – CONDUCT AND INTEGRITY
We always act with integrity and transparency in everything we do. It is the cornerstone of our business and brand.

ETHICS AND CODE OF CONDUCT

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

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

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

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

CULTURE

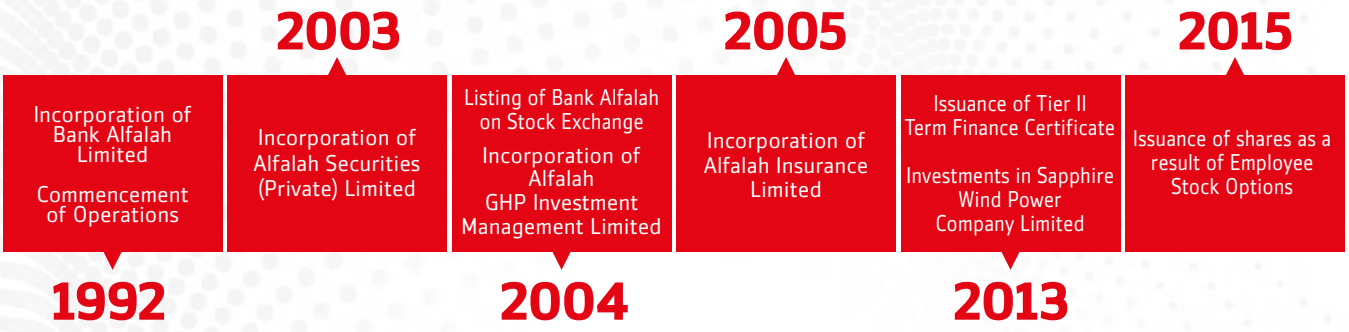
At Bank Alfalah, we strongly believe that a conducive culture has the ability to express our strategic goals through values and beliefs. It opens the doorways to a more diverse and inclusive environment where employees find their purpose.

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

Our Cultural Strategy rests on the following pillars:

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

Our History



Financial Calendar and Corporate Announcements

2021

1st Quarter Results approved on	22nd April, 2021
2nd Quarter Results approved on	25th August, 2021
3rd Quarter Results approved on	24th October, 2021
Annual Budget approved on	24th October, 2021
Annual accounts to be approved in 30th Annual General Meeting scheduled on	29th March, 2022

2020

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

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 approved in 28th Annual General Meeting held 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

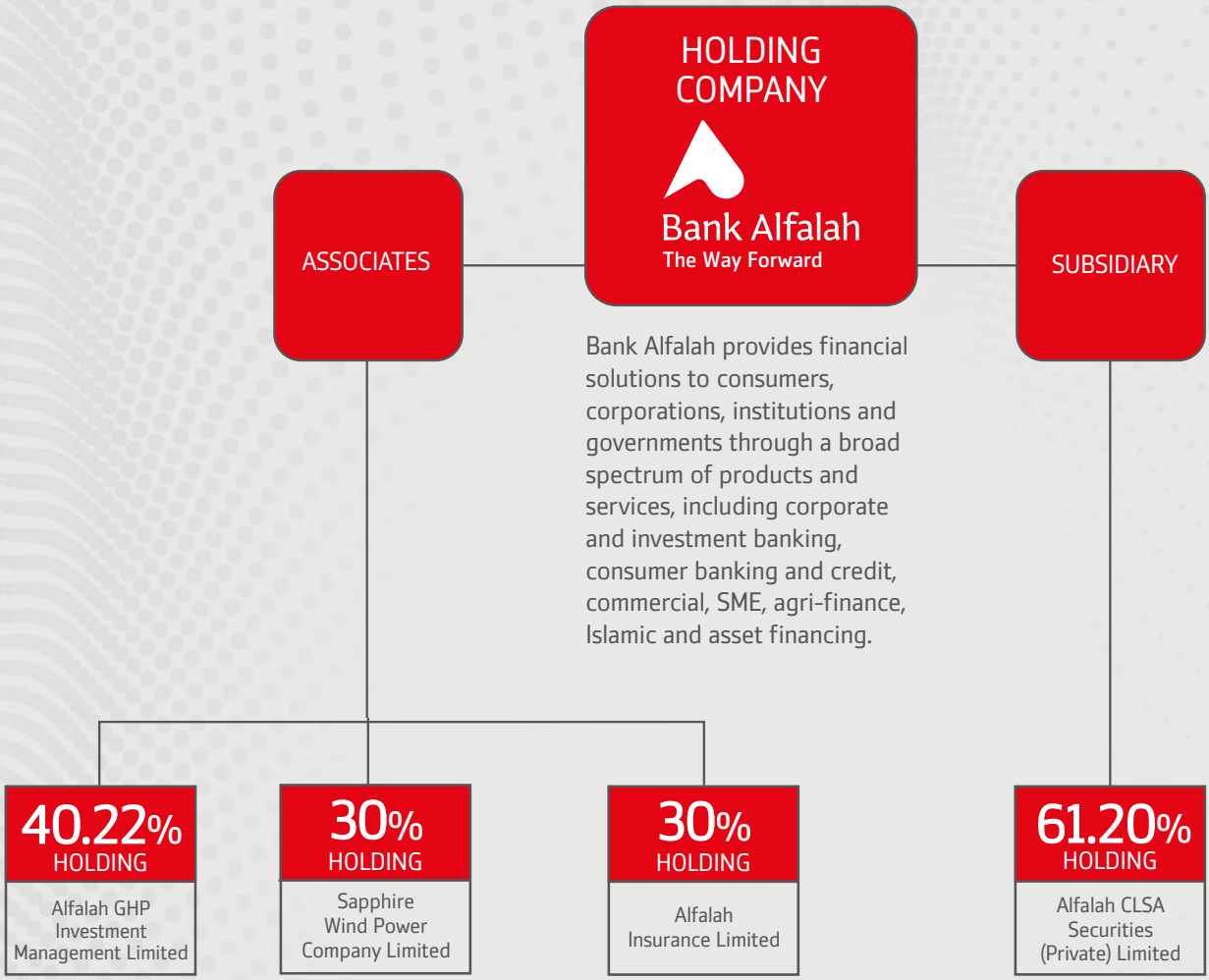
2017

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 Budget approved on	11th December, 2017
4th Quarter Results approved on	25th February, 2018
Annual Accounts approved in 26th Annual General Meeting held on	28th March, 2018

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 Budget approved on	13th December, 2016
4th Quarter Results approved on	23rd February, 2017
Annual Accounts approved in 25th Annual General Meeting held on	28th March, 2017

Group Ownership Structure



Alfalah GHP Investment Management Limited is an asset management company and pension fund manager. It manages a 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 being 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 a Window Takaful Operator. It offers first-class security and service to the insuring public, which is comparable to international standards.

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

Nature of relationship: Shareholding and nomination of directors on the boards of subsidiaries and associates.
Country of origin: Holding, subsidiaries and associate companies are incorporated in Pakistan.

Our Presence

Bank Alfalah is connected with you via 50,000+ touchpoints.

Domestic Branches: **779**
(including Premier Lounges)
Overseas Branches: **11**
Booths: **4**
Representative Offices: **1**

Onsite ATMs: **772**
Offsite ATMs: **162**
Cash Deposit Machines: **180**
Cash and Cheque Deposit Machines: **47**
QR Code Scanners: **16,875**
Internet Banking: **1**
Alfa App (Android and iOS): **2**
Agent Network: **15,076**
eCommerce Merchants: **1,133**
POS Machines: **21,254**

Call Centres: Karachi - **2**, Lahore - **1**
Consumer Finance Centres: **7**
Complaint Management Unit: **1**
Complaint Boxes: **778**
Drop/Credit Card Bill Collection Boxes: **40**

Branch Network

PAKISTAN

Bank Alfalah is one of the largest private banks in Pakistan with a network of 779 branches in more than 200 cities across Pakistan.

AFGHANISTAN

Branch Banking Operations

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

BAHRAIN

Offshore Banking Unit

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

UAE

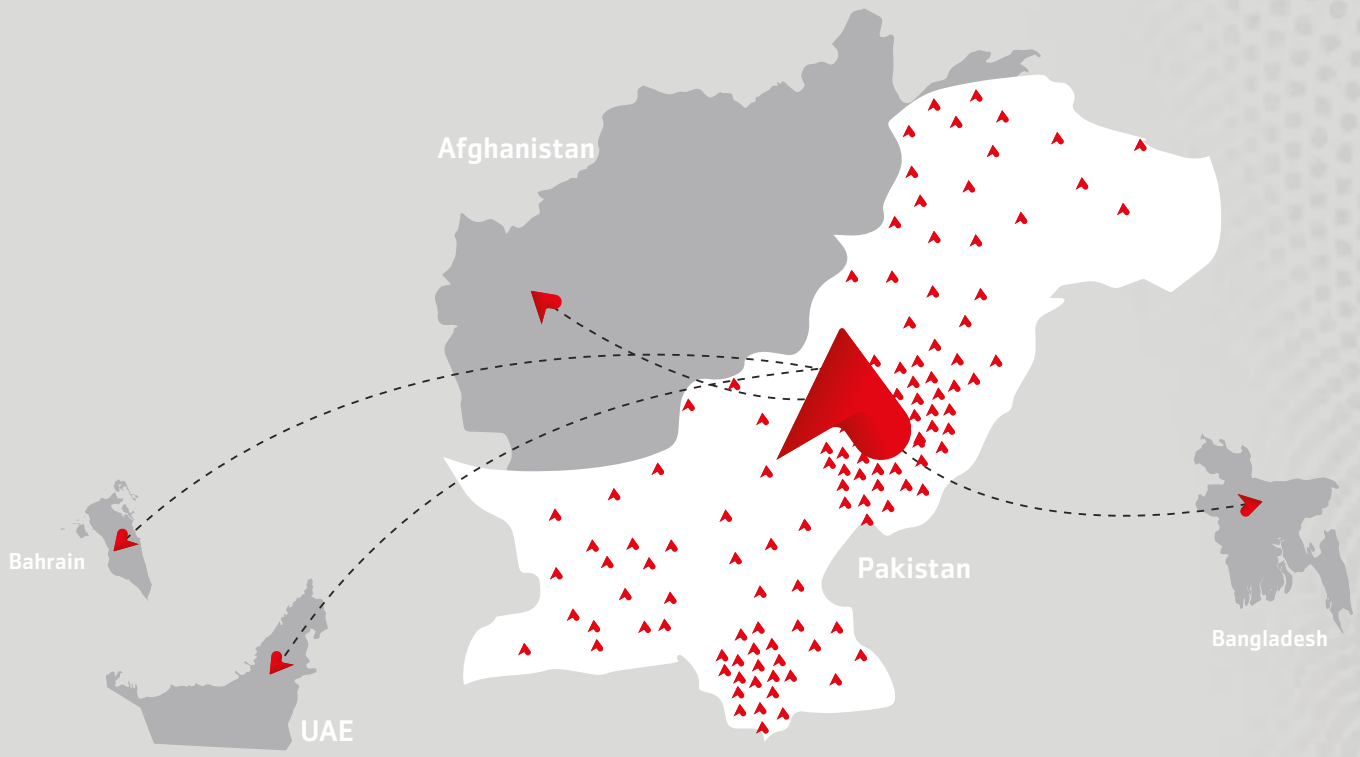
Wholesale Banking Branch in Dubai and One Representative Office in Abu Dhabi.

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

BANGLADESH

Branch Banking Operations

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



CATEGORIES AND TYPES OF BRANCHES

Category	Branch & Sub-Branch
Conventional	542
Corporate	5
Islamic	232
Domestic	**779**
Overseas	11
Grand Total	**790**

OVERSEAS OPERATIONS-COUNTRIES

Country	Branch & Sub-Branch
Bangladesh	7
Afghanistan	2
Bahrain	1
Dubai	1
Total	11

Country	Representative office
Abu Dhabi	1

PAKISTAN OPERATIONS-PROVINCES

Province	Branch & Sub-Branch
Punjab	488
Sindh	173
KPK	68
Balochistan	37
Gilgit Baltistan	6
AJK	7
Grand Total	**779**

PAKISTAN OPERATIONS-REGIONS

Regions	Branch & Sub-Branch
Conventional	
North	163
South	153
East	113
West	113
Corporate	**5**
Islamic	
North	55
South	56
East	65
West	56
Grand Total	779

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

Our Employees

Our Human Capital Strength

	2021	2020
Head Count (as at 31st December)	12,118	10,755
Pakistan	11,848	10,468
- Sindh	4,220	3,742
- Punjab	5,999	5,322
- Balochistan	288	255
- KPK	500	425
- AJK	43	37
- Gilgit Baltistan	47	45
- Federal Capital	751	642
United Arab Emirates	20	20
Bahrain	8	9
Afghanistan	62	69
Bangladesh	180	189
Average Head Count (throughout the year)	11,317	10,288
Female employees (as at 31st December)	2,068 (17%)	1,797 (17%)
New hiring (during the year)	3,592	1,945
Attritions (during the year)	2,214 (19%)	1,398 (13%)
Staff training programmes (during the year)	1,251	1,520

Our Business Model

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

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

Bank Alfalah always puts its customers' needs first in the right way through its progressive, customer-centric business model, serving clients from across Pakistan through more than 50,000+ digital, electronic and corporeal touchpoints. We generate revenue and deliver value through our integrated business functions, including retail and corporate banking, treasury and financial institutions and Islamic banking. Each wing has its own cohesive management team, which demonstrates extraordinary passion for innovation and customer experience.

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

Our Shariah compliant Islamic Banking solutions cover deposit products, investment services, payment solutions and financing facilities. We extend financing and take deposits across all sectors for both retail and corporate clients. This division has its own distinct financing and operations, as well as its own Shariah Board dedicated to the appraisal of products that our Islamic banking business offers.

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

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

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

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

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

Our Business Model

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

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

Stakeholders Factors affecting External Environment

The Bank's key stakeholders are shareholders, investors, customers, regulators, rating agencies, media, vendors and suppliers, Board of Directors, Senior Management, employees, potential customers and the society in which it operates. For details on the external environment affecting the Bank, please refer to the Outlook section of this Annual Report.

Inputs

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

Business Activities

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

Outputs

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

Outcomes

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

CAPITALS — INPUTS

Financial Capital

Share Capital	**Rs. 17.8 Bn**
Total Equity	**Rs. 100 Bn**
Deposits	**Rs. 1.1 Trn**
Subordinated Debt	**Rs. 7.0 Bn**
Medium Term Note (MTN)	**Rs. 11.0 Bn**

Human Capital

Head Count	**12,118**

Manufactured Capital

Branches and Sub-branches	**790**
ATMs and CDMs	**1,100+**
Intangible Assets	**Rs. 1.1 Bn**
Property and Equipment	**Rs. 39.5 Bn**

Additional Touchpoints: POS Machines, Social Media Platforms, QR Scanners, Booths, Representative Offices, Call Centres, Drop Boxes and Complaint Centres

Intellectual Capital

Experienced Board

Competent Management

Strong Risk Management

Secured and Updated IT Infrastructure

Compliance Framework

Policies and Procedures

Brand Image

Secured Systems

Social and Relationship Capital

Number of Customers	**4.8 Mn+**

Trade Partners (Merchants and Agents)

Natural Capital

Solar Branches/ATMs/Inverters

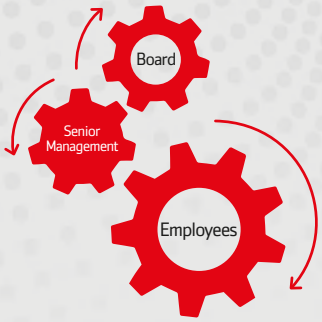
Health and Safety Considerations at all Premises

Green Banking Initiatives

Responsible Renewable Energy Financing

CREATING VALUE — CORE BUSINESS ACTIVITIES

Our Engine



Value and Growth Drivers

Core activities through products and services

Generating maximum shareholder returns through efficient fund generation and effective fund management.

Deliver superior customer experience through product innovation.

Focus on growth through optimising low cost deposits, High Net Worth clients, consumer lending, SME, trade, cash management and home remittances.

Perpetual adaptation to the disruptive digital landscape in order to keep pace with the industry.

Continue to uphold a strong capital base and efficient risk management policies in order to maintain a sound liquidity profile.

Principles to Operate

Customer Experience	Managed Risk	IT Advancement	Health and Safety
Depositors' Protection	Compliance with Laws	Reputation Managed	Digital Innovation
Governance	Strategy	Maximising Shareholder Returns	Service Agility
Digital Solutions	Regulator Facilitation	Data Analytics	Green Banking
CSR	Transparency	Profitability	Ethics & Culture
Employee Happiness	Market Share	Record Safety	Data Security
Secured Lending	Staff Training	Gender Diversity	Customer Protection
Asset Security	Environment Protection	Sustainability	Process Improvement

VALUE ADDITION — OUTPUTS AND OUTCOMES

Shareholders

Profit after Tax	**Rs. 14.2 Bn**
Earnings per Share	**Rs. 8.0**
Dividend per Share	**Rs. 4.0**
Return on Assets	**0.92%**
Return on Equity	**15.30%**
Cost to Income Ratio	**58.1%**
Capital Adequacy Ratio	**14.43%**

Customers

Deposits Growth	**29.2%**
Advances Growth	**16.3%**
Trade Growth	**50%**
Remittances Growth	**87%**
NPL Ratio	**3.5%**
ATM Uptime	**96%**
CASA Mix	**76.94%**
CA Mix	**44.0%**

Employees

Salaries and Benefits	**Rs 16.8 Bn**
Trainings	**Rs. 75.8 Mn**
Employee Attrition Rate	**19%**

Vendors and Suppliers

Timely Payments against Supplies and Services

Regulators

- Compliant Financial Statements and Periodical Returns to the Regulators
- Trusted Partner of the Regulator
- Compliant Regulatory Limits and Ratios
- Timely Tax Payments

Investors and other Lenders

- High and Sustainable Returns
- Credit Worthiness and Timely Repayments
- Informed Shareholder

Media

- Responsible and Honest Communication
- Full Disclosure of Facts

Rating Agencies

Short-term Rating	**A1+**
Long-term Rating	**AA+**
Outlook	**Stable**

Analysts

- Regular Correspondence
- Fair and Open Investor Calls

Society/Local Community

Contribution to Local Society/CSR Customer Relations	**27.3 Mn**

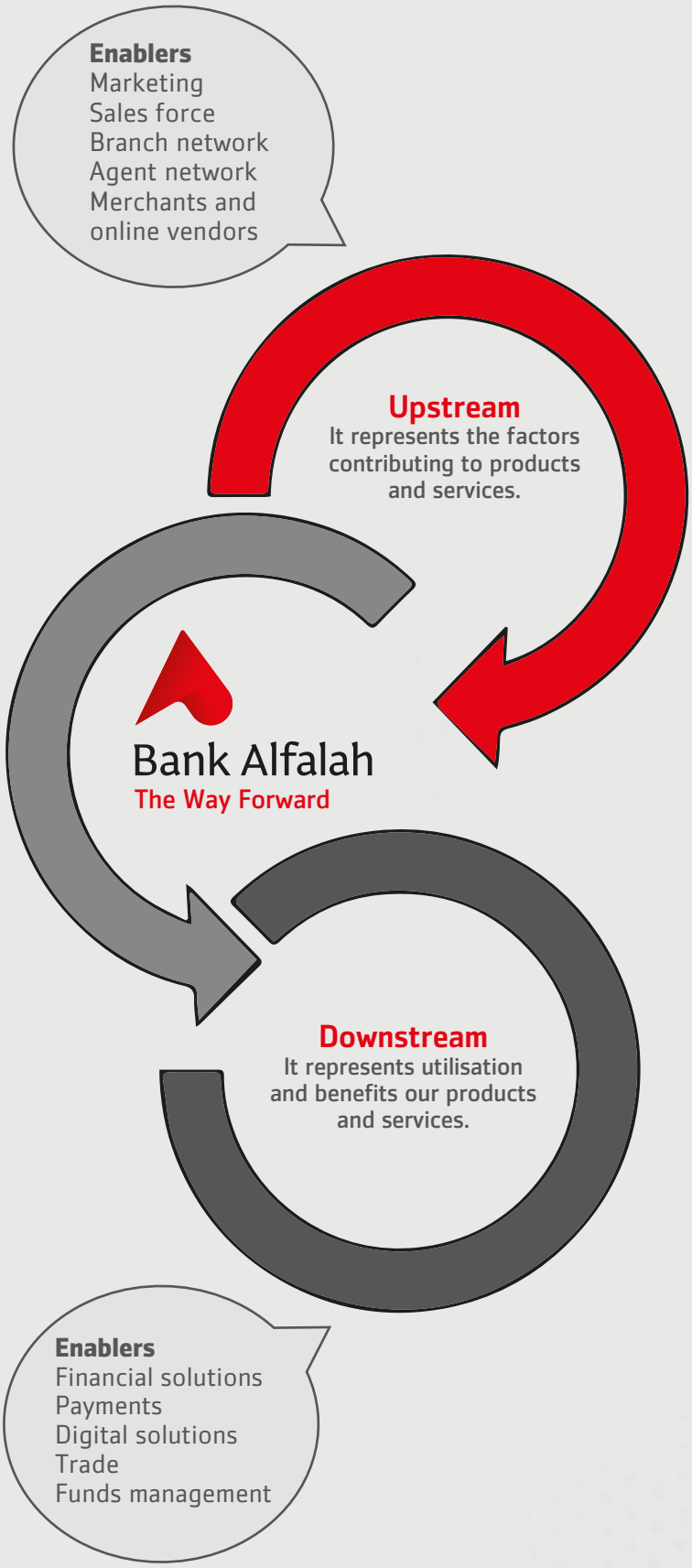
Job Creation

Improved Workplace

Protected Natural Environment

Improved Environmental Effects through Renewable Energy Financing

Bank Alfalah and the Value Chain



Upstream

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

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

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

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

Bank Alfalah in the Value Chain

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

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

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

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

Downstream

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

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

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

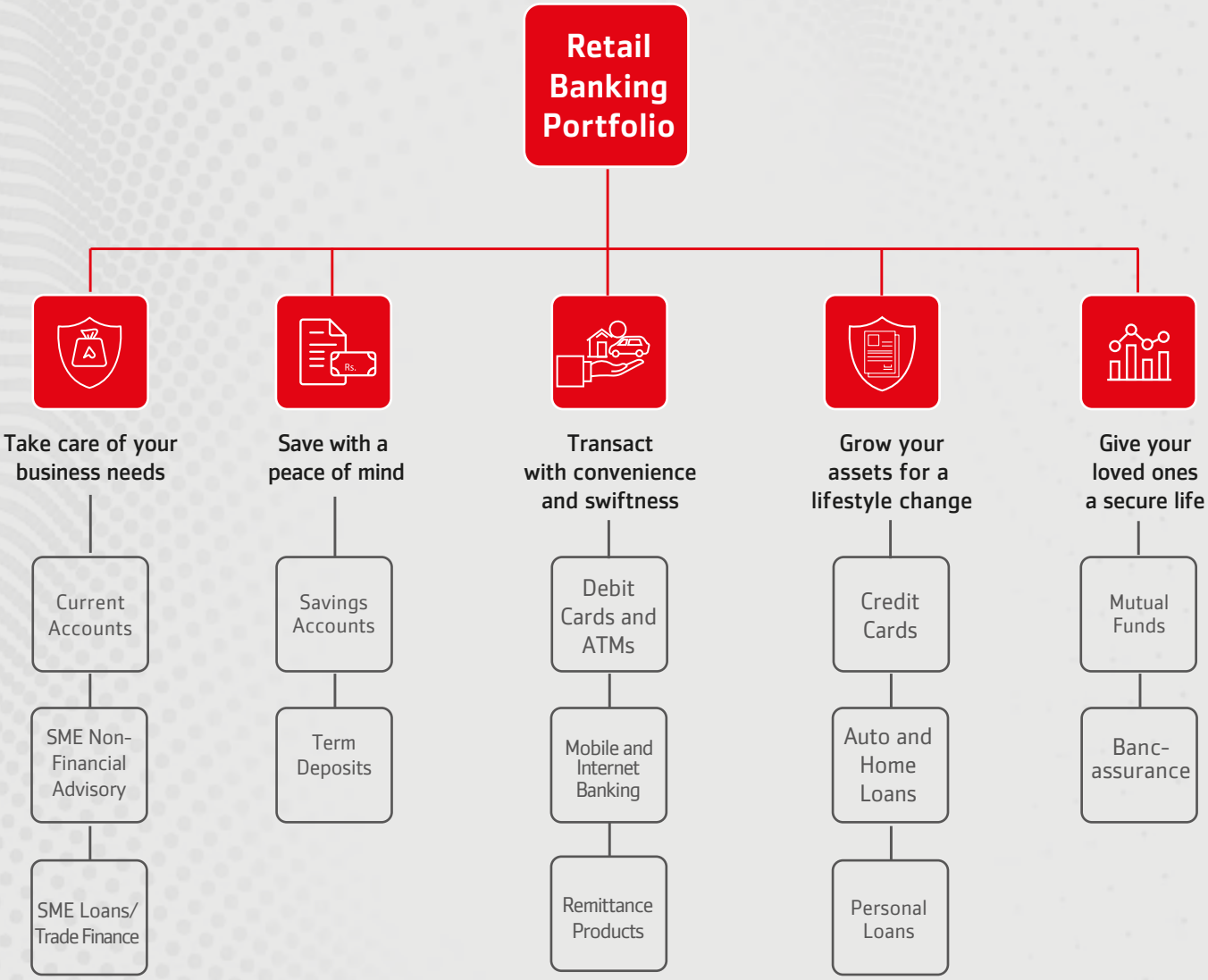
Investors and Analysts: The Bank maintains regular interaction and keep them updated with performance and actions taken in the normal course of business.

Society: The Bank prioritises giving back to the society.

Our Business, Products and Services

Retail Banking (Conventional)

Bank Alfalah offers one of the most extensive personal banking and SME product propositions in the market through our retail network consisting of 542 branches and ATMs, Cash and Cheque Deposit Machines, state-of-the-art call centres and digital banking solutions. Our diverse range of services and products includes deposit accounts, consumer loans, SME loans, wealth management products, and other payment solutions.



RETAIL DEPOSITS
668.703 BILLION

RETAIL FINANCE
204.199 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
• PKR Current Account • Alfalah Kamyab Karobar Account • Basic Banking Account • Alfalah Asaan Current Account • Alfalah Asaan Remittance Current Account • Alfalah Pehchaan Current Account • Alfalah Remitter Current Account • FCY Current Account • Alfalah-at-Work Current Account • Roshan Digital Account (NRVA and FCVA) • Asaan Digital Current Account • Asaan Digital Remittance Current Account • Freelancer Digital Current Account • Asaan Pehchaan Digital Current Account	• Alfalah PLS Savings Account • Alfalah Care Account • Alfalah Royal Profit Account • Alfalah Kifayat Account • Alfalah Asaan Savings Account • Alfalah Asaan Remittance Savings Account • Alfalah Pehchaan Savings Account • Alfalah SnaPack (Kid's Account) • Alfalah Remitter Savings Account • FCY Savings Account • Alfalah at Work Savings Account • FCY Pehchaan Savings Account • Roshan Digital Account (NRVA and FCVA) • Asaan Digital Savings Account • Asaan Digital Remittance Savings Account • Freelancer Digital Savings Account • Asaan Pehchaan Digital Savings Account	• PKR Term Deposit • Alfalah Mahana Amdan Account • Alfalah Mahana Amdan Account-Senior Citizen • Floating Term Deposit • FCY Term Deposit • Alfa Term Deposit

Asset Products

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

Consumer Financing

The Bank's Consumer Finance business strives to be a world-class consumer lending business by demonstrating financial responsibility through prudent lending and strong risk architecture. The business has gone from strength to strength, and in the last few years has focused on sustainable strategy planning, instituting robust operational and credit risk programmes, strengthening product offerings, and introducing digital transformation in our processes. Consumer Finance business has successfully emerged from the COVID-19 pandemic adapting and evolving along the way. The business consists of one of the most diverse product propositions in the market on both the secured and unsecured side, which include industry leading credit cards, auto loans, personal loans and home loans, all of which are renowned in the market. The payment products and services comprise of debit cards, credit cards, travel currency cards and Point-of-Sale (POS) terminals.

Consumer Financing Product Offerings			
Alfalah Cards	Alfalah Personal Loans	Alfalah Auto Loans	Alfalah Home Finance
• Classic • Gold • Platinum • Ultra Cashback • Optimus • Titanium • American Express • Platinum Premier • Corporate Card	• Cash Loan • Purchase Loan • Balance Transfer Facility • Top Up Loans	• Residual Value Product • Vehicle Replacement Option • Fixed and Variable Pricing Option • Co-Borrower Facility • Roshan Apni Car	• Home Purchase • Home Construction • Plot Purchase + Construction • Home Balance Transfer Facility • Home Renovation • Alfalah Ghar Asaan (Mera Pakistan Mera Ghar) • Roshan Apna Ghar

SME Lending/Agricultural Financing/Trade

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

SME and Agri Loan Offerings	
SME	**Agri Loans**
• Alfalah Bill and Cash • Alfalah Fleet Finance • Alfalah Merchant Line • Alfalah Quick Finance • Alfalah Karobar Finance • Alfalah Value Chain Financing • Alfalah Milkiat Finance • Alfalah Green Energy SBP Financing Scheme for Renewable Energy/Alfalah Green Energy • Refinance Facility for Modernisation of SMEs • Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises • Refinance and Credit Guarantee Scheme for Women Entrepreneurs • Small Enterprise (SE) Financing and Credit Guarantee Scheme for Special Persons • Temporary Economic Refinance Facility • Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme (YES) • SME Asaan Finance Scheme (SAAF)	• 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 • Financing Facility for Storage of Agriculture Produce • Mark-up Subsidy and Guarantee Facility for Rice Husking Mills in Sindh

Premier Banking

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

- Seamless onboarding (instant account opening and debit card issuance)
- Dedicated Relationship Managers
- Premium lounge network
- Accelerated Orbits (reward points) programme
- Access to Premier Airport Lounge at the Jinnah International Airport, Karachi
- Exclusive offers at leading eateries, health and fitness studios, and retail brands
- Premier Proposition at 300+ branches in 38 cities across the country

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

Wealth Management

Bank Alfalah offers a vast portfolio of investment solutions, including mutual funds, life insurance, and Bancassurance products for health insurance and general insurance distributed through the Bank's branch network.

Bancassurance

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

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

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

Bancassurance Product Offerings	
Insurance Plans	**Takaful Plans**
Unit Linked Life Insurance Plans	**Unit Linked Takaful Plans**
• Rida Marriage Plan • Roshni Education Plan • Sahara Retirement Plan • Rahat Savings and Protection Plan • Rehnuma Plan • Kohsar Plan • Mukammal Savings and Insurance Plan • Ujala Insurance Plan	• Uroos Marriage Plan • Danish Education Plan • Tadbeer Multi-Purpose Savings Plan • Tahaffuz Takaful Plan • Zeenat Takaful Plan • Zindagi Premier Takaful Savings Plan • Saholat Takaful Savings Plan • Kaamil Takaful Savings Plan
Bonus Linked Life Insurance Plans	**Term Life Takaful Plan**
• Endowment Plan • Sadabahar Plan • 3 Payment Plan	• Taskeen Takaful Plan
Health Insurance Plans	**Health Takaful Plan**
• Kafeel Plan • Azmat Health Insurance Plan • Hikmat Insurance Plan	• Shifa Takaful Plan
General Insurance Plans	**General Takaful Plan**
• Car a Vaan Motor Insurance Plan • Nighaban Insurance Plan (Wallet Insurance)	• Zaamin Takaful Plan (Wallet Takaful)

Retail Payment Solutions

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

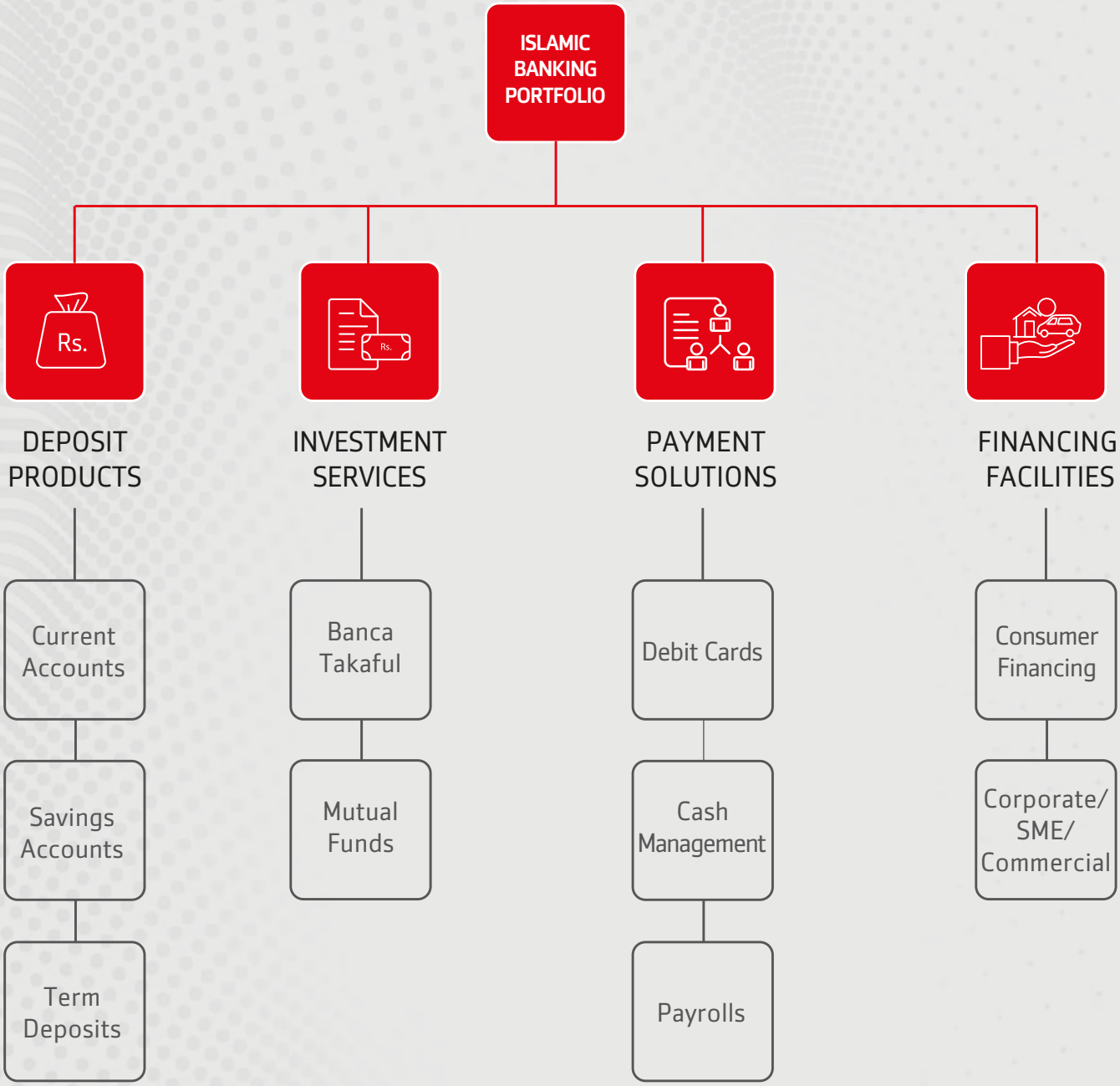
- Point of Sales Acceptance – Network of 21K+ machines including big fleet of android machines (first bank to launch android machines in the market)
- Online Payment Acceptance – 6 aggregators, multiple market places and merchants
- Bank at Work – Employee banking
- Standard Cash Management Services
- Customisable solutions for payments and collections
- Developing Payment and Financial Solutions in partnership with startup/Fintech ecosystem

Orbit Rewards Programme

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

Islamic Banking

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



ISLAMIC DEPOSITS
200.390 BILLION

ISLAMIC ADVANCES
133.103 BILLION

Deposit Products

Bank Alfalah Islamic offers a wide choice of deposit accounts that are Shariah compliant, i.e. designed with strict adherence to Shariah principles. Through current deposits, savings deposits, instalment-based term deposits and regular term deposits, daily banking services can easily be availed through the Bank's vast branch network and self-service banking solutions.

Current Accounts

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

Savings Accounts

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

Term Deposits

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

Current Deposit Products	Savings Deposit Products	Term Deposit Products
• Falah Islamic Current Account • Falah Islamic Basic Banking Account • Alfalah Islamic FCY Current Account • Alfalah Islamic Asaan Current Account • Alfalah Islamic Asaan Remittance Current Account • Alfalah Islamic Special Foreign Currency Current Account • Islamic Roshan Digital Current Account • Alfalah Islamic Business Way and Payroll • Alfalah Islamic Asaan Digital Current Account • Alfalah Islamic Freelancer Digital Current Account	• Falah Classic Savings Account • Alfalah Islamic Musharakah Savings Account • Falah Business Account • Falah Mahana Amdani Account • Alfalah Islamic Asaan Savings Account • Alfalah Islamic Asaan Remittance Savings Account • Alfalah Islamic Collection Savings Account • Alfalah Islamic Special Foreign Currency Savings Account • FCY Savings Account • Alfalah Islamic Profex Account • Falah Senior Citizens Savings Account • Islamic Roshan Digital Savings Account • Islamic Home Remittance Account • Alfalah Islamic Asaan Digital Savings Account • Alfalah Islamic Asaan Digital Remittance Savings Account • Alfalah Islamic Freelancer Digital Savings Account • Falah Asaan Women Digital Savings Account	• Alfalah Islamic Premium Deposits • Falah Mahana Munafa Term Deposit • Falah Term Deposits • Foreign Currency Term Deposits • Alfalah Islamic Recurring Value Deposit • Falah Senior Citizens Term Deposit • Target Savings Deposit • Falah 3 Year Term Deposit (Monthly Income Certificate)

Asset Products

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

Consumer Financing

We provide our retail segment with the option to avail financing facilities, including Alfalah Islamic Auto Finance and Alfalah Islamic Home Musharakah.

SME/Commercial/Corporate Financing

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

Corporate/Commercial	SME	Trade	Consumer
• Alfalah Running Musharakah • Murabaha/Import Murabaha • Alfalah Musawamah/Import Musawamah • Falah Tijarah • Alfalah Istisna • Commodity Salam • Diminishing Musharakah • Ijarah • Islamic Long-Term Financing Facility • Islamic Temporary Economic Refinance Facility • Islamic Financing Facility for Storage of Agriculture Produce • Islamic Financing Facility for Renewable Energy	• Alfalah Islamic Karobar Finance • Alfalah Islamic Fleet Finance • Alfalah Islamic Milkiat Finance • Islamic Refinance Facility for Modernisation of SME	• Islamic Export Refinance Scheme (IERS) • Currency Salam • Forward Contracts • Guarantee • Letters of Credit	• Alfalah Islamic Auto Finance • Alfalah Islamic Housing Musharakah • Alfalah Green Finance (Solar Solutions) • Alfalah Islamic Ghar Asaan (Naya Pakistan) • Alfalah Islamic Roshan Apna Ghar • Alfalah Islamic Roshan Apni Car

Treasury Financing

Bank Alfalah Islamic also offers Bai-Muajjal of Sukuk, Bai-Muajjal transactions represent sale of Shariah compliant instruments on deferred payment basis. They are undertaken with either GoP or other financial institutions.

Wealth Management

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

Islamic Premier Banking

We offer unparalleled Shariah compliant products/services and a banking experience that encompasses industry firsts, , including, but not limited to:

- Seamless onboarding (instant account opening and debit card issuance)
- Dedicated Relationship Managers
- Designer lounges with Espresso alliance across the lounge network
- Accelerated Orbit Rewards
- Access to a dedicated Premier Airport Lounge at the Jinnah International Airport, Karachi

We have alliances with high-end brands unique to the Premier segment where Alfalah Islamic Premier customers can enjoy amazing discounts on Alfalah Premier Visa Signature Debit Card.

Takaful Coverage

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

Orbit Rewards

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

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

Corporate Banking

Bank Alfalah's Corporate Banking offers a comprehensive array of financing solutions for medium and large-sized corporate clients. The product offering includes long-term and short-term funded solutions with flexibility for structured products, including, but not limited to, working capital, import-export refinance, commodity finance, long-term finance, bill discounting, documentary credits, guarantees and foreign exchange. Corporate Banking also synergises with other groups within the Bank to capitalise on cross sell opportunities like cash management solutions, payroll, vendor/dealer financings, digital offerings, etc.

Investment Banking

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

Financial Institutions and Home Remittance Business

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

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

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

Given the considerable contribution of home remittances to the country's economy, Bank Alfalah will continue to endeavour that its remittance solutions are safe, efficient, reliable and best-in-class. To achieve this, Bank Alfalah has taken multiple steps to invest in technology, system capacity, personnel, and marketing to help increase the flow of home remittances through banking channels.

Transaction Banking

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

Cash Management

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

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

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

Trade Financing

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

Supply Chain Financing (SCF)

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

IFC's advisory for establishment of Supply Chain Financing roadmap has been a dynamic involvement for the Bank. Keeping in view global experience, inclusive financing, and other aspects of value brought in by IFC, we have completed incorporating global SCF best practices, thus establishing higher standards that we can leverage.

CORPORATE DEPOSITS
182.007 BILLION

CORPORATE ADVANCES
284.347 BILLION

Global Treasury and Capital Markets

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

Global Treasury

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

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

Capital Markets

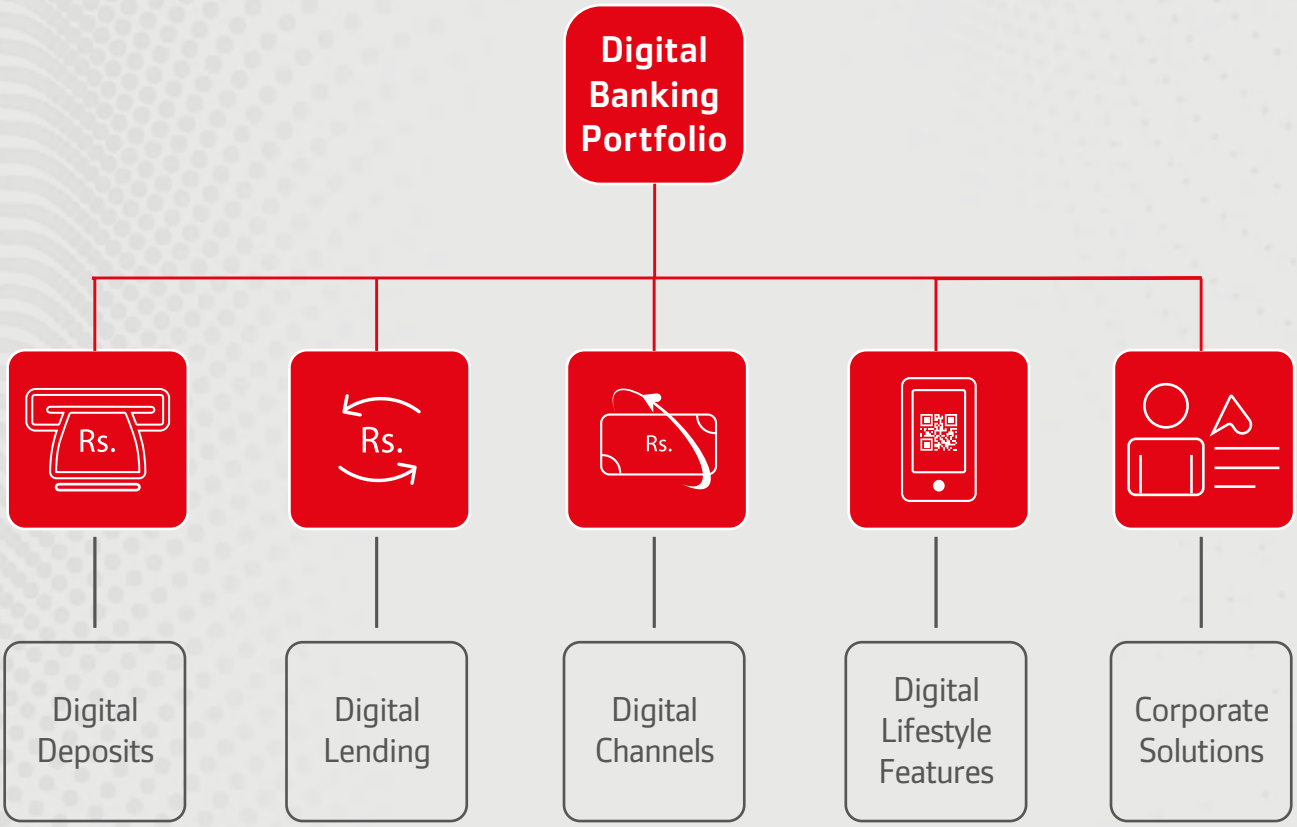
The Bank's Capital Markets desk offers comprehensive equity solutions for in-house as well as clients' needs. Leveraging its active role in Capital Markets and their development, the Bank has established an award winning equity advisory and investor relations franchise.

FX EARNINGS
4.128 BILLION

GAIN ON SECURITIES
3.142 BILLION

Digital Banking

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



Our product suite is categorised as follows:

Digital Deposits

Digital Current and Savings Accounts

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

Roshan Digital Account

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

Alfa Current and Savings Islamic Account

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

Alfa Term Deposit

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

Goal-based Savings

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

Digital Home Remittances Account

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

Digital Lending

Merchant Financing

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

Advance Salary

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

Alfa Overdraft

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

Easy Instalments

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

Instant Loan

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

Agent Financing

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

- **Embedded Financing:** Bank Alfalah has launched this digital lending embedded in non-Alfalah app and ecosystems. It aims to provide subscribers of educational institutes and UBPs to cover monthly bill through an easy monthly instalment based loan with no markup.

- **Alfa Credit:** It's a high value revolving line facility offered to existing-to-bank liability customers. Throughput financial line is also available for Alfa app customers via Alfa Credit.

Digital Channels

Alfa

Alfa, Bank Alfalah's digital banking premier app, has successfully digitised offline procedures such as account opening, money transfer, bill payments, savings and investments, while also meeting the requirements associated with the modern lifestyle, which includes traveling, enjoying exquisite cuisines, staying connected with friends via chat, shopping online and discounts.

Internet Banking

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

AlfaChat

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

WhatsApp Banking Channel BOT

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

SMS Banking

Bank Alfalah offers its customers via its SMS banking channel which is the freedom to get their account's information and carry out financial transactions (including mobile bill payment and Bank Alfalah credit card bill payment through their Bank Alfalah account) by sending an SMS to 8287. By subscribing to this service, customers can now get details about their account balance, last 5 transactions and credit card, process permanent blocking of debit card and temporary blocking of Internet Banking and ALFA, activation/deactivation of e-Commerce transactions, initiate cheque book request, inquire about Orbits points, and pay off the bill of their registered mobile number and credit card through their Bank Alfalah account by sending predefined texts to Bank Alfalah short code 8287. This facility especially targets non-smartphone users and helps the Bank achieve financial inclusion of customers from tier 2 and tier 3 cities/towns. In addition, customers can also keep a track of their transactions 24/7. Customers receive real-time SMS alerts for transactions performed in their account along with their available balance and Orbit (points) information, besides the option to receive their debit and credit alerts in the language of their choice.

Self-Service Kiosks – CDMs and CCDMs

Bank Alfalah has the largest network of Cash and Cheque Deposit Machines in Pakistan with 200+ active CDMs and CCDMs machines placed in the ATM lobbies of various branches in multiple cities throughout the country. This facility is available 24/7 for any walk-in-customer and offers a variety of transactions on the go, including

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

RAPID

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

Digital Payments

Proximity Payments

Alfa has aced the universe of proximity payments in Pakistan with significant market share, being one of the only few mobile apps accepting QR payments for both major financial services providers, i.e. MasterCard and VISA. Being the first in the industry with QR interoperability on both the issuing and the acquiring side.

Instant Loans (for merchants)

Instant Loans facility for the merchants has given them the opportunity to meet their everyday liquidity requirements. Based on QR volumes, this product is extended to the merchants digitally through the Alfa Business App.

Buy Now, Pay Later

With the 'Buy Now, Pay Later' feature of the Alfa App, Bank Alfalah customers can now use QR to buy goods instantly and pay the due amount with ease in instalments through Alfa App.

Alfa Business App

Bank Alfalah has launched Alfa Business App - an exceptional, out-of-the-box experience for business merchants with digital onboarding - allowing them to accept QR payments from any MasterCard and VISA app, enabling them:

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

Supply Chain Digitisation

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

AlfaMall

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

Key strategic pillars for expansion:

- Buy-Now-Pay-Later (BNPL) with self pick-up
- Instant delivery option in partnership with courier companies

School Fee Payment

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

Alfa Payment Gateway

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

Digital Savings and Investments

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

Digital Investments

Without any branch visits and indulging in tedious paper work, Alfa customers can now digitally invest in various Mutual Fund options starting from an amount of PKR 500 only. Customers can also track all their investments and returns within the App. Exciting customers (Savings and Current accountholders) can use Investment Portfolio Securities (IPS) portal, available on Alfa, to digitally invest in treasury products, including Treasury Bills, Pakistan Investment Bonds and Ijarah Sukuk through an IPS account.

Digital Insurance

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

Digital Lifestyle Features

Discount Vouchers

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

Alfa Health

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

Government-to-persons and Micro/SME Solutions

Employee Old Age Benefits (EOBI)

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

Ehsaas Kifalat Programme (EKP)

With Bank Alfalah's vast digital network, funds are disbursed transparently and efficiently under the Ehsaas Kifalat Programme to achieve the shared goal of reducing poverty and serving the underprivileged masses.

Digital Payroll Account

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

Ehsaas Emergency Cash Programme

Bank Alfalah works with Pakistan's largest welfare fund distribution 'Ehsaas Emergency Cash Programme', disbursing funds transparently and efficiently to achieve the shared goal of reducing poverty and serving the underprivileged masses in Khyber Pakhtunkhwa, Gilgit Baltistan and Azad Jammu & Kashmir.

Agent Network (Branchless Banking Network)

Bank Alfalah has an established agent network of more than 15,000 agents across the country, through which customers can avail the facility of money transfer, bill payments, airtime top-up, fee payments and multiple collection modules. In addition, our agent network successfully disbursed quarterly payments under Ehsaas Kifalat Programme (Government mandate).

Making Customers' Life Easy Through Innovation

Bank Alfalah remains at the forefront of digital innovation and technological advancement. It is our priority to provide best-in-class services to our customers. Given below are the initiatives that the Bank has taken to enable and promote innovation.

Digital Account Opening (RAPID)

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

Cash and Cheque Deposit Machines (CDMs/CCDMs)

CDMs/CCDMs are installed at different locations across the country to enable customers to perform the following activities:

- Instant cash deposit into Bank Alfalah or any other local bank account
- Instant cheque deposit
- Cash management for SMEs
- Loan payments
- Value added services
- CNIC expiry update
- E-statement subscription
- SMS subscription
- Cheque book request
- Mobile number update
- Instant wallet account opening and upgrade
- Credit card payment
- Mobile airtime purchase
- Utility bill payments
- School fee payment
- Donation payment

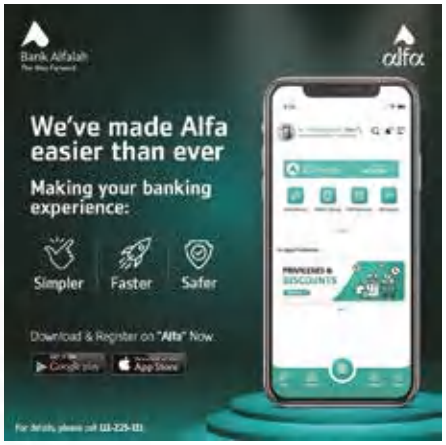
Alfa Remittance Account offering free ATM Card and incentive on the first transaction

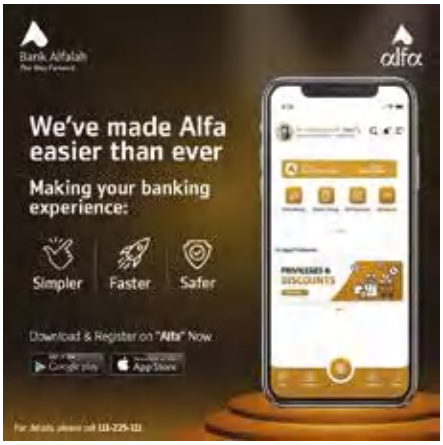
Bank Alfalah has been promoting the digital collection of remittance through Alfa Remittance Account to avoid the need for customers to physically visit branches for withdrawal of remittances. As an incentive from the State Bank of Pakistan, customers are instantly credited with free mobile airtime equivalent to PKR 2 against each USD received, on receiving a remittance transaction into their Alfa Remittance Account.

All customers will also get the first ATM card absolutely free, which will be delivered at the customer's mailing address. This added feature is provided to ensure maximum interaction of customers with digital modes of transactions.

Alfa App Re-Launch and Re-Design with market research on UI/UX

Open App Experience: Alfa was transformed into an 'open app' platform, i.e. users can explore some products without having to login. Alfa is the only banking app in Pakistan to provide such a unique open user experience.





Launch of Alfa Term Deposit offering higher returns on booking through Alfa

Alfa Term Deposit is serving as a key product to push the core digitisation agenda by pivoting the customer's traditional saving habits towards the digital platform, and increasing product penetration by leveraging the established reach of the digital app. The Bank is offering higher rates on Digital Term Deposit, for both Conventional and Islamic customers, investments through Alfa as compared to Retail Term Deposits, incentivising customers to adopt digital banking. Furthermore, USP-based campaigns are launched from time to time to create awareness about the convenience of digital products.

Key Features

- Instant Term Deposit booking within 10 seconds
- No requirement to fill out lengthy physical forms and go through tedious booking processes
- Real-time early encashment
- Flexibility to update maturity instructions post-booking
- Instant downloadable Term Deposit receipt
- Access to withholding tax certificate
- Multiple Term Deposit bookings
- Saved history of all digitally booked Term Deposits for future reference, even after maturity or early encashment

Launched Mutual Funds Investment on Alfa starting as low as PKR 500

Customers can invest in mutual funds from any location of their choice in four easy steps, with a full-fledged customer account opening option along with online risk profiling. Initial investment can be as low as PKR 500, and can be supplemented in similar denominations, as and when the customers want. In-app investment feature allows customers to view their investment details and the present value of their investment.

Debit Card Management enabled on ATM, Internet banking and Mobile (Alfa)

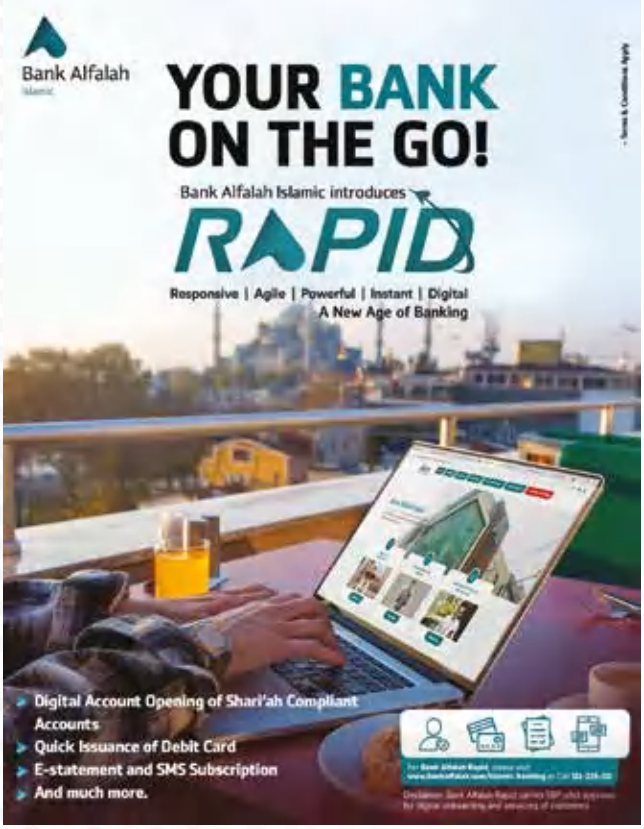
- Card activation and deactivation
- PIN generation/change
- Enabling/disabling of international transactions
- Account linking/de-linking
- Visibility of last ten transactions
- Enabling of value-added services on internet banking and mobile (Alfa)
- Banker's Cheque issuance
- Account statement request
- Cheque Book request
- Data cleansing (address change and CNIC expiry update)
- Tax certificates (credit card and accountholder)
- Biometric login
- Card management
- Complaint management

Innovative and Diversified Product Suite

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

As part of our key initiatives, Bank Alfalah presented the concept of a Digital Onboarding Platform for Pakistani Citizens to SBP which was welcomed and the efforts were further materialised in the form of an industry-wide Digital Onboarding Framework by the SBP, which shall be implemented by all banks.

Bank Alfalah RAPID Digital Onboarding Portal, a concept designed to cater to Digital Account Opening and other services needs has been a major success from the purview of innovation, and the seamless process of RAPID Digital Account opening completely substitutes the traditional paper-based Account opening process, which has further enabled the masses to consume full banking services at a click.



Digital Surveys Platform

Bank Alfalah has introduced a ROBO surveys capability in order to reach out to a wider customer base, and gather more representative feedback and satisfaction scores instantly. This capability allows the customers to record their reason for dissatisfaction, while on call. So far, the Bank has surveyed ~96,000 customers across the new consumer and deposit base. Current satisfaction score logged is 86%.

Furthermore, customers can also report their satisfaction and strategic feedback instantly via our SMS surveys capability.

Significant Changes in Organisation

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

STAKEHOLDER RELATIONSHIP & ENGAGEMENT

Stakeholders' Information

Customers

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

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

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

Employees

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

- Periodic employee engagement surveys
- Recognition of success stories of individuals
- Platform for employees to express gratitude towards each other
- Learning and development programmes
- Assistance schemes for professional qualifications for top performers
- Sabbatical for employees who wish to pursue higher education
- Availability of learning courses on the Bank's Learning Management System
- Activities to keep employees engaged

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

Shareholders/Institutional Investors

One of the Bank's significant goals is to deliver long-term value to its shareholders. Shareholders' trust sets the strategic direction of any institution, and their support further facilitates the achievement of key objectives. Engagement through AGMs and EOGMs certify that shareholders actively participate to ensure that business remains 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' engagement at all times.

Suppliers, Service Providers and Vendors

Specialised external service providers are integral for smooth operations. Outsourcing arrangements with various firms act as an added arm for day-to-day banking operations. We have an established procurement and vendor management function, which has an end-to-end (procure-to-pay) process to facilitate internal stakeholders by engaging appropriate vendors.

Analysts and Rating Agencies

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

Regulatory Bodies

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

Community/Society

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

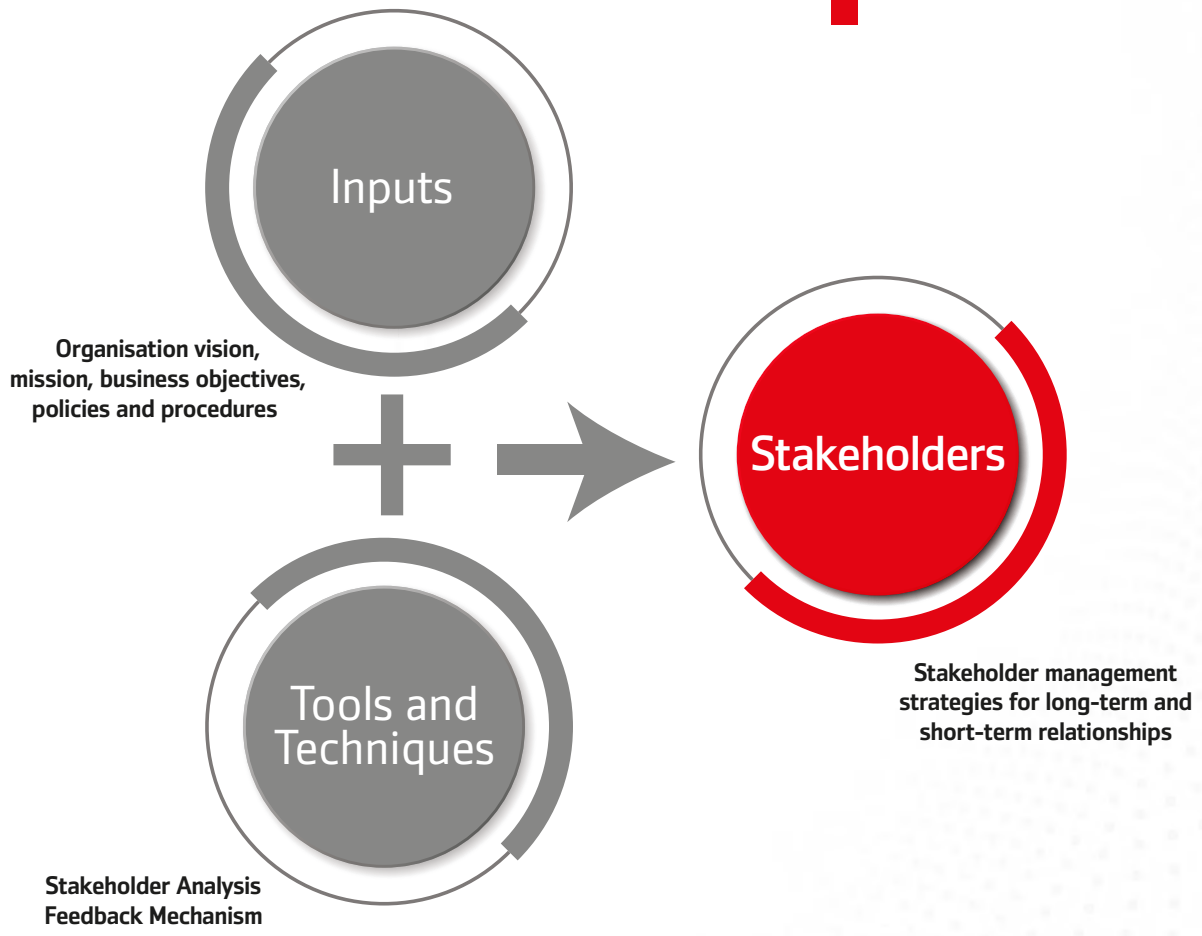
Media

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

Stakeholders' Engagement Policy

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

Stakeholders' Identification Process



Board's Focus on Stakeholders' Engagement

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

Stakeholder Engagement Process and Frequency of Such Engagements

CUSTOMERS

Engagement

- Branch Banking
- Internet / Mobile Banking
- Call Centres
- Complaints
- Social Media
- Advertisements

Frequency

- As and when need arises

Their importance to us

- Brand reputation
- Customer satisfaction

EMPLOYEES

Engagement

- Trainings, employee policies, awards and awareness
- Grievances
- Awareness about employee benefits
- Sessions with senior management through townhalls
- Compensation and benefits

Frequency

- Daily

Their importance to us

- Engine to run our business
- Ambassador to the customers

SHAREHOLDERS AND INSTITUTIONAL INVESTORS

Engagement

- Financial Statements
- AGM/EOGM
- Press Releases/ Announcements
- Corporate Briefings
- Dividend Distribution
- Investments

Frequency

- Quarterly
- Half yearly
- Annual
- As and when need arises

Their importance to us

- Value increase
- Good returns
- Reputation

VENDORS, SUPPLIERS AND SERVICE PROVIDERS

Engagement

- Procurement of goods and Services
- Staff and other outsourcing arrangements

Frequency

- Daily
- As and when need arises

Their importance to us

- Good business relationships
- Cost-effectiveness
- Quality output/service

ANALYSTS AND RATING AGENCIES

Engagement

- Ratings Reports
- Results Release

Frequency

- Quarterly

Their importance to us

- Independent view providers for our customers
- Build trust
- Support credibility

REGULATORY BODIES

Engagement

- Compliance with Laws and Regulators
- Proactive Engagement and Connection with various Regulatory Agencies
- Meetings and Regular Discussions with regulators

Frequency

- As per regulatory timelines

Their importance to us

- Transparency
- Check and balance

COMMUNITY/ SOCIETY

Engagement

- Employment
- Health
- Safety
- Welfare
- Education
- Economic Empowerment
- Environmental Sustainability
- Leadership Development
- Promotion of Sports, Arts and Culture

Frequency

- As and when need arises

Their importance to us

- Socially responsible citizenship
- Sustainability

MEDIA

Engagement

- Products and Services Outreach
- Regulatory Information
- Awareness through Advertisements and Promotions

Frequency

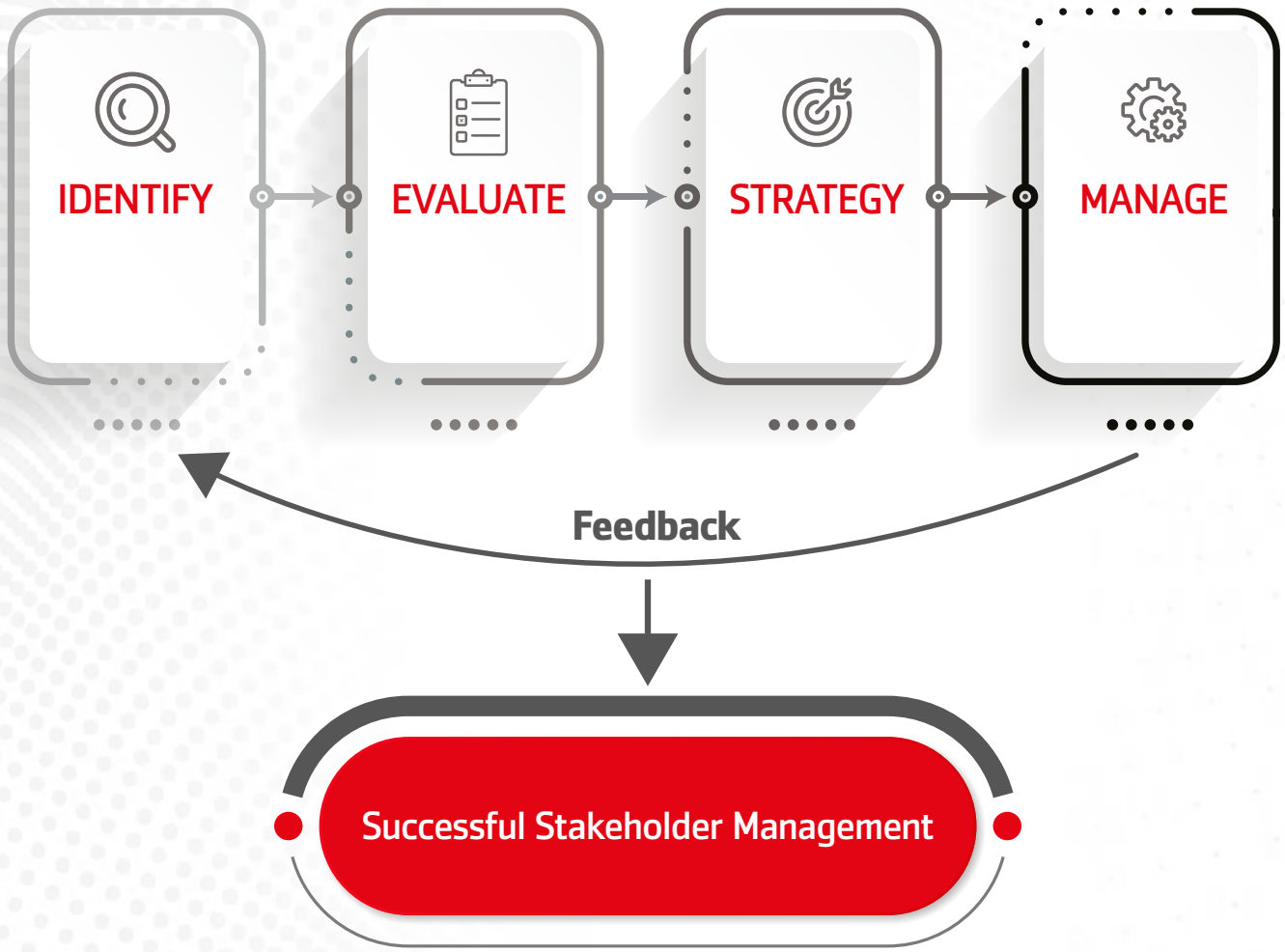
- As and when need arises

Their importance to us

- Public image
- Brand awareness

Relationships Affecting the Bank's Performance and Value

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



Managing the Relationships

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

Stakeholders' Engagement

Customers

Customer Experience and Complaint Management

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

The Bank's aim is to build customer loyalty and brand reputation so that its 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 -** Bank Alfalah has a comprehensive consumer protection policy that encompasses broad guidelines to manage customers throughout their journey with the Bank, ranging from product development, sales practices, marketing activities, communication protocols, and handling of customers.

- **Quality Assurance -** The Bank has a comprehensive Quality Assurance framework that spans across various products and channels, including digital channels, branch banking, consumer finance, centralised operations, corporate payroll accounts, and support segments with an aim to identify gaps resulting in high turnaround times, and 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 regarding not only products, processes and services, but also soft skills and interaction basics at the branch level. To promote and embed customer-centricity, not only do we take the contemporary approach, we also use media such as service snippets, infograms and online portals. We have a Knowledge Portal, a one-stop-shop for all product knowledge available with the click of a button through our portal in order to make the consultation experience for the frontline staff and the customers easier, more accurate and quicker.

- **Process Optimisation -** The Bank keeps a close eye on complaints, processes and channels to identify gaps and opportunities in order to increase operational efficiency and drive improvement across the organisation. This sub-unit creates synergies across the Bank to drive innovation and change in order to provide an enhanced experience and optimise the customers' journey. One of our major optimisations during 2021 was geared towards enabling request processing through any Bank Alfalah branch rather than just the customer's parent branch. This enables the customer to walk into any branch in their vicinity and get service requests processed. Furthermore, Statement Narration was enhanced for the customers to be aware of where their instruments are being used. Traffic Migration to Digital Banking was promoted through customer self-service avenues, which increase customer convenience. Branch real-time Credit Card Payment Processing and Card Number Validation was introduced for added convenience. Credit Card Cancellation was enabled via Contact Centre for faster request processing.

- **Complaint Management Unit -** This Unit ensures diligent complaint closures, while maintaining high Fair Treatment of Customers standards. In 2021, we directly received a total of 91,217 complaints against 113,983 complaints last year, which were successfully resolved. Additionally, the Bank conducts thorough root cause analyses to facilitate and drive continuous improvement in collaboration with the business and product management teams via various channels.

- **Video Mystery Shopping Programme -** The Bank has a robust video mystery shopping programme to gauge the service standards at its branches across all product propositions, evaluating our network on indicators, which include physical branch maintenance as well as friendly behavioural conduct extended to its customers. In 2021, we enhanced the scope of our programme to include Consumer Finance Centres and Premier Lounges with metrics customised to the relevant propositions and 100% network coverage.

- **Voice of Customer Programme -** Customer Experience conducts extensive surveys regarding almost every product offered by the Bank in order to gauge customer satisfaction. This research activity also helps us identify our customers' needs for development of any future product, to surpass their expectations. To add to this, a Digital Survey

Platform was introduced and underwent a pilot phase where ~ 96,000 customers were surveyed instantly through ROBO Calls. This mechanism not only allowed customers to register satisfaction or dissatisfaction with a product, but also to record their reasons for dissatisfaction.

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

Employees

Talent Acquisition and Advisory

- **Talent Acquisition -** To maintain an uninterrupted talent pipeline and to support our diverse business operations, the Bank inducts mid-level and fresh graduates through hiring programmes. All prospective candidates are evaluated through a structured recruitment process. This year, we onboarded 3,592 individuals through lateral and batch programmes with our primary focus on ramping up the frontline workforce.

- **HR Advisory -** The HR Advisory function continues to support all business functions in areas such as employee retention, handling grievances, conducting employee engagement sessions, etc. As part of this function, the talent classification exercise was successfully carried out for critical positions in order to maintain bench strength of senior talent. There is a focused approach to build a talent pipeline through succession planning to ensure successors at all leadership levels and critical positions. Development plans are devised for high performers, which included their training and coaching needs.

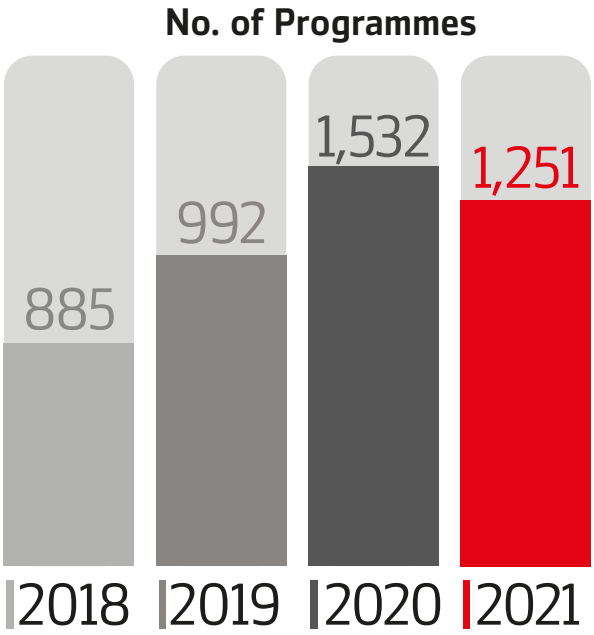
Learning and Development

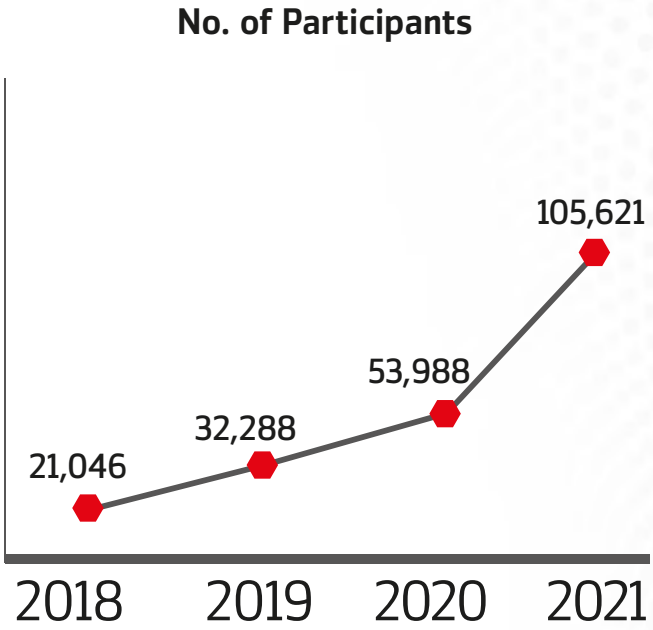
'Opportunities to Learn and Grow' is one of the main pillars of our People Happiness Charter. The Bank's aim is to invest in employee development and training opportunities so that our employees continue to hone their skills and advance their careers.

2021 remained an exceptional year for learning and development. The year witnessed digital transformation of learning methodologies, while adapting to the new normal. From virtual infrastructure up-gradation to extending innovative learning opportunities, the Learning Division made concerted efforts to equip employees with the best skill-set, enabling them to discover new ways to serve our customers better. Continuous technological investments over the years also led to a smooth and effective transition towards online platforms during the COVID-19 pandemic.

In line with Employee Happiness Charter to extend opportunities to learn and grow, learning interventions were offered through digital channels. Webinars and e-Learning modules were offered in various disciplines. 100% conversion to digital methodologies resulted in 2x rise in average monthly participation, empowering employees with enhanced accessibility to learning programmes from their respective locations (more than 190 cities).

Given below is a glimpse of learning quantum during 2021:





Enhanced focus on e-Learnings and digital transformation of learning programmes led to decrease in the overall number of trainings in 2021. Since digital platforms (webinars/CBTs) has extended outreach, number of trained participants increased exponentially.

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

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

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

Diversity and Inclusion

We at Bank Alfalah embarked upon a Diversity and Inclusion (D&I) journey because we strongly believe in the business and social impact created by a diverse workforce and an inclusive work culture. We want to build a workforce that is representative of different genders, ages, backgrounds, experiences, working styles and abilities. We harbour a commitment towards fostering a workplace culture where people can bring their best and authentic selves every day.

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

We are committed to building a diverse workforce and an inclusive work culture where everyone's uniqueness is valued. In 2021, Bank Alfalah won the following 3 Best Practice Awards at the GDIB (Global Diversity and Inclusion Benchmarks) Awards.

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

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

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

- **Female Representation in our Workforce**

  We are proud to share that women now make up 17.06% of our entire workforce. We take pride that women serve the following key roles in our Management Committee and top leadership positions:

- Chief Financial Officer
- Group Head Retail Banking
- Head Corporate South
- Head Premier Proposition
- Head Service Distribution
- Head Systems, Policies and Procedures
- Head Corporate Credit Risk
- Head Cash Products
- Head Digital Operations
- Head Cost Control
- Area Manager
- Team Leader Asset Sales

- **Female Friendly Policies**

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

a) Childcare Allowance

In pursuit of becoming a family-friendly organisation, Bank Alfalah provides childcare allowance to its women employees and single parents. We at Alfalah want to actively support our female staff and single parents through the introduction of a childcare policy. This initiative fulfils our commitment with working mothers/ single parents as it helps them arrange day care/care taker facilities, while setting their sights on their careers.

b) Maternity and Paternity Leave

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

c) Maternity Cover Incentive

Since 6 months is a long time to be away from work, we have launched a Maternity Cover policy to ensure that work does not get impacted and carries on smoothly in the absence of an employee on maternity leave. We offer our employees the opportunity to serve as 'Maternity Cover' for 6 months to take over work of the employees going on maternity leave. The employee serving as Maternity Cover gets a special monetary incentive at the end of 6 months. Serving as the Maternity Cover offers development opportunities for employees as it diversifies their experience and gives them the chance to learn new skills.

d) Stay-in-Touch Programme

Besides the extended maternity leave, we have also launched a Stay-in-Touch Programme under which we stay connected with mothers out of office and ease their transition back into the workplace. As part of this programme, we send the following to our employees on maternity leave:

- A gift basket along with a congratulations card and letter on the birth of their babies.
- Midway into their leave, we send them a spa voucher, asking them to take a break from the mom duties and to relax and spend some 'me time' (this has been put on hold due to COVID-19).
- 2 weeks before their joining date, we send them a letter along with a notebook to pen down their thoughts and ideas, telling them that we are excited to have them back and that we are here to support them.

e) Iddat Leave

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

f) Flexible Working Hours

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

g) Communication Channel for Women

Bank Alfalah has a channel specifically dedicated to women, through which the Bank regularly stays engaged with its female employees by sharing articles, introducing new initiatives like counselling services, and reinforcing policies on how to handle harassment. This interactive approach helps create a more conducive work environment for them.

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

h) Employee Volunteering Leave

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

i) Celebrating International Women's Day

Bank Alfalah celebrates International Women's Day to recognise the contribution of its women towards driving the Bank's strategic agenda. In 2021, due to COVID-19 we celebrated Women's Day by sending a scented candle along with a card from our President and CEO to all our women staff across Pakistan, which was greatly appreciated.

j) #ChooseToChallenge Campaign

Bank Alfalah rolled out #ChooseToChallenge campaign to highlight how women have broken gender stereotypes in their lives, and how men have broken gender stereotypes in the lives of women around them. Submissions were received and the most inspiring stories were shared bank-wide to appreciate their efforts and to motivate others.

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

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

We have conducted these programmes with senior and mid-level female employees in Karachi, Lahore and Islamabad. In 2021, we revisited the SheLEAD Programme and tweaked it to make it more suitable and engaging, and to be conducted both online and in-person due to the on-going pandemic. We introduced short and interesting activities at regular intervals to ensure that participants remain constantly engaged.

I) 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. Sponsorship, often confused with mentorship, is different from the latter in the sense that while mentors share advice and guidance with their mentees, sponsors advocate for their protégés, are personally interested in their upward movement, and highlight their achievements.

Our Senior Management served as sponsors, while females in mid-level leadership were given an opportunity to apply for this programme as protégés. Sponsors and protégés were paired up for a 6-month long sponsorship relationship during which the sponsors are expected to not just share career advice and guidance with women, but also champion their visibility in the Bank and highlight their achievements. We have wrapped up the first run of this programme and have received positive feedback from the participants. We now plan to launch this programme for women in junior leadership.

- **Celebration of Festivals of the Minority Groups**

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

- **Disability Inclusion**
  The Bank conducted engagement sessions for differently-abled employees with the CEO and Group Head HRLG in order to make the employees feel valued and to boost their morale. We also conducted sensitisation sessions for line managers of employees with disabilities to ensure that they are treated fairly, and are offered equal opportunities to learn and succeed.

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

- **Breast Cancer Awareness**
  Every year in October, we run a breast cancer awareness campaign in order to destigmatize this taboo topic and raise awareness about its risk factors and early detection methods. In 2021, we shared facts, myths vs. facts, what symptoms women should not ignore, what to do when women are experiencing symptoms, and what are the recommended breast cancer screenings and self-exams, including discounts for mammograms and lab tests. Furthermore, Bank Alfalah's Head Office was decorated with pink lights for the entire month, and pink masks and ribbons were distributed bank-wide to raise awareness.

Culture at Bank Alfalah

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

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

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

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

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

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

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

In 2021, we embarked upon a journey to clearly define our Culture and Values, and create subsequent awareness of them within the organisation. In order to achieve this, we dedicated each month of the year to a Value or Cultural pillar, structured with the following elements:

- Awareness
- Learning
- Engagement Activities
- Rewards

The year was structured as detailed below:

Month	Initiatives
January	Strategy Announced
February	Defining our Culture
March	Learning Bytes launched
April	Happiness and Engagement Survey 2021
May	Know Your Culture Campaign
June	One Bank, One Team Campaign
July	Focus on Customers Campaign
August	Focus on Customers Campaign
September	Thriving at Work (Survey outcomes)
October	Curbing Late Sitting
November	Values E-Learning

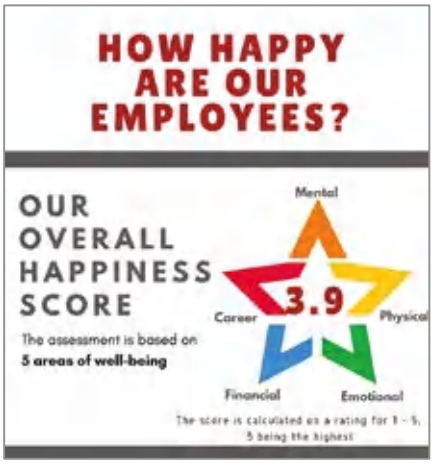
People Happiness and Employee Engagement Survey

At Bank Alfalah, we believe that having a data-driven approach to every project we propose, ensures all our initiatives are people-orientated at their core. We have a multifaceted approach to measure Culture at Bank Alfalah. To ensure we have a healthy work culture and seamless employee experience, we conduct our Annual Happiness and Engagement Survey. The significance of our survey is as follows:

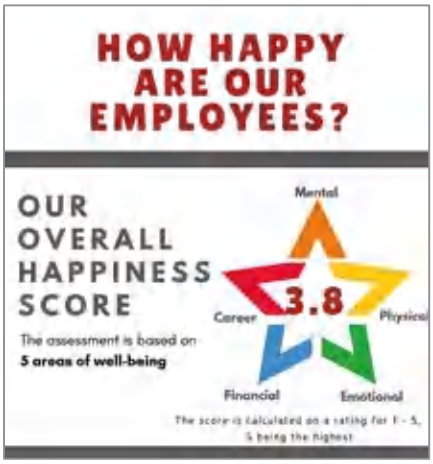
- Measures Engagement - A valid assessment of how engaged or disengaged our employees are using scales from validated psychometric surveys.
- A Venue for Open Feedback - Participants' direct voice reaches the Management.
- The 'How' to 'Increasing Employee Engagement' - Create direct initiatives and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

Results:

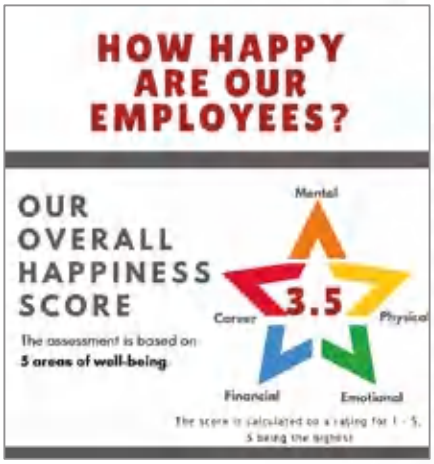
2021



2020



2019



In 2020-2021, Bank Alfalah launched many initiatives for the well-being of our people. The following are the reasons why engagement increased bank-wide in each of the well-being areas of our People Happiness Framework.

Mental	Physical	Emotional	Financial	Career
• Launching soft skills e-learning programmes such as: • Empathy • Becoming stress resilient	• Medical policy for lower range staff • Gym reimbursements • Introduction of WebDoc • Health benefits • COVID vaccine • Work from home policy • COVID awareness E-Learning • Quarantine leave	• Thankful Thursdays • Calls made to all employees in lockdownto ask about their wellbeing • DEI initiatives for minorities, differently-abled and female employees • Virtual sessions on EQ and stress resilience • Virtual sessions on mental well-being	• Quicker personal loans processing • Revision in benefits (markup rates for house loans and auto loans)	• Focus on Culture and Values • Engagement with new joiners (check-in surveys) • Internal elevations • HR Help Desk for any HR related inquiries for employee experience

ALFA LEAD Management Trainee Programme

Bank Alfalah initiated the seventh edition of its Management Trainee Programme in 2021 with an agenda to provide a premium learning experience to selected candidates. The process remained digital to ensure that all external and internal stakeholders go through the process with ease, while ensuring that the programme communication reaches all universities, including national and foreign universities.

The marketing was focused on Digital Platforms mostly due to the on-going pandemic. A new initiative was launched to onboard Campus Ambassadors to market the Management Trainee Programme on ground and reach a maximum number of students. The Bank participated in its first-ever virtual Career Drive at IBA, where the upcoming graduating batch got the opportunity to converse with the senior HR Team.

Bank Alfalah initiated its first-ever Virtual Assessment Centres as part of its recruitment process, which further helped the team shortlist candidates for the MT Programme using the existing competency framework defined for selection.

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

Exceptional Employee Experience

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

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

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

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

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

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

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

  The campaign was widely appreciated as majority of the staff was not fully aware of the exact details of their entitlements.

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

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

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

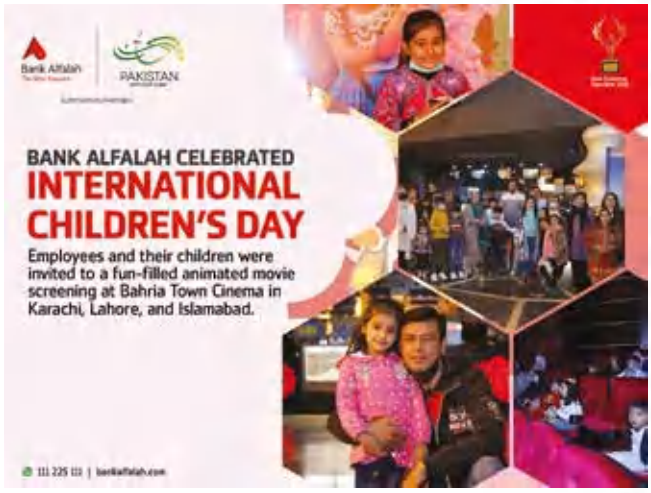
  Further, automation and digitisation of other major functions is also underway.

  The Bank offers solar energy products to employees, a term financing facility offering renewable energy solutions at affordable mark-up rates.

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

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

- **Employees get-togethers, appreciations and family events**
  The Management of the Bank meets with the employees through Townhall sessions conducted across Pakistan. The Bank also appreciates its employees for their performance and efforts put into the business and customer service. Further, employee family events (International Children Day celebration etc.) were also planned during the year.



Employee Relations

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

  During the year, many sessions were organised for employees to enhance their awareness from an employee well-being perspective. Online sessions and webinars based on the core themes of integrity, conduct, grievances, and their management were organised. Customised training sessions featuring the key presence of Group Head Legal and Group Head Operations along with the Audit and Inspection teams were also organised for employees having extensive reporting lines.

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

HR Rewards and Services

- **Remuneration Policy Implementation**
  Bank Alfalah engaged PriceWaterhouseCoopers as its consultant for development and implementation of our Remuneration Policy. The policy was prepared in accordance with the directives of the SBP. For details about the Remuneration Policy, please see the 'Governance' section of this Annual Report.

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

Shareholders and Investors (including Institutional Investors)

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

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

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

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

Steps taken to encourage minority shareholders to attend General Meetings

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

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

- Notice of the meeting is sent to all shareholders at least 21 days before the meeting. The notice details the agenda, venue and timing of the meeting along with the text of special resolution, if any, and other agenda requirements;
- Notice is published in the English and Urdu languages in leading newspapers having nationwide circulation along with the Bank's website;

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

Steps taken about redressal of investors' complaints

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

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

Matters raised at the last Annual General Meeting (AGM)

The 29th Annual General Meeting 'AGM' of the Bank was held on 9th March, 2021 in Karachi. 848 shareholders (representing 70.42% of the total outstanding shares) attended the meeting via video link, in person or through proxies.

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

The CFO highlighted salient features of the audited annual accounts of the Bank for the year ended 31st December, 2020.

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

- **A shareholder enquired about early adoption of IFRS 9 and provision being booked under the said standard, which impacted the overall profitability of the Bank. He further enquired about the increase in provision in 2020 as compared to 2019.**

  The CFO replied that the increase in provisions was due to general provisions of Rs. 4.25 billion booked against restructured loans. Given an uncertain economic environment, the Bank anticipated that several borrowers will be impacted by the pandemic. Many such borrowers availed the SBP enabled deferment/restructuring and rescheduling relief, however, since the full potential effect of economic stress is difficult to predict, this general provision has been created as a buffer for the following year. She clarified that the Bank has not yet adopted IFRS 9.

- **The shareholder enquired about the performance of Sapphire Wind Power Company (SWPC). He also asked about power purchase agreement between SWPC and the Government of Pakistan.**

  The CFO apprised that operating results of SWPC are published in the Annual Report of the Bank. She informed that profit of SWPC increased from Rs. 1.452 billion in 2019 to Rs. 1.551 billion in 2020 due to lower finance cost, partly offset by a decrease in gross margins. While responding to the second query, the CEO said that negotiations between the Government and SWPC are underway and are expected to conclude soon. The outcome of the negotiation and its impact on the profitability of the Bank will be known once the agreement is finalised.

- **Another shareholder enquired about (1) increase in NPLs, (2) fall in Surplus on Revaluation of Assets and (3) increase in the Bank's liabilities.**

  Shareholders were informed that the Bank's NPL ratio stood at 4.3% and Bank Alfalah is amongst the few banks with the lowest NPL to advances ratios in the industry. The business of the Bank is to lend money, however, some loans may become non-performing, and such loans are managed by a specialised department for collection. Shareholders were ensured that maximum efforts are made for recovery of bad loans from the defaulters, and provisions are booked as per the requirement of the SBP Prudential Regulations.

Regarding the query on surplus on revaluation, shareholders were apprised that investment had reduced due to recycling of gain on derivatives to P&L, and the surplus on fixed assets and non-banking assets had reduced due to deprecation and disposals. Shareholders were further informed that for the Bank, deposits are the liability on which interest is earned by placing the funds in advances and investments. Hence, growth in the deposit base is good for the Bank's profitability. Furthermore, in the normal course of business, the Bank borrows money from the interbank to meet short-term liquidity requirements, and from the SBP to provide subsidised loans to its customers. In both cases, banks make money on the transactions.

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

Investor Relations

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

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

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

Corporate Briefings and Road Shows

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

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

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

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

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

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

Summary of Analyst and Shareholder Briefings conducted during the year

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

During the year, the following briefings were held:

Results period	Date
Annual – 31st December, 2020	19th March, 2021
Quarter ended – 31st March, 2021	3rd May, 2021
Half-year ended – 30th June, 2021	31st August, 2021
Nine months ended – 30th September, 2021	1st November, 2021

Investor Relations Section on Corporate Website

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

Suppliers, Service Providers and Vendors/Outsourcing Arrangements

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

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

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

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

In order to enable financial institutions to effectively manage the risks arising out of outsourcing, State Bank of Pakistan updated the Guidelines on Outsourcing Arrangements. The 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 create a proactive approach in FIs on various aspects of outsourcing, including governance, risk management, in-sourcing of services, group outsourcing, information technology outsourcing, and collaboration/outsourcing arrangements by FIs for financial technologies. As required under the guidelines, material outsourcing arrangements already in place at the Bank have been streamlined to comply with this framework.

Outsourcing Arrangements

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
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.
Cheque Book Printing Services	Constellation Printing Company Apex Printery (Pvt) Ltd.	This includes printing of cheque books.

Analysts and Credit Rating Agencies

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

The Bank engages with PACRA for entity and MTN instrument ratings and VIS for ADT-1 instrument rating. The credit rating is updated on an annual basis and the rating report is submitted to the State Bank of Pakistan and made public within seven days of the notification of rating by the credit rating agency. Furthermore, the Bank discloses its credit rating prominently in its published annual and quarterly financial statements.

Regulatory Bodies

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

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

Society

Bank Alfalah considers contributing to the society a prime responsibility of the Bank as a responsible corporate citizen. Please refer to the 'Sustainability' section of this Annual Report for details on our engagement with the society.

As a prominent and responsible entity operating in the country, the Bank continually looks for opportunities to give back to the society. It is our firm belief that the duty to aid in the development of the society that has helped us thrive, lies with us.

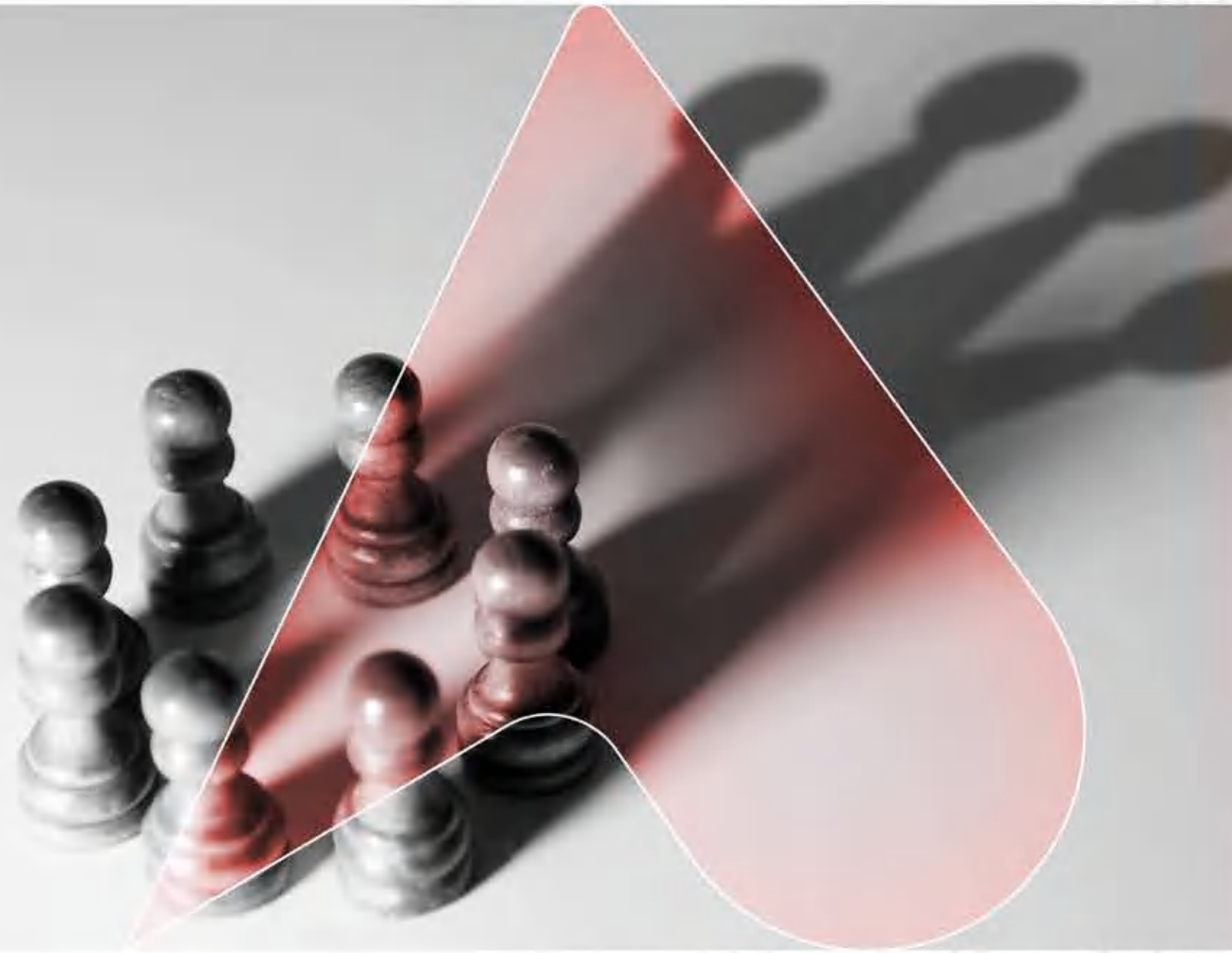
The Bank contributes to the society through its Corporate Social Responsibility (CSR) initiatives, whereby it undertakes various activities to benefit the society at large. This is done through multiple initiatives such as ration distribution and donations to communities in need, plantation drives to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

Media

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

The Bank makes full use of the power of media to keep all its stakeholders informed and aware of its performance. The role of the media is immense in the spread of information pertaining to the Bank whether it's information on regulations, advertisements or promotions. The Bank strives to maintain frequent and open communication with the media at all times to create brand awareness and strengthen its brand image.

STRATEGY, KPI & RESOURCE ALLOCATION



Strategic Objectives

Short-term objectives

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

Medium-term objectives

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

Long-term objectives

- Maximise long-term shareholder value and sustainable returns.

Strategies to Achieve Objectives and Key Performance Indicators

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

Strategic Objectives	Strategic Initiatives	Plans/Strategies for Meeting Objectives	Key Performance Indicator (KPI)
Regaining and increasing market share in deposits, consumer lending and SME financing.	Regain and grow market share in deposits.	• Enhanced focus on acquisition of High Net Worth (HNW)/premier clients and improving sales productivity • Segmented sales approach based on ideal customer personas • Selective branch expansion in key areas • Increasing deposits and customer stickiness via conversion of customers to digital channels	Market share growth
	Regain and increase market share in the consumer segment, and become a dominant player in the flagship franchise.	• Ramp-up the acquisition engine through retail and use technology to drive decision-making and improve efficiency • Use predictive analytics for consumer behaviour management and improving portfolio quality • Partnership with data rich corporates for leads and risk assessment	Market share growth
	Continue to build on our SME offering.	• Enhanced focus on deposits, transactional solutions and cross-sell to capitalise on complete business opportunities in a relationship, with a 360 degree view • Develop products to identify and address needs of industries/niches to increase market penetration and develop new markets	Market share growth
Become a leading transactional Bank in the country.	Focus on domestic and regional trade.	• Capture trade volumes through competitive pricing, reducing TAT and focusing on SME clients • Build a regional trade play to aid in value creation for the Bank's international operations	Become a leading transactional bank
	Increase penetration in cash management and bank-at-work.	• Greater focus on SME/commercial clients and development of differentiated offerings • Strengthen Employee Banking and cross-sell products to payroll customers • Develop differentiated B2B solutions for corporate customers	Become a leading transactional bank

Strategic Objectives	Strategic Initiatives	Plans/Strategies for Meeting Objectives	Key Performance Indicator (KPI)
Become a leading transactional Bank in the country.	Accelerate the supply chain finance initiative.	• Enhanced focus on acquisition of High Net Worth (HNW)/premier clients and improving sales productivity • Improve time-to-market and anchor onboarding for an enhanced customer onboarding experience • Leverage on technology and automation for onboarding and transactional activities of the programme	Become a leading transactional bank
	Increase market share in home remittances.	• Build on the home remittance business through high service standards and improved customer experience	Become a leading transactional bank
Investing in human capital and becoming the employer of choice. **Developing a culture, which is caring and compassionate, and drives the right employee behaviour.**	Build the BAFL Culture.	• Embed VMV (Vision, Mission, Values) across the organisation • Develop a culture that is caring and compassionate, and drives the right employee behaviour • Adopt a customer-centric approach that is people dependent	Build employee driven culture
Becoming the most customer centric and innovative bank in the country.	Technology and Innovation.	• Make the right investments, keep pushing the possibility frontier through technology, and foster an environment that unleashes the true potential and power of technology • Acceleration of digital transformation and business process re-engineering in the mothership bank. Building a leaner operating model and introducing new agile ways of working	Innovation
Build strategic partnerships and investments in Fintechs.	Strategic Partnerships.	• Enter into strategic partnerships to build franchise value • Partnerships and investments with Fintechs to develop a technological edge over competitors	Partnership
Maintaining sound capital base with controlled Risk Management Framework.	High rated capital instruments.	• ADT 1 and other instruments to support the capital base	Capital adequacy and compliance of liquidity ratios
Maximising long-term shareholder value and sustainable returns.	Focus on increased profitability.	• Target revenue growth through new business opportunities • Reduce costs leading to lower cost to income ratio	Higher operational efficiency

Future Relevance of KPIs

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

President's video on the Bank's strategy

Please visit the link below for President's message on the Bank's strategy.
https://www.bankalfalah.com/financial-reports/financial-reports-ceo-review/

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

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

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

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

Methods in Compiling Indicators

Quantitative KPIs

- **Market share**
  The Bank focuses on gaining market share in deposits, advances, trade, consumer products, remittances and government initiatives such as RDA. The share reflects trust of the customers in the Bank and is an indication of customers' preference to choose Bank Alfalah as the preferred transaction bank. The Bank constantly assesses this indicator through a comparative analysis of the volumes of peers, in order to grow and decide on various growth strategies.

- **Share price and value addition over the book value of the share**
  This is a measure of shareholders' and investors' confidence in the Bank's performance. The Bank monitors this KPI closely and aligns its financial performance to build momentum in investor confidence.

- **Profitability**
  The main elements of profitability, markup income and non-fund based revenue, are derived from effective balance sheet management, high earning assets and a sound deposit level. Furthermore, while the costs of doing business due to investment in IT and Digital infrastructures may go up, the Bank willingly incurs such costs without compromising on profitable ventures. The Bank controls and manages the costs of driving sound profitability and evaluates its profitability levels (Earnings Per Share) in order to maximise shareholder return and ensure sustainable returns.

- **Dividend payouts**
  Sustainable dividends are at the forefront of the Bank's strategy with a view of maximising shareholders' long-term returns. The Bank will continue to prioritise a consistent and healthy dividend payout over the coming years.

- **Capital adequacy and liquidity ratios**
  Maintaining capital well above the regulatory capital adequacy limits (including buffers) and strong liquidity ratios indicate the Bank's sound financial footing. These are calculated based on various regulatory instructions. The Bank keeps a check and balance on these ratios and does not deviate from regulatory requirements.

- **Ability to generate funds**
  The Bank had successfully generated funds through a Medium Term Note and an ADT-1 instrument. These reflect institutional investors' confidence in the soundness of the Bank's balance sheet, efficient liquidity management and our ability to repay debts.

Qualitative KPIs

The outcomes of these quantitative KPIs have a strong correlation with qualitative KPIs. The Bank continually invests its capital in a manner which ensures that we simultaneously continue to achieve and exceed set qualitative indicators. Given below are some qualitative KPIs, including but not limited to:

- **Customer satisfaction**
  The Bank has conducted various customer surveys to collect direct feedback and has improved its customer satisfaction level over the period of time. The methods used are Digital Survey Platform (calls and SMS) and Customer Experience Management (monitoring quality of service at customer touchpoints).

- **Quality service**
  We do this by driving society towards digital innovation. The increased usage of our digital avenues such as Alfa app, QR Payments, Alfa Payment Gateway, CDMs, ATMs/KIOSK and POS machines represent the quality of service that we have delivered to better quality service to our customers. Further, the Bank's dedicated Customer Experience unit measures and manages performance quality through various service parameters across the Bank.

- **Employee happiness**
  The Bank strives to enhance employee happiness since it has an important bearing on customer service and performance oriented results. The Bank has made employee happiness a core element of the culture. This is evident from the Bank's regular practice of following a People Happiness Framework and monitoring happiness scores based on an annual feedback from all employees.

Assumptions in Compiling Indicators

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

Resource Allocation Plans and Financial Capital Structure

The Bank's significant resources to achieve the objectives.

Financial Capital

Share Capital and Equity

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

Deposits

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

Long-term Financing

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

Other Borrowing

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

Plans:

- Generate low cost/no cost deposits through branch network and by providing excellent customer service
- Issue TFC/ADT 1 instruments, if required, to meet regulatory capital requirements
- Increasing deposits and customer stickiness with conversion of conventional banking customers to digital channels

Human Capital

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

Plans:

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

Intellectual Capital

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

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

Plans:

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

Manufactured Capital

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

Plans:

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

Social and Relationship Capital

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

Plans:

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

Natural Capital

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

Plans:

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

Financial Capital Structure of the Bank

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

Our total Capital Adequacy Ratio stands at 14.43% against the required 11.50% (including capital conservation buffer of 1.50%). Common Equity Tier-1 (CET-1) to total risk weighted assets ratio stands at 10.16% against the required 6.00%.

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

(a) Adequate level of eligible capital

(b) Adequate risk profile of asset mix

(c) Ensuring better recovery management

(d) Maintaining acceptable profit margins

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

We regularly assess our capital levels; all business plans and budgets are reviewed by Senior Management and approved by the Board, ensuring enterprise vide capital adequacy. Additionally, the Bank aims to pay out a consistent stream of dividends to our shareholders, while maintaining adequate capital under all stress scenarios and accounting for future business requirements.

Furthermore, the State Bank of Pakistan has designated Bank Alfalah as a Domestic Systemically Important Bank (D-SIB) under the D-SIB framework, thereby mandating compliance with enhanced supervisory requirements. These include formulation of a Risk Appetite statement, Internal Capital Adequacy Assessment Document (ICAAP) and a Recovery Plan. The scope of ICAAP includes assessing that the Bank is able to meet minimum capital requirements under all stress scenarios.

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

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

Effect of External Factors on Strategy and Resource Allocation

Technological Change

Technology has significant bearing on the Bank's strategies which must be aligned with technological changes. The Bank adapts itself to the changing technological landscape and the evolving needs of our customers.

- Operational efficiency is achieved by reduction in cost and implementation of latest technological updates. Banking through digital channels has been gaining popularity in Pakistan, especially amidst COVID-19. Bank Alfalah aims to not just meet but exceed the changing expectations of its diverse range of customers including banked, under-banked and unbanked individuals, corporates, merchants and SMEs.
- Our digital banking strategy addresses the banking and lifestyle needs of both existing core banking customers and newly acquired digital customers via multiple digital channels including app, web, tablets, self-service kiosks, SMS Banking, IVR, ATMs, CDMs, CCDMs and Alfa Agent Shops. The Bank is working to digitally transform and automate the internal banking process and its operation with a structured plan. Bank Alfalah aims to revolutionise the payments and lending landscape as a long-term strategy, by developing a conducive ecosystem and payments rails to extend credit to SME, Retail and Consumer sectors. In the age of digitisation, Bank Alfalah's business model and digital infrastructure supports all pillars of lending.

Societal Issues

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

- The Bank, being a responsible corporate citizen, considers and executes its responsibility towards society. Giving back to the society is an important aspect of our business and the key to bringing about positive change. As a Bank, we focus on supporting health, education, social welfare, leadership development sectors and promotion of sports, arts and culture.
- The COVID-19 pandemic has been a human, health, and economic crisis that deeply affected and continues to wreak havoc on communities around the world. Bank Alfalah remained at the forefront, playing its role in supporting the vulnerable and underserved segments of society through hardships and helping them fight COVID-19. We introduced COVID-19 Relief Programme for daily wage earners and established welfare funds, driven by employee contributions, to distribute rations to vulnerable communities across Pakistan and to support Bank Alfalah staff, helping meet their healthcare and educational expenses. Further, the Bank, allowed deferral and rescheduling of principal and markup under SBP's COVID Relief Scheme.

Environmental Challenges

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

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

Strategic Decision-Making Process

Strategy Development Process

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

Stage 1 - Self Analysis

- **Internal/External Environment Analysis**
  The Bank assesses global and economic outlook, geo-political situation, competitors' profiles and their product offerings. It then conducts a SWOT Analysis and Business Model Assessment. Shareholders' return maximisation and value addition are kept at the forefront during this entire process. It then identifies key influences on the present and future wellbeing of the Bank, and decides on a strategy accordingly.
- **Vision and Mission Analysis**
  Analysing Vision and Mission statements helps identify what the Bank aspires to achieve in the future.

Stage 2 - Identifying Potential Areas of Growth and Value Addition

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

Stage 3 - Strategy Formulation

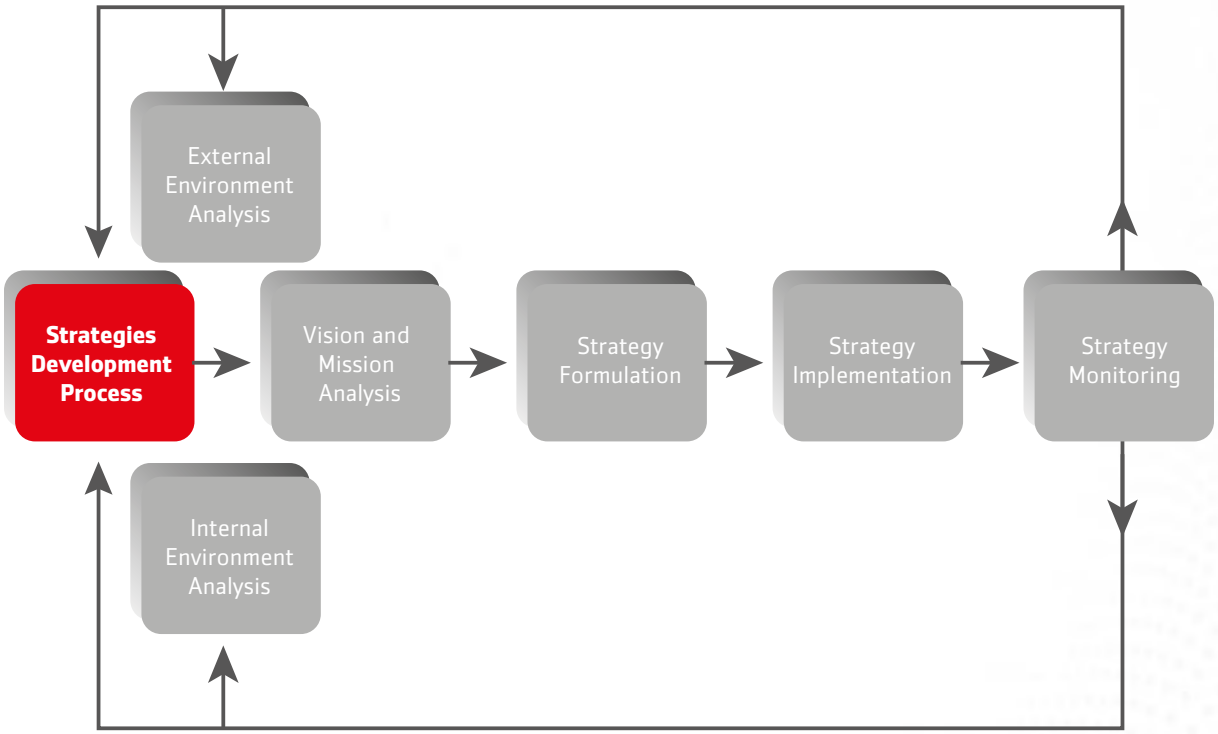
The Bank identifies strategies to achieve its objectives in accordance with the results of preceding stages. The Board of Directors governs the strategy making process. This stage drives strategic decision-making.

Stage 4 - Execution and Implementation

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

Stage 5 - Monitoring

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



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

Attitude towards risk: The Bank has a robust risk management framework designed to identify, monitor and resolve potential and existing risks arising from external as well internal factors. The Bank follows a zero tolerance policy for carrying significant risks.

Mechanisms for addressing integrity and ethical issues: Our culture is the foundation for inculcating principles of integrity and ethical boundaries in our people.

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

Liquidity Management and Contingency Plan

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

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

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

The Bank has also issued a Medium Term Note (MTN) of Rs. 11 Bn in 2020, which has a maturity of three years, and is secured against government securities. PACRA assigned 'AAA' (triple A) rating to this MTN. The ratings denote a very low expectation of credit risk, a strong capacity for timely payment of financial commitments in the long-term, and the highest capacity for timely repayment in the short-term.

The liquidity profile of the Bank is adequate to cater to unforeseen liquidity crises, and any operational losses occurring in the normal course of business. As of 31st December, 2021, our Basel III liquidity ratios, LCR and NSFR, stand at 172% and 135% respectively, well-above the regulatory requirement of 100%. Our strong capital base is evident from our ability to withstand any liquidity challenge.

The Bank has adequate plans to discharge its liabilities in the normal course of business, including long-term debts.

Significant Plans and Decisions

There were no significant restructurings, business expansions or closure of operations during the year.

Change in Objectives and Strategies

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

RISKS & OPPORTUNITIES

Risk Management Framework

The Way We Manage Risk

Phase 1

Risk Identification and Assessment (RIA)

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

Phase 2

Risk Ownership

Allocate risk ownership.

Phase 3

Risk Mitigation

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

Phase 4

Risk Reporting

Risks are monitored 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 improvements in the process.

How We Share Our Risk Management Responsibilities?

The Board

Responsibilities

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

Board Committees

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

Senior Management

Responsibilities

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

Management Committees

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

First Line of Defence	Second Line of Defence	Third Line of Defence
- Identifies, takes and manages risks in their areas of responsibility - Maintains day-to-day internal control	Develops and promotes ERM framework to help managers identify, assess, manage, monitor and report risks	Provides independent assurance of the effectiveness of the risk management, and internal control frameworks and activities
Business and Operations	Control Functions and Management Committees	Board and its Committees

Risk Management Methodology

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

The methodology contains the following activities:

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

An effective risk management framework along with a robust risk governance structure, strong capital, liquidity and good quality of the credit portfolio, remain the cornerstones for the Bank's risk management methodology.

Risk Assessment

Board's efforts to determine the level of risk tolerance:

The Board of Directors is the ultimate governing body responsible for overseeing risk management to maximise shareholders' returns. It ensures that the required culture, practices and systems are in place to address the risks faced by the Bank. Under the valuable guidance of the Board, the Bank ensures a proactive approach in dealing with factors that influence its financial position, strives to maintain stable earnings, and attempts to maximise shareholders' value by achieving an appropriate balance between risk and return.

The Board:

- Has established a bank-wide strategy incorporating the risk management strategy;
- Has approved the overall risk appetite, tolerance levels and level of adequate capital; and
- Regularly reviews any significant risk issues to determine their impact on the Bank's strategy, aligning the strategy to address existing or potential risks.

The Board, through its Board Risk Management Committee (BRMC), has delegated oversight responsibilities. BRMC ensures formulation and implementation of a comprehensive risk management framework. Under the Board's guidance, the Bank executed an effective risk strategy and continued controlled risk-taking activities within the risk management framework, combining core policies, procedures and process design with active portfolio management.

The Board Risk Management Committee:

- Establishes and reviews compliance with the Risk Management framework;
- Ensures that the Bank's overall risk exposure is maintained at prudent levels and is consistent with available capital;
- Reviews and recommends to the Board, the risk appetite of the Bank; and
- Reviews risk management information reports, identifies exceptions, and provides guidance for corrective measures.

The functional and day-to-day management responsibilities have been delegated to the Chief Risk Officer (CRO). In line with this, the CRO functionally reports to the President and CEO. The roles and responsibilities are designed to ensure that risk is governed and managed independently and prudently.

The Board, though its Risk Management Committee, has carried out a robust assessment of the principal risks facing the Bank, including those that could threaten the business model, future performance and solvency or liquidity. Below are the risks, which arise as a result of external factors affecting the organisation:

Factors	Risks
Macroeconomic	Credit Risk, Market Risk, Liquidity Risk
Legal	Legal Risk, Compliance Risk, Operational Risk, Country Risk
Social	Reputational Risk
Political	Operational Risk, Country Risk
Technological	Model Risk, Operational Risk, Information Security Risk
Environmental	Environmental Risk
Commercial	Reputational Risk, Concentration Risk

Key Risks

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Credit Risk	High	Medium

It means the possibility of monetary loss to financial institutions arising due to the inability or unwillingness of a counterparty to perform a commitment as per the agreed terms and conditions, inter alia, on account of lending, trading, hedging, settlement, and other financial transactions.
Source: External
Impact: Financial
Capital Affected: Financial Capital

Mitigation Strategy: The Bank is committed to the appropriate level of due diligence to ensure that credit risk is identified and analysed diligently, ensuring that credit commitments are appropriately structured, priced (in line with market practices) and documented. Bank Alfalah has a Credit Operational Manual (COM) and a Credit Policy Manual (CPM) in place to strategize and govern the Bank's overall lending strategy. Furthermore, the Bank has an internal Credit Initiation and Risk Rating System through which risk levels are assessed based on customers' risk profile.

Bank Alfalah is also in the process of implementing IFRS-9, to measure and assess changes in credit risk. The timely recognition of and provision for credit losses promote safe banking systems, and play an important role in supervision. Furthermore, the portfolios and well-defined parameters are actively reviewed, and, if required, corrective actions are taken at a nascent stage.

Credit Concentration Risk	Medium	Medium

It is the risk that inadequate diversification of the Bank's credit portfolio in terms of industries, regions or number of counterparties may result in significant losses.
Source: Internal and External
Impact: Financial
Capital Affected: Financial Capital

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

Operational Risk	Medium	Medium

It is the risk of loss resulting from inadequate internal processes, people and systems, or from external events including legal risks. This excludes strategic and reputational risk.
Source: Internal and External
Impact: Financial/Non-Financial
Capital Affected: Financial, Social, Human and Intellectual Capital

Mitigation Strategy:
Embedding a sustainable risk culture remains our core objective, which includes effective management of operational issues and emerging risks across the Bank and in our overseas operations via deployment of required resources, tools and continuous supervision. The new Operational Risk Framework, Policy and Standards, duly approved by the Board, have been rolled out along with new system platforms (Operational Risk System) for recording and tracking of risk events, including non-financial risks. We aim to implement a new process based Risk and Control Self-Assessment method across the Bank in order to effectively manage operational risks and continually monitor the effectiveness of defined controls through first line self-assessment reviews, especially for the processes and activities that may significantly impact the Bank's risk appetite. Furthermore, new and amended products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation and launch.

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Market Risk	High	Medium

It is the risk arising from changes in the value of on and off-balance sheet positions of the Bank due to adverse movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, resulting in a loss to earnings and capital. Due to the external nature of the risk, and given the prevalent rising interest rate scenario, the likelihood of adverse price movements is currently high. However, stringent controls are in place to mitigate any material impact on profitability and capital.
Source: External
Impact: Financial
Capital Affected: Financial Capital

Mitigation Strategy: The Market Risk Management Unit monitors the impact of price and rate movements on the Bank's portfolios and periodically reports to the Asset and Liability Committee (ALCO) and Investment Committee (IC), which are primarily responsible for oversight of market risk. The Bank has developed various tools for risk measurement and its mitigation thereof, including Value at Risk (VaR), Duration, Price Value of a Basis Point (PVBP) and, Re-pricing Gaps. In addition, the Bank carries out stress tests, using both internally developed scenarios and scenarios prescribed by the regulator. Moreover, the Bank has a comprehensive risk control limit framework, which defines exposure limits (for each portfolio, issuer, tenor, rating and sector), PVBP limits, money market gap limits, FX gap limits, currency-wise NOP limits, stop loss limits, tolerance limits, counterparty limits, dealer limits, and broker limits.

The Bank is using a standardised approach to calculate market risk capital charge under the Basel framework.

Liquidity Risk	Medium	High

It is the risk to the Bank's earnings, capital and reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses, when they become due.
Source: Internal and External
Impact: Financial/Non-Financial
Capital Affected: Financial and Reputational Capital (franchise value)

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

Model Risk	Medium	High

The potential loss the Bank may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation, or use of such models.
Source: Internal
Impact: Financial
Capital Affected: Financial Capital

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

Legal Risk	Medium	Medium

It is a wide concept that includes all aspects of a legal system. It can be defined as including potential for loss arising from the uncertainty of legal proceedings, exposure to fines, punitive damages resulting from supervisory actions as well as private settlements, unsuccessful recourse, and indemnification to customers and other parties.
Source: Internal and External
Impact: Financial
Capital Affected: Financial, Social, Human and Intellectual Capital

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

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Compliance Risk	Low	Medium

The risk of legal or regulatory sanctions or material functional loss a bank might suffer as a result of its failure to comply with laws, regulations, rules related to self-regulatory organisation standards, and codes of conduct applicable to its banking activities.
Source: Internal and External
Impact: Financial and Reputational
Capital Affected: Financial, Social, Human and Intellectual Capital

Mitigation Strategy: The Board and Senior Management have cascaded down the commitment to a strong compliance culture that reflects high ethical standards and integrity at all levels of the organisation by ensuring seamless and effective implementation of regulatory requirements/standards/practices and other laws in letter and spirit. Moreover, since compliance is everyone's responsibility, the Bank's Compliance and Internal Control Division has created structures and systems to promote a compliance culture among the Bank's staff and departments. The Compliance Function focuses on having high standards as required by the relevant Policy and Procedure Framework, maintaining Regulatory Technology (name screening, transaction monitoring, trade AML, CDD, GRC) to combat money laundering, terrorist financing and proliferation financing and tracking CDD quality, and on reviewing and implementing regulatory instructions. The function is further strengthened by the knowledge endeavours and ongoing improvement in the Bank's AML/CFT/CPF learning interventions, CDD Advisory, Regulatory Advisory, Onsite and Offsite Internal Control and Quality Assurance Reviews, and monitoring of fraud trends over consumer and digital banking channels.

Furthermore, to reinforce compliance culture at front end, Governance Control and Diligence Division (GCDD) has been established within the Retail Group.

Environmental Risk	Low to Medium	Medium

Actual or potential threats of adverse effects on the environment and living organism by effluents, emissions, wastes, chemical releases, and resource depletion, arising out of the Bank's or its clients' operational activities. This includes health and safety risk due to various causes, including the pandemic.
Source: Internal and External
Impact: Social, Environmental, Financial and Reputational
Capital Affected: Natural and Manufactured Capital

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

Information Security Risk	Medium	Medium

It is the risk of damage that may be caused by internal or external threats, such as unauthorised access to critical financial data, sensitive customer information, non-availability of critical services, impersonating clients and theft or alteration of information, while performing financial transactions, and loss of the Bank's sensitive electronic data and IT systems.
Source: Internal and External
Impact: Financial and Reputational
Capital Affected: Financial, Intellectual and Social Capital

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

TYPES OF RISKS	LIKELIHOOD	MATERIALITY
Reputational Risk	Medium to Low	Medium

It refers to a loss that may arise by an activity, action, or stance taken by the Bank, any of its affiliates, or its officials that can impair its image with one or more of its stakeholders resulting in loss of business and/or decrease in the value of the Bank's shares.
Source: Internal and External
Impact: Financial and Reputational
Capital Affected: Financial, Social, Human and Intellectual Capital

Mitigation Strategy: Various departments within the Bank assess reputational risk associated with the Bank's activities in order to safeguard its interests at all times. This includes ensuring that contractual obligations are being met under agreements with multilateral and international agencies that cover partnerships and credit facilities extended to the Bank. Furthermore, the Bank has a dedicated customer experience department that works for the resolution of customer complaints and grievances. Additionally the Compliance Division ensures compliance with all regulatory requirements and mitigation of reputational risk arising from business disruptions and operational issues. Furthermore, the Bank has devised a comprehensive Business Resilience/Disaster Recovery Plan to ensure continuity of its services during crisis periods.

Country Risk	Low	Medium

It refers to the possibility that economic and political conditions, or an event in a foreign country, could adversely impact the Bank's exposure in that country. The Bank is engaged in international lending and has cross-border exposures, and is exposed to country risk, in addition to the customary credit, market and investment risk.
Source: External
Impact: Financial
Capital Affected: Financial and Social Capital

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

Key Opportunities and Initiatives

TYPES OF OPPORTUNITIES	LIKELIHOOD	MATERIALITY
Opportunities in Home Finance	Medium	Medium

Pakistan is one of the most difficult countries in the world to get a home loan. Relatively few banks offer and actively market mortgages, and those that do often have onerous rules. That, combined with a reluctance among many Pakistanis to borrow from banks, means that mortgage lending is the equivalent of just 0.3 percent of gross domestic product. The rate in the rest of South Asia is 3.4 percent and in neighbouring India it is 10 percent.

That is slowly starting to change. Pakistan's government has launched an ambitious push to build 5 million affordable homes and relaxed some rules governing mortgages, making it easier for low-income families to secure home loans.
Source: External
Impact: Financial and Reputational
Capital Affected: Financial Capital

Strategy for creating value from opportunity:
Government Markup Subsidy Scheme (GMSS)/Low Cost Housing
In order to materialise the vision of affordable housing for all, the Government of Pakistan and the SBP launched a subsidised markup rate facility for housing through financial institutions. SBP introduced this facility by providing rebate to banks on lending under this scheme, thereby providing an opportunity for banks to capitalise on. Through this opportunity, Bank Alfalah is increasing its market share in the fast growing home finance industry. The Bank has earned appreciation from the Government and the SBP for being the first bank to launch this facility and for overachieving targets allocated thereof. In addition to the subsidised markup facility for end-users, the SBP offers waiver of CRR to the banks surpassing targets of lending for new construction. The Bank benefited from this offer as targets for all quarters were achieved.

Opportunities through Digitisation	High	Medium to High

The era of smart technology is officially upon us. With it, comes an unprecedented overhaul to the financial industry marked by rapid customer integrational transformation, speedy adoption of new technology, and the ubiquity of financial services. At Bank Alfalah, putting the customer first is more than just a platitude. The Bank constantly innovates its digital solutions for customers ease of doing business.

Given the lockdown and reduced business hours due to spread of the virus, banks felt the need to increase their digital presence by aggressively investing in alternate delivery channels.
Source: Internal and External
Impact: Financial; Customer Centricity; Regulatory
Capital Affected: Financial Capital; Relationship Capital; Human Capital

Strategy for creating value from opportunity:

- **Digital Onboarding (RAPID)**
  In order to facilitate smooth onboarding of customers through online banking channels and in line with demands of the customers for ease and convenience to attain banking services, the Bank launched a completely digital onboarding portal where customers can easily open a full-fledged bank account without visiting the branch.

- **Roshan Digital Account and Naya Pakistan Certificates**
  This initiative launched by the SBP, and mandated to commercial banks, is focused on making the banking process, repatriation of funds and other banking features simpler for non-resident Pakistanis. Through a Roshan Digital Account, non-resident Pakistanis can invest in Naya Pakistan Certificates (USD, GBP, EUR and PKR denominated sovereign instruments), buy shares, apply for a car or home loan at low interest rates, and much more. The Bank aims to achieve this through mass customer awareness campaigns on social media, traditional channels, webinars, 24/7 dedicated helpline, WhatsApp, and through customer education at all platforms.

TYPES OF OPPORTUNITIES	LIKELIHOOD	MATERIALITY
Opportunities through Digitisation	**High**	**Medium to High**

- **AlfaMall – Online Marketplace**
  AlfaMall, the first-ever marketplace within the banking industry, has also taken an initiative to affiliate with Fintechs and other e-Commerce companies to acquire new customers and penetrate the flourishing e-Commerce industry. This also enables our customers to experience a seamless online journey within the banking structure. AlfaMall has come up with a BNPL feature (Buy Now Pay Later) to allow customers the use of our attractive instalment services with an instant delivery option.

- **Digital Wealth**
  In order to gain customer loyalty and to become their bank of choice, Bank Alfalah introduced an end-to-end digital platform for its customers, with multiple offerings of Mutual Funds of different AMCs, securities trading, buying/selling of government bond/securities and insurance with multiple insurance underwriters. This allows customers to invest their wealth in different investment options and buy different kinds of insurances.

Untapped Potential in Small and Medium Enterprises	**High**	**High**

There is great potential in the SME space to enhance profitability by offering tailored and unique SME product propositions and high service levels. SMEs are considered the engine of growth for developing countries like Pakistan and are sure to boost economic activity in the country.
Source: External
Impact: Financial
Capital Affected: Financial Capital

Strategy for creating value from opportunity:

- **Large menu of products and value-addes services**
  Various product offerings (refer to Organisational Review section for the Bank's SME product offerings) and value-added services such as financing facilities for different customer requirements and SME toolkits have been further enhanced to penetrate this thriving industry niche. This has been done through a cross-sell initiative by developing a complete set of business opportunities in a relationship, with a 360-degree view. The Bank conducts market-storming activities, visits to various small and medium entities, provides consultancy for their business growth, and has created help desks. These have boosted confidence of businessmen/entrepreneurs in the Bank. Bank Alfalah has a proud history concerning the development in the SME sector for Pakistan, where as a facilitator of banking products we offer the most extensive range of products ranging from working capital, long-term finance, fleet financing, bill discounting, invoice financing, supply chain financing and cash-flow based clean lending products for SME customers.

- **Partnership with Karandaaz**
  Bank Alfalah and DigiServ with support from Karandaaz have designed an innovative method of calculating credit scores for SME obligors looking to avail credit from the Bank. Both partners bring forward their expertise to develop a credit assessment scorecard going beyond conventional methods of credit risk assessment.

- **Prime Minister's Kamyab Jawan Youth Entrepreneurship Program Scheme (PMKJ-YES)**
  It is an initiative by the Government of Pakistan to motivate the country's youth to utilise their entrepreneurial skills and contribute to the economy's growth. Bank Alfalah is pleased to be a partner in this novel initiative led by Ministry of Youth Affairs, Government of Pakistan and regulated by the State Bank of Pakistan. Currently, the Bank has extended finance to 1,700+ customers and disbursed 2.5 Bn.

- **SME Asaan Finance Scheme (SAAF)**
  It is an initiative by the State Bank of Pakistan in collaboration with the Government of Pakistan with the express aim of enabling SMEs that cannot offer security/collateral to access bank finance. Bank Alfalah has been selected as one of the participating banks under SAAF Scheme.

- **Alfalah Kamyaab Karobar (AKK)**
  AKK facilitates SMEs to leverage on their business potential to contribute towards the economic growth. With Alfalah Kamyaab Karobar Account, SME customers get utmost transactional convenience along with attractive features and waivers on banking services essential to manage day to day operations.

TYPES OF OPPORTUNITIES	LIKELIHOOD	MATERIALITY
Penetration in Cash Management and Supply Chain Financing	High	Medium

Cash management solutions are paramount to meet capital and liquidity requirements of customers. They also hold the potential to unlock access to a large unbanked customer base by securing agreements with the development sector and other key players to align the Bank with the national initiative of financial inclusion and poverty alleviation.

Supply Chain Financing is becoming an increasingly common vertical within the banking industry. The trend is expected to accelerate over the next three to five years in three waves: deepening of established solutions targeted at suppliers, further integration and sophistication of products for buyers, and ultimately, convergence between buyer and supplier oriented solutions.
Source: External
Impact: Financial
Capital Affected: Financial, Reputational and Intellectual Capital

Strategy for creating value from opportunity:
Over the last few years, Bank Alfalah has effectivly exposed and captured a significant market share in Cash Management and Supply Chain Finance. By tapping into SME and commercial segments, the Bank has unlocked significant prospects to promote financial inclusion in line with SBP's mandate to accomodate the corporates and their supply chain partners with financial solutions to caters their untapped needs.

In line with SBP's digitalisation policy, the Bank has launched a banking platform with single sign-in for Trade and Term Deposits. Further, the Bank is in process to launch Cash Management and Supply Chain Finance banking platforms.

Capitalise on Influx of Home Remittances	High	Medium

Pakistan's Remittance Initiative continues to remain a priority for banks in Pakistan. In addition to supporting the country, the flow of home remittances is an important source of family support for countless households across the country. There are always avenues to enhance home remittance facilities by offering smarter and faster ways of sending home remittances to Pakistan. Remittances remain a prime focus of the Government as they ease pressure on the current account and forex reserves of the country.
Source: External
Impact: Financial
Capital Affected: Financial, Social and Reputational Capital

Strategy for creating value from opportunity:
Given the considerable contribution of home remittances to the nation, the Bank ensures that its remittance solution continues to be safe, efficient, reliable, and best-in-class by staying in line with regulations, and increasing the ease of remittance flow for overseas Pakistanis.

As an industry first, the Bank has integrated its remittance payment system with RippleNet, Ripple's global block-chain payments network, to offer a faster and more secure payment service to remittance customers. Through this integration, the Bank will be able to scale its services and offer market launches with newly on-boarded RippleNet partners in a quicker way.

The Bank has also significantly invested in marketing, for creating awareness and promoting legal banking channels for sending remittances, in addition to signing various well known celebrities as joint brand ambassadors with our key partners.

Financial Obligations

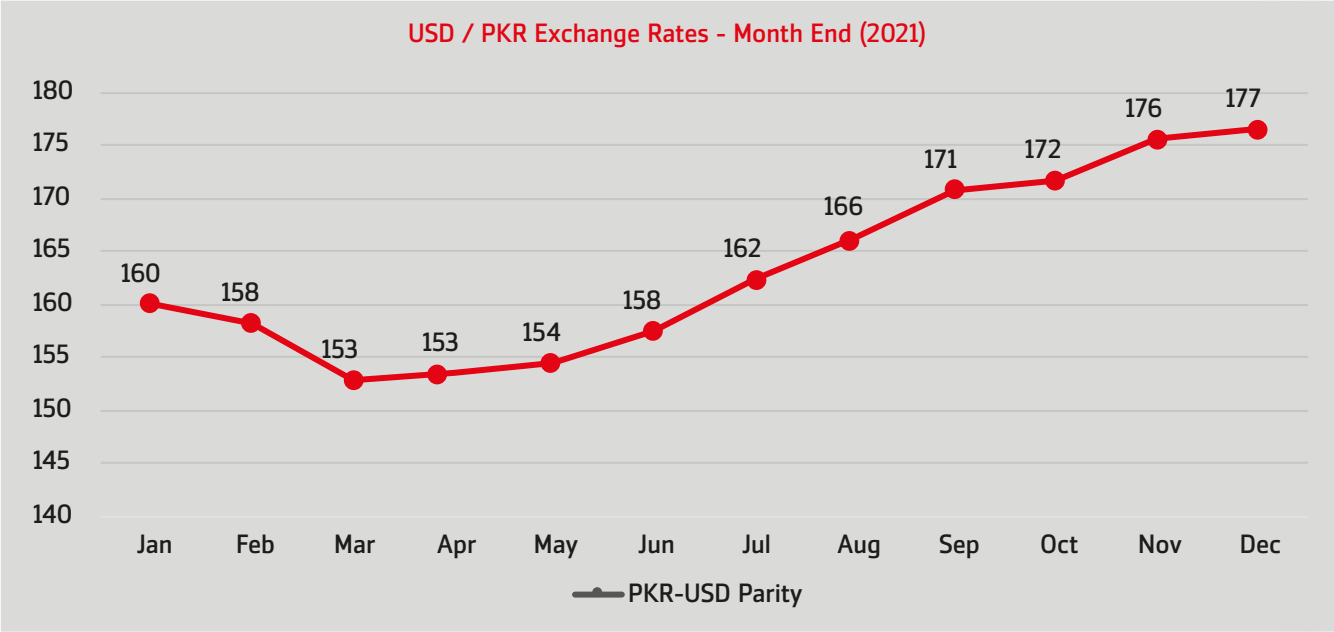
The Bank has fulfilled all its financial obligations and there were no defaults in payment of any debt/borrowing during the year.

Strong Capital Base

The Bank is adequately capitalised. The Bank's capital adequacy ratio as at 31st December, 2021 was 14.43%, which is higher than the minimum capital ratio of 11.5% required by the Central Bank.

Foreign Currency Sensitivity Analysis

After a full year of economic turmoil in 2020 around the world with COVID-19 precautions hampering business activity, the year 2021 provided some respite as the COVID-19 curve flattened in Pakistan and around the world. However, rising trade deficit due to volume growth, commodity inflation, vaccine impact and TERF related impacts brought about increased pressure on currency and reserves position. While there was stress on forex reserves, improvement was primarily driven by RDA deposits, higher home remittances, SDR allocation, Saudi deposits and reserve accumulation in 1HCY21.



Source: https://www.sbp.org.pk/ecodata/rates/m2m/M2M-Current.asp

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

The Bank's currency-wise net open position limits and Foreign Exchange Exposure Limits (FEEL) are in place to monitor intraday and end of day FX risk. Besides the FX position limits, the pre-defined 'Stop Loss level for Management Action Plan' is also instituted to manage the said risk.

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

For more details on sensitivity analysis, please refer to Risk Management (Foreign Exchange Risk) disclosures in note 45.3 of the unconsolidated financial statements.

OUTLOOK

Forward Looking Statement

Narrative Statement

As COVID-19 generated multifaceted crises across all economies, the financial sector remained resilient, re-adjusted its operations, and supported the Government and regulators' policies aimed at reviving business activity and the economy. Year 2021 saw recovery in the economic growth as business activities gained momentum. GDP growth is expected to improve to 4% in FY2022 with significant improvements expected in the construction and small-scale manufacturing, services and agriculture sectors. While COVID-19 cases resurged in Pakistan with every variant, the Government focused on getting majority population vaccinated and controlled the spread of the virus with smart lockdowns. The banking sector played its part by setting-up vaccination drives for its employees and their families, including third party staff. Digital banking channels were effectively utilised and customers were served effectively, thus demonstrating agility and resilience. With an optimistic approach, it is expected that the economy will revert to its pre COVID-19 state and will continue the growth momentum in the year 2022.

At Bank Alfalah, our key focus will remain on utilising technological advancements to improve our banking services and provide superior customer services. We are well-positioned for sustainable growth and building long-term shareholders' value. Regaining and growing our market share in low cost deposits, consumer products and SME financing is still our primary target. We will continue to expand our reach to our customers by growing our branch network and tapping new markets. Enhancing trade volume and penetration in cash management with high attention to SME/commercial clients will remain our top priority. Considering the changing business environment, we are constantly focused on business process re-engineering and digital transformation. With all this, we believe our employees are fundamental to our existence and growth. Therefore, we are determined to continue investing in human capital and creating a culture of care and compassion.

At Bank Alfalah, innovation is the cornerstone to evolve and progress, finding new and improved ways to interact with our internal customers to serve them better. The Human Resources and Learning Group (HRLG) will continue to direct its efforts to become the employer of choice, aiming to provide good opportunities to employees through learning, development and performance-based rewards. Our key focus will remain to inculcate our Culture across the Bank, promoting the concept of One Bank One Team, focusing on our customers, and inspiring and empowering our employees.

Bank Alfalah also aspires to become an inclusive bank for all its employees by providing a conducive environment for people of all backgrounds. Our aim will remain to provide opportunities to our female employees to succeed and grow, while adding differently-abled employees to our workforce. Furthermore, we place importance on safeguarding the health and well-being of our employees, introducing various initiatives to maintain work-life balance, while focusing on their emotional and mental well-being.

As HRLG evolves to be the Voice of Employees for Bank Alfalah, the team is committed to strengthen the Business Partners as a platform for ease of accessibility and communication between HR and business/support functions, conducting various pulse checks for insights across the Bank through consistent initiatives for an exceptional employee experience for our existing workforce and potential candidates.

Quantitative Projections

The evolving macroeconomic conditions pose a challenge to overall economic growth of the country. With inflation hovering in double digits and current account deficit increasing, the SBP has started to increase the policy rate that was slashed as a counter measure against COVID-19.

The Bank's asset structure and highest proportion of current deposits make it ready to capitalise on interest rate movement. Continuing with one of the highest deposit growth trajectory from 2021, the Bank's net interest income next year is likely to increase significantly, complemented by higher fee and commission income through cross-selling, digital/branchless banking channels, scale-up of consumer/cards business, remittance business and trade related income. On the other hand, rising interest rate cycle limits the opportunity of capital gains in 2022. With IFRS 9 application from 2022, the treatment of gain on available for sale equity investments will change.

The Bank will continue with aggressive deposit mobilisation strategy to increase market share besides retaining highest Current Deposit mix in the industry. This will be supported by an increase in the Bank's touchpoints, i.e. new branches and further deployment of ATMs, CDMs and CCDMs.

Advances will remain a special focus and facilitation of SME will be a key pillar of the strategy going forward. The growth in consumer finance may become a challenge after revision of Prudential Regulations by SBP in 2021. In rising interest rates environment, it is expected that there will be a credit head-winds; though impact should be marginal considering quality of our portfolio. However, we expect infection ratio to remain broadly at same level.

The Bank is in an expansionary mode and faces inflation and currency devaluation pressures. This poses a challenge on cost, but the target is to maintain cost to income ratio broadly in line with current year. However, certain new initiatives planned for 2022, which are necessary for long-term growth, will result in cost escalation, while contribution to revenue will be visible in later periods. Despite this, our ROE target is around 18%.

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

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

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

The Bank's strong financial position, processes and controls makes it resilient to these changes, many of which were tested in 2021 during COVID-19.

External Environment

Please refer to the sub-section "Significant external factors and Bank's responses" on the next pages within this section.

Our Performance against Last Year's Forward Looking Statement

Forward-looking statement disclosed last year	Our performance in 2021
Bank Alfalah is well-positioned for sustainable growth and building long-term shareholders' value.	The Bank's profit after tax stood at Rs. 14.217 Bn. Advances (gross) grew by Rs. 98.174 Bn and closed at Rs. 699.073 Bn. Deposits closed at Rs. 1.139 Trn as against Rs. 881.767 Bn as at the close of last year, representing an increase of 29.2%. CAR stood at 14.43% at the close of the year.
In line with the Bank's strategy, we aspire to be the most customer-centric and innovative bank in the country with a caring culture. To cope with changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering.	We were declared the Best Customer Franchise Bank for 2021 by Pakistan Banking Awards. This is a reflection of the confidence and trust placed in us by our stakeholders. To serve our customers better by unleashing the power of technology, we formed a channel named Rapid for digital onboarding of existing and new customers. Alfalah RAPID is an innovative banking solution geared towards fulfilling banking needs of our customers from the comfort of their homes through a completely digitised and convenient online process. Customers can: • Open new deposits accounts, i.e. current and saving accounts • Apply for consumer products such as debit cards, credit cards and personal loans • Fulfil their self-service banking needs (e-statements, SMS alert subscription, cheque book request, CNIC updates, etc.) In line with our innovation strategy, we launched an internal application, Sales Management System (SMS) that directs the sales staff of the Bank to improve sales, track their portfolio, and enhance service to customers. Additionally, various BPR initiatives are under progress, which include multi-purpose barcode and MICR Reader, and Customer Experience process optimisation.
We will work hard to regain and grow our market share in low cost deposits, consumer products and SME financing.	With a great emphasis on building a low cost deposit base, our total deposits stands at PKR 1.139 Trn and current deposits at PKR 500.753 Bn as at Dec '21 end. These numbers are achieved through a segmented sales approach based on ideal customer personas and selective branch expansion in key areas. ENR of credit cards, autos and personal loans has increased compared to Dec '20 and stands at PKR 11.76 Bn (Dec '20: PKR 8.35 Bn), PKR 28.18 Bn (Dec '20: PKR 20.12 Bn), PKR 6.44 Bn (Dec '20: PKR 3.68 Bn) respectively. We are an active player in the SME space with a loan book of PKR 37.8 Bn at Dec '21. We are the pioneer in launching structured Non-Financial Advisory Services. Additionally, we play an active role in supporting Prime Minister's Kamyab Jawan Programme and disbursed PKR 2.704 Bn SME related loans under the scheme. We achieved this success by developing customised products that address needs of the SME segment.

Forward-looking statement disclosed last year	Our performance in 2021
We look forward to expanding our branch network to widen our reach and serve our customers.	Bank Alfalah accelerated strategic focus on expanding its network to 790 branches in 2021, in order to enhance market coverage through increased customer touchpoints. To grow our conventional network, we added 14 new branches during 2021. Our Premier footprint has expanded to Peshawar, Abbottabad, Wah Cantt, Quetta, Multan and Faisalabad in 2021. Previously it was limited to Lahore, Karachi, Islamabad and Sialkot. In order to grow the Islamic outreach, the Bank opened 46 new Islamic branches. Islamic Premier expanded its services to Islamabad, Gujranwala, Sialkot, Faisalabad and Peshawar in 2021.
Our focus will be on harnessing technology to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner.	In line with the Bank's digital banking agenda to provide ease of banking, various new products/services were added on Alfa, including, but not limited to, Alfa Mall (Bank's own embedded marketplace), digital insurance sale, 'Buy Now, Pay Later' on retail via QR, mobile top-up and school fee collection. Additionally, the application provides further ease to users by offering dual QR payment, mutual funds investment with digital account opening, digital insurance, Roshan Digital Account, Alfalah Islamic digital current account, Alfa Health (WebDoc assistance), Alfa Term Deposit, Alfa Chat (P2P messaging), Alfa Business App (with in-app QR generation, E-shop catalogue and digital supply chain solution), and Alfa Payment Gateway (with digital merchant onboarding and pay via link feature). The Bank runs the largest network of Cash Deposit Machines in Pakistan with 200+ CDMs across the country, successfully migrating 38% of over-the-counter cash-in transactions to digital, generating throughput of PKR 100 Bn+ during the year. The Bank also enabled debit card management (card activation/ deactivation, PIN generation/change) through digital channels. In order to migrate traffic from branches to digital channels, requests for banker's cheques, account statements and cheque books have been enabled on Internet Banking and the Mobile Banking App. Moreover, to enhance user experience, the following features/products were introduced: • Virtual debit card • WhatsApp banking • S-Paisa that enabled branchless banking in AJK and GP • Automation of payroll onboarding • Best Buy collaboration for digitising collection • Tap and Pay – a contactless card transaction • Ask Alfa The Bank also launched digital Alfa Islamic Account onboarding, digitally acquiring customers who prefer Islamic banking for their daily transactional and saving needs. Moreover, Bank Alfalah is the first bank to install the Big Data Warehouse solution. This platform has helped the Bank to build analytics and machine learning models with structured and unstructured data that complements decision-making throughout the organisation.

Forward-looking statement disclosed last year	Our performance in 2021
Greater emphasis will be on boosting trade volumes, increasing penetration in cash management with the focus on SME/commercial clients.	Bank Alfalah successfully captured trade volumes of PKR 1,202 Bn as at end Dec '21, up by 48% from Dec '20. This growth was achieved through competitive pricing, reducing TAT, and focusing on SME clients. Furthermore, Bank Alfalah's trade market share has increased by 21 bps from 7.05% in Dec '20 to 7.26% in Dec '21. Import market share remained constant at 7.5% in Dec '21, while export market share improved to 6.71% % in Dec '21 from 6.33% in Dec '20. Initiatives undertaken in 2021 to increase trade market share include providing competitive pricing, frequent Front Office-Back Office (FOBO) sessions, monthly business reviews, and encouraging clients to utilise their limits. The Bank has also implemented Oracle Banking Digital Experience (OBDX) that will enable corporate clients to initiate transactions online, thereby reducing TATs. In 2021, all indicators of cash management moved in a positive direction as we successfully penetrated the service industry, including schools, social clubs, large superstores and hospitals. Consequently, the total throughput for the year 2021 stands at PKR 758 Bn which is 74% higher than the same period last year (PKR 437 Bn).
Investing in human capital and creating a caring culture will be a priority. As Bank Alfalah continues to evolve and progress, HRLG will direct its efforts to ensure that the Bank becomes an employer of choice. Our key focus will be on building a happy workforce along with a value-driven culture, ensuring conscious hiring, development, and merit-based elevation of female employees. Furthermore, safeguarding the health and well-being of our employees during the coronavirus crisis, introducing various digitised initiatives for existing and potential employees and continuing to support our business functions will also be given prime importance. As HRLG evolves to be the Voice of Employees for Bank Alfalah, the team is committed to strengthen the Business Partners platform to ease accessibility, while simultaneously devoting itself to be the employer of choice by constantly introducing new and digitised initiatives for its existing employees and potential candidates.	In 2021, the Human Resources and Learning Group (HRLG) focused on one of the most important pillars of Bank Alfalah's 2021-2025 strategy; Culture. Bank Alfalah's Culture is based on four pillars: One Bank, One Team; A Focus on Customers; Empowering Employees; and Creativity and Innovation. The four-tier approach was intimated across all initiatives to inculcate our Culture across the Bank. Initiatives included: Awareness, Learning, Engagement Activities and Rewards. One Bank One Team: We continued our efforts to build high performing teams and establish trust through Thankful Thursdays, Collaboration stories, and Culture and Values e-Learning. Customer Care: We encourage employees to achieve Customer Service Excellence in every role. In this regard, we initiated Customer Care in Action awareness campaign, service snippets, branch competition (such as Floor Time and Cleanliness) and Branch Outreach Programme. Empowering Employees: We continued our focus on enhancing our employees' happiness and conducted several activities that focus on happiness improvement, habit building and well-being. To empower employees and to enhance the employee experience, HRLG executed Happiness and Engagement Survey, Fitness Competition, e-Learning (on mental and physical heath, and stress resilience), Saaya Health and WebDoc. Some of the employee empowerment initiatives are further explained below: • Happiness and Engagement Survey: An assessment of engagement of employees on psychometric scale. The 2021 survey feedback allowed the Bank to launch Saaya Health; an employee assistance program for our employees to avail free counselling sessions for their mental and emotional well-being.

Forward-looking statement disclosed last year	Our performance in 2021
	• Diversity and Inclusion: We formulated a policy to ensure that we have a diverse, equitable and inclusive workforce. The policy has been approved by the Board of Directors following which an entire strategy with detailed initiatives has been decided as the way forward. We also continued to drive our Diversity and Inclusion (D&I) agenda by celebrating Women's International Day, implementing the maternity cover policy, and make efforts to ensure that our differently-abled employees and people from religious minorities feel included and valued. • Our Business Partners for each unit continued to support all business functions and provided necessary guidance, support and advice, while the learning team found digital avenues to ensure that business units' needs are fulfilled, and a positive environment is provided to learn and develop. • Employee Health, Welfare and Well-being: Mass vaccination drive to contain the effects of COVID-19 pandemic was conducted across Pakistan for all employees and their dependents. Furthermore, an Employee Welfare Fund was created to cater to the financial needs pertaining to medical, marriage and educational needs. Medical policies were revised to ensure Bank Alfalah supports its employees and their dependents during the pandemic.

Status of Key Projects

Projects and their Details	Status
Major Construction Works	
Ramps for Disabled Persons – 150 locations (as per SBP directives) adding to our inventory of 379 locations	Completed
Premier Lounges (hybrid branches) – 19 locations	Completed
Branch Expansion	
Annual Branch Expansion Plan 2021 – 60 branches	Completed
Major IT Projects	
Core Banking System	
T24 Upgrade (Pakistan)	In-process
T24 Upgrade (International)	Completed
Migration of Afghanistan operations to the core banking system (T-24)	Completed
Regulatory Compliance	
Naya Pakistan Housing Scheme – Phase I	Completed
SBP Micro Payment Gateway (RAAST) - Phase I & II	Completed
Financial Crime and Compliance Management (FCCM) Bangladesh Production (Revamp)	Completed
Accuity Compliance Link	Completed
Technology Innovation, Platform Modernisation, Digitisation	
Pakistan Single Window Trade Finance	Completed
Alternate Delivery Channels (ADC) Switch Upgrade and Optimisation	Completed
Oracle Hyperion (Phase I)	Completed
Risk Based Supervision (RBS)	Completed
Sales Management System (SMS 2.0)	Completed
Oracle EBS Application Technical Upgrade	Completed
Straight-through process for credit decision for Personal Loans	Completed
Self-Support Bot for Process Automation	Completed
Self Service Data Platform	Completed
Digital Banking Platforms for Corporate Services and Self Service Banking Digital Platforms – Phase I (Trade services for corporates)	Completed
Digital Banking Platforms for Corporate Services and Self-Service Banking Digital Platforms – Phase II (Trade services for SMEs and Cash Management services for corporates and SMEs)	In-process
Digital Branch	In-process
Security	
SWIFT Migration/Upgrade	Completed
SWIFT Security Controls Framework 2020-21	In-process
Payment Card Industry Data Security Standard PCI-DSS (Pakistan and Bangladesh)	Completed
Operational Excellence and Continuous Improvement	
Data Analytics (Business Intelligence System)	In-process
Process Automation Platform (workflow/business process management)	In-process

Sources of Information and Assumptions used for Projections and Forecasts

The Bank has based its projections on internal and external factors. External factors include discount rate, inflation rate, external account position, industry analysis, GDP growth, and other macroeconomic indicators, while internal factors comprise of strategic objectives, financial performance and competitive edge. Such indicators, along with certain assumptions for the forecasted period, are incorporated into programmed models to get a desired level of growth outcome.

Assumptions

Economic Position

The economy witnessed the impact of stimulus packages by the Government and regulators, following the COVID-19 outbreak. While economic activity revived, consumption pickup, combined with capital imports and rising international commodity prices put pressure on the current account deficit, Pak Rupee parity and inflation. With the recent measures taken by the SBP and the Government of Pakistan on monetary and fiscal front, economic indicators are expected to improve with sustainable growth.

Discount Rate

State Bank of Pakistan has increased policy rate by 275 bps from 7% to 9.75% in response to emerging inflationary and external pressures. Going forward, the Monetary Policy Committee (MPC) has signalled broadly unchanged policy rate in near term.

Inflation

The average inflation in FY21 clocked in at 8.8% against the SBP range of 7-9%. For FY22, SBP expects average inflation to be in the range 9-11%.

Overall Outlook

With regards to overall economic activity, results of economic actions undertaken by the Government will have a positive impact. Recovery is evident, as large-scale manufacturing has increased. Gradually rising exports, continued momentum on RDA, strong remittances, expectations of Pakistan moving out of the FATF grey list, and resumption of the IMF programme are also likely to provide vital support.

Sources

The information is available from external sources including regulatory publications such as SBP's reports, analyst reports, IMF/World Bank reports, etc. and internal sources such as the Bank's own forecasting models, business plans and projections.

Assistance by External Consultant

The Bank manages external and internal assumptions through in-house teams which are designated to collect external information, align it with internal data, conduct data analyses and business reviews, input this information in data models and obtain outputs in the shape of forecasts/projections. The external data/assumptions are validated by a consultant engaged by the Bank. Based on such projections, these teams direct business units to identify avenues for achieving the projections through day-to-day banking operations. Furthermore, constant monitoring takes place against the forecasts and projections.

Our Response to Critical Challenges and Uncertainties

Given our strong capital base and liquidity position, Bank Alfalah is well-positioned to respond to any critical challenges and uncertainties. Adopting a proactive approach, the Bank responded with greater agility and resilience to challenges posed by the COVID-19 pandemic. During the pandemic, the Bank has stress tested its processes, systems durability, risk processes and internal controls. We formed a Board level committee to guide the Management in successfully handling the pandemic.

The Board Crisis Management Committee (at BoD level) and Crisis Management Team (at Management level) continue to provide oversight during the COVID-19 pandemic, and monitor its impact on the Bank, employees, customers, society and shareholders.

The Bank is cognisant of the varied challenges of the pandemic and responded with a particular sense of responsibility across all fronts.

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

Significant External Factors and the Bank's Response

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

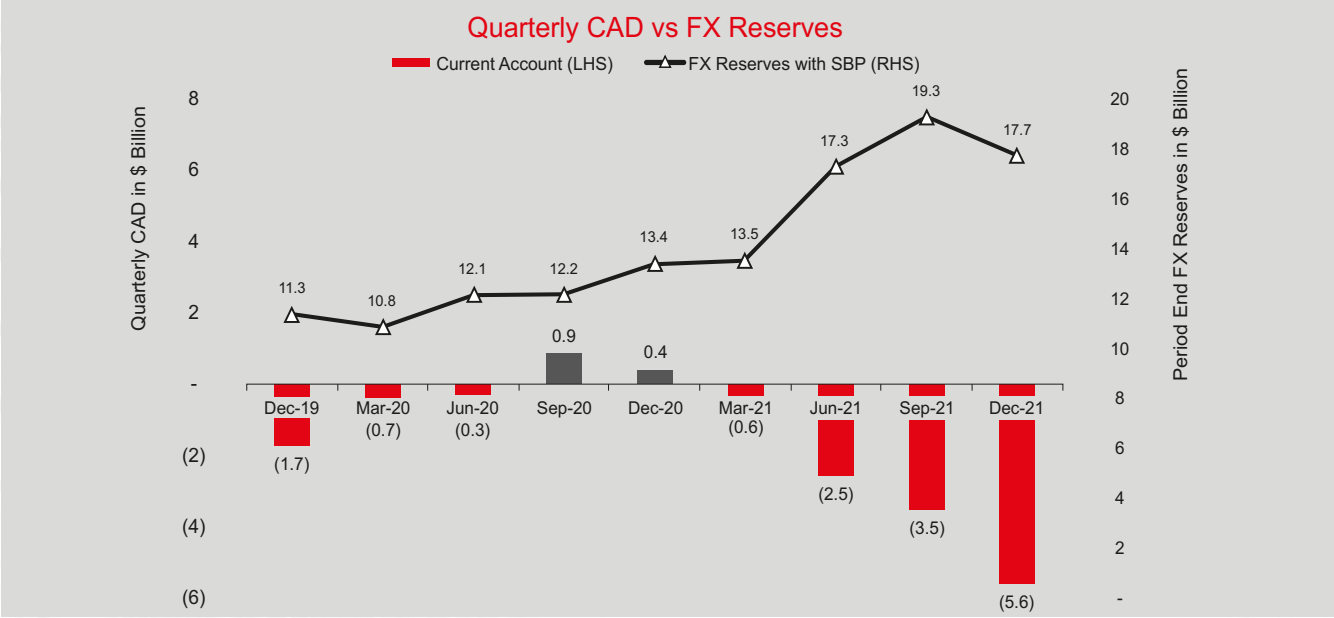
Macroeconomic Environment

Since 2020, global economy was severely hit by various waves and mutations of the COVID-19 pandemic. With limited economic activity and subdued demand during the pandemic, commodity prices in international markets dropped drastically. Pakistan largely benefitted from these situations as key economic indicators improved and country built its FX reserves in FY2020-21 on the back of import contraction, remittances growth, and restrictions on travelling. In the first half of 2021, macro-economic landscape continued under the influence of the pandemic.

Following aggressive vaccination campaigns, economies around the world started opening up in the second half of 2021 and demand concerns tapered off. As the economic activity picked up, commodity prices in international markets significantly rebounded. Crude prices in international market increased from USD 52 per barrel in Dec '20 to the highest levels to USD 86 per barrel in Oct '21 on account of rapidly increasing demand, tight market supply, and lower levels of inventories in major oil consuming economies. The elevated crude prices along with record high LNG prices due to energy crisis in Europe and China further aggravated the problem. Apart from crude, major commodity prices had also increased by more than 40% compared to the 2020 levels.

Pakistan's economy witnessed robust growth in FY21 despite pandemic challenges. Pakistan's GDP grew by 3.94% in FY21 against the target of 2.1% and a contraction of 0.4% in FY20. Starting from FY22, strength in the large scale manufacturing sector, and recovery in the agricultural and service sectors are signalling continued economic growth in the country.

As economy started to recover, pressures on external account started to emerge. Current account deficit clocked in at 0.6% of GDP in FY21 in line with the SBP expectations of 0.5% - 1.0% of GDP. However, starting from FY22, Current Account deficit remained significantly higher than the Government's annual budget and the SBP projection. Imports started on an upward trajectory starting from latter half of 2021, mainly due to increased domestic demand, supply shortages, and increase in commodity prices in international market. On the other hand, remittances showed a robust growth on account of increased foreign currency flows through formal channel and Roshan Digital Account. Exports continued to show significant improvements compared to previous years with the introduction of new capacity led by long-term refinancing schemes by the SBP.



Pakistan also entered into negotiations with IMF to resume Extended Financing Facility (EFF) Programme for its sixth review to further tackle the external challenges. The programme is also expected to help Pakistan achieve fiscal consolidation through structural reforms. In this regard, Pakistan made adjustments in utility tariffs and introduced additional measures to increase Tax and Non-Tax revenues. The SBP also introduced further measures to strengthen foreign exchange regulatory regime and mitigate any speculation in the market.

The momentum of general and core inflations remained upwards in 2021 due to higher commodity prices in international markets, increased demand in local economy, and PKR weakening against USD. The adjustment in power tariffs and increase in the local petroleum prices put further pressure on transport costs and on prices of commodities in local economy.

Bank's Response

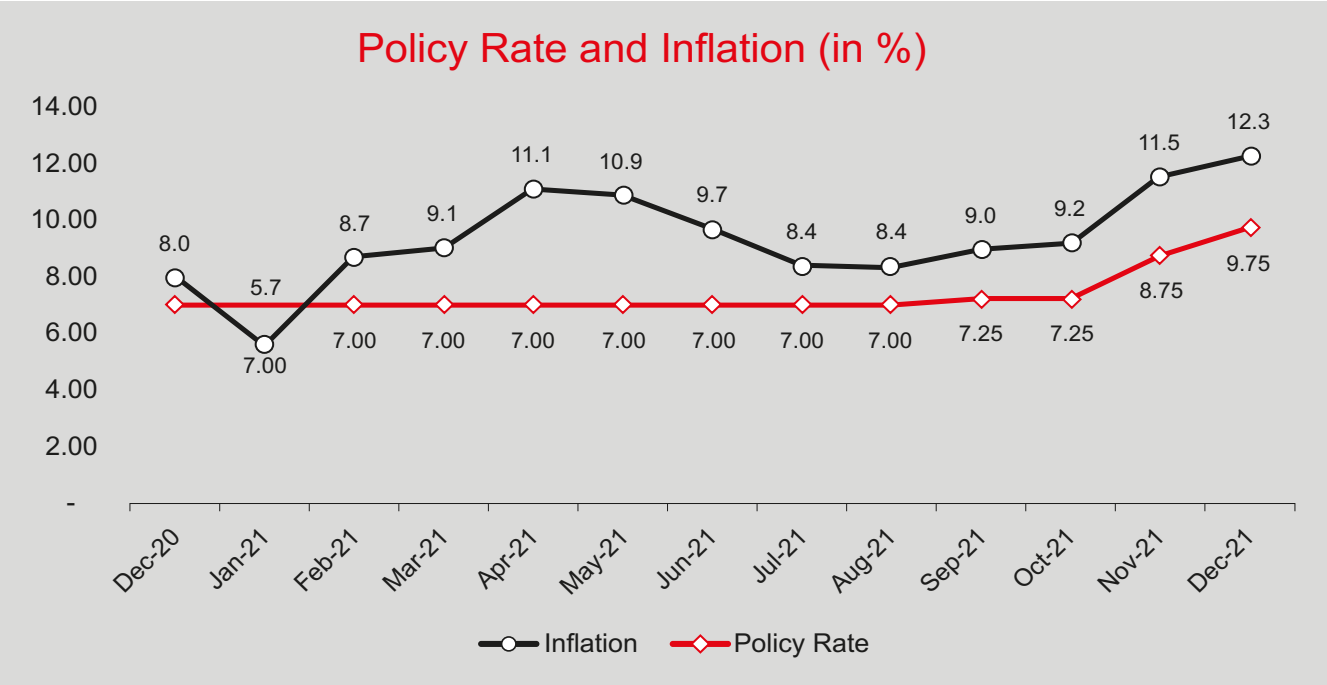
Changes in the macro-environment, ranging from inflation and/or currency pressures, affect the performance of the Bank, which is reflected in our results and in the stock price of the Bank. The Bank keeps a track of key metrics that might affect profitability and as per its best judgement, pre-empts developments and aligns its internal strategy accordingly.

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

In order to counter inflationary pressures and ensure growth sustainability, the SBP acted promptly by increasing the interest rates by 275 basis points to 9.75%. Previously, the SBP had kept interest rates at 7% in the wake of COVID-19 pandemic along with various stimulus packages to support the economy. The SBP also increased the cash reserve requirement maintained by the banks from 5% to 6% on fortnightly basis in order to curtail the growth of money supply in the economy.

Bank's Response

The change in policy rate directly impacts the banking industry and the Bank's performance due to re-pricing of assets and liabilities. Based on interest rate outlook, the Bank manages the interest rate sensitivities (re-pricing gap). In expectations of increase in the interest rates, Bank Alfalah proactively sold its investments in fixed rate PIBs in 2H20, and also strategically took positions in floating rate PIBs.



Regulatory/Policy Changes

Any regulatory or policy changes that directly impact the banking landscape, and cost and/or revenue drivers are likely to exert the influence on the Bank's performance. For example, a change in the discount rate, which directly impacts yields on all earning assets and liabilities, would have considerable impact.

Investor and Market Sentiment

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

Reflecting the macroeconomic turns, Pakistan Stock Exchange (PSX) too posted a healthy return during 1HCY21 where the benchmark KSE-100 index improved by 8.2%. However, uncertainty on global front, macro headwinds, delays in IMF programme, and MSCI downgrade of Pakistan back to Frontier Markets completely overshadowed the strong profitability and valuations in 2H 2021 in which the KSE-100 index fell 5.8% during 2HCY21, closing the year with meagre 1.9% return. Foreign investors remained net seller throughout the year with total outflow of USD 359 million, which was absorbed by USD 245 million net buy from individuals and USD 107 million net buy from companies. Trade activity improved 44% in volumes to average 475 million shares a day and 38% in value terms to PKR 16.9 billion a day.

Bank's Response
The Bank has a dedicated Investors Relations Unit that timely responds to the queries/concerns of shareholders and potential investors. This helps the Bank to be transparent and share up to date information with various stakeholders.

Legal Environment

Major challenges faced by the banking sector are trade-based money laundering and terrorist financing. Legal environment also encompasses restrictions and constraints set by FATF, the SBP, and other international bodies. Additionally, with the growing use of digital channels, there is an even greater threat to financial security.

Bank's Response
Bank Alfalah worked towards enhancing customer experience and increasing business activity, while abiding by the standards and guidelines set by FATF, the SBP and other regulatory bodies on AML/CFT/CPF, Trade AML, information security threats, including identity theft, etc. The Bank also complies with UNSC Targeted Financial Sanctions on Designated Persons and Proscribed Persons. This is done by making best use of regulatory technology tools and skilled human resources.

Social Environment

The year 2021 brought an increased demand for banking services in general, particularly digital banking solutions. Society is slowly adapting to methods once unfamiliar, which include digital wallets, online transfers and branchless banking. Timely measures taken by the Government to curb the COVID-19 outbreak were largely successful, and the banking sector environment was made less challenging as a result. Due to the consistent need for financing, the banking industry remained afloat. Simultaneously, organisations played their part in the battle against COVID-19 by implementing all necessary SOPs and communicating precautionary measures to control the situation.

Bank's Response
Initiatives like the COVID-19 Relief Programme were introduced for daily wage earners, to facilitate them financially. The Bank also launched various digital initiatives for customer interaction and convenience of banking.

With the aim to support financial inclusion, various facilities such as Asaan Account , Roshan Digital Account and Rapid Digital Account were introduced.
Job creation and employee retention became a major focus for the Management during pandemic.

Political Environment

A stable political environment is essential to the smooth running and growth of the banking industry. Investor confidence is dependent upon a stable law and order situation, as it directly impacts the banking sector and equity market.

Bank's Response
The Bank, though its employees Code of Conduct encourages its employees to avoid participation in political activities.

Technological Environment

There is a mass explosion of smart technologies and rapid transformation of the country's technological landscape especially on the digital and AI technologies' fronts. Ever evolving customer expectations and state led digitisation initiatives in the COVID era have created expectations for improved customer experience, strengthened data governance strategies and holistic as well as more granular solutions centric security and privacy measures.

As these technological advancements continue, underlying risks of damage by internal or external threat factors like unauthorised access to critical financial data, sensitive customer information, impersonation, theft or alteration of information, non-availability of critical systems or services, and loss of the Bank's sensitive electronic data and IT systems, has increased manifold. As a response, regulatory frameworks governing technology have been broadened and deepened.

Bank's Response
At Bank Alfalah, the early adoption of technologies and innovative solutions' delivery has already positioned us amongst the top customers' choice banks and has transformed the paradigm of solution design and delivery. All technology decisions are pivoted to our 'YOU' philosophy while technology and security teams partner for strong governance placing customers' confidence and security second to nothing. However, these digital technologies have also created enhanced cyber-threat surface areas and multidimensional attack vectors.

The Bank's Information Security team caters to regulatory requirements for Information Security Risk Management, maintains the frameworks that enable the Bank's Management and staff to mitigate IT security risks bringing them to acceptable levels, researches evolving and emerging threats, and suggests and defines relevant information security controls. The team also performs information security risk assessment before and after the deployment of IT Solutions against defined categories of the IT Risk and Information Security Management System, performs 24/7 information security monitoring of information assets, investigates IT security incidents, reinforces IT security risk awareness amongst staff, and performs IT security risk management reporting.

Furthermore, the Bank's Resilience Plan caters to the loss of or loss of access to critical systems or services due to cyber-attacks, non-availability of key personnel, wide scale disruptions due to pandemic outbreaks etc. To withstand any adverse technological disruption, the Bank' critical technology infrastructure is designed and tested to continue from alternate sites for prolonged durations. Furthermore, Bank Alfalah has been continually augmenting its security posture vis-à-vis its digital positioning by investing in security technologies to deepen its cyber defences and by proactive adoption of international best practice advisories/frameworks into governance, security and service management. In addition to technologies, continued awareness trainings and customer communication are ensured to minimise the likelihood of security breaches.

The digitisation drive will continue in the coming years and we believe that the winning catalyst for the Bank shall remain the sustained trust of our customers in our security and privacy policies even as we seed 'RAPID' one-stop conveniences.

Environmental Scenario

Globally there are amplified efforts being made to mitigate the impact of climate change. Organisations are playing their roles in driving attention towards green energy, health and safety of stakeholders, and reducing adverse environmental influences. The environment increasingly suffers severe threats from factors such as global warming, deforestation, carbon emissions, and poor air quality. It is thus necessary to raise awareness about these growing impacts, and the banking industry plays a vital role in this regard. Both directly and indirectly, banks can encourage the use of eco-friendly policies, whether applying it within the organisation, or when evaluating stakeholders' relations and investment options.

Bank's Response

The Bank has taken various steps which have a bearing on the environment. Please refer to the 'Sustainability' section of this Annual Report for further details.

Commercial Environment

The initiatives taken by the Government amidst COVID-19 had an impact on the industry as a whole. Products were added to the portfolio accordingly, and simultaneously an environment of healthy competition was created. Alongside this, the banking industry continued to cater to specific agendas such as empowering women, providing low-cost banking solutions to the agricultural sector, and financial inclusion through online account opening facilities. Fair Treatment to Customers (FTC) became a key focus for banks and process transparency became vital.

The digital banking landscape experienced an encouraging inflow of customers. The banking industry as a whole increased their focus and contribution towards their digital channels. Customer experience became integral, and continues to evolve to provide a seamless experience. Individuals grew more comfortable using digital channels compared to previous years. There was an overall acceleration of digitisation, and banks responded by providing state-of-the-art solutions to their customers.

Bank's Response

At Bank Alfalah, our aim is to make our portfolio of products increasingly accessible and user-friendly for the masses. Introduction of RAPID for online account opening was a major step towards greater accessibility, making it easy for customers to utilise banking facilities from their homes. The aim of Bank Alfalah's digital banking strategy is to provide customers with not just a banking window, but also an enhanced lifestyle. The Alfa App, Internet Banking and Alfa agent shops are some of the alternate delivery channels being employed that support our aspiration of becoming the most innovative and digitally advanced bank. All these factors have a significant impact on the Bank's strategy, outlook, risk management, and financial performance.

Conclusion

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

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

Competitive Landscape and Market Positioning

Competitive Landscape

Threat of New Competition and Substitute Products or Services

There are significant barriers to entry for new competition due to the need for considerable capital to set up a bank, compliance with strict regulations of the banking sector, and the time required to establish a strong brand identity, and, in turn, loyalty of customers. However, the emergence of Fintech entities with their innovative digital solutions and focus on transactional services has added greater depth to the domestic financial landscape and the customers' banking experience.

Bank's Response

Bank Alfalah exercised the following strategies to cater to the threat of new competition:

- Enhancing customer loyalty through excellence in customer service
- Focusing on digital platforms to improve customer convenience
- Introducing innovative products and services to facilitate diversified customer needs

Bargaining Power of Customers

The bargaining power of customers mainly rests with the Bank's deposit holders, and since they are the Bank's primary source of capital, their bargaining power ranges from medium to high. This is because of low differentiation in the industry, making it easier for depositors to switch to other banks in pursuit of incentives such as greater saving rates and better service offerings.

However, the bargaining power of High Net Worth individuals, corporate clients and other large groups has greater bearing due to their high price sensitivity arising from strong competition amongst banks. Hence, the loss of key accounts like these, which are important sources of revenue, has a substantial impact on the Bank's profitability.

Bank's Response

While customers incur negligible costs, while switching to other banks partly or completely, the bargaining power of customers remains limited as the Bank's bottom line is minimally affected due to such shifts.

To mitigate possible concerns arising from customers' bargaining power, the following strategies are exercised:

- Creating services that are tailor-made for different segments of customers
- Implementing new ideas to provide customers with better service and experience
- Efficient compliant management and high security standards

Bargaining Power of Suppliers

Suppliers mainly represent service providers of various administrative facilities such as supply of equipment and their periodic maintenance, security services, repairs and site maintenance, printing, deliveries to customers, clearing of cheques, brokerage, etc. They have an important bearing on the Bank's operations and have considerable bargaining power based on the services provided to the Bank.

Bank's Response

While service providers play an important role in enabling the Bank to perform its operations on a daily basis, the Bank has superior bargaining position due to size of operations and goodwill attached to working with our brand name.

Bank Alfalah applies the following strategies to strengthen its relationship with suppliers:

- Extending a collaborative work environment to build long-term relationships
- Treating our suppliers as partners to create a win-win situation
- Avoiding concentration of services

Relative Strengths and Weaknesses of Competitors and Customer Demand

The industry experiences technological advancements, customer behaviour shifts, and various other technological shifts, which have their own strengths and weaknesses as listed below:

Strengths:

- Keeping pace with technological shifts ensures that we are updated and providing optimal technological solutions
- We remain alert to customer security
- We remain cognisant of customers' demands

Weaknesses:

- Shift in transactions from branches to digital channels has seen exponential growth. Customers now seek high-end, cashless solutions
- Moving traffic to digital channels requires upgrade in technology and change in customer mindset
- IT security standards are rising due to enhanced digitisation and new banking channels

- Regulations for Electronic Money Institutions (EMIs) by the Central Bank gave momentum to rising Fintechs catering to the evolving demands of discerning customers. Telco led microfinance banks are proving to be catalysts of new and innovative ways to leverage data and introduce new products to tap the untapped market
- Change in customer behaviour requires that our online and offline operating model is realigned with the new normal since COVID-19

Bank's Response

The Bank continually realigns its strategies to adapt to the changing needs of customers and remain ahead of the competition by introducing new products and services. Furthermore, various internal process improvements were also undertaken during the year to remain ahead of the curve.

Intensity of Competitive Rivalry

The focus of banks on developing an arsenal of various asset and liability products offered at competitive rates to acquire more customers and grow their market shares indicates high intensity of competition amongst banks. This has been further intensified by the pandemic as the need to incorporate COVID-19 SOPs and to modify technological processes has found momentum.

Bank's Response

- Improving the product offerings to align with technological advancements
- Offering low-cost banking solutions that increase the opportunity cost of switching from one bank to another
- Launching innovative digital services in the Alfa App to gain competitive advantage

Regulatory Environment

There is a new world of compliance after Pakistan was put on the FATF grey list. The regulatory environment is getting more vigilant with increased regulatory push to drive down charges on customers. More frequent and thematic SBP audits are taking place. Interest rates increased by 275 bps from 7.00% in Dec '20 to 9.75% in 2021.

Bank's Response

- Maintaining regulatory compliance across the Bank
- Implementing rigorous internal controls and adhering to a Risk Management Framework
- Determining the effects of new regulation on existing strategies and business models
- Training employees to comply with the updated regulations
- Committees track different aspects of changing dynamics and implications

Market Positioning

- Bank Alfalah is one of the top and leading banks of the country
  - 3rd largest private bank in terms of advances (based on Sep '21 published results). The Bank's market share in domestic advances is 6.5% as at 31st December, 2021 as per data published by the SBP.
  - 7th largest private bank in terms of deposits (based on Sep '21 published results). The Bank's market share in domestic deposits is 5.1% as at 31st December, 2021 as per data published by the SBP.
  - 7th largest private bank in terms of outreach (branches) (based on Sep '21 published results)
  - The Bank's share in home remittances is 14.3% for the year 2021 as per data published by the SBP.
- Bank Alfalah's mobile banking app, which caters to both banking and lifestyle needs of its customers with over 125 products and services, distinguishes the Bank. The Bank also provides a differentiated service offering for both its conventional and Islamic banking customers depending on their preference.
- Bank Alfalah is a pioneer in Supply Chain Financing in the banking industry. The Bank commands a better market standing as compared to its competitors and has been flexible in moulding its Small and Medium Enterprise (SME) business over time to better cater to its customers.
- The Bank acknowledges the substantial contribution of agriculture to Pakistan's economy and the growing financial needs of our farmers and agri-businesses, which are addressed through the Bank's tailored products.
- The Bank aspires to become a technology-centric organisation, which drives innovation across the industry. This passion is what enables us to stand out from the competition and deliver a superior customer experience. Some of our noteworthy initiatives are Robotic Process and Business Process Automation, Data Lake/Big Data Initiatives, Sophisticated Networking and Infrastructure, and Smart POS.
- During the COVID-19 pandemic, the Bank was amongst the top five banks to actively support businesses using the State Bank of Pakistan's (SBP) financing schemes such as Temporary Economic Re-finance Facility (TERF), Refinance Scheme for Payment of Wages and Salaries, etc.
- The Bank is recognised as the first in the industry acting as a Market Maker of Debt Securities
- The Bank has a complete suite of consumer products, and is a key player in consumer finance segment.
- Bank Alfalah launched a self-service digital banking platform for corporate customers.

Success of the Bank's efforts to distinguish itself from the competition is evident from the following recognitions:

- 'Most Innovative Bank' and 'Best Savings Product' awards at Global Islamic Finance Awards and Summit 2020
- 'Best Bank' in 2017 and 2019 and 'Best Customer Franchise' award for five years from 2016 to 2019 by the Pakistan Banking Awards

- 'Best Investor Relations' award for the 8th year running by CFA Society Pakistan

- Best Bank in the country for house loans under the Mera Pakistan Mera Ghar scheme
- One of the top three banks in terms of Naya Pakistan Certificate investment, and was honoured by Prime Minister of Pakistan for reaching the milestone of USD 2 billion in RDA deposits.
- Best Marketing Effort Award – RDA
- Won (3) Best Practice Awards – GDIB Benchmarks
- The Best Place to Work Award

- Best Marketing Campaign – Digi Awards
- Second best annual report award by The Institute of Chartered Accountants of Pakistan (ICAP) and The Institute of Cost and Management Accountants of Pakistan (ICMAP)

- Joint runner-up in the best presented annual report by The South Asian Federation of Accountants (SAFA)

SWOT Analysis

A SWOT analysis of a bank formally evaluates the financial institution's strengths, weaknesses, opportunities and threats. This analysis identifies these four main elements to help the Management better leverage its strengths to take advantage of future business opportunities, while better understanding its operational weaknesses to combat threats to potential growth. A SWOT analysis can also address many other scenarios, such as new business initiatives, marketing budgets, or even advertising campaigns, and is a valuable tool in bank management.

The Bank analyses and monitors its **S**trengths, **W**eaknesses, **T**hreats, and **O**pportunities on regular basis.

Strengths

- Best customer franchise
- Pioneer of supply chain financing, SME non-financial advisory
- Best-in-class digital application
- Strong ability to generate funds
- All initiatives well-executed
- Top rating in government initiatives

Weaknesses

- Need to further strengthen market share in deposits

Threats

- High inflation
- COVID-19 pandemic
- Low purchasing power of customers
- Data security risks
- Loss of customers due to competition
- Disruptions created by vendors and suppliers

Opportunities

- Growth potential in government schemes
- Technology-centric organisation
- Strategic partnerships with Fintechs
- Leveraging data analytics and advanced technology

SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

Sustainability Report

Philosophy

Sustainability is one of the key areas we focus on. Every day we work hard to ensure that our operations are directed towards creating a more sustainable, healthier, safer, and community-caring organisation. As part of our sustainable approach, we are keen to ensure effective controls, efficient procedures, community care, ethics and natural capital protection.

We strive to increase the scale, efficiency and profitability of our operations in a way that helps us become a socially responsible corporate citizen.

Highlights of the Bank's Sustainability Programme:

CUSTOMER EMPOWERMENT

- **900+** ATMs and **180** Cash Deposit Machines and **47** Cash and Cheque Deposit Machines Alfa App
- **96%** ATM Uptime
- Customer Awareness - SME: **54+** sessions; **4,500** +participants - Agriculture: **35** sessions; **800** farmers

RESPONSIBLE FINANCING

- SME Financing Borrowers: **5,360** Financing: **Rs. 37.8 Bn**
- Supply Chain Financing Borrowers: **495** Financing: **Rs. 1.23 Bn**
- Active participation in governnment sponsored financing and initiatives

EMPLOYEE EMPOWERMENT

- Total Employees: **12,118** Female Employees: **2,068**
- Medical Facility: **Rs. 502 Mn** to employees and dependents
- Education Assistance to **202** Employees - **Rs. 8.4 Mn** Trainings to **11,125** Employees

ENVIRONMENT

- Green Banking Financing: **Rs. 15.2 Bn**
- Renewable Energy Financing Projects - Bagasse: **3** - Wind: **4** - Solar: **1**
- **150** Solar powered ATMs

COMMUNITY COOPERATION

- Total Donations: **Rs. 27.3 Mn** Health: **Rs. 9.7 Mn** Education: **Rs. 9.0 Mn** Social Welfare: **Rs. 8.6 Mn**
- Zakat Paid: **Rs. 124 Mn**
- Employee Welfare: **Rs. 21.2 Mn** Staff Benefited: **171**

ECONOMY

- Contribution to National Exchequer Taxes paid: **Rs. 8.4 Bn**
- Imports: **Rs. 893 Bn** Exports: **Rs. 368 Bn**
- Remittances to Pakistan: **USD 4.4 Bn**

Pillars of the Sustainability Philosophy

Customer Empowerment

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

- **Service Leadership and Digital Innovation**
  Customers are at the heart of the consistent transformation at Bank Alfalah. As an industry leader, the Bank aims to make banking simpler, effortless, and more accessible for all through rapid digital innovation. As one of the leading banks in the payments landscape of Pakistan, the Bank undertakes the responsibility of driving society towards digital innovation. This is achieved by continually introducing latest payment methods and financial technologies, including Alfa app, QR Payments, Alfa Payment Gateway, Alfa Fee Collection Portal, CDMs, ATMs/KIOSK, POS machines and Orbit Rewards, acquainting customers and businesses with the right payment tools. These help our customers perform banking transactions swiftly. All our digital innovations are motivated by our goal to provide comfort to our customers.

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

  The Bank, through its Alfalah Transact (OBDX), has also extended trade and term deposit services to its customers through customer interface of the portal to transmit their transaction based request. Further, Alfalah Transact (OBDX) has extended Term Deposit at rack rates (issuance/amendment/encashment) for straight through process and special rate TDRs via service requests. Further, this enables customers to make all types of business transactions on the go such as trade related payments and option to view LCs status, Cash Management Payments, Accounts Statement View, Loan and Finances Position. This digital platform with its quick and easy onboarding process allows users to access their accounts globally with 24 hours accessibility, initiate transactions, and get real time reporting as required.

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

  In line with the Financial Consumer Protection policy, the Bank's philosophy is to treat customers with utmost care and responsibility and walk alongside our customers throughout their financial journey. The end-to-end journey is viewed with a customer centric lens. Customers are able to find transparent data regarding our products and services on our website and through other touchpoints. They can also conveniently conduct their financial transactions around the clock through various physical and digital channels. In case of any grievances, our frontline and 24/7 operative contact centre is available for assistance before, during and after customers have availed our products/services. With the introduction of WhatsApp and the Chatbot, customers can now avail instant response to their banking needs and queries. This allows the customer to reach out to the Bank without any additional cost associated and allows them to receive quick, convenient, and personalised service.

- **Customer Experience Management**
  The infrastructure of Customer Experience (CE) Management at Bank Alfalah consists of several units, which control and 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 our customers directly, so the Bank can proactively continue to identify gaps and make improvements to adapt to the changing needs of our customers. Digital Survey Platform was introduced this year, which allows us to widen our outreach and gather instant feedback from customers on a daily, real-time basis through ROBO Calls and SMS Surveys.

- **Process Optimisation**
  At Bank Alfalah, we continue to keep a close eye on complaints, processes, and channels to identify gaps and areas of improvement, which are then undertaken as projects in order to improve operational efficiency and drive improvements within the organisation. This is done to ensure that our customers are served with utmost care and their experience is as convenient and up to the standard

as the Bank has committed. One of the major innovations this year was establishing the Incidence Management Protocol and System, which allows us to manage incidents in a manner which reduces downtime for the business and increases availability of service for the customers.

- **Customer Engagement**
  Bank Alfalah is a customer centric bank, which cultivates customer convenience by seeking ways to take our services a step further and to adapt to the evolving environment, to stay relevant and competitive. We are targeting new customer segments, digitising product and service propositions, creating greater efficiency through automation and innovation, and utilising analytics to effectively meet customers' needs. At Bank Alfalah, we keep the customers at the centre of our business, and we enable them to conveniently engage and interact with us through different channels. We always look towards targeting newer corporate segments through our diverse product propositions, and catering to new requirements of our corporate clients. These pursuits are complemented by an ever-increasing reach, via multiple communication channels through which our customers can connect with us.

The communication channels used by Bank Alfalah are as follows:

- Branch Banking
- Consumer Finance Centres
- Face-to-face meetings (at client premises)
- Vertika (screens displaying key information and these are placed in high footfall areas)
- Alfalah Contact Centre
- Email
- Website
- Internet Banking
- Mobile Banking/Alfa
- ATMs
- Facebook
- Instagram
- Twitter
- Letter
- Live Web Chat
- Television
- Radio
- Print Ads
- WhatsApp Banking Channel
- Ask Alfa

- **Safeguarding Customers' Information**
  Bank Alfalah places high emphasis on security and safeguarding of customers' information and has made strategic investments in security control enhancements, including Advanced Threat Analytics and Protection, Cyber-attack incident response and forensics, along with enhanced automated technical vulnerability compliance management solutions and improved DDOS Protection. The Bank's Security Operating Centre operates proactively on a 24/7 basis. We have taken necessary proactive measures to counteract potential threats and have also deployed strong security controls at our critical touchpoints.

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

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

  The Bank has successfully implemented the Payment Card Industry Data Security Standard (PCI DSS); a set of Information Security standards that aims to secure credit and debit card data and transactions. It enhances cardholder data security and provides a baseline of technical and operational requirements designed to protect card data. The PCI Standard is mandated by card brands and administered by the Payment Card Industry Security Standards Council with the objective to enforce unbreakable controls over cardholder data, to minimise the risk of fraud.

  At the Bank, access to sensitive information is based on Two-Factor Authentication (2FA) token, sensitive data is encrypted and DLP (Data Loss Protection) policy is implemented.

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

  This year, an App was developed ('BEX') to automate the physical visits reporting mechanism of the branches for use by the senior and area management along with the quality assurance unit.

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

- **Customer Awareness**
  The Bank has been at the forefront in implementing various awareness programmes for customers. These programmes provide product specific awareness such as unique features of various account categories, including Key Fact Statements of products, profit rates, charges, and other features, assisting customers in the pursuit of banking services that best suit their needs. Awareness is also provided through all our delivery channels for schemes such as Deposit Protection scheme, to keep customers abreast of critical developments in depositor insurance and other important areas.

  To reach out to customers in untapped markets, the Bank has continued to expand its branch network into new and remote areas along with activating digital onboarding through RAPID. We keep our customers updated with our products and services through all communication media like SMS, emails, flyers, etc. Our branches and staff are consistently trained to ensure that all existing customer queries are answered and needs are satisfied.

  To promote and create awareness of new and existing products, the Bank focuses on advertising its remittance campaigns in Pakistan and abroad, which includes prizes distribution schemes and promoting our partnership with currency exchange companies through newspaper ads and social media campaigns throughout the year.

  The Bank is committed to enhance its digital footprint, and use unique and differentiated product and service propositions to increase its market outreach.

  WhatsApp Banking Channel BOT
  WhatsApp Banking Channel enables customer to get information related to Account Balance, Mini-Statement, Credit and Debit Card information, RAPID Account, Roshan Digital Account, Premier Banking, Loans, Offers and Discounts or Chat with Live Agent. WhatsApp service is used for general query management and customer support, which enabled customer services improvement via new channel.

  AlfaChat
  A P2P chat platform launched with a wide array of features from user to user chat, group chat, stories and picture uploading, voice notes, picture sharing as well as likes and viewing features. In addition, it provides money transfer and mobile balance top-up functionality in chat. A new feature has been introduced in AlfaChat with the name of 'AskAlfa' where customers can communicate their queries and grievances as well as share files and documents to update their account credentials 24/7. This feature also enables remote submission of document without visiting branch.

  SMS Banking
  Bank Alfalah offers its customers the freedom via SMS channel to get their account information and do financial transactions by sending SMS to 8287. Customers can now get their account balance, last 5 transactions, credit card information, process permanent blocking of debit card, temporary blocking of internet banking and Alfa, activation and deactivation of e-Commerce transactions, initiate cheque book requests, inquire about Orbits points, and pay off the bill of their registered mobile number and credit card through their Bank Alfalah account.

  In addition to above, they can also keep a track of their transactions 24/7. The customers will receive real-time SMS Alerts for transactions performed in their account along-with their available balance and Orbit points information. Customers can also choose to receive their Debit and Credit alerts in the language of their choice.

- **Financial Literacy**
  Bank Alfalah's Non-Financial Advisory Services (NFAS) and Agri Division have jointly developed and conducted various programmes and sessions across Pakistan to increase awareness of products and services available and impart valuable knowledge about business efficiency and management. NFAS has collaborated with multiple third party stakeholders and government institutions to tap into the undocumented segment of the society. Our market storming activities, helpdesks and awareness sessions have helped us broaden our horizons and allowed us to reach out to communities at the grassroots level. Despite the pandemic, we engaged a considerable number of SMEs by switching to virtual sessions and extending support during these unprecedented times. We have successfully organised over fifty-four (54) awareness and knowledge sharing sessions on SME products and services along with specialised workshops with industry/subject matter experts to improve understanding of industries and business dynamics, and improve business affairs of the SMEs. We have interacted with over 4,500 SMEs and business owners during these sessions. Additionally, we have created a footprint in the digital sphere through SME Toolkit, which has attracted the attention of our potential clients. Over 35,000 users have made use of the digital platform.

Additionally, numerous awareness sessions and events were organised by the Agri Division to increase market outreach and develop an ecosystem for rural businesses to flourish and develop. Our targeted financial literacy programmes and farmers' engagement sessions have reaped encouraging rewards. In 35 different events organised by the Agri Division across Pakistan, we have been able to interact with over 800 farmers and Agri related business owners.

- **Women Economic Empowerment**
  Bank Alfalah's strategy for the financial inclusion of women is to provide handholding though awareness sessions and helpdesks, and continually introduce products and services tailored to the segment. Over the years, along with awareness sessions for SMEs, we have conducted sessions for women-owned businesses in particular. We have developed ties with Women Chamber of Commerce and Ladies Fund, and reached out to the wider women led business community of Pakistan.

- **Poverty Alleviation**
  Bank Alfalah continues to contribute towards poverty alleviation by increasing financial inclusion of the underprivileged and vulnerable segments of the society with digitally advanced products like Digital Payroll, BISP and EOBI wallets. In line with this vision, the Bank was at the forefront, enabling Pakistan's largest welfare fund distribution under Ehsaas Emergency Cash Program 2020 to assist communities hit by COVID-19 lockdowns.

- **Innovative Product Design**
  The Bank has launched various new and exciting products this year in order to meet our customers' needs. To reach underserved segments, we have introduced products that are aligned with government initiatives and meet current regulatory requirements, including the following new Islamic and conventional products:

Regulatory Products

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

- **Asaan Digital Account**
  Asaan Digital Account is the digital version of our Asaan Account that can be opened from any location convenient to the customers through the Bank Alfalah RAPID Account Opening Portal. This has been introduced in line with the Digital Onboarding Framework of SBP and has minimal account opening requirements with limits prescribed by the regulator. The product has been introduced in conventional and Islamic variants to enable account opening where limited documentation is available. It is available in both current and savings categories.

- **Asaan Digital Remittance Account**
  Introduced by the SBP as a digital version of Asaan Remittance Account, this account category is similar to Asaan Account, but is targeted towards customers who receive remittances from abroad. This account is available in conventional and Islamic variants and can now be opened through Bank Alfalah RAPID Digital Onboarding Platform.

- **Freelancer Digital Account**
  The Freelancer Digital Account is a new offering introduced by the State Bank of Pakistan for individuals associated with self-employment/ freelance work, with limited documentation. This account is a new benchmark in the industry and can be opened through the Bank Alfalah RAPID Digital Account Opening Platform. This account is available in conventional and Islamic variants and is offered in both PKR and FCY denominations to enable payments from abroad. Freelancers can choose to open the account in both current and savings variants.

- **Alfalah Asaan Pehchaan Digital Savings Account**
  In line with other regulatory product offerings for the Bank Alfalah RAPID Digital Onboarding framework, and keeping in mind women empowerment, Bank Alfalah launched the Asaan Pehchaan Savings Account, which has features similar to the Asaan Account, but can only be opened by females. This product's Islamic variant, Falah Asaan Women Digital Account is also available. These accounts offer quick and easy account opening for all women through the Bank's RAPID portal and can be opened by females with minimal documentation and no deposit requirements.

- **Islamic Roshan Apna Ghar**
  Islamic Roshan Apna Ghar provides quick and convenient solutions to get housing finance in easy and affordable monthly instalments. This facility is available for all Roshan Digital Account (RDA) customers who are either willing to keep their RDA balance/INPC investment as lien against their net financing amount as collateral, or avail financing without cash collateral.

- **Roshan Apni Car**
  RDA customers can avail Car Ijarah facility digitally at attractive rates along with preferred delivery of vehicle. The facility is available for locally manufactured vehicles and a local nominee is mandatory for the process.

- **Roshan Samaaji Khidmat**
  Roshan Samaaji Khidmat is a social initiative of the State Bank of Pakistan (SBP) for Overseas Pakistanis who can now pay Zakat and donation digitally through their RDA.

Other Products

We have improved and introduced innovations in our product suite during the year.

- **Alfalah RAPID**
  Alfalah RAPID is a leap forward into the digital world and provides equal opportunity to both 'new-to-bank' and existing customers through a reimagined end-to-end journey in a convenient way. It is an innovative and revolutionary banking solution geared to fulfil all onboarding and self-service needs of our customers. It is targeted to be the gateway to the Bank and a one-stop shop for all banking needs of our current as well as potential customers, who can now open an account in the branch of their choice by simply using the RAPID portal.

  Besides, customers can also apply for debit and credit cards, avail personal loans, and much more from the comfort of their homes/offices through a completely digitised and convenient online process.

- **Instant Loan**
  Instant Loan is a digitised loan process covering application initiation, credit assessment and repayment facilities through the Bank's mobile application (Alfa) with no processing fee and zero paper work.

- **Merchant Financing**
  Bank Alfalah launched Digital Merchant Financing to disburse digital loans of up to PKR 1 million. This is a value added credit facility offered to merchants against their cash flow through Alfa Business Merchant App. This facility aims to incentivise local merchants to accept digital currency and increase merchant penetration.

- **Agent Financing**
  Bank Alfalah enabled its Alfa Shop Agents (enrolled with Bank Alfalah Agent Network) with the option to avail credit facility of up to PKR 100,000 based on their average throughput volumes. This helps agents meet short-term working capital requirements to carry out Branchless Banking transactions.

- **Alfa Islamic Term Deposit**
  This product is an end-to-end Digital Term Deposit to cater to the requirements of Islamic banking customers who want to secure their savings in a Shariah compliant manner and earn riba-free profit.

  Customers have the option to book Term Deposits starting as low as PKR 500 with no maximum limit on booking amount. It offers multiple convenient features from booking to early encashment, change of maturity instructions and downloading WHT certificate digitally.

  For the first time, customers having a conventional bank account can also book Islamic Term Deposit.

- **Alfa Savings Islamic Account**
  Bank Alfalah launched Alfa Savings Islamic Account, a completely digital savings account offering Shariah compliant returns along with the simplicity of account opening via Alfa with no minimum balance requirement.

  The account caters to the untapped market where the traditional conventional distribution model struggles to reach under-banked customers, especially housewives and religiously inclined individuals.

- **Islamic Power Pack**
  Bank Alfalah Islamic Power Pack is a one of its kind product. It is offered for the first time in Pakistan that empowers our customers to enjoy unparalleled discounts and an exquisite lifestyle on maintaining a minimum balance of PKR 250,000 in their Bank Alfalah Islamic account. Power Pack customers can also avail amazing discounts and privileges through Islamic Power Pack Signature Debit Card and Alfa Islamic.

Responsible Financing

- **Non-Financial Advisory Service**
  Our Non-Financial Advisory Services focus on providing SMEs with relevant trainings, advisory services, management education, and tools and techniques to structure their business. This has played a significant role in financial inclusion and supported business growth for SMEs in the country. We understand that small businesses have different pain points like access to resources, markets, finance, and trainings to name a few, and it is important to meet these needs end-to-end. Enabling SMEs to be more bankable helps build financially educated customers and garner long-term customer loyalty.

  Bank Alfalah is the first and only commercial bank in Pakistan to venture into a structured Non-Financial Advisory Services (NFAS) initiative for SMEs. Since its inception, NFAS has embarked upon an extensive countrywide awareness campaign to create visibility. Advisory services help reduce management risk and allow the Bank to understand business dynamics better. These services are focused towards various empowering and knowledge sharing initiatives to make our customers more efficient. We consider NFAS an important component of our core business line that can help develop and grow the SME portfolio, deepen our relationship with our existing SME customers, mitigate risks, and differentiate us in a growing competitive market.

- **Green Financial Products and Services**

  We are proud to be front runner in financing the renewable energy sector amid ongoing energy crisis faced by the business community. By doing so, we hope to remain socially responsible as a corporate entity and keep this world green. The product offerings in this portfolio are in line with SBP's Refinance Scheme for Renewable Energy. The SME Division takes pride in having introduced an environment-friendly product; 'Alfalah Green Energy.' As the world moves towards clean and inexpensive electricity, we are poised to establish our presence in this area, acknowledging that green financing products have the capacity to contribute positively. The SBP has declared Renewable Energy as the sector of the year, and recognised our efforts on all platforms as the pioneer in adopting this scheme and leading the sector.

- **Karandaaz Pakistan**

  Bank Alfalah has collaborated with Karandaaz, an organisation funded by UK's Department for International Development (DFID) and the Bill & Melinda Gates Foundation, to further support SMEs by increasing access to finance through well-defined product programmes. Karandaaz provides capital to Micro, Small and Medium Sized Enterprises (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 objective is to develop and demonstrate sustainable investment models and product programmes, which can be replicated and scaled up by private commercial financiers, enabling the mobilisation of private and developmental 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 and other businesses. Over the years, Bank Alfalah has gained the trust of Karandaaz, starting off by funding a few hundred millions. Now Karandaaz has provided more than PKR 2.3 billion, including direct funding through Bank Alfalah to various commercial entities.

  The Bank is also determined to transform the landscape of banking in Pakistan through testing and incorporation of successful global digital trends in banking. Given this commitment, Bank Alfalah won Karandaaz's Innovation Challenge Fund Award in 2019, and has developed an initial cut of an innovative, cash flow based, credit scoring model for SMEs 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 shift the industry away from traditional and non-scalable ways of banking.

- **Pakistan Mortgage Refinance Company Limited**

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

- **Responsible Lending**

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

Employees Empowerment

Human Resources and Learning Group (HRLG) focuses on establishing a link between people, strategy and performance in order to execute the Bank's overall strategy, and make Bank Alfalah an employer of choice.

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

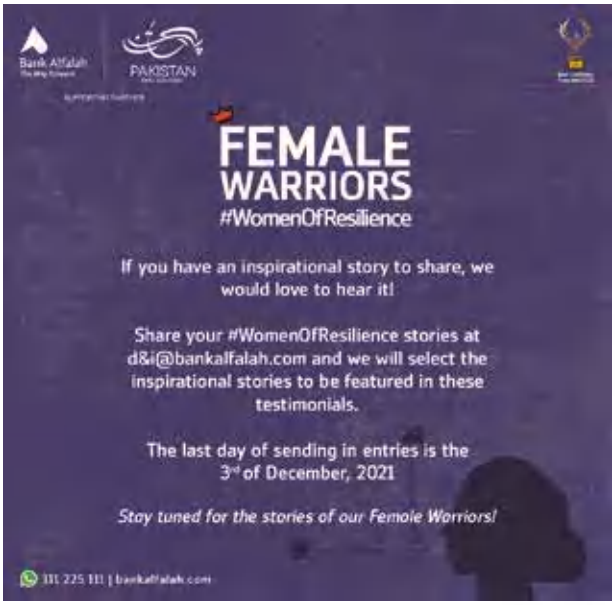
- **Education and Well-being of Staff**
  Inculcating a culture of 'Learning Something New' is a focal point at Bank Alfalah. We consistently work towards improving the learning of our employees to drive engagement, productivity, and improve their performance. We continue to develop and enrich our human capital - from upskilling new joiners to offering employees competency-based learning programmes and courses on employee well-being.

  Our learning framework ensures that our people are equipped with the right capability to deliver results. Furthermore, continuous technological investments over the years have helped us ensure a smooth and effective transition towards online platforms during the COVID-19 pandemic, which allows our employees to continue trainings remotely.

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

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

- **Gender Diversity**
  Bank Alfalah is a gender-inclusive corporate brand. The Bank ensures to give prime importance to gender diversity in order to get benefit from an inclusive workplace. Across the board training and different point of views increase creativity and innovation within the teams and implement fair compensation practices. It's pertinent to note that females comprise 17.06% of our workforce. In 2021, the Bank won 3 Best Practice Awards at the GDIB (Global Diversity and Inclusion Benchmarks) Awards: D&I Structure and Implementation; Benefits, Work-life Integration and Flexibility; and D&I Communications.



- **Competitive Reward**
  Market competitive salaries, rewards, and convenient staff financing are our key milestones.

- **Employees' Welfare (health and life insurance, retirement benefits, etc.)**
  We have comprehensive health and life insurance benefit policies in place for employees. Our post-retirement funds also reward employees for their services and association with the organisation. In addition, the Bank offers pay continuation benefits to employees suffering from medical issues.

- **Diversity for All – life experience, age, group, abilities and thoughts**
  We strongly believe in the business and social impact of a diverse workforce and an inclusive work culture. We want to build a workforce that is representative of different genders, ages, ethnicities, backgrounds, experiences, working styles, thinking styles and abilities. Being a responsible corporate citizen, we value our differently-abled employees and facilitate them in achieving their life goals. We also value our differently-abled customers and help them fulfill their banking needs.

- **HR Quick Connect (Employees Help Desk)**
  HR Quick Connect is a centralised platform where employees can access updated HR policies and documents with a single click, ensuring hassle-free availability of important documents.

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

Environment – Protecting the Natural Capital

Environment plays an important role in the well-being of people. Protection of the environment is thus integral to sustain life and for our physical and mental health.

Our professional and experienced HSE (Health, Safety and Environment) and Business Resilience teams continually strive to create a culture which ensures that our services are made available to customers in a safe manner, despite any disruptive events or crises.

Our frameworks and emergency protocols, proactive planning, trainings, exercise programmes, advisories and alerts, premises inspections and hazard mitigation plans distinguish us as a standard setter in the industry.

- **Renewable Energy**
  As a step towards creating a sustainable environment, the Bank has taken various initiatives that help reduce cost as well as our carbon footprint. The Bank has installed solar panels that power 150 ATMs across the country. Long-backup UPS systems are used in place of generators to further reduce our carbon footprint.

- **Paperless Operations**
  The business impact of going paperless manifests itself in an enhanced customer experience, increased productivity, improved operational efficiency, and reduced carbon footprint. Cash/Cheque Deposit Machines (CDMs), branch report digitisation, and various other initiatives are being implemented to eliminate and/or minimise the use of paper through digital transformation. Simultaneously, we are encouraging environmentally conscious employee behaviour, customer facilitation and processes improvement.

- **Building Design and Infrastructure**
  All new branches and buildings of Bank Alfalah are designed in line with the Branch Design Manual launched in 2019 to ensure standardisation and control. The manual addresses the following areas:

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

- **Environment Protection Measures**
  We aim to make the Bank's an environment-friendly organisation. Thus regular awareness campaigns and broadcasts to staff through various communication channels are a key feature of our strategy to encourage employees to efficiently use energy and protect the environment.

- **Energy Conservation**
  The Bank has replaced nearly all conventional light fixtures and ACs with LED lights and invertor ACs through a disciplined life cycle replacement plan and smart investment in order to reduce maintenance cost and enhance efficiency levels.

- **Water Conservation and Sanitation**
  We have installed sensor based water taps at dense locations to effectively conserve water. Since plastic bottles are one of the biggest sources of plastic pollution in our oceans and harms aquatic creatures, water dispensers are being installed in bank cafeterias and lobbies, encouraging staff to use reusable glasses and refill their own bottles for drinking.

- **Waste Management and Responsible Consumption**
  We use shredder machines to destroy sensitive/unwanted paper. Upon large collection of papers same papers are reutilised in industry through pulping recycling process. Offices are cleaned daily and waste is managed through proper dumping mechanisms, i.e. government's waste management vehicles. The Bank collected dry paper waste of 26 tons for responsible recycling during the year.

- **Services with Greener Impact**
  We continue to work to help our customers reduce their environmental footprint through our services, with the focus on enhancing operational efficiency and reducing material and energy consumption. Our green services include e-statements/mini-statements, SMS alerts and WhatsApp Banking Channel.

Corporate Social Responsibility/ Community Cooperation

Bank Alfalah CSR Programme

Bank Alfalah is committed to Corporate Social Responsibility (CSR). Our CSR initiatives have enhanced the Bank's reputation by contributing positively to the society. Throughout the year 2021, Bank Alfalah remained committed and contributed to economic, social and environmental development. Above all, Bank Alfalah was at the forefront of efforts to support the vulnerable and underserved segments of society and help them recover from the losses of COVID-19. Bank Alfalah is responsible for funding institutions, projects and facilities that share the same belief of philanthropy, aligned with our motto of 'giving back to our communities', and adhere to our CSR policies. These community services create a ripple effect and alleviate hardships for the less privileged in our society. Priority CSR areas for the Bank include education, health, social welfare, environmental sustainability, leadership development, and promotion of sports, arts and culture.

Social Welfare

We are always keen to support causes that work towards the social welfare of our country. This includes extending support to underprivileged segments of the society so they may have access to the basic necessities of life, i.e. food, education and health, leading towards a better standard of living.

- **Ration Distribution**
  We coordinated with NGOs like Alamgir Welfare Trust to provide ration to working staff whose household income was adversely affected by the lockdown.

- **Donation Payment to Network of Organizations Working with Persons with Disabilities, Pakistan**
  In line with our aim of supporting differently-abled people, Bank Alfalah made a donation to Network of Organizations Working with Persons with Disabilities, Pakistan (NOWPDP) to support their disability inclusion initiative.

- **Donation to Kaghan Development Authority**
  Bank Alfalah gave a donation to Kaghan Development Authority to boost local tourism, facilitate development projects, and contribute towards tree plantation.

Education

Pakistan suffers from an extensive education crisis that needs attention. Through our philanthropic investments, we aim to uplift our people's lives and empower them on their journey to gain education and technical knowledge. In 2021, we provided funds to The Citizen's Foundation, Family Education Services Foundation (FESF), Aziz Jehan Begum Trust, Ida Rieu, Durbeen and The Hunar Foundation to support them in their efforts to impart education and training to the needy.

- **Donation to Ida Rieu:** Bank Alfalah partnered with Delta Power to install solar panels at the facilities of Ida Rieu to enhance their infrastructure and operations.

- **Donation to Durbeen:** Bank Alfalah gave a donation to Durbeen, a leading training institute for government teachers that trains them to deliver quality education and thus reduce gap between public and private education.
- **Donation to The Hunar Foundation:** Bank Alfalah provided financial assistance to The Hunar Foundation to support the organisation in their aim to empower the marginalised youth of Pakistan and open doors of opportunities for them.

Health

Health remained a priority area for Bank Alfalah in the year 2021 amidst the pandemic and the ensuing global health crisis. We supported organisations such as Patients' Aid Foundation, Cancer Care Hospital, Holy Family Hospital, Kidney Foundation and Trust for Malnutrition in their continued endeavours to combat the crisis. The funds donated were utilised to provide better healthcare to underprivileged communities and towards fighting COVID-19.

- Bank Alfalah donated to the Patients' Aid Foundation to help procure testing kits and equipment, PPEs and ventilators.
- The Bank supported Cancer Care Hospital and Holy Family Hospital in continuing their services for underprivileged patients.
- Donations were given to The Kidney Foundation to establish a new state-of-the-art operation theatre at their facility.
- Bank Alfalah supported the Trust for Malnutrition by funding their nutrition programmes for new mothers and children.

Environment

Bank Alfalah is making an effort to address priority environmental concerns of Pakistan and tackle them within the framework of our national environmental policies. Our initiatives in this regard include plantation drives in the Northern Areas, and distribution of biodegradable bags to reduce the usage of plastic.

Under the Bank's Go Green initiative 'Each One Plant One Drive', employees have planted 5,240 plants in 2021. Employees displayed tremendous dedication and enthusiasm towards the initiative and the Bank hopes to continue the drive in upcoming years.

Youth Programmes

Youth programmes lead to numerous positive outcomes for young people. The Bank is keen to support opportunities and causes that promote healthy outcomes for the country's youth, particularly supporting special clubs and service programmes, scholarship programmes, community service organisations, academic enrichment programmes, etc.

Sports

We believe that sports play an important role in fostering development and communication in any society, and help shape the image of a country across local and international forums. Sports have always been an essential part of our CSR agenda, and we are proud to be associated with promising sportsmen who make the country proud. During the recent T20 World Cup, Bank Alfalah partnered with the Pakistan Cricket Board to boost Pakistan cricket team's performance by sponsoring the batting and bowling coaches. Besides the CSR initiatives for sports, the Bank also gives same importance to its employees' sports activities.

Women Economic Empowerment

Women's economic empowerment is a prerequisite for inclusive and equitable economic growth. Our CSR philosophy acknowledges women's economic empowerment. To put this into practice, Bank Alfalah has taken several initiatives, including a partnership with Small and Medium Enterprises Development Authority's (SMEDA) Women Development Wing in order to create entrepreneurial awareness amongst women.

Volunteering in the Community

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

Raah-e-Falah – our CSR initiative: We have collaborated with The Citizen's Foundation to offer the following programmes for which our employees can volunteer:

i. Career Counselling - a one-day session with students of graduating batches to help them choose their career path.
ii. Rahbar Programme - a full day mentoring for students of grades eight and nine. The programme is run every Saturday for six weeks.
iii. Baghban Programme - a fundraising programme where volunteers brainstorm ideas to raise funds to support the education of TCF students.

Staff Welfare

- **Bank Alfalah Employee Welfare Programme**
  We at Bank Alfalah care for our employees and their families' safety and well-being. In view of the recent testing and challenging times, the Bank came forward with different welfare schemes for employees, specifically those in the lower grades/ income class. These welfare schemes, in addition to providing security to employees, help the Bank in improving employee engagement, morale and motivation. This ultimately leads to higher productivity and greater loyalty.

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

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

Employees contribute to the fund on a monthly basis and the monthly contributions are matched by the Bank. During 2021, 171 employees were facilitated through BAF Employee Welfare Programme.

- **Supporting the Health and Safety of our Teammates during COVID-19**
  The COVID-19 pandemic has a socio-economic impact across the globe. Since the beginning of the pandemic, we have supported our employees through various initiatives such as COVID-19 detection test coverage, COVID-19 hospitalisation coverage, Employee Welfare Programme, Free 24/7 online medical consultancy services (WebDoc), COVID-19 Relief Fund, COVID-19 leaves for employees, and quarantine leaves.

  During the year, the Bank conducted an on-site and on-the-go COVID-19 Vaccination Drives across Pakistan for employees and their families, which started in June 2021. Because of these endeavours, 100% of our staff is now vaccinated.

- **Saaya Health (Employee Welfare)**
  In line with our commitment to improve mental and emotional well-being of employees, and to facilitate them in becoming better at managing stress, we have launched counselling services in partnership with Saaya Health. This initiative enables our employees to avail counselling services free of cost and virtually so that they may discuss factors affecting them negatively in their personal or professional lives.

- **Learning Resources for Culture**
  As part of our strategy for 2021-2025 that focuses on developing the Bank's culture, this year, we have rolled out numerous e-learning programmes. Employees can access these e-learnings to align themselves with the Bank's Culture and Values. The Bank took various initiatives increase awareness about the four pillars of the BAFL Culture: One Bank, One Team; Focus on Customers; Empowering Employees; and Creativity and Innovation. Please refer to the 'Outlook' section of this Annual Report for further insight on our culture.

- **Employee Well-being Survey**
  We recognise that our employees require the Bank's support for better connectivity and strong association with the Bank. Keeping the spirit of community in mind, and to maintain high morale, HR conducts various surveys.

  We ensured that we made our best effort to protect our employees' health and well-being, while continuing to deliver excellent products and services to our customers. Employee feedback was incorporated in policies and measures.

Economy

- **Intermediation – Key Trade and Banking Figures**
  The Bank intermediated the economy by channeling business for various traders and firms, facilitating import and export business, and positively contributing to the economy. The Bank channeled Rs. 893 Bn in imports and Rs. 368 Bn in export payments.

- **Contribution to the Government**
  The Bank contributed Rs. 8.4 Bn to the Government's tax revenue in the form of income taxes along with collecting and depositing indirect taxes. The Bank remains focused on being a responsible taxpayer.

- **Remittances from Workers Abroad**
  The Bank has been a noticeable contributor in the flow of remittances to Pakistan through its global network of partner banks, money transfer operators and exchange companies that rely upon our technological rails to offer overseas Pakistanis smarter and faster ways of sending home remittance to Pakistan. The Bank has invested in various initiatives for financial inclusion, notably the launch of Asaan and Digital Remittance Accounts, and marketing activities to promote cash over-the-counter payments through our network of over 750 branches in more than 200 cities across the country. During the year, the Bank contributed to the economy by facilitating over 7 million customer payments in Pakistan valued in excess of USD 4.4 billion, bringing the Bank's remittance market share to 14.3% for 2021.

- **Jobs**
  The Bank has consistently created employment opportunities across Pakistan through its extensive recruitment programmes. In 2021, we have onboarded 3,592 resources to drive our vast business operations. Moreover, through diverse batch hiring programmes, the Bank taps into the country's fresh talent pool in order to create worthwhile opportunities for young applicants.

Green Banking Initiatives

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

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

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

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

With its Green Banking Guidelines, the Central Bank introduced green banking in Pakistan and initiated the process of its incorporation in banks' systems. Bank Alfalah has an approved Green Banking Policy for implementation of the SBP Guidelines.

Green Banking is divided into the following three areas:

a) **Environmental Risk Management,** which requires banks to integrate green banking in their credit approval processes and adopt environmental risk management practices, as well as ensure compliance with environmental laws by the borrowers in banks' credit portfolio.

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

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

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

b) **Green Business Facilitation,** which entails providing finance to businesses (existing and/or fresh customers) willing to invest in operations and technologies bringing improvement in environmental risk management, and resource efficiency.

   We encourage our clients to improve their operations and technologies by initiating eco-friendly schemes. We introduced a green financing product 'Alfalah Green Energy', which is a term finance facility for customers willing to install solar energy equipment for generation of electricity ranging from 4 KW to 1,000 KW with net metering. It allows repayment tenure of up to 5 years with 3 months' grace period.

Bank Alfalah has provided financing for the following mega green projects:

S. No.	Name of Project	Source/ Type	Capacity (in MW)
1	Fatima Energy Limited (to finance cogen power plant - Bagasse and Coal)	Bagasse	118
2	Chiniot Power Limited (construction of co-generation power project)	Bagasse	62
3	Hunza Steel (Pvt.) Ltd.	Bagasse	20
4	Gul Ahmed Wind Power Limited (to finance wind power plant)	Wind	49
5	Metro Power Company (Pvt.) Limited (to finance wind power plant)	Wind	49
6	Master Green Energy Limited	Wind	50
7	Din Energy Limited	Wind	50
8	Gharo Solar Pvt. Limited	Solar	50

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

Achievements in this regard include 150 ATMs converted on solar energy, declining paper consumption, replacement of diesel-fuelled generators with UPSs for backup power supply, replacement of regular saver lights with low consumption LEDs, and the replacement of conventional ACs with inverter ACs. The Bank is also continually bringing about resource efficiency and reducing cost by optimal utilisation of all resources.

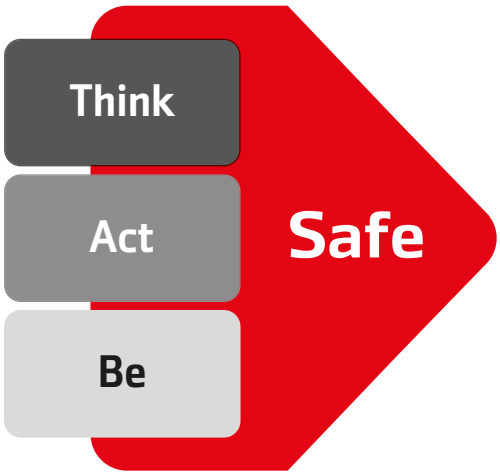
The cumulative impact of all steps taken so far shows that the Bank has successfully started to achieve the objective of Green Banking as laid down in the SBP Guidelines.

Health, Safety and Environment

Occupational Health Awareness and Measures

We have a dedicated function to manage the Health, Safety & Environment (HSE) domain and build a culture of safety leading towards healthy and creative delivery of service, inside and outside the workplace. Our HSE team is running an active annual training programme, simulation exercises, incident tracking, and branch inspections to spread awareness and develop focused mitigation measures based on the preemptive knowledge rule. Awareness programmes include Premises Emergency Protocols, Dust and Rainstorm Precautions, Ramazan Advisory, Heat Wave Advisory, Housekeeping at Work, No Smoking, Inclement Weather Precautions, Eco-friendly Environment, Dengue Fever, Cyclone Kyarr, SMOG, etc.

The Bank continues to conduct dedicated drives for COVID-19 awareness and for ensuring that all health protocols to keep the employees and customers safe during the pandemic are followed.



Automatic Fire Extinguishers

To protect the Bank's assets and staff, adequate control measures have been taken to reduce elements of fire hazard, which include installation of automatic fire extinguishers at critical locations.

Emergency Preparedness and Responses

The Bank's HSE team prepares staff through training and communication for possible adverse situations in a way that precautions become part of office culture. Lifestyle, the emergency preparedness programme, includes delivering health and safety awareness, emergency evacuation and fire extinguishing trainings to the staff.

COVID Management

Bank Alfalah has a robust mechanism in place to implement the guidelines issued by WHO, CDC and MOH Pakistan, in order to ensure the safety and health of the Bank's employees. The Bank developed pandemic planning framework, comprising of roles and responsibilities of stakeholders and risk assessment of various pandemic scenarios with suggested control measures. A Crisis Management Committee was formed by the Bank at the onset of the pandemic to monitor the situation within the Bank, and on local and international fronts.

COVID-19 Protections Measures

Quantitative Measures

- COVID-19 testing, online medical consultation, disinfection arranged by the Bank Rs. **14.8** Mn
- Hospitalisation for COVID-19 Rs. **46.2** Mn
- Masks, sanitizers, disinfection, thermal guns, gloves, face shields Rs. **30.6** Mn
- Vaccinations Rs. **4.8** Mn

Qualitative Measures

- Operation with critical staff during surging COVID cases
- Strict SOP compliance at workplace and branches
- Work from home facility, flexible working hours, and quarantine leaves
- Compliance with safety standards and regulations by SBP/GoP

Infection Controls

- Staff well-being such as availability of HR & HSE helplines, OPD coverage for staff, arrangement of tests for suspected cases from reputed labs, and enhancement of medical insurance limit.
- Infected staff reporting to CMT and SBP. Further, regular contact is made with infected staff/family members.
- Disinfection activities at all premises where staff is diagnosed with COVID. Introduction of cash disinfection cabinets to disinfect cash before circulation. 19 cash disinfection machines deployed at CPC cells to save 14 days cash quarantine time.
- Implementation of safety control measures like temperature scanning facilities at entry points, availability of appropriate Personal Protective Equipment (PPE) and sanitisation apparatus, premises disinfections and social distancing. Availability of facemasks, sanitizers, gloves, face shields and sanitizer dispensers at all ATM vestibules of branches and key buildings.

Social Distancing Strategies

- Introduction of various BCP strategies to ensure social distancing through split operations, work from home, utilisation of mandatory leaves, work from BCP sites, and utilisation of bank pocket spaces like guesthouses.
- Placement of social distancing stickers, banners, and guidelines and instructions in branches and offices. Live CCTV monitoring to ensure adherence to COVID-19 SOPs and controls in branches and other premises. Internal communications and broadcasts to reiterate, guide and to raise awareness.

- All official and personal travels are discouraged.
- Virtual meetings through Cisco Webex and other technology tools encouraged. Further, gathering at staff cafeteria discouraged.
- Regular cleaning of prayer areas.
- Development of protocols to operate in case of positive testing, including self-isolation, return to office and travelling SOPs. Branch level planning, including pool/reserve staff for smooth operations in case of lockdown.

WebDoc

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

Employees and their family members could connect with WebDoc doctors who may assist them in non-emergency situations and provide guidance regarding precautionary measures for COVID-19.

Vaccination Campaigns

Bank Alfalah was among the first few banks to introduce vaccination drives not only to safeguard our employees, but also their families. Bank-wide COVID vaccination drives were held in more than 14 major cities, in collaboration with respective District Health Officers. Vaccination of all staff, including permanent, contractual, outsourced staff, and their family members was completed through Bank Alfalah onsite vaccination, mobile vaccination and vaccination through government CVCs. 100% of our staff is now fully vaccinated.

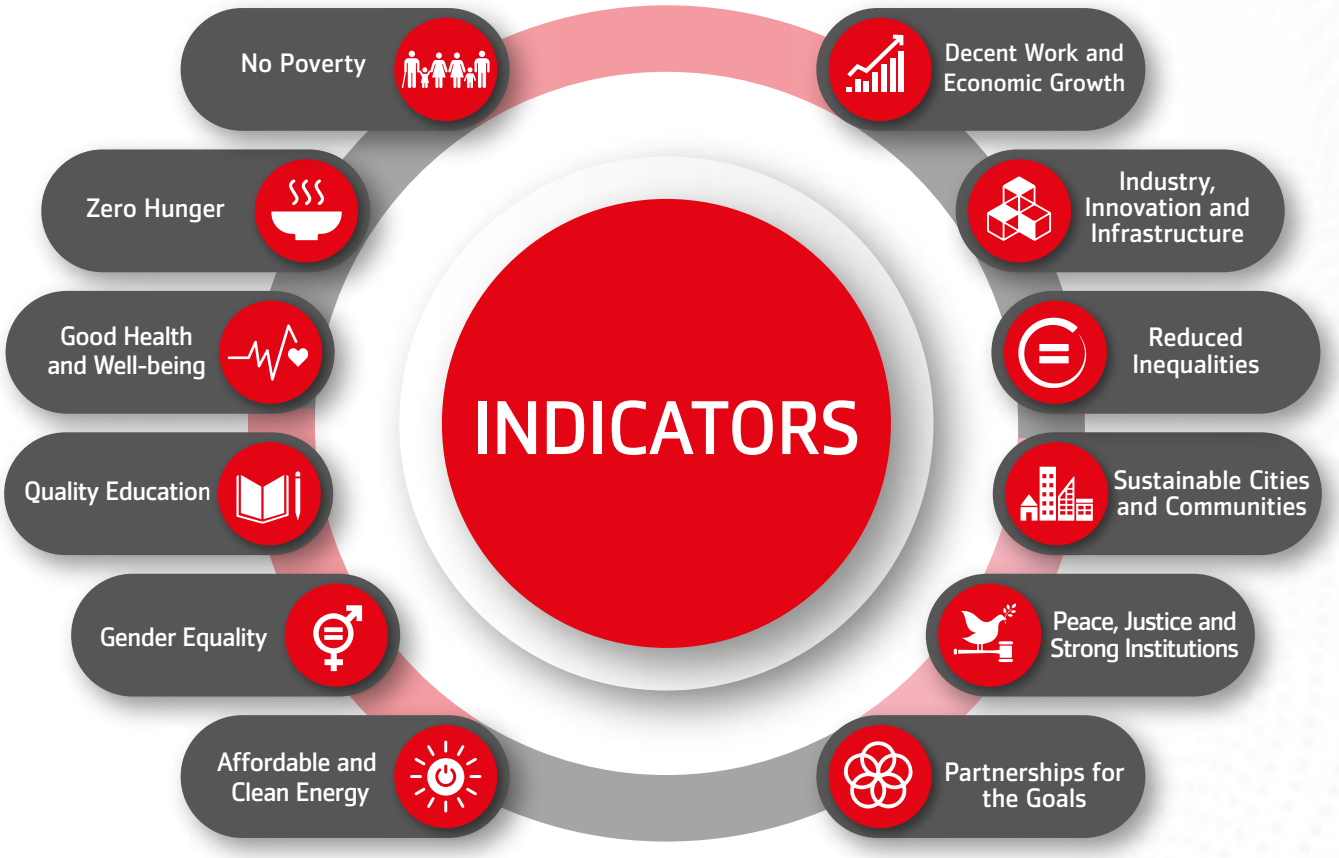
The Bank has necessary infrastructure, policies and procedures in place to support covid vaccination drive.

Sustainable Development Goals and the Bank's Contribution

Sustainable Development Goals (SDGs) are a universal movement to end poverty, protect the climate, and ensure that all people enjoy peace and prosperity. The United Nations member states adopted the 2030 Agenda for Sustainable Development to provide a better and sustainable future for all. There are 17 SDGs, the scope of which is to address climate change, economic inequality, health provisioning, quality education, gender equality, clean water and sanitation, decent work and economic growth, sustainable cities and communities, and other matters related to building and sustaining a prosperous, peaceful and environment-friendly world. The SDGs provide clear guidelines and targets for all countries to adopt in accordance with their own challenges and requirements.

The Bank follows these goals and strives to establish itself as a contributor to environmental safety. By contributing to these goals, the Bank aims to achieve the following:

1. Align itself with the priorities of the Government of Pakistan, which in turn is required to achieve the goals set by the UN
2. Mitigate business risks by addressing empirical risks
3. Attract new customers by building brand image
4. Increase the loyalty of its customers due to better brand reputation
5. Establish new business opportunities and markets
6. Bolster the company's financial performance
7. Access new capital


INDICATORS
No Poverty
Zero Hunger
Good Health and Well-being
Quality Education
Gender Equality
Affordable and Clean Energy
Decent Work and Economic Growth
Industry, Innovation and Infrastructure
Reduced Inequalities
Sustainable Cities and Communities
Peace, Justice and Strong Institutions
Partnerships for the Goals

Sustainability Goals, GRI Standards and Bank Alfalah's Contributions

Goal	Sub-Goal/ GRI Standards	Intended Impact	Bank Alfalah's Contribution
No Poverty	• Equal rights to ownership, basic services, technology and economic resources (1.4) [GRI Standard 203-2]	• End extreme poverty in all forms	• Bank Alfalah signed an MOU with Akhuwat Foundation to financially support their Fabrication Laboratory Initiative for the NJV school. • Bank Alfalah established a COVID Relief fund for daily wage earners as part of social responsibility; Rs. 24.4 million was distributed to 9 different welfare organisations in order to help daily wage earners and people affected by COVID.
	• Mobilise resources to implement policies to end poverty (1.A) [GRI Standard 203-2]		• Bank Alfalah uplifted poverty-ridden communities by stepping forward and supporting government initiatives like the Government's Ehsaas emergency cash-disbursement, Ehsaas Kafaalat and the SBP low-cost housing programmes. • Bank Alfalah supports the social initiative Roshan Samaaji Khidmat of State Bank of Pakistan (SBP) for Overseas Pakistanis who can now make Zakat and donation payments digitally through their Roshan Digital Account (RDA). • Bank Alfalah has made alliance with Indus Hospital and Sundus Foundation after completing their digital onboarding. Now, Bank Alfalah customers can contribute in helping the poverty-stricken by sending donations via internet banking.
	• Build resilience to environmental, economic and social disasters (1.5B) [GRI Standard 203-2]		• Bank Alfalah provided financing in 2020 under the SBP Refinance Schemes for Salary and Wages to avoid job losses.
Zero Hunger	• Universal access to safe and nutritious food (2.1) [GRI Standard 203-2]	• Achieve food security through sustainable agriculture • Meet nutritional needs of all people	• Bank Alfalah, in 2020, used COVID-19 relief funds (approximately PKR 13 million) to distribute ration bags to Karachi Relief Trust (KRT), Alamgir Welfare Trust, Dar Ul Sukoon and Parents Voice Association (Ujala). • Bank Alfalah used welfare funds (approximately PKR 5 million) to distribute ration bags to Alamgir Welfare Trust. • Bank Alfalah's Agri department is active in disbursing agricultural loans to farmers and allied industries.
Good Health and Well-being	• Achieve Universal Health Coverage (3.8) [GRI Standard 403-6a] [203-2]	• Ensure health coverage across the board for employees and their dependents • Easy access to medicines and vaccines	• Bank Alfalah provides medical coverage to all employees and their dependents, which not only includes hospitalisation but follow up treatments as well. • Bank Alfalah, under the BAF Employee Welfare Programme, facilitates employees with additional medical grants during emergencies or for treatment of employees and their families (insured dependents), where health insurance limit is exhausted as per Bank's hospitalisation policy. • Bank Alfalah's Employee Welfare Fund was created to support employees and providing them grants for health, education and marriage.

Goal	Sub-Goal/ GRI Standards	Intended Impact	Bank Alfalah's Contribution
	• Tobacco Control (3.A) [GRI Standard 203-2]		• All of Bank Alfalah's offices/branches are no smoking zones. • Bank Alfalah complies with IFC guidelines whereby the Bank does not support any activity pertaining to trade in tobacco. The Bank does not entertain any new customers of tobacco sector.
	• Support research, development and universal access to affordable vaccines and medicines (3.B) [GRI Standard 203-2]		• Bank Alfalah conducted a pan-Pakistan COVID-19 vaccination drive at its offices premises across the country for employees, their family members and third party staff.
	• Increase health financing and support health workforce in developing countries (3.C) [GRI Standard 203-2]		• Bank Alfalah donates to health organisations such as Patients' Aid Foundation, Pakistan National Polio Plus Trust, Karachi Relief Trust (KRT), The Indus Hospital, Dar Ul Sukoon, and Milestone Society for the Special Persons. • Bank Alfalah's COVID-19 relief fund was used to distribute ventilators to the Karachi Relief Trust. • Bank Alfalah supported the National Institute of Child Health (NICH) in providing Electrolyte Analysers. • Bank Alfalah supported Indus Hospital in setting a COVID-19 mobile treatment station. • Bank Alfalah provided financing to hospitals through the SBP refinancing schemes for capacity enhancement.
Quality Education	• Free primary and secondary education (4.1) [GRI Standard 203-2]	• Provide primary education to all children • Universal access to higher education and vocational training	• Bank Alfalah donated PKR 12 million to The Citizens Foundation to help provide free education and to build a school campus.
	• Equal access to affordable technical, vocational and higher education (4.3) [GRI Standard 404-1]		• Bank Alfalah signed MoUs with educational institutions such as: o LUMS; to provide funding to student-based startups o IBA; to provide funding for scholarships to deserving candidates o TCF; to provide funding to build schools
	• Eliminate all discrimination in education (4.5) [GRI Standard 404-1]		• Bank Alfalah provided funds to entities such as Family Education Services Foundation (FESF), and The Association of Children with Emotional and Learning Problems (ACELP) to empower children with education. • Bank Alfalah's Raah-e-Falah initiative allows the Bank's staff to voluntarily support organisations like TCF in career counselling sessions, and Rahbar and Baghban programmes.
	• Higher education scholarships (4.B) [GRI Standard 203-2]		• Bank Alfalah offers educational benefits in the form of cash rewards, career progression benefits, fee reimbursements and financial assistance to augment continued development of its people. During 2021, Bank Alfalah extended educational benefits of PKR 7.5 million to 174 staff members. • Bank Alfalah gave PKR 4.25 million under the Alfalah Islamic Scholarship programme to the IBA.

Goal	Sub-Goal/ GRI Standards	Intended Impact	Bank Alfalah's Contribution
Gender Equality	• End discrimination against women and girls (5.1) [GRI Standard 202-1, 401-1&3, 405-1]	• Overcome inequalities faced by women and girls in education, work and pay • End discrimination against women and girls everywhere • Achieve a work environment where all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and can contribute fully to the organisation's success • To provide a safe work environment for its women employees that is free from all forms of abuse, harassment and discrimination • To ensure opportunities with the focus on financial inclusion by evaluating competitive practices both locally as well as in the international markets, and understanding the challenges faced by women customers in general to make simplified procedures with shorter turnaround times, while staying compliant with the regulatory practices	• Bank Alfalah Islamic, in compliance with the SBP, is developing a Shariah compliant 'Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs' to provide financing facilities to women entrepreneurs in order to meet financing needs of their businesses. • Bank Alfalah Islamic focuses on improving female participation in the banking sector through accessibility, usage, quality and promotions of the financial services offered to them. Bank Alfalah will be finalising all its propositions under the ambit of 'Falah Women' as its separate brand identity. • Bank Alfalah Islamic partnered with the IBA to provide scholarships to 5 students of which 4 were female. • Bank Alfalah focuses on inclusion of more women in its workforce, evidenced by the rise in our female representation ratio from 12% in 2018 to 17.06% in 2021. • Bank Alfalah introduced a detailed policy followed by a strategy to ensure financial inclusion of differently-abled individuals. For a holistic approach to manage the strategy execution, the Bank established a D&I Council with Senior Management and a D&I Secretary. • Bank Alfalah launched a woman specific programme – **Welcome Back Programme** to improve institutional diversity, and to position the Bank as an organisation that values diversity. The Welcome Back Programme is an initiative that gives women a chance to re-join the workforce after taking a career break due to personal or professional reasons.
	• End all violence against and exploitation of women and girls (5.2) [GRI Standard 102-22&24, 405-1]		• Bank Alfalah being an equal opportunity employer takes pride in its non-discriminatory and merit based practices with the prime focus on maintaining a conducive and secure work environment for its employees, and has strict policies in place to counter harassment and misconduct towards women. There is a separate Harassment Committee representative of high level management where employees can report their grievances and harassment incidences. • Bank Alfalah is always uncompromisingly committed to offering a work environment where all employees feel secure and have growth opportunities equally. In order to impart awareness on Whistleblowing, Harassment at Workplace, and how to handle it, we regularly conduct exclusive sessions in collaboration with all our stakeholders for our employees.

Goal	Sub-Goal/ GRI Standards	Intended Impact	Bank Alfalah's Contribution
	• Participation in leadership and decision making (5.5) [GRI Standard 102-22&24, 405-1]		• Bank Alfalah obtains annual feedback from its female employees on the Bank's policies, benefits, culture and environment to make improvements in our policies. We conduct focus groups, pulse check surveys, exit interviews and maintain a dedicated communication channel for women to stay in constant contact. • Bank Alfalah launched 'SheLEAD' as its in-house signature leadership development programme for women, enabling women to drive their careers forward, overcome self-limiting beliefs, and build strategic networks. It uses discussions, self-reflection activities and videos as training methodologies.
	• Universal access to reproductive health and rights (5.6) [GRI Standard 203-2]		• Bank Alfalah is one of the only two banks in Pakistan that offers a six month paid maternity leave to all our women employees, and the only bank to offer a maternity cover incentive to the employees who serve as maternity covers for the women availing maternity leaves. • Bank Alfalah actively supports its female and single parent employees through our child care policy. This initiative anchors the Bank's commitment to working mothers/single parents as it provides them ease in arranging for a day care/care taker whilst setting their sights on their careers.
	• Equal rights to economic resources, property ownership and financial services (5.A) [GRI Standard 203-2]		• Bank Alfalah has introduced women-centric products such as the Alfalah Pehchaan Account to provide exclusive banking services to empower women. Our Liability Products Team also launched the Asaan Pehchaan Digital Account to facilitate women on our Digital Account Opening Platform. • Furthermore, in line with the recently rolled out policy on Banking on Equality, the Bank is working on numerous initiatives aimed at financial inclusion and facilitation of women customers. • Bank Alfalah Islamic has successfully introduced Falah Asaan Women Digital Account to facilitate easy digital account opening for females, particularly of low income and unbanked segment. The Shariah compliant savings proposition is available to female masses of all ages and professions nationwide.
Affordable and Clean Energy 	• Promote access to research, technology and investment in clean energy technology (7.A) [GRI Standard 203-2]	• Develop means to provide affordable and sustainable energy to everyone • Invest in clean energy sources such as solar and wind	• Bank Alfalah has 30% holding in Sapphire Wind Power Company Limited, which has a wind farm in the country and offers clean energy solutions. • Bank Alfalah offers a green product namely of 'Alfalah Green Energy' for customers willing to install solar energy equipment for generation of electricity in order to facilitate Green Businesses. • Bank Alfalah's Investment Banking has extended financing to solar projects namely 'Gharo Solar Pvt. Ltd.' and wind projects such as 'Gul Ahmed Wind Power Ltd.', 'Metro Power Co. Pvt. Ltd.', 'Master Green Energy Ltd.' and 'Din Energy Ltd.' • Bank Alfalah installed solar ATMs and encourages paperless banking, use of energy saver lights, inverter ACs and long-power UPSs.

Goal	Sub-Goal/ GRI Standards	Intended Impact	Bank Alfalah's Contribution
Decent Work and Economic Growth	• Promote policies to support job creation and growing enterprises (8.3) [GRI Standard 203-2]	• Promote entrepreneurship • Create jobs through economic policies and performance • Provide opportunities for decent work to all and end slavery and human trafficking • Provide opportunities for fresh graduates to grow and develop within the organisation • Create jobs through economic policies and performance • Provide benefits for the employees to gauge in their further studies • Deliver learning and development opportunities within the organisation • Provide opportunities for quick and easy access to funds	• Bank Alfalah employs over 12,000 individuals and continues to hire hundreds of candidates each year. • Bank Alfalah's operations in Bangladesh, Bahrain, the UAE and Afghanistan enable job creation.
	• Promote youth employment, education and training (8.6) [GRI Standard 401-1]		• Bank Alfalah's premium Management Trainee Programme ensures that fresh graduates are hired from universities locally and internationally to ensure that a middle level management pipeline is created with young talent. There are various other batch hirings in multiple avenues and departments, which are opened by Bank Alfalah to cater to fresh graduates from universities across Pakistan and minimal experience providing great work opportunity to fresh graduates. • Bank Alfalah's Internship Programme further works in bringing in candidates pursuing their degrees for a flavour of the organisation so that they have the right experience to join the company after graduation. • Bank Alfalah's Learning Team works specifically understanding the training and development needs of each department and their employees, and arranges specific trainings as per their job requirements for them to perform better in their roles. • Bank Alfalah has policies and benefits supporting employees in their higher studies by providing reimbursements.
	• Universal access to banking, insurance and financial services (8.10) [GRI Standard 203-2]		• Bank Alfalah partnered with Pakistan Microfinance Investment Company (PKMIC) through U Microfinance Bank in order to promote microfinance loans. • Bank Alfalah has partnered with Mobilink Microfinance Bank Limited to provide small ticket sized digital loans to JazzCash customers. In order to manage their daily cash requirements, eligible JazzCash mobile wallet accountholders can get access to a loan amount up to PKR 30,000 through their JazzCash App in a 3 step application process. • Bank Alfalah is focused towards financial inclusion of the underserved and the unbanked for which it offers numerous initiatives like Agent Network, QR/Proximity Payments, Cash Deposit Machines, Remote Account Opening (RAPID and Roshan Digital Account), and G2P initiatives, including the World Bank affiliated programme of BISP.
	• Increase aid for trade support (8.A) [GRI Standard 203-2]		• Bank Alfalah is involved in providing SBP's Temporary Economic Refinance Facility (TERF) to its clients in order for them to expand their presence and contribute in terms of exports to help bridge the country's trade deficit.

Goal	Sub-Goal/ GRI Standards	Intended Impact	Bank Alfalah's Contribution
Industry, Innovation and Infrastructure	• Increase access to financial services and markets (9.3) [GRI Standard 203-2]	• Invest in innovation and infrastructure to promote digital inclusion, sustainable industry practices and scientific research	• Bank Alfalah, in addition to expanding remote ADC services and transaction touch points, has launched innovative products on its digital application platform to make financial services and market accessible to all. These include digitally enabled investments, insurance, deposit products and instant loan credit to individuals. • Bank Alfalah, in compliance with the SBP, offers credit to SMEs at affordable mark-up rates through the Prime Minister's Kamyab Jawan Youth Entrepreneurship Program. This has enabled inclusion of untapped markets, allowed entrepreneurs to set up new businesses and further expand existing businesses. Currently, Bank Alfalah has extended finance to 1,709 customers, of which 94% are New-To-Bank, with PKR 2.704 billion in disbursement as of 31st December, 2021 under this scheme.
Reduced Inequalities	• Reduce transaction costs for migrant remittances (10.C) [GRI Standard 203-2]	• Bridge widespread income inequality through financial regulation, development aid and safe migration opportunities	• Bank Alfalah's products and services such as the Roshan Digital Account, RAPID Account, Cash-over-Counter payments, Instant Account Credit to Bank Alfalah and 1-Link member bank accountholders, same day account credit to other bank accountholders via RTGS and money exchange partnerships are a step ahead towards equality of access to financial avenues. • Bank Alfalah facilitates remittance payments by having partnered with world renowned money transfer operators, financial technology companies, banks and exchange houses. As a proud PRI member bank, Bank Alfalah also facilitates remittances under the SBP PRI Rebate Scheme whereby remitters benefit from zero remitting charges. The Bank's network of 790 branches facilitates the walk-in beneficiaries especially in rural areas in receiving cash over the counter remittances from their nearest branch, thereby reducing the cost of travel. Bank Alfalah has also conducted various marketing campaigns to create awareness of the use of legal banking channels for sending remittances to Pakistan.
Sustainable Cities and Communities	• Safe and affordable housing (11.1) [GRI Standard 203-1]	• Create good and affordable public housing in cities • Involve more citizens in urban planning • Invest in public spaces and green initiatives	• Bank Alfalah has disbursed PKR 3.294 billion to resident and non-resident Pakistanis under Government/SBP's Mera Pakistan Mera Ghar (MPMG) as of 31st December, 2021. These loans carry subsidised and fixed markup rates.

Goal	Sub-Goal/ GRI Standards	Intended Impact	Bank Alfalah's Contribution
Peace, Justice and Strong Institutions	• Reduce violence everywhere (16.1) [GRI Standard 414-1&2]	• Limit all forms of violence and conflict by strengthening law and order	• Bank Alfalah complies with IFC guidelines whereby it does not lend money to organisations engaged in trade of arms and ammunition.
	• Protect children from abuse, exploitation, trafficking and violence (16.2) [GRI Standard 408-1]		• Bank Alfalah complies with IFC guidelines whereby it does not lend money to organisations involved in activities pertaining to child labour.
Partnerships for the Goals	• Mobilise resources to improve domestic revenue collection (17.1) [GRI Standard 207-1,2,3&4]	• Foster unity and cohesion among all nations to achieve all other SDGs	• Bank Alfalah offers convenient payment options through its Alfa App, internet banking and ATMs/branches to help in the collection of tax revenue. • The Bank serves as a withholding tax agent for direct and indirect taxes. • Bank Alfalah has robust IT systems in place, which ensure proper calculation and deduction of taxes from the customers, vendors, suppliers, employees and depositors at the rates specified by the tax authorities.
	• Increase exports of developing countries (17.11) [GRI Standard 203-2]		• Bank Alfalah has taken initiatives in line with SBP's measures to uplift export-oriented industries. These initiatives include: o Enhancement in the limits of refinancing for banks under the Export Finance Scheme (EFS) and the Long-Term Financing Facility (LTFF) o Temporary Economic Refinance Facility (TERF), though it has a direct impact on exporters to expand their operations by importing plant and machinery to increase production capacity, which then leads to increased exports o Preferred FE-25 pricing and treasury rates for top exporters

Certifications Acquired and International Standards Adopted

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

Our Health and Safety team has acquired reputable, industry-wide and internationally recognised degrees and certifications, including NEBOSH International General Certification, HABC Level 2-International Certification in Fire Safety, HABC-Certified International First Aider, Diploma (HSE), ISO 22301, ISO 45001, CEH, etc.

GOVERNANCE

Board of Directors

His Highness Sheikh Nahayan Mabarak Al Nahayan

Chairman

His Highness Sheikh Nahayan Mabarak Al Nahayan is a prominent member of the ruling family of Abu Dhabi, United Arab Emirates. Currently, His Highness is the UAE Cabinet Member and the Minister of State for Tolerance and Coexistence, and Commissioner General of Expo 2020 Dubai, UAE. Prior to his current responsibility, he served as the Minister of Culture and Knowledge Development; Culture, Youth, and Social Development and the Minister of Higher Education and Scientific Research. Besides his ministerial responsibilities, he has been playing a leading and distinguished role in the educational advancements, focusing on the role of education in achieving development and progress. His Highness also holds various offices as Chairman and Director at Boards and Trusts along with Patronship of various local and foreign organisations, and affiliates. His direct and indirect business interest spread throughout various industry sectors such as banking, telecom, insurance, hospitality, healthcare, construction and investment management in Pakistan, the UAE, Middle East, Europe, and the US. 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 the recipient of Pakistan's highest civilian award, the 'Hilal-e-Pakistan', which was conferred upon him in 2005 for his contribution to the economic growth of Pakistan. His Highness received his education from the British Millfield School until the high secondary level before joining the Magdalen College at Oxford University, UK.

Mr. Abdulla Nasser Hawaileel Al Mansoori

Director

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

Mr. Abdulla Khalil Al Mutawa

Director

Mr. Abdulla Khalil Al Mutawa is the General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahyan and the Chairman of the Board of Makhazen Investment PJSC (Private Joint - Stock) in Abu Dhabi. Mr. Abdulla Khalil Al Mutawa is also a non-Executive Member of the Board of EFG Hermes in Egypt, and non-Executive Board Member of Abu Dhabi National Hotels Company Holding SAE and Chairman of the Board Audit and Compliance Committee. Mr. Abdulla Khalil Al Mutawa holds a B.Sc. degree in Business Administration from the University of North Carolina, USA.

Mr. Khalid Mana Saeed Al Otaiba

Director

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

Mr. Khalid Qurashi

Director

Mr. Khalid Qurashi is a retired banker with considerable international banking experience. He has worked for 38 years with a major US international bank, where his area of expertise was in Corporate Risk Management and Profit Centre/Franchise Management. He was responsible for Risk Management for the Middle East, Africa and Turkey operations. He contributed materially to overall institutional policy debate and strategy formulation. Before he took over responsibilities as a risk senior, he managed some large country franchises in the Middle East and Africa, where the portfolio encompassed a wide spectrum ranging from large corporates to governments and financial institutions as well as SMEs and PE companies. Mr. Qurashi has previously served on the Board of Directors of Bank Alfalah from May 2015 to February 2018. He has also served as the Board Member at TMB Pakistan, NMB Bank Zimbabwe, Citibank Nigeria, Vice Chairman at Citi International Islamic Bank Bahrain, and as a consultant at HBL Pakistan. Presently, he is a Member of the Investment Committee at SIDRA Capital, Saudi Arabia. He holds a Master's degree in Business Administration from the IBA/Karachi University.

Dr. Gyorgy Tamas Ladics

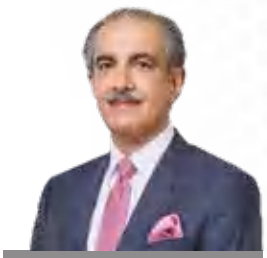
Director

Dr. Gyorgy Tamas Ladics is a seasoned financial service professional with over 28 years of experience in the financial services industry, formulating digital strategies and businesses transformation globally. He brings extensive experience in Digital Banking, Digital Transformation, FinTech collaboration, Innovation and Business Strategy Formulation. He is skilled in strategic planning and use of information technology and business processes, providing practical solutions to business issues. He possesses wide geographical experience, including the UAE, Egypt, Africa, India, Pakistan, Central Europe, Russia, Singapore and Brunei. At present, Dr. Gyorgy is the Chief Executive Officer of Silverlake Symmetri. In the past, he has worked as the Chief Operating Officer at Bank Islam Brunei Darussalam, International Director at Fajr Capital, Chief Technology Officer at Barclays Bank, Emerging Market, Regional Technology Office, Dubai, Chief Operating Officer, Prague, Citibank Central Europe Cluster, Head of Operations Citibank Hungary, Budapest, etc. Dr. Gyorgy holds Doctorate degree in Economics and Master's degree in Electrical Engineering and Informatics from the Budapest University of Technology and Economics.

Dr. Ayesha Khan

Director

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



Mr. Atif Aslam Bajwa

Director and CEO

Mr. Atif Bajwa has an extensive international career spanning more than 39 years of executive leadership roles in banking, and of multiple boards and public interest positions. He started his professional journey with Citibank in 1982, and has since held numerous senior positions in large local and multinational banks, including President/CEO of Bank Alfalah, President/CEO of MCB Bank and Soneri Bank, Regional Head of Citigroup for Central and Eastern Europe, Head of Consumer Banking of ABN AMRO's Asia Pacific region, and Country Manager of ABN AMRO Pakistan. Mr. Bajwa has been active in business, social and public interest areas, and has led key advocacy institutions to impact economic and social sectors. In this regard, he has served as the Chairman of Pakistan Business Council (PBC), and the President of Overseas Investors Chamber of Commerce and Industry (OICCI). He has also served as the Director on Boards of various private and public sector companies. Mr. Bajwa received his education from the Columbia University, New York.

Senior Management

Left to Right

Zahid Anjum
Group Head, Special Assets Management

Dr. Muhammad Imran
Group Head, Islamic Banking

Pervez Shahbaz
Group Head, Treasury and Capital Markets

Khawaja Muhammad Ahmad
Group Head, Operations and Corporate Services

Aasim Wajid Jawad
Group Head, Strategy, Transformation and Customer Experience

Mehreen Ahmed
Group Head, Retail Banking

Muhammad Yahya Khan
Group Head, Digital Banking

Atif Aslam Bajwa
Director and Chief Executive Officer

Left to Right

Saad ur Rahman Khan
Group Head, Corporate, Investment Banking and International Business

Faisal Farooq Khan
Group Head, Human Resources and Learning

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

Anjum Hai
Chief Financial Officer

Tahir Khurshid
Group Head, Audit and Inspection

Haroon Khalid
Group Head, Compliance and Control

Mohib Hasan Khan
Chief Information Officer

Faisal Rabbani
Chief Risk Officer

Senior Management

Atif Aslam Bajwa

President and Chief Executive Officer

Mr. Atif Bajwa has an extensive international career spanning 39 years of executive leadership roles in banking, and of multiple boards and public interest positions. He is serving as the Director on boards of various private and public sector companies. Mr. Bajwa received his education from Columbia University, New York.

Saad Ur Rahman Khan

Group Head, Corporate, Investment Banking and International Business

Mr. Saad Ur Rahman Khan has over 28 years of diversified experience in the fields of Commercial, Corporate and Investment Banking, Risk Management and International Business. During his career, he has been associated with Citibank, MCB Bank, Habib Bank Limited and National Bank of Pakistan. He is a business graduate with an MBA degree from the Institute of Business Administration (IBA).

Mehreen Ahmed

Group Head, Retail Banking

Ms. Mehreen Ahmed is currently heading the Retail Banking Group of Bank Alfalah. She joined Bank Alfalah in April 2012 as the Group Head, Consumer Business and New Initiatives. She carries 33 years of banking and non-banking experience with financial institutions, including Soneri Bank, MCB Bank and Standard Chartered Bank. She holds an MBA degree in Finance and Marketing from the Institute of Business Administration (IBA).

Muhammad Yahya Khan

Group Head, Digital Banking

Mr. Muhammad Yahya Khan joined Bank Alfalah as the Group Head, Digital Banking in February 2018. He has over 25 years of banking and non-banking experience with leading organisations like ICI Pakistan, Engro Chemical, Unilever Pakistan, AXA Sun Life Services (UK), PricewaterhouseCoopers (London), J.P. Morgan Chase Bank (London) and Telenor Bank. He is a Fellow Chartered Accountant and holds an M.Sc. degree from the Cranfield University, UK.

Dr. Muhammad Imran

Group Head, Islamic Banking

Dr. Muhammad Imran joined Bank Alfalah in August 2018. He has over 24 years of banking and non-banking experience with leading institutions like National Bank of Oman, UBL, Bank Islami Pakistan Limited, Standard Chartered Bank, Shell Pakistan Limited and Philips Pakistan Limited. He holds a Ph.D. in Economics from the University of Karachi and a Master's degree in Business Administration from the IBA, Karachi, where he was awarded a gold medal.

Pervez Shahbaz Khan

Group Head, Treasury and Capital Markets

Pervez Shahbaz Khan has over 27 years of diversified experience in the field of Treasury and Global Markets both locally and internationally. During his career, he has been associated with Credit Agricole Indosuez, ABN Amro Bank, Citibank, The Royal Bank of Scotland and Askari Bank Limited. He is a business graduate with an MBA degree from the Institute of Business Administration (IBA).

Anjum Hai

Chief Financial Officer

Ms. Anjum Hai joined Bank Alfalah as Chief Financial Officer in November 2017. She has over 27 years of work experience across financial institutions like Soneri Bank Limited, Citibank N. A. Pakistan, Faysal Bank Limited and A. F. Ferguson & Company. She is a Fellow Member of the Institute of Chartered Accountants of Pakistan as well as a Fellow Member of the Associated Chartered Certified Accountants. She also holds an Accelerated Certificate in Company Direction from the Institute of Directors, UK.

Faisal Farooq Khan

Group Head, Human Resources and Learning

Mr. Faisal Farooq Khan has over 31 years of diversified experience in the fields of Human Resources, Sales and Marketing. During his career, he has been associated with ICI Pakistan Ltd., MCB Bank Ltd., Soneri Bank Ltd. and Khaadi SMC Pvt. Ltd. He holds a Mechanical Engineering degree from NED University and an MBA degree from the Lahore University of Management Sciences (LUMS).

Faisal Rabbani

Chief Risk Officer

Mr. Faisal Rabbani joined Bank Alfalah in November 2018. He has over 28 years of extensive banking experience with renowned financial institutions like Abu Dhabi Islamic Bank (UAE), Noor Bank (UAE), Commercial Banking Group (UAE) and Citibank Pakistan. He has been heading Credits, Risk Management, Commercial Banking, Trade Finance and Cash Management products. He holds a Master's degree in Business Administration from the IBA, Karachi.

Aasim Wajid Jawad

Group Head, Strategy, Transformation and Customer Experience

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

Khwaja Muhammad Ahmad

Group Head, Operations and Corporate Services

Mr. Khawaja Muhammad Ahmad joined Bank Alfalah in April 2015. He is currently heading the Operations and Corporate Services Group. He has over 28 years of experience in diverse areas of banking with institutions like Standard Chartered Bank, Prime Commercial Bank, The Bank of Punjab, Dubai Islamic Bank (UAE), Allied Bank and Soneri Bank Limited. He holds a Bachelor's degree in Finance from the Drake University Iowa, USA.

Mohib Hasan Khan

Chief Information Officer

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

Haroon Khalid

Group Head, Compliance and Control

Mr. Haroon Khalid is currently heading the Compliance and Control Group of Bank Alfalah. He carries over 26 years of banking experience, primarily with MCB Bank, and has 14 years of association with Bank Alfalah since joining the Bank in May 2007. He holds an MBA degree from the Lahore University of Management Sciences (LUMS).

Muhammad Akram Sawleh

Company Secretary and Group Head, Legal and Corporate Affairs

Mr. Muhammad Akram Sawleh joined Bank Alfalah in August 2018. He has over 29 years of diversified experience as a practicing lawyer as well as in-house counsel for renowned corporations like Habib Bank Limited, Standard Chartered Bank, Union Bank and the State Bank of Pakistan. He holds an LLB degree from the University Law College, Punjab University, Lahore.

Tahir Khurshid

Group Head, Audit and Inspection

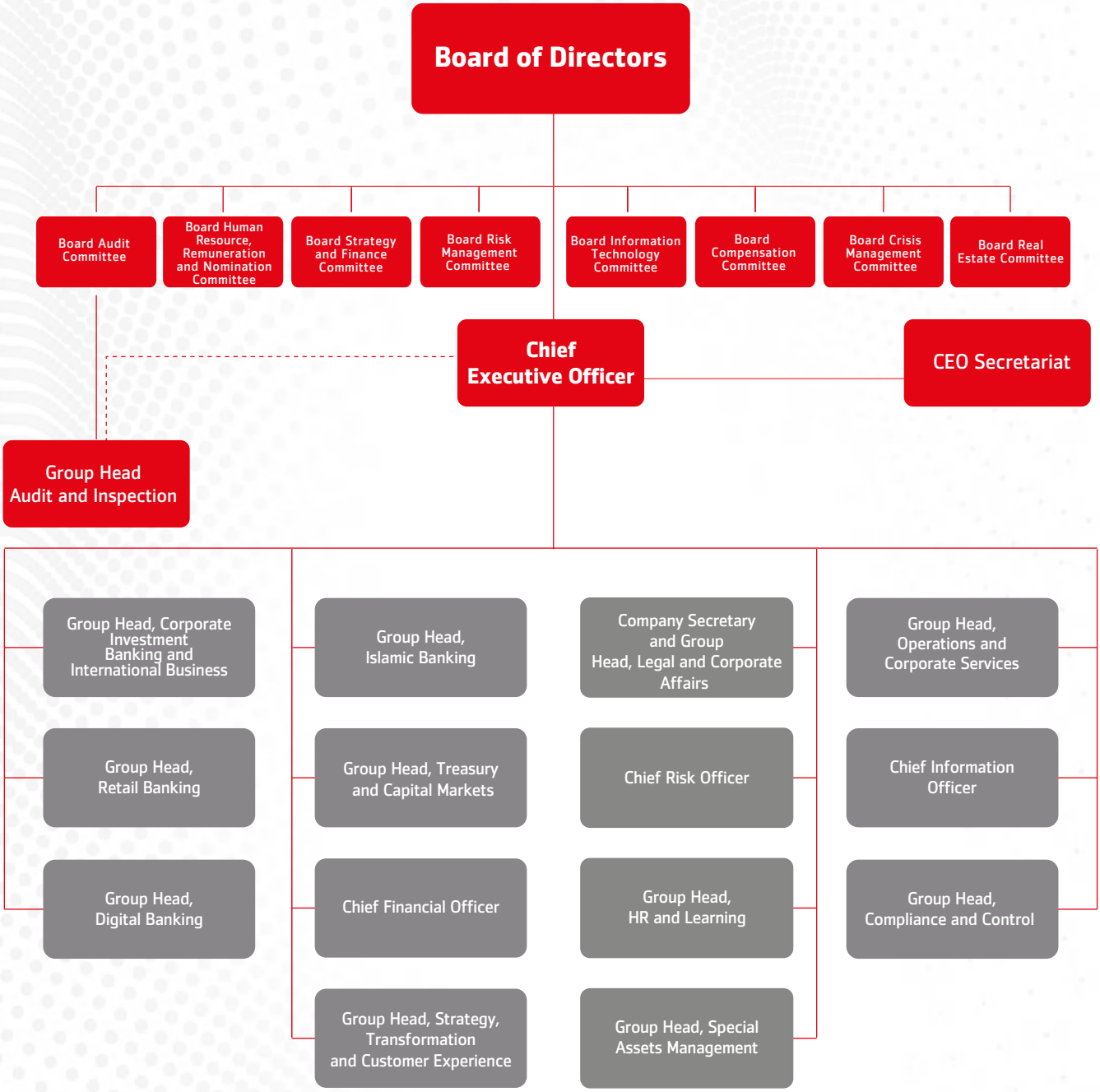
Mr. Tahir Khurshid is currently heading the Audit and Inspection Group of Bank Alfalah. He has over 25 years of experience. Prior to joining Bank Alfalah in August 2002, he worked at MCB Bank Limited and Ford Rhodes Robson Morrow. He holds an M.Com degree from the University of Lahore and an MBA (Finance) degree from the American International University.

Zahid Anjum

Group Head, Special Assets Management

Mr. Zahid Anjum joined Bank Alfalah in August 2018. He has over 28 years of diversified experience with leading commercial banks. His main area of expertise has been Management of Special Assets, Credit Management, and Structuring and Relationship Management. Prior to joining Bank Alfalah, he was associated with Faysal Bank Limited as Head Special Assets Management and Government Relations. He holds a Master's degree in Business Administration and Law from the Punjab University, Lahore.

Organisational Structure



Legends

Administrative Reporting

Functional Reporting

Role of the Board and the Management

Role of the Board

The Board of Directors assumes its role independent of the day-to-day operations run by the Management and focuses on policymaking, governs the affairs of the Bank to achieve strategic objectives, and provides general direction, oversight and supervision of the affairs and business of the Bank. The Board has ultimate responsibility for the strategic direction and control of the Bank. The Board has delegated to the Senior Management Team, under the leadership of the Chief Executive Officer, the responsibility to deliver on the strategic direction and goals determined by the Board. A key function of the Board is to monitor the performance of the Senior Management.

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

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

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

Role of the Management

The Management of the Bank implements strategies approved by the Board of Directors in order to generate optimal performance of the Bank. The Senior Management, under the charge of the President and CEO, executes all goals and objectives of the Bank in line with the company's strategies, risk management, compliance, compensation, and all other Board-approved policies.

The Management Committees' composition and operating methodologies are covered on following pages within this section.

Roles and Responsibilities of the Chairman and the CEO

The Chairman of the Board and the Chief Executive Officer of the Bank, play a substantial and significant role in the overall growth of the Bank by providing the Management with strategic direction and helping it materialise its Mission and Vision.

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

Key Roles and Responsibilities of the Chairman

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

Other responsibilities include:

- To serve as a leader and driving agent of the Board of Directors, monitoring and managing all of its activities, and aligning the Board's goals and decisions with that of the Management;
- To ensure that the Board stays in the right direction with respect to achieving its objectives;
- To preside over the Board's meetings and general meetings, and ensure that these meetings are executed productively and key agenda is discussed along with a valuable conclusion/decision. The Chairman also oversees the Board's key decision-making activities; and
- To exercise powers and authorities that are vested in and conferred to the Chairman under the Terms of Reference of Board Committees as approved by the Board of Directors.

Key Roles and Responsibilities of the President and CEO

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

Key responsibilities include:

- To serve as the link between the Board and Senior Management for execution of Board driven vision and strategies;
- To manage and administer the affairs of the Bank in accordance with laws, rules, regulations, and the Memorandum and Articles of Association of the Bank;
- To comply with and ensure bank-wise implementation of and compliance with all policies, procedures and manuals approved by the Board of Directors, and any directives given by the Board of Directors or Board Committee(s);
- To prepare plans for growth and expansion of the Bank's operations in Pakistan and abroad, and submit the same for consideration and approval of the Board of Directors;
- To appoint, promote, transfer, suspend or dismiss employees of the Bank and fix their remuneration and other entitlements in accordance with the policies and procedures approved by the Board of Directors;
- To deal with, represent, and act on behalf of the Bank before the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, federal and provincial ministries, government departments, local bodies, corporations, courts, stock exchanges, and any other competent authority;
- To ensure that the Bank performs to the highest levels of ethical, legal and business standards in order to execute the Bank's strategies effectively in line with all applicable laws; and
- To ensure that the culture and values of the Bank are upheld at all times, the Board receives timely, accurate and complete information, shareholders' interests are protected in compliance with laws and regulations, meetings are duly recorded, productive participation of board members, and effective resolution of issues.

Board Committees and Terms of Reference

Board Audit Committee

- To oversee the integrity of the accounting and financial reporting processes, including internal controls over financial reporting, as well as of the financial statements with focus on compliance with applicable accounting and reporting standards to give a true and fair view of the financial position and performance of the Bank.
- To oversee the Bank's compliance with legal and regulatory requirements.
- To oversee the Internal Control Framework (both Policies as well as Procedures), established by the Management, to ensure compliance with applicable laws and regulations, and to ensure adherence to Accounting and Reporting Standards.
- To oversee adherence of employees and the Management to the Bank's Control Framework and Code of Conduct.
- To select and recommend appointment of the External Auditor to the BOD, after, thorough analysis of qualification and competence, and ensuring its independence from the Management.
- To review the Management letter and/or any other communication stating significant issues raised by External Auditors and Management response to each of the financial reporting and internal control issues, and also to ensure the implementation of recommendations of External Auditors, where considered appropriate.
- To establish and ensure functioning of an independent, objective and competent Internal Audit Group supported by adequate resources.
- To review the performance of Internal Audit Function (IAF) and External Auditors.
- To review and recommend to the Board of Directors amendments in the 'Internal Audit Policy and Internal Audit Strategy'.
- To ensure that scope of IAF is not restricted and covers all the functions, departments, transactions, policies, procedures and practices of the Bank.
- To ensure the conformance of Internal Audit activities to International Standards for the Professional Practice of Internal Auditors, issued by the Institute of Internal Auditors (IIA) and Information Systems Audit & Control Association (ISACA), where applicable.
- To approve the Audit Manual, Assurance Level and Internal Audit Plan, prepared and presented by CIA/Head of Internal Audit, after thorough discussion and analysis, with prime focus on Risk Based Audit Approach.
- To oversee Shariah Audit Function, Credit Risk Review of the credit portfolio and the Management's actions for identification of gaps, and implementation of controls as a preventive measure against frauds as stated in the fraud prevention policy.
- To review and discuss with CIA/Head of Internal Audit, as Secretary BAC, the status of implementation of the Committee's decisions and reasons for any significant delay(s) together with Committee's direction for necessary actions.
- To review the Bank's risk assessment related to Anti-Money Laundering (AML)/Combating the Financing Terrorism (CFT)/ Proliferation Financing (PF)/Targeted Financial Sanctions (TFS) risk factors.
- To review sanctions and CFT statistics of account freeze/unfreeze and statistics of Currency Transaction Reports (CTR) and Suspicious Transaction Reports submitted to the Financial Monitoring Unit.
- To formulate and approve Key Performance Indicators (KPIs) of CIA/Head of Internal Audit.
- To review the effectiveness of Whistle Blow mechanism of the Bank.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.
- To fulfil any other task/responsibility assigned by the Board as well as by the Regulators.

Committee Members

Mr. Khalid Qurashi
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Dr. Ayesha Khan
Member

Mr. Tahir Khurshid
Secretary

Meetings held during the year

- 1st February, 2021
- 2nd February, 2021
- 20th April, 2021
- 23rd August, 2021
- 23rd October, 2021
- 7th December, 2021

Meetings attended during the year

For Directors' participation in the meetings, please refer to Remuneration Framework within this section.

Board Human Resource, Remuneration and Nominations Committee

- To ensure that HR policies and practices are in line with market dynamics and the business objectives of the Bank.
- To design competitive compensation programmes that attract, retain and motivate staff to achieve business objectives of the organisation, while enhancing and sustaining shareholder value.
- To review the implementation of the State Bank of Pakistan's remuneration guidelines, and ensure that remuneration policy is aligned with significant requirements of the guidelines.
- To periodically examine the Bank's remuneration policy.
- To review and recommend the HR policies of the Bank to the Board and ensure development of new policies to help attract, retain, develop and motivate talent.
- To review the Management Structure/Organogram of the Bank.
- To review and recommend the selection/appointment/ reappointment, evaluation, compensation, increments, performance bonuses, fringe benefits, including retirement benefits, and terms and conditions of service agreement of the CEO to the Board.
- To review and recommend to the Board the selection, evaluation and compensation of key executives of the Bank as defined in the State Bank of Pakistan's Fit and Proper Test Criteria (SBP's FPT).
- To review and confirm the job descriptions of key executives, and to review and recommend the appointments and promotions of all key executives and general managers.
- To investigate and recommend resolutions to the Board of major violations of the Code of Business Conduct and Ethics that may relate to personnel or internal controls relating to Human Resource policies or benefits.
- To consider/review and recommend to the Board, the remunerations to be paid to the Non-Executive Directors of the Bank for attending Board and Board Committee meetings.
- To review and monitor the training and development budget.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.
- To look after any other matters relating to Human Resource Management.

Committee Members

Dr. Ayesha Khan
Chairperson

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Dr. Gyorgy Tamas Ladics
Member

Mr. Khalid Qurashi
Member

Mr. Muhammad Akram Sawleh
Secretary

Meetings held during the year

- 2nd February, 2021
- 20th April, 2021
- 22nd October, 2021

Meetings attended during the year

For Directors' participation in the meetings, please refer to Remuneration Framework within this section.

Board Strategy and Finance Committee

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

Committee Members

Mr. Abdulla Khalil Al Mutawa
Chairman

Mr. Khalid Mana Saeed Al Otaiba
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
Member

Mr. Khalid Qurashi
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 2nd February, 2021
- 9th March, 2021
- 21st April, 2021
- 24th August, 2021
- 23rd October, 2021

Meetings attended during the year

For Directors' participation in the meetings, please refer to Remuneration Framework within this section.

Board Risk Management Committee

- To establish and maintain a system to oversee Risk Management policies and principles.
- To review the adequacy and effectiveness of the Risk Management process across the Bank.
- To establish and maintain the Risk Management Framework to identify risks, and to evaluate the alignment and effectiveness of Risk Management activities.
- To review the Bank's strategy from a risk perspective and ensure that it is prepared in accordance with the Bank's policies.
- To review and recommend to the Board, the Bank's overall risk appetite and delineate risk tolerance in relation to credit, market, liquidity, operational, Shariah, legal and outsourcing risk etc., and Trade Based Money Laundering Risk.
- To approve the exposure limits in relation to Risk Management strategies, and review compliance with these limits.
- To ensure a system to identify any exceptions to the appetite/ limits and Risk Management policies and procedures, and to take timely corrective measures.
- To review Risk Management information reports, evaluate findings and the appropriateness of the remedial measures, and direct necessary actions, besides approving credit related policies and the internal risk rating policy, recommending the same for the Board approval.
- To recommend to the Board the delegation of authorities to Management Committees to achieve the Board mandated strategic direction.
- To oversee implementation of IFRS-9 as per the regulations.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.

Committee Members

Mr. Khalid Mana Saeed Al Otaiba
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Qurashi
Member

Mr. Atif Aslam Bajwa
Member

Mr. Farhan Ali
Secretary

Meetings held during the year

- 1st February, 2021
- 21st April, 2021
- 23rd August, 2021
- 22nd October, 2021
- 7th December, 2021

Meetings attended during the year

For Directors' participation in the meetings, please refer to Remuneration Framework within this section.

Board Compensation Committee

- To select eligible employees from time to time, to grant options under the Scheme, as per the terms of the companies (further issue of shares) regulations, and the Bank's approved Employee Stock Options Scheme.
- To determine the share entitlement to be offered to each designated employee selected from time to time.
- To determine the time when an option may be granted, and any conditions that must be satisfied by eligible employees and/or designated employees before an option is offered.
- To determine the exercise price, as per the terms of the Scheme, and the share entitlement in respect of which options may be granted to designated employees.
- To develop a suitable policy and system to ensure that there is no violation of the insider trading provisions of the Securities and Exchange Ordinance, 1969, and the Securities Exchange Commission of Pakistan Act, 1997.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.
- To oversee any other matters relating to Human Resource Management as assigned by the Board.

Committee Members

Dr. Ayesha Khan
Chairperson

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Muhammad Akram Sawleh
Secretary

No meeting was held during the year

Board Information Technology Committee

- To review and recommend the IT Strategy and Digital Strategy of the Bank to the Board.
- To advise and report to the Board on the status of technology activities and digital initiatives in the banks.
- To review and monitor the implementation of the SBP's 'Enterprise Technology Governance and Risk Management Framework'.
- To monitor the overall impact of the Information Technology infrastructure and applications on businesses and customers, and to assess and address strategic gaps and issues.
- To monitor, oversee and optimise investments related to technology and capital expenditure related to Information Technology, and to make recommendations to the Board for approval of IT budget.
- To reinforce Information Technology roles and responsibilities through relevant policies and to issue high-level policy guidelines.
- To ensure that effective Risk Management strategies are designed and implemented to achieve resilience, including the ability to respond to wide-scale disruptions, cyber-attacks and attacks on critical infrastructure in an effective manner.
- To monitor and track all major technology related projects, ITG performance and IT services delivery.
- To ensure compliance of regulatory requirements.
- To review IT Capacity Planning and Resource Management, including financial, data and information, infrastructure and assets, human resource staff development, recruitment and retention of skilled staff and vendors.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.

Committee Members

Dr. Gyorgy Tamas Ladics
Chairman

Mr. Abdulla Khalil Al Mutawa
Member

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 1st February, 2021
- 20th April, 2021
- 24th August, 2021
- 22nd October, 2021

Meetings attended during the year

For Directors' participation in the meetings, please refer to Remuneration Framework within this section.

Board Crisis Management Committee

- To review and recommend the Business Continuity Plan and the Disaster Recovery Plan of the Bank due to the crisis for approval of the Board.
- To identify 'mission-critical' and key risks, and take specific and targeted actions to setup a reasonable system of regular and timely reporting of the risks and their mitigants to the Board.
- To assess all impacts of the coronavirus on business operations, employees, customers and key stakeholders of the Bank, and to suggest measures to manage the same.
- To monitor industry trends, best practices, tools and techniques to deal with the crisis.
- To receive reports and monitor emerging risks due to the crisis at regular intervals, and recommend necessary mitigating strategies for the same.
- To review and inform the Board (if necessary) about the communication strategy to deal with the crisis.
- To review the Bank's strategy from a Risk Management perspective to deal with the coronavirus pandemic.
- To assess the financial strength and solvency issues of the Bank during and after the crisis, and advise the Board accordingly.
- To highlight most imminent challenges to macroeconomic stability in the banking industry, as a result of COVID-19.
- To ensure that proper governance principles/procedures and practices are being followed in order to meet any potential litigation/regulatory risk.
- To approve any expenditure, necessary to deal with the coronavirus pandemic.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.

Committee Members

Mr. Abdulla Khalil Al Mutawa
Chairman

Mr. Khalid Mana Saeed Al Otaiba
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
Member

Mr. Khalid Qurashi
Member

Mr. Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Meetings held during the year

- 9th March, 2021
- 24th May, 2021
- 5th August, 2021
- 16th September, 2021
- 7th December, 2021

Meetings attended during the year

For Directors' participation in the meetings, please refer to Remuneration Framework within this section.

Board Real Estate Committee

- To review, recommend and approve real estate proposals of the Bank and to make/amend relevant policies thereunder.
- To review and recommend to the Board any property acquisition proposed by the Management.
- To review and assess the adequacy of its TORs and recommend to the Board any amendments or modifications in the TORs that the BREC deems appropriate.
- To evaluate, at least annually, its own performance and report the results of such evaluation to the Board, in accordance with the Board Evaluation process.

Committee Members

Mr. Abdulla Khalil Al Mutawa
Chairman

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Atif Aslam Bajwa
Member

Mr. Muhammad Akram Sawleh
Secretary

The Committee was formed on 24th October, 2021.

Meetings held during the year

- 18th November, 2021

Meetings attended during the year

For Directors' participation in the meetings, please refer to Remuneration Framework within this section.

Management Committees

Bank Alfalah has three main Management Committees for the purpose of strategic planning and decision-making under the Chairmanship of the CEO. The Board of Directors has approved the Committees and their TORs. The role of these Committees is to ensure that the activities of the Bank reflect its vision, purpose and aims. They establish the fundamental values, ethical principles and strategic direction in which the Bank operates. These Committees meet regularly and their decisions are communicated to the Board frequently.

1. Central Management Committee (CMC)
2. Central Credit Committee (CCC)
3. Digital Council (DC)

The CMC has formed sub-committees to carry out its mandate. For each sub-committee, the CMC adopts formal TORs, setting-out the matters relevant to the composition, roles, functions and responsibilities. The CMC has full authority to review and reorganise the composition and TORs of the sub-committees.

Central Management Committee (CMC)

- Atif Aslam Bajwa – Chairman
- Aasim Wajid Jawad
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Haroon Khalid
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Muhammad Akram Sawleh
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Pervez Shahbaz Khan
- Saad ur Rahman Khan
- Zahid Anjum
- Zahra Anwar Furniturewalla – Secretary

Central Credit Committee (CCC)

- Atif Aslam Bajwa – Chairman
- Faisal Rabbani
- Mehreen Ahmed
- Saad ur Rahman Khan
- Pervez Shahbaz Khan
- Dr. Muhammad Imran
- Muhammad Imran
- Beena Fawad

Digital Council (DC)

- Atif Aslam Bajwa – Chairman
- Aasim Wajid Jawad
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Fouzan Ali Kazim – Secretary

Sub-Committees of CMC

Customer Experience Council (CEC)

- Atif Aslam Bajwa – Chairman
- Asim Wajid Jawad
- Faisal Farooq Khan
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Saad ur Rahman Khan
- Aamir Mehmood Gandhi
- Imran Assad Khan
- Muhammad Raheel Yousaf
- Mohammad Hussain
- Syed Muhammad Asif
- Business Heads (Conventional, Islamic and Corporate)
- Suhail Siddiqui – Secretary

Information Technology Steering Committee (ITSC)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hasan Khan
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Zeeshan Siddiqui
- Kamran Mehmood – Secretary

Compliance and Control Committee (C&CC)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Farooq Khan
- Faisal Rabbani
- Khawaja Muhammad Ahmad
- Mehreen Ahmed
- Mohib Hassan Khan
- Muhammad Akram Sawleh
- Dr. Muhammad Imran
- Muhammad Yahya Khan
- Saad ur Rahman Khan
- Abdur Rehman Khan
- Faisal Ahmed
- Mubashir Mustafa
- Muhammad Ayyaz Ashraf
- Haroon Khalid – Secretary

Asset and Liability Committee (ALCO)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Mehreen Ahmed
- Dr. Muhammad Imran
- Pervez Shahbaz Khan
- Saad ur Rahman Khan
- Hasan Ahmed Khan – Secretary

Process Improvement Committee (PIC)

- Khawaja Muhammad Ahmad – Chairman
- Haroon Khalid
- Farhan Ali
- Moiez Ahmed Usmani
- Abdur Rehman Khan
- Amin Sukhiani (observer)
- Farooq Qamar Khan (observer)
- Muhammad Ayyaz Ashraf (observer)
- Rizwan Aftab (observer)
- Audit and Inspection Group representative (by invitation)
- Afsheen Jalal – Secretary

Investment Committee (IC)

- Atif Aslam Bajwa – Chairman
- Anjum Hai
- Faisal Rabbani
- Pervez Shahbaz Khan
- Saad ur Rahman Khan
- Muhammad Zeeshan
- Muzammil Shahid Bhatti – Secretary

Expenditure Approval Committee (EAC)

- Anjum Hai – Chairperson
- Faisal Farooq Khan
- Khawaja Muhammad Ahmad
- Amin Sukhiani
- Muhammad Ashraf
- Wahab Ahmed Qureshi
- Naushad Ali Khowaja – Secretary

Governance Committee for Overseas Operations (GCOO)

- Saad ur Rahman Khan – Chairperson
- Anjum Hai
- Faisal Rabbani
- Haroon Khalid
- Pervez Shahbaz Khan
- Faisal Rashid – Secretary

Other Committees

- Donation Committee
- Disciplinary Action Committee
- Grievance Committee
- Harrasment Inquiry Committee
- Diversity and Inclusion Council
- Employee Welfare Fund Committee
- Crisis Management Committee
- IFRS 9 Steering Committee
- Outsourcing Committee

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 the objectives set for the Bank. Areas where improvements are required are duly considered, and action plans are framed.

In addition to the annual independent review, the Chairman of the Board, as part of his responsibilities, arranges an annual review for the performance of the Board. The key areas reviewed during the year were independence, contribution and attendance at Board meetings, interaction with the CEO, the Company Secretary and Senior Management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings, and the overall time and commitment to their role on the Board.

The appraisal process concluded that each Director is performing well and is committed to their role in terms of dedication of time and attendance at meetings. No area of significant weakness was identified, and it was concluded that the Board and its Committees operated effectively throughout the period under review.

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

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

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

The roles and responsibilities of the Board, Committees and Directors as specified by relevant acts/regulations, the State Bank of Pakistan's prudential regulations and its guidelines are well-defined.

Descriptive evaluation criteria have been established at Bank Alfalah to evaluate and monitor the performance of the Board, the Committees, individual Directors including independent Directors, the Chairman and the Chief Executive Officer, and to ensure that the desired purpose is effectively achieved. The evaluation criteria take into account numerous factors to assess the functions and behaviours thereof.

Key performance indicators or criteria that are in place to benchmark the Board and its Committees, the Chairman and the CEO's performance include:

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

- **Management's Performance:** To ensure that the Management's performance and its progress towards achieving its set targets are periodically monitored by the Board.

- **Performances of the Individual Directors and Committees:** To gauge the contribution of individual Board Members and Committees towards achieving

the strategic goals of the Bank. This helps the Bank measure the level of awareness of key responsibilities, establish the current baseline of the Board's performance, identify critical gaps in key areas of Board effectiveness, measure the degree of alignment among the Board Members, focus on high impact, low performance areas, create Board effectiveness improvement plans, and execute and follow-up on improvement plans.

- **Internal Controls:** To oversee and ensure that an appropriately designed Internal Control Framework is in place, and is tested at regular intervals to address all types of key risks.

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

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

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

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

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

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

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

Board's Performance Review by the External Consultant

The State Bank of Pakistan (SBP), through BPRD Circular No. 11 of 2016 dated 22nd August, 2016, mandated that the Board of every bank must carry out a formal annual performance evaluation of the Board, its Committees, and individual Directors. The circular also required performance evaluation by an external independent evaluator at least once every three years.

In 2019, M/s Pakistan Institute of Corporate Governance (PICG) had carried out the performance evaluation of the Board, its sub-committees and the Directors as an External Independent Evaluator. The performance evaluation report was submitted to the Chairman and other Board members for their review and information.

Other Matters Relating to Governance

Leadership Structure of those charged with Governance

The Bank's operations are governed under the Board of Directors. The Board comprises of non-executive Directors and an executive Director. The Chairman leads the Board. The Directors' profiles, describing their experience and education, have been disclosed at the start of this section.

Non-Executive Directors

At present, all Directors on the Board are non-executive except the President/CEO of the Bank. The non-executive Directors provide an outside viewpoint to the Board. They are neither involved in managing the daily affairs of the Bank, nor are they from the Executive Management Team of the Bank.

Independent Directors and their Independence

The Board has three (03) independent Directors who meet the criteria of independence stipulated under the Company Act, 2017 and the directives issued by the State Bank of Pakistan (SBP).

Independent Directors of the Bank play a crucial role in the independent functioning of the Board. They bring in an external and broader perspective to decision-making by the Board.

Below are the details of independent Directors on the Bank's Board:

Name of independent Directors	Justification for independence
Dr. Gyorgy Tamas Ladics	They meet the criteria of independence in all aspects as stipulated under the Company Act, 2017 and the directives issued by the SBP. As per legal requirement, they were selected from the databank maintained by the PICG.
Dr. Ayesha Khan	
Mr. Khalid Qurashi	

Representation of Female Director on the Board

Dr. Ayesha Khan is the female Director on the Board, who is also an independent Director.

Election of the Board of Directors

The election of the Board of Directors of the Bank was held on 27th May, 2021 and the shareholders elected eight (8) Directors for a period of three years.

Casual Vacancies on the Board of Directors

During the year 2021, no casual vacancies occurred on the Board of Directors.

Directors' Orientation

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

- Understand their roles, responsibilities and time commitment to governance work around the Board and Committees;
- Be aware of the current goals, opportunities and challenges facing the organisation;
- Be aware of who the organisation's main stakeholders are, including clients, partners, public, as well as the staff;
- Develop an understanding of how their own background, knowledge, experience and skills will contribute to the current work of the Board, and the goals of the organisation;
- Appreciate the background, knowledge, experience and skills of other Directors;
- Gain knowledge of how the Board meetings are run, decisions are made, and what formal governing policies and practices exist; and
- Understand how the Board functions similarly or differently from other boards they have served on, or are serving on.

Directors' Training Programme (DTP)

The Bank is fully compliant with the criteria and requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG-2019).

The Bank arranged Directors' Training Programme named 'Corporate Governance Leadership Skills (CGLC) – Directors Education Programme' as per the SECP's approved criteria from the Pakistan Institute of Corporate Governance (PICG) for its Board Members as well as Executives. The following Board Members have undertaken the said training:

Board Members:

1. Dr. Ayesha Khan
2. Mr. Khalid Qurashi
3. Dr. Gyorgy Tamas Ladics
4. Mr. Atif Aslam Bajwa

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

Policy for Remuneration of Non-Executive Directors including Independent Directors

The Bank has a policy for remuneration of non-executive Directors duly approved by the shareholders in the 28th Annual General Meeting held on 27th March, 2020. The policy sets out the methodology and scale of remuneration for non-executive Directors, including independent Directors. It ensures that Board Members are adequately and fairly compensated in line with their responsibilities, experience and skillset. The remuneration policy is in compliance with all laws and regulations, including the SBP guidelines.

Please refer to the Remuneration Framework within this section for further details. The meeting fee is disclosed as part of administrative expenses, and compensation of Directors and key management personnel notes to the financial statements.

Policy for Fee earned by the Executive Directors

The executive Director of the Bank serves as a non-executive Director on the Board of some other companies. The Director may or may not, depending upon the remuneration policy of such companies, receive fee for attending the meetings.

Foreign Directors' Security Clearance

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

Executive Directors and their Directorship

The executive Director on the Bank's Board, Mr. Atif Aslam Bajwa, is serving as a non-executive Director/Member on the Board of seven other companies/institutions.

Board's Policy on Diversity

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

Details of Board Meetings held outside Pakistan

During 2021, five Board meetings were held. All meetings, except one in October 2021, were held through web link/video conference facility. The October 2021 meeting was held in Dubai, UAE.

Related Party Transactions

Bank Alfalah Limited enters into transactions with its related parties in its daily operations.

The Bank enters into such transactions to meet its business objectives, and at the same time we recognise the need to maintain transparency and to fulfil our obligations towards our stakeholders, including shareholders, regulators, employees, etc. The Bank believes that there must not be any conflicts of interest or non-disclosure of such transactions.

To meet this objective, the Bank has a Related Party Transactions Policy, which aims at ensuring that it follows transparent and compliant procedures and guidelines to enter into such transactions. This policy is subject to guidance from the SECP and/or actions taken by the Company's Board of Directors or the Board Audit Committee. The purpose of this policy is to ensure that Bank Alfalah meets its obligations under:

a) The Companies Act, 2017;

b) The Banking Companies Ordinance, 1962;

c) The Prudential Regulations of State Bank of Pakistan;

d) The Code of Corporate Governance;

e) Pakistan Stock Exchange (PSX) Rule Book; and

f) Applicable International Financial Reporting Standards.

Names of related parties in Pakistan and outside Pakistan, with whom the Bank had entered into transactions or had agreements and/or arrangements in place during the financial year, along with the basis of relationship, including common directorship and percentage of shareholding, have been disclosed as part of the Organisational Review (subsections: Group Ownership Structure) and Governance (subsections: Board of Directors – details and shareholding details), and Financial Statements of the Bank. The disclosures are in line with regulatory requirements.

Shares held by Sponsors/ Directors/Executives and Major Shareholders

Shares held by the sponsors (Abu Dhabi Group and IFC), Directors and Executives are given below. Detailed categories of shareholding and pattern of shareholding are annexed to this Annual Report.

31st December, 2021	Number of shares held	% holding
Sponsors (Abu Dhabi Group) and Directors	885,808,801	49.84%
International Finance Corporation	261,895,095	14.74%
Executives (as per clause 6.8.4 of PSX Rule Book)	3,228,606	0.18%
All other Shareholders (Mutual Funds, NBFCs, Fis, DFI and Individuals)	626,232,617	35.24%
Total	1,777,165,119	100.00%

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

Particulars of foreign shareholders, other than natural persons	31st December, 2020 % holding
International Finance Corporation	14.74%
Electro Mechanical Co. LLC	5.44%

Compliance with the Best Practices of Corporate Governance

The Board of Directors has, throughout the year 2021, complied with the requirements of the Code of Corporate Governance, PSX Rule Book, Banking Companies Ordinance, Companies Act, Securities & Exchange Commission of Pakistan's directives, and Financial Reporting Framework.

The Statement of Compliance by the Chairman of the Bank along with the Code of Corporate Governance and Review Report by the Bank's Auditor are part of this Annual Report.

Governance Practices Exceeding Legal Requirements

Our Board of Directors and Management Team have put systems and procedures in place that define how the Bank is managed, its corporate and other structures, its culture, its policies and strategies, and the ways in which it deals with its various stakeholders. We have successfully adapted our practices to reflect the changing standards of evolving governance regulations. We are committed to the highest standards of corporate governance and we meet corporate governance legal requirements in Pakistan, as well as the best practices recommended by PSX and SECP.

- There are eight sub-committees formed by the Board compared to the legal requirement of four sub-committees;
- There are various management sub-committees which exist to execute tasks to achieve the objectives set by the Board;
- The Board has only one executive Director (President and CEO) against the maximum SBP limit of two, and one-third of the Board as executive Directors as allowed under the Listed Companies (Code of Corporate Governance) Regulations, 2019;
- The Bank voluntarily aligns itself with the recommended reporting practices required by ICAP to promote transparency; and
- The Bank reports information/disclosures in this Annual Report over and above minimum disclosures required by the law.

Conflicts of Interest

The Directors have the ultimate responsibility for managing the affairs of the Bank, and accordingly hold fiduciary duties of care and loyalty to the Bank and its shareholders. One of the key duties that Directors owe to the Bank is the duty to avoid conflicts of interest. This includes not placing one's self in a position where the Director's personal interest could possibly conflict with their duty to the Bank.

Conflicts may arise in several situations. Typical scenarios are:

- Where the Directors have a direct or indirect material interest in a transaction that the Bank enters into;
- Where the Directors hold positions or offices, or possess property that may result in conflicting duties; and
- Where the Directors stand to benefit from information received by them, or opportunities made available to them in their capacity as Directors or officers.

The Bank exercises particular care in monitoring whether or not it is placed in a position of actual or potential conflicts.

In dealing with conflicts of interest, the Bank pays close attention to the:

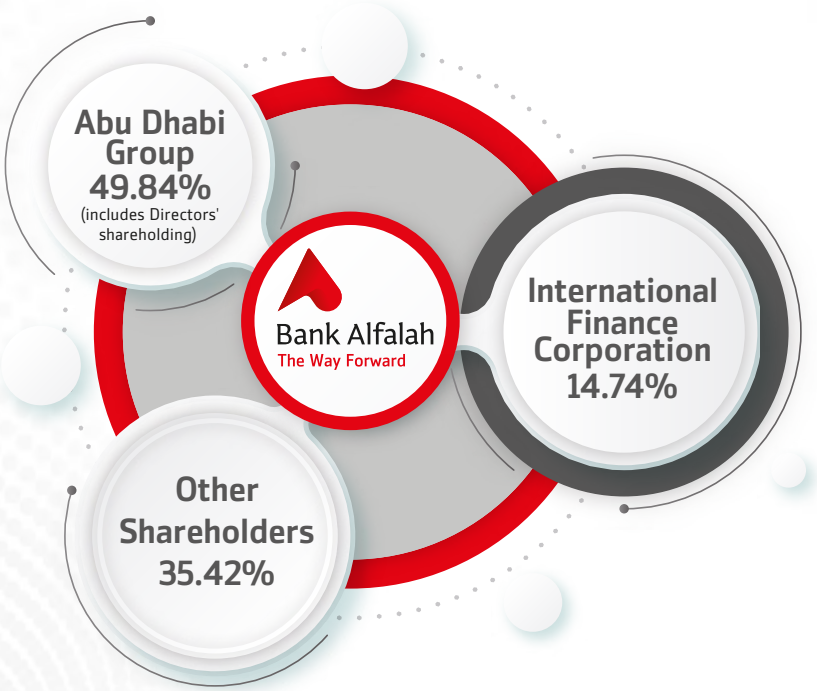
- Provision of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019;
- SBP's Corporate Governance Regulatory Framework; and
- Article of Associations of the Bank.

Managing and monitoring conflicts of interest:

- The Directors are well-versed with their responsibilities to act in the best interests of the Bank and investors, and to refrain from any conduct that may be considered adverse or contrary to the interests of the Bank and investors;
- The Directors are required to disclose their (along with family members') interests to the Bank before entering into any such transaction as per the manner prescribed in the applicable laws and regulations;
- The concerned Director, if any, does not participate in any deliberation, decision-making, proceeding, or investigation action by the Board of Directors in case of a conflict of interest; and
- Insider Trading is prohibited and the records of persons having access to sensitive information are maintained in an insider register.

The ultimate objective of procedures to deal with conflicts is the protection of the Bank's interest and promotion of transparency for the benefit of the shareholders.

Beneficial Ownership and Group Structure



For group structure, please refer to the section 'Organisational Review' of this Annual Report.

Board's Authorisation of Financial Statements

The financial statements for the year ended 31st December, 2021 were authorised for issuance by the Board of Directors of the Bank on 02nd February, 2022.

Business Ethics and Anti-Corruption

Bank Alfalah has a zero-tolerance policy regarding corruption and bribery. The Bank expects all employees to conduct themselves in accordance with the highest standards of personal and professional integrity, and to comply with all laws, regulations and corporate policies and procedures. The employees are, therefore, required to comply with the rules and regulations of the Bank. Any deviation may lead to strict disciplinary action.

The following Committees comprising of senior executives fulfil their responsibilities to ensure adherence to policies, rules and regulations:

- **Disciplinary Action Committee**
- **Sexual Harassment Committee**
- **Grievance Handling Committee**

The Bank's Disciplinary Action Committee decides the action to be taken against a staff member in the event that the Bank and/or its clients sustain any losses, damages and/or claims due to any illegal activity or any actions/inactions of the employee in breach of the Code of Conduct, and/or any other policy of the Bank.

Our Anti-Corruption Policy as well as other policies relating to Business Ethics are described in our Employee Code of Conduct and Vendors/Suppliers Enlistment Process. These policies are applicable to all our employees, in all our operations, as well as to all our Board Members. Top-level commitment is essential in ensuring dedication, focus and compliance with the anti-corruption framework. Our work within anti-corruption and related policies is authorised, endorsed and supported by our Board of Directors, and President and CEO.

IT Governance Policy

At Bank Alfalah, our vision is to be recognised as a technology-driven bank and the leader in innovation, delivering superior customer experience. Our technology teams are geared to provide personalised customer experiences through innovative product offerings, leveraging big data analytics, Artificial Intelligence and digital platforms, while extending partnership with Fintech ecosystems. Our capacity and resource planning ensures that our people are equipped with the best skillsets and tools, delivering exceptional value and experience through high quality digital platforms powered by highly efficient transaction processing systems and fault tolerant self-healing infrastructures.

The Chief Information Officer (CIO) reports directly to the Chief Executive Officer, and works in close coordination with other Business Groups, Board IT Committee (BITC), Central Management Committee (CMC) and IT Steering Committee (ITSC). The CIO is responsible for the implementation of the Enterprise Technology Governance Framework, and provides valuable strategic insights to keep the Bank abreast of new technological enhancements and system deliveries, ensuring that the Bank is equipped with innovative, world-class and robust IT systems to maintain its competitive edge.

Bank Alfalah's IT Governance Framework, policies and procedures are benchmarked to international frameworks/standards, and aim to yield the optimum level of compliance to regulatory requirements and best industry practices. IT governance team ensures effective implementation of the Bank's overall IT and digital strategy, and ensures strategic alignment between business needs and technology investments. The Bank, through continued commitment to IT governance and emphasis on providing efficient and secure IT systems, has been meeting its customers' expectations in the most innovative and convenient manner.

To ensure continuous improvements and excellence in Technology Governance, the Bank has successfully carried out independent benchmarking assessment vis-à-vis the COBIT-2019 Framework (ISACA's globally accepted framework for Governance and Management of Enterprise IT) and has already embarked on the journey to upscale existing practices and frameworks in line with COBIT-2019 recommendations. The Bank has implemented Enterprise Project Management (EPM) to manage portfolios and projects by providing visibility and control across all projects. This has been done for effective decision-making, alignment with the Bank's vision and strategy, maximising resource utilisation, and to enhance project execution. Reporting and Business Intelligence (BI) tool has been integrated with EPM to assist in proactive visibility and management of Projects, Programmes and Portfolios (3Ps).

Technology Governance in the organisation is strengthened via independent Information Security (InfoSec) function headed by CISO who reports to Chief Risk Officer and works in coordination with technology teams, ITSC and Board Risk Management Committee. IT and InfoSec teams are actively engaged to enhance cyber resilience of the organisation and protect its information assets and customers from the threats any unscrupulous or ill intended actors can pose. Over time, Bank Alfalah has invested a great deal of time and effort to maintain its customers' confidence and stay true to its commitment to maintain deterrence by employing in-depth defence involving industry security expert advisories.

To ensure efficient service delivery, an independent Service Quality Assurance (SQA) setup is also in place to focus on business requirements, customer satisfaction, high performance and strong security in line with industry best practices. Service standards for all ITG services offered to business units are commissioned through Operating Level Agreements (OLAs), whereas the IT Helpdesk, equipped with specialised technical support teams, ensures prompt resolution of incidents and service issues.

Whistleblowing Policies and Procedures

Overview

In line with the goal of maintaining the highest standards of ethical, moral and legal business conduct, the Bank has established a Whistleblowing Policy to ensure that any concerns raised in relation to unethical practices, corruption and/or fraudulent activities, that may cause damage to the Bank's assets/reputation, are duly addressed.

This reinforces focus and commitment to create an environment of trust and transparency, which subsequently nurtures a culture based on honesty and the highest ethical standards.

Purpose

The core purpose of the Whistleblowing Policy is to provide a safe and secure channel to internal as well as external stakeholders (i.e. our staff or any other person), with genuine suspicions about any wrongdoing/ irregularity, to raise concerns/complaints without any fear of reprisal or adverse consequences. The objective of this policy is to encourage everyone to come forward and register concerns through a secure and confidential channel, for redressal of complaints and concerns, or for further detection or prevention of any impropriety or malpractice, in order to safeguard the interests and reputation of the Bank. It remains an ethical responsibility of all Directors, Senior Management and employees to report violations in accordance with the Whistleblowing Policy, which was last reviewed/approved by the BOD in the meeting held on 13th February, 2020.

Scope

The policy encompasses voluntary disclosures by a person about any type of actual or suspected wrongdoings/ improprieties at individual/organisational level, including unethical or fraudulent activities and misconducts that may pose serious threats to the Bank's operations, financial performance or reputation.

Process of the Whistleblowing

Any person with the intention to disclose any wrongdoing/ impropriety, whether actual or suspected with reasonable evidence, should report it in writing to the Group Head, Audit and Inspection Group. This can be done either through email at whistleblowing@bankalfalah.com, surface mail, calling at the whistleblower hotline number, or interoffice mail at the official address of CIA/Head of Internal Audit by marking the envelope as 'Confidential'. Keeping in view the nature, materiality and seriousness of the allegation, CIA/Head of Internal Audit decides whether it requires immediate investigation/audit. All complaints are subject to review by Chairman BAC without any exception.

Protection for Whistleblower

The identity of the whistleblower is kept most confidential and it remains the Management's responsibility to ensure that no harm comes to the whistleblower by virtue of his act of blowing the whistle in good faith. An employee who retaliates against a whistleblower is subject to disciplinary action up to and/or including termination of employment.

Reward for Whistleblower

A whistleblower may be rewarded by the Bank, if any significant/critical issue is raised by him/her.

Number of Instances during the Year

Reported instances are presented through the Group Head, Audit and Inspection Group, for oversight of the Board Audit Committee (BAC) in BAC meetings. The instructions from BAC are immediately circulated to the concerned departments for enforcement of actions required in real-time. 37 whistles were blown during the year 2021 and details thereof were duly submitted to BAC.

Policy for Safety of Records

Records management is vital for the delivery of our services in an orderly, efficient and accountable manner. Effective records management helps to ensure that we have the right information at the right time to make the right decisions. Records provide evidence of what we do and why, and help protect the rights of employees, regulators and our customers simultaneously. Records and the information we preserve provide an audit trail to meet business, regulatory and legal requirements. These are important corporate assets.

The Bank recognises that the efficient management of records throughout their lifecycle is necessary to support our core functions, to comply with our legal and regulatory obligations, and to effectively contribute to the overall management of the institution. The Bank aims to balance its commitment to openness and transparency with its responsibility as an effective financial institution. Thus the Bank creates and manages records efficiently, make them accessible where possible, protect and store them securely, and dispose of them safely at the right time. To materialise this aim, the Bank has invested its resources in developing a comprehensive Document Management System (an online record storing system), and has a

dedicated team mandated with maintaining and updating records in line with defined procedures.

Furthermore, all digital records are duly backed up to off-site locations as per defined frequencies and requirements using industry best tools and technologies for automated/scheduled backup management. Bank also perform periodic resilience testing of its people/data/ systems and ensures efficacy of its planned recovery point objectives for all critical, core and surround functions/systems. The Bank is PCI-DSS compliant and keeps its sensitive data under an encrypted environment. The Bank has also developed DLP (Data Loss Protection) policy, and has also successfully implemented the same.

Investors Engagement and Grievance Management Policy

The Bank has a two-pronged strategy for investor engagement and grievance management.

A fully functional Investor Relations (IR) Department ensures that all material developments are communicated to investors via statutory announcements and quarterly result briefings, and the presentation material of these briefings is readily available on the website and can be accessed by investors. In addition, designated personnel in the IR Department are available to meet all the stakeholders, including investors, and address their queries. Also, the Bank's IR team regularly participates in both domestic and international conferences and roadshows to engage with all the stakeholders. It seeks their feedback to ensure that feedback from international investors is also sought on a timely basis.

The other part of the strategy pertains to operational logistics where the Bank's in-house staff and contracted third parties (Share Registrar, etc.) strive for timely dissemination of dispatch material to shareholders. However, in the event of any grievances registered by shareholders, there is dedicated staff in the Company Secretariat to address all such concerns. The contact details of the designated people are prominently displayed in the relevant section of the Bank's website, and shareholders can reach out with their complaints electronically, over the phone or in writing. All grievances/complaints of shareholders are addressed promptly by the Bank.

The investors or shareholders can visit the Investor Relations page of the Bank's official website at https://www.bankalfalah.com/investor-relations for guidance and resolution of their grievances relating to shares. For general queries, investors/customers can visit https://www.bankalfalah.com/contact-us/

For more details on investor engagement, please refer to the 'Stakeholder Engagement and Relationship' section of this Annual Report.

Social and Environmental Responsibility Policy

Bank Alfalah has very high regard for its social and environmental responsibility. The Bank is committed to understand, monitor and manage its social, environmental and economic impact to enable it to contribute to society's wider goal of sustainable development. This commitment is deeply ingrained in its core values, and the Bank aims to demonstrate these responsibilities through its actions and in its corporate policies.

The following are the guiding principles for the Bank's activities:

- Ingrain our vision for a safe, environment-friendly and socially-responsible culture into the organisation;
- Effective management of our activities to minimise the impact on the environment;
- Support local employment and entrepreneurship;
- Support development of infrastructure, health, education, training and cultural activities in collaboration with the community;
- Compliance with local and international social and environment laws;
- Increase frequency of social welfare activities;
- Introduce top of the line products that support environment-friendly procurements;
- Continuous emphasis on safe and clean building designs;
- Collaborate with employees, customers and all other stakeholders for mutual benefits; and
- Develop mechanisms and processes for preservation of natural capital.

For more details, please refer to 'Sustainability and Corporate Social Responsibility' section of this Annual Report.

Business Resilience (Business Continuity Plan) and Disaster Recovery Planning

To ensure that the Bank's services are always available to its customers even in crisis, or any other disruptive event, a robust business resilience framework is in place. The Bank's business resilience team continually works to create a culture that enables adaptability in its business operations amidst any disruptions through proactive planning, maintenance and testing by aligning Business Continuity Management (BCM) of people, spaces, systems, and dependent third parties.

The Board of Directors (BoD) has approved thorough and comprehensively established procedures, whereby the critical business processes at the Bank can be restored in a timely and orderly manner, and can be continued on an interim basis with minimal delay to operations, making sure that all critical business functions continue in the case of a disaster. The Business Continuity Plan (BCP) is intended to be used by the 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 stay abreast with roles and responsibilities during emergencies, and to assess effectiveness of their respective departmental recovery plan by testing it within the decided timelines like Recovery Time Object (RTO), Recovery Point Object (RPO) and Maximum Tolerable Down Time (MTD).

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

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

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

Stakeholder Engagement Policy and Procedures

Stakeholder engagement is an integral part of developing an understanding of our stakeholders' needs, interests and expectations, assisting the Bank with strategic and sustainable decision-making. Stakeholders are those individuals, groups of individuals, or organisations that impact and/or could be impacted by the Bank's activities or services, and associated performance.

Bank Alfalah identifies its stakeholders and monitors its relationships through a multitude of communication channels, including regular dialogue. The Bank's primary stakeholders are the employees, customers, shareholders/institutional investors, suppliers/vendors, analysts and rating agencies, regulatory bodies and society/community and media.

The Bank's stakeholder engagement principles state that:

- The Bank is committed to engage with its stakeholders in a respectful and constructive manner, listening to concerns and suggestions with an open mind;
- The Bank strives to be reasonably accessible to its stakeholders, responsive to legitimate stakeholder concerns and transparent in its stakeholder engagements; and
- All business functions are primarily responsible for managing engagement with their material stakeholders in line with relevant standards, policies and guidelines.

For more details, please refer to 'Stakeholder Relationship and Engagement' section of this Annual Report.

Human Resource Management Policy and Succession Planning

Human Resources and Learning Group (HRLG) is tasked with ensuring the happiness and well-being of our employees, building a fair and values driven culture, and offering our employees the best learning and development opportunities along with competitive rewards and benefits.

At Bank Alfalah, we create and retain a culture to keep our human capital motivated, engaged and happy with the ability to achieve our strategic objectives through consistent focus on a culture of learning and development in addition to competitive rewards. We also focus on our Succession Planning Policy, which transforms existing talent into competent, happy and engaged capital, equipped to occupy future strategic positions.

Our procedures and ways to deal with our employees have been covered in the 'Stakeholder Relationship and Engagement' section of this Annual Report.

Sustainability and CSR Policy

Our sustainability values are weaved into everything we do. We are committed to constantly serve the society with the greatest dedication in line with our philosophy.

For details, please refer to the 'Sustainability and Corporate Social Responsibility' section of this Annual Report.

Presence of Chairman of Audit Committee at the AGM

The Chairman of the Board Audit Committee was present at the AGM to respond to questions on the Audit Committee's activities and matters within the scope of the Committee's responsibilities.

Appointment of Chairman and Non-Executive Director through an External Search Consultancy

Non-executive Directors are appointed/elected through election of Directors at a General Meeting. The elected Board appoints a Chairman from among the non-executive Directors. The last election was held on 27th May, 2021. No external consultant was engaged for appointment of the Chairman or non-executive Directors.

Chairman's Significant Commitments

The Chairman is a prominent member of the ruling family of Abu Dhabi, and is significantly involved in various state and government level commitments. Currently, His Highness is a UAE Cabinet Member and the Minister of State for Tolerance and Coexistence. He is the Chairman/Director or Board Member of various other entities, as explained in more detail in this section. The Chairman, being a non-executive Director, oversees the Bank's performance, and provides an independent and outside view to the Board.

Pandemic Planning Framework

The pandemic posed new challenges for the world and required the development of a robust framework to deal with emanating threats.

Bank Alfalah developed a comprehensive Pandemic Planning Framework, which focuses on a risk-based approach and encompasses the guidelines released by international and national authorities such as the World Health Organization (WHO), Center for Disease Control (CDC), and the Ministry of Health Government of Pakistan (MOH) to prepare, assess, and implement a bank-wide response against novel threats.

Key areas addressed in the framework are:

- Safeguarding the Bank's staff and customers;
- Infection control and transmission reduction measures against immediate or developing hazardous outbreak situations;
- Establishing mechanisms to allow the staff to work from home, agile working, dedicated BCP sites, make shift arrangements with critical staff;
- Reducing loss or damage and maintaining business reputation; and
- Complying with local regulations and health authority requirements.

Government of Pakistan's Policies impacting Banking Business

Please refer to the Directors' report for the impacts of government policies on banking business.

Measures taken to enhance credibility of Internal Controls

The bank's controls and systems are subject to review by regulators and external auditors. Also the Bank, depending upon regulatory or internal requirements, may conduct system reviews.

The Compliance Group's Internal Control Division (ICD), through its regular onsite visits and offsite thematic reviews, facilitates the Management in timely identification and resolution of key control/compliance risk exposures, which can affect the Bank adversely. Besides ICD, other units of Compliance Group, vis-à-vis Customer Due Diligence (CDD) Department and Compliance Risk Management Unit are also integral parts of the Bank's control framework, helping the Bank improve controls. The Bank has an online Internal Controls Dashboard (ICD Dashboard) for centralised monitoring of controls. It serves as a tool to enhance the entity wide coverage of control risk exposure through timely identification of operational and regulatory risks, including control breaches at the branches and other functions.

Please refer to the Bank's Statement on Internal Controls for specific measure taken to improve internal controls.

Profile of Shariah Board Members

Dr. Mufti Khalil Ahmad Aazami, Chairperson

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

Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained the Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) qualifications from Jamia Darul Uloom, Karachi, and holds a Doctorate degree in 'Islamic Jurisprudence' from the Karachi University.

Dr. Aazami has more than 20 years of research experience related to Islamic Finance and other Shariah related subjects. He is the author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Sciences.

He currently serves as a member of the Shariah Board of Faysal Bank Ltd and National Bank of Pakistan, and as the Shariah Advisor to Alfalah Insurance. Dr. Aazami is also a member of Shariah Standard Committee of AAOIFI.

Dr. Mufti Khalil Aazami has served as Shariah Scholar/Facilitator at the following institutions:

- Shariah Advisor - Bank Alfalah Islamic Banking (2003-2015)
- Member Shariah Board - Takaful Pakistan Limited (2005-2014)
- Shariah Board Member - Alfalah GHP-Islamic Funds (2007-2014)
- Faculty Member - Jamia Darul Uloom, Karachi since 1999
- Faculty Member - Centre of Islamic Economics, Karachi, National Institute of Banking and Finance-SBP
- Faculty Member - Sheikh Zayed Islamic Research Centre – University of Karachi
- Visiting Faculty Member - IBA CEIF

Mufti Muhammad Mohib ul Haq Siddiqui, Member

Mufti Mohib ul Haq Siddiqui graduated from Jamia Darul Uloom, Karachi. He obtained the 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 carries substantial and diverse experience in the field of Islamic Finance, and has served as a Member of Shariah Boards of several financial institutions.

He currently serves as the Chairperson Shariah Board of Faysal Bank Ltd and is a Shariah Board Member at Bank Al-Habib Ltd Islamic Banking. He is also a Member of the State Bank of Pakistan's Committee for Shariah Review, Standardisation of Islamic Products and Processes, and Formalisation of AAOIFI Shariah Standards for the Pakistan banking industry.

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

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

Mufti Aqeel Akhtar, Member

Mufti Aqeel Akhtar is serving Bank Alfalah Islamic Banking as Shariah Board Member since 2021. He has been Unit Head Business Support and Training, Shariah Compliance Department for more than six years. Prior to this, he served as the Shariah Advisor at Ramna Foods (Pvt) Ltd, Lahore. He holds a MS degree in Islamic Banking and Finance from University of Management and Technology, Lahore (UMT). He obtained Shahadat-ul-Aalamiyya (Dars e Nizami) from Jamia Darul Uloom Islamia, Lahore and T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence) qualifications from Jamia Darul Uloom, Karachi. Further, he holds a certificate of 'Capacity Building for Shariah Scholar' from NIBAF. He is also a visiting faculty of NIBAF and Banking Services Corporation of the State Bank of Pakistan.

Mufti Usama Ehsan, Member

Mufti Usama Ehsan is serving Bank Alfalah Islamic Banking as a Shariah Board Member since 2021. He was part of the Shariah Compliance Department of the Bank for four years. Prior to joining the Shariah Board, he worked in the Product Department at UBL Ameen Islamic Banking.

He holds an MBA degree from Karachi School of Business and Leadership (KSBL). He obtained Shahadat-ul-Aalamiyya (Dars e Nizami) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) qualifications from Jamia Darul Uloom, Karachi. He teaches Fiqh (Islamic Law) at Jamia Muhammadiyyah Islamabad, and is a visiting faculty of NUCES-FAST for subjects related to Islamic Studies and Islamic Finance.

Mufti Ovais Ahmed Qazi, Resident Member

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

He holds a Master's degree in Business Administration (Banking and Finance) from the Institute of Business Management, Karachi (IoBM). He obtained the Shahadat-ul-Aalamiyya (Dars e Nizami) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) qualifications from Jamia Darul Uloom, Karachi. Furthermore, he holds 'Certified Shariah Advisor and Auditor (CSAA)' qualification from AAOIFI and 'Certified Islamic Finance Executive (CIFE)' qualification from ETHICA Institute of Islamic Finance (UAE).

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

He is a member of the visiting faculty of the Center for Islamic Economics, Hira Foundation Academy, Sheikh Zayed Islamic Center (University of Karachi) and IBA-CEIF for subjects related to Islamic Finance and Economics.

Terms of Reference of Shariah Board

Shariah Board

- To perform such functions as stipulated under para 3(b) of the Revised Framework issued by the State Bank of Pakistan vide its IBD Circular No. 01 of 07th June, 2018.
- To consider, decide and supervise all Shariah related matters.
- To be responsible and accountable for all decisions made by the Shariah Board (SB).
- To develop a comprehensive Shariah governance/compliance framework for all areas of operations of the BAFL-IBG.
- To meet at least on a quarterly basis and to rigorously deliberate on proposals before giving any decisions/fatwa.
- To meet BOD on a half-yearly basis for a detailed briefing on the Shariah compliance environment, issues/weaknesses, if any, and submit recommendations to improve Shariah compliance environment, and to ensure timely and effective enforcement of the SB's decisions/observations/recommendations.
- To review and approve all products/services and related agreements/contracts, structures, process flows, product manuals, marketing advertisements, sales illustrations, brochures and training plans, etc. to ensure that all such matters comply with the rules and regulations of Shariah.
- To review all Internal Shariah Audits, External Shariah Audit, the SBP inspection and Shariah compliance review reports, which are presented to the SB for prescribing appropriate enforcement action.
- To call explanations from the Executive Management for not getting approval of SB for any products/services and related agreements/contracts, structure, process flows, product manuals, marketing advertisements, sales illustrations and brochures.
- To take up unresolved issues, including appropriate enforcement action prescribed in Internal Shariah Audits, External Shariah Audit, the SBP inspection and Shariah compliance review reports, with the Executive Management.
- To issue a report on the Shariah compliance environment and conditions. This report includes open issues and is published in the annual accounts and presented to the BoD.
- To discuss all significant and unresolved issues with the SBP inspections team during the inspection, if required.

Committee Members

Dr. Mufti Khalil Ahmad Aazami
Chairman

Mufti Mohammad Mohib Ul Haq Siddiqui
Member

Mufti Aqeel Akhtar
Member

Mufti Usama Ehsan
Member

Mufti Ovais Ahmed Qazi
Resident Member

Mr. Moiez Ahmed Usmani
Secretary

Meetings held during the year

- 19th January, 2021
- 23rd June, 2021
- 10th August, 2021
- 14th & 15th November, 2021

Meetings attended during the year

For Shariah Board's participation in the meetings, please refer to Remuneration Framework within this section.

Shariah Board Report

for the year ended December 31, 2021

الحمد لله ربّ العلمين والعاقبة للمتقين والصلوة والسلام على سيد الرسل و خاتم النبيين وعلى اٰله و صحبه اجمعين

By the grace of Almighty Allah, the year under review was the 18th year of Islamic Banking Operations of Bank Alfalah Limited (herein referred as 'the Bank'). The Board of Directors and Executive Management are solely responsible to ensure that Bank Alfalah Limited - Islamic Banking operations are conducted in a manner that complies with Shariah principles at all times. The scope of this report is to cover the affairs of the Islamic Banking operations of Pakistan from Shariah perspective as described under Shariah Governance Framework of State Bank of Pakistan.

In compliance with SBP IBD Circular Letter No. 01 dated Feb 03, 2021 Shariah Governance Framework (SGF) for Islamic Banking Institutions (IBIs)', during the year under consideration, the Bank, with the consent of SBP, on-boarded two qualified Shariah scholars as Shariah Board members of the Bank.

During the year under consideration, the Bank continued to review and update the product programme guidelines, manuals and relevant documents that pertain to existing asset and liability products. Further, systems, policies and procedures of Islamic Banking operations of the Bank were also upgraded to enhance the Shariah compliance capabilities of the system. In this regard Shariah Board reviewed and approved the referred systems, policies, and procedures which have an impact on Islamic banking operations.

The Bank continued to expand its footprint of Islamic banking branches through expansion and opened a total of 44 new branches during the year bringing the grand total of Islamic banking branches to 232 branches throughout Pakistan.

For SME and Corporate financings, the Bank offered the following products: Murabaha, Musawamah, Salam, Istisna, Tijarah, Running Musharakah, Ijarah and Diminishing Musharakah. For Consumer financing, the Bank offered Ijarah and Diminishing Musharakah products. During the year, under the instructions and supervision of SBP and with the approval of Shariah Board, the Bank developed and launched Mera Pakistan Mera Ghar scheme to provide subsidised Shariah compliant house financing to eligible customers. The bank also launched Roshan Apni Car and Roshan Apna Ghar for overseas customers. For liability customers, the bank launched Rapid account, Alfa Term Deposit and Falah Asaan Women Digital account. All these products were endorsed and approved by the Shariah Board.

The Bank, as a member of the Joint Financial Advisor (JFA) to the Ministry of Finance of the Government of Pakistan, provided its services to the Islamic Banking industry to launch local currency Sukuk of more than Rs. 1 Trillion. Additionally, the Bank provided Shariah Advisory services for various syndicate transactions.

During the year, Shariah Compliance Department and Internal Shariah Audit Department reviewed and audited 179 Islamic branches, and 33 departments, including Centralised Term Deposits, Centralised Account Opening, Centralised Staff Finance, Centralised Trade Operations, IBG Trade Hubs, Consumer Finance, Islamic Credit Administration Centers, Finance, Pool Management and Treasury. These audits and reviews were performed in light of PPGs, policies and guidelines approved by the Shariah Board.

Shariah Compliance Department facilitated the business unit in obtaining approvals of various transactions and their process flows from the Shariah Board. The Department extended its support for Shariah structuring and developing modalities for different products and processes. Shariah Compliance Department reviewed 354 process flows of Corporate, Commercial and SME clients in light of their business processes and sought approval from Shariah Board. As part of its responsibilities, Shariah Compliance Department verified distribution of monthly profit and loss to the depositors prior to disbursement.

Opinion:

To form our opinion as expressed in this report, we studied reports of the reviews carried out by Shariah Compliance Department, on test check basis of each class of transactions and of the relevant documentation and process flows. Further, we have also reviewed the reports of internal Shariah audit and external Shariah audit. Based on above, we are of the view that:

i) Business affairs of the Bank especially with reference to the transactions, relevant documentation and procedures performed and executed during the year 2021 are, by and large, in compliance with Fatwas/opinions/advices issued by the Shariah Board.

ii) The Bank has complied with directives, regulations, instructions, and guidelines related to Shariah compliance issued by the SBP in accordance with the rulings of SBP's Shariah Supervisory Committee.

iii) To ensure Shariah compliance in its operations, the Bank has an effective mechanism in place through Shariah Compliance Department and Internal Shariah Audit Unit.

iv) The Bank has a well-defined system in place in form of Internal Shariah Audit and Shariah Compliance Review to ensure that earnings realised from sources or means prohibited by Shariah are credited to the Charity account to warrant that the income distributed among stakeholders remains Halal and pure. During 2021, an amount of Rs. 0.512 million was transferred from income to the charity account as per Shariah Board's instructions due to the violations of Shariah guidelines.

During the year, Rs. 24.598 million was recovered from the customers as charity on account of delayed payments. A substantial amount of Rs. 43.70 million was granted to various charitable institutions from current collection and prior year balances.

v) The allocation of Profit and Losses to Mudarabah based remunerative depositors is generally in conformity with Shariah Rules and Principles, and Pool Management guidelines of the State Bank of Pakistan. The allocation is reviewed on a monthly basis

vi) Learning and Development Department conducted more than 250 training sessions during the year, which were attend by majority of the IBG staff. Furthermore, two e-learning modules were made available to staff and six customised sessions were conducted for Senior Management, Branch Managers, CAD, Centralised Trade, and Digital Banking Departments.

vii) Management provided resources and support to Shariah Compliance Department as per Shariah Board requirements.

In the end, we pray to Allah Almighty that He may forgive our shortcomings, and mistakes that we have committed willingly or unwillingly and accept our efforts for Islamic banking and grant us success in this world and the next, and on the Day of Judgment.

وصلّى الله علىٰ نبيّنا محمد و بارك وسلّم

Mufti Usama Ehsan
Member Shariah Board

Mufti Aqeel Akhtar
Member Shariah Board

Mufti Ovais Ahmed Qazi
Resident Member Shariah Board

Mufti Muhammad Mohib ul Haq Siddiqui
Member Shariah Board

Dr. Mufti Khalil Ahmad Aazami
Chairperson Shariah Board

18th January, 2022
Jamadi ul Sani 14, 1443

4۔ داخلی شریعہ آڈٹ اور شریعہ کمپلائنس ریویو کی شکل میں بینک کے پاس ایک مختص نظام موجود ہے جو اس بات کو یقینی بناتا ہے کہ غیر شرعی اور ممنوع طریقے سے حاصل ہونے والی آمدنی چیریٹی اکاؤنٹ میں ڈال دی جائے تاکہ حصہ داروں کو حاصل ہونے والی آمدنی مجموعی طور پر حلال اور پاکیزہ ہو۔ سال 2021 کے دوران شریعہ بورڈ کی ہدایات کے مطابق مشاہدہ میں آنے والی شرعی اصولوں کی خلاف ورزیوں کے نتیجہ میں 0.512 ملین روپے آمدنی سے چیریٹی اکاؤنٹ میں منتقل کیے گئے۔

سال کے دوران 24.598 ملین روپے کسٹمرز سے ادائیگی میں تاخیر کے نتیجہ میں چیریٹی کے طور پر حاصل کئے گئے۔ 43.70 ملین روپے کی خطیر رقم رواں اور گذشتہ سال کے دوران حاصل شدہ رقم کی مد سے مختلف خیراتی اداروں کو دی گئی ہے۔

5۔ مضاربت کی بنیاد پر کھاتوں میں نفع و نقصان کا تعین مجموعی طور پر شرعی اصول و ضوابط اور اسٹیٹ بینک کی Pool Management Guidelines کے مطابق پایا گیا۔جس کا جائزہ ماہانہ بنیادوں پر لیا گیا۔

6۔ سال کے دوران بینک کے شعبہ تعلیم و تربیت (Learning & Development Department) نے 250 سے زائد ٹریننگ سیشنز منعقد کئے جن میں اسلامک بینکنگ کے اکثر ملازمین نے شرکت کی۔ نیز 2 ای-لرننگ کے ماڈیول (Module) بھی ملازمین کے لیے دستیاب کئے اور اس کے ساتھ ساتھ 06 خاص ٹریننگ سیشن سینئر انتظامیہ ، برانچ مینجرز،CAD، سنٹرلائزڈ ٹریڈ ، اور ڈیجیٹل بینکنگ کے شعبوں کے لیے کرائے۔

7۔ انتظامیہ نے شریعہ بورڈ کی ہدایات کے مطابق شریعہ کمپلائنس ڈیپارٹمنٹ کو مزید وسائل اور معاونت فراہم کی۔

ہم اللہ تعالیٰ سے دعا کرتے ہیں کہ وہ ہمارے اختیاری اور غیر اختیاری گناہوں اور لغزشوں سے درگزر فرمائیں، اسلامک بینکنگ کے لیے کی جانے والی ہماری محنت کو قبول فرمائیں، اور ہمیں دنیا و آخرت کی کامیابی سے نوازیں، اور بروزِ قیامت ہم سب کی دستگیری فرمائیں۔

وصلّی اللہ علیٰ نبیّنا محمد و بارك وسلّم

مفتی اسامہ احسان
ممبر شریعہ بورڈ

مفتی عقیل اختر
ممبر شریعہ بورڈ

مفتی اویس احمد قاضی
ریذیڈنٹ ممبر شریعہ بورڈ

مفتی محمد محب الحق صدیقی
ممبر شریعہ بورڈ

ڈاکٹر مفتی خلیل احمد اعظمی
چیئر پرسن شریعہ بورڈ

18 جنوری ، 2022
14 جمادی الثانی ، 1443

بسم اللہ الرحمن الرحیم

شریعہ بورڈ رپورٹ برائے سال 2021

الحمد للہ ربّ العلمین والعاقبۃ للمتقین والصلوۃ والسلام علی سید الرسل و خاتم النبیین وعلی اٰلہ و صحبہ اجمعین

اللہ تعالیٰ کے فضل و کرم سے زیرِ نظر رپورٹ بینک الفلاح - اسلامک بینکنگ آپریشنز (جو آئندہ "بینک" کے نام سے مذکور ہے) کے اٹھارویں سال کی سالانہ رپورٹ ہے۔ بینک کے تمام معاملات کی شریعت کے اصولوں کے عین مطابق انجام دہی کی مکمل ذمہ داری بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ (Executive Management) پر ہے۔ اس رپورٹ کا مقصد اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک (SGF) کی ہدایات کے مطابق پاکستان میں بینک کے آپریشنز کی شرعی اعتبار سے صورتحال بیان کرنا ہے۔

اِس سال کے دوران بینک نے اسٹیٹ بینک کے اسلامک بینکنگ ڈیپارٹمنٹ کے لیٹر نمبر '01' مؤرخہ 03 فروری 2021 Shariah Governance Framework (SGF) for Islamic Banking Institutions (IBIs) کی مطابقت میں اسٹیٹ بینک کی منظوری کے ساتھ مقررہ اہلیت کے حامل دو شریعہ اسکالرز کو بطور رکن شریعہ بورڈ کے شامل کیا۔

اِس سال بینک نے اثاثوں (Assets) اور ذمہ داریوں (Liabilities) سے متعلق موجودہ پراڈکٹ پروگرام گائیڈلائینز، مینولز (Manuals)، اور متعلقہ دستاویزات کی نظرِ ثانی کا عمل جاری رکھا۔ نیز اسلامک بینکنگ آپریشنز کے لیے بنائے گئے سسٹم، پالیسی، اور طریقہ کار (Systems, Policies, & Procedures) میں بھی جدت پیدا کی گئی تاکہ سسٹمز کی شریعہ کمپلائنس کی صلاحیت میں مزید بہتری لائی جائے۔اس سلسلے میں شریعہ بورڈ نے مذکورہ پہلوؤں کا جائزہ لینے کے بعد ان تمام امور کی منظوری دی جن کا اثر اسلامک بینکنگ آپریشنز پر پڑتا ہے۔

بینک نے اس سال کے دوران اپنے اسلامک بینکنگ کے نیٹ ورک کو بڑھاتے ہوئے 44 نئی شاخوں کا اضافہ کیا جس کے بعد پورے پاکستان میں بینک کی اسلامک بینکنگ کی شاخوں کی کل تعداد 232 تک پہنچ گئی ہے۔

اسمال میڈیم انٹرپرائزز (SME) اور کارپوریٹ تمویل کے لیے بینک نے 'مرابحہ'، 'مساومہ'، 'سلم'، 'استصناع'، 'تجارہ'، 'رننگ مشارکہ'، 'اجارہ'، اور 'شرکتِ متناقصہ' (Diminishing Musharaka) کے طریقہائے تمویل اختیار کئے۔

کنزیومر فائنانس کے لیے بینک نے "اجارہ" اور 'شرکتِ متناقصہ' (Diminishing Musharaka) پر مبنی پراڈکٹس فراہم کیں۔ اس سال کے دوران اسٹیٹ بینک کی ہدایات اور شریعہ بورڈ کی منظوری کے ساتھ اہلیت کے حامل کسٹمرز کو گھر کے حصول کے لیے شریعہ کمپلائنٹ سبسڈائزڈ فائنانسنگ فراہم کرنے کے لیے بینک نے 'میرا پاکستان، میرا گھر' کی اسکیم لانچ کی۔ بینک نے بیرونِ ملک کسٹمرز کے لیے 'روشن اپنی کار' اور 'روشن اپنا گھر' بھی لانچ کیا۔ لائیبلٹی (Liability) کسٹمرز کے لیے بینک نے Rapid Account، الفا ڈیجیٹل ٹرم ڈیپازٹ، فلاح آسان وومن ڈیجیٹل اکاؤنٹ اور مختلف پراڈکٹس لانچ کیں۔ یہ تمام پراڈکٹس شریعہ بورڈ سے مصدقہ اور منظور شدہ ہیں۔

بینک نے منسٹری آف فائنانس کے ممبر جوائنٹ فائنانشل ایڈوائزر کی حیثیت سے مقامی اسلامک بینکنگ انڈسٹری کے لیے ملکی کرنسی کے ایک ٹریلین روپے سے زائد کے صکوک کے اجراء کے لیے خدمات فراہم کیں۔ نیز بینک نے مختلف سنڈیکیٹ ٹرانزیکشنز کے لیے شریعہ ایڈوائزر کے طور پر خدمات فراہم کیں۔

دورانِ سال شریعہ کمپلائنس ڈیپارٹمنٹ اور داخلی شریعہ آڈٹ ڈیپارٹمنٹ نے کل 179 شاخوں اور 33 شعبوں بشمول سینٹریلائیزڈ ٹرم ڈیپازٹ، سینٹرلائیزڈ اکاؤنٹ اوپننگ، سینٹرلائیزڈ اسٹاف فائنانس، سینٹرلائزڈ ٹریڈ آپریشنز، IBG ٹریڈ ہب، کنزیومر فائنانس، اسلامک کریڈٹ ایڈمنسٹریشن سینٹرز، فائنانس، پول مینجمنٹ، اور ٹریژری کا ریویو اور آڈٹ کیا۔ یہ تمام ریویو اور آڈٹ شریعہ بورڈ سے منظور شدہ PPGs، پالیسیز، اور گائیڈ لائینز کی روشنی میں سرانجام دیئے گئے۔

شریعہ کمپلائنس ڈیپارٹمنٹ نے مختلف ٹرانزیکشنز کے پراسس فلوز کی منظوری شریعہ بورڈ سے حاصل کرنے میں بزنس یونٹ کی معاونت کی۔ نیز شریعہ اسٹرکچرنگ اور مختلف پراڈکٹس کے طریقہ کار وضع کرنے میں بھی اپنی خدمات فراہم کیں۔ شریعہ کمپلائنس ڈیپارٹمنٹ نے کارپوریٹ، کمرشل، اور SME کلائنٹس کے کاروباری طریقہ کار کو دیکھتے ہوئے ان کے 354 پراسس فلوز کا جائزہ لیا اور شریعہ بورڈ سے منظوری حاصل کی۔ اپنے فرائض کی سر انجامی کے دوران ڈیپارٹمنٹ نے کھاتہ داروں کو نفع کی تقسیم سے پہلے نفع و نقصان کے حساب کی تصدیق ماہانہ بنیادوں پر کی۔

اس رپورٹ میں موجود رائے قائم کرنے کے لیے ہم نے شریعہ کمپلائنس ڈیپارٹمنٹ کے ریویوز کی رپورٹز کا معائنہ کیا، جو شریعہ کمپلائنس نے عقود کی تمام انواع کی چیدہ چیدہ ٹرانزیکشنز اور متعلقہ دستاویزات اور پراسس فلوز کے جائزہ کی بنیاد پر پیش کیں۔ نیز ہم نے داخلی اور خارجی شریعہ آڈٹ کی پیش کی گئی رپورٹس کا بھی مطالعہ کیا۔ مذکورہ معلومات کی بنیاد پر ہماری یہ رائے ہے کہ:

1۔ 2021 کے دوران بینک کے کاروباری معاملات، بالخصوص تمویلی عقود، متعلقہ معاہدات، طریقہ کار اور اُن پر عمل درآمد مجموعی طور پر شریعہ بورڈ کے جاری کردہ فتاوٰی / تجاویز / ہدایات کے مطابق رہے۔

2۔ نیز بینک نے اسٹیٹ بینک آف پاکستان کی طرف سے اپنی شریعہ ایڈوائزری کمیٹی کی ہدایات کی روشنی میں جاری کردہ اصولی احکام، تعلیمات، اور قواعد و ضوابط کی تعمیل کی ہے۔

3۔ بینک کے معاملات کی شریعت سے ہم آہنگی کو یقینی بنانے کے لیے شریعہ کمپلائنس ڈیپارٹمنٹ اور داخلی شریعہ آڈٹ کے شعبوں کی شکل میں ایک منظم طریقہ کار موجود ہے۔

Report from the Board Audit Committee

The Board Audit Committee (BAC) performs its functions in compliance with regulatory requirements, Code of Corporate Governance (CCG), and its own Terms of Reference (TORs).

BAC Composition

The BAC comprises of four (4) non-executive Directors with financial, banking, strategic and relevant knowledge. Names and detailed profiles of BAC's Members are set out in the relevant section of this Annual Report. In accordance with the requirements of Code of Corporate Governance, the Committee is chaired by an independent Director with diversified banking experience, and exposure to key management positions.

BAC Meetings

The meetings of the Committee are designed to facilitate and encourage communication among the Committee Members, Senior Management, the Internal Audit Function and the Bank's External Auditors. The Committee discusses the overall scope and plans for their respective audits with the Head of Internal Audit and External Auditors. The Committee held six (6) meetings during the year 2021. Members' attendance records are disclosed in the Remuneration Framework disclosed within this section of the Annual Report. The BAC, in accordance with the requirements of COCG, met with Internal and External Auditors with and without the presence of the Management, for discussions on the results of auditors' examinations/evaluation of internal controls, and the overall quality of the Bank's financial reporting. The Chairman of the Audit Committee reports to the Board after each meeting on the activities of the Committee.

Oversight Function

BAC discharged its oversight responsibilities as mandated by the Board in accordance with the requirements of Code of Corporate Governance, listing regulations and applicable laws/directives issued by the respective regulators for local and overseas locations. The considerations of Board Audit Committee during the year include:

- Review of 'Statement of Compliance with the Code of Corporate Governance' prior to its approval and publication in the Annual Report;
- Review of the Bank's financial reporting framework and periodic financial statements, including details and disclosures of all related party transactions prior to their approval by the Board of Directors (BOD);
- Review and evaluation of effectiveness of the Bank's Internal Control Framework, overall control environment and systems, including compliance with applicable laws and regulations, adherence to accounting and reporting standards, information technology security controls, and the contingency planning process;
- Review of effectiveness of implementation of ICFR Framework along with reported gaps;
- Review of significant/high risk issues highlighted by internal audit during audits/reviews of branches and other functions of the Bank (including overseas operations) along with the compliance status thereof;
- Review quarterly Statement on Internal Controls and internal control systems of the Bank as per regulatory requirement;
- Review analysis related to fraud and forgery incidents in the Bank along with associated root causes and remedial measures to be taken to curb such instances in the future;
- Evaluate the effectiveness of the Bank's overall management of compliance risk (AML/CFT/Proliferation Financing (PF)/Targeted Financial Sanctions (TFS) related risk factors), in line with domestic and international regulatory requirements;
- Monitor compliance with observations highlighted in State Bank of Pakistan's inspection reports, including thematic audits along with comparative CAMELS ratings;
- Evaluate Internal Audit Function's conformance with International Standards for the Professional Practice of Internal Auditors, issued by the Institute of Internal Auditors, USA (IIA), Information Systems Audit & Control Association, USA (ISACA), regulatory instructions for both local and overseas operations, and best international practices;
- Review gap analyses and action plans with respect to Internal and External Assessment conducted in accordance with the requirements of Guidelines on Internal Audit Function, as per the prescribed frequency;

- Evaluate that no unjustified restrictions/scope limitations on work of Internal Audit Function exists;
- Review, approve and recommend to the Board (where applicable) amendments to relevant control documents, including Internal Audit Policy, Credit Risk Review Policy, Whistleblowing Policy, Internal Audit Manual, and TORs of BAC;
- Review effectiveness of whistleblowing procedures for receiving (through internal or external sources) complaints/concerns regarding business ethics/conduct practices, governance and risk management practices, controls over financial reporting, and auditing practices;
- Review the results of the Bank's Internal Risk Assessment report in accordance with revised SBP AML/CFT/CPF regulations;
- Review the status of complaints lodged under the Bank's Whistleblowing Policy along with resolutions thereof;
- Review the Internal Audit strategy and Internal Audit Function's road map for continuous professional development along with review/updates, as deemed necessary;
- Review, approve and oversee the Risk Based Audit Plan/Risk Assessment Policy along with any revisions/deviations in the plan, Annual Audit Budget along with its utilisation, and resource requirements for Internal Audit;
- Review of annual compliance plan and compliance performance report on bi-annual basis as per regulatory requirements;
- Review the performance of Chief Internal Auditor, Internal Audit Function and External Auditors in terms of adding value and strengthening internal controls of the Bank through identification of and recommendations for key control issues;
- Approve promotions, increments and rewards for Internal Audit staff, including Chief Internal Auditor (CIA)/Head of Internal Audit;
- In consultation with Chief Internal Auditor (CIA)/Head of Internal Audit, ensure that Internal Audit staff is equipped with relevant auditing skills, knowledge, tools, methodologies, technique and competencies to perform their respective roles and responsibilities with sufficient budget for training and development activities along with periodic review of the same;
- Review status of existing/ongoing projects/ initiatives of the Internal Audit Group along with targeted completion dates;
- Review the implementation of instructions of the Committee along with follow-up;
- Review issues/exceptions pointed out by the External Auditors in the Management Letter furnished in accordance with the requirement of Code of Corporate Governance;
- Ensure strong coordination among Internal Auditors, External Auditors and the Management and act as an arbitrator in case of any conflict/disagreement; and
- Ensure separate meetings with CIA/Head of Internal Audit and External Auditors of the Bank in the absence of the Management, at least on an annual basis.

Significant Matters in Relation to the Financial Statements

The BAC deliberated over issues raised by External Auditors of the Bank in the Management Letter, Key Audit Matters and Shariah Audit report, along with rigorous follow-up for unresolved issues as per the prescribed frequency.

Review of Risk Management and Internal Control Systems

The BAC reviewed the effectiveness of the Bank's policies and procedures regarding Internal Control systems (including the financial, operational, IT, risk management, information security, outsourcing, legal, compliance, Shariah, and those controls designed to detect material weaknesses), leveraging the work of the Bank's Internal and External Auditors, and regular reports from the Management, including those on risk management, regulatory compliance and legal matters.

BAC reviewed and concurred with Management's confirmation that for the year ended 31st December, 2021, the Bank's Risk Management and Internal Control systems worked effectively. BAC is satisfied that the Management has adopted necessary control mechanisms to monitor and reduce non-compliance.

Committee's Overall Approach to Risk Management and Internal Controls

BAC reviews and reports control weaknesses in the Bank's processes and systems. This includes review of KYC/AML/CFT, customer experience, IT/systems, operations, foreign trade and trade based money laundering, governance, HR, etc. BAC discussed and deliberated at length, and identified control breaches and strategies to overcome control weaknesses along with timelines, as part of the BAC meeting agenda.

Internal Audit and Effective Implementation of Internal Controls

The independence of the Internal Audit Function has been ensured via direct reporting of CIA/Head of Internal Audit to the Board Audit Committee (BAC). The scope of work of Internal Audit Function is finalised in accordance with BAC/regulatory instructions to ensure that all significant activities of the Bank are subject to Internal Audit review in line with risk based strategy/IIA standards and best practices. Further, the performance of Internal Audit is gauged through reports presented at regular intervals, including summary of key audit findings during the period. The Head of Internal Audit has direct access to the Chairman of the Audit Committee, and the Committee meets with the Head of Internal Audit on a regular basis with and without the presence of the Management. Head of Internal Audit provides an independent assessment/opinion, to BAC on an annual basis on the state of Internal Controls (including Shariah compliance, where applicable) on the basis of audits conducted during the period supported by specific observations/conclusions. The Audit Committee Charter/TORs are updated periodically vis-à-vis changes in local laws/regulatory directives/statute.

BAC ensured that there were no restrictions on Internal Auditors' access to people, information, processes, properties, records, and systems, to allow them to perform their audit activities with objectivity.

Review of Whistles Blown

BAC reviewed the whistles blown during the year 2021 from time to time, including the action taken along with remedial action to resolve the issue permanently, and measures taken to protect the complainant in accordance with Whistleblowing Policy as disclosed in 'Governance' section of this Annual Report.

External Audit

BAC recommends appointment of External Auditors of the Bank (including appointment of External Auditors for overseas operations and Shariah Auditors) after careful selection based on various qualitative factors, including the firm's profile, reputation, independence, capabilities, technical expertise and knowledge of the Bank's operations and industry. BAC also finalises the scope of audit and remuneration of the auditors.

The committee concluded that it was satisfied with the external auditors' performance on audit and other assurance or agreed upon procedures assignments and has recommended the reappointment of external auditors (M/S EY Ford Rhodes, being the retiring external auditors, for the year ending 31st December, 2022) to the Board. There have been no appointment changes other than retiring external auditors before the lapse of three consecutive years.

Annual Report for the Year

The Committee is of the view that the Annual Report of the Bank is fair, balanced and understandable, and provides necessary information to shareholders to assess the Company's position and performance, business model and strategy.

Self-evaluation of the Committee

The Committee evaluates its own performance on annual basis thereby assessing the targets achieved, performance initiatives and whistleblowing actions taken and submit the report to the Board of Directors.

Conclusion

In addition to the Committee's key responsibilities, the Committee has and will continue to pay attention to the on-going and long-term impacts, including the pandemic, on the financial reporting of the Bank. Based on the reviews and aforementioned discussions, the Committee recommended to the Board of Directors, and the Board, approved the audited financial statements along with regulatory statements, to be included in the Annual Report for the year ended 31st December, 2021.

Board Audit Committee

Mr. Khalid Qurashi – Chairman BAC
Mr. Abdulla Khalil Al Mutawa – Director
Mr. Khalid Mana Saeed Al Otaiba - Director
Dr. Ayesha Khan – Director

Khalid Qurashi
BAC Chairman

Dubai
31st January, 2022

Remuneration Framework

With an intention to make Directors and Senior Management more accountable for their governance and performance vis-à-vis determination and payment of compensation, and to develop a fair, transparent and sound compensation policy that is aligned with risks and responsibilities, the SBP vide its circular no. BPRD no. 2 of 2016 dated 2nd March, 2016 issued Guidelines and Disclosure on Governance and Remuneration Practices. The following disclosures 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 Bank's Governance Policy. Profiles of Directors, including their qualifications, expertise and past work experience are disclosed as part of the 'Governance' section of this Annual Report.

Board Committees - TORs and Meetings

Terms of Reference of the Board Committees, their composition and membership, number of meetings held, and number of meetings attended by the members are disclosed as part of the 'Governance' section of this Annual Report.

Shariah Board - Appointment, Profiles, TORs, Meetings

Appointment of Shariah Board members and Chairperson is subject to the Board's approval, and prior approval of the State Bank of Pakistan. Profiles of the Shariah Board members and their membership on other boards are disclosed as part of the 'Governance' section of this Annual Report. Terms of Reference (TORs) of Shariah Board, and number of meetings held and attended by each member are also disclosed as part of the 'Governance' section of this Annual Report.

Key achievements of Board Committees

- **Board Risk Management Committee (BRMC)**

The Board of the Bank is ultimately responsible for development, implementation and maintenance of a robust and dynamic ERM (Enterprise Risk Management) Framework in the Bank. However, to increase efficiency and effectiveness, the Board has delegated its risk oversight responsibilities to the Board Risk Management Committee (BRMC). The BRMC ensures that the Bank has an adequate Enterprise Risk Management Framework (policies, processes and people). The BRMC also recommends the delegation of authorities to the Management Committees, and approves the Terms of Reference of the Bank's Central Credit Committee (CCC).

During 2021, the BRMC reviewed and recommended to the Board, the Bank's overall risk appetite and risk tolerance in relation to all risk areas, including credit, market, liquidity, operational, trade based money laundering and information security risks. It recommended approval of exposure limits to Board in relation to Risk Management strategies, and reviewed compliance with these limits. Additionally, the Committee carried out a comprehensive review of the Bank's policies for onward recommendation to the Board of Directors. In the year 2021, the BRMC continued to assess the adequacy of the Bank's capital level in lieu of Pillar 1 and Pillar 2 risks along with the resilience of the Bank's capital base under adverse economic environments. It also reviewed the liquidity position of the Bank in terms of Basel III liquidity ratios (LCR and NSFR). BRMC being primarily responsible for oversight of timely implementation process of IFRS 9 approved the transition plan and reviewed the implementation progress there against.

During the year, the BRMC reviewed the reports presented to it, and effectively performed the risk oversight function. Based on submissions, it guided the Management for the actions required to manage the risks highlighted in a timely manner. The BRMC regularly informed the Board about its activities, performance, and risk related issues of the Bank.

- **Board Audit Committee (BAC)**
  The Board Audit Committee (BAC) has played a significant role in enhancing the credibility of financial statements, quality of internal controls, governance, and risk management practices of the Bank by performing its oversight responsibilities of reviewing financial reporting, internal controls, and risk management processes, and ensuring the execution of quality audits. BAC also evaluates the effectiveness of the Bank's overall management of compliance risk keeping in view domestic and international regulatory requirements.

  During the year 2021, the BAC, in accordance with the BoD approved mandate, has reviewed and made recommendations to the BoD on various policies, related party transactions and the control weaknesses pointed out by the regulator during inspections, annual plans/performance review for Internal Audit/Compliance function along with various other agenda items.

  The BAC also reviewed the analysis of fraud incidents in the Bank along with identifying root causes and steps/remedial measures to curb such instances in the future. The BAC played a significant role in securing stakeholders' interests with establishment of a robust Whistleblowing Mechanism along with follow-ups, where all complaints were subject to review by the Chairman BAC without exception.

  Besides performing the responsibilities entrusted by the BOD as per approved TORs, the BAC has followed a proactive approach, and has taken/supervised actions, including the alignment of the Internal Audit (IA) approach and revamping of IA processes and documentation as per IIA standards, best practices and regulatory guidelines, automation of complete audit life cycle through implementation of audit management solutions in accordance with regulatory advice, and review of risk assessment methodology for incorporation in the upcoming annual audit plan, thus accelerating the journey of Internal Audit function towards its vision.

- **Board Strategy and Finance Committee (BSFC)**
  The Board Strategy and Finance Committee (BSFC) assists the Board of Directors of the Bank in performing its functions and responsibilities with focus on policymaking, general direction, oversight and supervision. The BSFC has played its role through extensive strategic decision making/recommendations, which contributed towards the growth/progress of the Bank. It has reviewed/recommended all matters particularly involving financial and strategic issues (other than periodic financial statements, which are mandated to be reviewed by the Board Audit Committee).

  During the year 2021, the BSFC reviewed the Bank's long-term strategy in the backdrop of the competitive landscape to increase market share through business revitalisation and structural realignment in line with growing business requirements. The Committee also reviewed and made recommendations to the Board for the Annual Business Plan/Budget 2022 of all business groups, performance of overseas operations of the Bank, performance of the Bank's subsidiaries and associate companies, branch network expansion plan, various policies/frameworks along with monitoring and supervision of the Central Management Committee of the Bank. The BSFC also discussed in detail the strategy for the Bank's Afghanistan operations. It has also demonstrated its contribution towards Corporate Social Responsibility (CSR), and reviewed claims and legal cases against the Bank.

  The BSFC reviewed and recommended to the Board reports of the Shariah Board, profit and loss distribution and pool management policy of Islamic Banking, investment plans, major capital expenditures, various policies of the Bank, etc., and provided necessary directives to the Management.

- **Board Information Technology Committee (BITC)**
  The Board Information Technology Committee (BITC) plays a supervisory and advisory role for IT, information security and digital banking functions within the Bank, and is responsible for advising and reporting to the Board on the status of technology and digital 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 the SBP.

  As a result of the continuity of the COVID-19 pandemic, the dependency of banking on digital platforms has increased significantly. Technology innovations and advancements enable the Bank to serve its customers more effectively. During the year 2021, the BITC ensured that the Bank takes advantage of evolving technologies, and consolidates its digital platform and applications with enhanced processing power and extended capacity in order to reduce cost, and bring more improvements and maintainability. The BITC strictly monitored digital enhancements, and ensured that information security and regulatory compliance remain the foundation of all new initiatives.

  The BITC meetings emphasised delivering superior customer experience through innovative digital product offerings, agile and robust systems, and digital transformation to provide a highly efficient system for non-stop customer services.

The Committee approved major IT and digital investments, in accordance with its powers and scope. It has paid special attention to, and is focused on achieving the highest level of optimisation in operations and critical technology components to deliver frictionless banking services. The BITC also stressed on timely addressal of information and cyber security issues, and mitigation of the related risks proactively.

- **Board Human Resources, Remuneration and Nomination Committee (BHR&NC)**

The Board Human Resources, Remuneration and Nomination Committee (BHR&NC) contributed towards the development of human resources. During 2021, the Board of Directors, upon recommendation of BHR&NC, approved the size, structure and composition of the Board of Directors of the Bank, for the election of Directors of the Bank by the shareholders.

Year 2021 was marked as the year of consolidation after COVID-19 hit globally and the Bank carried forward welfare initiatives undertaken during 2020. Human Resources and Learning Group of the Bank actively launched Vaccination drives across the Bank as part of Corporate Social Responsibility for vaccinating employees, dependents and third party staff. COVID-vaccination policy was introduced to ensure safe working environment for staff and customers. Consequent to continued efforts 100% Pakistan operations and majority of staff dependents got vaccinated.

BHR&NC reviewed/recommended to the Board various HR policies during 2021 such as staff finance facility, hospitalisation insurance, Code of Conduct, Banking of Equality Policy, Overseas Remuneration Policy, framework on differently-abled individuals, gender diversity and succession planning, and gave necessary directives to the Management on the same.

BHR&NC reviewed and recommended to the Board the Training Budget for the year 2022, Bank's compensation strategies with a view to ensure that compensation and benefit levels are maintained and aligned with that of other comparable size organisations.

- **Board Crisis Management Committee (BCMC)**

The Board Crisis Management Committee ('BCMC') was formed as a specialised committee primarily to oversee and assist the Board of Directors as well as guiding the Management of the Bank in the matters relating to the COVID-19 pandemic.

The Committee dealt with the impact of COVID-19 on the Bank, its employees, customers, shareholders and other stakeholders. BCMC reviewed/devised relevant policies and strategy of the Bank for dealing with the impact of the pandemic and recommended to the Board for approval. It also identified 'mission-critical' and key risks due the pandemic, and took adequate and specific targeted actions to mitigate the risk.

The Committee worked well for the safety, health and wellbeing of the staff, their families, local communities including customers, partners and their businesses. BCMC guided the Management to ensure business continuity with minimal or no disruption, whilst closely monitoring the situation in Pakistan as well as around the globe. The key elements of the strategy advised by BCMC includes safety measures taken for staff and customers, enforcing social distancing measures, Business Continuity measures, enforcement of effective protocols and SOPs and measures to protect the Bank's assets and minimizing adverse impact on the P&L.

As per recommendation of BCMC, approved by the Board, the Bank conducted a vaccination drive within the premises of the Head Office and the Branches, benefiting all staff members, their dependents including security guards and janitorial staff. The Committee also ensured that the internal communication channels continued to be used to reinforce social distancing norms and personal protection amongst the staff of the Bank.

The BCMC monitored the impact of the pandemic on the credit portfolio of the Bank. It ensured that adequate measures and strategies are adopted by the Bank to implement the 'work from home' strategy. A Business Continuity Plan was created to ensure availability of staff across multiple locations along with vigilant operational monitoring of core systems. The BCMC was also keenly involved in getting necessary updates on the operations of the Bank's digital banking during the pandemic, and in making necessary recommendations, where needed.

- **Board Real Estate Committee (BREC)**

The Board of Directors of the Bank formed a new Board Committee on 24th October, 2021, namely the Board Real Estate Committee (BREC).

The purpose of the BREC is to consider, recommend and approve real estate proposals and relevant policy and/or any amendments therein, acquisitions, and disposal of specific property, including land, building (either partly or fully constructed) beyond the Management Committee's scope, and proposals for development projects for the use of the Bank (including the overseas operations of the Bank).

Formulation and Implementation of Remuneration Policy and Assessment of Board Performance

During 2020, A. F. Fergusons - member firm of PriceWaterhouseCoopers (PWC) was engaged to assist the Bank in implementation of the Remuneration Policy Guidelines issued by the State Bank of Pakistan (SBP). The scope included drafting the mechanism for identification of Material Risk Takers and Material Risk Controllers, review of their existing scorecards and preparation of risk-adjusted scorecards, drafting the Remuneration Policy for the Bank, including deferral mechanism, and assisting the Bank in implementation of the policy.

Disclosure Relating to the Remuneration Policy

- **Information on overall remuneration policy of the Bank**

  The primary objective is to define a competitive remuneration system, balancing strategic business targets and correctly rewarding employees.

  To ensure alignment of remuneration practices with international standards and best practices, the State Bank of Pakistan (SBP) has issued Guidelines on Remuneration Practices (Guidelines). Accordingly, the Bank has developed a Remuneration Framework (Framework) to implement the Guidelines.

  Following are the objectives of the Framework:

1. To promote and be consistent with sound and effective risk management, and not encourage risk-taking that exceeds the risk thresholds of the Bank;
2. To ensure that the remuneration practice is in line with the Bank's objectives, taking into consideration all major risks that the Bank may face, and promotes and supports long-term performance;
3. To align remuneration with risk appetite and with conduct expectations of the Bank, regulators and stakeholders; and
4. To attract, retain and motivate highly qualified employees, but also reward those who promote corporate values correlated with long-term value generation.

- **Governance Framework**

  The Bank's Governance Framework, with respect to these guidelines, aims at ensuring appropriate control oversight on remuneration practices, ensuring that decisions are taken with sufficient independence and in an informed way, by the authorities and functions to which different responsibilities are delegated.

  The BoD has the overall responsibility for reviewing, approving and monitoring implementation of the bank-wide Remuneration Framework, based on the recommendations of Board Human Resources Remuneration and Nominations Committee (BHR&NC). In addition, the Board, through BHR&NC, reviews on periodic basis, reports on remuneration structure, including the composition of fixed and variable remuneration of the President and CEO and the Management Team (direct reportees of the President and CEO and Board/Board Committees).

  The Board remains responsible for determining compensation and benefits for certain corporate roles, including the President and CEO, CFO, Head of Audit and Inspection, and Company Secretary.

Features of total compensation

The Bank offers a compensation structure with a balanced mix of fixed and variable elements. The compensation mix is periodically reviewed by Human Resources and Learning Group (HR&LG) to ensure external competitiveness and internal adequacy. The review also takes into account the results of performance evaluations, and assigned roles and responsibilities. The objective of maintaining a balanced pay mix is to encourage behaviours focused on the achievement of long-term sustainable results.

This Framework, the Bank's HR policies and frameworks, and general incentive structures focus on ensuring sound and effective risk management through the following:

1. A robust governance structure for setting goals (including risk adjustments), communicating these goals to employees, and performance measurement to ensure assigned goals are achieved without any excessive or undue risk-taking;
2. Alignment with the Bank's business strategy, values, key priorities and long-term goals;
3. Alignment with the principles of protecting customers, investors, regulators, and other stakeholders; and
4. Restricting employees, including Material Risk Takers (MRTs) and Material Risk Controllers (MRCs), from undertaking hedging, pledging or insurance strategies for their remuneration, or for any other aspect that might alter, or undermine the risk alignment effects inherent in the Bank's remuneration mechanisms.

- **Factors considered for differentiating variable pays across employees or group of employees**

  The compensation structures for MRTs and MRCs is determined and proposed by the HR&LG, which ensures an appropriate balance between fixed and variable pay, while considering various factors, including the following:

1. Whether the individual is an MRT or MRC;
2. Position within the organisation;
3. Roles and responsibilities;
4. Risk alignment (i.e. the higher the risks undertaken the more shall be the variable remuneration); and
5. Performance against financial as well as non-financial objectives and KPIs, including risk-adjusting factors.

- **Types of employees considered as Material Risk Takers (MRTs) and Material Risk Controller (MRCs)**

  The inclusion criteria have been developed in accordance with the guidelines and applicable best practices, and are subject to approval by the BHR&NC. The inclusion criteria comprises of two sections; namely the qualitative and quantitative MRT/MRC inclusion criteria.

Qualitative inclusion criteria

The following qualitative criteria shall be applied for identification of MRTs and MRCs:

1. President and CEO, or any other equivalent position;
2. Members of the Management Team, i.e. reporting directly to the President and CEO, and the BoD or any Board Committee;
3. Members of critical Management Committees;
4. Heads of critical functions responsible for managing business, risks and controls, that may subject the Bank to significant risks; and
5. Country Heads of overseas branches, unless the related branch is subject to similar remuneration regulations in the host countries.

Quantitative inclusion criteria

Quantitative inclusion criteria includes:

1. Credit Risk;
2. Market Risk;
3. Operational Risk; and
4. Liquidity Risk.

- **Implementing the remuneration measures, and their alignment with current and future risks and performance**

  This is done through the following steps:

1. Introduction of risk-adjusted balanced scorecards for performance evaluation of MRTs/MRCs;
2. Inclusion of another value driver in balanced scorecard categories, i.e. risk adjusting factors;
3. Identification of relevant Key Performance Indicators against each category;
4. Identification of risk adjustments (ex-ante risk adjustments);
5. Assignment of weightages;
6. Periodic review and update of risk-adjusted balanced scorecard;
7. Ratings mechanism; and
8. Application of overrides.

- **Responsibility levels of the key executives and Directors**

Compensations provided to non-executive Directors

In accordance with regulatory requirements, the Policy on Directors' Remuneration was unanimously approved by the shareholders of the Bank in the 28th Annual General Meeting held on 27th March, 2020. The basis of compensation provided to non-executive Directors is covered in the said policy.

Remuneration provided to the Shariah Board Members and its components

The remuneration of the Shariah Board is governed under the compensation policy approved by the Board of Directors.

Fixed and variable pay provided to senior executives, including CEO, MRCs and other MRTs

Fixed Pay

For fixed pay, HRLG annually derives an appropriate benchmark with external market data, in order to ensure the appropriateness of the fixed remuneration for the Bank to be able to attract and retain the relevant resources, particularly in relation to the MRTs/ MRCs

Variable Pay

Variable remuneration takes into account performance of the Bank, the Group, business unit/product and individuals. Achievement/underachievement of financial performance, excessive or undue risks, customer experience, audit/internal controls/compliance issues, etc. are generally considered for determining risk-adjusted

variable remuneration. Performance-based remuneration in the form of annual or periodic bonuses and sales incentives are disbursed in cash and/or share options, in accordance with relevant HR policies and frameworks.

Basis for payment of bonuses and awards to CEO, senior executives and MRTs/MRCs

The basis for payment of bonuses is determined keeping in view the achievement of KPIs in all value drivers.

The Bank ensures that Risk Control Function employees are remunerated independently of the functions they oversee

1. The Bank ensures provision of adequate feedback on relevant risk adjustments in the risk-adjusted balanced scorecards of MRTs/MRCs;
2. The Bank reviews the targets and measurement benchmarks against relevant risk adjustments, assigned within the risk-adjusted balanced scorecards to ensure alignment with the risk profile and risk appetite of the Bank; and
3. The Bank ensures timely provision of information/feedback to assist in performance evaluation against risk adjustments of MRTs/MRCs.

Policy on vesting and deferral of variable remuneration

A certain portion of variable compensation of the CEO, key executives, MRTs/MRCs are subject to mandatory deferrals for a defined period, thus creating alignment between the employees' and stakeholders' interests, and reinforcing that compensation is appropriately linked to longer-term sustainable performance. Deferred remuneration, especially with risk adjustments, is a useful tool for improving risk-taking incentives because the amount ultimately received by employees can be made to depend on risk outcomes.

The deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the CEO, key executives and MRTs/MRCs. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award.

The deferred portion of the variable remuneration shall be paid to the CEO, key executives and MRTs/MRCs proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. In case of malus, and where accountability has been determined in accordance with the conduct and accountability framework of the Bank, the entire or certain portion of the deferred remuneration shall be withheld and not paid to the CEO, key executives and MRTs/MRCs on becoming due, and will be recorded back as income in the books of accounts of the Bank.

Board of Directors - Details

S.No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Board Memberships in other Companies and Institutions
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	From 07-Jul-1997 to 03-Nov-2002 (resigned) and co-opted on 15-Jan-2017	Chairman/Non-Executive Director	None	• Chairman, Alfalah Insurance Company Ltd • Chairman, Taavun (Pvt) Limited • Proprietor, Dhabi Group, UAE • Chairman, Dhabi One Investment Services LLC, UAE • Chairman, Dhabi Holdings PJSC , UAE • Chairman, MAB Investment Inc • Chairman, Salsal Petroleum LLC, UAE • Director, Warid Telecom Pakistan LLC, UAE • Chairman, JSC TeraBank, Georgia • Chairman, Wincom Services Pakistan LLC , UAE Other entities (Ministries/NGOs, etc.) • Minister of State for Tolerance and Coexistence in the Cabinet of UAE • Honorary President, Future Rehabilitation Center, Abu Dhabi • Patron, Emirates Natural History Group • Chairman and Patron, Abu Dhabi Cricket Club • Chairman, Emirates Cricket Board • Commissioner General, Expo - 2020 Dubai, UAE
2	Mr. Abdulla Nasser Hawaileel Al Mansoori	07-Jul-1997	Non-Executive Director	None	Chairman of the Board, Al Nasser Holdings and Group Companies: • Al Nasser Holdings LLC • Al Nasser Investments LLC • Al Qahtani Investments LLC • Member, Saudi Emirati Co-ordination Council • Member, Economic Collaboration Committee Abu Dhabi
3	Mr. Abdull Khalil A Mutawa	07-Jul-1997	Non-Executive Director	• Board Strategy and Finance Committee • Board Audit Committee • Board Risk Management Committee • Board Information Technology Committee • Board Human Resource, Remuneration and Nomination Committee • Board Compensation Committee • Board Crisis Management Committee • Board Real Estate Committee	• Chairman, Makhazen Investment Company • Director, EFG Hermes Holding • Director, Abu Dhabi National Hotels Company

S.No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Board Memberships in other Companies and Institutions
4	Mr. Khalid Mana Saeed Al Otaiba	08-Mar-2003	Non-Executive Director	• Board Risk Management Committee • Board Compensation Committee • Board Audit Committee • Board Strategy and Finance Committee • Board Information Technology Committee • Board Human Resource, Remuneration and Nomination Committee • Board Crisis Management Committee • Board Real Estate Committee	• Deputy Chairman, Al Otaiba Group of Companies • Director, Alfalah Insurance Company Limited • Chairman, Liwa International Investment Tourism • Chairman, Royal Mirage Hotel & Resorts Ltd, Morocco • Director, Ghantout International • Director, EFG Hermes Holding S. A. E.
5	Dr. Ayesha Khan	27-May-2018	Independent Director	• Board Human Resource, Remuneration and Nomination Committee • Board Compensation Committee • Board Audit Committee • Board Strategy and Finance Committee • Board Crisis Management Committee	• CEO and Regional Managing Director for Pakistan, Acumen • Director, NRSP Microfinance Bank • Director, Fauji Fertilizer Company Ltd.
6	Dr. Gyorgy Tamas Ladics	27-May-2018	Independent Director	• Board Information Technology Committee • Board Human Resource, Remuneration and Nomination Committee • Board Crisis Management Committee • Board Strategy and Finance Committee	• Chief Executive Officer, Silverlake Symmetri
7	Mr. Khalid Qurashi	From 27-May-2015 to 26-Feb-2018 and co-opted on 14-May-2020	Independent Director	• Board Audit Committee • Board Strategy and Finance Committee • Board Risk Management Committee • Board Human Resource, Remuneration and Nomination Committee • Board Crisis Management Committee	• Beneficial Owner, Q-Power Corporation (50% shares held) • Beneficial Owner, Pitlochry Associates DMCC (100% shares held) • Member of Investment Committee, SIDRA Capital, Saudi Arabia
8	Mr. Atif Aslam Bajwa	From 25-Oct-2011 to 15-Jul-2017 and co-opted on 19-Feb-2020	CEO/Executive Director	• Board Strategy and Finance Committee • Board Risk Management Committee • Board Information Technology Committee • Board Crisis Management Committee • Board Real Estate Committee	• Board Member, Alfalah Insurance Company Limited • Board Member, PIA Investments Limited and its subsidiaries: - Roosevelt Hotel Corporation N. V. - Minhal France S. A. - Avant Hotels (Pvt) Limited • Board Member, Pakistan International Airlines Corporation Limited • Board Member, Institute of Bankers In Pakistan

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-Jan-2015	Chairman, Shariah Board	• Member, Shariah Board, Faysal Bank Limited • Member, Shariah Board, National Bank Limited
2	Mufti Muhammad Mohib ul Haq Siddiqui	10-Jan-2015	Member, Shariah Board	• Chairman, Shariah Board, Faysal Bank Limited • Member, Shariah Board, Bank AL Habib Limited
3	Mufti Aqeel Akhtar	01-Jul-2021	Member, Shariah Board	• None
4	Mufti Usama Ehsan	01-Jul-2021	Member, Shariah Board	• None
5	Mufti Ovais Ahmed	10-Jan-2015	Resident Member, Shariah Board	• None

Directors' Participation in Board and Board Committees Meetings

2021									
Name of Director	Board of Directors Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource, Remuneration and Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Crisis Management Committee Meetings	Board Real Estate Committee Meetings	Board Compensation Committee Meetings
No. of Meetings held during the year	**5**	**6**	**5**	**3**	**5**	**4**	**5**	**1**	**Nil**
	Number of Board and Board Committees meetings attended								
HH Sheikh Nahayan Mabarak Al Nahayan	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mr. Abdulla Khalil Al Mutawa	5	6	5	3	5	4	5	1	
Mr. Khalid Mana Saeed Al Otaiba	5	6	5	3	5	4	5	1	
Dr. Ayesha Khan	5	6	2	3	N/A	N/A	5	N/A	
Dr. Gyorgy Tamas Ladics	5	N/A	2	3	N/A	4	5	N/A	
Mr. Khalid Qurashi	5	6	5	3	5	N/A	5	N/A	
Mr. Atif Aslam Bajwa	5	N/A	5	N/A	5	4	5	1	
Mr. Efstratios Georgios Arapoglou*	2	3	3	N/A	2	2	2	N/A	

*Director retired during the year.

2020								
Name of Director	Board of Directors Meetings	Board Audit Committee Meetings	Board Strategy and Finance Committee Meetings	Board Human Resource, Remuneration and Nomination Committee Meetings	Board Risk Management Committee Meetings	Board Information Technology Committee Meetings	Board Coronavirus Crisis Management Committee Meetings	Board Compensation Committee Meetings
Total meetings held	**6**	**6**	**6**	**5**	**5**	**4**	**4**	**Nil**
	Number of Board and Board Committees meetings attended							
HH Sheikh Nahayan Mabarak Al Nahayan	6	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	5	N/A	N/A	N/A	N/A	N/A	N/A	-
Mr. Abdulla Khalil Al Mutawa	6	6	6	5	5	4	4	-
Mr. Khalid Mana Saeed Al Otaiba	6	6	6	5	5	4	4	-
Mr. Efstratios Georgios Arapoglou	6	6	6	N/A	5	4	4	-
Dr. Ayesha Khan	6	6	N/A	5	N/A	N/A	4	-
Dr. Gyorgy Tamas Ladics	6	N/A	N/A	5	N/A	4	4	-
Mr. Khalid Qurashi*	3	3	4	2	3	N/A	1	-
Mr. Atif Aslam Bajwa*	4	N/A	5	N/A	4	3	4	-
Mr. Shehzad Naqvi**	1	2	1	1	1	N/A	N/A	-
Mr. Nauman Ansari**	1	N/A	1	N/A	1	1	N/A	-

*Directors co-opted/appointed during the year.
**Directors resigned during the year.

Shariah Board Committee Meetings

S.No.	Name of Director	Meetings held/attended
	Total meetings held	4
1	Dr. Khalil Ahmad Aazami	4
2	Mufti Mohib ul Haq Siddiqui	4
3	Mufti Aqeel Akhtar*	2
4	Mufti Usama Ehsan*	2
5	Mufti Ovais Ahmed	4

* Appointed during the year.

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: **Bank Alfalah Limited ('the Bank')**
Year ended: **31st December, 2021**

The Bank has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('Code/Regulations') in the following manner:

1. The total number of directors are eight:
   a. Male: Seven
   b. Female: One

2. The composition of the Board is as follows:
   i Independent Directors (including one female director) Three
   ii Other non-executive Directors Four
   iii Executive Directors One

3. The directors have confirmed that none of them are serving as a director on more than seven listed companies, including the Bank;

4. The Bank has a 'Code of Conduct' and has ensured that appropriate steps were 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The Bank had arranged Directors' Training Programme for its Directors and four Directors of the Bank have already done certification of Director's Training Programme. The other Directors stand exempted, as per criteria mentioned in the Code;

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval by the Board;

12. The Board has formed/reconstituted the committees comprising of members given below:

A) Board Audit Committee
1. Mr. Khalid Qurashi, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Dr. Ayesha Khan, Member

B) Board Strategy and Finance Committee
1. Mr. Abdulla Khalil Al Mutawa, Chairman
2. Mr. Khalid Mana Saeed Al Otaiba, Member
3. Dr. Ayesha Khan, Member
4. Dr. Gyorgy Tamas Ladics, Member
5. Mr. Khalid Qurashi, Member
6. Mr. Atif Aslam Bajwa, Member

C) Board Risk Management Committee
1. Mr. Khalid Mana Saeed Al Otaiba, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Qurashi, Member
4. Mr. Atif Aslam Bajwa, Member

D) Board Information Technology Committee
1. Dr. Gyorgy Tamas Ladics, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Mr. Atif Aslam Bajwa, Member

E) Board Human Resource, Remuneration and Nomination Committee
1. Dr. Ayesha Khan, Chairperson
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Dr. Gyorgy Tamas Ladics, Member
5. Mr. Khalid Qurashi, Member

F) Board Compensation Committee
1. Dr. Ayesha Khan, Chairperson
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member

G) Board Crisis Management Committee

1. Mr. Abdulla Khalil Al Mutawa, Chairman
2. Mr. Khalid Mana Saeed Al Otaiba, Member
3. Dr. Ayesha Khan, Member
4. Dr. Gyorgy Tamas Ladics, Member
5. Mr. Khalid Qurashi, Member
6. Mr. Atif Aslam Bajwa, Member

H) Board Real Estate Committee (BREC)

1. Mr. Abdulla Khalil Al Mutawa, Chairman
2. Mr. Khalid Mana Saeed Al Otaiba, Member
3. Mr. Atif Aslam Bajwa, Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The number of meetings held during the year are as follows. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank.

Name of Committee	No. of Meetings held during the year, 2021
Board Audit Committee	Six
Board Strategy and Finance Committee	Five
Board Risk Management Committee	Five
Board Information Technology Committee	Four
Board Human Resources, Remuneration and Nomination Committee	Three
Board Compensation Committee	None
Board Crisis Management Committee	Five
Board Real Estate Committee	One

15. The Board has set up an effective internal audit function, which is considered suitably qualified, experienced for the purpose and are conversant with the policies and procedures of the Bank;

16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan, and that they and the partners of the firm involved in the audit are not 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 directors of the Bank;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have followed IFAC guidelines in this regard; and;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Atif Aslam Bajwa
President and Chief Executive Officer

His Highness Sheikh Nahayan Mabarak Al Nahayan
Chairman

Dubai
2nd February, 2022

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Bank Alfalah Limited (the Bank) for the year ended 31 December 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2021.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 1st March 2022
UDIN: CR202110120Ss0tOVIn5

Statement of Internal Controls

This Statement of Internal Controls is based upon an ongoing process designed to identify the significant risks in achieving the bank's policies, aims and objectives, and to evaluate nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been continuously in place throughout the year 2021.

The Board of Directors considers a sound control framework as the key to sustainable growth and value creation. The Board has defined role of the Board's Audit Committee (BAC) and Senior Management to establish and maintain an adequate and effective system of Internal Controls, and every endeavor is made to implement sound control procedures and to maintain a robust control environment.

The Bank's Internal Control Policy outlines the overall Control Objectives, the Bank's Controls Framework as well as the Bank's approach towards implementation of the framework. Bank Alfalah Control Framework (the framework) is structured on the lines of globally recognised 'Three Line of Defense Model' in which Business/Support Unit serves as First Line of Defense, 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 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, such as Risk Management, Compliance and Internal Controls, etc.

The Board of Directors has instituted an effective Audit function (Audit & Inspection Group), reporting to the Board through the Board Audit Committee, which not only monitors compliance with the Bank's policies, procedures, controls and reports significant deviations regularly to the Board Audit Committee, but also regularly reviews the adequacy of the overall internal control system. Furthermore, observations and weaknesses regarding control health pointed out by the Bank's external and internal auditors are also addressed promptly and necessary steps are taken by the Management to eradicate such weaknesses. Remedial actions against control breaches are advised and followed up by the Board Audit Committee as well.

The Bank's Compliance 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. Besides, there is a Process Improvement Committee (PIC), comprising of Senior Executives, which, as part of regular periodic evaluations, considers improvements and changes required in the policies and procedures. Recommendations from the stakeholders, such as Risk, Operations, Compliance, Shariah, Finance and Internal Audit are sought as part of such exercises.

The Bank, under its Compliance Group, has a dedicated Internal Controls Division (ICD) which, through its regular onsite visits and offsite thematic reviews facilitates the Management in timely identification and resolution of key control/compliance risk exposures which can affect the Bank adversely. The ICD is engaged in field reviews and helps the Management to ensure that the Bank's operations are carried out as per defined procedures, transactions are recorded on timely manner; financial and management reporting is accurate, reliable and complete; and the Bank is compliant with the applicable laws, regulations and policies. Besides ICD, other units of Compliance Group, vis-a-vis Customer Due Diligence (CDD) Department and Compliance Risk Management Unit are also integral parts of the Bank's control framework, helping the Bank improve controls.

The Bank has an online Internal Controls Dashboard (ICD Dashboard) for centralised monitoring of controls. It serves as a tool to enhance the entity wide coverage of control risk exposure through timely identification of operational and regulatory risks, including control breaches at the branches and other functions. It assists in instant closure/rectification of issues preventing the Bank from financial and reputational losses. It helps to analyse major control gaps, devise corrective action plan and develop training plans for the staff. ICD dashboard has transformed the whole spectrum of controls and compliance monitoring from the sample based periodic reviews of selected entities to continuous monitoring of key risk areas with coverage of entire population. Comprehensive reviews of KYC, AML and other critical regulatory areas are carried out through alerts and exceptions generated from the dashboard. Anomalies identified as a result of these reviews are conveyed to the concerned stakeholders for taking necessary remedial measures, which significantly improves the control environment of the Bank.

During the year 2021, ICD Dashboard coverage was extended by introducing Trade Based Money Laundering (TBML) related alerts along with addition of various critical Anti Money Laundering/Counter Financing of Terrorism (AML/CFT), Business and Operations related alerts as well. Furthermore, AML Unit - Compliance Division & CDD department roles have also been introduced in ICD Dashboard to monitor and disposal of respective alerts which provides better centralised digital monitoring controls, to effectively mitigate controls risk exposure and safeguard the Bank from any financial or reputational losses.

The Bank follows the SBP guidelines on Internal Controls including guidelines pertaining to Internal Control over Financial Reporting (ICFR). The Bank's ICFR exercise is conducted annually with an objective to review the processes and operating effectiveness of controls over key areas of the Bank's operations, which affect financial reporting. ICFR unit, under Finance Division, performs tests of controls for the management functions. In line with SBP exemption from the requirement of external auditors' Long Form Report (LFR), Audit and Inspection Group of the Bank reviewed the Bank's ICFR function for the year 2020 and submitted the Assessment Report to the Board Audit Committee (BAC) during the year. The Assessment Report for 2021 will be submitted in Q1 2022.

Management's Evaluation on Effectiveness of Control Framework:

The Bank's system of Internal Controls is designed to manage rather than eliminate the risk of failure to achieve its business strategies and objectives. It can therefore, only provide reasonable and not absolute assurance against material misstatement and losses.

In accordance with Board's vision along with SBP and SECP guidelines, the Management has implemented a comprehensive governance and control framework to ensure efficiency and effectiveness of operations, compliance with legal requirements and reliability of financial reporting. Adequate systems, processes and controls have been put in place to identify and mitigate the risk of failure to achieve the overall objectives of the Bank.

The Management believes that the Bank's existing system of Internal Controls is considered reasonable in design and is being effectively implemented and monitored. There is a continuous improvement in the Bank's Control Environment, including technological solutions, as described above. Based upon the work performed, the management keeps on identifying areas for process improvements as well as applies additional controls required for strengthening existing controls. The Management takes all necessary steps to ensure that the timelines and priorities assigned to the same are adhered to.

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

The Board of Directors has duly endorsed Management's evaluation of internal controls, including ICFR.

For and behalf of the Board,

Atif Aslam Bajwa
President and Chief Executive Officer

Dubai
2nd February, 2022

Management's Responsibility towards Financial Statements and Directors' Compliance Statement

The Bank's Management is aware of its responsibility towards the preparation and presentation of financial statements. The Directors of the Company confirm that:

- The financial statements, fairly represent the state of affairs of the Bank, the result of its operations, comprehensive income, cash flows, and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have consistently been applied in the preparation of financial statements and accounting estimates, and are based on reasonable and prudent business judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan and to the banks in Pakistan, have been followed in preparation of financial statements, and any departures therefrom have been adequately disclosed and explained.
- The system of Internal Controls is sound in design, and has been effectively implemented and monitored.
- There are no significant doubts regarding the Bank's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance.

Adoption and Statement of Adherence with the International Integrated Reporting Framework

Scope and Purpose

The primary purpose of this report is to establish a communication with our stakeholders about how the Bank's strategy, governance, performance and prospects, in the context of external environment, lead to the creation of value to achieve short, medium and long-term strategic objectives.

Responsibility of the Report

The preparation, presentation and integrity of the Integrated Report is the Management's responsibility. The report has been presented in accordance with the International Integrated Reporting Framework.

The Value Creation Process

The Board has created an appropriate oversight structure to support the ability of the Management to create value through core business activities. Value is created through organisation's business model, which takes inputs from the capitals, and transforms them through business activities and interactions to produce outputs and outcomes, that, over the short, medium and long-term, create value for the organisation, its stakeholders, society and environment. The capitals, from which the business model takes inputs, are identified as financial, manufactured, intellectual, human, social and relationship, and natural capitals.

Content Elements incorporated in our Annual Report

- **Organisational Overview, Business Model and External Environment**
  Bank Alfalah Limited (BAFL) is incorporated as a commercial bank with operations in Pakistan, Middle East and Asia Pacific. The Bank is listed on the Pakistan Stock Exchange (PSX). It operates under the directives issued by the State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX).

- **Governance**
  The Board of Directors (BoD) governs and sets out the strategic objectives for the Bank. BoD has assigned responsibilities for daily operations to the Senior Management.

- **Stakeholder Relationship and Engagement**
  The Bank effectively manages the expectations of its stakeholders and considers this a key priority.

- **Sustainability and Corporate Social Responsibility**
  Besides focusing on business objectives, the Bank focuses on establishing a sustainable, safe and healthy environment. The Bank also considers caring for the community its prime responsibility.

- **Risks and Opportunities**
  The Bank operates in an environment where it is subject to Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Environmental Risk. The Bank has mitigating strategies in place to address these risks, and effectively protects the capitals against the odds of these risks.

- **Strategy and Resource Allocation**
  The Bank has short, medium and long-term strategic objectives in place. These are to maximise shareholders' value, sustainable returns, and exceed shareholders' expectations. The Bank allocates its resources to achieve these objectives.

- **Performance and Position**
  Bank Alfalah measures its performance and position against Key Performance Indicators (KPIs). The Bank has been performing impressively in terms of year-on-year growth. During the year, the Bank was recognised as 'The Best Customer Franchise' at the Pakistan Banking Awards. This award is a testimony of the hard work, enthusiasm, zeal and commitment of our people, and our commitment to achieve excellence in customer service.

- **Outlook**
  Challenges and uncertainties to which the Bank may be exposed include the Government's fiscal measures, including monetary policy, geo-political situation, law and order situation, inflation and taxation. The Bank tracks key metrics, which might affect its performance and take corrective measures to maintain its market standing, protecting the capitals, and providing maximum returns to its shareholders.

- **Excellence in Corporate Reporting**
  The Corporate Reporting Framework comprises of International Financial Reporting Standards (IFRS), Islamic Financial Accounting Standards (IFAS), Companies Act, 2017, Banking Companies Ordinance, 1962, and the directives issued by the SBP and the SECP. The reporting calendar of the Bank and its subsidiaries is January to December. The External Auditor of the Bank is M/s EY Ford Rhodes. Key matters relating to the current year have been disclosed in the External Auditors' Report. The period for which this report is prepared is year ended 31st December, 2021.

Additional Disclosures

The following disclosures have been made beyond the BCR criteria.

1. Chairman's Message

Please refer to the Chairman's Message at the start of this annual report. The message discusses about performance and achievements of the bank during the year.

2. Internal Controls over Financial Reporting (ICFR) and Statement of Internal Controls

The Board, through its Board Audit Committee, is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the aggregate level and types of risks the Bank is willing to take to achieve its strategic objectives.

To meet this requirement and to discharge its obligations under the SBP's regulations, procedures have been designed to safeguard assets against unauthorised use or disposal, to maintain proper accounting records, and to ensure the reliability of controls and usefulness of financial information used within the business or for publication.

These procedures provide reasonable assurance against material misstatement, errors, losses, or fraud. They are designed to provide effective Internal Controls within the Bank. The procedures have been in place throughout the year and up to the date of approval of these Annual Financial Statements 2021.

The Bank has implemented all stages of ICFR Framework as promulgated by the SBP:
Stage I: Process and Control Documentation
Stage II: Identification of Gaps and Recommendations
Stage III: Development of Detailed Remediation/Implementation Plans
Stage IV: Development of Management Testing Plans
Stage V: Implementations of Project Initiatives Planned
Stage VI: Quality Assurance/Validation on the Completed Initiatives
Stage VII: Conduct of Management Testing of Key Controls and Reporting of Results
Stage VIII: Review by External/Internal Auditors

The long form report, issued by the Internal Auditors, is submitted to the Board Audit Committee for tracking and information. Further, quarterly progress report on ICFR is submitted to the Control and Compliance Committee and Board Audit Committee. Pursuant to an exemption received from the SBP for External Auditors' long form report, Internal Audit issues an Assessment Report on ICFR each year.

3. Long-term Viability and Going Concern

The Management has assessed the Bank's viability to continue as a going concern, taking into account its current financial position, business prospects, and principal risks. As part of this assessment, key factors considered are:

- Long-term business and strategic plans;
- Risk profile and risk management practices, including the processes by which risks are identified and mitigated;
- Results of internal and regulatory stress tests;
- Liquidity and funding profile; and
- Wider political, economic and regulatory environments, including the uncertain geopolitical outlook.

Based on internal assessment, the management is confident that the Bank will be able to continue its operations and meet its obligations.

4. Key Financial and Non-Financial Performance Measures

The Management believes that key performance measures included in this Annual Report provide valuable information to the readers of the financial statements. This enables identification of a more consistent basis for comparing the businesses' performance between financial periods, and provides additional elements of performance, which the managers of these businesses are most directly able to influence, or are relevant for an assessment of the business groups. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the Management.

Please refer to the 'Performance and Position' section of this Annual Report for these performance measures.

5. Customer Grievances Handling Mechanism

Customer Grievances Handling Mechanism has been disclosed as part of 'Stakeholder Relationship and Engagement' section of this Annual Report.

6. Green Banking and Steps Taken for Climate Change

Green Banking and Climate Change have been disclosed as part of 'Sustainability, HSE and CSR' section of this Annual Report.

7. Material Outsourcing Arrangements

Material outsourcing has been disclosed as part of 'Stakeholder Relationship and Engagement' section of this Annual Report.

8. Remuneration Framework and Related Disclosures

Remuneration Framework has been disclosed as part of 'Governance' section of this Annual Report.

9. Group Structure and Group's Performance

Structure of the Bank, and its subsidiaries and associates, has been disclosed as part of 'Organisational Review' section of this Annual Report.

The Bank has also disclosed performance of its group companies in the Directors' Report.

10. Jama Punji

Investor Awareness (Jama Punji) has been disclosed at the end of this Annual Report.

11. Donation and Charities

Donation and Charities have been disclosed as part of 'Performance and Position' section of this Annual Report.

12. Financial Performance and Position Disclosures

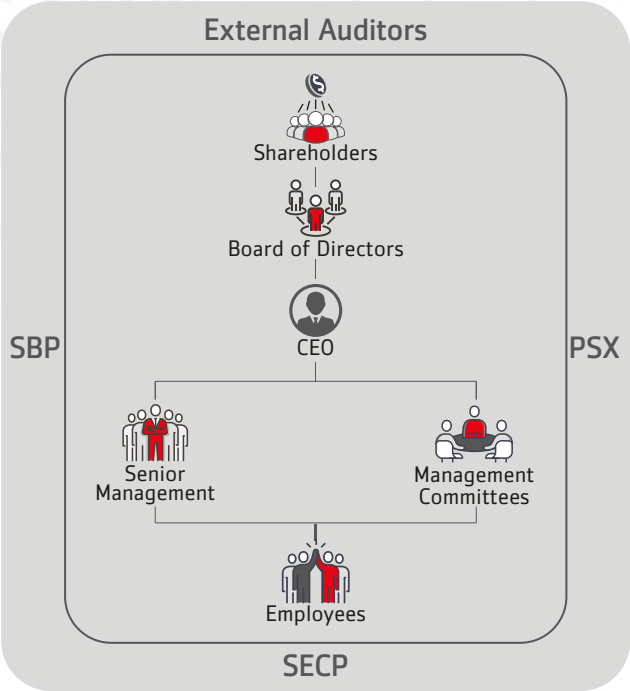
Segmental Business Performance has been disclosed as part of 'Performance and Position' section of this Annual Report.

13. Management Committees and Sub-Committees

Management Committees and Sub-Committees have been disclosed as part of 'Governance' section of this Annual Report.

14. Corporate Governance Structure

The Bank operates through a well-structured corporate governance as depicted below:



Governance Framework

The Bank's governance framework is based on excellence through embodying its core values and principles. We model our framework to deliver the highest levels of integrity, resilience and innovation to serve our stakeholders by following the banking industry's best practices. Bank Alfalah's dedication to strict internal controls are evident in the strong emphasis placed by the Board of Directors, the Senior Management, and the Committees.

The Bank follows the guidelines put in place by the Pakistan Stock Exchange Limited (PSX), the State Bank of Pakistan (SBP), and the Securities and Exchange Commission of Pakistan (SECP) in all our management policies. The Board of Directors, Board Committees, Senior Management and Management Committees ensure that integrity and honesty remain at the heart of our business and brand.

15. Sustainability Development Goals

The Bank's contribution against UN's Sustainability Development Goals has been disclosed as part of sustainability section within this Annual Report.

16. Global Sustainability Reporting Initiatives

The Bank's contribution against GRI initiatives has been disclosed as part of sustainability section within this annual report.

Others

Please visit our corporate website for scope, content and boundaries of the Annual Report, and cross referencing of ICAP and ICMAP BCR criteria with the annual report 2021:
https://www.bankalfalah.com/financial-reports/best-corporate-report/

PERFORMANCE & POSITION

Credit Rating

ENTITY RATING LONG TERM	AA+
ENTITY RATING SHORT TERM	A1+
ENTITY OUTLOOK	STABLE
RATING OF DEBT INSTRUMENT-(ADT1)	AA-
RATING OF MEDIUM TERM NOTE (MTN)	AAA

Entity and MTN ratings are assigned by PACRA whereas ADT1 rating is assigned by VIS.

Highlights

Rs. 100 Bn (↑10%)
EQUITY

Rs. 1,734 Bn (↑25%)
TOTAL ASSETS

Rs. 1,139 Bn (↑29%)
DEPOSITS

Rs. 699 Bn (↑16%)
GROSS ADVANCES

Rs. 63 Bn (↑9%)
REVENUE

Rs. 37 Bn (↑15%)
OPERATING EXPENSES

Rs. 23 Bn (↑31%)
PROFIT BEFORE TAX

Rs. 14 Bn (↑36%)
PROFIT AFTER TAX

15.30%
RETURN ON EQUITY

0.92%
RETURN ON ASSETS

Rs. 8.00
EARNING PER SHARE

Rs. 4.00
DIVIDEND PER SHARE

900+
ATMs

200+
CASH AND CHEQUE DEPOSIT MACHINES

37,000+
POS AND QR CODE MACHINES

790+
BRANCHES AND SUB BRANCHES

15,000+
AGENT NETWORK

1,000+
E COMMERCE MERCHANTS

Analysis of Financial and Non-Financial Performance

Prospects of the Entity including Financial and Non-Financial Measures

Bank Alfalah is one of the fastest growing banks in Pakistan. The Bank is well-positioned towards leading the way to become the most digitally advanced bank in the country. We aim to extend our outreach through a broader distribution footprint, digitised front-end channels and back-end processes. The Bank's focus remains on nurturing human capital. The Bank continues to invest in its people through extensive trainings and development initiatives.

Financial Measures

The Bank takes into account financial measures, while arriving at future projections. Targets are defined against the following broad financial measures:

- Deposits: The Bank periodically reviews the quality of its deposit mix with focus on CASA. Apart from the deposit mix, 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, on the back of deposit growth, is the key behind profitability. The Bank places great emphasis on credit quality and segmental diversification of its credit portfolio. Growth in advances needs to be managed effectively, as this has a direct impact on credit risk. A robust risk assessment mechanism is essential to maintain quality of the credit portfolio.
- Investments: The Bank, depending on the interest rate forecasts, manages its short and long term bonds portfolio to maximize return. The bank keeps an ideal balance in view of rate expectation with the objective of earning high profits.
- Business Volume: These are driven by business units which help achieve resources linked to the sale of products and services to the customers. This incorporates new-to-business customer deposits and advances, trade business volumes, advisory services, over the counter services, and services channeled through digital platforms etc. One-shop solutions and cross-sell initiatives have been a major breakthrough in terms of escalating business volumes.
- Cost to Income Ratio: The Bank continues to prioritise cost efficiency. Centralisation of expenses and removal of redundancies remains a key initiative towards cost control.
- Returns on Earning Assets (ROEA): The ROEA depicts the ability of bank's earning assets to generate income. This is often the result of sound management strategy as well as the bank's ability to garner a larger share of the market.
- Net Spread: Net spread is a key financial measure in evaluating the core profitability of the bank. Interest earned on advances and other interest bearing assets, and interest paid out on deposits and borrowings is efficently managed for all sources and uses of funds.
- Return on Equity: Return on equity remains a key measure to assess returns for the Bank's shareholders.

Please refer the following pages for financial position, financial performance analysis and financial and non financial ratios.

Non-Financial Measures

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

- Compliance with the regulatory framework
- Corporate image
- Stakeholders' engagement
- Brand preference
- Relationship with customers and business partners
- Employee satisfaction and well-being
- Responsibility towards the society
- Environmental protection
- SBP inspection rating and effective internal control

Please refer the following pages for qualitative performance analysis.

Performance versus Budget

The bank performed well against the budget and surpassed both profitability and volumetric targets.

- NII target surpassed despite lower than budgeted interest rates. This was mainly attributable to aggressive build-up in volumes especially deposit book.

- NFI target exceeded with strong contribution coming from FX and dividend income.

- Operating expenses remained within the budget as the bank keeps a check on expenses and manages costs prudently while focusing on building revenue momentum through expansion without compromising on investments in new ventures.

Performance versus last year

Bank's performance versus last year is covered as part of the Directors' report. Further, business segment wise performance versus last year is disclosed on coming pages within this section.

Objectives to assess stewardship of management

The Bank operates with a long-term objective of maximising shareholder value and sustainable returns. Various short and medium objectives have been defined to achieve this long-term objective. The management of the Bank regularly monitors the performance against these objectives and it remains committed to operate in an effective, efficient, secured and compliant manner while ultimately aiming at protecting shareholders' interests.

Future prospects about the profitability

Future prospects on bank's profitability are covered in Outlook section of the Annual Report.

Significant Transactions and Events

There were no transactions and events during the year that adversely affected financial position and performance of the Bank except for the following:

The Bank, in light of uncertain political and economic conditions has taken a charge of Rs. 1 Billion against the cross border risk of Afghanistan operations. For more detail, please refer note 46 of the unconsolidated financial statements.

Quantitative Performance Analysis

Financial Position Analysis

	2021	2020
	Rupees in Million	
ASSETS		
Cash and balances with treasury banks	105,606	99,348
Balances with other banks	9,783	6,234
Lendings to financial institutions	35,982	77,306
Investments - net	809,214	547,090
Advances - net	673,881	577,316
Operating fixed assets and intangible Assets	40,615	32,261
Deferred tax assets	2,304	-
Other assets	56,936	45,319
	1,734,321	**1,384,874**
LIABILITIES		
Bills Payable	22,826	22,571
Borrowings	383,809	314,960
Deposits & other accounts	1,139,045	881,767
Subordinated loans	7,000	7,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	1,361
Liabilities directly associated with the assets held for sale	-	-
Other Liabilities	81,640	66,197
	1,634,319	**1,293,856**
Net Assets	**100,003**	**91,017**

Financial Performance Analysis

MARK-UP / INTEREST INCOME		
Mark-up / return / interest earned	100,182	92,616
Mark-up / return / interest expensed	54,134	47,911
Net mark-up / interest income (NMR)	46,048	44,705
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	8,221	6,559
Dividend income	603	403
Foreign Exchange Income	4,128	3,398
(Loss) / gain from derivatives	201	(21)
Gain on sale of securities - net	3,142	2,285
Other income	179	171
	16,474	12,795
Total Net Revenue	62,522	57,499
NON MARK-UP / INTEREST EXPENSES		
Operating expenses	36,316	31,443
WWF	498	494
Other charges	26	94
Total non mark-up / interest expenses	**36,840**	**32,032**
Profit before provisions	**25,682**	**25,468**
Provisions and write offs- net	2,312	7,589
Profit before Tax	**23,370**	**17,878**
Taxation	(9,154)	(7,403)
Profit after taxation	**14,217**	**10,475**

Cash and Bank Balances:
Increase is mainly due to reserves placed with SBP as a result of increase in deposits.

Investments:
Up by 48% with the book skewed towards PIBs floaters.

Advances:
Up by 17%. This is as a result of growth strategy pursued by the bank on the back of solid deposit growth.

Borrowings:
Up by 22% mainly due to TERF.

Deposits:
Crossing PKR 1 trillion mark during the year. Deposits grew 29% YoY.

Net Interest income:
Volumetric growth backed by strong deposit growth offset spreads compression.

Non Markup income:
29% upward movement is resultant of better fee income, mainly driven by card related fee, trade and home remittance flows, FX income (volatilities) and capital gains.

Operating Expenses:
15% increase is due to growth initiatives, new branches and inflation.

Provisions:
Down versus last year due to Covid general provision of Rs. 4.25 billion in 2020. Current year charge includes provision of Rs 1 Billion against cross border risk.

Qualitative Performance Analysis

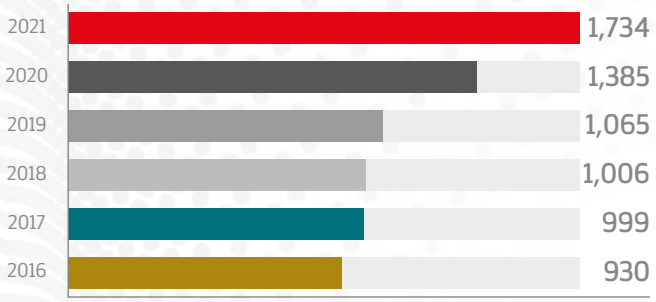
The Bank assesses its qualitative performance on the following factors, including but not limited to:

	2021	2020
Deposits:		
Deposits per branch (Rs in Mn)	1,442	1,208
Deposits per employee (Rs in Mn)	94	82
Market share in deposits (domestic) (%)	5.1%	4.5%
Loans and advances:		
New acquisitions - auto loans (count)	11,128	8,592
New acquisitions - personal loans (count)	9,843	6,653
New acquisitions - house loans (count)	621	133
New acquisitions - SME loans (count)	13,108	11,599
New acquisitions - cards (count)	73,150	40,954
Market share in advances (domestic) (%)	6.5%	6.8%
Remittances:		
Home Remittance volume (Rs in Mn)	4,437	2,371
Number of transactions (count in Mn)	7.6	4.1
Market share in home remittances (%)	14.3%	8.9%
Corporate Social Responsibility (CSR):		
CSR activities spend (PKR in Mn)	27.3	19.4
CSR activities spend as a % of PBT (%)	0.1%	0.1%
Human Resource and Related Activities:		
Compensation costs per employee (Rs in Mn)	1,390	1,350
Training costs per employee (Rs in Mn)	717	1,148
Customers:		
Number of customers (count in Mn)	4.8	4.1
Number of internet banking users (count in Mn)	0.5	0.3
Number of Alfa app users (count in Mn)	0.9	0.7
Number of credit cards holders (count)	453,873	448,303
Branch performance:		
Revenue per branch (Rs in Mn)	79	79
Profit per branch (Rs in Mn)	18	14
Cash Management:		
Cash Management collection volume (Rs in Mn)	359	229
Bancassurance:		
Bancassurance volume (Rs in Mn)	1,538	1,098
Bancassurance per branch (Rs in Mn)	1.95	1.50
Market Share	11%	9%
Wealth Management:		
Welth Management volume (Rs in Mn)	26,450	15,150
Wealth Management per branch	33.48	20.75
Market Share	20%	20%
Trade:		
Trade volume (Rs in Mn)	1,260,486	821,477
Market Share	7.3%	7.1%

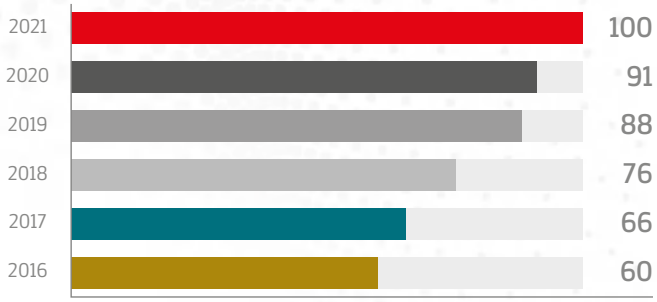
Note:
Further, the Bank has disclosed its contributions against GRI Sustainability Reporting Standards as part of sustainability section within this annual report.

Graphical Presentation

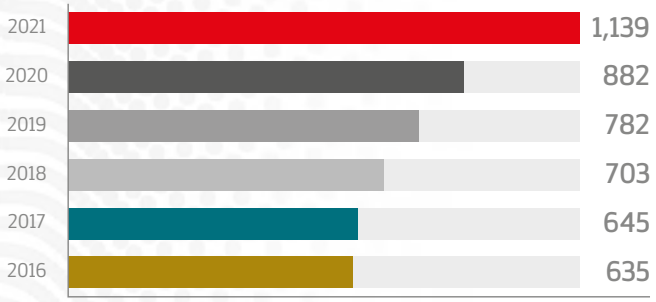
Total Assets (Rs. in Bn)



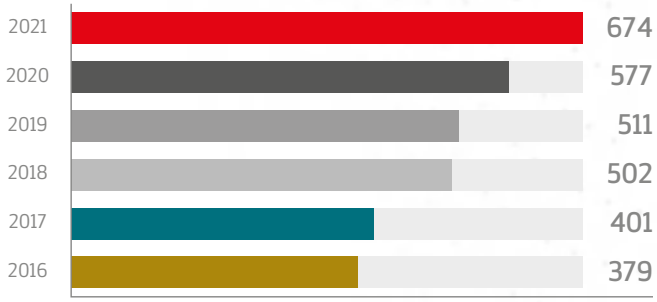
Shareholders' Equity (Rs. in Bn)



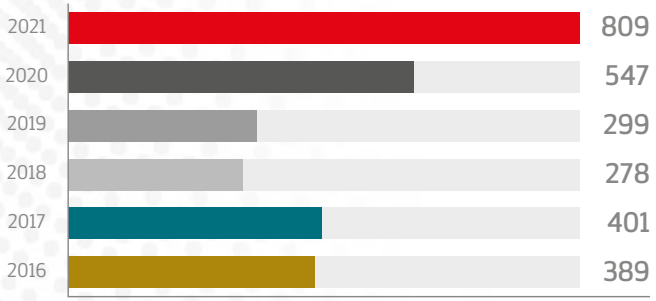
Deposits* (Rs. in Bn)



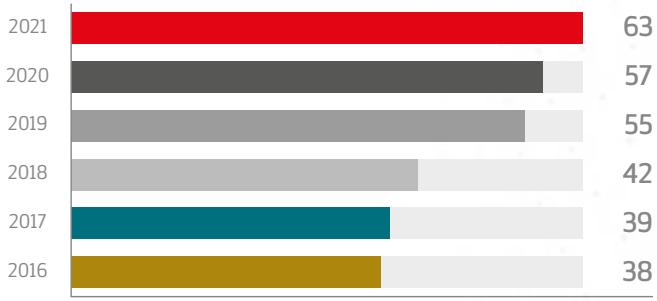
Advances - net* (Rs. in Bn)



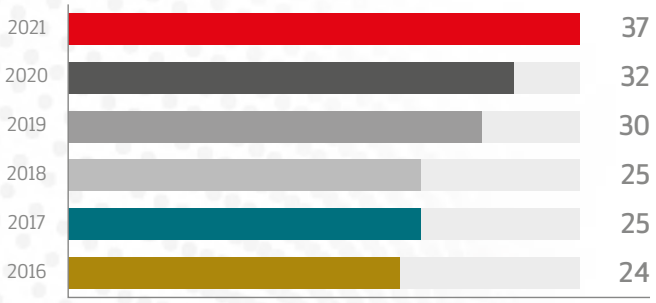
Investment - net* (Rs. in Bn)



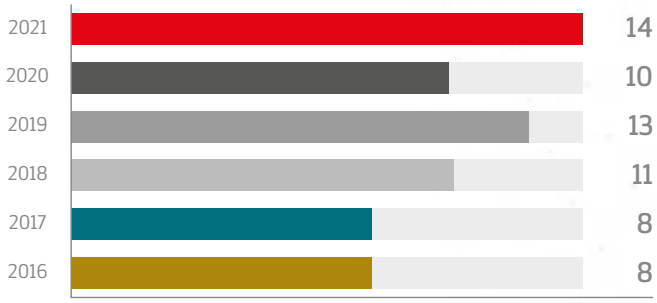
Revenue (Rs. in Bn)



Operating Expenses (Rs. in Bn)

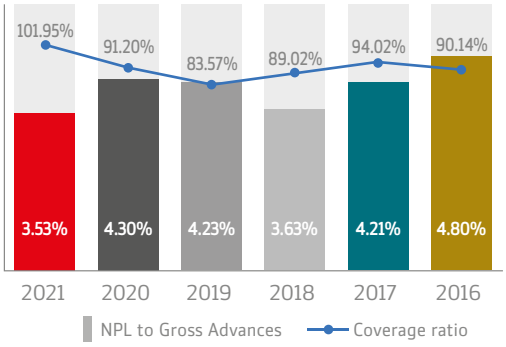


Profit After Tax (Rs. in Bn)

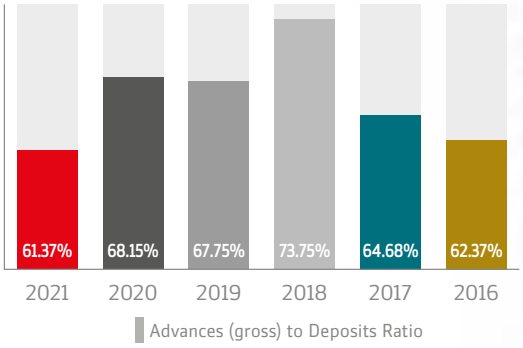


* For 2017 & 2018, Assets and Liabilities for the Bank's Afghanistan Operations were presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale status, during 2019, such balances are being reported as part of the actual balance sheet items.

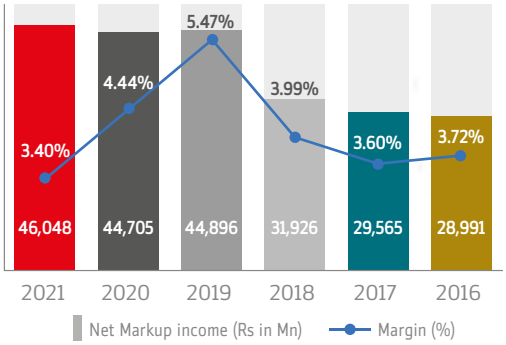
NPL Ratios (Percentage)



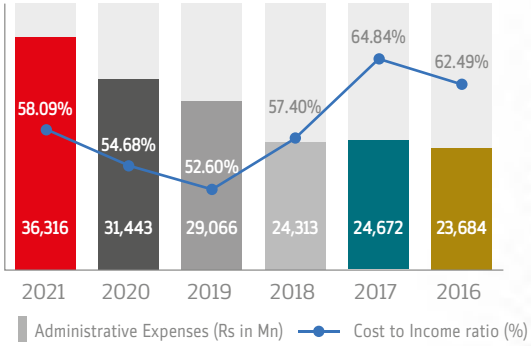
Advance to Deposits Ratio* (Percentage)



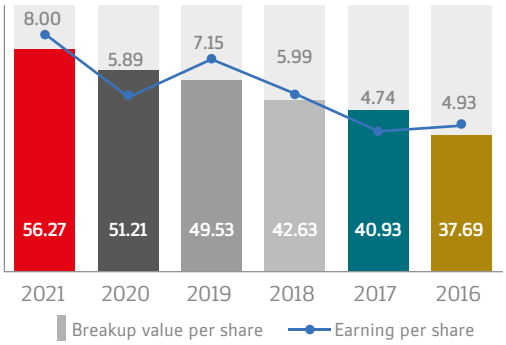
Net Markup Income and Margins



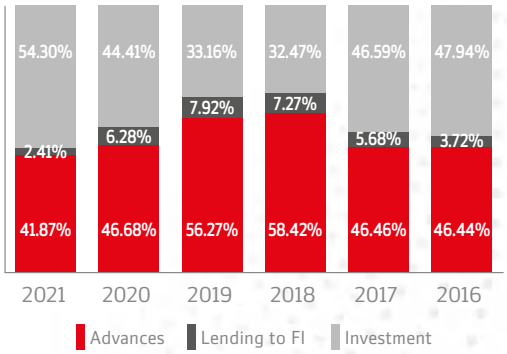
Administrative Expenses and Cost to Income Ratio



Earnings and Breakup Value Per Share (Rupees)



Earning Assets Mix * (Percentage)



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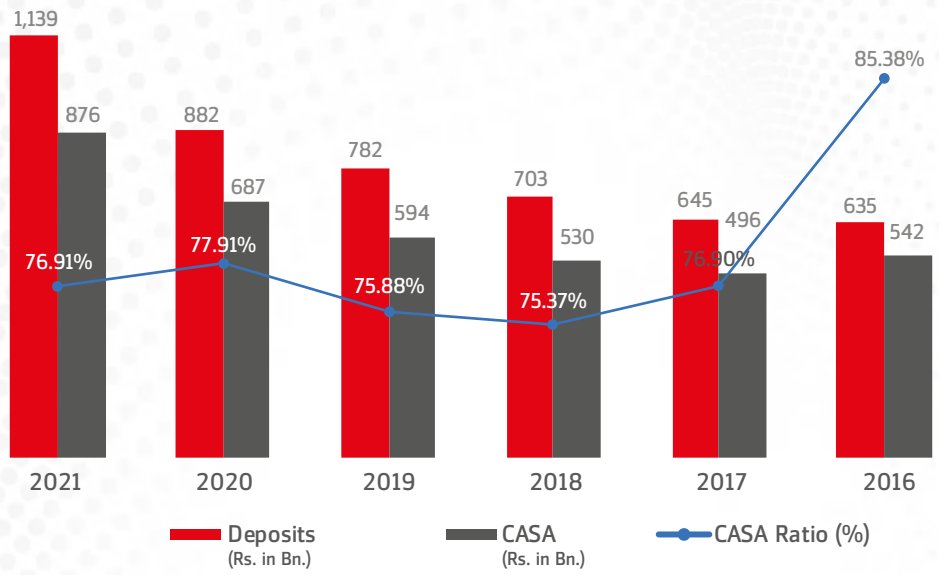
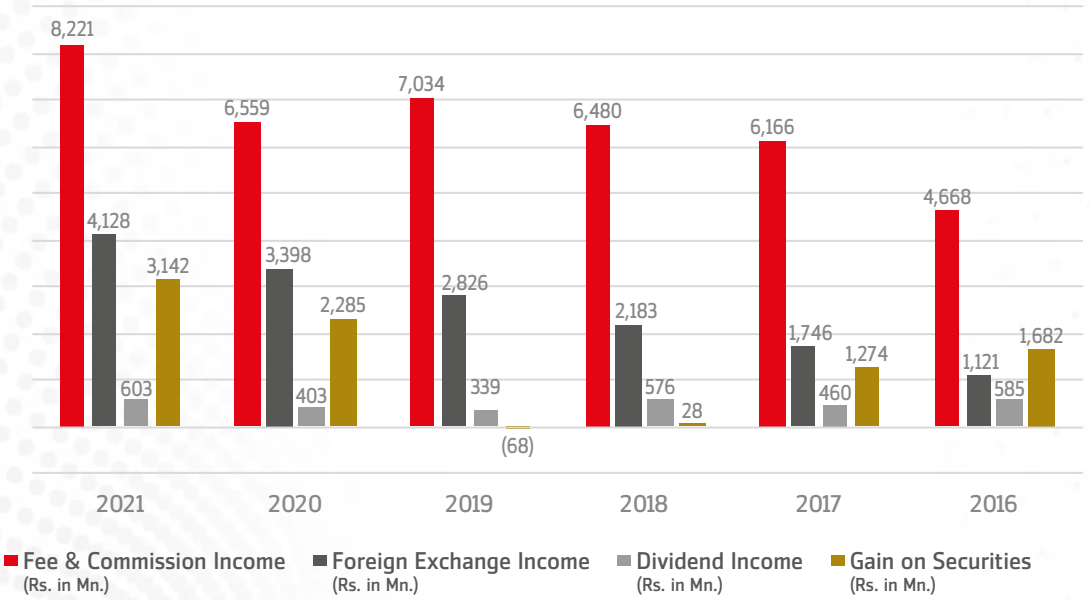
CASA to Deposits Ratio



Non Markup Income



Six Years Financial and Non-Financials Summaries

		2021	2020	2019	2018	2017	2016
Profit & Loss Account							
Mark-up / return / interest earned	Rs. Mn	100,182	92,616	92,519	59,672	56,920	57,144
Mark-up / return / interest expensed	Rs. Mn	54,134	47,911	47,623	27,746	27,354	28,153
Non-Fund based income	Rs. Mn	16,474	12,795	10,357	10,431	9,381	8,907
Total Income	Rs. Mn	62,522	57,499	55,253	42,357	38,946	37,898
Operating Expenses	Rs. Mn	36,840	32,032	29,843	24,713	25,425	23,802
Operating Profit before tax and provision	Rs. Mn	25,682	25,468	25,410	17,645	13,522	14,096
Provision and write-offs - net	Rs. Mn	2,312	7,589	3,029	27	(523)	1,073
Profit before tax	Rs. Mn	23,370	17,878	22,382	17,618	14,045	13,023
Profit after tax	Rs. Mn	14,217	10,475	12,696	10,625	8,367	7,900
Statement of Financial Position							
Authorised Capital	Rs. Mn	23,000	23,000	23,000	23,000	23,000	23,000
Paid up Capital	Rs. Mn	17,772	17,772	17,772	17,744	16,076	15,952
Reserves	Rs. Mn	29,954	27,680	26,046	23,051	18,157	15,896
Unappropriated Profit	Rs. Mn	40,836	35,057	32,843	27,470	24,253	17,307
Surplus on revaluation of assets - net of tax	Rs. Mn	11,441	10,509	11,367	7,383	7,315	10,970
Shareholders's fund (Total equity excluding revaluation surplus)	Rs. Mn	88,562	80,508	76,661	68,264	58,515	49,155
Shareholders' equity	Rs. Mn	100,003	91,017	88,028	75,647	65,800	60,125
Total Assets	Rs. Mn	1,734,321	1,384,874	1,065,311	1,006,218	998,828	929,645
Earning Assets	Rs. Mn	1,490,235	1,231,771	901,960	855,072	860,123	811,546
Gross Advances	Rs. Mn	699,073	600,899	529,971	518,392	417,182	395,863
Advances - net of Provision	Rs. Mn	673,881	577,316	511,236	501,636	400,655	378,720
Non Performing Loans	Rs. Mn	24,710	25,860	22,417	18,822	17,579	19,019
Investments - at Cost	Rs. Mn	812,307	541,819	295,103	279,135	398,188	381,458
Investments - Net	Rs. Mn	809,214	547,090	299,098	277,660	400,733	389,093
Total Liabilities	Rs. Mn	1,634,319	1,293,856	977,284	930,571	933,028	869,520
Deposits & Other Accounts	Rs. Mn	1,139,045	881,767	782,284	702,895	644,985	634,740
Borrowings	Rs. Mn	383,809	314,960	102,842	123,738	207,194	178,311
Cash Flow Summary							
Cash and cash equivalents at the beginning of the year	Rs. Mn	118,455	135,054	100,501	93,421	88,751	93,596
Cash flow from Operating Activities	Rs. Mn	268,659	204,046	80,947	(142,470)	30,800	(29,344)
Cash flow from Investing Activities	Rs. Mn	(242,190)	(205,800)	(37,948)	146,470	(22,993)	27,665
Cash flow from Financing Activities	Rs. Mn	(10,330)	(14,845)	(8,447)	3,080	(3,137)	(3,166)
Increase in cash and cash equivalents	Rs. Mn	16,138	(16,600)	34,553	7,080	4,670	(4,845)
Cash and cash equivalents at the end of the year	Rs. Mn	134,593	118,455	135,054	100,501	93,421	88,751
Cosnsolidated Position							
Total Assets	Rs. Mn	1,736,773	1,387,674	1,067,749	1,008,605	1,001,034	931,628
Net Assets	Rs. Mn	101,874	92,661	89,283	77,022	66,830	60,925
Profit before tax	Rs. Mn	23,907	18,443	22,915	17,403	14,071	13,354
Profit after tax	Rs. Mn	14,460	10,843	13,032	10,516	8,413	7,939
Trade							
Imports - Volume	Rs. Mn	892,545	570,337	553,791	563,947	509,036	415,187
Exports - Volume	Rs. Mn	367,941	251,140	283,952	248,159	194,993	199,230
Others							
Number of Branches	Number	790	730	698	649	638	639
Number of Permanent Employees	Number	12,118	10,755	10,234	8,530	7,849	7,808

Notes:
For 2017 & 2018, Assets and Liabilities for the Bank's Afghanistan Operations were presented as separate line items as 'discontinued operations', rather than as part of actual line items under which they were being reported historically. Upon declassification from asset-held-for-sale status, during 2019, such balances are being reported as part of the actual balance sheet items.

Six Years Vertical Analysis

Statement of Financial Position

	2021 Rs in Mn	%	2020 Rs in Mn	%	2019 Rs in Mn	%	2018 Rs in Mn	%	2017 Rs in Mn	%	2016 Rs in Mn	%
Assets												
Cash and balances with treasury banks	105,606	6%	99,348	7%	100,732	9%	82,408	8%	70,381	7%	74,071	8%
Balances with other banks	9,783	1%	6,234	0%	4,710	0%	3,875	0%	3,754	0%	9,373	1%
Lendings to financial institutions	35,982	2%	77,306	6%	71,435	7%	62,172	6%	48,896	5%	30,149	3%
Investments - net	809,214	47%	547,090	40%	299,098	28%	277,660	28%	400,733	40%	389,093	42%
Advances - net	673,881	39%	577,316	42%	511,236	48%	501,636	50%	400,655	40%	378,720	41%
Operating fixed assets and Intangibles assets	40,615	2%	32,261	2%	30,344	3%	19,556	2%	17,628	2%	18,133	2%
Deferred tax assets	2,304	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Assets held for sale	-	0%	-	0%	-	0%	23,589	2%	26,821	3%	-	0%
Other assets	56,936	3%	45,319	3%	47,756	4%	35,321	4%	29,959	3%	30,106	3%
	1,734,321	**100%**	**1,384,874**	**100%**	**1,065,311**	**100%**	**1,006,218**	**100%**	**998,828**	**100%**	**929,645**	**100%**
Liabilities												
Bills Payable	22,826	1%	22,571	2%	17,169	2%	35,988	4%	20,883	2%	19,091	2%
Borrowings	383,809	22%	314,960	23%	102,842	10%	123,738	12%	207,194	21%	178,311	19%
Deposits & other accounts	1,139,045	66%	881,767	64%	782,284	73%	702,895	70%	644,985	65%	634,740	68%
Subordinated loans	7,000	0%	7,000	1%	11,987	1%	11,989	1%	4,991	0%	8,318	1%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	-	0%	1,361	0%	3,451	0%	2,071	0%	3,154	0%	2,650	0%
Liabilities directly associated with the assets held for sale	-	0%	-	0%	-	0%	20,435	2%	24,759	0%	-	0%
Other Liabilities	81,640	5%	66,197	5%	59,550	6%	33,455	3%	27,063	3%	26,410	3%
	1,634,319	**94%**	**1,293,856**	**93%**	**977,284**	**92%**	**930,571**	**92%**	**933,028**	**93%**	**869,520**	**94%**
Net Assets	**100,003**	**6%**	**91,017**	**7%**	**88,028**	**8%**	**75,647**	**8%**	**65,800**	**7%**	**60,125**	**6%**
Represented By:												
Authorized Capital	23,000		23,000		23,000		23,000		23,000		23,000	
Share capital	17,772	1%	17,772	1%	17,772	2%	17,744	2%	16,076	2%	15,952	2%
Reserves	29,954	2%	27,680	2%	26,046	2%	23,051	2%	18,157	2%	15,896	2%
Unappropriated profit	40,836	2%	35,057	3%	32,843	3%	27,470	3%	24,253	2%	17,307	2%
Surplus on revaluation of assets - net of tax	11,441	1%	10,509	1%	11,367	1%	7,383	1%	7,315	1%	10,970	1%
	100,003	**6%**	**91,017**	**7%**	**88,028**	**8%**	**75,647**	**8%**	**65,800**	**7%**	**60,125**	**6%**

Profit & Loss Account

Mark-up / return / interest earned	100,182	86%	92,616	88%	92,519	90%	59,672	85%	56,920	86%	57,144	87%
Mark-up / return / interest expensed	(54,134)	-46%	(47,911)	-45%	(47,623)	-46%	(27,746)	-40%	(27,354)	-41%	(28,153)	-43%
Net mark-up / interest income (NMR)	**46,048**	**39%**	**44,705**	**42%**	**44,896**	**44%**	**31,926**	**46%**	**29,565**	**45%**	**28,991**	**44%**
Non mark-up/interest Income	16,474	14%	12,795	12%	10,357	10%	10,431	15%	9,381	14%	8,907	13%
Total income	62,522	54%	57,499	55%	55,253	54%	42,357	60%	38,946	59%	37,898	57%
Non mark-up/interest expenses	(36,840)	-32%	(32,032)	-30%	(29,843)	-29%	(24,713)	-35%	(25,425)	-38%	(23,802)	-36%
Operating profit/ profit before provisions	**25,682**	**22%**	**25,468**	**24%**	**25,410**	**25%**	**17,645**	**25%**	**13,522**	**20%**	**14,096**	**21%**
Provision and Write-offs - net	(2,312)	-2%	(7,589)	-7%	(3,029)	-3%	(27)	0%	523	1%	(1,073)	-2%
Profit Before Taxation	**23,370**	**20%**	**17,878**	**17%**	**22,382**	**22%**	**17,618**	**25%**	**14,045**	**21%**	**13,023**	**20%**
Taxation	(9,154)	-8%	(7,403)	-7%	(9,686)	-9%	(6,993)	-10%	(5,678)	-9%	(5,123)	-8%
Profit After Taxation	**14,217**	**12%**	**10,475**	**10%**	**12,696**	**12%**	**10,625**	**15%**	**8,367**	**13%**	**7,900**	**12%**

Note:
For Vertical Analysis, variance percentage on financial position is calculated based on total assets, and for profit & loss account, it is calculated based on gross revenue, which is the sum of markup earned and non-markup income.

Six Years Horizontal Analysis

Statement of Financial Position

Assets	2021 Rs in Mn	%	2020 Rs in Mn	%	2019 Rs in Mn	%	2018 Rs in Mn	%	2017 Rs in Mn	%	2016 Rs in Mn	%
Cash and balances with treasury banks	105,606	6%	99,348	-1%	100,732	22%	82,408	17%	70,381	-5%	74,071	19%
Balances with other banks	9,783	57%	6,234	32%	4,710	22%	3,875	3%	3,754	-60%	9,373	-43%
Lendings to financial institutions	35,982	-53%	77,306	8%	71,435	15%	62,172	27%	48,896	62%	30,149	9%
Investments - net	809,214	48%	547,090	83%	299,098	8%	277,660	-31%	400,733	3%	389,093	-8%
Advances - net	673,881	17%	577,316	13%	511,236	2%	501,636	25%	400,655	6%	378,720	13%
Operating fixed assets and Intangibles assets	40,615	26%	32,261	6%	30,344	55%	19,556	11%	17,628	-3%	18,133	5%
Deferred tax assets	2,304	100%	-	0%	-	0%	-	0%	-	0%	-	0%
Assets held for sale	-	0%	-	0%	-	-100%	23,589	100%	26,821	0%	-	0%
Other assets	56,936	26%	45,319	-5%	47,756	35%	35,321	18%	29,959	0%	30,106	-19%
	1,734,321	**25%**	**1,384,874**	**30%**	**1,065,311**	**6%**	**1,006,218**	**1%**	**998,828**	**7%**	**929,645**	**1%**
Liabilities												
Bills Payable	22,826	1%	22,571	31%	17,169	-52%	35,988	72%	20,883	9%	19,091	46%
Borrowings	383,809	22%	314,960	206%	102,842	-17%	123,738	-40%	207,194	16%	178,311	3%
Deposits & other accounts	1,139,045	29%	881,767	13%	782,284	11%	702,895	9%	644,985	2%	634,740	0%
Subordinated loans	7,000	0%	7,000	-42%	11,987	0%	11,989	140%	4,991	-40%	8,318	-17%
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-100%	1,361	-61%	3,451	67%	2,071	-34%	3,154	19%	2,650	45%
Liabilities directly associated with the assets held for sale	-	0%	-	0%	-	-100%	20,435	100%	24,759	0%	-	0%
Other Liabilities	81,640	23%	66,197	11%	59,550	78%	33,455	24%	27,063	2%	26,410	-15%
	1,634,319	**26%**	**1,293,856**	**32%**	**977,284**	**5%**	**930,571**	**0%**	**933,028**	**7%**	**869,520**	**1%**
Net Assets	**100,003**	**10%**	**91,017**	**3%**	**88,028**	**16%**	**75,647**	**15%**	**65,800**	**9%**	**60,125**	**13%**
Represented By:												
Share capital	17,772	0%	17,772	0%	17,772	0%	17,744	10%	16,076	1%	15,952	0%
Reserves	29,954	8%	27,680	6%	26,046	13%	23,051	27%	18,157	14%	15,896	12%
Unappropriated profit	40,836	16%	35,057	7%	32,843	20%	27,470	13%	24,253	40%	17,307	40%
Surplus on revaluation of assets - net of tax	11,441	9%	10,509	-8%	11,367	54%	7,383	1%	7,315	-33%	10,970	0%
	100,003	**10%**	**91,017**	**3%**	**88,028**	**16%**	**75,647**	**15%**	**65,800**	**9%**	**60,125**	**13%**

Profit & Loss Account

Mark-up / return / interest earned	100,182	8%	92,616	0%	92,519	55%	59,672	5%	56,920	0%	57,144	-7%
Mark-up / return / interest expensed	(54,134)	13%	(47,911)	1%	(47,623)	72%	(27,746)	1%	(27,354)	-3%	(28,153)	-14%
Net mark-up / interest income (NMR)	**46,048**	**3%**	**44,705**	**0%**	**44,896**	**41%**	**31,926**	**8%**	**29,565**	**2%**	**28,991**	**1%**
Non mark-up/interest Income	16,474	29%	12,795	24%	10,357	-1%	10,431	11%	9,381	5%	8,907	1%
Total income	62,522	9%	57,499	4%	55,253	30%	42,357	9%	38,946	3%	37,898	1%
Non mark-up/interest expenses	(36,840)	15%	(32,032)	7%	(29,843)	21%	(24,713)	-3%	(25,425)	7%	(23,802)	7%
Operating profit/ profit before provisions	**25,682**	**1%**	**25,468**	**0%**	**25,410**	**44%**	**17,645**	**30%**	**13,522**	**-4%**	**14,096**	**-7%**
Provision and Write-offs - net	(2,312)	-70%	(7,589)	151%	(3,029)	11283%	(27)	-105%	523	-149%	(1,073)	-59%
Profit Before Taxation	**23,370**	**31%**	**17,878**	**-20%**	**22,382**	**27%**	**17,618**	**25%**	**14,045**	**8%**	**13,023**	**3%**
Taxation	(9,154)	24%	(7,403)	-24%	(9,686)	39%	(6,993)	23%	(5,678)	11%	(5,123)	1%
Profit After Taxation	**14,217**	**36%**	**10,475**	**-17%**	**12,696**	**19%**	**10,625**	**27%**	**8,367**	**6%**	**7,900**	**5%**

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. 1,734.321 billion at December 2021 from Rs.929.654 billion at December 2016, a CAGR of 13 percent. Key deployments has been in investments and advances, which are detailed below. Our strategy over the years has been to manage the asset mix in a way that maximises returns to stakeholders, while maintaining an efficient risk weighted assets (RWA) profile.

Advances

The Bank's ADR ratio stands at 61.4%, and has been consistently above the industry average over the last six years. Over the period, the Bank's gross advances grew at a CAGR of 12 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 4.8 percent in 2016 to 3.5 percent in 2021 - a testimony to our focus on maintaining asset quality. The Bank's dedicated Special Assets Management Group has been able to facilitate significant recoveries over the years. Most importantly, the Bank's coverage ratio stands at 102 percent as at the close of this year.

Investments

Our investments portfolio has grown over the years and predominately concentrated in high yielding Government Securities. The Bank has built its portfolio and taken positions. Accordingly, by reprofiling its balance sheet, the investment base of the Bank has increased from Rs. 389.093 billion in 2016 to Rs. 809.214 billion at end 2021. Our equity book consists of investments in diverse companies with strong fundamentals with a view to earn stable dividends.

Deposits

The deposit base of the Bank has continued to grow over the last six years, which has supported the balance sheet growth indicated above. Total Deposits have increased from Rs. 634.740 billion in 2016 to Rs. 1,139.045 billion in 2021. The Bank's CASA percentage at December 2021 stands at 76.87 percent. Our focus remained on improving our deposit profile by expanding current account. The buildup in the core deposit levels positions the Bank ideally to maximize on the yield upside in its net earnings as interest rates trend upwards. The Bank enjoys a diversified product suite, with products catered to 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. 15.952 billion in 2016 to Rs. 17.772 billion in 2021. In 2014, IFC acquired a stake of 15 percent in the Bank, which represented a key strategic alliance. 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.

Tier-1 Capital (ADT 1):

In 2018, the Bank issued its first ever additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments. The size of the issue was Rs. 7 billion and was oversubscribed. The proceeds from the issue contributed towards the bank's additional Tier-1 capital and utilized towards enhancement of the bank's business operations.

Dividends

Over the years, the Bank has had a consistent dividend payout stream, however, for 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 2021, bringing the total cash dividend for the year to Rs. 4.00 per share. The Board had earlier declared and paid interim cash dividend of Rs. 2.00 per share.

Profit and Loss Account

Income

The composition of markup income saw a shift in recent years on the back of concentration shift in the Bank's earning asset base, as referred above. The net markup income of the bank increased significantly in the last six years, supported by increase in core deposits primarily current accounts. Increase in high quality advance book led by consumer and commercial group helped to increase the net interest margin. Our investment strategy has also complimented our contributions from non-fund income during the last six years there by supporting bottom line profitability. Core fee, commission income, foreign exchange income, have all indicated growth, while capital gains on both capital and money market fronts have supplemented the NFI. Over the course of the years, key changes to our technology platform, cross-sell initiatives, branch transformation programmes, have helped the Bank deliver further transactional convenience to its customers, and have facilitated contribution from non-fund based income.

Operating Expenses

Over the years, the Bank has seen a significant transformation. The overall growth in administrative costs has primarily been on account of costs attributable to additional branches under the Bank's expansion plan, rising rentals and utility costs, and significant IT costs relating to infrastructural improvements to the core banking system and the overall technological platform including digital banking platform. However, the Bank has kept a check on these factors, and strict cost discipline measures were introduced with a focus on improving the cost to income ratio. Centralisation of various expenses and regular revisits to expenditure approval authorities were undertaken to keep costs in check. Non-recurring items continue to be tracked separately.

Cash Flow Statement

Cash Flow from Operating Activities:

Cash flow from operating activities showed a positive trend in most of the years from 2016 to 2021. This is primarily due to steady growth in profitability, stable deposits and advances. Due to arbitrage opportunity available in 2020, funds were borrowed from the inter-bank market for investment in high yielding government securities. In 2018, majority of these borrowings were replaced with deposits. Also in 2018, due to significant increase in advances, the cash flow from operating activities is negative.

Cash Flow from Investing Activities:

The residual funds available after loans and advances is invested in the high yielding government securities. The investment is also required to comply with the Statutory Liquidity Requirement of the State Bank of Pakistan. In all years under review the bank has increased its investment portfolio except in case of 2016, when the deposit growth was very low and in 2018, when the portfolio was re-profiled into loans and advances in view of interest rates.

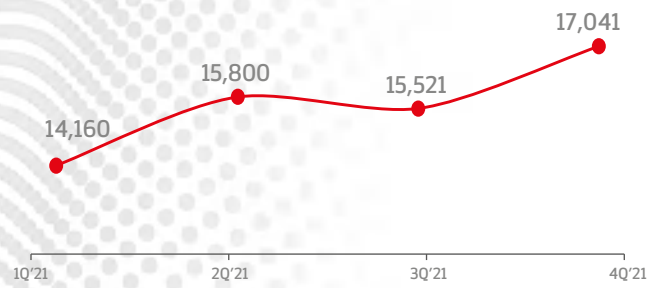
Cash Flow from Financing Activities:

Bank Alfalah has paid steady dividend in all the years under review with the exception of 2016. The dividend payment and TFC redemptions result in cash outflow from financing activities. In 2018, the cash flow is positive due to issuance of ADT 1 instrument. Cash flow from financing activities provides investors with insight into the Bank's financial strength and how well a Bank's capital structure is managed.

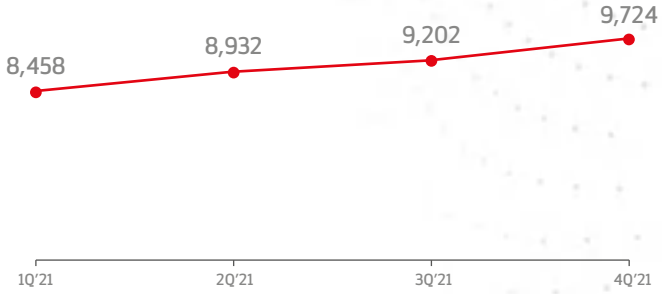
Quarterly Performance Review

	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Total
	Rupees in million				
Interest Income	10,327	11,658	11,908	12,155	46,049
Non Interest Income	3,833	4,142	3,613	4,886	16,474
Gross Revenue	14,160	15,801	15,521	17,041	62,523
Operating Expenses	8,458	8,932	9,202	9,724	36,316
Other charges and WWF	117	131	129	147	524
Operating Profit	5,585	6,738	6,190	7,170	25,683
Provisions	216	934	269	893	2,312
Profit Before Tax	5,370	5,802	5,921	6,277	23,371

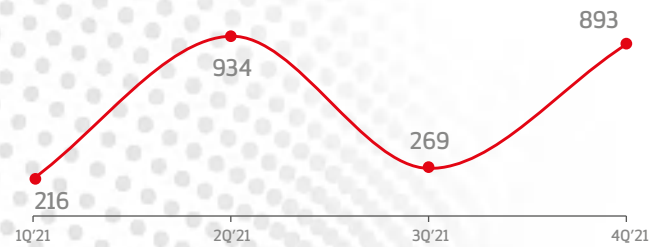
Revenue - Interest and Non Interest Income (Rs. in Mn)



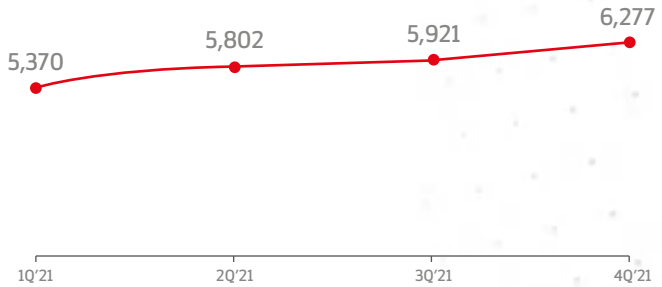
Operating Expenses (Rs. in Mn)



Provisions (Rs. in Mn)



Profit Before Taxation (Rs in Mn)



Analysis of the Quarterly Performance

Quarter 1	Quarter 2	Quarter 3	Quarter 4
• Net Interest Income for 1Q21 came in marginally higher than 4Q20, on the back of volumetric growth • Non interest income growth of 38% QoQ was driven by fees and commission and capital gains on securities. • Admin expenses up by 5%, mainly due to annual appraisals and opening up of new branches • Provisions reflected lower loans related provisions of ~ PKR270mn and ~PKR55mn reversal of impairment • Lower tax rate was driven by one deferred tax adjustment (to reflect super tax as ongoing)"	• Robust sequential growth of 13% witnessed in Net Interest Income during 2Q21 – driven by a combination of net asset growth and favorable positioning of the investment book. • Non interest income was up 8% QoQ despite 31% lower capital gains, as fees and commission (+12% QoQ), dividend (+44% QoQ) and forex income (+62% QoQ) more than made up. • Admin expenses saw an uptick of 6% QoQ ; due to new branches rollout and upkeep plus higher marketing and related spend on initiatives such as NRPs outreach. • Provisioning charge for the quarter predominantly consists of one industry name.	• Net Interest Income muted growth to 2% QoQ due to markup reversal in one of the overseas operations. • Non-interest income down 13% QoQ, due to lower capital gains as compared to previous quarter. Fee down 2% QoQ due to BISP seasonality impact, partially offset by a growth in card related and ADC income. • Sequential increase in admin expense due to growth initiatives and inflation. • Provisions booked on subjective downgrade of classified loans. Timely repayments of restructured loans led to PKR 1.15bn reversal of Covid related GP.	• Net Interest Income marginally higher due to volumetic growth and repricing of deposits. Discount rate change impact will be evident in advances and investments in Q1 2022. • Non interest income was up 35% QoQ driven by strong capital gains (4x QoQ), fees and commission (+10% QoQ), dividend (+94% QoQ) and forex income (+24% QoQ) . • Admin expenses saw an uptick of 6% QoQ; due to new branches rollout and upkeep. The bank opened 60 new branches in 2021. • Provisioning charge for the quarter predominantly consists of charge against cross border risk.

Segmental Review of Business Performance

Retail Banking Group

COVID had a drastic impact on our service delivery as our front end kept operating at a much reduced (and affected) capacity till at least the first half of the year. Our team not only addressed these challenges effectively but ensured that customer satisfaction was not affected. Our achievements were recognized and we regained the Best Customer Franchise award in 2021. In the past 6 years our Bank won this trophy 5 times which is a testament to the service provided by us.

RDA was a high priority initiative driven by the SBP which was converted into a key success factor for the bank. We were one of the top 3 banks in the industry with more than 34K accounts and over USD 300Mn in inward remittances. This exceptional performance led to Bank Alfalah winning three awards from the PM of Pakistan and SBP Governor (Outstanding Contribution in USD 1Bn then USD 2Bn and Special Award for Marketing)

RAPID was another major initiative, launching industry's first digital onboarding platform through which we activated more than 20K accounts with deposits exceeding PKR 2Bn. Hum Aik Hain campaigns were also launched successfully to completely synergize branch performance and these resulted in deposit growth of PKR 34Bn in Q2 and PKR 33Bn in Q4.

Housing and Construction Finance was a big success story.

Provided below is a brief review of the various businesses under the ambit of Retail Banking Group:

Deposits:

During the financial year 2021, Retail Banking Group achieved a double digit growth not only in total deposits but in current and savings deposits as well. Total deposits grew by PKR 116 Bn (21%) as compared to 2020. Current account has also shown a significant growth in 2021 where it grew by PKR 70.7 Bn (26%) as compared to 2020.

Wealth Management:

Bancassurance

The Bank's share in Bancassurance increased to 11% from previous 9% in last year with PKR 1.5 Billion new business solicited during FY 2021. The Bank ranks amongst the top 4 players in the industry with 3rd highest per branch average

Investment Services

Bank Alfalah became the 2nd largest distributor bank of mutual funds, capturing the market share of over 20% in FY 2021.

Premier Banking

Bank Alfalah Premier has shown a significant growth since launch in 2015. With the more than 11,800 customers, the book size has increased to 108 Billion (2021) from 79 Billion (2020). During 2021 premier segment deployed 17 new touchpoints, now premier services are also available in tier 2 cities.

Consumer Finance:

Consumer finance has come through the aftershocks of COVID-19 in terms of settlements, smart lockdowns and market closures in Q1 hindering acquisitions and spend volumes, unfavorable exchange rate phenomenon and a challenging regulatory environment. However despite odds, consumer finance delivered exceptional performances.

Cards

1. Highest Acquisitions in history 73,150 Units (+79% YoY)
2. Highest ever spend PKR 73.3 Bn (+61% YoY)
3. ENR crossed PKR 12.6 Bn

Personal Loans:

1. Personal Loans Volume PKR 5.1 Bn (+125% YoY)
2. Highest-ever yearly acquisition 2,165 (nos.)
3. Highest ever instant loans 504 (nos.)
4. Volume PKR 753 Mn highest ever disbursement

Auto Loans:

1. Auto Loans 10,005 (nos.) (+68% YoY)
2. Auto Loans Volume PKR 17.1 Bn (+66% YoY)

Home Loans:

1. Home Finance 621 (+367% YoY)
2. Home Finance Volume PKR 4.5 Bn (+304% YoY)

Corporate, Investment and International Business Banking Group

During the year, the Bank remained one of the major FIs in SBP's Temporary Economic Refinance Financing (TERF) with financing limits in excess of PKR 50 Bn. The Group specifically focused on catering the working capital and trade requirements of our corporate customers which is evident from our trade numbers for the year. This was only achieved through close customer contact and improved trade services and offering them tailor made solutions. We are hopeful that once TERF related expansions are fully operational it will add substantial value to our economy.

Furthermore, the Bank remains committed to facilitate its customers under the housing and construction initiatives and intends to be an active participant in upliftment of the economy.

Transaction Banking

Transaction Banking has been instrumental in capturing incremental trade business, increasing volumes by 48% YoY. This department has helped create synergies between frontline and back offices to promote operational efficiencies thereby facilitating client experience. Owed to this department's global model and stride towards innovation in its offerings, Bank Alfalah Ltd was recognized the Best Transaction Banking Services in Pakistan – 2021 by the Digital Banker – Global Transaction Banking Innovation Awards.

Investment Banking

Investment Banking continued to remain an active player in the industry by leading several big ticket transactions in several sectors (including Power, Road Infrastructure, Water Supply, Steel, Cement, Construction, and Telecom). Moreover, the Bank also successfully executed two Distributed Solar financing transactions which are expected to be one of the first, of such magnitude, to be refinanced under the Category III of the State Bank of Pakistan's Financing Scheme for Renewable Energy. Furthermore, the Investment Banking also remained an active member in the Debt Capital and Market Advisory space by successfully closing one Term Finance Certificate for a microfinance bank and three Islamic Commercial Papers for a corporate customer.

Home Remittance Business

Home Remittance Business of the bank has grown significantly over the last couple of years with flows doubling for the fourth year in a row. The Bank's market share has increased from 0.7% in 2016 to ~14.3% in 2021. The growth in the remittance space is driven by superior IT platforms and dedicated customer service which have made the Bank a partner of choice for major Fintech companies and global Money Transfer Operators. Another key enabler of growth has been the robust IT and customer support which played a pivotal role during the COVID period.

The bank remains committed to contributing more towards this national cause and will continue to invest in capacity, both IT and human, to ensure overseas Pakistanis and beneficiaries continue to get best in class remittance solutions to further grow the overall remittance flowing into Pakistan via legal banking channels. We are currently one of the top five remittance payout banks and will continue to work closely with the SBP's Pakistan Remittance Initiatives (PRI) desk to promote legal remittance channels in both traditional and non-traditional markets.

Overseas Business

Despite the challenging year with respect to Covid related restrictions across the globe and political instability in Afghanistan, the Bank's strategy was continuing to strengthen its International footprint by expending its presence.

The key milestones achieved during the year include implementation of key digital banking initiatives in order to digitalize the banking channels, FX sales initiatives for Corporate clients, regularization of Islamic banking desks and implementation of FI desk in Bangladesh, active participation to generate decent RDA deposits of USD 7.4 Mn and participation in ITFC and SCB led syndication for LNG financing up to USD 39.9 Mn.

The Balance Sheet size of International Operations increased by 15% to PKR 142.6bn whereas Deposits and Advances grew by 15% and 64% respectively. The Bank's overseas retail business strategy concentrated on effective tactical management of deposits along with optimization of ADR and reduction of high-cost deposits for better profitability.

Islamic Banking Group

Bank Alfalah Islamic Banking Business offers comprehensive solutions to consumers' rising demand for Islamic banking products and services. With a network of 232 branches including two sub-branches, it is one of the leading Islamic Banking Windows in the country.

IBG's growth strategy is focused on building low cost deposit book, which is evident from the fact, that current deposit of the group increased by 43% and CA mix to 46%. CASA mix stood strong at 76%. On the assets side, IBG maintained its financing exposure in all sectors, with specialized focus on high yielding consumer segment, resultantly growing consumer book by 48%.

Remarkable achievements marked the year 2021, a splendid and successful year for Bank Alfalah Islamic. New and innovative product propositions like Islamic Power Pack and diversified product suite were launched that are offered to resident and non-resident customers that is accessible digitally including Alfalah Islamic Asaan Digital Account, Alfalah Islamic Asaan Digital Remittance Account, Alfalah Islamic Asaan Women Digital Account, Alfalah Islamic Freelancers Account and Islamic Roshan Digital Account. These accounts are available in both, current and savings variants with the option to transact or save in Pakistani Rupees and Foreign Currencies.

In addition to this, Bank Alfalah Islamic also launched the Shariah compliant variants of 'Roshan Apni Car' and 'Roshan Apna Ghar' financing schemes under regulatory initiative for NRPs followed by the launch of Inland/Local Bill Discounting under Tijarah, Running Musharakah – FCY.

Bank Alfalah Islamic continued structuring of sovereign domestic Sukuk in year 2021, in close coordination with regulator under the mandate of Joint Financial Advisor to Ministry of Finance (MoF) and structured consecutive three Islamic Commercial Papers (ICPs) for one major corporate client.

Digital Banking Group

Year 2021 saw exponential growth for Bank Alfalah Digital Banking as more and more customers showed trust in our digital banking services.

During the ongoing pandemic and smart lockdowns imposed across the country, people continued to opt for safer and more convenient ways of conducting their everyday transactions. In these challenging times, Bank Alfalah lead the way in offering a seamless digital experience to its customers. Bank Alfalah extended an omni-channel centric digital experience based on its strong, ever-growing suite of 175+ digital banking products and services to make banking safer and easier for its diverse range of customers including banked, under-banked and unbanked individuals, corporates, merchants and SMEs.

With Bank Alfalah's digital banking app, Alfa, customers enjoy a unique mix of digital banking products and services to carry out there day to day, essential financial transactions such as fund transfers, bill payments, mobile top ups, digital savings, wealth management, investment, digital lending, Bancassurance, shopping online via AlfaMall etc. Customers are also able to avail value-added services like debit card activation, debit and credit card management, loan repayments, and cheque book requests. Further, Alfa users enjoy the convenience of a modern yet safer lifestyle with features such as online fee payments, QR payments at retail outlets, chatting with other Alfa users via AlfaChat and much more.

2021 was the year of customer centricity at BAFL with the launch of WhatsApp Banking Services to provide customers with real time support and resolution on all queries.

Alfa continues to be the only banking app in the industry with a P2P chatting platform, AlfaChat, wherein the users can digitally interact with other users of Alfa just like WhatsApp and also request funds transfer and mobile top-up from other friends on Alfa.

On the back of exceptional customer experience, Alfa managed to hit an above-industry-average user rating of 4.4 out of 5 on Google Play and 4.1 out of 5 on Apple Store. Thus, showcasing the trust customers have shown on our digital banking services.

Bank Alfalah aced the proximity payment landscape with over 10,000 proximity merchants. The Bank deployed its proprietary dynamic QR POS devices at most of these merchants, and to further support this proprietary-developed unique hardware, Digital Banking Group launched Alfa Business App which connects to this dynamic QR POS device, generates QR codes, shows transaction success, merchant statement and allows them to drawdown instant merchant financing without ever visiting a branch.

Bank Alfalah is proud to have the largest network of 220+ Cash Deposit Machines in the country, accessible 24/7, allowing customers to deposit cash in any bank account across Pakistan and make digital financial transactions such as bill payment, mobile top-up, school fee payment and much more using cash.

Furthermore, Bank Alfalah ensured uninterrupted financial services through alternate delivery channels for its customers with its network of 900+ ATMs at different locations of the country.

Seeing the growing demand for Islamic products the Digital Banking Group introduced digital investments on Alfa with the launch of Alfa Islamic Term Deposit, allowing customers to invest in Shariah Compliant Term Deposit instantly through Alfa within 10 seconds.

In addition, with a wide-ranging portfolio of digital lending products, the Digital Banking Group successfully increased the financial penetration and expanded payments footprint across Pakistan, with its innovative products of Merchant Financing, Payroll Financing, Digital Overdraft, Agent Financing, Ecommerce Financings etc.

Advancing the government's initiative to digitize remittances, the Digital Banking Group enabled beneficiaries to pull the otherwise Cash-over-the-Counter transaction into their Alfa Home Remittance Account.

Similarly, through an extensive marketing campaign and with a dedicated customer facilitation unit, the Bank has maintained the highest account activation rate in the industry for Roshan Digital Accounts, bringing in over USD 350 million remittances into the country in the form of deposits and investments.

Alfa is Pakistan's only banking app to offer an embedded marketplace experience – AlfaMall – with a great variety of products ranging from electronic appliances and mobile phones, to apparel and grocery for Bank Alfalah customers. Digital Banking Group launched Alfa Virtual Debit Card which any Alfa user can generate by themselves instantly within the Alfa app, defining the limit and expiry of their choice on the cards and use for secure online payments.

With 'Alfa Payroll Solution', the bank has on-boarded 180+ companies with a monthly disbursement of PKR 1.6 Billion+ as salaries into the payroll wallet accounts of blue-collar workers from leading companies.

Bank Alfalah has enabled Pakistan's largest welfare fund distribution, under the government-led Ehsaas Kafaalat Programme, for the population of 1.8 Million beneficiaries in Khyber Pakhtunkhwa, Gilgit Baltistan and Azad Jammu and Kashmir; and successfully managed to disburse over PKR 41 Billion through a robust and transparent biometric verification-based payment solution.

Bank Alfalah continued its exclusive digital services for EOBI pension disbursement & contribution collection throughout the year, and disbursed around PKR 39 billion to a total of 460K+ pensioners in 2021, facilitating cash withdrawal from 10,000+ ATMs.

The digital onboarding process, branded as RAPID, for customers to open a full-fledged bank account from Alfa app is proving to be a game changer where anyone bearing a valid CNIC, relevant documents can open a Bank Alfalah account, get a debit card, cheque book and so much more.

Treasury and Capital Market Group

Despite a number of COVID-19 mutations throughout the year, global and domestic demand witnessed robust recovery in 2021 on the back of aggressive vaccination campaigns. In second half of the year, before SBP initiated monetary tightening, Treasury capitalized significant gains on fixed income securities and reduced its fixed rate interest rate exposure. Furthermore, Treasury supported bank's overall profitability by improving Net Interest Income through spread maximization by investing in Floating Rate Government Securities portfolio.

Bank continued to deliver strong performance in the Foreign Exchange business in 2021. We leveraged our strong presence on the client side while being one of the main contributors in the Interbank market. Going forward, the Treasury plans to focus on taping new relationships while strengthening our bond with existing customer-base. Income from dealing in Foreign currencies in 2021 stood at PKR 4.1bn, posting a year on year rise of 21%.

Bank Alfalah's IBG Treasury, as a Joint Financial advisor for MoF for the issuance of domestic Sukuk, played a pivotal role along with SBP and MoF in the regular sukuk issuances. The bank has witnessed strong growth in IBG Treasury balance sheet where the investments grew from PKR 6.0 Billion in 2020 to PKR 86 Billion in 2021 giving the impetus for the advancement of the overall IBG balance sheet. IBG Treasury also contributed towards the foreign exchange business of the bank.

Equities market remained tough in 2021 with fast changing political and economic landscape resulted in higher volatility. Pakistan Stock Market provided some early gains in 2021, but the excitement proved short-lived as political landscape and macroeconomic indicators changed the sentiment, resulting in KSE-100 index closing the year with meager 1.9% return. Remaining cognizant of the market conditions, Capital Market team remained focused on high dividend yielding and low leverage names while selected high growth scrips remained part of the portfolio.

The Investor Relations function of BAFL, managed by Capital Markets continued to engage the relevant stakeholders, which resulted in the Bank being recognized as the 'Best in Investor Relations' for the 8th year running by the CFA Society Pakistan.

Corporate Services and Operations Group

Corporate Services (CS) took pivotal initiatives for business support during the current year.

Proceeding with Bank's expansion plan, CS added 60 new branches across the country and over 250 projects were completed, which include Branch Relocations, Branch Renovations and development of new Premier Hybrid Lounges.

CS implemented a robust Contract Management solution which tracks expiry of SLAs and generate well in time automatic prompters to respective stakeholder's / end users for timely renewals. This tool has enhanced productivity, visibility and effective decision making on external commitments.

Lifecycle Replacement Plan for critical assets is a key initiative in enhancing operational productivity of assets, their efficiency and better customer services. CS executed a comprehensive asset replacement plan for critical equipment's (i.e. Generators, Air-conditioners, UPS) which were operating beyond their useful life resulting in downtime. This initiative played a pivotal role in managing branch uptime.

In continuation with the Bank's customer centric approach, CS launched a Complaint Resolution Unit, accessible through an IP number 'HERE4U' (437348). The prime responsibility of this unit is to ensure facility related complaints received from branches all over the country are rectified within a minimum time and tracked accordingly. Launched since March 2021, this Unit has rectified over 19,000 complaints received from branches across Pakistan.

COVID-19 has transformed the world in various ways, touching every corner of the society and shaking the global economy. The Bank, like all financial institutions, is exposed to risks of business continuity given the disruptive pandemic situation. In order to deal the ongoing pandemic in timely and efficient manner, CS developed comprehensive risk based Pandemic Planning Framework, performed contact tracing of around 2000+ staff, introduced online medical assistance for bank's employees and their families, arranged vaccinations of staff and their families, through onsite vaccination drives and labs, provided personal protective equipment to entire bank's geography and customers, made arrangements with key laboratories in order to enable convenient COVID-19 testing for employees and extended BCP capacities with development of ad hoc BCP sites and ensuring social distancing by adding pocket spaces, agile working and home working models.

In line with SBP guidelines covering digital on-boarding framework, Bank took the initiative and launched RAPID channel which caters hassle-free, fast, efficient and paperless account opening along with static data amendment requests of customers without needing them to visit bank's branches, at their convenience. Further to facilitate opening of entity accounts, Centralised Operations made SECP portal live access to all branches and Centralised Units so that they can verify customers' constituent documents quickly thereby reducing processing turn-around time.

Centralised Operations also introduced digital issuance and verification of customers' Proceed Realization Certificate (PRC). The Bank centralised issuance and encashment of Premium Prize Bonds, which is first of its kind in the banking industry.

In parallel to RTGS facility, Centralised Operations launched IBFT channel to corporate and retail customers through branch counters to facilitate transfer of fund beyond RTGS cut-off time and limits.

Centralised Remittance Department digitized mechanism for submission of customers FX cases on-line to SBP. Also a dedicated desk comprising of experience staff was setup to handle equity investment by expatriates.

The Bank managed to provide full operational support for SBP's Naya Pakistan Certificates and Roshan Digital Accounts within the strict timelines provided by the regulator. The group was also instrumental in enabling the Bank to perform the role of a settlement bank for NIFT – E-PAY solution, a new payment gateway.

Although the year ahead will be marked by challenges and uncertainty, the group is well positioned with prudent management policies and strong execution of strategy to ensure that the Bank meets its business objectives and continues to grow.

Information Technology Group

Bank Alfalah's Information Technology Group (ITG) invests in advanced sophisticated innovative product development with enriched infrastructure, makes extensive use of Data Analytics/Big Data Platform in making improved business decision and formulating future strategies, implements reliable techniques for control of risks and helps the bank to reach geographically distant and diversified markets. Bank Alfalah post Covid-19 strategy is one of the example

that made a difference to outlive and grow in the changing market environment by planning, designing, developing and implementing tools that led to an increase in customer base, cost reduction, ease of work and effective communication with customers and institutions associated with the Bank.

ITG continues to aspire on widening the spectrum of our software applications, web services, cyber security, proactive measures taken to counteract potential threats by deploying strong security controls at critical touchpoints, business resilience for continuity of Bank's operations and disaster recovery strengthening our technology platforms to always be the "Bank of Choice" for our customers from every walk of life and for our employees, which led to customer ease and convenience by meeting bank's internal and regulatory requirements for both Pakistan and International Operations.

Technological & Digital Advancements:

During 2021, the IT Group implemented the following projects across the bank:

RAPID

First end to end Digital Transformation onboarding platform in financial industry by offering digital service to our valued customers, a 24x7 Non-Stop Banking Service in a simplified, Convenient and User-friendly manner. Targeted as a "One-Stop-Shop" for all banking needs of our existing as well as prospective customers covering both Conventional and Islamic variants of RAPID where the customers can perform their entire banking activities by reducing turn-around-time through end-to-end digitization of services, reduce customer traffic in the branches, enhance customer experience in the most secure way and achieve simplified seamless customer journey.

Micro Payment Gateway (RAAST) Phase II

ITG successfully implemented RAAST a flagship initiative of SBP, which provides a simple, fast, low-cost, interoperable and secure electronic payment platform for instant processing of high volume retail payments. Through RAAST payments can be made to multiple beneficiaries at a time to cater to high volume government payments like salaries, pension, social security payments and P2P (Person to Person).

Corporate Banking Digital Platform (Oracle Banking Digital Experience-OBDX)

BAFL aims to accelerate time-to-market for the digital transformation of complex corporate banking processes .This comprehensive solution undertaken by ITG provide BAFL a unified processing environment for all corporate operations with a highly adaptable and scalable modular architecture of the Oracle Banking Digital Experience (OBDX). Covering consolidated overview of facilities and overdraft limits, it enables clients to self-serve their trade finance needs via a full range of trade finance products for both importers and exporters, workflow-driven digital processes and real-time status updates. Further, corporate customers can have a clear view of all of their deposits. Further, the Bank aims to cover major corporate functionalities focusing on: Corporate Servicing, Cash Management, Trade Finance, Supply Chain Finance, Corporate Facilities Originations, Virtual Account Management, Collateral & Limit Management, Digital Personal Assistant, Chatbot and Wearables.

PCI-DSS

The Bank proficiently achieved the Payment Card Industry Data Security Standard (PCI DSS) certification, which is a set of Information Security standards that aims to secure Credit and Debit Card Data & transactions. It enhances cardholder Data Security and provides a baseline of technical and operational requirements designed to protect card data. Through PCI DSS certification BAFL aims to ensure protection of cardholder's data in conformity with the Global Standards and to minimize risk of data breach.

ADC Switch Upgrade & Optimization

The Bank successfully upgraded and consolidated multiple legacy ADC switches to ensure scalability, supportability and digital advancements through EMV compliance, Digital Advancement and Leveraging Advanced Technologies for Product & Service Innovation.

T24 Upgrade to Latest Version (International)

The Bank's vision of "One-Bank-One-Core" for bringing uniformity in the current architecture to handle local and cross-border operations that covers Bahrain, UAE, Bangladesh and Afghanistan, the bank upgraded T24 to its latest release for effective management and administration of the banking operations, provision for adopting new modules based on latest architecture and unwinding local developments.

Oracle Hyperion (Phase I)

The Bank successfully implemented the Oracle Hyperion Planning Module to support enterprise wide planning, budgeting, and forecasting using desktop, mobile and Microsoft Office interfaces to reduce budgeting and planning cycles, automate quality MIS and financial reporting, and integrate budgeting with Oracle financial modules.

Oracle Enterprise Business Suite EBS Application Upgrade

The bank efficiently carried out technical upgrade of Oracle Enterprise Business Suite (EBS) application, database and operating system to the latest versions for the benefit, ease and convenience of back office operations. The upgrade led to saving of additional support/maintenance cost, adopt new enhancements and new functionalities, utilized information-driven navigation to discover and act on business challenges and strengthen internal controls.

Contact Center Replacement

The Bank's branchless contact center serves more than 1.5 million customers mainly EOBI, BISP and blue-collar payroll. With bank's growing number of customers, the bank replaced its existing contact center with state of the art contact center technology solution to fulfill BAFL current and future needs leading to enhanced customer experience and improve customer services.

Straight-through process for credit decision for Personal Loans

The process of personal loans and credit cards has been automated to calculate the risk score, score card and identification of approved credit limit. This helps in quick processing of the customer applications for PL and credit card.

Self-Support Bots for Process Automation

ITG has introduced an in-house developed initiative leveraging Open Source Natural Language Processing engines for eliminating the need for human support within the Process Automation domain that will allow business teams to get instant support. The developed bots have resulted in 90% reduction in the volume of support that was handled by the 1st level support team.

Self Service Data Platform

With respect to the sensitive nature of investigations and analysis carried out by the Compliance Group, ITG developed an in-house solution to enable compliance and other Bank's departments provision of data with complete auditing and traceability. The solution provides easy access to cross system and historical data that was previously not accessible to Compliance group, user friendly self-service wizard requiring no technical expertise and pre-defined data retrieval templates.

SWIFT Migration / Up gradation

SWIFT Alliance 7.5 which is a mandatory migration, introduces new security features as well as other fixes on application portfolio. Its key benefits are functional enhancement, hotfixes log4 , support in migration of the payments from FIN to ISO 20022.

Sales Management System (SMS 2.0)

The bank developed in-house Sales Management System that gives 360 degree view of customers to frontline staff, covering sales activities in term of client visits/calls, product in pipeline, closed sales, financial data of customer portfolios, leads, historical data and also reports in different formats. It helps business to monitor the status of lead and the turnaround time for customer requests.

Assessments and Regulatory Advancements:

The SWIFT Customer Security Controls Framework (CSCF) Assessment

ITG for its SWIFT users enforced stringent security controls, as recommended by SWIFT and for its assessment BAFL ITG engaged independent third party evaluator to proficiently carry out assessment and its results revealed that BAFL stands fully compliant in line with the SWIFT Customer Security Controls Framework (CSCF), which is a set of mandatory and advisory security controls to combat against evolving cyber threat to community.

Pakistan Single Window Trade Finance

Pakistan Single Window (PSW) portal is electronic facility fully integrated with BAFL core banking system (Temenos T24) that allows parties involved in cross-border trade and transport to submit all information needed to fulfil trade-related regulatory requirements at once and at a single-entry point in a simpler, faster and in an efficient manner, rather than having to deal with multiple agencies at multiple locations to obtain the necessary papers, permits and clearances to complete the trade cycle.

Risk Based Supervision (RBS)

The Bank successfully implemented Risk Based Supervision (RBS) a regulatory requirement to ingest and consolidate data related to Loans and Advances, Investments, Lending to FI's, Operating Fixed Assets and other assets. Objective of RBS is to provide data for pre-inspection analysis at a micro level to regulator. This would also give benefit to BAFL for internal classification of assets and enhance risk management practices.

Financial Crime and Compliance Management Bangladesh Production (Revamp)

The bank's ITG performed a smooth, hassle free and cost effective in-house migration and integration of FCCM with T-24 (new core banking) post sunset of BankSmart System to meet compliance/business requirements adhering to regulatory guidelines.

Accuity Compliance Link

The bank successfully integrated Accuity Compliance Link system to BAFL T24 Core Banking System. This system complies with the SBP regulation on Trade Base Money Laundering (TBML), which is used to screen Trade Finance transactions on a real time basis.

Audit and Inspection Group

The Internal Audit setup at Bank Alfalah is an independent and comprehensive function which not only provides objective assurance regarding state of governance, risk management, compliance and controls, but is also a consulting activity designed to add value by highlighting areas for improvement and thus helping the bank achieve its objectives effectively and efficiently.

Dynamic risk assessment and continuous evaluation of the overall control and risk environment, provision of reasonable assurance and placement of significant matters for oversight of the Board and its subcommittees, has remained the hallmark of our Internal Audit Function.

The independent reporting of CIA/Head of Internal Audit to the Board Audit Committee (BAC) ensures independent decision making and further ensuring compliance to the regulatory guidelines and requirements of the International Standards for Professional Practices issued by IIA. As a step forward, Group follows the globally recognized Risk Based Audit Methodology along with the adoption of relevant components of internationally acclaimed COSO-Internal Control framework thus ensuring formulation of policies and strategy in line with Board Audit Committee (BAC) and Regulatory advices correlating with the industry's best practices. The group plays an important role by assisting the Board Audit committee in executing its role by collecting and sharing the desired/required information and being instrumental in carrying out and follow up of the action points/instructions issued by the Board Audit Committee (BAC).

The Group continued to perform its effective role both on assurance and consulting fronts during the Year 2021. Suitably equipped with professionally qualified and competent resources from auditing, accountancy, management professions the group is operational under a diversified scope of work which encompasses audits of retail- conventional and Islamic banking branches, Information System audits, overseas audits, Management and Centralized Operations audits, Risk Assets Reviews, Shari'ah audits, Continuous monitoring through Audit Data Analytics setup and review of procedural and policy documents through dedicated Product Policy & Procedural Review Unit under consultancy role. Special focus of the group remained over completion of various thematic/special/regulatory assignments entrusted by regulator during the year 2021 to remain compliant resulting into avoidance of any regulatory breach and penalty.

In addition, effective follow-up and support to management in timely rectification of audit observation is provided through a dedicated Enforcement Function. Under Quality Assurance setup, Quality Assurance and Improvement program and independent audit rating mechanism is also established. Fraud Investigation Department investigates fraudulent acts alongside identification of control breakdowns and establishment of financial loss.

In order to secure stakeholders' interest, a robust Whistle Blow Mechanism is established where every whistle blown are invariably reported to the Chair of the Board Audit Committee along with CIA/Head of Internal Audit.

The vision, "To be the best Audit set up as per Global Standards and help shaping the future of the Bank", motivates and drives the leadership of AIG to keep on excelling in every aspect while keeping in mind the strategic directions set by the bank. Core values of learning, openness, empathy and trust have been pursued to align the activities of AIG with its vision and expectations of its stakeholders. These values play an integral part in helping the group moving in the right direction.

With continuous support from the BAC, the group is all geared up by putting on continuous and dedicated efforts to strengthen the Internal Audit function and Internal Control System of the bank. During 2021, AIG took the following initiatives:

1. Implement Audit system solution to capture complete audit process cycle within Regulatory timeframe;
2. Review and update Control Matrix for all auditable function/areas;
3. Strengthen of Quality Assurance & Improvement Program in accordance with the requirements of SBP Guidelines / IIA standards;

4. Continuous alignment of audit procedures and approach as per IIA standards and Regulatory Guidelines;
5. Streamline AIG learning and training regime including formulation of AIG learning hub to work as a centralized resource/knowledge sharing data base; and;
6. Strengthen Audit Data Analytics approach for continuous auditing through leveraging technology and optimal use of resources.

All of the aforementioned activities were aimed at increasing synergies between various AIG functions. The Group invests in the growth of its employees through planned managerial successions in order to maintain promising results in future. Staff engagement and motivation is also ensured through quarterly issue of AIG Bulletin, aimed to encourage extra-curricular activities and celebrate staff achievements alongside apprising staff with latest updates.

Special Assets Management Group

The year 2021 commenced with a series of economic challenges, uncertainty owing to COVID-19, adversely affecting the country's fragile economic condition, followed by unprecedented increase in commodity prices as well as sharp decline of PKR against USD. This increase in cost of doing business, impaired repayment capacity of the business community eventually contributing towards increase in infected portfolio of the Banks.

Special Assets Management Group team (SAMG) continued to actively engage with Bank's business units to provide maximum support in reducing non-performing loans through aggressive remedial strategies. Having rich expertise in handling complex defaults, SAMG team continues to extend its support to business units across the Bank while handling issues relating to Law Enforcement Agencies. Despite challenging business environment, prudent and proactive risk management, focused efforts for recovery and a relatively pragmatic credit controls led to overall decrease in infection ratio of the Bank from 4.30% in 2020 to 3.53% in 2021.

Besides ensuring maximum recoveries from the delinquent customers through enforcement of legal recourse, SAMG always prefers to undertake contemporary remedial techniques, and negotiations to reach amicable settlement plans through bank restructuring with a view to provide the customers fair opportunities to revive their respective ailing businesses thereby enabling them to contribute towards the country's economic growth and development.

Compliance and Control Group

Compliance and Control Group spent the year fine tuning the bank's robust architecture in order to ensure safeguarding the Bank's interest in these challenging times while ensuring best possible facilitation to businesses. At the heart of its effort was the enhancement of controls through automation. The Compliance Function at Bank Alfalah has put in place effective and well thought-out policies and procedures and with the help of its skilled human resources, it furnishes key advisories in many areas like high risk transactions and relationships, products offered by the Bank, policy & procedures, correspondent banking, and overall compliance risks across the bank.

The Compliance Division introduced various measures during the year including a third party validation of its Financial Crime Compliance Governance and organizational design, policies, procedures, systems, and risk assessment conducted from a world-reputed firm, initiation of remediation work on various recommendations of the third party validation exercise, implementation of AML/CFT/CPF solutions such as enhanced Trade Based AML tools, integration of trade screening system with bank's core banking system, integration of wallet onboarding channels, Personal Loan Onboarding, RAPID and RDA portals with bank's screening system through API. A number of enhancements and upgrades of the of Bank's sanction screening and transaction monitoring tools were initiated during the year to remain up to the mark on the technology front. Most of these initiatives focused both on domestic and international network with a view to mitigate the financial crime risk including money laundering, terrorist financing and proliferation financing risks. The Bank has also enhanced the capacity of the AML/CFT Quality Assurance function to ensure risks are timely identified and managed.

A key responsibility of Compliance Division is the review of policies & procedures, regulatory review of products and other communications, dissemination of regulatory instructions, facilitation of SBP Inspection Teams, and implementation of Compliance Risk Management Framework across the Bank. As part of this framework, CRM KRI Reporting System was launched to empower and reinforce the three lines of defense across the Bank.

Moreover, in order to ensure and inculcate strong compliance culture across all business activities/functions, the training programs were developed to assist compliance function personnel and other relevant stakeholders within the Bank in understanding the requirements of SBP in various aspects particularly launching of E-Learning programs for AML, CDD, CFT, TBAML and CPF.

In 2021, Internal Control Division (ICD) internally developed and launched State of the Art tool "KYC 360 Degree" for branches. This tool simplified KYC review process, providing all the necessary information, and have significantly reduced the time consumed by branches. It is also embedded in ICD Dashboard for Pan Pakistan Branches. Besides, various key alerts were also deployed on ICD Dashboard, extending its coverage for Trade Base Money Laundering Monitoring and key operational activities.

Ever since its launch, ICD Dashboard has transformed the whole spectrum of Controls and Compliance monitoring from sample based periodic reviews of selected branches to continuous monitoring of key risk areas with coverage of entire population.

ICD conducted 202 on-site reviews of branches with special focus on end-to-end review particularly focusing on KYC reviews from AML/CFT regulations perspective along with other operational areas of the branch. Robust enforcement setup within ICD ensures timely resolution of the identified exceptions. Also, all Units of the Consumer Finance Group and Digital Banking Group were reviewed by ICD On-site team. Beside this ICD also conducted various analytical reviews focusing on the key issues.

Furthermore, ICD and Compliance Division conducted a comprehensive entity wide Internal Risk Assessment as per regulatory guidelines and AML / CFT / CPF regulations, which was approved by the board. This assessment was conducted by duly considering findings of the updated NRA Report, Legal Persons & Legal Arrangements Risk Assessment, and in compliance with the revised Regulations on AML / CFT / CPF issued by SBP.

Fraud Risk Management setup (FRMU) at Bank Alfalah is among the best performing setups in the industry. The FRMU strategy revolves around prevention, detection, deterrence and investigation of fraud cases/losses originating from bank products and processes. BAFL Fraud Detection Unit [FDU] is functional 24/7 in order to mitigate fraud risk and to save the bank from financial and reputational losses by monitoring consumer and digital product transactions proactively through state-of-the-art fraud detection tools.

Approximately PKR 390 million potential loss was saved through effective handling of alerts / detection of fraudulent transactions and identification of POCs (Point of compromises) with immediate actions accordingly. 272 POCs (Point of Compromises) were reported by Pakistan Banking Association (PBA) where remarkably no POC of BAFL was established. In addition, an amount of PKR 92 million was potentially saved in e-commerce acquiring business. With its proactive approach, vigilance unit of FRMU potentially saved an amount of PKR 605 million by detection of suspicious / discrepant / fraudulent cases.

FRMU investigation team went out of the way and also busted numerous gangs of fraudsters involved in skimming and social engineering frauds in collaboration with FIA Cybercrime which resulted in recovery of number of fake plastics, spoofing software and gadgets. FRMU also successfully recovered PKR 49 million against fraudulent IBFTs, Data Skimming and Social Engineering fraud.

FRMU in coordination with cross functional units implemented multiple measures i.e. installation of Anti-skimming solution, Deep insert plate, Burglary alarm, fascia alert at ATMs & centralized CCTV monitoring and restriction of fallback transactions for timely identification of suspected fraudulent activity. This resulted in drastic decrease of card skimming frauds. With the successful implementation of 2 Factor Authentication (2FA) at Bank Alfalah for transaction execution through IB/ALFA, no digital banking fraud occurred.

Legal and Corporate Affairs

The Legal and Corporate Affairs Group of Bank Alfalah comprises of a Corporate Affairs Division and a Legal Affairs Division.

Corporate Affairs Division

The Corporate Affairs Division (CA Division) ensures secretarial and corporate compliances and manage the Bank's affairs in accordance with its Memorandum and Articles of Association and various laws/regulations including the Companies Act, 2017, the Banking Companies Ordinance, 1962, SBP's Prudential Regulations, the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Listing Regulations/Rule Book of the Pakistan Stock Exchange etc. and the rules/regulations made there-under. The CA Division is also responsible for all arrangements of meetings of Board, Board Committees, General meetings including preparation of the agenda, resolutions along with all logistic and administrative

support and timely circulation of minutes of meetings to Board/Committee members. The Company Secretary and the staff of the CA Division ensure proper recording of minutes of each meeting, coordinate with the management/relevant stakeholders to communicate/follow-up the decisions made in the meetings and to update the Board/Committee(s) accordingly.

The CA Division keeps the Board abreast regarding the changes made in the existing corporate laws/regulations and/or introduction of any new law/regulation applicable to public limited and listed companies. It also ensures compliance with all disclosures/communication, as per the domain of CA Division, with relevant stakeholders including shareholders/regulators and also ensures updating corporate website of the Bank. This Division remains watchful of the share trading data/pattern and share price fluctuations. It also tracks sponsor shareholdings and manages dissemination of share trading information by the Sponsors/Directors/Executives of the Bank to all concerned. It ensures compliance with all applicable legal and procedural requirements regarding payment of cash dividends, issuance of bonus and right shares and issuance of shares under Employees Stock Option Scheme, when applicable. Disclosure of closed period, sharing of all material/price sensitive information and financial results to Pakistan Stock Exchange (PSX), the Securities Exchange & Commission of Pakistan (SECP) within the stipulated time is also taken care of by the CA Division.

The filing of statutory returns with the regulators and circulation of quarterly/annual financial statements to the shareholders and regulators is also made by CA Division. The filing of statutory returns is carried out by the staff of CA Division and no consultant is hired in this regard saving considerable time and cost thus maintaining confidentiality. The CA Division also ensures to maintain a cordial relationship with the shareholders of the Bank and resolve their problems/concerns on priority in an efficient manner to their full satisfaction.

During the year 2021, CA Division arranged a total of 34 meetings of the Board and Board Committees, an Annual General Meeting and an Extra-Ordinary General Meeting for the purpose of election of Director ("EOD"). The CA Division fulfilled all the procedural and regulatory requirements regarding election of directors and obtained SBP's clearance in respect of all Directors of the Bank. It also arranged disbursement of two cash dividend issues and made electronic payments of dividends to all entitled local and foreign shareholders within the stipulated time and manners. The efficiency of the CA Division may be highlighted by the fact that no penalties were imposed by SECP in 2021.

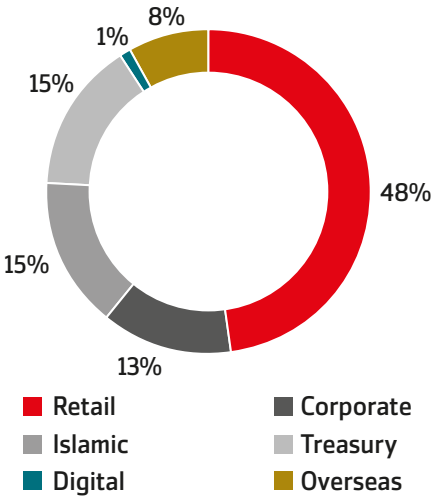
Legal Affairs Division

The Legal Affairs Division (LAD) of Bank Alfalah provides legal advice and support to all departments and businesses of the Bank. Its dedicated team of highly qualified and experienced lawyers work towards enabling the departments and businesses of the Bank to carry out their business and transactions while being compliant with applicable legal requirements and ensuring that maximum legal work is carried out in-house, thereby saving considerable costs in legal fees.

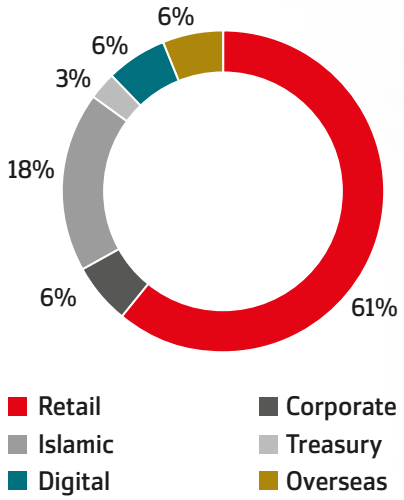
In the year 2021, LAD advised on and assisted various departments by itself developing requisite documentation in-house for various products and transactions. These include agreements entered into with various startups and other entities for provision of digital and electronic banking services in order to keep pace with rapid digitalization of banking services. LAD also assisted concerned departments in the launch of the Roshan Digital Account and developing documentation for extending house and auto finance facilities to Roshan Digital Account holders via electronic modes in light of Government of Pakistan's initiative to provide such facilities to overseas Pakistanis with the aim to attract foreign exchange in the country. Additionally, the work assigned to external counsel in 2021 was significantly lower than that in the previous years, resulting in major cost saving for the Bank as a whole.

Concentration of Profit and Business Segments' Profitability

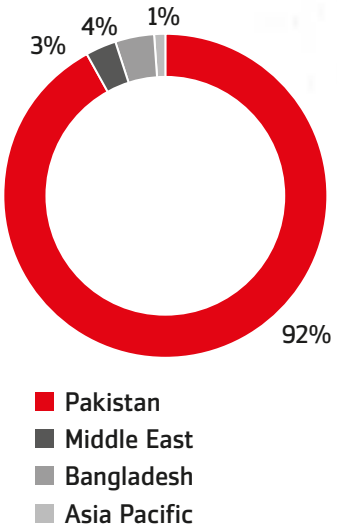
Business Segments - Revenue



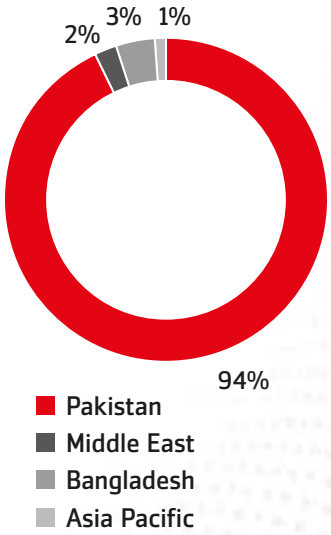
Business Segments - Expenses



Geograhical Segments - Revenue



Geograhical Segments - Expenses



Definations of Segments

1 **Retail Banking**
This includes loans, deposits, trade, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Bank. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

2 **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.

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

4 **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.

5 **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.

6 **International operations**
This segment includes amounts related to Bank's overseas operations, namely, banking activities in Bangladesh, Afghanistan, United Arab Emirates and Kingdom of Bahrain.

Financial and Non Financial Ratios

		2021	2020	2019	2018	2017	2016
Profitability Ratios							
Profit before tax ratio (PBT / Gross Markup Income)	%	23.33%	19.30%	24.19%	29.53%	24.67%	22.79%
Gross Yield on Earning Assets	%	6.72%	7.52%	10.26%	6.98%	6.62%	7.04%
Gross Yield on Average Earning Assets	%	7.36%	8.68%	10.53%	6.96%	6.81%	7.05%
Gross Spread ratio	%	45.96%	48.27%	48.53%	53.50%	51.94%	50.73%
Cost to Income ratio (Total Operating Expenses / Total Revenue)	%	58.92%	55.71%	54.01%	58.34%	65.28%	62.81%
Return on equity (ROE)	%	15.30%	11.55%	15.65%	15.33%	13.22%	13.86%
Return on Capital Employed (ROCE)	%	14.23%	10.51%	13.64%	13.30%	11.90%	11.85%
Return on Shareholders fund	%	16.05%	13.01%	16.56%	15.56%	14.30%	16.07%
Non Interest income to total income	%	14.12%	12.14%	10.07%	14.88%	14.15%	13.49%
Return on average assets (ROA)	%	0.92%	0.87%	1.26%	1.11%	0.87%	0.88%
Admin Exp to Profit before Tax	%	157.64%	179.17%	133.33%	140.27%	181.03%	182.77%
Assets Quality and Liquidity Ratios							
Gross Advances to Deposits ratio	%	61.37%	68.15%	67.75%	73.75%	64.68%	62.37%
Net Advances to Deposits ratio	%	59.16%	65.47%	65.35%	71.37%	62.12%	59.67%
CASA to total deposits	%	76.87%	79.80%	77.40%	77.17%	77.20%	83.00%
NPL to share holder's equity	%	24.71%	28.41%	25.47%	24.88%	26.72%	31.63%
Investments to total asset ratio	%	46.84%	39.12%	27.70%	27.74%	39.87%	41.03%
Cash & cash equivalent to Total Assets	%	7.76%	8.55%	12.68%	9.99%	9.35%	9.55%
Earning assets to interest bearing liabilities	Times	0.51	0.50	0.41	0.44	0.53	1.12
Cash to Current liabilities	%	7.20%	26.06%	13.58%	11.57%	9.70%	11.29%
Net Investments to Deposits ratio	%	71.04%	62.04%	38.23%	39.50%	62.13%	61.30%
Net Interest Income to working Funds	%	34.21%	37.74%	33.24%	31.77%	31.65%	32.67%
Gross non performing assets to gross advances	%	3.53%	4.30%	4.23%	3.63%	4.21%	4.80%
Non performing loans to total loans	%	3.67%	4.48%	4.38%	3.75%	4.39%	5.02%
Coverage Ratio (specific provision / NPLs)	%	85.49%	70.83%	79.14%	84.39%	89.22%	86.06%
Coverage Ratio (specific and general provision / NPLs)	%	101.95%	91.20%	83.57%	89.02%	94.02%	90.14%
Deposits to shareholders equity	Times	11.39	9.69	8.89	9.29	9.80	10.56
Assets to Equity	Times	17.34	15.22	12.10	13.30	15.18	15.46
Liquidity Coverage Ratio (LCR)*	%	172%	187%	163%	156%	141%	-
Net Stable Funding Ratio (NSFR)*	%	135%	136%	138%	133%	137%	-
Investment Ratios and Market Ratios							
Earnings per share [as reported]	Rs	8.00	5.89	7.15	5.99	4.74	4.93
Earnings per share [before tax]	Rs	13.15	10.06	12.59	9.93	8.74	8.16
Diluted Earnings per share	Rs	8.00	5.89	7.15	5.98	4.72	4.93
Price to earning ratio	Times	4.33	6.00	6.39	6.78	8.97	7.70
Price to book ratio	%	61.49%	68.98%	92.26%	95.21%	103.83%	100.71%
Price to book value ratio	Times	0.61	0.69	0.92	0.95	1.04	1.01
Dividend Yield ratio (based on cash dividend)	%	11.56%	11.32%	8.75%	3.70%	3.53%	-
Dividend Payout ratio (based on cash dividend)	%	50.00%	67.91%	55.94%	41.74%	31.65%	-
Dividend cover ratio	Times	2.00	1.47	1.79	2.40	3.16	-
Cash Dividend - Interim	%	20%	20%	20%	10%	-	-
- Final	%	20%	20%	20%	15%	15%	-
Stock Dividend	%	-	-	-	10%	-	-
Breakup value / net assets per share - with revaluation surplus	Rs	56.27	51.21	49.53	42.63	40.93	37.69
Breakup value / net assets per share - without revaluation surplus	Rs	49.83	45.30	43.14	38.47	36.38	30.81
Breakup value / net assets per share - with revaluation surplus and Investment and investment in related party at fair value	Rs	58.03	53.10	50.70	43.80	41.85	38.03
Share Information							
Market value per share - Dec 31 (Closing Rate)	Rs.	34.60	35.33	45.70	40.59	42.50	37.96
High - during the year	Rs.	38.50	53.00	50.70	58.94	47.24	38.00
Low - during the year	Rs.	28.50	28.26	36.50	40.59	36.03	23.90
Market Capitalisation - Dec 31	Rs. Mn	61,490	62,787	81,216	72,021	68,322	60,554
No. of shares outstanding	Mn	1,777	1,777	1,777	1,774	1,608	1,595

		2021	2020	2019	2018	2017	2016
Capital Adequacy and Structure							
Tier 1 Capital	Rs. Mn	83,111	77,211	73,650	66,810	53,662	42,550
Total Eligible Capital	Rs. Mn	108,075	100,422	93,677	82,050	65,779	56,902
Risk Weighted Assets (RWA)	Rs. Mn	749,050	607,663	554,836	549,173	491,228	431,628
RWA to Total Assets	%	43.19%	43.88%	52.08%	54.58%	49.18%	46.43%
Tier 1 to RWA	%	11.10%	12.71%	13.27%	12.17%	10.92%	9.86%
Capital Adequacy Ratio (CAR)	%	14.43%	16.53%	16.88%	14.94%	13.39%	13.18%
Earning assets to total assets ratio	%	85.93%	88.94%	84.67%	84.98%	86.11%	87.30%
Weighted average cost of deposit	%	3.25%	4.06%	5.00%	3.10%	2.70%	3.06%
Debt to equity ratio (as per book value)	%	7.00%	7.69%	13.62%	15.85%	7.59%	13.83%
Debt to equity ratio (as per market value)	%	11.38%	11.15%	14.76%	16.65%	7.31%	13.74%
Cosnsolidated Position							
Breakup value per share	Rs.	57.25	52.08	50.19	43.12	41.31	37.99
Capital Adequacy Ratio	%	14.32%	16.37%	16.69%	11.90%	11.28%	9.93%
Earning per share	Rs.	8.12	6.10	7.35	6.20	4.88	4.93
Non-Financial Ratios							
Staff turnover ratio	%	18.7%	13.4%	19.3%	22.4%	25.8%	20.4%
Customer Satisfaction Index	%	87%	88%	83%	83%	86%	79%
Employee Productivity Rate/ Happiness Score* (Out of score 5)		3.90	3.80	3.50	-	-	3.85

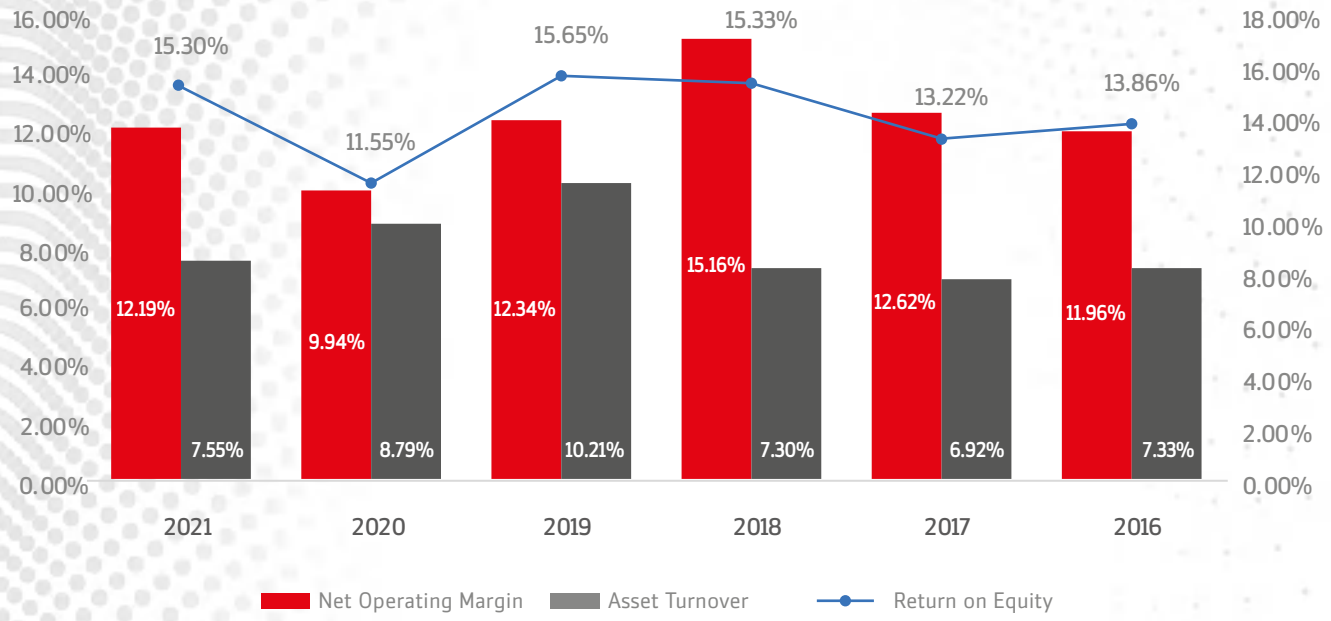
**Before 2019 engagement survey was run every 2 years*

Note:

* For banking industry, Liquidity Coverage Ratio (LCR) & Net Stable Funding Ratio (NSFR) are used in place of current, quick and liquid asset ratios.

DuPont Analysis

			2021	2020	2019	2018	2017	2016
Net Operating Margin	Profit After Tax / Gross Income	%	12.19%	9.94%	12.34%	15.16%	12.62%	11.96%
Asset Turnover	Gross Income / Average Assets	%	7.55%	8.79%	10.21%	7.30%	6.92%	7.33%
Equity Multiplier	Average Assets / Average Equity	Times	16.63	13.23	12.43	13.85	15.13	15.80
Return on Equity		%	15.30%	11.55%	15.65%	15.33%	13.22%	13.86%



The DuPont model is derived from an analysis of return on equity that divide performance into three parts: Operating efficiency ratio which is also known as financial performance ratio is measured by net operating margin; asset use efficiency which determine if assets was utilized efficiently which is measured by total asset turnover; and financial leverage which shows to what extent the bank relies on debts which is measured by the equity multiplier.

The results of the study discover that the financial performance of the bank as regards to net profit margin has improved during the period from 2017 to 2021, with a drop in 2020 due to general provision of Rs. 4.250 billion booked against borrowers availing relaxation under SBP loan deferral / re-scheduling schemes. Asset utilization is relatively steady and reflects minimal volatility during the period under review. Equity multiplier was low in 2018, 2019 and 2020 due to low inter bank borrowings, and increased signifiantly in 2021 due to robust increase in earning assets and deposits. Furthermore, return on equity showed rising trend from 2017 to 2021 with drop in 2020 due to general provision booked, as discussed above.

Economic Value Added Statement (EVA)

		2021	2020
		Rupees in million	
Profit After tax	A	14,217	10,475
Provision and write offs		2,312	7,589
Tax (39%)		(902)	(2,960)
Provision and write offs - net of tax	B	1,410	4,629
Net Operating Profit After Tax	C = A + B	**15,627**	**15,105**
Equity at start of the year (excluding surplus)	D	80,508	76,661
Cost of Equity	E	**11,936**	**10,970**
Economic Value Added (EVA)	F=C - E	**3,691**	**4,135**

Economic value added (EVA) is the economic profit by the bank in a given period. It measures the bank's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes. A positive EVA reflects that the bank is increasing its value to its shareholders, whereas a negative EVA indicates that it is diminishing its value to its shareholders.

Direct Method Cash Flow Statement

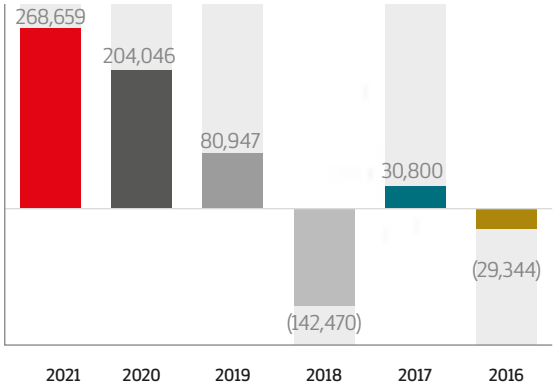
	2021	2020
	Rupees in million	
Cash flow from Operating activities		
Markup / return / interest and fee commission receipts	94,496	95,973
Markup / return / interest payments	(52,649)	(47,519)
Payments to employees, suppliers and Others	(9,331)	(16,994)
	32,515	31,460
(Increase) / decrease in operating assets		
Lending to Financial Institutions	47,897	(22,017)
Net Investment in 'Held for Trading' securities	(30,534)	(43,924)
Advances - Net	(98,031)	(74,092)
Other Assets (excluding taxation)	(11,936)	963
	(92,604)	(139,070)
Increase / (decrease) in operating liabilities		
Bills Payables	254	5,402
Borrowings	68,607	211,524
Deposits and Other Accounts	257,278	99,483
Other Liabilities (excluding taxation)	11,286	1,716
	337,425	318,125
	277,336	210,514
Contribution made to gratuity fund	(217)	(171)
Zakat paid	(124)	(113)
Income tax paid	(8,336)	(6,185)
Net cash generated from operating activities	**268,659**	**204,046**
Cash flows from Investing activities		
Net Investment from available for sale securities	(217,387)	(203,459)
Net Investment from held to maturity securities	(22,480)	147
Dividend received	605	402
Investments in operating fixed assets	(3,851)	(3,595)
Proceeds from sale of operating fixed assets, intangible assets and non banking assets	69	118
Exchange differences on translation of the net investment of foreign branches	852	587
Net cash flows used in investing activities	**(242,190)**	**(205,800)**
Cash flows from financing activities		
Redemption of sub ordinated loans	-	(4,987)
Payment of lease liability	(3,238)	(2,792)
Dividend paid	(7,092)	(7,066)
Net Cash flows used in financing activities	**(10,330)**	**(14,845)**
Increase in cash and cash equivalents	**16,139**	**(16,600)**
Cash and cash equivalents at beginning of the year	113,104	136,581
Effects of exchange rates changes on cash and cash equivalents	5,351	(1,526)
Cash and cash equivalents at end of the year	**134,594**	**118,455**

Free Cash Flows

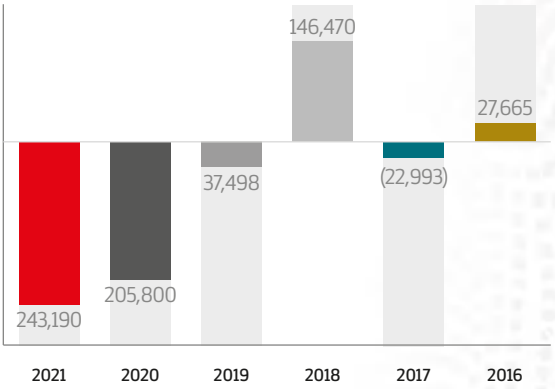
		2021	2020	2019	2018	2017	2016
Profit Before Taxation	Rs Mn	23,370	17,878	22,382	17,618	14,045	13,023
Adjustments for non cash items and operating assets/liabilities changes	Rs Mn	245,288	186,167	58,565	(160,088)	16,755	(42,367)
Net cash generated from operations	Rs Mn	268,659	204,046	80,947	(142,470)	30,800	(29,344)
Capital Expenditure	Rs Mn	(3,851)	(3,595)	(3,925)	(1,307)	(1,851)	(2,837)
Free Cash flows	Rs Mn	**264,808**	**200,451**	**77,023**	**(143,777)**	**28,949**	**(32,181)**

Commentary on cashflows is covered as part of Six Years' Review of Business Performance.

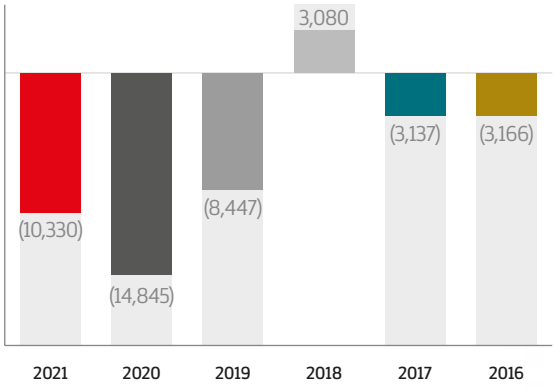
Operating Activities (Rs in Mn)



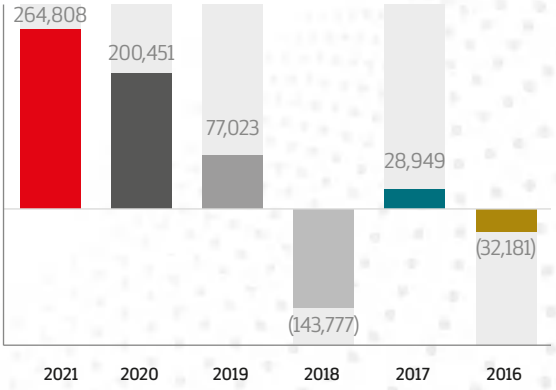
Investing Activities (Rs in Mn)



Financing Activities (Rs in Mn)



Free Cash Flows (Rs in Mn)

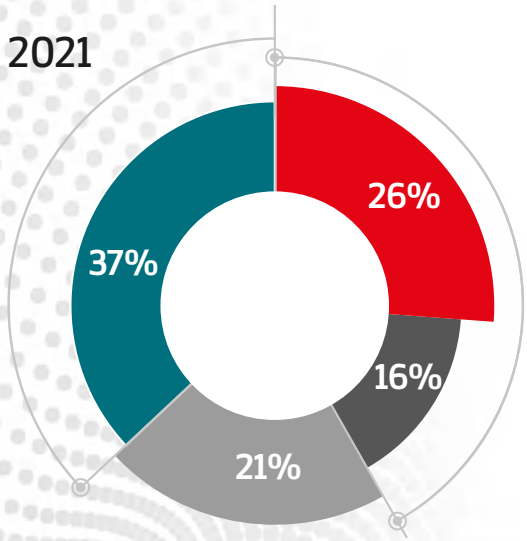


Statement of Value Added

	2021 Rs. in Million	2020 Rs. in Million
Value Added		
Net Interest Income	46,048	44,705
Non Interest Income	16,474	12,795
Operating Expenses exluding Staff costs depreciation, amortization, donations and WWF	(14,664)	(12,616)
Provision against advances, Lendings, Investments & Others	(2,312)	(7,589)
Value added available for distribution	**45,546**	**37,294**

Distribution of Value Added	2021 Rs. in Million	%	2020 Rs. in Million	%
To Employees				
Remuneration, provident fund and other benefits	16,844	37%	14,519	39%
To Government				
Worker Welfare Fund	498	1%	494	1%
Income Tax	9,154	20%	7,403	20%
	9,652	21%	7,897	21%
To providers of capital				
Interim/Final Cash dividends to shareholders	7,109	16%	7,109	19%
	7,109	16%	7,109	19%
To Society				
Donations	27	0.06%	20	0.05%
To Expansion and growth				
Depreciation	4,384	10%	3,944	11%
Amortization	396	1%	439	1%
Retained Earnings	7,133	16%	3,366	9%
	11,913	26%	7,749	21%
	45,546	100%	37,294	100%

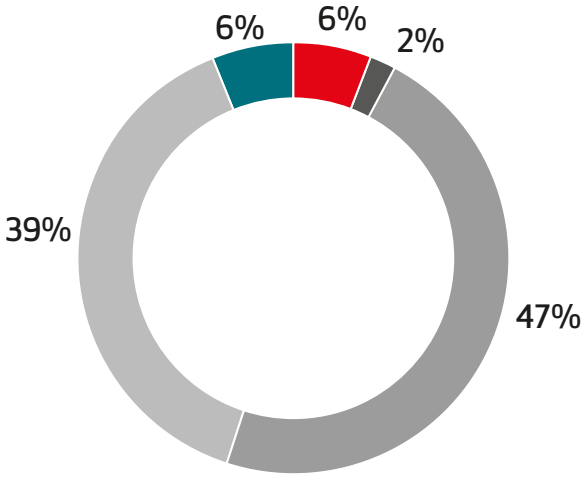
Year 2021



- Expansion and growth
- Providers of capital
- Government
- Employees

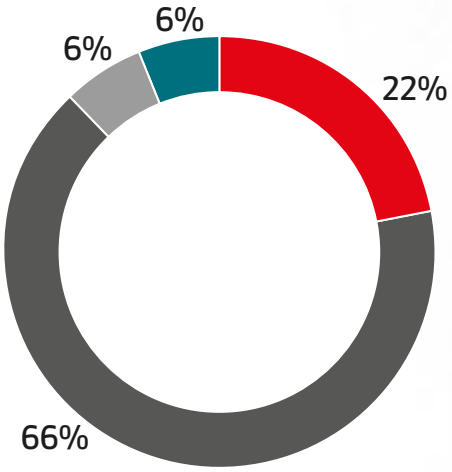
Sources and Uses of Funds

Concentration of Assets - Uses



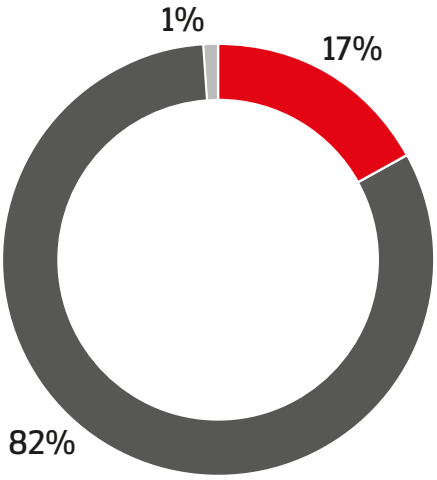
- Cash and bank balances
- Lendings to financial institution
- Investment - net
- Advances - net
- Other assets

Concentration of Liabilities & Equity - Sources



- Borrowings
- Deposits & other accounts
- Other liabilities & subordinated debt
- Equity

Concentration of Off Balance Sheet Exposure

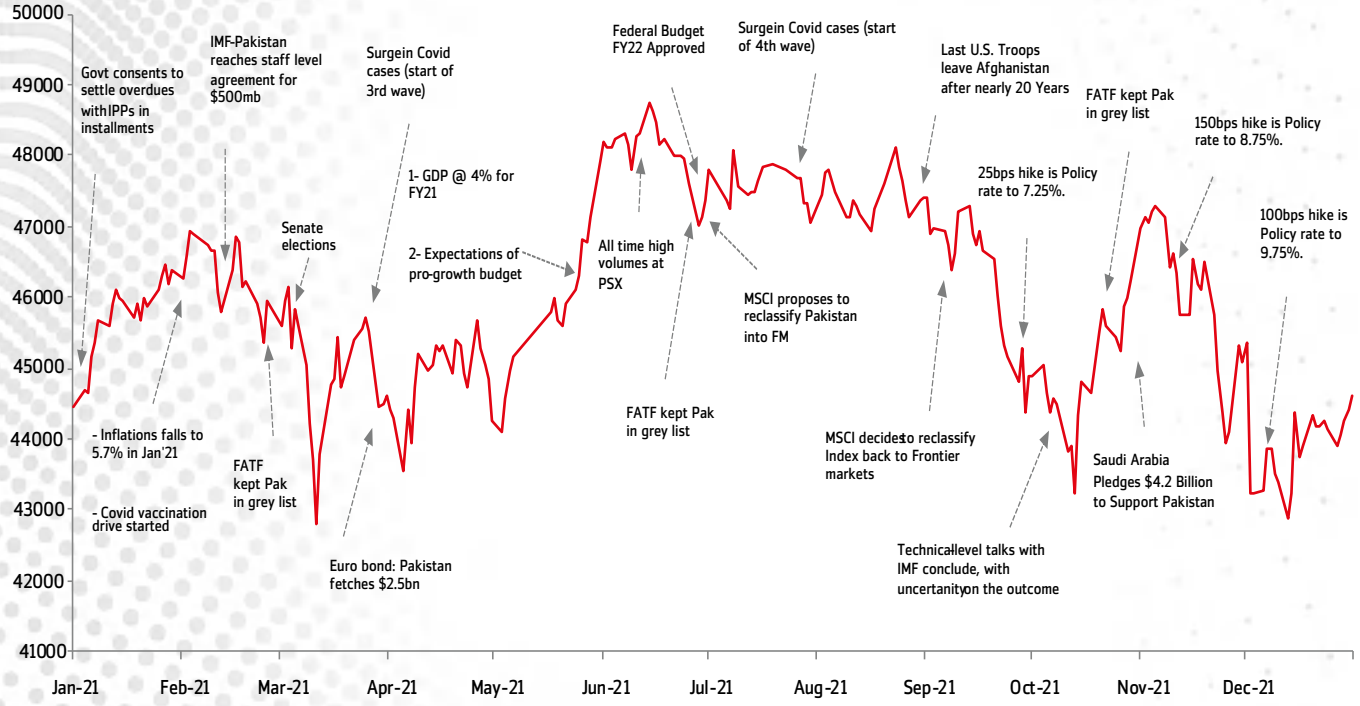


- Guarantees
- Commitments
- Other contingent liabilities

Share Price Sensitivity Analysis

	Share Price						
	High	Low	Closing	Daily average volume	Number of trading days	Share Capital	Market Capilization Value
	..... Rupees			Rs in Mn		Rs in Mn	Rs in Mn
First Quarter	37.32	29.97	30.48	79.20	62	17,772	54,168
Second Quarter	32.80	28.87	32.18	39.90	59	17,772	57,189
Third Quarter	33.71	31.47	32.35	87.10	61	17,772	57,491
Fourth Quarter	36.75	32.26	34.6	56.70	65	17,772	61,490

KSE 100 Index



Share Price Sensitivity

Factors that can influence the share price of Bank are given below:

Market Capitalization as of December 21, 2021	Rs	61,490 Mn
Change in share price by		
+ 10%	Rs	6,149 Mn
— 10%	Rs	(6,149) Mn

Factors Effecting Share Price

Discount rate / Monetary Policy

Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any volatility in the interest rates might impact revenue and profitability of the bank.

Minimum Rate of Return on Deposits/Regulatory risk

Any upward revision in the minimum deposit rate will result in compression in net interest margins earned due to increased cost of deposits. Such revision can negatively impact the earning and correspondingly the share price of the scrip.

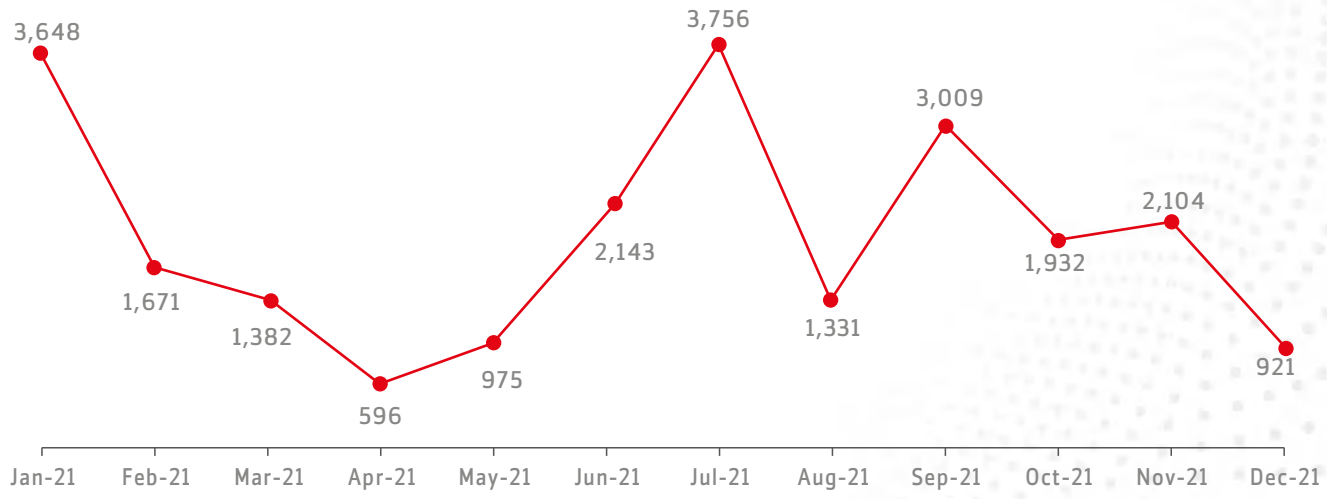
Inflation

Inflation is considered as a key determinant for policy rate change. Any uptick in the inflation statistics will have a corresponding impact on the monetary policy rate. With higher discount rates, the banks will be able to invest in high yielding investments, thus resulting in increased profitability. This, in turn will have a positive impact on the share price.

Political Stability & Law and order situation

Political stability and stable law & order situation is pre requisite for any economic development. Political stability reduces the uncertainty and urges investors to put their funds in different investment avenue. Politically stable governments will have an approach to facilitate the investors.

Volume (Shares in '000')



Sector wise Advances and Deposits

Advances By Segment	2021	2020
	Rupees in million	
Corporate	521,099	431,591
SMEs	39,503	37,082
Agriculture	14,494	9,410
Consumer	85,919	53,907
Commodity	20,692	54,387
Others	17,366	14,523
	699,073	**600,899**

Credit concentration of Advances and Deposits

Deposits By Sector
Concentration of deposits by sector is disclosed in note 45.1.8 of the unconsolidated financial statements.

Advances By Sector
Concentration of Advances by sector is disclosed in note 45.1.6 of the unconsolidated financial statements.

Contigencies By Sector
Concentration of Contigencies by sector is disclosed in note 45.1.7 of the unconsolidated financial statements.

Non-Performing Assets

	2021					
	Investment		Advances		other Assets	
	Asset	Provision	Asset	Provision	Asset	Provision
	(Rupees in Mn)					
Opening	1,398	1,398	25,860	23,583	259	259
Exchange Adjustment	6	6	-	60	8	8
Additions	422	422	-	1,869	1,050	1,050
Deletions	(597)	(597)	(1,150)	(319)	(8)	(8)
Closing	**1,229**	**1,229**	**24,710**	**25,192**	**1,309**	**1,309**

	2020					
	Investment		Advances		other Assets	
	Asset	Provision	Asset	Provision	Asset	Provision
	(Rupees in Mn)					
Opening	2,445	2,445	22,417	18,735	230	230
Exchange Adjustment	1,042	1,042	-	10,209	35	35
Additions	(1,591)	(1,591)	3,442	(2,038)	(3)	(3)
Deletions	(499)	(499)	-	(3,323)	(4)	(4)
Closing	**1,398**	**1,398**	**25,860**	**23,583**	**259**	**259**

Sector-wise breakup of NPA

Sector wise breakup of non performing investments is disclosed in note 45.1.5 of the unconsolidated financial statements.

Sector wise breakup of non performing advances is disclosed in note 45.1.6 of the unconsolidated financial statements.

Accounts Restructured- Outstanding balance as at Dec 31st:

Business	2021	2020
	(Rupees in Mn)	
Corporate	17,780	41,528
Retail	3,947	19,421
Agri	106	212
Consumer	449	482
	22,281	**61,643**

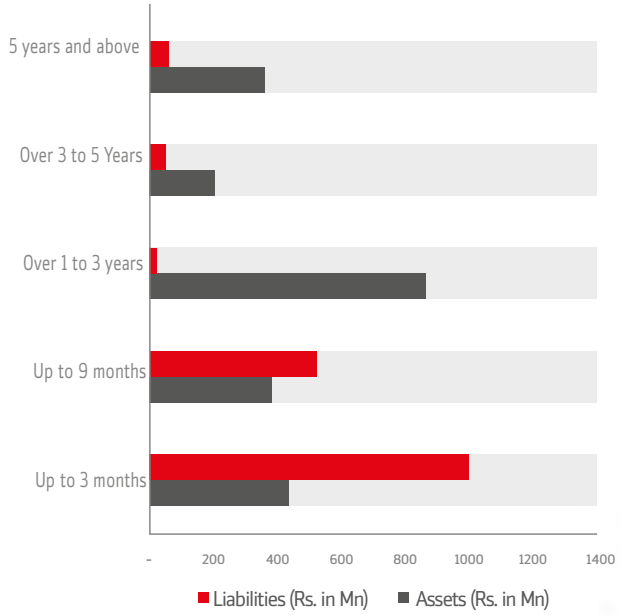
The above includes loans restructured and reschedule under the SBP's relief schemes to counter the impact of Covid-19.

Behavioural Maturities of Key Assets and Liabilities

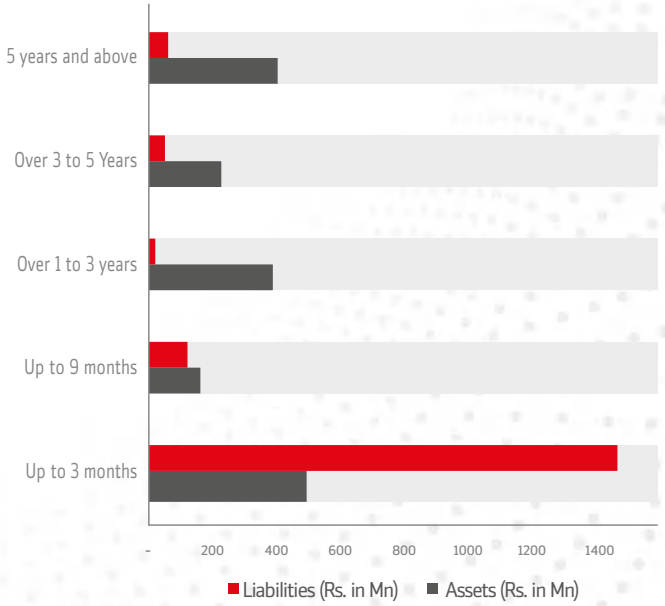
2021	Up to 3 months	Up to 1 year	Over 1 to 3 years	Over 3 to 5 Years	5 years and above
	Rs in Millions				
Key Assets					
Investments	809,214	161,936	18,750	281,418	133,356	213,755
Advances	673,881	274,378	146,337	61,147	68,421	143,255
	1,483,094	436,314	165,086	371,966	201,777	357,010
Key Liabilities						
Borrowings	383,809	210,905	51,439	18,706	46,295	56,464
Deposits and other accounts	1,139,045	1,081,163	56,279	1,263	340	-
	1,522,853	429,130	223,936	220,991	130,615	518,182

2020	Up to 3 months	Up to 1 years	Over 1 to 3 years	Over 3 to 5 Years	5 years and above
	Rs in Millions				
Key Assets					
Investments	547,090	174,262	96,928	45,469	62,916	167,515
Advances	577,316	274,490	71,713	75,777	60,018	95,319
	1,124,406	448,752	168,640	121,246	122,934	262,834
Key Liabilities						
Borrowings	314,960	194,963	13,446	31,980	47,993	26,579
Deposits and other accounts	881,767	799,106	80,099	2,125	437	-
	1,196,727	994,068	93,545	34,105	48,430	26,579

Maturities of key Asset and Liabilities-2021



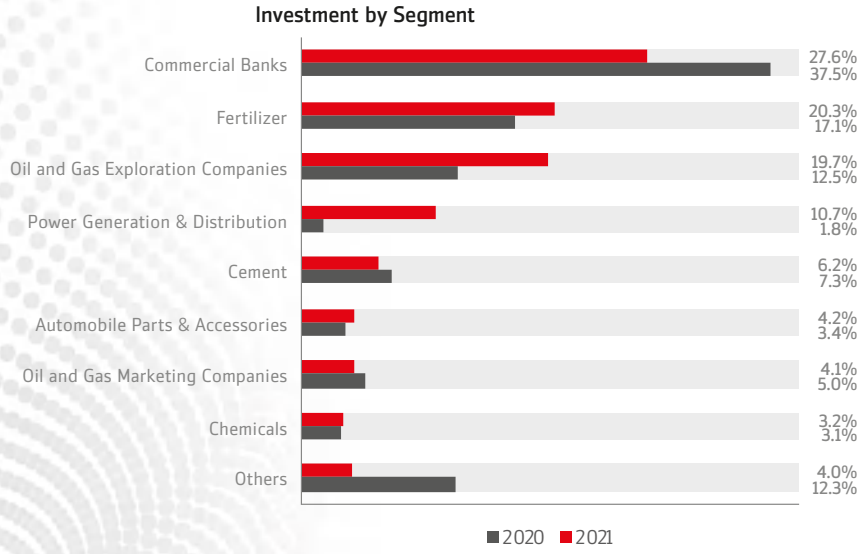
Maturities of key Asset and Liabilities-2020



Classification and valuation of investments

	2021		2020	
	Cost	Book Value	Cost	Book Value
	Rs in Million			
Held-for-trading securities				
Government Securities	96,515	96,496	64,331	64,352
Foreign Securities	4,079	3,687	6,142	6,199
Shares	983	971	477.73	491
	101,577	101,154	70,951	71,043
Available-for-sale securities				
Government Securities	561,091	558,673	358,852	361,483
Non Government Securities	19,909	19,730	19,848	19,401
Foreign Securities	51,018	51,714	36,783	38,313
Shares	5,573	5,119	4,726	6,422
	637,591	635,236	420,208	425,619
Held-to-maturity securities				
Government Securities	56,061	56,061	27,220	27,220
Non Government Securities	2,495	2,390	1,534	1,415
Foreign Securities	13,106	13,106	20,428	20,428
	71,662	71,557	49,182	49,063
Associates	1,178	1,178	1,178	1,178
Subsdiaries	300	257	300	257
	812,307	**809,381**	**492,637**	**498,096**

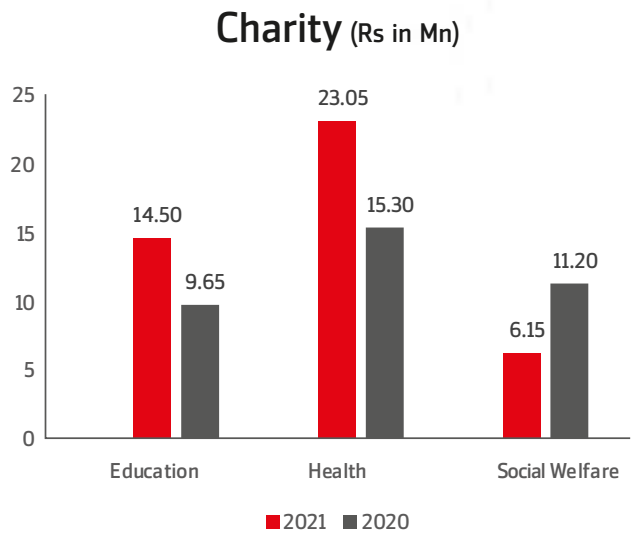
Top 10 Equity Investment by Sectors (December 21):

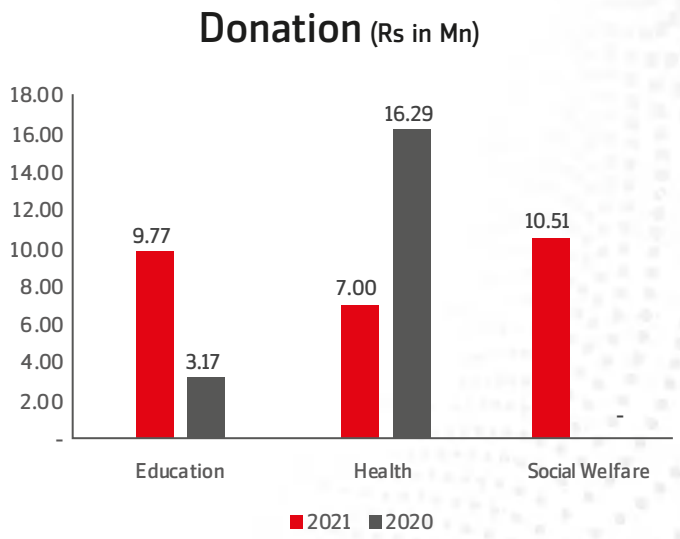


Statement of Charity and Donation

	2021	2020
Charity paid (Islamic banking):	Rupees in million	
Education	14.50	9.65
Health	23.05	15.30
Social welfare	6.15	11.20
	43.70	36.15
Donations paid:		
Education	9.77	3.17
Health	7.00	16.29
Social welfare	10.51	0.00
	27.28	19.45

Beneficiary wise details of charity and donation is disclosed in note 5 of Annexure II and note 28 of the unconsolidated financial statements respectively.





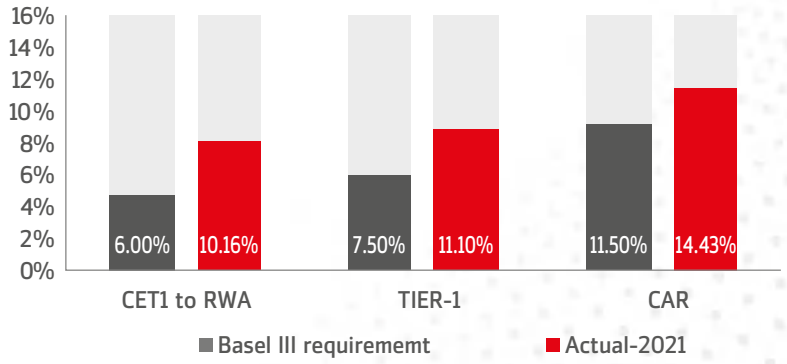
Key Interest Earning Asset and Liabilities

	2021			2020		
	Avg vol	Effective interest rate %	Interest	Avg vol	Effective interest rate %	Interest
	Rs in Millions					
Interest on Earning Assets						
Balances with Bank	13,034	0.21%	27	9,179	0.65%	59
Lending to financial institutions	60,019	6.16%	3,694	61,256	8.71%	5,335
Advances	628,800	7.39%	46,485	525,072	9.38%	49,231
Investments (excluding equity investment)	662,402	7.54%	49,976	436,662	8.70%	37,991
	1,364,256	**7.34%**	**100,182**	**1,032,169**	**8.97%**	**92,616**
Interest on Bearing Liabilities						
Deposits	943,078	3.25%	30,690	773,767	4.06%	31,399
Borrowings	361,700	5.22%	18,869	196,305	5.21%	10,224
Subordinated Debt	7,000	9.24%	647	8,839	12.94%	1,144
Lease Liabity	11,069	13.27%	1,469	9,419	14.04%	1,322
Swap Cost	-	-	2,459	-	-	3,822
	1,322,847	**3.91%**	**51,675**	**988,330**	**4.46%**	**44,089**
Net Spread		**3.44%**			**4.51%**	

Capital Structure

	2021	2020
	Rupees in million	
Tier 1 Capital		
Shareholder equity/ assigned capital	17,772	17,772
Share premium	4,731	4,731
Reserves	17,012	15,590
Unappropriated profits	40,836	35,057
	80,351	73,150
Eligible Additional Tier 1 Capital	7,000	7,000
Deductions:		
Book value of intangible and advances given for intangible	1,116	1,285
Defined benefit pension fund assets- net	744	692
other deductions	2,379	962
	4,240	2,939
Total Tier 1 Capital	83,111	77,211
Tier 2 Capital		
General provisions subject to 1.25% of total risk weighted assets	4,172	5,412
Revaluation reserves	12,580	10,441
Foreign exchange translation reserves	8,211	7,359
Total Tier 2 Capital	24,963	23,212
Total regulatroy capital Base	108,075	100,422
Capital Adequacy		
Risk Weighted Assets		
Credit risk	643,252	522,369
Market risk	13,337	11,812
Operational risk	92,461	73,482
Total RWA	749,050	607,663
Capital Adequacy Ratio		
Total eligible regulatory capital held	108,075	100,422
Total Risk Weighted Assets	749,050	607,663
Capital Adequacy ratio	14.43%	16.37%

Capital Adequacy Ratio



Other Information

Business Rationale for Major Capital Expenditure/Projects

During the year the bank invested Rs. 3.6 billion on purchase of fixed assets and intangibles which includes properties (land & buildings), equipment, fixtures, intangible assets etc. A detailed disclosure of fixed asset is given in the financial statements. All the assets purchased were capitalized as the management intends to take benefit from them over their useful life, which spans over more than a year. These additions are for meeting the business and operational needs of the Bank including but not limited to digital infrastructure, new branches, existing branch / office renovations, strengthening IT infrastructure with an aim to operate within secured environment and with the best customer data protection.

Summary of major projects is disclosed in outlook section of the annual report.

Particulars of Significant/Material Assets and Immovable Property Including Location

The Bank has the following fixed assets as at 31 December 2021.

Items from the fixed & intangible assets	Dec '21 - WDV Rs. in million	Composition %
Land - Freehold & Leasehold	12,969,873	32%
Building on Freehold & Leasehold land	6,371,367	16%
Office equipment	4,464,515	11%
Vehicles, Lease hold improvement, Furniture and fixture	2,760,560	7%
Property & equipment	**26,566,315**	**65%**
Right-of-use assets	11,815,478	29%
Intangible assets	1,116,442	3%
Capital work-in-progress	1,117,186	3%
Total fixed & intangible assets	**40,615,421**	**100%**

Significant immovable properties of the banks are as follows:
- BA Building, II Chundrigarh Road, Karachi, Pakistan [Head Office];
- Shahdin Manzil, Lahore, Pakistan [Lahore office]; and
- Owned and leased premises of branch network and offices across the country and aboard.

Fair Value and Forced Sales Value of properties held under Fixed Assets and investment properties

The Bank's land and building are revalued once in three years by the professional evaluators. The following are the fair value and force sales value of the owned properties of the bank as at December 31, 2021:
Fair value: Rs. 19.341 Bn
Forced Sale Value: Rs.16.192 Bn

Product Revenue and Profitability

The Bank, being a financial intermediary, offers a large menu of lending, deposits and other service. These products and services are offered by different business groups within the bank. The revenue and profitability of these business groups are disclosed in the financial statement. Please see Segment Disclosure (note no. 41 of the unconsolidated financial statement) and business segment wise performance write up within this section.

Management's assessment of sufficiency of tax

The bank maintains sufficient provision for taxation as required under the accounting standards and the relevant tax regulations. Contingencies with respect to direct or indirect taxation based on income tax assessments have been disclosed in note 32 of these financial statements. Our assessment of sufficiency of tax provision made in financial statements along with comparisons to tax assessment for last three years are satisfactory.

Implementation of plans as disclosed in the prospectus/offering document of debt instrument (debts funds utilisation)

The following two debt instruments issued by the bank are outstanding as at December 31, 2021:
- Medium Term Note (MTN): The primary purpose of this instrument is to hedge bank's fixed rate assets.
- ADT 1 (TFC): The TFC ADT1 issue was raised to comply with SBP's regulation to maintain the minimum Capital Adequacy Ratio and to support on going business operations of the Bank.

The MTN and ADT 1 TFC utilization are as per the plans disclosed in the prospectus/offering document of the debt instruments.

Particulars of loans / advances and investments in foreign companies or undertakings

The Bank's overseas branches in Bahrain, UAE, Afghanistan and Bangladesh invest and lend to companies and undertakings operating in their jurisdictions and abroad. As at 31 December 2021, our overseas branches' advances and investments stood at Rs. 41.25 bn (31 Dec 2020: Rs. 25.18 bn) and PKR 69.050 bn (31 Dec 2020: Rs. 70.935 bn) respectively.

Human Resource Planning and Management

The Bank has Board level committees namely as Board Compensation Committee and Board Human Resources and Nominations Committee. Both Committees oversee the HR related activities performed by the Bank. The Bank has a Human Resources and Learning Group (HRLG) which operates with various sub-divisions such as Talent Acquisition & Advisory, Learning & Development, Leadership & Culture, Employee Relations & People Risk and Rewards & Services. These sub-divisions look after day-to-day HR operations including selection, recruitment, training, development, off-boarding, rewards, succession planning, career management, employee welfare , diversity & inclusion, female staff policies, differently abled staff policies and other allied tasks. For more detail on human resource planning and management please see stakeholder and sustainability section within this annual report.

Dividend History

The bank has been declaring two dividends of Rs 2 each every year, except where any restriction is imposed by the regulations. In 2021 also the Bank declared two dividends, interim in June and final in December.

Regulatory payments (taxes, duties, levies etc.)

The Bank is regular and on time payer of the taxes, duties and levies.

Disclosures under regulatory requirements / prudential regulations

The Bank has prepared its financial statements in accordance with SBP's prescribed format. The Bank has given additional disclosures in this annual report as required under various regulations. Please refer to Additional Disclosure under Governance section of this annual report.

Derivative Instruments

The Bank currently deals in derivative instruments namely interest rate swaps and futures with the principle view to hedge risks associated with interest rates risk. Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio.

For disclosure on derivative instruments, please see note no. 22 of the unconsolidated financial statements.

Assurance and Other Review

The external auditors of the bank conducted certain assurance, agreed upon procedure and other reviews. This includes Shariah Governance Audit, Report on Capital Adequacy, Review of Statement of Compliance with Code of Corporate Governance and tax related certification.

Methods and Assumptions in compiling Key Performance Indicators

These have been disclosed as part of strategy and outlook sections within this Annual Report.

Branch Network

Please visit our website for the Bank's branch network.

https://www.bankalfalah.com/list-of-branch-network/

CEO Review

Please follow the link below for the President/CEO's video on the Bank's business overview, performance, strategy and outlook:

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

CORPORATE REPORTING

Independent Auditors' Report to the Members

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Bank Alfalah Limited (the Bank), which comprise the unconsolidated statement of financial position as at 31 December 2021, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except for 60 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2021 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
- ***Provision against Non-Performing Credit Exposure*** (Refer note 9.5 to the unconsolidated financial statements)	
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. As per the Bank's accounting policy (refer note 4.4 to the unconsolidated financial statements), the Bank periodically assesses the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involves use of management judgment, on a case-to-case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank. 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.	We applied a range of audit procedures including the following: - We reviewed the Bank's process for identification and classification of non-performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be; - We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations; - In addition, we selected individually significant corporate loans and a representative sample of borrowers from the credit portfolios across various branches, and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' unconsolidated financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower; - Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appears to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; - In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management; and - We also assessed adequacy of disclosures as included in note 9.4 and 9.5 to the unconsolidated financial statements regarding the non-performing loans and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to he materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

in preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:

   a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;

   b) the unconsolidated statement of financial position, the unconsolidated profit or loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flow (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

   c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

   d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Omer Chughtai.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 1st March 2022
UDIN: AR202110120cf4iNwloM

Unconsolidated Statement of Financial Position

As at December 31, 2021

	Note	2021	2020
		----------(Rupees in '000)----------	
ASSETS			
Cash and balances with treasury banks	5	105,606,384	99,348,197
Balances with other banks	6	9,782,519	6,234,299
Lendings to financial institutions	7	35,982,065	77,305,535
Investments	8	809,213,583	547,089,932
Advances	9	673,880,624	577,315,947
Fixed assets	10	39,498,979	30,976,236
Intangible assets	11	1,116,442	1,284,539
Deferred tax assets	12	2,304,270	-
Other assets	13	56,936,473	45,318,864
		1,734,321,339	1,384,873,549
LIABILITIES			
Bills payable	14	22,825,500	22,571,122
Borrowings	15	383,808,872	314,960,186
Deposits and other accounts	16	1,139,044,606	881,767,082
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	7,000,000	7,000,000
Deferred tax liabilities	12	-	1,361,152
Other liabilities	18	81,639,680	66,196,688
		1,634,318,658	1,293,856,230
NET ASSETS		100,002,681	91,017,319
REPRESENTED BY			
Share capital	19	17,771,651	17,771,651
Reserves		29,953,963	27,680,022
Surplus on revaluation of assets	20	11,440,580	10,508,837
Unappropriated profit		40,836,487	35,056,809
		100,002,681	91,017,319
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 49 and annexures I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated Profit and Loss Account

For the year ended December 31, 2021

	Note	2021	2020
		---------(Rupees in '000)---------	
Mark-up/Return/Interest Earned	23	100,182,288	92,615,890
Mark-up/Return/Interest Expensed	24	54,133,856	47,911,316
Net Mark-up/Return/Interest Income		46,048,432	44,704,574
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	25	8,220,891	6,559,300
Dividend Income		602,916	403,276
Foreign Exchange Income		4,127,984	3,398,242
Gain / (loss) from derivatives		200,776	(21,366)
Gain on securities	26	3,142,353	2,284,880
Other Income	27	178,851	170,530
Total non-markup/interest Income		16,473,771	12,794,862
Total Income		62,522,203	57,499,436
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	28	36,316,030	31,442,922
Workers Welfare Fund	29	498,436	494,432
Other charges	30	25,520	94,491
Total non-markup/interest expenses		36,839,986	32,031,845
Profit Before Provisions		25,682,217	25,467,591
Provisions and write offs - net	31	2,311,856	7,589,269
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		23,370,361	17,878,322
Taxation	32	9,153,687	7,403,412
PROFIT AFTER TAXATION		14,216,674	10,474,910
		----------Rupees----------	
Basic and Diluted Earnings per share	33	8.00	5.89

The annexed notes 1 to 49 and annexures I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	2021	2020
	---------(Rupees in '000)---------	
Profit after taxation	14,216,674	10,474,910
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	852,274	586,512
Movement in surplus / (deficit) on revaluation of investments - net of tax	(4,490,292)	(781,967)
	(3,638,018)	(195,455)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	31,674	(212,406)
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	5,438,294	(75,839)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(16,259)	(361)
	5,453,709	(288,606)
Total comprehensive income	16,032,365	9,990,849

The annexed notes 1 to 49 and annexures I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Capital Reserves				Surplus/(Deficit) on revaluation				
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Investments	Fixed Assets	Non Banking Assets	Unappropriated profit	Total
	(Rupees in '000)								
Balance as at January 1, 2020	17,771,651	4,731,049	6,772,303	14,542,667	4,044,958	7,115,247	206,799	32,842,902	86,027,576
Profit after taxation	-	-	-	-	-	-	-	10,474,910	10,474,910
Other comprehensive income - net of tax	-	-	586,512	-	(781,967)	66,620	(35,266)	(212,406)	(376,507)
Transfer to statutory reserve	-	-	-	1,047,491	-	-	-	(1,047,491)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(39,968)	(67,586)	107,554	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2019 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Interim cash dividend for the nine months ended September 30, 2020 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at December 31, 2020	17,771,651	4,731,049	7,358,815	15,590,158	3,262,991	7,141,899	103,947	35,056,809	91,017,319
Profit after taxation	-	-	-	-	-	-	-	14,216,674	14,216,674
Other comprehensive income - net of tax	-	-	852,274	-	(4,490,292)	5,499,855	(16,163)	31,674	1,877,348
Transfer to statutory reserve	-	-	-	1,421,667	-	-	-	(1,421,667)	-
Transfer from surplus on revaluation of assets to unaporopriated profit - net of tax	-	-	-	-	-	(61,561)	(96)	61,657	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2020 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Interim cash dividend for the half year ended June 30, 2021 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at December 31, 2021	17,771,651	4,731,049	8,211,089	17,011,825	(1,227,301)	12,580,193	87,688	40,836,487	100,002,681

The annexed notes 1 to 49 and annexures I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated Cash Flow Statement

For the year ended December 31, 2021

	Note	2021	2020
		---------(Rupees in '000)---------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		23,370,361	17,878,322
Dividend income		(602,916)	(403,276)
		22,767,445	17,475,046
Adjustments			
Depreciation		4,384,167	3,943,647
Amortisation		395,890	438,758
Provisions and write offs - net	31	2,311,856	7,589,269
Unrealised loss on revaluation of investments classified as held for trading - net		423,054	(91,188)
Gain on sale of operating fixed assets - net		(56,228)	(67,255)
Gain on termination of lease		(42,895)	-
Borrowing cost on lease liability		1,468,889	1,322,183
Workers' Welfare Fund		498,436	494,432
Charge for defined benefit plan		216,848	170,884
Charge for staff compensated absences		23,118	71,106
		9,623,135	13,871,836
		32,390,580	31,346,882
(Increase) / decrease in operating assets			
Lendings to financial institutions		47,896,801	(22,017,279)
Held for trading securities		(30,534,172)	(43,924,292)
Advances		(98,030,609)	(74,091,807)
Other assets (excluding advance taxation)		(11,936,284)	962,924
		(92,604,264)	(139,070,454)
Increase / (decrease) in operating liabilities			
Bills payable		254,378	5,402,063
Borrowings		68,607,301	211,524,143
Deposits		257,277,524	99,482,886
Other liabilities (excluding current taxation)		11,285,885	1,715,862
		337,425,088	318,124,954
		277,211,404	210,401,382
Contribution made to gratuity fund		(216,848)	(170,884)
Income tax paid		(8,335,883)	(6,184,815)
Net cash generated from operating activities		268,658,673	204,045,683
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(217,386,508)	(203,458,633)
Net investments in held-to-maturity securities		(22,479,891)	146,555
Dividends received		605,299	401,963
Investments in operating fixed assets		(3,850,883)	(3,594,817)
Proceed from sale of fixed assets		69,488	118,271
Effect of translation of net investment in foreign branches		852,274	586,512
Net cash used in investing activities		(242,190,221)	(205,800,149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of sub-ordinated debt		-	(4,987,000)
Payment of leased obligations		(3,238,124)	(2,791,876)
Dividend paid		(7,091,975)	(7,066,355)
Net cash used in financing activities		(10,330,099)	(14,845,231)
Increase in cash and cash equivalents		16,138,353	(16,599,697)
Cash and cash equivalents at beginning of the year		113,103,623	136,581,016
Effects of exchange rate changes on cash and cash equivalents		5,351,412	(1,526,284)
		118,455,035	135,054,732
Cash and cash equivalents at end of the year	34	134,593,388	118,455,035

The annexed notes 1 to 49 and annexures I to III form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer **Chief Financial Officer** **Director** **Director** **Director**

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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 770 branches (2020: 706 branches) and 20 sub-branches (2020: 24 sub-branches). Out of these, 529 (2020: 510) are conventional, 230 (2020: 185) are Islamic, 10 (2020: 10) are overseas and 1 (2020: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under Companies Act 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017.
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Further, SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. SBP has directed banks in Pakistan to implement IFRS 9 with effect from January 1, 2022. The Bank awaits final guidelines from SBP for application of some aspects of IFRS 9.

Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements; except for overseas branches where such standards are applicable.

2.1.1 These unconsolidated financial statements represent separate financial statements of Bank Alfalah Limited in which investment in subsidiaries and associates are accounted for as stated in note 4.3.1

2.1.2 Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

2.1.3 These financial statements have been prepared in accordance with forms for the preparation of the annual financial statements of the banks issued by SBP, vide its BPRD Circular No. 02 dated January 25, 2018.

2.1.4 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the unconsolidated financial statements have been prepared on the going concern basis.

2.2 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, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2022:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16	April 01, 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -Amendments to IFRS 10 and IAS 28	Not yet finalized

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	July 01, 2009
IFRS 17 – Insurance Contracts	January 01, 2023

2.3.1 IFRS 9 'Financial Instruments' - SBP directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2022. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has calculated the impact of adoption of IFRS 9 on the financial statement of the Bank on the date of initial application, which will be finalized post issuance of IFRS 9 guidelines from SBP.

2.4 Critical accounting estimates and judgments

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

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

i) classification and provisioning against investments (notes 4.3.1 and 8)
ii) classification and provisioning against non-performing loans and advances (notes 4.4 and 9)
iii) income taxes (notes 4.11 and 32)
iv) accounting for defined benefit plan and compensated absences (notes 4.8 and 37)
v) depreciation of operating fixed assets (notes 4.5.2 and 10)
vi) amortisation of intangibles (notes 4.5.3 and 11)
vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.5.2, 4.5.5, 10 and 13.1)
viii) impairment of assets (note 4.12)
ix) fair value measurement of financial instruments (note 40)
x) other provisions and contingent liabilities (notes 21 and 31)
xi) determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee) (note 4.5.4.1)
xii) incremental borrowing rate (note 4.5.4.1)

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. Defined benefit obligations which are carried at present value. Right of use of asset and related lease liability are measured at present value.

3.2 Functional and Presentation Currency

3.2.1 These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

3.2.2 The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated financial statements are consistent with those of previous financial year except as disclosed in note 4.8 (d).

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as below:

4.2.1 Sale under repurchase agreements

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

4.2.2 Purchase under resale agreements

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

4.2.3 Bai Muajjal

The Bank enters into Bai Muajjal transactions of sale (lending) and purchase (borrowing). These are recorded as below:

Bai Muajjal Purchase

Bai Muajjal transactions represent purchase of shariah compliant instruments on deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

Bai Muajjal Sale

Bai Muajjal transactions represent sale of shariah compliant instruments on deferred payment basis and are shown in borrowings. The credit price is agreed at the time of purchase and the proceeds are paid at the end of the credit period. The difference between the deferred payment amount payable and the carrying value at the time of purchase is accrued and recorded as borrowing cost over the life of the transaction.

4.3 Investments

4.3.1 Classification

The Bank classifies its investments as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

Associates

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

Subsidiary

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

4.3.2 Regular way contracts

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

4.3.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

4.3.4 Subsequent measurement

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

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any. Details of valuation techniques used in determination of fair value is included in note 40.4.1 of these unconsolidated financial statements.

4.3.5 Impairment

The Bank determines provision for diminution in the value of debt securities as per the Prudential Regulations issued by the SBP. When a debt security, other than a government security, is classified as available-for-sale and considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of a debt instrument increases the impairment loss is reversed through the profit and loss account. When a debt security, other than a government security, classified as held-to-maturity and considered to be impaired, the impairment is directly charged to the profit and loss account as held-to-maturity securities are carried at amortized cost. Any subsequent reversal of an impairment loss, up to the cost of the investment in the debt security is credited to the profit and loss account.

The Bank determines impairment on available-for-sale listed equity securities when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgement. A subsequent increase in the fair value of a previously impaired listed equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal.

A decline in the carrying value of unlisted equity securities is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account.

The carrying values of investments in associates and subsidiary are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, higher of fair value less cost to sell and value in use, the investments in associates are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account. Any subsequent reversal of an impairment loss, up to the carrying value of the investment in associates and joint ventures, is credited to the profit and loss account.

Provision against investments by the overseas branches is made as per the requirements of the respective countries in which overseas branches operates.

4.4 Advances

Loans and advances

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time and management assumptions. General reserve against Covid 19 is based on management's estimates as disclosed in note 9.6.4 .The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas loans and advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery or to clean up the balance sheet as allowed by SBP circular no. 06 of 2007 dated June 05, 2007.

Islamic Financing and Related Assets

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Musharakah, Running Musharakah, Salam, Istisna, Tijara and Export Refinance under SBP Islamic Export Refinance Scheme. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financings is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP and management estimates/assumption. General reserve against Covid 19 is based on management's estimates as disclosed in note 9.6.4. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery or to clean up the books.

Finance Lease Receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. The Bank determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP and management estimates/assumption. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/ receivable on Ijarah under IFAS 2 are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

4.5 Fixed assets

4.5.1 Capital work in progress

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

4.5.2 Property and Equipment (owned and leased)

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 10.2 to these unconsolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

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

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in OCI and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

4.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Intangible assets are assessed for impairment, if any, as described under note 4.12.

4.5.4 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.5.4.1 Bank as a lessee

The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

Incremental borrowing rate (IBR)

The IBR is the rate of markup that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using observable inputs such as market interest rates.

4.5.4.2 Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

4.5.5 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted as per SBP's requirement, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the surplus on revaluation of non-banking assets in other comprehensive income, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account.

4.6 Deposits / Borrowings and their cost

a) Borrowings and deposits are recorded at the proceeds received.

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

c) Swap cost arises when surplus foreign currency funds are sold to purchase local currency funds from the market. Swap cost is recorded as an expense in the period in which it is incurred.

4.6.1 Deposits - Islamic Bankinq

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 Rah-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 ioss in a pool during the profit calculation period, the ioss is distributed among the depositors (remunerative) according to their ratio of Investments.

4.7 Subordinated debts

Subordinated debts are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.8 Staff retirement / Employee benefits

a) Defined benefit plan

The Bank operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. The actuarial valuations involve assumption and estimates of discount rates, expected rates of return on assets, future salary increases and future inflation rates as disclosed in note 36.3. Actuarial gains and losses are recognised immediately in other comprehensive income.

b) Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. 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) Share Based Payment

The Bank has granted a cash award equivalent to the ordinary shares allotted to certain employees under Phantom Shares Award. The entitlement shall vest with the employees in three (3) equivalent proportions on the vesting dates over a period of three (3) years. The grant date is January 1, 2021 and the first vesting date is 365 calendar days from the grant date. Subsequently, second and third vesting dates to follow 365 calendar days from the preceding vesting dates. On each vesting date, the employees shall be entitled to a cash award for 33.33% (thirty-three and one third of one percent) of the total Phantom Shares Entitlement equivalent to fair market value of Bank's share on vesting date.

The Bank recognises compensation expense with corresponding liability at the fair value of the award. Until the liability is settled, the Bank re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

4.9 Foreign currencies

4.9.1 Functional and presentation currency

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

4.9.2 Transactions and balances

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevaiiing on the transaction date. Foreign exchange gains and iosses resulting from the settlement of sucb 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 ioss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicahle to the respective maturities of the reievant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

4.9.3 Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

4.9.4 Translation gains and losses

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

4.9.5 Commitments

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

4.10 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured.

4.10.1 Advances and investments

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Bank operates.

Murabaha income is recognised on deferred income basis.

4.10.2 Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

ijarah income is recognised on an accrual basis as and when the rentals becomes due. Oepreciation in case of Ijarah is netted off from markup income.

4.10.3 Non Markup / Interest income

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where tbe contract requires services to be provided over time, income is recognised on a systematic basis over the iife of the related services. Unearned fee and commission are included under Other Liabilities.

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

Other income is recognised on accrual basis.

4.11 Taxation

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

4.11.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebate, if any.

4.11.2 Prior years

This charge includes tax charge for prior years arising from assessments, changes in estimates and tax changes applied retrospectively.

4.11.3 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4.12 Impairment of non-financial assets

The carrying amount of assets is reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable at each reporting date. If any event exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the unconsolidated financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.13 Provision for claims under guarantees

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

4.14 Other Provisions

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

4.15 Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under contingent liability is considered remote, it is not disclosed.

4.16 Off-setting

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

4.17 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions,deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

4.18 Derivative financial instruments

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

4.19 Acceptances

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

4.20 Dividend and appropriation to reserves

Dividend declared and appropriations, except for transfer to statutory reserve, are made subsequent to the date of Statement of Financial Position are considered as non adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by the directors / shareholders, as appropriate.

4.21 Earnings per share

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

4.22 Segment reporting

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

4.22.1 Business segments

Retail banking

This includes loans, deposits, trade, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Bank. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

Corporate banking

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

Treasury

This segment includes iiquidity management activities carried out through borrowing, lending, money market, capital market, FX and merchant banking operations. The investments of tbe 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 hanking, call centre and alfa app), corporate, G2P & SMME portfolio (including EOBI, BISP, payroll solutions), digital payments and digital products.

Islamic banking

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

International operations

This segment includes amounts related to Bank's overseas operations, namely, banking activities in Bangladesh, Afghanistan, United Arab Emirates and Kingdom of Bahrain.

Others

This includes the head office related activities, and all other activities not directly tagged to the segments above.

4.22.2 Geographical segments

The Bank operates in three geographical regions being:

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

	Note	2021	2020
		--------(Rupees in '000)--------	
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		21,886,032	18,110,657
Foreign currency		2,722,351	3,641,949
		24,608,383	21,752,606
With State Bank of Pakistan in			
Local currency current accounts	5.1	47,249,054	36,654,027
Foreign currency current accounts	5.2	5,231,881	4,865,316
Foreign currency deposit accounts	5.3	9,466,467	23,312,434
		61,947,402	64,831,777
With other central banks in			
Foreign currency current accounts	5.4	9,536,033	8,253,771
Foreign currency deposit accounts	5.5	2,589,553	681,448
		12,125,586	8,935,219
With National Bank of Pakistan in local currency current account		6,698,696	3,242,108
Prize bonds		226,317	586,487
		105,606,384	99,348,197

5.1 This represents local currency current account maintained under the cash reserve requirement of the State Bank of Pakistan.

5.2 These represent US Dollar and other foreign currency settlement accounts and a foreign currency current account maintained under the cash reserve requirement of the State Bank of Pakistan.

5.3 This represents foreign currency deposit account maintained under the special cash reserve of the State Bank of Pakistan. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry interest rate at 0.00% per annum (2020: 0.00% to 0.76% per annum).

5.4 These represent deposits with other central banks pertaining to the overseas operations of the Bank, to meet their minimum cash reserves and capital requirements .

5.5 These represent deposits with other central banks pertaining to the overseas operations of the Bank, in accordance with their regulatory requirements and carry interest rates ranging from 0.00% to 0.32% per annum (2020: 0.19% to 0.42% per annum).

	Note	2021	2020
		--------(Rupees in '000)--------	
6 BALANCES WITH OTHER BANKS			
In Pakistan in current accounts		18,222	1,610
Outside Pakistan			
In current accounts	6.1	9,737,924	5,642,659
In deposit accounts	6.2	26,373	590,030
		9,764,297	6,232,689
		9,782,519	6,234,299

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 0.10% to 1.00% per annum (2020: 2.00% to 3.00% per annum).

	Note	2021	2020
		--------(Rupees in '000)--------	
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	7.1	22,815,581	22,064,585
Repurchase agreement lendings (Reverse Repo)	7.2	11,172,904	51,747,865
Bai Muajjal receivable - other financial institution	7.3	1,993,580	3,493,085
Lending to Financial Institutions - net of provision		35,982,065	77,305,535

7.1 These represent lendings to financial institutions at markup rates ranging from 0.15% to 10.75% per annum (2020: 0.05% to 9.70% per annum) having maturities upto March 2022 (2020: June 2021).

7.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 10.50% to 10.75% per annum (2020: 6.20% to 7.12% per annum) with maturities upto January 2022 (2020: January 2021).

7.3 This represents a Bai Muajjal agreement that carries markup rate of 7.50% per annum (2020: 6.85% to 6.95% per annum), and is due to mature by January 2022 (2020: April 2021).

	2021	2020
7.4 Particulars of lending - gross	--------(Rupees in '000)--------	
In local currency	26,097,190	66,041,011
In foreign currencies	9,884,875	11,264,524
	35,982,065	77,305,535

7.5 **Securities held as collateral against lending to financial institutions**

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----------(Rupees in '000)----------					
Market Treasury Bills	8,842,827	-	8,842,827	37,359,362	-	37,359,362
Pakistan Investment Bonds	2,330,077	-	2,330,077	14,388,503	-	14,388,503
Total	11,172,904	-	11,172,904	51,747,865	-	51,747,865

8 INVESTMENTS	Note	2021				2020			
8.1 Investments by type:		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		58,471,616	-	(20,039)	58,451,577	56,821,307	-	(9,388)	56,811,919
Pakistan Investment Bonds		38,043,325	-	993	38,044,318	7,510,169	-	30,229	7,540,398
Shares									
Ordinary shares / units - Listed		983,085	-	(12,205)	970,880	477,729	-	13,547	491,276
Foreign Securities									
Overseas Bonds - Sovereign		4,078,675	-	(391,803)	3,686,872	6,142,136	-	56,800	6,198,936
		101,576,701	-	(423,054)	101,153,647	70,951,341	-	91,188	71,042,529
Available-for-sale securities									
Federal Government Securities									
Market Treasury Bills		66,709,176	-	(31,162)	66,678,014	145,099,588	-	102,559	145,202,147
Pakistan Investment Bonds		421,777,608	-	(2,068,279)	419,709,329	187,006,839	-	2,381,275	189,388,114
Government of Pakistan Sukuks		70,415,751	-	(427,810)	69,987,941	24,322,881	-	(439)	24,322,442
Government of Pakistan Euro Bonds		1,172,284	-	109,704	1,281,988	1,956,045	-	147,772	2,103,817
Naya Pakistan Certificates		1,016,120	-	-	1,016,120	466,435	-	-	466,435
Shares									
Ordinary shares - Listed		4,228,215	(315,697)	50,388	3,962,906	3,390,701	(423,497)	2,313,639	5,280,843
Ordinary shares - Unlisted		1,211,363	(55,725)	-	1,155,638	1,201,285	(59,661)	-	1,141,624
Preference Shares - Listed		108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted		25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities									
Term Finance Certificates		2,426,778	(311,298)	(10,682)	2,104,798	1,596,910	(452,530)	(11,209)	1,133,171
Sukuks		17,481,926	(96,511)	239,990	17,625,405	18,250,653	(96,511)	113,865	18,268,007
Foreign Securities									
Overseas Bonds - Sovereign		17,350,342	-	292,949	17,643,291	16,552,071	-	813,215	17,365,286
Overseas Bonds - Others		30,356,529	-	403,361	30,759,890	17,326,311	-	716,255	18,042,566
Redeemable Participating Certificates	8.1.1	3,310,874	-	-	3,310,874	2,904,675	-	-	2,904,675
		637,590,801	(913,066)	(1,441,541)	635,236,194	420,208,229	(1,166,034)	6,576,932	425,619,127
Held-to-maturity securities									
Federal Government Securities									
Pakistan Investment Bonds		52,966,763	-	-	52,966,763	20,003,717	-	-	20,003,717
Other Federal Government Securities		3,094,151	-	-	3,094,151	7,216,366	-	-	7,216,366
Non Government Debt Securities									-
Term Finance Certificates		431,347	(24,680)	-	406,667	398,013	(24,680)	-	373,333
Sukuks		2,063,572	(80,722)	-	1,982,850	1,136,216	(94,545)	-	1,041,671
Foreign Securities									
Overseas Bonds - Sovereign		13,106,228	-	-	13,106,228	19,629,502	-	-	19,629,502
Overseas Bonds - Others		-	-	-	-	798,356	-	-	798,356
		71,662,061	(105,402)	-	71,556,659	49,182,170	(119,225)	-	49,062,945
Associates	8.1.2	1,177,606	-	-	1,177,606	1,177,606	-	-	1,177,606
Subsidiaries	8.1.2	300,000	(42,981)	-	257,019	300,000	(42,981)	-	257,019
General provision and expected credit loss - Overseas operations		-	(167,542)	-	(167,542)	-	(69,294)	-	(69,294)
Total Investments		812,307,169	(1,228,991)	(1,864,595)	809,213,583	541,819,346	(1,397,534)	6,668,120	547,089,932

8.1.1 The adoption of IFRS 9 at Bahrain Operations of the Bank has resulted in investments in Redeemable Participating Certificates held abroad, being mandatorily measured at "Fair Value through Profit and Loss Account". However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-162D3 dated July 26, 2018, such investments have been reported and measured under "Available for Sale" investments in these unconsolidated financial statements.

8.1.2 Particulars of Assets and Liabilities of Subsidiaries and Associates	2021	2020
	-----(Rupees in '000)-----	
SUBSIDIARY		
Alfalah CLSA Securities (Private) Limited		
Percentage of holding: 61.20% (2020: 61.20%)		
Country of incorporation: Pakistan		
Audited financial statements as of December 31, 2021		
Assets	985,710	616,192
Liabilities	650,986	339,327
Revenue	318,265	238,200
Profit for the year	61,240	28,629
Total comprehensive income	57,859	39,004
ASSOCIATES		
Alfalah GHP Investment Management Limited		
Percentage of holding: 40.22% (2020: 40.22%)		
Country of incorporation: Pakistan		
Un-audited financial statements as of December 31, 2021		
Assets	1,553,666	1,390,159
Liabilities	246,762	232,128
Revenue	408,689	469,183
Profit for the year	148,883	161,959
Total comprehensive income	148,883	161,959
Alfalah Insurance Company Limited		
Percentage of holding: 30% (2020: 30%)		
Country of incorporation: Pakistan		
Audited financial statements as of December 31, 2021		
Assets	5,025,547	4,233,623
Liabilities	3,192,045	2,602,042
Revenue	1,934,765	1,726,381
Profit for the year	265,840	273,729
Total comprehensive income	201,920	319,196
Sapphire Wind Power Company Limited		
Percentage of holding: 30% (2020: 30%)		
Country of incorporation: Pakistan		
Un-audited financial statements as of December 31, 2021		
Assets	16,731,168	16,562,413
Liabilities	7,406,481	8,313,129
Revenue for the year	3,197,037	3,381,695
Profit for the year	1,445,403	1,551,192
Total comprehensive income	1,445,403	1,551,192

8.2 Investments by segments:	2021 Cost / Amortised cost	2021 Provision for diminution	2021 Surplus / (Deficit)	2021 Carrying Value	2020 Cost / Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value
	(Rupees in '000)							
Federal Government Sucurities:								
Market Treasury Bills	125,180,792	-	(51,201)	125,129,591	201,920,895	-	93,171	202,014,066
Pakistan investment Bonds	512,787,696	-	(2,067,286)	510,720,410	214,520,725	-	2,411,504	216,932,229
Government of Pakistan Euro Bonds	1,172,284	-	109,704	1,281,988	1,956,045	-	147,772	2,103,817
Other Federal Government Securities	3,094,151	-	-	3,094,151	7,216,366	-	-	7,216,366
Government of Pakistan Sukuks	70,415,751	-	(427,810)	69,987,941	24,322,881	-	(439)	24,322,442
Naya Pakistan Certificates	1,016,120	-	-	1,016,120	466,435	-	-	466,435
	713,666,794	-	(2,436,593)	711,230,201	450,403,347	-	2,652,008	453,055,355
Shares:								
Listed Companies	5,320,135	(424,532)	38,183	4,933,786	3,977,265	(532,332)	2,327,186	5,772,119
Unlisted Companies	1,236,363	(80,725)	-	1,155,638	1,226,285	(84,661)	-	1,141,624
	6,556,498	(505,257)	38,183	6,089,424	5,203,550	(616,993)	2,327,186	6,913,743
Non Government Debt Securities								
Listed	15,387,120	(1,785)	169,318	15,554,653	15,163,010	(1,785)	21,381	15,182,606
Unlisted	7,016,503	(511,426)	59,990	6,565,067	6,218,782	(666,481)	81,275	5,633,576
	22,403,623	(513,211)	229,308	22,119,720	21,381,792	(668,266)	102,656	20,816,182
Foreign Securities								
Government securities	34,535,245	-	(98,854)	34,436,391	42,323,709	-	870,015	43,193,724
Non Government Debt securities	33,667,403	-	403,361	34,070,764	21,029,342	-	716,255	21,745,597
	68,202,648	-	304,507	68,507,155	63,353,051	-	1,586,270	64,939,321
Associates								
Alfalah insurance Company Limited	68,990	-	-	68,990	68,990	-	-	68,990
Sapphire Wind Power Company Limited	978,123	-	-	978,123	978,123	-	-	978,123
Alfalah GHP Investment Management Limited	130,493	-	-	130,493	130,493	-	-	130,493
	1,177,606	-	-	1,177,606	1,177,606	-	-	1,177,606
Subsidiaries								
Alfalah CLSA Securities (Private) Limited	300,000	(42,981)	-	257,019	300,000	(42,981)	-	257,019
General provision and expected credit loss-Overseas operations	-	(167,542)	-	(167,542)	-	(69,294)	-	(69,294)
Total Investments	812,307,169	(1,228,991)	(1,864,595)	809,213,583	541,819,346	(1,397,534)	6,668,120	547,089,932

8.2.1 Investments given as collateral

	Note	2021	2020
		(Rupees in '000)	
Market Treasury Bills		34,714,491	99,091,373
Pakistan Investment Bonds		109,031,611	82,733,120
Overseas Bonds		10,749,672	-
		154,495,774	181,824,493

The market value of securities given as collateral is Rs. 154,163.013 million (2020: Rs. 181,215.233 million).

8.3 Provision for diminution in value of investments

8.3.1 Opening balance		1,397,534	2,445,435
Exchange and other adjustments		6,183	495
Charge / reversals			
Charge for the year		421,889	1,042,001
Reversals for the year		(217,924)	(26,352)
Reversal on disposals		(374,755)	(1,564,459)
		(170,790)	(548,810)
Written off	6.3.2	(3,936)	(499,586)
Closing Balance		1,228,991	1,397,534

8.3.2 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, Agritech Limited TFC amounting to Rs. 499.586 million was written off in 2020 as part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.

8.3.3 Particulars of provision against debt securities

	2021		2020	
	NPL	Provision	NPL	Provision
	----------(Rupees in '000)----------			
Category of classification				
Domestic				
Loss	513,211	513,211	668,266	668,266
Overseas	-	-	-	-
Total	513,211	513,211	668,266	668,266

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	Note	2021	2020
		Cost	
		-------(Rupees in '000)-------	
8.4.1 Federal Government Securities - Government guaranteed			
Market Treasury Bills		66,709,176	145,099,588
Pakistan Investment Bonds		421,777,608	187,006,839
Government of Pakistan Sukuks		70,415,751	24,322,881
Government of Pakistan Euro Bonds		1,172,284	1,956,045
Naya Pakistan Certificates	8.4.1.1	1,016,120	466,435
		561,090,939	358,851,788

8.4.1.1 This represents intial investment made for the establishment of the modaraba pools in Naya Pakistan Company limited in accordance with S.R.O 964 (I) / 2020 dated October 05, 2020.

	2021	2020
8.4.2 Shares	Cost	
8.4.2.1 Listed Companies	------(Rupees in '000)-----	
Ordinary Shares		
Automobile Parts & Accessories	180,523	119,848
Cement	267,096	254,111
Chemicals	139,828	109,420
Commercial Banks	1,197,699	1,312,929
Engineering	97,908	28,953
Fertilizer	772,194	488,153
Glass and ceramics	5,424	-
Investment Banks	15,000	15,000
Oil and Gas Exploration Companies	855,084	436,504
Oil and Gas Marketing Companies	178,650	174,951
Pharmaceuticals	51,217	51,216
Power Generation & Distribution	465,182	62,826
Real Estate Investment Trust	-	336,790
Textile Composite	2,410	-
	4,228,215	3,390,701
Preference Shares		
Fertilizer	108,835	108,835
	4,337,050	3,499,536

8.4.2.2 Unlisted Companies	Break up value as at	2021 Cost	2021 Breakup value	2020 Cost	2020 Breakup value
		----------(Rupees in '000)----------			
Ordinary Shares					
Al-Hamara Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited*	Dec 31, 2019	-	-	22,235	80,303
Pakistan Mortgage Refinance Company Limited	Dec 31, 2020	300,000	503,350	300,000	385,098
Pakistan Corporate Restructuring Company Limited	Dec 31, 2020	32,313	30,310	-	-
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2020	4,095	21,667	4,095	11,754
TriconBoston Consulting Corporation (Private) Limited	June 30, 2021	769,230	1,770,787	769,230	1,389,619
1 Link (Private) Limited	June 30, 2021	50,000	267,895	50,000	230,837
		1,211,363	2,641,895	1,201,285	2,145,497
Preference Shares					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,784
		1,236,363	2,669,679	1,226,285	2,173,281

*Disposed off during the year

	2021 Cost	2020 Cost
8.4.3 Non Government Debt Securities	-------(Rupees in '000)-------	
8.4.3.1 Listed		
Categorised based on long term rating by Credit Rating Agencies:		
- A+, A, A-	100,000	100,000
- BBB+, BBB, BBB-	99,920	99,940
- Unrated	14,937,200	14,963,070
	15,137,120	15,163,010
8.4.3.2 Unlisted		
Categorised based on long term rating by Credit Rating Agencies:		
- AAA	2,250,000	3,687,297
- AA+, AA, AA-	250,000	450,000
- A+, A, A-	677,000	-
- Unrated	1,594,584	547,256
	4,771,584	4,684,553
Total Non Government Debt Securities	19,908,704	19,847,563

8.4.4 Foreign Securities	2021 Cost	2021 Rating	2020 Cost	2020 Rating
8.4.4.1 Government Securities	----------(Rupees in '000)----------			
Kingdom of Saudi Arabia	1,746,106	A1	2,376,563	A
People's Repuhlic of China	1,083,428	A+	1,916,025	A+
Sultanate of Oman	1,415,152	88+	1,119,856	88-
Abu Dhabi	2,388,531	AA	2,962,064	AA
Republic of Korea	867,954	AA	1,344,088	AA
Republic of South Africa	885,074	BB-	561,891	BB-
Italy	773,129	Baa3	937,350	BB8
United Mexican States	-	8BB	97,284	BBB
Republic of Kazakhstan	414,340	BBB-	391,844	BBB
Republic of Philippines	412,626	BBB	-	-
Sharjah	1,789,258	8B8-	1,622,414	8B8-
Republic Of Chile	19,557	A1	19,848	A+
Malaysia	-	A-	325,852	A-
Dubai	1,235,596	Unrated	1,118,836	Unrated
Islamic Republic of Pakistan	333,531	8-	-	-
Area Republic of Egypt	353,009	Unrated	-	-
Indonesia	2,333,866	Baa2	1,758,156	BBB
Republic Of Turkey	1,299,185	82	-	-
	17,350,342		16,552,071	

8.4.4.2 Non Government Debt Securities - Overseas securities

Unlisted	2021	2020
	-------(Rupees in '000)-------	
Categorised based on long term rating by Credit Rating Agencies:		
- AAA	-	479,508
- AA+, AA, AA-	5,904,607	800,502
- A+, A, A-	6,259,240	10,296,542
- BBB+, BBB, BBB-	7,687,329	5,510,005
- BB+, BB, BB-	-	239,754
- Baa1,B-	5,243,765	-
- A3	4,135,316	-
- Unrated	4,437,146	2,904,675
	33,667,403	20,230,986

8.5 Particulars relating to Held to Maturity securities are as follows:

8.5.1 Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	52,966,763	20,003,717
Other Federal Government Securities	3,094,151	7,216,366
	56,060,914	27,220,083

8.5.2 Non Government Debt Securities

Unlisted

Categorised based on long term rating by Credit Rating Agencies:

- AAA	1,482,850	1,041,670
- A+, A, A-	806,667	373,333
- Unrated	205,402	119,226
	2,494,919	1,534,229

8.5.3 Foreign Securities

8.5.3.1 Government Securities	2021		2020	
	Cost	Rating	Cost	Rating
	----------(Rupees in '000)----------			
Afghanistan	1,944,920	Unrated	4,680,536	Unrated
People's Republic of Bangladesh	10,283,250	BB-	13,360,321	BB-
State of Qatar	878,058	AA-	1,588,645	AA-
	13,106,228		19,629,502	

8.5.3.2 Non Government Debt Securities	2021	2020
	Cost	
Unlisted	-------(Rupees in '000)-------	
- BBB+, BBB, BBB-	-	798,356
	-	798,356

8.6 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 69,624.622 million (2020 : Rs. 50,506.972 million).

9 ADVANCES

	Note	Performing		Non Performing		Total	
		2021	2020	2021	2020	2021	2020
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.2	515,833,595	458,635,232	20,345,296	20,822,483	536,178,891	479,457,715
Islamic financing and related assets	9.3	132,995,060	101,747,490	3,776,282	3,927,311	136,771,342	105,674,801
Bills discounted and purchased		25,534,513	14,657,070	588,182	1,109,786	26,122,695	15,766,856
Advances - gross		674,363,168	575,039,792	24,709,760	25,859,580	699,072,928	600,899,372
Provision against advances							
- Specific	9.6	-	-	(21,125,068)	(18,317,255)	(21,125,068)	(18,317,255)
- General	9.6	(4,067,236)	(5,266,170)	-	-	(4,067,236)	(5,266,170)
		(4,067,236)	(5,266,170)	(21,125,068)	(18,317,255)	(25,192,304)	(23,583,425)
Advances - net of provision		670,295,932	569,773,622	3,584,692	7,542,325	673,880,624	577,315,947

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2021				2020			
	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	359,992	3,403,198	170,854	3,934,044	405,674	2,995,404	38,109	3,439,187
Residual value	189,187	980,729	39,395	1,209,311	292,660	738,799	8,598	1,040,057
Minimum lease payments	549,179	4,383,927	210,249	5,143,355	698,334	3,734,203	46,707	4,479,244
Financial charges for future periods	(27,456)	(506,503)	(27,784)	(561,743)	(51,927)	(333,409)	(10,371)	(395,787)
Present value of Minimum Lease Payments	521,723	3,877,424	182,465	4,581,612	646,407	3,400,794	36,336	4,083,537

9.2 Advances include an amount of Rs. 233.151 million (2020: Rs. 137.815 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry mark-up at the rates ranging from 10.17 % to 23.65 % (2020: 9.46% to 24.42%) with maturities up to October 2041 (2020: December 2039).

9.3 These represents financing and related assets placed under shariah permissible modes and presented in Annexure-II.

9.4 **Particulars of advances (Gross)**

	2021	2020
	(Rupees in '000)	
In local currency	631,764,578	559,355,778
In foreign currencies	67,308,350	41,543,594
	699,072,928	600,899,372

9.5 Advances include Rs. 24,709.760 million (2020: Rs. 25,859.580 million) which have been placed under non-performing status as detailed below:

Category of Classification	2021		2020	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	84,230	4,693	65,346	2,455
Substandard	2,466,916	566,982	3,576,300	885,085
Doubtful	2,743,571	1,423,199	7,895,994	3,332,683
Loss	18,789,033	18,654,227	13,769,638	13,656,009
	24,083,750	20,649,101	25,307,278	17,876,232
Overseas				
Not past due but impaired				
Overdue by:				
91 to 180 days	29,467	249	-	-
Above 365 days	596,543	475,718	552,302	441,023
	626,010	475,967	552,302	441,023
Total	24,709,760	21,125,068	25,859,580	18,317,255

9.6 **Particulars of provision against advances**

	Note	2021			2020		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		18,317,255	5,266,170	23,583,425	17,740,415	994,583	18,734,998
Exchange and other adjustments		39,420	20,228	59,648	15,076	2,408	17,484
Charge for the year		4,959,088	-	4,959,088	5,939,978	4,269,179	10,209,157
Reversals for the year		(1,871,249)	(1,219,162)	(3,090,411)	(2,037,607)	-	(2,037,607)
		3,087,839	(1,219,162)	1,868,677	3,902,371	4,269,179	8,171,550
Amounts written off		(319,446)	-	(319,446)	(521,114)	-	(521,114)
Amounts charged off - agriculture financing		-	-	-	(35,051)	-	(35,051)
Amounts charged off - balance sheet cleaning up	9.7.3	-	-	-	(2,784,442)	-	(2,784,442)
	9.7	(319,446)	-	(319,446)	(3,340,607)	-	(3,340,607)
Closing balance		21,125,068	4,067,236	25,192,304	18,317,255	5,266,170	23,583,425

9.6.1 **Particulars of provision against advances**

	2021			2020		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	19,526,146	3,756,618	23,282,764	16,774,351	5,055,609	21,829,960
In foreign currencies	1,598,922	310,618	1,909,540	1,542,904	210,561	1,753,465
	21,125,068	4,067,236	25,192,304	18,317,255	5,266,170	23,583,425

9.6.2 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2021 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 89.192 million (2020: Rs. 72.557 million).

9.6.3 During the year, non performing loans and provisions were reduced by Rs. Nil (2020: Rs. 1,049.600 million) due to debt property swap.

9.6.4 General provision includes:
(i) Provision held in accordance with SBP's prudential regulations against:
- Conventional consumer loans being maintained at an amount equal to 1% of the secured auto loans and 0.5% of secured house loans performing portfolio and 4% of the unsecured (personal loans and credit cards) performing portfolio;
- Islamic auto loans being maintained at an amount equal to 1% of the secured performing portfolio and for Islamic house loans, at an amount equal to 0.5% of the secured performing portfolio;
- Small Enterprises (SE) portfolio being maintained at an amount equal to 1% against unsecured performing SE portfolio;
(ii) Provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates; and
(iii) Provision of Rs. 2,550.000 million (2020: 4,250.000 million) representing Covid 19 general loan loss reserve. While restructured portfolio is performing, the continuing cycle of Covid 19 still poses risk.

9.6.5 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

		Note	2021	2020
9.7	**Particulars of Write Offs:**		-----(Rupees in '000)-----	
9.7.1	Against Provisions	9.7.2	319,446	3,340,607
	Directly charged to Profit & Loss account		-	-
			319,446	3,340,607
9.7.2	Write Offs of Rs. 500,000 and above :			
	- Domestic	9.8	107,194	3,107,852
	- Overseas		-	-
	Write Offs below Rs. 500,000		212,252	232,755
			319,446	3,340,607

9.7.3 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007 , loans and advances amounting to Rs. 2,784.442 million were written off in 2020 as part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.

9.8 **Details of Loan Write Off of Rs. 500,000/- and above**

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2021 is given as Annexure-I.

		Note	2021	2020
10	**FIXED ASSETS**		-------(Rupees in '000)-------	
	Capital work-in-progress	10.1	1,117,186	748,769
	Property and equipment	10.2	26,566,315	20,684,887
	Right-of-use assets	10.3	11,815,478	9,542,580
			39,498,979	30,976,236

10.1 **Capital work-in-progress**

Civil works	692,766	416,527
Equipment	414,857	301,903
Others	9,563	30,339
	1,117,186	748,769

10.2 **Property and Equipment**

	2021								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold Improvement	Furniture and fixture	Office equipment	Vehicles	Total
	----------(Rupees in '000)----------								
At January 1, 2021									
Cost / Revalued amount	6,179,611	3,086,200	2,051,942	3,216,835	6,179,542	2,239,241	15,213,237	377,753	38,544,361
Accumulated depreciation	-	-	(114,757)	(193,241)	(4,391,397)	(1,829,783)	(11,094,127)	(236,169)	(17,859,474)
Net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	409,458	4,119,110	141,584	20,684,887
Year ended December 2021									
Opening net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	409,458	4,119,110	141,584	20,684,887
Additions	295,350	-	98,419	137,432	777,039	80,420	1,817,252	49,048	3,254,960
Movement in surplus on assets revalued during the year	2,198,668	1,212,044	344,067	940,765	-	-	-	-	4,695,544
Reversal of deficit on revaluation recognised in the profit and loss account - net	(2,000)	-	23,989	41,585	-	-	-	-	63,574
Disposals	-	-	-	-	(1,627)	(1,512)	(10,121)	-	(13,260)
Depreciation charge	-	-	(68,933)	(101,468)	(334,502)	(89,575)	(1,469,813)	(51,454)	(2,115,745)
Exchange rate adjustments	-	-	-	-	1,699	79	3,507	(185)	5,100
Other adjustments / transfers	-	-	-	(5,268)	(7,726)	56	4,580	(387)	(8,745)
Closing net book value	8,671,629	4,298,244	2,334,727	4,036,640	2,223,028	398,926	4,464,515	138,606	26,566,315
At December 31, 2021									
Cost / Revalued amount	8,671,629	4,298,244	2,334,727	4,036,640	6,939,239	2,272,731	16,547,764	406,835	45,507,809
Accumulated depreciation	-	-	-	-	(4,716,211)	(1,873,805)	(12,083,249)	(268,229)	(18,941,494)
Net book value	8,671,629	4,298,244	2,334,727	4,036,640	2,223,028	398,926	4,464,515	138,606	26,566,315
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

	2020								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total
	(Rupees in '000)								
At January 1, 2020									
Cost / Revalued amount	6,151,946	3,086,200	1,655,333	3,174,993	5,881,693	2,095,553	13,250,977	367,004	35,663,699
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,021,878)	(1,741,943)	(10,230,292)	(272,727)	(16,407,351)
Net book value	6,151,946	3,086,200	1,608,008	3,081,807	1,859,815	353,610	3,020,685	94,277	19,256,348
Year ended December 2020									
Opening net book value	6,151,946	3,086,200	1,608,008	3,081,807	1,859,815	353,610	3,020,685	94,277	19,256,348
Additions	27,665	-	34,527	56,499	271,318	153,087	2,365,353	115,076	3,023,525
Disposals	-	-	-	(13,927)	(8,552)	(1,043)	(11,913)	(15,581)	(51,016)
Depreciation charge	-	-	(61,085)	(100,785)	(334,829)	(96,633)	(1,258,061)	(53,738)	(1,905,131)
Exchange rate adjustments	-	-	-	-	542	347	2,233	1,550	4,672
Other adjustment / transfer	-	-	355,735	-	(149)	90	813	-	356,489
Closing net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	409,458	4,119,110	141,584	20,684,887
At December 31, 2020									
Cost / Revalued amount	6,179,611	3,086,200	2,051,942	3,216,835	6,179,542	2,239,241	15,213,237	377,753	38,544,361
Accumulated depreciation	-	-	(114,757)	(193,241)	(4,391,397)	(1,829,783)	(11,094,127)	(236,169)	(17,859,474)
Net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	409,458	4,119,110	141,584	20,684,887
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

10.2.1 Land and buildings were last revalued on December 31, 2021 on the basis of market values, determined by independent valuers M/s Akbani & Javed Associates, M/s Collier International Pakistan (Private) Limited, M/s Harvester Service (Private) Limited and M/s Hamid Mukhtar & Co. (Private) Limited. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2021 would have been Rs. 6,287.937 million (2020: Rs. 5,807.270 million).

	2021		2020	
	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	1,888,695	8,671,629	1,595,345	6,179,611
Leasehold land	1,291,138	4,298,244	1,291,138	3,086,200
Buildings on freehold land	1,543,595	2,334,727	1,472,210	1,937,185
Buildings on leasehold land	1,564,509	4,036,640	1,448,577	3,023,594
	6,287,937	19,341,240	5,807,270	14,226,590

10.2.2 Included in cost of building and equipment are fully depreciated items which are still in use having cost of Rs. 13,596.442 million (2020: Rs. 12,661.556 million).

10.2.3 Idle and held for sale properties

The properties having book value of Rs. Nil (2020: Rs. 355.735 million) were transferred from non banking assets acquired under satisfaction of claims to operating fixed assets. Furthermore, the Bank transferred 'idle and held for sale properties' having book value of Rs. Nil (2020: Rs. 42.000 million) to 'owned properties' (land and building).

10.2.4 Sale of fixed assets to related parties are disclosed in Annexure III to these unconsolidated financial statements.

	Note	2021	2020
		----(Rupees in '000)----	
10.3 Right-of-use assets			
At January 1			
Cost / Revalued amount		13,367,701	10,973,872
Accumulated depreciation		(3,825,121)	(1,786,605)
Net book value		9,542,580	9,187,267
Year ended December			
Opening net book value		9,542,580	9,187,267
Additions / (terminations) - net		4,543,090	2,385,967
Depreciation charge		(2,264,071)	(2,038,516)
Exchange rate adjustments		(6,121)	7,862
Closing net book value		11,815,478	9,542,580
At December 31			
Cost / Revalued amount		17,904,670	13,367,701
Accumulated depreciation		(6,089,192)	(3,825,121)
Net book value		11,815,478	9,542,580
Rate of depreciation (percentage)		5% - 100%	5% - 100%

		2021	2020
11 INTANGIBLE ASSETS		----(Rupees in '000)----	
Capital work-in-progress / Advance payment to suppliers		381,761	268,225
Software	11.1	734,681	1,016,314
		1,116,442	1,284,539
11.1 At January 1			
Cost		4,593,888	4,140,395
Accumulated amortisation and impairment		(3,577,574)	(3,136,517)
Net book value		1,016,314	1,003,878
Year ended December 31			
Opening net book value		1,016,314	1,003,878
Additions - directly purchased		113,970	451,320
Amortisation charge		(395,890)	(438,758)
Exchange rate adjustments		96	96
Other adjustments		191	(222)
Closing net book value		734,681	1,016,314
At December 31			
Cost		4,714,120	4,593,888
Accumulated amortisation and impairment		(3,979,439)	(3,577,574)
Net book value		734,681	1,016,314
Rate of amortisation (percentage)		20%	20%
Useful life		5 years	5 years

11.2 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 3,022.301 million (2020: Rs. 2,420.016 million).

12 DEFERRED TAX ASSETS / (LIABILITIES)

	2021			
	At January 1, 2021	Recognised in P&L (charge) / reversal	Recognised in OCI (charge) / reversal	At December 31, 2021
	----------(Rupees in '000)----------			
Deductible Temporary Differences on:				
- Provision against investments	444,440	19,355	-	463,795
- Provision against advances	3,056,275	(156,326)	-	2,899,949
- Unrealised gain / (loss) on revaluation of HFT investments	(31,916)	196,907	-	164,991
- Surplus on revaluation of available for sale investments	(2,301,926)	-	2,864,127	562,201
- Provision against other assets	353,259	376,606	-	729,865
- Provision against lending to financial institutions	-	81	-	81
	1,520,132	436,623	2,864,127	4,820,882
Taxable Temporary Differences on:				
- Surplus on revaluation of fixed assets	(1,277,421)	-	804,311	(473,110)
- Surplus on revaluation of non banking assets	(1,235)	-	(82,804)	(84,039)
- Accelerated tax depreciation	(1,602,628)	(356,835)	-	(1,959,463)
	(2,881,284)	(356,835)	721,507	(2,516,612)
	(1,361,152)	79,788	3,585,634	2,304,270

	2020			
	At January 1, 2020	Recognised in P&L (charge) / reversal	Recognised in OCI (charge) / reversal	At December 31, 2020
	----------(Rupees in '000)----------			
Deductible Temporary Differences on:				
- Provision against investments	682,296	(237,856)	-	444,440
- Provision against advances	566,205	2,490,070	-	3,056,275
- Provision against other assets	341,904	11,355	-	353,259
- Provision against lending to financial institutions	1,997	(1,997)	-	-
	1,592,402	2,261,572	-	3,853,974
Taxable Temporary Differences on:				
- Surplus on revaluation of fixed assets	(1,263,071)	21,522	(35,872)	(1,277,421)
- Surplus on revaluation of non banking assets	(35,959)	4	34,720	(1,235)
- Unrealised loss on revaluation of HFT investments	6,983	(38,899)	-	(31,916)
- Surplus on revaluation of available for sale investments	(2,261,346)	-	(40,580)	(2,301,926)
- Accelerated tax depreciation	(1,490,002)	(112,626)	-	(1,602,628)
	(5,043,395)	(129,999)	(41,732)	(5,215,126)
	(3,450,993)	2,131,573	(41,732)	(1,361,152)

13 OTHER ASSETS

	Note	2021	2020
		-------(Rupees in '000)-------	
Income/ Mark-up accrued in local currency - net of provision		23,325,336	17,856,712
Income/ Mark-up accrued in fureign currency - net of provision		1,389,395	1,171,478
Advances, deposits, advance rent and other prepayments		2,299,368	1,689,620
Advance against subscription of share		-	32,312
Non-banking assets acquired in satisfaction of claims	13.1.1	1,435,191	1,445,960
Dividend receivable		-	2,383
Mark to market gain on forward foreign exchange contracts		2,249,270	1,319,187
Stationery and stamps on hand		25,415	28,390
Defined benefit plan	36.4	744,324	692,399
Due from card issuing banks		1,212,831	995,590
Account receivable		3,310,083	3,248,952
Receivable against fraud and forgeries	13.2	67,515	85,246
Acceptances		20,050,282	14,414,532
Receivable against DSC/SSC and overseas government securities		570,897	806,885
Receivable against marketable securities		1,337,332	1,672,773
Others		56,795	10,120
		58,074,034	45,472,539
Less: Provision held against other assets	13.3	(1,309,288)	(258,857)
Other Assets (Net of Provision)		56,764,746	45,213,682
Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net	20.2	171,727	105,182
		56,936,473	45,318,864

		2021	2020
		-----(Rupees in '000)------	
13.1	Market value of Non-banking assets acquired in satisfaction of claims - properties only	1,595,851	1,536,100

The Non-banking assets (properties) of the Bank have been revalued by independent professional valuers as at December 31, 2021. The revaluation was carried out by M/s. Harvestor Service (Private) Limited, M/s Akbani & Javed Associates and M/s. K.G Traders on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 66.641 million (2020: Rs. 32.506 million).

		Note	2021	2020
13.1.1	**Non-banking assets acquired in satisfaction of claims - gross of provision**		-----(Rupees in '000)------	
	Opening Balance		1,551,142	1,006,694
	Additions		-	1,049,600
	Disposals	13.1.2	(6,515)	(173,070)
	Revaluation		66,641	32,506
	Transfer to Property and Equipment		-	(362,082)
	Depreciation		(4,350)	(2,506)
	Closing Balance		1,606,918	1,551,142
13.1.2	**Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims**			
	Disposal Proceeds		6,515	188,790
	less			
	- Cost		6,515	173,070
	- Impairment / Depreciation		-	(3,790)
			6,515	169,280
	Gain/Loss		-	19,510

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

		Note	2021	2020
			-------(Rupees in '000)-------	
13.3	**Provision held against other assets**			
	Expected credit loss (overseas operation)		134,891	75,642
	Non banking assets acquired in satisfaction of claims		300	6,815
	Impairment against overseas operation	13.3.2	1,000,000	-
	Others including fraud and forgeries		174,097	176,400
			1,309,288	258,857
13.3.1	**Movement in provision held against other assets**			
	Opening balance		258,857	230,236
	Charge for the year		1,060,710	35,298
	Reversals for the year		(11,017)	(3,108)
			1,049,693	32,190
	Amount Written off		(7,655)	(4,813)
	Exchange and other adjustments		8,393	1,244
	Closing balance		1,309,288	258,857

13.3.2 The Bank, in light of uncertain political and economic conditions in one of the countries where the Bank operates, has taken an impairment charge of Rs. 1 billion against the cross border risk of that operations.

14	**BILLS PAYABLE**	2021	2020
		-----(Rupees in '000)------	
	In Pakistan	21,774,411	22,226,918
	Outside Pakistan	1,051,089	344,204
		22,825,500	22,571,122

15 BORROWINGS	Note	2021	2020
		-------(Rupees in '000)-------	
Secured			
Borrowings from State Bank of Pakistan			
Export Refinance Scheme	15.1	52,812,064	45,178,774
Long-Term Finance Facility	15.2	26,394,909	24,532,476
Financing Facility for Renewable Energy Projects	15.3	9,793,026	4,551,837
Financing Facility for Storage of Agriculture Produce (FFSAP)	15.4	685,931	490,748
Refinance for Wages & Salaries	15.5	14,332,866	29,170,716
Temporary Economic Refinance Facility	15.6	28,933,063	1,054,162
Other refinance schemes	15.7	244,105	527,718
Repurchase agreement borrowings	15.8	97,506,050	93,965,252
		230,702,014	199,471,683
Repurchase agreement borrowings	15.9	55,219,084	42,126,121
Bai Muajjal	15.10	47,960,362	35,250,474
Medium Term Note	15.11	11,000,000	9,000,000
Total secured		344,881,460	285,848,278
Unsecured			
Call borrowings	15.12	21,084,927	14,032,513
Overdrawn nostro accounts	15.13	1,774,249	1,532,864
Bai Muajjal	15.14	849,923	8,766,071
Others			
- Pakistan Mortgage Refinance Company	15.15	2,280,921	1,388,140
- Karandaaz Risk Participation	15.16	2,345,604	650,087
- Other financial institutions	15.17	10,591,788	2,742,233
Total unsecured		38,927,412	29,111,908
		383,808,872	314,960,186

15.1 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 0.00% to 2.00% per annum (2020: 1.00% to 2.00% per annum) payable on a quarterly basis having maturities in July 2030 (2020: July 2030).

15.2 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 4.50 % per annum (2020: 2.00% to 5.00% per annum) payable on a quarterly basis having maturities in December 2031 (2020: February 2031).

15.3 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 5.00% per annum (2020: 2.00% to 3.00% per annum) payable on a quarterly basis having maturities in January 2033 (2020: January 2033).

15.4 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 3.50% per annum (2020: 2.00% to 3.50% per annum) payable on a quarterly basis having maturities in December 2030 (2020: December 2030).

15.5 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. This is new scheme as part of COVID-19 relief to finance entities against payroll. The mark-up rate on this facility is 0% to 2.00% per annum (2020: 0% to 2.00%) payable on a quarterly basis having maturities in April 2025 (2020: April 2025).

15.6 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 1.00 % per annum (2020: 1.00%) payable on a quarterly basis having maturities upto December 2031 (2020 : November 2030).

15.7 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 0.00% per annum (2020: 0% to 3.00%) payable on a quarterly basis having maturities in November 2026 (2020: February 2026).

15.8 This represents repurchase agreement borrowing from SBP at the rate 9.8% to 10.26% per annum (2020: 7.1% per annum) having maturities in March 2022 (2020: January 2021).

15.9 This represents repurchase agreement borrowing from other banks at the rate of ranging from 9.75% to 10.70% per annum (2020: 7.00% to 7.02% per annum) having a maturity upto January 2022 (2020: January 2021).

15.10 This represents borrowings from financial institutions at mark-up rates ranging from 7.25% to 8.48% per annum (2020: 8.38% to 8.48%) having maturities upto July 2025 (2020: July 2025).

15.11 This represents Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates ("TFCs"). The instrument carries a markup of 9.03% and will mature on 15th January 2024. This instrument is secured against the government securities.

15.12 This represents borrowings from financial institutions at mark-up rates ranging from 0.40% to 10.70% per annum (2020: 1.00% to 7.12%) having maturities upto March 2022 (2020: March 2021).

15.13 This represents book overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exist only due to timing differences. These do not carry any interest.

15.14 This represents borrowings from financial institutions at the mark-up rate of 7.10% per annum (2020: 6.85% to 7.06%) having maturities upto February 2022 (2020: May 2021).

15.15 This includes borrowing from Pakistan Mortgage Refinance Company Limited (PMRC) to extend housing finance facilities to the Bank's customers on the agreed terms and conditions. This borrowing carries mark-up rate ranging 7.50% to 8.00% per annum (2020: 7.77% to 10.79%) having maturities upto December 2023 (2020 : December 2023).

15.16 This includes borrowing from Karandaaz Pakistan Limited under Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a mark-up rates ranging from 7.16% to 23.8% per annum (2020: 8.54% to 21.69%) having maturities upto March 2028 (2020 : December 2021).

15.17 This represents borrowing from other financial institutions at the rate ranging between 1.10% to 1.50% per annum (2020: 0% to 3.17% per annum) having maturity upto September 2022 (2020: July 2022).

	2021	2020
	-------(Rupees in '000)-------	
15.18 Particulars of borrowings with respect to currencies		
In local currency	344,259,112	299,864,951
In foreign currencies	39,549,760	15,095,235
	383,808,872	314,960,186

16 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----------(Rupees in '000)----------					
Customers						
Current deposits	407,126,787	88,329,596	495,456,383	318,869,466	72,526,675	391,396,141
Savings deposits	249,702,928	34,000,491	283,703,419	236,071,010	29,757,610	265,828,620
Term deposits	169,741,023	42,871,078	212,612,101	114,847,092	51,044,885	165,891,977
Others	19,942,860	4,683,544	24,626,404	13,882,444	2,977,270	16,859,714
	846,513,598	169,884,709	1,016,398,307	683,670,012	156,306,440	839,976,452
Financial Institutions						
Current deposits	2,015,668	3,280,707	5,296,375	2,061,053	1,078,065	3,139,118
Savings deposits	90,179,130	900,203	91,079,333	26,592,177	197,558	26,789,735
Term deposits	24,170,116	988,200	25,158,316	8,803,246	1,161,129	9,964,375
Others	950,897	161,378	1,112,275	1,817,607	79,795	1,897,402
	117,315,811	5,330,488	122,646,299	39,274,083	2,516,547	41,790,630
	963,829,409	175,215,197	1,139,044,606	722,944,095	158,822,987	881,767,082

	2021	2020
	-------(Rupees in '000)-------	
16.1 Composition of deposits		
- Individuals	475,961,584	420,057,714
- Government (Federal and Provincial)	65,325,189	63,503,148
- Public Sector Entities	83,990,942	60,537,880
- Banking Companies	16,279,902	4,592,897
- Non-Banking Financial Institutions	106,366,397	37,197,733
- Private Sector / Others	391,120,592	295,877,710
	1,139,044,606	881,767,082

16.2 Deposits include eligible deposits of Rs. 584,649.754 million (2020: Rs. 493,322.428 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

16.3 Current deposits include amount related to prepaid cards Rs. 53.876 million (2020: Rs. 42.164 million).

		2021	2020
		-------(Rupees in '000)-------	

17 SUBORDINATED DEBT

Term Finance Certificates - Additional Tier-I (ADT-1) - Quoted, Unsecured

Issue amount	Rs. 7,000,000,000	7,000,000	7,000,000
Issue date	March 2018		
Maturity date	Perpetual		
Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.		
Security	Unsecured		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	Perpetual		
Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event; (ii) the point of non-viability Trigger Event; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.		
		7,000,000	7,000,000

18 OTHER LIABILITIES	Note	2021	2020
		-------(Rupees in '000)-------	
Mark-up/ Return/ Interest payable in local currency		5,341,826	4,107,655
Mark-up/ Return/ Interest payable in foreign currency		784,610	534,341
Unearned fee commission and income on bills discounted and guarantees		1,386,030	962,482
Accrued expenses		8,405,092	5,770,075
Current taxation		10,533,309	9,615,466
Acceptances		20,050,282	14,414,532
Dividends payable		152,030	135,345
Mark to market loss on forward foreign exchange contracts		1,021,507	2,146,281
Mark to market loss on derivatives	22.1	191,189	921,919
Branch adjustment account		334,445	310,518
ADC settlement accounts		1,558,435	1,516,463
Provision for compensated absences		634,224	611,106
Payable against redemption of customer loyalty / reward points		486,149	413,874
Charity payable		24,963	8,375
Provision against off-balance sheet obligations	18.1	137,639	127,428
Security deposits against leases, lockers and others		11,185,102	8,581,281
Worker's Welfare Fund		2,471,455	1,973,020
Payable to vendors and suppliers		722,986	846,433
Indirect taxes payable		1,284,540	1,144,088
Lease liabilities	18.2	13,189,739	10,456,029
Payable against marketable securities		285,690	-
Others		1,458,438	1,599,977
		81,639,680	66,196,688

18.1 Provision against off-balance sheet obligations		2021	2020
		-------(Rupees in '000)-------	
Opening balance		127,428	129,249
Exchange and other adjustments		10,468	3,910
Reversals	31	(257)	(5,731)
Closing balance		137,639	127,428

18.1.1 The provision against off balance sheet obligations include general provision of Rs. 104.076 million (2020: Rs. 113.371 million) held in Bangladesh books, Rs. 0.613 million (2020: 2.107 million) held in Afghanistan books as required under the local regulation and specific provision of Rs. 32.950 million (2020: Rs. 11.950 million) held in Pakistan against defaulted letter of guarantees.

18.2 Lease liabilities	2021	2020
	-------(Rupees in '000)-------	
As at January 1	10,456,029	9,367,014
Additions / renewals / (terminations) - net	4,507,382	2,551,456
Borrowing cost	1,468,889	1,322,183
Payments	(3,238,124)	(2,791,876)
Exchange Rate Adjustment	(4,437)	7,252
As at December 31	13,189,739	10,456,029
Current lease liability	2,969,655	2,350,854
Non current lease liability	10,220,084	8,105,175
	13,189,739	10,456,029

19 SHARE CAPITAL

19.1 Authorized Capital

2021	2020		2021	2020
--------(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

2021	2020		2021	2020
--------(Number of shares)--------			-------(Rupees in '000)-------	
		Ordinary shares		
891,453,153	891,453,153	Fully paid in cash	8,914,531	8,914,531
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
1,777,165,119	1,777,165,119		17,771,651	17,771,651

19.3 Statutory reserve

The banking company incorporated in Pakistan is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserve plus share premium equals the paid-up share capital. Thereafter, 10% of the profit after tax of the banking company is required to be transferred to this reserve. Accordingly, the Bank transfers 10% of its profit after tax every year to the statutory reserve.

20 SURPLUS ON REVALUATION OF ASSETS

	Note	2021	2020
		-------(Rupees in '000)-------	
Surplus / (deficit) on revaluation of:			
- Available for sale securities	8.1	(1,441,541)	6,576,932
- Fixed Assets	20.1	13,053,303	8,419,320
- Non-banking assets acquired in satisfaction of claims	20.2	171,727	105,182
		11,783,489	15,101,434
Deferred tax (asset) / liability on surplus on revaluation of:			
- Available for sale securities		(562,201)	2,301,926
- Fixed Assets	20.1	473,110	1,277,421
- Non-banking assets acquired in satisfaction of claims	20.2	84,039	1,235
		(5,052)	3,580,582
Derivatives		(347,961)	(1,012,015)
		11,440,580	10,508,837

	2021	2020
	-------(Rupees in '000)-------	
20.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	8,419,320	8,378,317
Transferred from Non banking assets to owned property	-	66,620
Recognised during the year	4,695,544	-
Related deferred tax liahility on surplus transfer to owned property	-	35,872
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(61,561)	(39,968)
Related deferred tax iiability on incremental depreciation charged during the year	-	(21,521)
Surplus on revaluation of fixed assets as at December 31	13,053,303	8,419,320
Less: related deferred tax liability on:		
Revaluation as at January 1	1,277,421	1,263,070
- recognised during the year	(804,311)	-
- Surpius transferred to owned property	-	35,872
- incrementai depreciation charged during the year	-	(21,521)
	473,110	1,277,421
	12,580,193	7,141,899

	2021	2020
	-------(Rupees in '000)-------	
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 1	105,182	242,759
Recognised during the year	66,641	32,506
Transferred to owned property	-	(66,620)
Related deferred tax liability on surplus of transfer to owned property	-	(35,872)
Realised on disposai during the year - net of deferred tax	-	(67,577)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(96)	(9)
Related deferred tax iiability on incremental depreciation charged during the year	-	(5)
Surplus on revaluation as at December 31	171,727	105,182
Less: reiated deferred tax liabiiity on:		
- revaiuation as at January 1	1,235	35,960
- revaiuation recognised during the year	82,804	1,152
- surplus transferred to owned property	-	(35,872)
- incremental depreciation charged during the year	-	(5)
	84,039	1,235
	87,688	103,947

		Note	2021	2020
			-------(Rupees in '000)-------	
21	**CONTINGENCIES AND COMMITMENTS**			
	-Guarantees	21.1	99,914,966	69,451,917
	-Commitments	21.2	466,051,999	380,140,829
	-Other contingent liabilities	21.3	4,823,035	12,274,585
			570,790,000	461,867,331
21.1	**Guarantees:**			
	Financial guarantees		-	507,942
	Performance guarantees		41,041,271	36,636,998
	Other guarantees		58,873,695	32,306,977
			99,914,966	69,451,917
21.2	**Commitments:**			
	Documentary credits and short-term trade-related transactions			
	- Letters of credit		178,246,952	125,526,205
	Commitments in respect of:			
	- forward foreign exchange contracts	21.2.1	164,776,360	184,793,857
	- forward government securities transactions	21.2.2	39,784,849	12,239,653
	- derivatives	21.2.3	36,820,716	18,317,022
	- forward lending	21.2.4	43,921,848	38,125,107
	Commitments for acquisition of:			
	- operating fixed assets		2,054,239	895,707
	- intangible assets		447,035	243,278
			466,051,999	380,140,829
21.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		104,574,460	106,574,908
	Sale		60,201,900	78,218,949
			164,776,360	184,793,857
21.2.2	**Commitments in respect of forward government securities transactions**			
	Purchase		10,167,457	1,378,869
	Sale		29,617,392	10,860,784
			39,784,849	12,239,653
21.2.3	**Commitments in respect of derivatives (Interest Rate Swaps)**			
22.2.3.1	**Interest Rate Swaps**			
	Purchase		36,820,716	18,317,022
	Sale		-	-
			36,820,716	18,317,022
21.2.4	**Commitments in respect of forward lending**			
	Undrawn formal standby facilities, credit lines and other commitments to lend		39,356,808	32,818,826
	Commitments in respect of investments		4,565,040	5,306,281
			43,921,848	38,125,107

21.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

		2021	2020
		-------(Rupees in '000)------	
21.3	**Other contingent liabilities**		
21.3.1	Claims against the Bank not acknowledged as debts	4,823,035	12,274,585

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

21.4 Contingency for tax payable

21.4.1 There were no tax related contingencies other than as disclosed in note 32.2.

22 DERIVATIVE INSTRUMENTS

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

22.1 Product Analysis

	2021			2020		
	Interest Rate Swaps			Interest Rate Swaps		
Counterparties	No. of contracts	Notional Principal	Mark to market loss	No. of contracts	Notional Principal	Mark to market loss
	----------(Rupees in '000)----------					
With Banks for						
Hedging	50	36,820,716	(191,189)	31	18,317,022	(921,919)
	50	36,820,716	(191,189)	31	18,317,022	(921,919)

22.2 Maturity Analysis

	2021				
	----------(Rupees in '000)----------				
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Net
1 to 3 months	2	1,412,107	6,592	-	(6,592)
6 months to 1 Year	4	3,177,243	26,461	-	(26,461)
1 to 2 Years	2	1,412,108	14,085	-	(14,085)
2 to 3 Years	8	4,059,811	90,588	-	(90,588)
3 to 5 Years	8	8,490,299	37,013	65,488	28,475
5 to 10 years	25	18,092,634	161,793	79,168	(82,625)
Above 10 Years	1	176,514	-	687	687
Total	50	36,820,716	336,532	145,343	(191,189)

	2020				
	----------(Rupees in '000)----------				
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Net
3 to 6 months	2	719,255	5,946	-	(5,946)
6 months to 1 Year	1	319,669	4,263	-	(4,263)
1 to 2 Years	6	4,155,694	97,866	-	(97,866)
2 to 3 Years	2	1,278,675	35,534	-	(35,534)
3 to 5 Years	12	6,409,359	357,091	-	(357,091)
5 to 10 years	8	5,434,370	421,219	-	(421,219)
Total	31	18,317,022	921,919	-	(921,919)

22.3 The Risk management policy related to derivatives is discussed in note 45.7

		Note	2021	2020
			-------(Rupees in '000)-------	
23	**MARK-UP/RETURN/INTEREST EARNED**			
	On:			
	a) Loans and advances		46,484,671	49,231,083
	b) Investments		49,976,159	37,990,320
	c) Lendings to financial institutions		2,150,410	3,751,139
	d) Balances with banks		26,981	59,627
	e) On securities purchased under resale agreements / Bai Muajjal		1,544,067	1,583,721
			100,182,288	92,615,890
24	**MARK-UP/RETURN/INTEREST EXPENSED**			
	On:			
	a) Deposits		30,690,368	31,399,288
	b) Borrowings		7,583,142	4,672,102
	c) Securities sold under repurchase agreements		11,285,998	5,551,541
	d) Subordinated debt		646,556	1,144,196
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings		2,309,881	3,724,569
	f) Borrowing cost on leased properties		1,468,889	1,322,183
	g) Reward points		149,022	97,437
			54,133,856	47,911,316
25	**FEE & COMMISSION INCOME**			
	Branch banking customer fees		925,408	1,034,701
	Consumer finance related fees		395,065	270,722
	Card related fees (debit and credit cards)		1,403,078	770,544
	Credit related fees		209,219	180,764
	Investment banking fees		160,855	214,547
	Commission on trade		1,896,302	1,386,019
	Commission on guarantees		372,664	314,187
	Commission on cash management		45,659	42,594
	Commission on remittances including home remittances		807,130	562,477
	Commission on bancassurance		568,539	490,545
	Card acquiring business		439,755	415,087
	Wealth Management Fee		71,163	85,229
	Commission on Employees' Old-Age Benefits Institution (EOBI)		35,484	78,386
	Commission on Benazir Income Support Programme (BISP)		271,456	331,928
	Alternate Delivery Channel (ADC)		432,764	301,654
	Others		186,350	79,916
			8,220,891	6,559,300
26	**GAIN ON SECURITIES**			
	Realised gain	26.1	3,565,407	2,193,692
	Unrealised (loss) / gain - held for trading	8.1	(423,054)	91,188
			3,142,353	2,284,880
26.1	**Realised gain / (loss) on:**			
	Federal Government Securities		1,282,868	2,875,349
	Shares		1,646,142	(585,163)
	Non Government Debt Securities		3,996	(122,397)
	Foreign Securities		632,401	25,903
			3,565,407	2,193,692
27	**OTHER INCOME**			
	Rent on property		25,372	24,470
	Gain on sale of fixed assets-net		56,228	67,255
	Gain on sale of non banking assets - net	13.1.2 & 27.1	-	19,510
	Profit on termination of leased contracts (Ijarah)		54,356	55,560
	Gain on termination of leases (IFRS 16)		42,895	-
	Subsidy received from Government (Overseas)		-	3,226
	Others		-	509
			178,851	170,530

27.1 The bank earned an income of Rs. nil (2020: Rs. 19.510 million) against sale of following non - banking assets :

Open plot	-	15,720
Membership shares / cards	-	3,790
	-	19,510

		Note	2021	2020
28	**OPERATING EXPENSES**		------(Rupees in '000)------	
	Total compensation expense	28.1	16,844,331	14,519,188
	Property expense			
	Rent and taxes		132,684	137,619
	Utilities cost		1,354,792	1,120,325
	Security (including guards)		797,492	779,850
	Repair and maintenance (including janitorial charges)		873,249	672,580
	Depreciation on right-of-use assets	10.3	2,264,071	2,038,516
	Depreciation on non-banking assets acquired in satisfaction of claims		4,351	8,853
	Depreciation on owned assets	10.2	504,903	496,698
			5,931,542	5,254,441
	Information technology expenses			
	Software maintenance		1,492,450	1,198,710
	Hardware maintenance		408,536	496,331
	Depreciation	10.2	578,017	473,286
	Amortisation	11.1	395,890	438,758
	Network charges		400,326	401,420
	Consultancy and support services		140,610	174,672
			3,415,829	3,183,177
	Other operating expenses			
	Directors' fees and allowances	39.2	158,720	161,449
	Fees and allowances to Shariah Board	39.3	11,174	8,990
	Legal and professional charges		403,711	464,782
	Outsourced services costs	28.2	722,012	850,506
	Travelling and conveyance		498,543	425,030
	Clearing and custodian charges		89,907	86,220
	Depreciation	10.2	1,032,825	935,147
	Training and development		75,752	61,981
	Postage and courier charges		391,315	284,372
	Communication		489,170	460,626
	Stationery and printing		708,909	658,454
	Marketing, advertisement and publicity		940,169	602,822
	Donations	28.3	27,276	19,731
	Auditors remuneration	28.4	49,061	41,989
	Brokerage and commission		272,751	204,261
	Entertainment		293,831	217,914
	Repairs and maintenance		651,723	518,359
	Insurance		1,146,566	1,042,731
	Cash handling charges		994,845	719,447
	CNIC verification		147,554	122,147
	Others		1,018,514	599,158
			10,124,328	8,486,116
			36,316,030	31,442,922
28.1	**Total compensation expense**			
	Managerial Remuneration			
	i) Fixed		12,201,895	10,722,303
	ii) Variable			
	Cash Bonus / Awards etc.		2,503,961	1,873,953
	b) Bonus and Awards in Shares etc.		142,500	-
	Charge for defined benefit plan	36.8.1	216,848	170,884
	Contribution to defined contribution plan	37	495,440	455,029
	Medical		746,981	570,432
	Conveyance		287,860	265,875
	Staff compensated absences	38.1	23,118	71,106
	Others		192,630	183,329
	Sub-total		16,811,233	14,312,911
	Sign-on Bonus		27,802	8,650
	Severance Allowance		5,296	197,627
	Grand Total		16,844,331	14,519,188
			------ No of persons ------	
	Sign- on Bonus		10	5
	Severance Allowance		2	6

28.2 The cost of outsourced activities included in other operating expenses is Rs 596.091 million (2020: Rs 703.244 million). This pertains to payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above.

28.3 Donations

	2021	2020
	-------(Rupees in '000)-------	
Alamgir Welfare Trust	5,000	-
Association for Children with Emotional and Learning Problems	-	2,165
Aziz Jehan Begum Trust	1,000	-
Cancer Care Hospital	2,500	-
Child Aid Association	-	700
Durbeen	3,000	-
Family Educational Services	1,000	1,000
Holy Family Hospital	1,000	-
Ida Rieu Welfare Association	2,166	-
Kaghan Development Authority	4,010	-
Karachi Relief Trust	-	3,400
Kidney Foundation for Operation Theatres	1,500	-
Network of Organizations Working for Peoples with Disabilities Pakistan	1,500	-
Pakistan National Polio Plus Trust	-	900
Parents Voice Association (Ujala)	-	280
Patients Aid Foundation for Emergency COVID Fund	1,500	1,500
Prime Minister's Ehsaas Emergency Rashan Programme	-	2,146
The Citizen Foundation	500	1,000
The Hunar Foundation	2,100	-
The Indus Hospital	-	3,000
The Milestone Society	-	3,640
Trust for Malnutrition	500	-
	27,276	19,731

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

28.4 Auditors' remuneration

	2021			2020		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	----------(Rupees in '000)----------					
Audit fee	16,008	14,080	30,088	16,008	12,400	28,408
Fee for other statutory certifications	6,353	1,083	7,436	6,353	-	6,353
Special certifications and sundry advisory services	5,576	3,182	8,758	2,327	2,524	4,851
Out-of-pocket expenses	2,297	482	2,779	1,943	434	2,377
	30,234	18,827	49,061	26,631	15,358	41,989

29 WORKERS WELFARE FUND

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by Federal Government through Finance Act, 2008 for the levy of Workers Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. A legal advice was obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for Workers Welfare Fund since 2008 has not been reversed.

	Note	2021	2020
		-------(Rupees in '000)-----	
30 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		24,822	94,135
Penalties imposed by other regulatory bodies		698	356
		25,520	94,491
31 PROVISIONS & WRITE DFFS - NET			
Reversal / (provision) against lending to financial institutions		-	(10,466)
Reversal of provision for diminution in value of investments	8.3.1	(170,790)	(548,810)
Provisions against loans & advances	9.6	1,868,677	8,171,550
Provisions against other assets	13.3.1	1,049,693	32,190
Reversal provisions against off-balance sheet obligations	18.1	(257)	(5,731)
Other provisions / operational loss - net		30,852	110,277
Recovery of written off / charged off bad debts		(402,745)	(159,741)
Reversal of deficit on revaluation of fixed assets		(63,574)	-
		2,311,856	7,589,269

		2021	2020
		-------(Rupees in '000)-----	
32 TAXATION			
Charge / (reversal)			
Current		9,742,029	9,581,757
Prior years		(508,554)	(46,772)
Deferred		(79,788)	(2,131,573)
	32.1	9,153,687	7,403,412
32.1 Relationship between tax expense and accounting profit			
Accounting Profit before taxation		23,370,361	17,878,322
Tax at the applicable rate of 39% (2020: 35%)		9,114,441	6,257,413
Effect of:			
- permanent differences		9,953	43,572
- tax charge pertaining to overseas branches		41,910	34,928
- Impact of change in tax rates		(253,649)	-
- Super tax		-	969,087
- others		241,032	98,412
Tax expense for the year		9,153,687	7,403,412

32.2 a) The income tax assessments of the Bank have been finalized uoto and including tax year 2021. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Honourable Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014, 2017, 2019 and 2020, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business and disallowance of Leasehold improvements resulting in additional demand of Rs. 912.674 million (2020: Rs. 681.939 million) out of which addbacks of routine nature amounting to Rs. 230.735 million were added during the year through assessment order for TY 2020. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 198.411 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.

h) During the year bank received orders from a provincial tax authority for the periods from July 2014 to December 2020 wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.275.051 million [excluding default surcharge] by disallowing certain exemptions of sales tax on banking services. Previously, the Bank has received provincial sales tax orders wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.488.261 million [excluding default surcharge] by disallowing certain exemptions and allegedly for short payment of sales tax covering period from July 2011 to June 2014. Appeals against all these orders are pending before Commissioner Appeals. The Bank has not made any provision against these orders and the management is of the view that these matters will be settled in Bank's favour through appellate process.

c) The Bank has received an order from a tax authority wherein Sales tax and Further Tax amounting to Rs.8.601 million [excluding default surcharge and penalty] is demanded allegedly for non-payment of sales tax on certain transactions relating to accounting year 2016. Bank appeal against this order is pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that this matter will be favourably settled through appellate process.

32.3 In line with recent change in law for applicability of super tax in future years, the Bank has changed the rate of deferred tax from 35% to 39% during the year 2021.

		2021	2020
33	BASIC AND DILUTED EARNINGS PER SHARE	-------(Rupees in '000)-------	
	Profit for the year	14,216,674	10,474,910
		----(Number of shares in '000)----	
	Weighted average number of ordinary shares	1,777,165	1,777,165
		----------Rupees----------	
	Basic and diluted earnings per share	8.00	5.89

33.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.

		Note	2021	2020
			-------(Rupees in '000)-------	
34	CASH AND CASH EQUIVALENTS			
	Cash and Balance with Treasury Banks	5	105,606,384	99,348,197
	Balance with other banks	6	9,782,519	6,234,299
	Call / clean money lendings	34.2	20,978,734	14,405,403
	Overdrawn nostro accounts	15.13	(1,774,249)	(1,532,864)
			134,593,388	118,455,035

34.1 **Reconciliation of debt arising from financing activities**

	2021			
	Liability		Equity	
	(Rupees in '000)			
	Subordinated debt	Lease liabilities	Share Capital	Dividend Payable
Balances as at January 01, 2021	7,000,000	10,456,029	17,771,651	135,345
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	-	-	-	-
Payment of leased liability	-	(3,238,124)	-	-
Dividend Paid	-	-	-	(7,091,975)
	-	(3,238,124)	-	(7,091,975)
Other changes				
Additions / renewals of leases	-	4,507,382	-	-
Borrowing cost on lease liability	-	1,468,889	-	-
Exchange Rate Adjustment	-	(4,437)	-	-
Final cash dividend for the year ended December 31, 2020 - 20%	-	-	-	3,554,330
Interim cash dividend for the half year ended June 30, 2021 - 20%	-	-	-	3,554,330
	-	5,971,834	-	7,108,660
Balances as at December 31, 2021	7,000,000	13,189,739	17,771,651	152,030

	2020			
	Liability		Equity	
	(Rupees in '000)			
Reconciliation of debt arising from financing activities	Subordinated debt	Lease liabilities	Share Capital	Dividend Payable
Balances as at January 01, 2020	11,987,000	9,367,014	17,771,651	93,040
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	(4,987,000)	-	-	-
Payment of leased liability	-	(2,791,876)	-	-
Dividend Paid	-	-	-	(7,066,355)
	(4,987,000)	(2,791,876)	-	(7,066,355)
Other changes				
Additions / renewals of leases	-	2,551,456	-	-
Borrowing cost on lease liability	-	1,322,183	-	-
Exchange Rate Adjustment	-	7,252	-	-
Final cash dividend for the year ended December 31, 2019 - 20%	-	-	-	3,554,330
Interim cash dividend for the nine months period ended September 30, 2020 - 20%	-	-	-	3,554,330
	-	3,880,891	-	7,108,660
Balances as at December 31, 2020	7,000,000	10,456,029	17,771,651	135,345

34.2 This represents call / clean money lendings having maturities upto three months.

35 **STAFF STRENGTH**

	2021			2020		
	(Number of employees)					
	Domestic	Overseas	Total	Domestic	Overseas	Total
Permanent	11,831	203	12,034	10,443	210	10,653
On Bank contract	17	67	84	25	77	102
Bank's own staff strength at the end of the year	11,848	270	12,118	10,468	287	10,755

35.1 In addition to the above, 208 (2020: 710) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services etc. Outsourced staff includes 184 (2020: 681) working in Pakistan and 24 (2020: 29) working at overseas branches.

36 DEFINED BENEFIT PLAN

36.1 General description

The Bank operates an approved funded gratuity scheme which cover all regular permanent employees. The liability of the Bank in respect of the plan is determined based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial valuation of the defined benefit plan is carried out every year and the latest valuation was carried out as at December 31, 2021. The significant assumptions are detailed below:

36.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2021	2020
	----------(Number)----------	
- Gratuity fund	11,830	10,442

36.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2021:

	2021	2020
	-------(Per annum)-------	
Withdrawal rates	Low	Low
Mortality rates	SLIC 2001 - 2005	SLIC 2001 - 2005
Valuation Discount rate (p.a)	12.25%	10.25%
Salary increase rate (p.a) - Short term (5 years)	7.25%	5.25%
Salary increase rate (p.a) - Long term	10.25%	8.25%
Expected rate of return on plan assets (p.a)	12.25%	10.25%
Normal Retirement Age	60 Years	60 Years
Duration	11 Years 3 months	10 Years 3 months

36.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2021	2020
		-------(Rupees in '000)-------	
Present value of obligations payable	36.5	2,139,371	1,962,043
Fair value of plan assets	36.6	(2,883,695)	(2,654,442)
(Receivable) / payable	36.7	(744,324)	(692,399)

36.5 Movement in defined benefit obligations

Obligations at the beginning of the year	1,962,043	1,665,365
Current service cost	314,483	301,303
Interest cost	188,009	186,845
Benefits paid by the Bank	(223,825)	(142,615)
Re-measurement (gain) / loss	(101,339)	(48,855)
Obligations at the end of the year	2,139,371	1,962,043

36.6 Movement in fair value of plan assets

Fair value at the beginning of the year		2,654,442	2,684,542
Interest income on plan assets		285,644	317,264
Contribution by the Bank - net		216,848	170,884
Benefits paid		(223,825)	(142,615)
Re-measurement (loss) / gain	36.8.2	(49,414)	(375,633)
Fair value at the end of the year	36.9	2,883,695	2,654,442

	Note	2021	2020
		-------(Rupees in '000)-------	
36.7 Movement in (receivable) / payable under defined benefit plan			
Opening balance		(692,399)	(1,019,177)
Charge / (reversal) for the year		216,848	170,884
Contribution by the Bank - net		(216,848)	(170,884)
Re-measurement (gain) / loss recognised in OCI during the year	36.8.2	(51,925)	326,778
Closing balance		(744,324)	(692,399)

36.8 Charge for defined benefit plans

36.8.1 Cost recognised in profit and loss

Current service cost	36.5	314,483	301,303
Net interest on defined benefit asset / liability	36.5 & 36.6	(97,635)	(130,419)
		216,848	170,884

36.8.2 Re-measurements recognised in OCI during the year

(Gain) / loss on obligation		
- Demographic assumptions	-	-
- Financial assumptions	(13,561)	(67,624)
- Experience adjustment	(87,778)	18,769
Return on plan assets over interest income	49,414	375,633
Total re-measurements recognised in OCI	(51,925)	326,778

36.9 Components of plan assets

Cash and cash equivalents - net	377,544	299,517
Government securities	-	201,140
Non-government debt securities	602,365	602,365
Ordinary shares	1,544,671	1,208,144
Units of mutual funds	359,115	343,276
	2,883,695	2,654,442

36.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption are summarized below:

Particulars	2021	
	PV of Defined Benefit Obligation	Change
	-------(Rupees in '000)-------	
1% increase in discount rate	1,918,737	1,761,831
1% decrease in discount rate	2,398,727	2,161,637
1 % increase in expected rate of salary increase	2,415,364	2,175,829
1 % decrease in expected rate of salary increase	1,901,929	1,747,258
10% increase in withdrawal rate	2,141,680	1,953,601
10% decrease in withdrawal rate	2,137,049	1,938,239
1 year Mortality age set back	2,132,805	1,947,795
1 year Mortality age set forward	2,145,754	1,944,943

		2022 (Rupees in '000)
36.11	Expected contributions to be paid to the fund in the next financial year	268,817
36.12	Expected charge for the next financial year	268,817

36.13 Maturity profile

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	98,156
Year 2	101,031
Year 3	134,705
Year 4	122,716
Year 5	124,452
Year 6 to Year 10	964,033
Year 11 and above	11,960,102
	13,505,195

36.14 Funding Policy

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

36.15 Risks Associated with Defined Benefit Plans

Asset Volatility:

The risk arises due to the inclusion of the risky assets in the gratuity fund portfolio, inflation and interest rate volatility.

Changes in Bond yields:

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

Inflation Risks:

The risk arises if gratuity benefits are linked to inflation and the inflation is higher than expected, which results in higher liabilities.

Life expectancy / withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases in salary are higher than expectation and impacts the liability accordingly.

37 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 495.440 million (2020: Rs. 455.029 million) to the fund.

38 OTHER EMPLOYEE BENEFIT

38.1 Compensated Absences

The Bank operates compensated absences scheme in which employees can carry forward unutilized leaves up to maximum of 45 days.

38.2 Benefit Scheme for Overseas Branches

The Bank operates retirement benefit schemes for its employees at overseas branches in compliance with the local labour laws of the respective countries where the branches operate.

39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation expense

2021

Sr. No.	Items	Chairman	Directors		Members Shariah Board *	President / CEO	Key Executives	Other MRTs / MRCs
			Executives (other than CEO)	Non-Executive				
		(Rupees in '000)						
1	Fees and Allowances etc.	-	-	158,720	11,174	-	-	-
2	Managerial Remuneration							
	i) Fixed	-	-	-	2,609	60,350	255,415	720,694
	ii) Total Variable							
	Cash Bonus / Awards	-	-	-	-	77,142	147,000	291,766
3	Charge for defined benefit plan	-	-	-	-	-	14,331	43,755
4	Contribution to defined Contribution	-	-	-	-	5,027	14,331	39,738
5	Rent & House Maintenance	-	-	-	568	24,968	67,623	205,472
6	Utilities	-	-	-	142	8,096	16,906	49,949
7	Medical	-	-	-	-	-	-	2,800
8	Conveyance	-	-	-	-	-	-	78
9	Ex-Gratia	-	-	-	-	-	-	5,157
10	Others	-	-	-	718	11,681	1,120	20,869
	Total (1 - 10)	-	-	158,720	15,211	187,264	516,726	1,380,278
	Number of Persons	1	-	8	5	1	15	129

2020

Sr. No.	Items	Chairman	Directors		Members Shariah Board *	President / CEO	Key Executives	Other MRTs / MRCs
			Executives (other than CEO)	Non-Executive				
		(Rupees in '000)						
1	Fees and Allowances etc.	-	-	161,449	8,990	-	-	-
2	Managerial Remuneration							
	i) Fixed	-	-	-	2,117	52,934	228,620	603,728
	ii) Total Variable							
	Cash Bonus / Awards	-	-	-	355	-	161,000	265,855
3	Charge for defined benefit plan	-	-	-	-	-	12,994	32,308
4	Contribution to defined Contribution	-	-	-	-	4,409	12,994	43,468
5	Rent & House Maintenance	-	-	-	438	22,156	63,587	175,676
6	Utilities	-	-	-	110	6,491	15,897	43,616
7	Medical	-	-	-	-	-	-	519
8	Conveyance	-	-	-	-	-	-	104
9	Ex-Gratia	-	-	-	-	132,533	11,182	2,850
10	Others	-	-	-	-	36,785	6,505	34,131
	Total (1 - 10)	-	-	161,449	12,010	255,308	512,779	1,202,255
	Number of Persons	1	-	8	3	2	17	131

The Chief Executive and certain Executives have been provided with car(s), household equipment and fuel.

A certain portion of variable compensation of the CEO, Key Executives, MRTs/MRCs shall be subject to mandatory deferrals for a defined period of three years, whereas remaining portion of the bonus shall be paid upfront to the MRTs / MRCs. The deferred bonus shall vest proportionately over the deferral period following the year of variable remuneration award.

In case of malus and where accountability has been determined in accordance with the conduct & accountability framework of the Bank, the entire or certain portion of the deferred remuneration shall be withheld and not paid to the MRT / MRC on its becoming due.

During the year, amount of Rs. 86.625 million (2020: 101.854) was deferred. The deferred portion is managed internally within the Bank. The Bank provides for the return on deferred portion according to the rate of return earned on government securities according to the time horizon for deferral.

* includes salaries and allowance of resident member of Shariah Board who is an employee of the Bank.

39.2 **Remuneration Paid to Directors for Participation in Board and Board Committees Meetings**

2021

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings									
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Coronavirus-Crises Management Committee	Board Real Estate Committee	Total
		(Rupees in '000)									
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-		-
2	Mr.Abdullah Nasser Hawaileel Al Mansoori	4,800	-	-	-	-	-	-	-	-	4,800
3	Mr. Abdulla Khalil Al Mutawa	4,800	6,400	-	3,200	4,000	4,800	5,760	5,440	1,920	36,320
4	Mr. Khalid Mana Saeed Al Otaiba	4,800	6,400	-	3,200	4,000	5,760	4,800	4,800	1,600	35,360
5	Mr. Efstratios Georgios Arapoglou*	1,600	2,400	-	-	1,600	1,600	2,400	1,920	-	11,520
6	Mr. Gyorgy Tamas Ladics	4,800	-	-	3,200	-	-	1,600	4,800	-	14,400
8	Mr. Khalid Qurashi	4,800	7,680	-	3,200	4,800	4,800	4,800	4,800	-	34,880
9	Dr. Ayesha Khan	4,800	6,400	-	3,840	-	-	1,600	4,800	-	21,440
	Total	30,400	29,280	-	16,640	14,400	16,960	20,960	26,560	3,520	158,720

2020

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings									
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Coronavirus-Crises Management Committee	Board Real Estate Committee	Total Amount Paid
		(Rupees in '000)									
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-		-
2	Mr.Abdullah Nasser Hawaileel Al Mansoori	4,879	-	-	-	-	-	-	-		4,879
3	Mr. Abdulla Khalil Al Mutawa	9,039	5,086	-	3,743	3,743	3,743	5,519	3,200		34,073
4	Mr. Khalid Mana Saeed Al Otaiba	9,039	5,086	-	3,743	3,743	4,559	4,543	3,200		33,913
5	Mr. Efstratios Georgios Arapoglou	8,083	5,086	-	-	3,743	3,743	4,543	3,840	Committee	29,038
6	Mr. Gyorgy Tamas Ladics	6,479	-	-	3,743	4,559	-	-	3,200	formed in 2021	17,981
7	Mr. Shehzad Naqvi**	1,543	3,086	-	1,234	-	1,234	1,234	-		8,331
8	Mr. Khalid Qurashi***	5,760	1,920	-	800	-	1,600	2,400	800		13,280
9	Dr. Ayesha Khan	5,543	5,828	-	5,383	-	-	-	3,200		19,954
	Total	50,365	26,092	-	18,646	15,788	14,879	18,239	17,440		161,449

* Director resigned in 2021.
** Director resigned in 2020.
*** Director filled the casual vacancy.

39.3 **Remuneration paid to Shariah Board Members**

Sr. No.	Items	2021				2020			
		Chairman	Resident Member	Non-Resident Member	Total	Chairman	Resident Member	Non-Resident Member	Total
		(Rupees in '000)							
1	Fees/Remuneration and Allowances	6,697	-	4,477	11,174	6,224	-	2,766	8,990
2	Managerial Remuneration - Fixed	-	2,609	-	2,609	-	2,117	-	2,117
3	Rent & House Maintenance	-	568	-	568	-	438	-	438
4	Utilities	-	142	-	142	-	110	-	110
5	Others	-	718	-	718	-	355	-	355
	Total	6,697	4,037	4,477	15,211	5,400	2,985	2,400	12,010
	Total Number of Persons	1	1	3	5	1	1	1	3

40 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would he received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the hreak-up value of these investments as per their latest available audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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

40.1 Fair value of financial assets

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

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

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

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

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

	2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----------(Rupees in '000)----------			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	655,169,287	-	655,169,287
Shares	4,933,786	-	-	4,933,786
Non-Government Debt Securities	12,180,000	7,550,203	-	19,730,203
Foreign Securities	-	55,400,927	-	55,400,927
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	69,624,622	-	69,624,622
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,249,270	-	2,249,270
Forward sale of foreign exchange	-	(1,021,507)	-	(1,021,507)
Forward purchase government securities	-	(46,547)	-	(46,547)
Derivatives purchases	-	(191,189)	-	(191,189)

	2020			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----------(Rupees in '000)----------			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	425,835,272	-	425,835,272
Shares	5,772,119	-	-	5,772,119
Non-Government Debt Securities	12,072,000	7,329,178	-	19,401,178
Foreign Securities	-	44,511,463	-	44,511,463
Financial assets - not measured at fair value				
Investment - held for trading securities	-	50,506,972	-	50,506,972
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,319,187	-	1,319,187
Forward sale of foreign exchange	-	(2,146,281)	-	(2,146,281)
Forward purchase government securities	-	(1,836)	-	(1,836)
Derivatives purchases	-	(921,919)	-	(921,919)

40.2 The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer, occurred. There were no transfers between levels 1 and 2 during the current year.

40.3 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies and listed non government debt securities.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, GoP Euro Bonds, Overseas Government Sukuks, Overseas Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

40.3.1 Fair value of non-financial assets

Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined hy professional valuers based on their assessment of the market values as disclosed in notes 10 and 13. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

40.3.2 Valuation techniques

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
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 Sukuks, Overseas and GoP Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomherg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising of 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 unobservahle inputs used in the valuations can not he determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

41 SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities

	2021							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	(3,409,489)	12,166,963	8,147,369	26,731,655	(50,425)	2,879,147	(416,788)	46,048,432
Inter segment revenue – net	27,202,228	(6,072,211)	(254,231)	(22,154,009)	564,472	925,954	(212,203)	-
Non mark-up / return / interest income	6,372,486	2,161,044	1,251,977	4,618,385	399,051	1,041,837	628,991	16,473,771
Total Income	30,165,225	8,255,796	9,145,115	9,196,031	913,098	4,846,938	-	62,522,203
Segment direct expenses	15,142,938	1,204,799	4,846,353	501,976	1,769,228	2,031,977	11,342,715	36,839,986
Inter segment expense allocation	7,235,541	1,034,835	1,742,555	413,579	606,933	309,272	(11,342,715)	-
Total expenses	22,378,479	2,239,634	6,588,908	915,555	2,376,161	2,341,249	-	36,839,986
Provisions / (reversals)	537,430	1,054,684	1,272,031	(64,390)	10,112	1,201,989	(1,700,000)	2,311,856
Profit before tax	7,249,316	4,961,478	1,284,176	8,344,866	(1,473,175)	1,303,700	1,700,000	23,370,361

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Balance Sheet								
Cash & Bank balances	59,713,617	11,541,859	16,233,178	6,799,542	494,255	20,606,452	-	115,388,903
Investments	-	2,072,227	91,822,133	645,414,966	-	69,050,718	853,539	809,213,583
Net inter segment lending	431,128,123	-	-	-	6,355,852	-	86,291,183	523,775,158
Lendings to financial institutions	-	-	16,493,641	11,172,904	-	8,315,520	-	35,982,065
Advances - performing	203,165,570	282,208,814	132,877,992	-	65,423	41,101,258	10,876,875	670,295,932
Advances - non-performing	1,033,436	2,138,566	224,685	-	2,337	150,043	35,625	3,584,692
Others	21,021,729	19,167,418	21,637,954	11,100,835	1,490,652	3,353,196	22,084,380	99,856,164
Total Assets	716,062,475	317,128,884	279,289,583	674,488,247	8,408,519	142,577,187	120,141,602	2,258,096,497
Borrowings	26,768,170	79,969,245	31,305,163	207,951,783	-	37,314,358	500,153	383,808,872
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	668,702,882	182,007,203	200,390,388	-	8,203,361	79,650,772	-	1,139,044,606
Net inter segment borrowing	-	26,502,870	12,724,121	464,701,513	-	19,846,654	-	523,775,158
Others	20,591,423	28,649,566	32,493,099	3,089,606	115,158	5,658,006	13,868,322	104,465,180
Total liabilities	716,062,475	317,128,884	276,912,771	675,742,902	8,408,519	142,469,790	21,368,475	2,158,093,816
Net Assets	-	-	2,376,812	(1,254,655)	-	107,397	98,773,127	100,002,681
Equity								100,002,681
Contingencies and Commitments	69,140,430	182,035,105	73,345,099	160,268,743	78,313	83,682,843	2,239,467	570,790,000

	2020							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	(6,346,925)	17,521,037	8,720,019	22,929,818	(15,353)	2,894,025	(998,047)	44,704,574
Inter segment revenue - net	31,868,796	(11,073,679)	(925,284)	(21,685,904)	585,952	222,613	1,007,506	-
Non mark-up / return / interest income	3,582,080	1,764,742	1,090,782	5,348,692	437,159	580,866	(9,459)	12,794,862
Total Income	29,103,951	8,212,100	8,885,517	6,592,606	1,007,758	3,697,504	-	57,499,436
Segment direct expenses	13,595,917	962,884	3,965,455	551,378	1,721,273	1,877,685	9,357,253	32,031,845
Inter segment expense allocation	6,289,747	893,798	1,427,461	310,360	181,316	254,571	(9,357,253)	-
Total expenses	19,885,664	1,856,682	5,392,916	661,738	1,902,589	2,132,256	-	32,031,845
Provisions / (reversals)	1,028,797	1,825,468	1,077,476	(605,563)	2,148	10,943	4,250,000	7,589,269
Profit before tax	8,189,490	4,529,950	2,415,125	6,336,431	(896,979)	1,554,305	(4,250,000)	17,878,322

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Balance Sheet								
Cash & Bank balances	49,627,891	10,193,222	14,780,115	17,295,558	470,783	13,214,927	-	105,582,496
Investments	1,648,811	1,067,759	47,420,548	425,225,444	-	70,934,391	792,979	547,089,932
Net inter segment lending	367,340,730	-	-	-	8,236,238	-	86,790,920	462,367,888
Lendings to financial institutions	-	-	14,293,146	51,747,865	-	11,264,524	-	77,305,535
Advances - performing	153,956,442	283,141,506	101,673,272	-	16,596	25,085,003	5,900,803	569,773,622
Advances - non-performing	1,209,592	4,577,817	1,605,920	-	202	111,279	37,515	7,542,325
Others	22,501,621	11,194,130	16,562,877	7,069,505	1,562,319	3,689,654	14,999,533	77,579,639
Total Assets	596,285,087	310,174,434	196,335,878	501,338,372	10,286,138	124,299,778	108,521,750	1,847,241,437
Borrowings	23,057,436	66,943,742	23,967,885	185,932,565	-	13,560,921	1,497,637	314,960,186
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	552,825,197	116,774,809	133,037,813	-	10,139,614	68,979,200	10,449	881,767,082
Net inter segment borrowing	-	105,134,794	9,765,912	309,835,466	-	37,631,716	-	462,367,888
Others	19,311,536	21,322,702	28,011,247	3,605,361	146,524	4,011,824	13,719,768	90,128,962
Total liabilities	595,194,169	310,176,047	194,782,857	499,373,392	10,286,138	124,183,661	22,227,854	1,756,224,118
Net Assets	1,090,918	(1,613)	1,553,021	1,964,980	-	116,117	86,293,896	91,017,319
Equity								91,017,319
Contingencies and Commitments	70,508,424	118,634,144	52,780,786	165,893,738	17,961	52,765,343	1,266,935	461,867,331

41.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2021				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	43,169,285	1,054,682	1,597,208	227,257	46,048,432
Inter segment revenue - net	(925,954)	409,515	347,316	169,123	-
Non mark-up / return / interest income	15,431,934	272,794	371,494	397,549	16,473,771
Total Income	57,675,265	1,736,991	2,316,018	793,929	62,522,203
Segment direct expenses	34,808,009	534,955	1,133,872	363,150	36,839,986
Inter segment expense allocation	(309,272)	98,266	148,224	62,782	-
Total expenses	34,498,737	633,221	1,282,096	425,932	36,839,986
Provisions / (reversals)	1,109,867	167,480	13,051	1,021,458	2,311,856
Profit before tax	22,066,661	936,290	1,020,871	(653,461)	23,370,361

	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Balance Sheet					
Cash and Bank balances	94,782,451	6,637,739	3,223,304	10,745,409	115,388,903
Investments	740,162,865	43,572,211	13,970,123	11,508,384	809,213,583
Net inter segment lendings	523,775,158	-	-	-	523,775,158
Lendings to financial institutions	27,666,545	1,235,578	7,079,942	-	35,982,065
Advances - performing	629,194,674	16,462,333	24,638,925	-	670,295,932
Advances - non-performing	3,434,649	-	150,043	-	3,584,692
Others	96,502,968	2,615,391	1,669,213	(931,408)	99,856,164
Total Assets	2,115,519,310	70,523,252	50,731,550	21,322,385	2,258,096,497
Borrowings	346,494,514	33,118,198	5,102,179	(906,019)	383,808,872
Subordinated debt	7,000,000	-	-	-	7,000,000
Deposits and other accounts	1,059,393,834	28,145,664	31,161,489	20,343,619	1,139,044,606
Net inter segment borrowing	503,928,504	8,185,915	9,958,452	1,702,287	523,775,158
Others	98,807,174	1,076,917	4,509,430	71,659	104,465,180
Total liabilities	2,015,624,026	70,526,694	50,731,550	21,211,546	2,158,093,816
Net Assets	99,895,284	(3,442)	-	110,839	100,002,681
Equity					100,002,681
Contingencies and Commitments	487,107,157	64,164,006	11,897,761	7,621,076	570,790,000

	2020				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	41,810,549	693,831	1,710,571	489,623	44,704,574
Inter segment revenue - net	(222,613)	83,287	4,451	134,875	-
Non mark-up / return / interest income	12,213,996	138,293	264,500	178,073	12,794,862
Total Income	53,801,932	915,411	1,979,522	802,571	57,499,436
Segment direct expenses	30,154,160	474,777	1,025,797	377,111	32,031,845
Inter segment expense allocation	(254,571)	99,445	95,437	59,689	-
Total expenses	29,899,589	574,222	1,121,234	436,800	32,031,845
Provisions / (reversals)	7,578,326	26,675	(7,423)	(8,309)	7,589,269
Profit before tax	16,324,017	314,514	865,711	374,080	17,878,322

	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	92,367,569	1,633,652	3,308,231	8,273,044	105,582,496
Investments	476,155,541	31,444,860	21,294,844	18,194,687	547,089,932
Net inter segment lendings	462,367,888	-	-	-	462,367,888
Lendings to financial institutions	66,041,011	3,063,608	5,995,179	2,205,737	77,305,535
Advances - performing	544,688,619	5,460,181	19,624,760	62	569,773,622
Advances - non-performing	7,431,046	-	111,279	-	7,542,325
Others	73,889,985	1,122,928	2,504,291	62,435	77,579,639
Total Assets	1,722,941,659	42,725,229	52,838,584	28,735,965	1,847,241,437
Borrowings	301,399,265	7,861,486	5,379,763	319,672	314,960,186
Subordinated debt	7,000,000	-	-	-	7,000,000
Deposits and other accounts	812,787,882	13,374,634	30,507,148	25,097,418	881,767,082
Net inter segment borrowing	424,736,172	21,097,027	13,043,579	3,491,110	462,367,888
Others	86,117,138	1,143,142	2,779,963	88,719	90,128,962
Total liabilities	1,632,040,457	43,476,289	51,710,453	28,996,919	1,756,224,118
Net Assets	90,901,202	(751,060)	1,128,131	(260,954)	91,017,319
Equity					91,017,319
Contingencies and Commitments	409,101,988	35,831,445	12,232,435	4,701,463	461,867,331

42 TRUST ACTIVITIES

The Bank undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements.

43 RELATED PARTY TRANSACTIONS

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

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	As at Dec 31, 2021					As at Dec 31, 2020				
	Directors/ CEO	Key management personnel	Subsidiary	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiary	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Lendings to financial institutions										
Opening balance	-	-	-	-	1,745,830	-	-	-	-	-
Addition during the year	-	-	-	-	136,191,858	-	-	-	-	140,523,678
Repaid during the year	-	-	-	-	(133,658,672)	-	-	-	-	(138,777,848)
Transfer in / (out) - net	-	-	-	-	(1,948,938)	-	-	-	-	-
Closing balance	-	-	-	-	2,330,078	-	-	-	-	1,745,830
Investments										
Opening balance	-	-	300,000	1,177,606	1,241,405	-	-	300,000	1,177,606	1,191,425
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	(22,245)	-	-	-	-	(20)
Transfer in / (out) - net	-	-	-	-	(99,930)	-	-	-	-	50,000
Closing balance	-	-	300,000	1,177,606	1,119,230	-	-	300,000	1,177,606	1,241,405
Provision for diminution in value of investments	-	-	42,981	-	-	-	-	42,981	-	3,936
Advances										
Opening balance	78,132	791,521	-	-	3,346,278	91,129	661,838	-	-	4,200,405
Addition during the year	-	681,118	-	-	1,954,966	87,827	286,114	-	-	7,713,243
Repaid during the year	(78,055)	(263,110)	-	-	(3,398,044)	(83,516)	(196,441)	-	-	(8,567,370)
Transfer in / (out) - net*	-	(25,472)	-	-	94,352	(17,308)	40,010	-	-	-
Closing balance	77	1,184,057	-	-	1,997,552	78,132	791,521	-	-	3,346,278
Other Assets										
Interest / mark-up accrued	-	109,318	-	-	20,294	2,580	88,905	-	-	45,434
Receivable from staff retirement fund					744,324	-	-	-	-	692,399
Prepayment / rent receivable	-	-	-	-	-	-	-	-	1,560	47,524
Borrowings										
Opening balance	-	-	-	-	2,384,849	-	-	-	-	494,646
Borrowings during the year	-	-	-	-	29,725,920	-	-	-	-	44,475,567
Settled during the year	-	-	-	-	(29,829,848)	-	-	-	-	(42,585,364)
Closing balance	-	-	-	-	2,280,921	-	-	-	-	2,384,849

* Represents joiners and leavers during the year.

	As at Dec 31, 2021					As at Dec 31, 2020				
	Directors/ CEO	Key management personnel	Subsidiary	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiary	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Deposits and other accounts										
Opening balance	103,392	397,194	16,920	5,586,652	3 706,519	12,076	257,121	9,335	588,149	4,584,695
Received during the year	1,313,242	2,764,278	2,011,243	191,394,108	34,036,364	323,082	2,209,565	781,799	117,408,368	70,878,153
Withdrawn during the year	(1,357,608)	(2,772,385)	(1,993,177)	(183,515,680)	(31,371,402)	(223,154)	(2,083,397)	(774,214)	(112,409,865)	(71,465,963)
Transfer in / (out) - net*	-	(17,127)	-	-	38,785	(8,612)	13,905	-	-	(290,366)
Closing balance	59,026	371,960	34,986	13,465,080	6,410,266	103,392	397,194	16,920	5,586,652	3,706,519
Other Liabilities										
Interest / mark-up payable	131	750	-	-	22,597	73	433	-	-	5,393
Lease liabilities	-	-	-	-	-	-	-	-	-	9,216
Dividend Payable	-	-	-	-	-	-	-	-	-	-
Others	-	-	292	-	67,830	-	-	7,201	-	2,747
Contingencies and Commitments										
Other contingencies	-	-	-	-	24,491	-	-	-	79,917	139,987

	For the year ended Dec 31, 2021					For the year ended Dec 31, 2020				
	(Rupees in '000)					(Rupees in '000)				
Income										
Mark-up / return / interest earned	283	43,863	-	-	224,613	9,225	38,304	-	-	378,845
Fee and commission income	-	-	-	81,202		-	-	-	77,810	-
Dividend income	-	-	-	111,000	11,066	-	-	-	90,000	21,409
Other income	-	1,480	-	3,387	5,502	560	3,034	-	7,887	20,374
Expense										
Mark-up / return / interest paid	1,305	12,853	153	515,815	547,700	572	11,384	168	133,387	428,162
Borrowing cost on leased properties	-	-	-	-	652	-	-	-	-	1,293
Operating expenses										
Directors fee	158,720	-	-	-	-	161,449	-	-	-	-
Managerial remuneration	187,264	1,519,563	-	-	-	255,308	1,339,200	-	-	-
Depreciation right-of-use assets	-	-	-	-	-	-	-	-	-	10,542
Software maintenance	-	-	-	-	101,469	-	-	-	-	34,936
Travelling and accommodation	-	-	-	-	-	-	-	-	-	2,187
Communication cost	-	-	-	-	45,362	-	-	-	-	57,804
Brokerage and commission	-	-	2,137	-	-	-	-	2,993	-	-
Legal and professional charges	-	-	5,250	-	-					
Charge for defined benefit plan	-	-	-	-	216,848	-	-	-	-	170,884
Contribution to defined contribution plan	-	-	-	-	495,440	-	-	-	-	455,029
Others	-	-	-	-	8,783	-	-	-	-	-
Other Information										
Dividend paid	1,095,780	13,908	-	2,621	2,813,193	1,095,830	20,031	-	9,996	3,314,984
Insurance premium paid	-	-	-	729,362	-	-	-	-	705,992	-
Insurance claims settled	-	-	-	510,335	-	-	-	-	378,009	-

* Represents joiners and leavers during the year.

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2021	2020
	-------(Rupees in '000)-------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	17,771,651	17,771,651
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	76,111,426	70,210,555
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	83,111,426	77,210,555
Eligible Tier 2 Capital	24,963,207	23,211,792
Total Eligible Capital (Tier 1 + Tier 2)	108,074,633	100,422,347
Risk Weighted Assets (RWAs):		
Credit Risk	643,252,085	522,368,549
Market Risk	13,336,750	11,812,425
Operational Risk	92,460,900	73,481,663
Total	749,049,735	607,662,637
Common Equity Tier 1 Capital Adequacy ratio	10.16%	11.55%
Tier 1 Capital Adequacy Ratio	11.10%	12.71%
Total Capital Adequacy Ratio	14.43%	16.53%

In line with Basel III Capital Adequacy guidelines, the following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.50%	11.50%

For Capital adequacy calculation, the Bank has adopted Standardized Approach for credit and market risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):		
Eligible Tier-1 Capital*	83,253,057	77,210,555
Total Exposures	2,161,906,415	1,737,693,936
Leverage Ratio	3.85%	4.44%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	474,660,774	372,270,246
Total Net Cash Outflow	275,665,253	199,316,286
Liquidity Coverage Ratio	172%	187%

*Eligible Tier -1 Capital measure for calculation of Leverage Ratio is based on three months average.

Net Stable Funding Ratio (NSFR):	2021	2020
	-------(Rupees in '000)-------	
Total Available Stable Funding	1,017,917,252	850,376,458
Total Required Stable Funding	753,951,739	626,269,922
Net Stable Funding Ratio	135%	136%

44.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions has been placed on the website. The link to the full disclosure is https://www.bankalfalah.com/financial-reports/.

45 RISK MANAGEMENT

The variety of business activities undertaken by the Bank require effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regularly evaluate and timely updating the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC) to supervise risk management activities within their respective scopes. CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee (IC), Information Technology Steering Committee (ITSC), Control & Compliance Committee (C&CC), Process Improvement Committee (PIC) and Board Coronavirus Crisis Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies, procedures, responsibilities and accountabilities;
- Well constituted organizational structure, in the form of separate risk management departments within Credit and Risk Management Group, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units; and
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, information security risk, trade pricing, environment and social risk. Further, there is an advanced focus on optimal utilization of capital while ensuring compliance with capital requirements. The results of stress tests and internal capital adequacy assessment process are given due consideration in capital and business planning.

There was enhanced monitoring onset of COVID-19 details mentioned below :

Board Coronavirus Crisis Committee

The Coronavirus (COVID-19) pandemic has been an unprecedented and rapidly evolving catastrophe. Life has drastically changed as lockdowns, and social distancing have become the new norm. While the spread of COVID-19 has affected countries and economies across the world including Pakistan, swift action by the Government has contained the crises and paid dividends as both reported cases and number of deaths from COVID-19 remained low.

A Crises Management Committee was formed by the Bank at the outset of the pandemic, and it continues to monitor the situation within the Bank as well as on local and international fronts, and implement appropriate response measures. A Board level Coronavirus Crisis Management Committee was set up to oversee and assist the Board of Directors and the Management in matters relating to COVID-19. The key objectives of the BCMC include providing oversight and guidance to the management on safety, health and wellbeing of our staff, staff's families and customers; ensuring operational capability and business continuity in line with regulatory requirements; protecting the assets of the Bank (e.g. Loan portfolio, fixed assets, etc.); implementing guidelines provided by WHO internationally; and; safeguarding culture and reputation of the Bank.

45.1 Credit Risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from lending, hedging , settlement and other financial transactions. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure to credit risk. The Bank's credit risk management philosophy is based on Bank's overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analyzed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Bank has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by the Board of Directors (BOD). Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for Corporate banking, Islamic banking, Retail & SME hanking, Agricultural financing, and Overseas Operations. For Consumer & Digital products, loans are booked against defined eliqibility criteria as per product programs and they have separate credit risk unit.

The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Credit & Risk Management Group.

For domestic operations, the Bank determines the amount for specific and general provisions as per the Prudential Regulations issued by the State Bank of Pakistan (SBP) and management estimates. Provisions at overseas branches are held to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party and transaction risk in accordance with the best practices. The risk rating system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates internal ratings at obligor and facility levels. The facility rating system, developed in line with SBP's guidelines, also provides expected LGD (Loss Given Default). This has been implemented for Corporate, Islamic and Retail portfolio. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Bank has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, Medium Enterprise, Small Enterprise and Agri rating models. It covers both discrimination and calibration statistical tests as per best practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system is enhanced to compute the ECL calculation for IFRS 9 risk weighted assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular and fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD.

Credit Policy & Portfolio Management under Credit & Risk Management Group keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authorities with a view to address further deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/ settlement of the Bank's non-performing exposure and protect the interests of the bank's depositors and stakeholders. The priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Credit & Risk Management Group also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

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 Kalculator (BACK). It also supports other credit related automation & optimization initiatives like eCIB automation and ECL calculation under IFRS 9.

45.1.1 Credit Risk - General Disclosures Basel Specific

The Bank is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, banks are allowed to take into consideration external rating(s) of counter-parties for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adbered to.

45.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

45.1.2.1 External ratings

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely Pakistan Credit Rating Agency Limited (PACRA), Vital Information Services Credit Rating Co. Limited , Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and Credit Rating Information and Services Limited (CRISL). The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel III framework. Where exposure is rated by two or more ratings agencies - the lowest rating is considered.

45.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

45.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

45.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II / III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

45.1.3.3 Types of collaterals

The Bank determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed hy mortgage or hypothecation. For project finance, security of the assefs of the borrowers and assignment of the underlying project contracts are generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be obtained. Moreover, in order to cover the entire exposure personal guarantees of directors / borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property and automobile being financed respectively.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

45.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by recognised credit rating agencies, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel.

45.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower, group borrowers and related parties. Moreover, in order to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category). Concentration in customers that are rated in high risk category is also monitored against the approved appetite set by the management.

Particulars of bank's on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

45.1.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public Sector	9,220,051	22,656,890	-	-	-	-
Private Sector	26,762,014	54,648,645	-	-	-	-
	35,982,065	77,305,535	-	-	-	-

45.1.5 Investment in debt securities

Credit risk by industry sector

	Gross Investments		Non-performing Investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Textile	211,285	167,888	211,285	167,888	211,285	167,888
Chemical and Pharmaceuticals	151,477	65,301	51,477	65,301	51,477	65,301
Electronics and electrical appliances	1,785	1,785	1,785	1,785	1,785	1,785
Engineering	500,000	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	19,656,825	19,690,252	-	-	-	-
Transport, Storage and Communication	189,896	374,525	189,896	374,524	189,896	374,524
Financial	35,359,758	22,111,383	58,768	58,768	58,768	58,768
	56,071,026	42,411,134	513,211	668,266	513,211	668,266

Credit risk by public / private sector

	Gross Investments		Non-performing Investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public Sector	19,656,825	19,690,251	-	-	-	-
Private Sector	36,414,201	22,720,883	513,211	668,266	513,211	668,266
	56,071,026	42,411,134	513,211	668,266	513,211	668,266

45.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	36,934,519	63,797,343	2,052,056	2,261,334	1,276,528	603,072
Automobile and transportation equipment	9,865,257	8,729,526	445,617	434,453	381,640	383,971
Cement	14,261,277	13,351,689	-	-	-	-
Chemical and Pharmaceuticals	25,348,268	20,532,877	312,415	228,450	303,522	127,453
Construction	13,949,755	11,267,378	442,485	505,053	438,745	500,406
Electronics and electrical appliances	12,664,994	11,284,841	1,091,722	1,303,888	654,958	720,082
Exports / Imports	5,791,296	4,660,724	613,203	646,112	592,340	629,030
Financial	15,443,092	13,156,063	691,577	774,807	691,577	774,807
Food & Allied Products	69,237,720	48,883,291	3,009,967	3,136,692	2,578,414	2,754,130
Footwear and Leather garments	3,311,734	2,836,086	139,790	153,748	138,222	153,748
Glass and Ceramics	139,387	311,572	42,563	42,563	42,563	42,563
Individuals	102,986,380	66,894,796	1,071,632	1,332,475	724,961	824,475
Insurance	1,359,010	1,630,670	-	-	-	-
Metal & Allied industries	31,941,307	26,633,187	1,091,683	1,195,795	1,048,175	1,191,801
Mining and Quarrying	3,696,043	3,383,560	-	-	-	-
Oil and Allied	20,064,650	13,415,544	1,768,014	1,831,119	1,768,014	931,119
Paper and Board	5,843,460	4,961,463	8,717	9,192	8,717	8,492
Power (electricity), Gas, Water, Sanitary	80,769,013	90,197,276	2,845,810	2,872,659	2,348,310	1,436,330
Services	13,087,420	10,778,694	67,441	62,158	56,952	54,602
Sugar	16,346,614	18,545,855	1,110,455	1,111,385	1,110,455	742,109
Technology and Communication	417,245	437,238	-	-	-	-
Textile	154,347,521	119,114,637	3,203,146	3,315,359	2,660,904	2,227,270
Transport, Storage and Communication	6,076,904	5,018,437	1,238,451	1,303,770	1,238,142	1,300,052
Wholesale & Retail Trade	29,457,497	21,864,457	2,030,407	1,908,521	1,872,134	1,756,215
Others	25,732,565	19,212,168	1,432,609	1,430,047	1,189,795	1,155,528
	699,072,928	600,899,372	24,709,760	25,859,580	21,125,068	18,317,255

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public Sector	74,133,800	109,222,826	955,809	1,176,029	263,780	-
Private Sector	624,939,128	491,676,546	23,753,951	24,683,551	20,861,288	18,317,255
	699,072,928	600,899,372	24,709,760	25,859,580	21,125,068	18,317,255

45.1.7 Contingencies and Commitments

	2021	2020
	(Rupees in '000)	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	652,576	343,736
Automobile and transportation equipment	12,231,880	11,205,017
Cement	5,344,761	2,270,712
Chemical and Pharmaceuticals	13,477,222	5,897,133
Construction	11,270,405	7,648,195
Electronics and electrical appliances	7,765,873	3,472,706
Exports / Imports	1,559,127	2,078,270
Financial	18,713,137	16,856,034
Food & Allied Products	12,663,066	14,149,391
Footwear and Leather garments	523,275	173,192
Glass and Ceramics	1,099,019	686,830
Individual	5,230,306	351,081
Insurance	987,918	907,247
Metal & Allied industries	15,201,077	11,311,487
Mining and Quarrying	790,224	93,326
Oil and Allied	35,780,921	14,957,611
Paper and Board	2,095,589	663,025
Power (electricity), Gas, Water, Sanitary	17,209,364	15,405,563
Services	2,581,095	3,448,195
Sugar	399,533	1,142,065
Technology and Communication	865,844	173,189
Textile	58,192,474	29,875,867
Transport, Storage and Communication	1,871,358	2,317,162
Wholesale and Retail Trade	13,287,313	11,396,218
Others	38,368,561	38,154,870
	278,161,918	194,978,122
Credit risk by public / private sector		
Public/ Government	47,521,777	37,509,175
Private	230,640,141	157,468,947
	278,161,918	194,978,122

45.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 126.411 billion (2020: Rs. 144.993 billion) are as following:

	2021	2020
	-------(Rupees in '000)-------	
Funded	65,552,579	96,641,045
Non Funded	60,858,405	48,351,854
Total Exposure	126,410,984	144,992,899

The sanctioned limits against these top 10 exposures aggregated to Rs. 165.367 billion (2020: Rs. 206.053 billion).

Total funded classified therein	2021		2020	
	Amount	Provision held	Amount	Provision held
	----------(Rupees in '000)----------			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-

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

45.1.9 Advances - Province/Region-wise Disbursement & Utilization

	2021						
		Utilization					
Province/Region	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----------(Rupees in '000)----------						
Punjab	1,535,636,134	1,497,229,452	19,158,667	1,301,073	1,281	17,872,171	73,490
Sindh	1,452,628,374	21,380,293	1,430,999,299	24,345	81,166	140,384	2,887
KPK including FATA	18,436,472	-	-	18,434,073	-	2,399	-
Balochistan	9,324,591	-	18,727	-	9,305,864	-	-
Islamabad	110,736,834	45,577,717	9,750	25,640,122	191,174	39,318,071	-
AJK including Gilgit-Baltistan	905,447	-	-	-	27,886	-	877,561
Total	3,127,667,852	1,564,187,462	1,450,186,443	45,399,613	9,607,371	57,333,025	953,938

	2020						
		Utilization					
Province/Region	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----------(Rupees in '000)----------						
Punjab	1,232,398,112	1,196,493,582	22,214,745	17,350	2,285	13,607,366	62,784
Sindh	1,154,152,784	20,855,321	1,132,853,291	321	48,781	394,978	92
KPK including FATA	16,513,609	-	-	16,513,609	-	-	-
Balochistan	6,803,650	-	62,511	-	6,741,139	-	-
Islamabad	136,343,697	58,631,449	-	10,406,322	67,886	67,238,040	-
AJK including Gilgit-Baltistan	806,536	-	-	-	42,103	-	764,433
Total	2,547,018,388	1,275,980,352	1,155,130,547	26,937,602	6,902,194	81,240,384	827,309

45.2 Market Risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a comprehensive Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines a well-defined risk control structure, responsibilities of relevant stakeholders with respect to market risk management and methods to measure and control market risk at a portfolio level. Furthermore, it includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors. This structure is reviewed, adjusted and approved periodically.

Under the BoD approved policy, the Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of market risk, supported by Market Risk Unit of Risk Management Division (RMD). The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II / III. Furthermore, the Bank carries out risk assessment via diversified tools including Value at Risk (VaR), PV01 (price value per basis point) and Duration on a regular basis. The Bank also ascertains the impact of market risk on relevant portfolios through stress testing and the Internal Capital Adequacy Assessment processes.

45.3 Foreign exchange risk

Foreign exchange (FX) risk arises from fluctuation in the value of financial instruments due to changes in foreign exchange rates. FX risk is mainly managed through matched positions.

The Bank manages FX risk by setting and monitoring dealer and currency-wise limits. Currency risk is regulated and monitored against regulatory limits enforced by the State Bank of Pakistan. FX limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is conducted on a regular basis through VaR analysis.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2021				2020			
	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	113,749,064	153,534,871	35,554,066	(4,231,741)	119,789,302	139,015,294	20,030,485	804,493
Great Britain Pound Sterling	923,610	6,706,737	5,797,050	13,923	1,631,027	5,947,478	4,314,795	(1,656)
Euro	2,220,058	5,386,496	3,226,568	60,130	2,734,535	5,535,278	2,847,180	46,437
Japanese Yen	86,150	8,326	(77,120)	704	14,859	171	(13,057)	1,631
Other currencies	57,257,245	57,330,913	116,386	42,718	48,583,802	48,583,171	79,569	80,200
	174,236,127	222,967,343	44,616,950	(4,114,266)	172,753,525	199,081,392	27,258,972	931,105

	2021		2020	
	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	-	(41,149)	-	(9,311)
- Other comprehensive income	-	-	-	-

45.3.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	105,606,384	-	105,606,384	99,348,197	-	99,348,197
Balances with other banks	9,782,519	-	9,782,519	6,234,299	-	6,234,299
Lendings to financial institutions	35,982,065	-	35,982,065	77,305,535	-	77,305,535
Investments	708,059,936	101,153,647	809,213,583	476,047,403	71,042,529	547,089,932
Advances	673,880,624	-	673,880,624	577,315,947	-	577,315,947
Fixed assets	39,498,979	-	39,498,979	30,976,236	-	30,976,236
Intangible assets	1,116,442	-	1,116,442	1,284,539	-	1,284,539
Deferred tax assets	2,304,270	-	2,304,270	-	-	-
Other assets	56,936,473	-	56,936,473	45,318,864	-	45,318,864
	1,633,167,692	101,153,647	1,734,321,339	1,313,831,020	71,042,529	1,384,873,549

45.3.2 Equity position Risk

Equity position risk arises due to adverse movements in the prices of equities and instruments exhibiting behaviour similar to equities held by the bank. The Bank's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of classifying investments as HFT is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Unit of RMD monitors portfolio and scrip level internal and regulatory limits. The Bank also has dealer and management limits in place.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% adverse movement in equity prices on				
- Profit and loss account	-	(48,544)	-	(24,564)
- Other comprehensive income	(198,644)	-	(264,042)	-

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

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets, liabilities and off-balance sheet interest sensitive instruments within a certain range of maturity or re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management (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.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	2,448,481	(313,046)	2,315,523	(85,003)
- Other comprehensive income	(5,043,323)	-	(5,264,231)	-

45.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
			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		(Rupees in '000)											
Assets													
Cash and balances with treasury banks	0.00%	105,606,384	11,498,201	-	-	-	-	-	-	-	-		94,108,183
Balances with other banks	0.21%	9,782,519	148,396	-	-	-	-	-	-	-	-		9,634,123
Lending to financial institutions	6.16%	35,982,065	33,381,356	2,600,709	-	-	-	-	-	-	-		-
Investments	7.56%	809,213,583	316,547,359	132,340,816	183,990,609	6,065,348	28,646,686	9,663,268	37,680,328	82,555,236	889,010		10,834,923
Advances	7.69%	673,880,624	217,156,396	159,927,230	112,974,854	57,036,470	7,881,959	9,568,054	27,563,621	60,069,631	18,117,716		3,584,693
Other assets	-	47,545,519	-	-	-	-	-	-	-	-	-		47,545,519
		1,682,010,694	578,731,708	294,868,755	296,965,463	63,101,818	36,528,645	19,231,322	65,243,949	142,624,867	19,006,726		165,707,441
Liabilities													
Bills payable	-	22,825,500	-	-	-	-	-	-	-	-	-		22,825,500
Borrowings	5.11%	383,808,872	70,040,897	140,864,221	24,713,954	25,975,199	1,765,859	16,940,189	46,294,521	54,132,946	3,081,086		-
Deposits and other accounts	3.25%	1,139,044,606	478,170,965	77,440,458	16,014,930	39,482,808	615,688	519,913	308,407	-	-		526,491,437
Subordinated debt	9.24%	7,000,000	-	7,000,000	-	-	-	-	-	-	-		-
Other liabilities													
Lease liability against right-of-use asset	13.27%	13,189,739	184,641	410,782	822,356	1,551,876	59,799	231,697	1,507,468	6,887,705	1,533,415		-
Others		42,241,967	-	-	-	-	-	-	-	-	-		42,241,967
		1,608,110,684	548,396,503	225,715,461	41,551,240	67,009,883	2,441,346	17,691,799	48,110,396	61,020,651	4,614,501		591,558,904
On-balance sheet gap		73,900,010	30,335,205	69,153,294	255,414,223	(3,908,065)	34,087,299	1,539,523	17,133,553	81,604,216	14,392,225		(425,851,463)
Off-balance sheet financial instruments													
Documentary credits and short-term trade-related transactions		278,161,918	22,220,939	25,640,933	47,174,370	137,898,098	18,565,864	4,645,497	11,562,104	5,299,020	5,155,093		-
Commitments in respect of:													
- Forward exchange contracts - purchase		104,574,460	31,930,041	43,366,015	24,939,832	3,988,822	349,750	-	-	-	-		-
- Forward exchange contracts - sale		(60,201,900)	(21,440,406)	(21,753,720)	(16,583,327)	(424,447)	-	-	-	-	-		-
- Forward security - purchase		10,167,457	20,613	501,389	-	9,645,455	-	-	-	-	-		-
- Forward security - sale		(29,617,392)	(939,661)	(19,157,327)	-	(6,451,792)	(2,646,673)	(45,109)	-	(376,830)	-		-
- Interest Rate Swaps - purchase		36,820,716	12,444,202	15,903,866	8,472,648	-	-	-	-	-	-		-
- Interest Rate Swaps - Sale		(36,820,716)	-	(1,412,106)	-	(3,177,243)	(1,412,108)	(4,059,811)	(8,490,300)	(18,092,634)	(176,514)		-
Off-balance sheet gap		303,084,543	44,235,728	43,089,050	64,003,523	141,478,893	14,856,833	540,577	3,071,804	(13,170,444)	4,978,579		-
Total Yield/Interest Risk Sensitivity Gap			74,570,933	112,242,344	319,417,746	137,570,828	48,944,132	2,080,100	20,205,357	68,433,772	19,370,804		(425,851,463)
Cumulative Yield/Interest Risk Sensitivity Gap			74,570,933	186,813,277	506,231,023	643,801,851	692,745,983	694,826,083	715,031,440	783,465,212	802,836,016		376,984,553

	2020											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			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		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	0.05%	99,348,197	23,491,896	-	-	-	-	-	-	-	-	75,856,301
Balances with other banks	0.94%	6,234,299	590,030	-	-	-	-	-	-	-	-	5,644,269
Lending to financial institutions	8.60%	77,305,535	64,920,055	9,541,724	2,843,756	-	-	-	-	-	-	-
Investments	8.78%	547,089,932	52,336,379	216,617,691	107,705,765	50,216,766	22,799,826	9,275,925	31,513,643	45,362,622	8,271	11,253,044
Advances	9.76%	577,315,947	200,379,783	163,345,740	128,561,589	35,712,158	8,082,717	3,052,848	8,496,225	23,485,008	3,923,724	2,276,155
Other assets	-	33,936,439	-	-	-	-	-	-	-	-	-	33,936,439
		1,341,230,349	341,718,143	389,505,155	239,111,110	85,928,924	30,882,543	12,328,773	40,009,868	68,847,630	3,931,995	128,966,208
Liabilities												
Bills payable	-	22,571,122	-	-	-	-	-	-	-	-	-	22,571,122
Borrowings	5.13%	314,960,186	153,783,832	41,178,853	11,787,651	1,658,241	29,024,251	2,955,773	47,992,964	22,875,429	3,703,192	-
Deposits and other accounts	4.06%	881,767,082	347,200,111	40,825,780	23,104,499	55,045,774	1,626,593	347,859	277,158	-	-	413,339,308
Subordinated debt	12.94%	7,000,000	-	7,000,000	-	-	-	-	-	-	-	-
Other liabilities												
Lease liability against right-of-use asset	13.97%	10,456,029	199,662	392,882	586,103	1,172,207	540,345	540,345	1,080,690	2,701,725	3,242,070	-
Others		41,817,699	-	-	-	-	-	-	-	-	-	41,817,699
		1,278,572,118	501,183,605	89,397,515	35,478,253	57,876,222	31,191,189	3,843,977	49,350,812	25,577,154	6,945,262	477,728,129
On-balance sheet gap		62,658,231	(159,465,462)	300,107,640	203,632,857	28,052,702	(308,646)	8,484,796	(9,340,944)	43,270,476	(3,013,267)	(348,761,921)
Off-balance sheet financial instruments												
Documentary credits and short term trade related transactions		194,978,122	14,190,028	21,329,475	29,143,207	93,096,429	11,988,242	11,287,823	1,598,463	7,522,593	4,821,862	-
Commitments in respect of:												
- Forward exchange contracts - purchase		106,574,908	54,142,271	26,398,092	24,384,394	1,650,151	-	-	-	-	-	-
- Forward exchange contracts - sale		(78,218,949)	(42,058,689)	(14,585,435)	(20,957,376)	(617,449)	-	-	-	-	-	-
- Forward security - purchase		1,378,869	935,471	-	-	443,398	-	-	-	-	-	-
- Forward security - sale		(10,860,784)	(4,796,769)	(3,048,003)	(489,820)	-	(2,028,992)	(497,200)	-	-	-	-
- Interest Rate Swaps - purchase		18,317,022	8,790,692	9,526,130	-	-	-	-	-	-	-	-
- Interest Rate Swaps - Sale		(18,317,022)	(719,255)	(319,669)	(4,155,694)	(1,278,675)	(6,409,359)	(5,434,370)	-	-	-	-
Off-balance sheet gap		213,852,166	30,483,949	39,300,590	27,924,711	93,293,854	3,549,891	5,356,253	1,598,463	7,522,593	4,821,862	-
Total Yield/Interest Risk Sensitivity Gap			(128,981,513)	339,408,230	231,557,568	121,346,556	3,241,245	13,841,049	- 7,742,481	50,793,069	1,808,595	(348,761,921)
Cumulative Yield/Interest Risk Sensitivity Gap			(128,981,513)	210,426,717	441,984,285	563,330,841	566,572,086	580,413,135	572,670,654	623,463,723	625,272,318	276,510,397

45.4.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

	2021	2020
	(Rupees in '000)	
Total financial assets as per note 45.4.1	1,682,010,694	1,341,230,349
Add: Non financial assets		
Operating fixed assets	39,498,979	30,976,236
Intangibles	1,116,442	1,284,539
Deferred tax assets	2,304,270	-
Other assets	9,390,954	11,382,425
Total assets as per statement of financial position	1,734,321,339	1,384,873,549
Total financial liabilities as per note 45.4.1	1,608,110,684	1,278,572,118
Add: Non financial liabilities		
Deferred tax liabilities	-	1,361,152
Other liabilities	26,207,974	13,922,960
Total liabilities as per statement of financial position	1,634,318,658	1,293,856,230

45.5 Operational Risk

Basel II defines Operational risk as, the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk Management Framework, policy and Standards of the Bank duly approved by the Central Management Committee and Board, cover the processes, structure and functions of operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

45.5.1 Operational Risk Disclosures - Basel II Specific

The Bank is among the first few banks in the industry to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on operational risk in December 2013. The Bank started calculating its capital charge for operational risk using ASA from December 31, 2013.

The SBP approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial three years. These floors were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of capital floor for calculation of capital charge under ASA was extended in line with international developments and consultations of the Basel Committee on Banking Supervision (BCBS).

Embedding a sustainable risk culture remains our core objective which includes effective management of operational risk events and emerging risks across the bank and in our overseas operations via deployment of required resources, tools and continuous supervision. The new Operational Risk Framework, Policy and Standards have been rolled out along with new system platforms (Operational Risk System) for recording and tracking of operational losses along with risk events including non-financial risks. We aim to implement a new process based Risk and Control Self-Assessment method across the group in order to effectively manage operational risks in our business / functions and to continuously monitor effectiveness of defined controls through first line self-assessments. These reviews will primarily focus on the processes and activities which may significantly impact the bank's risk appetite. Further, new and amended products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation or launch.

45.5.2 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 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 though Security Operations Centre(24/7); investigation of reported information security incidents; reinforcement of Information security risk awareness to employees via periodic communications; following up on due dates with stakeholders responsible for remediation of open issues; and reporting the status of Information security risk to the management and Board IT Committee(BITC)/Information Technology Steering Committee(ITSC)/Board.

45.5.3 Environmental Risk

The Bank has integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental & Social Management System (ESMS) have been put in place.

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

- International Finance Corporation exclusion list;
- Applicable national laws on environment, health, safety and social issues; and
- International Finance Corporation performance standards.

This framework is an integral part of the credit approval process. All relevant credit proposals require review of Environmental Risk Unit prior to approval of the competent authority. The Environmental Risk Unit, part of RMD, is responsihle for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

45.5.4 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Bank's exposure in that country. For the Bank, country risk arises as a result of the Bank's net investment in foreign operations, foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of country's willingness to honour its foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and managed at head office level and country risk exposures are reported to the relevant committees at a defined frequency.

45.6 Liquidity Risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital and reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, the Bank calculates Liquidity Coverage Ratio (LCR) on a monthly basis. Based on December 31, 2021 numbers Bank's LCR is 1.70 or 170% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 599,448.605 million and Net Cash Outflows of PKR 351,987.773 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2021 numbers the Bank's NSFR is 135% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 1,017,917.252 million and Total Required Stable Funding of PKR 753,951.739 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.

BoD 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.

Stress testing is used in an attempt to highlight the vulnerability of the Bank's balance sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. The Bank carries out the stress testing based on SBP stress tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At the Bank, Contingency Funding Plan (CFP), is implemented to address liquidity issues in times of stress / crises situations. The 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, 2021.

HQLA*	Market Value	Weighted Amount
	-------(Rupees in '000)-------	
Level 1 Assets	593,609,555	593,609,555
Level 2A Assets	2,957,274	2,513,683
Level 2B Assets	6,528,389	3,325,367
	603,095,218	599,448,605

* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

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

	2021													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	105,606,384	105,606,384	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,782,519	9,782,519	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	35,982,065	63	22,529,649	6,318,676	4,532,968	2,000,000	600,709	-	-	-	-	-	-	-
Investments	809,213,583	54,472	1,177,217	26,167,758	973,097	42,682,601	90,880,684	12,684,283	4,519,999	1,545,349	266,808,886	14,608,614	133,355,884	213,754,559
Advances	673,880,624	66,781,871	8,773,228	14,773,731	47,330,501	87,659,449	49,059,507	77,435,006	19,842,159	29,401,848	24,879,447	36,267,252	68,421,452	143,255,173
Fixed assets	39,498,979	5,023	30,121	35,161	85,343	156,754	162,282	805,779	519,553	624,938	2,245,681	2,311,238	5,178,628	27,338,478
Intangible assets	1,116,442	600	3,601	4,202	10,204	18,608	18,607	55,823	55,822	55,822	223,288	223,268	446,577	-
Deferred tax assets	2,304,270	-	-	-	-	-	-	-	-	2,304,270	-	-	-	-
Other assets	56,936,473	1,707,605	10,245,628	11,953,233	27,321,675	168,596	206,061	561,986	590,699	721,965	1,977,339	370,422	555,632	555,632
	1,734,321,339	183,938,537	42,759,444	59,252,761	80,253,788	132,686,208	140,927,850	91,542,877	25,528,232	34,654,192	296,134,641	53,780,814	207,958,153	384,903,842
Liabilities														
Bills payable	22,825,500	22,825,500	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	383,808,872	1,774,248	56,415,611	4,879,316	6,971,722	121,746,564	19,117,657	25,463,954	12,915,364	13,059,835	1,765,839	16,940,189	46,294,521	56,464,032
Deposits and other accounts	1,139,044,606	910,805,716	20,730,420	7,272,827	47,158,892	39,609,845	55,585,601	16,076,983	14,032,001	26,169,575	597,966	665,078	339,702	-
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000,000
Other liabilities	81,639,680	715,301	4,291,807	5,007,109	11,444,820	1,579,685	1,930,727	5,310,880	10,694,654	13,071,243	2,632,379	2,389,305	13,778,610	8,793,160
	1,634,318,658	936,120,765	81,437,838	17,159,252	65,575,434	162,936,094	76,633,985	46,851,817	37,642,019	52,300,653	4,996,204	19,994,572	60,412,833	72,257,192
Net assets	100,002,681	(752,182,228)	(38,678,394)	42,093,509	14,678,354	(30,249,886)	64,293,865	44,691,060	(12,113,787)	(17,646,461)	291,138,437	33,786,242	147,545,320	312,646,650

Share capital	17,771,651
Reserves	29,953,963
Unappropriated profit	40,836,487
Surplus on revaluation of assets	11,440,580
	100,002,681

	2020													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	99,348,197	99,348,197	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,234,299	5,644,269	-	-	590,030	-	-	-	-	-	-	-	-	-
Lending to financial institutions	77,305,535	60	59,236,679	1,567,938	4,115,378	8,100,616	1,441,108	2,843,756	-	-	-	-	-	-
Investments	547,089,932	914,507	5,487,027	14,122,032	29,369,153	38,549,639	85,819,534	47,511,083	46,244,628	3,172,100	22,799,826	22,669,158	62,916,000	167,515,245
Advances	577,315,947	2,554,642	7,217,321	6,166,654	144,061,279	48,196,077	66,293,890	44,682,395	14,973,201	12,056,938	42,423,105	33,353,571	60,017,649	95,319,225
Fixed assets	30,976,236	5,050	25,440	29,680	72,464	132,114	132,012	721,203	436,023	494,036	1,942,553	2,183,695	4,159,348	20,642,618
Intangible assets	1,284,539	692	4,144	4,834	11,740	21,409	21,409	64,227	64,227	64,227	256,907	256,907	513,816	-
Other assets	45,318,864	4,159,760	5,728,515	6,692,342	17,580,557	2,804,493	2,280,700	1,751,963	135,713	842,183	1,731,180	180,037	1,101,365	270,056
	1,384,873,549	112,627,177	77,699,126	28,583,480	195,800,601	97,864,348	155,988,653	97,574,627	61,853,792	16,629,484	69,153,571	58,643,368	128,708,178	283,747,144
Liabilities														
Bills payable	22,571,122	22,571,122	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	314,960,186	1,532,864	190,667,978	43,779,849	7,803,141	24,475,170	16,703,683	11,787,651	1,603,950	54,291	29,024,251	2,955,773	47,992,984	26,578,621
Deposits and other accounts	881,767,082	714,632,459	14,738,740	5,968,999	21,078,054	18,255,581	24,431,828	21,410,476	23,521,203	35,167,782	1,726,044	398,633	437,283	-
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000,000
Deferred tax liabilities	1,361,152	-	-	-	-	-	-	-	1,361,152	-	-	-	-	-
Other liabilities	66,196,688	631,138	4,946,106	5,773,257	13,519,973	3,338,654	4,352,978	4,406,748	1,757,410	13,910,499	1,851,408	1,644,471	4,120,251	5,943,795
	1,293,856,230	739,367,583	120,332,824	55,522,105	42,401,168	46,069,405	45,488,489	37,604,875	28,243,715	49,132,572	32,601,703	4,998,877	52,550,498	39,522,416
Net assets	91,017,319	(626,740,406)	(42,653,698)	(26,938,625)	153,399,433	51,794,943	110,500,164	59,969,752	33,610,077	(32,503,088)	36,551,868	53,644,491	76,157,680	244,224,728
Share capital	17,771,651													
Reserves	27,680,022													
Unappropriated profit	35,056,809													
Surplus on revaluation of assets	10,508,837													
	91,017,319													

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

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

	2021									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	105,606,384	105,606,384	-	-	-	-	-	-	-	-
Balances with other banks	9,782,519	9,782,519	-	-	-	-	-	-	-	-
Lending to financial institutions	35,982,065	33,381,356	2,600,709	-	-	-	-	-	-	-
Investments	809,213,583	28,372,544	133,563,485	12,684,283	6,065,348	266,808,886	14,608,614	133,355,864	208,959,514	4,795,045
Advances	673,880,624	137,659,331	136,718,956	77,435,006	49,244,007	24,879,447	36,267,252	68,421,452	103,933,059	39,322,114
Fixed assets	39,498,979	155,648	319,036	805,779	1,144,491	2,245,681	2,311,238	5,178,628	11,571,884	15,766,594
Intangible assets	1,116,442	18,607	37,215	55,823	111,644	223,288	223,288	446,577	-	-
Deferred tax assets	2,304,270	-	-	-	2,304,270	-	-	-	-	-
Other assets	56,936,473	51,228,141	374,657	561,986	1,312,664	1,977,339	370,422	555,632	555,632	-
	1,734,321,339	366,204,530	273,614,058	91,542,877	60,182,424	296,134,641	53,780,814	207,958,153	325,020,089	59,883,753
Liabilities										
Bills payable	22,825,500	22,825,500	-	-	-	-	-	-	-	-
Borrowings	383,808,872	70,040,897	140,864,221	25,463,954	25,975,199	1,765,859	16,940,189	46,294,521	53,382,946	3,081,086
Deposits and other accounts	1,139,044,606	97,640,988	120,583,510	54,838,836	117,657,712	159,601,604	42,683,728	84,320,448	209,871,718	251,846,062
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	7,000,000
Other liabilities	81,639,680	21,459,037	3,510,412	5,310,880	23,765,897	2,632,379	2,389,305	13,778,610	4,396,580	4,396,580
	1,634,318,658	211,966,422	264,958,143	85,613,670	167,398,808	163,999,842	62,013,222	144,393,579	267,651,244	266,323,728
Net assets	100,002,681	154,238,108	8,655,915	5,929,207	(107,216,384)	132,134,799	(8,232,408)	63,564,574	57,368,845	(206,439,975)
Share capital	17,771,651									
Reserves	29,953,963									
Unappropriated profit	40,836,487									
Surplus on revaluation of assets	11,440,580									
	100,002,681									

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

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

45.7 Derivative Risk

The Bank currently deals in derivative instruments namely interest rate swaps and futures with the principle view to hedge risks associated with interest rates risk.

Interest rate swaps and futures are conducted to hedge Interest rate risk present in the Bank's foreign currency bond portfolio.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bonds portfolio against interest rate swaps and futures on a periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/revisited in coordination with Treasury to align the outcomes with established risk parameters.

45.8 Trade Pricing Risk

Trade Pricing Risk – TPRD has been established under the umbrella of Risk Management Division – RMD and is responsible to ascertain commodity price of trade transactions to curb under / over invoicing on best effort basis through various reliahle sources such as internet search, custom valuation ruling, newspaper, goods declaration, Bloomberg etc.

The unit has been established as required by SBP framework for managing risk of Trade Based Money Laundering and Terrorist Financing.

46 AFGHANISTAN OPERATIONS

The Bank operates two branches in Afghanistan which are fully operational. The evolving situation in Afghanistan is of concern and is being monitored by the Bank on a continuous basis. All staff including expats continue to discharge their duties onshore. The banking operations in Afghanistan are hampered due to country's frozen reserves and uncertainty regarding international recognition which prevents normal business flow in and out of Afghanistan. The Bank has enhanced oversight, both onshore and at HO, to ensure more stringent controls. The Bank remains in constant touch with the team in Afghanistan, Pakistan Embassy in Kabul, and all the key banking partners to ensure safety of staff and ensuring that it continues to meet the compliance and control requirements of banking partners.

47 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 2, 2022 has announced final cash dividend of Rs. 2.0 per share (20%) (2020: Rs. 2.0 per sbare (20%). This appropriation will be approved in the fortbcoming Annual General Meeting. The financial statements for the year ended December 31, 2021 do not include the effect of this appropriation wbich will be accounted for in the financial statements for tbe year ending December 31, 2022. The Board had earlier declared and paid an interim cash dividend of Rs. 2.0 (2020: cash dividend: Rs. 2.0) per sbare.

48 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 2, 2022 by the Board of Directors of the Bank.

49 GENERAL

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

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, 2021

(Rupees in '000)

S.No.	Name and 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, 2021				Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Interest / Mark-up	Others than Interest / Markup	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Bahoo Rice Mills 8-Km Near Adda Kissan, Lahore Road, Okara	1. Muhammad Tayyab Bashir CNIC: 31202-0329657-7 2. Mrs. Shamim Akhtar CNIC: 35202-5314609-2	1. Bashir Ahmed 2. Ghulam Jillani	54,770	46,205	18,982	119,957	-	34,457	18,982	53,439	Current Finance Hypo & Pledge
2	Value Stocks (Pvt.) Ltd. 301 - 3Rd Floor, Lse Building, Lahore	Khurram Gulzar CNIC: 35202-4282657-5	Gulzar Ahmed	76,883	58,589	124	135,596	-	49,962	-	49,962	Current Finance
3	Dsi Corporation (Pvt.) Ltd. 11/10, Sector 16, Korangi Industrial Zone, Karachi	1. Shabbir Ahmed Desai CNIC: 42301-2624689-9 2. Saddique Ahmed Desai CNIC: 42301-2624784-9	1. Moosa Desai 2. Shabbir Ahmed Desai	63,850	7,383	36,168	107,401	-	964	36,604	37,568	Current Finance & Refinance Schemes
4	The House Of Carpets 2A Nisbet Road Lahore	1.Ishfaq ahmed butt CNIC: 35202-9007425-3 2.Khurram Shahzad CNIC: 35202-3841556-1 3.Ghulam Haider Butt CNIC: 35202-5870324-9	1. Ghulam Muhammad 2. Ishfaq Ahmed Butt 3. Ishfaq Ahmed Butt	14,591	5,505	500	20,596	-	-	21,990	21,990	Current Finance & FATR
5	M/S Waheed Brothers 321 - Daroghwala G. T. Road, Lahore	1.Abdul Waheed CNIC: 35201-1297975-1 2.Humayun Mehmood CNIC: 35201-1492451-3	1. Haji Taj Din 2. Mian Rehmat Ali	109,381	21,484	500	131,365	-	18,684	-	18,684	Current Finance
6	M/S Kohinoor Rice Circular Road Daska	1-Junaid Dar CNIC: 34603-3283010-9 2.Zeba Sajid CNIC: 34603-2220858-4 3.Muhammad Sajid Dar (late) CNIC: 34603-2310603-7	1. Muhammad Sajid Dar 2. Muhammad Sajid Dar 3. Khawaja Muhammad Hanif	44,349	4,727	9,162	58,238	-	4,409	6,329	10,738	Current Finance Hypo and Pledge / FAPC / CORP CARD
7	Sohail Hameed Butt 164-G, Dha, Lahore.	Sohail Hameed Butt CNIC: 35201-9747254-5	Abdul Hameed Butt	90	955	10,236	11,281	-	-	5,981	5,981	Current Finance
8	Syed Abdul Wahid Syed Abdul Wahid House, Killi Mali-Zai, Syedan, Samunqli Road.Quetta.	SYED ABDUL WAHID CNIC: 54400-0431712-5	Syed Abdul Wahab	4,770	506	-	5,276	4,770	662	-	5,432	Auto Finance
9	Gulknit(Pvt) Limited Cavish Court, A-35, 4Th Floor, Block 7/B, Shahrah-E-Faisal, Karachi	1. Itrat Ali CNIC: 42301-1618068 1-1 2. Shabnam Ali CNIC: 42301-1870506 7-2 3. Dilshad Ali CNIC: 42301-0845349-4	1. Nusrat Ali 2. Itrat Ali 3. Akber Gul	2,057	11,147	-	13,204	-	5,299	-	5,299	Term Finance
10	Khalid Mahmood Butt House No, 10/7 Al-Karam Faiz Road , Old Muslim Town, Lahore	Khalid Mahmood Butt CINIC: 35202-1792817-9	Riazuddin Ahmed	150	-	13,803	13,953	-	-	4,912	4,912	Current Finance
11	Macca Traders Ghala Mandi Nankana Sahib	1. Umar Din CNIC: 35402-1970369-7 2. Muhammad Asif CNIC: 35402-1936730-5 3. Masood Ahmed CNIC: 35402-1970494-5 4. Muhammad Imran CNIC: 35402-1936727-7	1. Ghulam Nabi 2. Muhammad Ramzan Javed 3. Ghulam Nabi 4. Muhammad Ramzan Javed	14,999	256	545	15,800	-	891	3,526	4,417	Alfalah Karobar Finance
12	Muhammad Sharif - Progressive Investment Pvt. Ltd (Smc) Ise Building Blue Area Islamabad	Muhammad Sharif CNIC: 61101-7610149-3	Muhammad Yasin	2,500	6,234	21	8,755	-	-	3,654	3,654	Current Finance Hypo
13	Studio Meer 1-Kilometer -Rahwali Gate Gt Road Gujranwala Cantt	Rehan Aziz CNIC: 34104-8465076-7	Abdul Aziz Meer	19,995	643	3,464	24,102	-	303	3,299	3,602	Current Finance
14	Umair Dall Mills Silan Wali Road ,Sargodha	Mr.Haq Nawaz CNIC: 38403-7828487-7	Atta Muhammad	11,235	3,893	150	15,278	-	-	3,543	3,543	Current Finance Hypo
15	Muhammad Asghar House # 343-A, Mohallah Hajveri Housing Scheme,-Harbanspura, Lahore Cantt & Disttlahore	Muhammad Ashghar CNIC: 61101-8886891-5	Muhammad Shafi	2,723	249	-	2,972	2,723	358	-	3,081	Auto Finance
16	Asad Ullah House # 106, Mohallah Abu Bakar Siddique Shah Di Khoi, Near New Campus & Dis Lahore	Asad Ullah CNIC: 35202-1945656-7	Muhammad Arshad	2,574	305	-	2,879	2,574	376	-	2,950	Auto Finance
17	M/S Ghamza Sons (Pvt) Ltd. No.628-D People Colony No.1 Faisalabad	1. Asim Gulzar CNIC: 33100-0945394-9 2. Kashif Ghamza CNIC: 33100-9375368-9 3. Haji Gulzar Ahmed CNIC: 33100-8631354-1	1. Haji Gulzar Ahmed 2. Haji Gulzar Ahmed 3. Ahmed Ali	1,598	-	2,026	3,624	-	-	2,884	2,884	Current Finance Hypo
18	CET Pvt Ltd House # 431, 1st Floor sector I/8 -2 Islamabad.	1. Syed Hasnain Zaidi CNIC: 61101-1320524-1 2. Faiza Hussain CNIC: 61101-6885125-8	1. Syed Irtiza Hussain Zaidi 2. Syed Hasnain Zaidi	-	488	3,081	3,569	-	-	2,769	2,769	Current Finance Hypo
19	Yaqub Rice Mills Mouza Jamal Paharh, Chichwatni Road, Kamalia Disrict Toba Tek Singh	Amjad Yaqub CNIC: 33302-0320539-7	Muhammad Yaqub Khan	3,959	-	2,902	6,861	-	-	2,762	2,762	Current Finance Hypo
20	M/S Zaitoon Rice Factory Mouza Shera Chitra Bahqban Hathar, Minchinabad Road , Bahawalnagar	1. Usama Anwar CNIC: 31101-7100740-9 2. Mst Mussarat Anwar CNIC: 31101-1548901-6	1. Sheikh Muhammad Anwar 2. Sheikh Muhammad Anwar (Husband)	27,500	1,223	2,810	31,533	-	370	2,163	2,533	Current Finance Hypo & Pledge
21	M/S. Kap International 30-Km, Multan Road, Lahore	Muhammad Adil CNIC: 33100-0721236-1	Muhammad Aslam Arman	12,398	983	2,337	15,718	-	300	2,188	2,488	Current Finance
22	Pak Shaheen Roller Flour Mills Pvt Ltd Main Bazar # 1, Raza Abad, Faisalabad	1.Ismail Khan CNIC: 55401-0477848 2.Asad Khan CNIC: 55402-0659347-5 3.Samad KhanM. Ismail CNIC: 33100-0718738-3 4.M. Islam CNIC: 33100-8656358-5 5.M. Idrees CNIC: 33100-5099309-9 6.M. Nafees CNIC: 33100-9490670-9	1. Fazal Khan 2. Fazal Khan 3. Fazal Khan 4. Muhammad Ali,Muhammad Ali 5. Muhammad Ali 6. Muhammad Ali	24,943	4,272	-	29,215	-	2,485	-	2,485	Current Finance Hypo
23	Ali Adnan House No 1 2 Mohla Colony Arifwala Punjab	Ali Adnan CNIC: 36401-3500323-5	Muhammad Yaseen	2,151	43	-	2,194	2,151	258	-	2,409	Auto Finance
24	Ali Raza Kassoki Road Near Almuneeb Marriage Hall, Near Al Muneeb Marriage Hall, Hafizabad Punjab	Ali Raza CNIC: 34603-9543485-7	Muhammad Hussain Mehdavi	2,187	114	-	2,301	2,126	246	-	2,372	Auto Finance
25	Muhammad Aslam Chugtai House # 104 Model Town-A, Khanpur District Rahim Yar Khan	Muhammad Aslam Chughtai CNIC: 31301-5942009-3	Talib Hussain	1,299	861	1,368	3,528	-	861	1,368	2,229	Alfalah Musalsal Zarai Sauhulat
26	Aci Chemical Industries Pvt Ltd	Rana Abdul Razzaq CNIC: 42201-0553441-7	Imdad Ali Khan	1,804	378	-	2,182	-	-	2,138	2,138	Current Finance
27	Muhammad Ayoub Basti Somro Mouza Chandar Wali-Po Janpurliaqatpur	MUHAMMAD AYOUB CNIC: 3130288056475	Ghulam Mohi Ud Din	1,731	171	-	1,902	1,731	240	-	1,971	Auto Finance
28	Muhammad Javed House # 01, Street # 01 Mohallah Gulshan Shalimar Scheme Bashrat Road, Lahore Cantt & Distt Lahore Punjab	Muhammad Javed CNIC: 35201-8218913-1	Jaan Muhammad	1,662	143	-	1,805	1,663	293	-	1,956	Auto Finance
29	Khalis Logistics (Pvt) Ltd, 786 Shahrah E Nazria E Pakistan Opposite Expo Centre, Lahore	1. Rana Iqbal Hussain CNIC: 35202-2634080-9 2. Rana Tahir Iqbal CNIC: 35202-6205471-3 3. Umer Iqbal CNIC: 35202-6206421-3	1. Rana Muhammad Ikram 2. Rana Iqbal Hussain 3. Rana Iqbal Hussain	15,817	-	1,871	17,688	-	-	1,871	1,871	Alfalah Fleet Financing
30	Hafiz Abdul Khaliq Jamalpur Asghar, Po Gulhar Cross,--Kotli	HAFIZ ABDUL KHALIQ CNIC: 81202-1084490-3	Fateh Muhammad	1,586	154	-	1,740	1,586	244	-	1,830	Auto Finance
31	Sain Bux Gulsher Muhallah, Kandhkot Sindh	Sain Bux CNIC: 43503-0420049-9	Manzoor Ahmed	1,582	126	-	1,708	1,582	239	-	1,821	Auto Finance
32	M/S Raza Dall Factory Dakhana Khas Chak No 113 Gb Phalahitehsil Faisalabad	Noor Din CNIC: 33100-5049974-1	Muhamamd Shafi	10,643	436	1,519	12,598	-	-	1,519	1,519	Alfalah Islamic Karobar Finance

(Rupees in '000)

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				Principal	Interest / Mark-up	Others than Interest / Markup	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
33	Jeeway Ittehad Brothers Stone Suppliers Pull 111, Near Ubl, Faisalabad Road Sargodha	1. Muhammad Ashraf CNIC:38403-8993328-1 2. Muhammad Iqbal CNIC: 38403-2140709-5	1. Muhammad Ismaeel 2. Zaildar	-	2,390	150	2,540	-	-	1,510	1,510	Current Finance Hypo
34	Liaqat Ali Maashallah Flat,Flat # 2 Basti Mehar Charag Colony Pakpattan	LIAQAT ALI CNIC: 36302-1587813-5	Chaudhary Hakim Ali	1,153	279	-	1,432	1,153	340	-	1,493	Personal Loan
35	M/S. New Weaving Factory Factory Road Al Imtiaz Gojra Tehsil Toba Tek Singh	Imtiaz Ashraf CNIC: 33301-6342602-5	Muhammad Ashraf	-	-	2,803	2,803	-	-	1,490	1,490	Alfalah Karobar Finance
36	Junaid Mehmood H. No. 4563, Daryabad, Gawal Mandi, Rawalpindi Punjab	Junaid Mehmood CNIC: 37405-6240854-1	Muhammad Mehmood Qureshi	1,311	32	-	1,343	1,311	167	-	1,478	Auto Finance
37	Zeeshan Ahmed Janjua H # 948/7-G, Str# 5,Near Imam Bargah,Dehri Hassan Abad,Rawalpindi	Zeeshan Ahmed Janjua CNIC: 37405-9218915-9	Ghulam Haider Janjua	1,239	110	-	1,349	1,239	167	-	1,406	Auto Finance
38	Mirza Muhammad Ashraf & Sadaqat Timber Store, Hajiabad Sheikhupura Road Faisalabad	Mirza Muhammad Ashraf CINC: 33100-0891737-7	Haji Rehmat Ullah	8,997	1,982	115	11,094	-	1,394	-	1,394	Current Finance Hypo
39	Imran Amin House No. 67,Ghazi Officers Colony,Ghazi Pur Road,Nearcantt,Sialkot	IMRAN AMIN CNIC: 34603-1899253-1	Muhammad Amin	1,088	356	-	1,444	1,088	285	-	1,373	Credit Card
40	Syed Mazher Hussain Jafri Flat No. C-42, Faraz Avenue, Block-20, Gulistan-E-Jauhar, Ka	SYED MAZHER HUSSAIN JAFRI CNIC: 42201-5968311-1	Syed Qaiser Hussain Jaffri	998	195	-	1,193	994	370	-	1,364	Personal Loan
41	Syed Tasleem Ali Street Shaukat Ali Shah Ward No 8, Mohallah Purana Commiy Ghar, Noshera Virkan, Gujranwala	Syed Tasleem Ali CNIC: 34103-2191084-9	Syed Shaukat Ali	1,039	289	-	1,328	1,039	318	-	1,357	Personal Loan
42	Naeem Imtiaz H. No 38 Chak No 41 Wb Rizwan Colony Danewal Vehari Punjab	Naeem Imtiaz CNIC: 36603-9330229-5	Muhammad Rafiq Imtiaz	1,188	50	-	1,238	1,188	163	-	1,351	Auto Finance
43	Niamat Ullah House No. D-28/3, Gro Floor, Block- 1, Clifton. Karachi. Sindh	Niamat Ullah CNIC: 17301-2071820-7	Zari Gul	2,010	178	-	2,188	1,268	60	-	1,328	Auto Finance
44	Chaudhary Naseem Hassan Bhinder House # 503,-Block # G-1, Johar Town, & Disttlahore	Chaudhary Naseem Hassan Bhinder CNIC: 35202-2504182-9	Chaudhary Nabi Bakhsh Bhinder	1,151	122	-	1,273	1,151	160	-	1,311	Auto Finance
45	Raja Mohsin Ali H. No.1854, Street No.24,Sector I-10/2,Islamabad	Raja Mohsin Ali CNIC: 61101-4256101-1	Raja Rashid Mehmood	1,101	114	-	1,215	1,101	160	-	1,261	Auto Finance
46	Zain Ul Abdean House # 102, Street # 09, Mohallah Gala-Depot Wala, Gill Road, & Disttgujranwala	Zain ul Abdeen CNIC: 34101-6924976-3	Javed Iqbal	1,115	127	-	1,242	1,098	156	-	1,254	Auto Finance
47	Nazar Enterprises Flat # A-3, Anarkali Appartment, Blk-6, Pechs, Nursery. Near Ranger Head Quarter Karachi Karachi	Nazar Enterprises CNIC: 42401-9046608-7	Azhar Muhammad Khan	980	208	-	1,188	980	261	-	1,241	Personal Loan
48	Omer Javaid House No E 20 Street No 1 Lahore	Omer Javaid CNIC: 35201-6744858-1	Javaid Sadiq	1,003	163	-	1,166	1,003	236	-	1,239	Personal Loan
49	Atif Ali House# C-199/29/2, Block #14Gulistan E Jauharnear City School Jauhar Campuskarachi	Atif Ali CNIC: 42201-9281344-3	Musawir Ali	821	57	-	878	748	477	-	1,225	Credit Card
50	Najeeb Sadiq 294-C , Askari 10 ,Lahore	Najeeb Sadiq CNIC: 35202-0845660-1	Kh Ghulam Sadiq	483	403	-	886	740	479	-	1,219	Credit Card
51	Qadeer Ahmad Khan P-7 Street No.2, Officers Colony No.2	Qadeer Ahmad Khan CNIC: 33105-0375709-5	Abdul Hakeem	980	163	-	1,143	957	226	-	1,183	Personal Loan
52	Muhammad Asif Block C Muhafiz Town Canal Bank Multan Road Lahore	Muhammad Asif CNIC: 35202-3494328-1	Ghulam Murtaza	1,000	61	-	1,061	1,000	181	-	1,181	Personal Loan
53	M/S. General Auto Engineering 92-A, Allama Iqbal Road, Ghari Shahu, Lahore	Ayyaz Saleem Bajwa CNIC: 35202-8311942-7	Muhammad Saleem	2,000	132	1,633	3,765	-	-	1,164	1,164	Alfalah Karobar Finance
54	Abbas Kazmi H. No.B/145, Main Misrial Road, Dhoke Syedan, Near Al Khair Bakers, Rawalpindi Punjab	Abbas Kazmi CNIC: 37405-8835162-7	Syed Ejaz Hussain Shah	1,019	44	-	1,063	1,019	111	-	1,130	Auto Finance
55	Sher Muhammad Khan Bannu Township Block No.1,Bangla No.167, Township, Near Town Chowk, Bannu N.W.F.P	Sher Muhammad Khan CNIC: 21506-9267851-1	Ali Bas Khan	1,395	102	-	1,497	1,042	86	-	1,128	Auto Finance
56	Shahid Iqbal : Chak # 76/ Abs Po Feroza Tehsil Liaqatpur Distt Ryk Rahim Yar Khan	Shahid Iqbal CNIC: 31302-7433462-7	Muhammad Ibrahim	966	124	-	1,090	966	152	-	1,118	Auto Finance
57	Aone Traders Sonia Tower 1St Floor Shop # 01 Naz Cinema Road.	Mukaram Khan CNIC: 17301-1458202-5	Khan Shah Gul	-	710	1,106	1,816	-	-	1,106	1,106	Alfalah Karobar Finance
58	Street No. 4 Jinah Town Ghakar Mandi Near Govt Girls High School Street No. 4 Gujranwala	Shahnawaz CNIC: 34104-0730208-9	Muhammad Boota	884	92	-	976	884	211	-	1,095	Personal Loan
59	Paratha & Co House 9-A Sui Gass Society Lahore	Paratha & Co. CNIC: 36302-1446080-1	Awais Ala	951	136	-	1,087	912	181	-	1,093	Personal Loan
60	Ghulam Mustafa Tabasam Mohallah Eid Gah Ranjha Town, Phalia, Near Bashir Begum Hospital, Mandi Bahauddin	Ghulam Mustafa Tabasam CNIC: 34403-1933201-5	Muhammad Siddique	944	112	-	1,056	944	138	-	1,082	Auto Finance
61	Nabeel Ghulam Nabi Block No. 9 Bi Flat Number 6 Sector G Nine Two Islamabad	Nabeel Ghulam Nabi CNIC: 34101-1612774-1	Ghulam Nabi	926	117	-	1,043	926	153	-	1,079	Personal Loan
62	Ishfaq Khan House No. 536, Block-Q, Johar Town, Lahore	Ishfaq Khan CNIC: 21407-4724872-3	Khalil Khan	860	133	-	993	827	252	-	1,079	Personal Loan
63	Waheed Majeed House No. 4, Street No. 12,Junaid Street, Ganj Bakhsh Road,Ichra, Near Ali Medical Store,Lahore	Waheed Majeed CNIC: 35202-7876433-1	Abdul Majeed	647	235	-	882	703	371	-	1,074	Credit Card
64	Systemsol House # Lda 38, Usman Park, Data Nagar, Badami Bagh, Lahore Lahore	Systemsol CNIC: 35202-7671444-3	Munawar Hussain	897	57	-	954	897	162	-	1,059	Personal Loan
65	Zeeshan Mehdi Flat No. F 23 3 1St Floor F C Area	Zeeshan Mehdi CNIC: 42101-9413632-1	Mehdi Hassan	864	136	-	1,000	864	177	-	1,041	Personal Loan
66	Baber Usman H. # R-171, Sector # 7-D-2, Northkarachi, 1St Floor. Near Masjid-E-Siddqain,Karachi	Baber Usman CNIC: 42101-4710397-5	Tilla Mohammad	828	371	-	1,199	828	211	-	1,039	Credit Card
67	Wazir Ud Din House No.89, Street No.4, Muhammadi Town,Jhangi Syedan, Islamabad Punjab	Wazir ud Din CNIC: 61101-8959041-9	Saeed Uddin Afridi	905	54	-	959	905	130	-	1,035	Auto Finance
68	Chaudhry Nazeem Ahmad H. No 11-B, Ali Park, Peco Road,Near Habib Homes,Lahore	Chaudhary Nazeem Ahmad CNIC: 34502-1574974-5	Chaudhry Khurshid Ahmed	800	-	-	800	805	184	-	989	Credit Card
69	Rana Waqas Dilshad Block-C Shah Rukn-E-Alam Colony Multan	Rana Waqas Dilshad CNIC: 36302-2259006-7	Dilshad Khan	896	71	-	967	896	91	-	987	Personal Loan
70	Umar Farooq : S/O Munir Ahmed Thattha Fageer Ullah,Post Office Khas, Punjab	Umar Farooq CNIC: 34104-1077665-9	Munir Ahmed	864	54	-	918	804	173	-	977	Personal Loan
71	Muhammad Mukhtar House No. 528, Street No. 6, Gulshan-E-Mazdoor, Hub River Road, Naval Colony. Karachi. Sindh	Muhammad Mukhtar CNIC: 42401-4472663-1	Kher Din	990	68	-	1,058	876	101	-	977	Auto Finance
72	Hammad Khan Vpo Sirka, Tehsil Hazro, Attock	Hammad khan CNIC: 37101-6687949-3	Safdar Khan	850	108	-	958	850	125	-	975	Auto Finance

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1	2	3	4	5	6	7	8	9	10	11	12	13
73	Rana Khalid Parvez Khan House # 642, Naleem Block, D.C Colony, Gujranwala	Rana Khalid Parvez CNIC: 34101-1257720-1	Nazar Hussain	746	208	-	954	746	227	-	973	Personal Loan
74	Naveel Mohammad Arif House Number P O Box	Naveel Mohammad Arif CNIC: 42000-9208265-7	Mohammed Arif Jamil	795	130	-	925	795	173	-	968	Personal Loan
75	Nida Hashmi H. No.325, St No.82, E-11/2, Islamabad Punjab	Nida Hashmi CNIC: 61101-6015790-4	Khurshid Alam Hashmi	870	83	-	953	854	113	-	967	Auto Finance
76	Muhammad Shan Naeem House Num 208 D Rehman Pura Near Mian Saeed Masjid Na Lahore	Muhammad Shan Naeem CNIC: 35202-0501124-3	Muhammad Naeem	709	107	-	816	709	231	-	940	Personal Loan
77	Rana Traders 1-Abdul Sattar Road, Beco Chowk, Badami Bagh, Lahore	Rana Khalid Mehmood CNIC: 35202-9077659-1	Abdul Rehman	1,600	454	206	2,260	-	911	19	930	Alfalah Karobar Finance
78	Asif Alam House No 114-F, Johar Town Lahore	Asif Alam CNIC: 35202-2932579-3	Aalam Din	873	49	-	922	873	49	-	922	Personal Loan
79	Tooba Talal Clifton Karachi	Tooba Talal CNIC: 42301-1034338-4	Talal Hassan	800	47	-	847	800	104	-	904	Personal Loan
80	Nasreen Mushtaq House No. 29 Mubarak Street No 87 Muhammadi Park Rajgarh Near Sajjad Bakers Sajjad Bakers Lahore	Nasreem Mushtaq CNIC: 35202-2287391-0	Chaudhry Mushtaq Ahmad	903	15	-	918	896	-	-	896	Personal Loan
81	Malik Abdul Qayyum Kakar & Co	Malik Abdul Qayyum Kakar CNIC: 54301-0912655-6	Abdul Hameed Kakar	-	1,734	-	1,734	-	892	-	892	Current Finance
82	Muhammad Amin House No P 172 St 8 Asim Town Near D Type Faisalabad 8 Faisalabad	Muhammad Amin CNIC: 33100-1400607-3	Muhammad Yaqoob	708	112	-	820	708	178	-	886	Personal Loan
83	Tahir Abass & Tahir Super Store Muzafar Ghar Road, Basti Islam Shorkot City- Jhang	Tahir Abbas CNIC No.33203-1381315-1	Muhammad Yar	1,798	1,226	50	3,074	-	874	-	874	Current Finance Hypo
84	Farrukh Ahmad Khan 187-A, Street # 4,Cavalry Ground,Cantt,Lahore	Farrukh Ahmad Khan CNIC: 35200-1545140-5	Nawab Abbas Ahmad Khan	583	287	-	870	583	287	-	870	Credit Card
85	Asif Masood Bajwa House No 497 K, Phase 6 Dhalahore	Asif Masood Bajwa CNIC: 35201-2628186-3	M Ashraf Bajwa	518	346	-	864	518	346	-	864	Credit Card
86	Muhammad Rashid Jan House # 09, Street # 06, Mohallah Astana Naqshbandi,-Daroghawala, Lahore Cantt & Disttlahore	Muhammad Rashid Jan CNIC: 35201-2754889-1	Muhammad Arshad	776	83	-	859	763	100	-	863	Auto Finance
87	Ama Enterprises House Number 65 Street / Mohala 59 Sector F-11/4 Islamabad	AMA Enterprises CNIC: 61101-1897029-5	Altaf Hussain	775	68	-	843	775	78	-	853	Personal Loan
88	Fahad Khan Durrani Khanpur Road House No.01 Gulshan Ravirahimyarkhan	Fahad Khan Durrani CNIC: 31303-8135374-9	Mahmood Durrani	544	34	-	578	694	158	-	852	Amex Card
89	Shahid Sarfraz House # 37,-Mohallah Nawab Colony, & Disttokara	Shahid Sarfraz CNIC: 35302-2044544-5	Ghulam Rasool Chaudhary	731	88	-	819	731	113	-	844	Auto Finance
90	Qaiser Shahzad House # 220/2,Z- Blockdhalahore	Qaiser Shahzad CNIC: 33100-5053119-7	Mohammad Ashraf Mirza	418	413	-	831	418	413	-	831	Credit Card
91	Javed Iqbal Dakhana Khas Hassan Wali Tehsil Near Lambra Wali Borh Na Gujranwala	Javed Iqbal CNIC: 34104-2373603-3	Atta Muhammad	653	147	-	800	653	177	-	830	Personal Loan
92	Abdul Samad House No. 89 Mahar Colony Na Mir Pur Khas	Abdul Samad CNIC: 44103-8840096-7	Haji Khan	686	61	-	747	686	124	-	810	Personal Loan
93	Salmi & Company Bhalwal	Muhammad Siddique CNIC: 38401-0862124-3	Muhammad Rafique	-	1,321	79	1,400	-	-	801	801	Current Finance
94	Muhammad Suleman Mohni Road Na	Muhammad Suleman CNIC: 17301-9401535-7	Muhammad Usman	662	105	-	767	662	133	-	795	Personal Loan
95	Abbas Akram Town Raiwind Road Lahore Lahore	Abbas Akram CNIC: 35202-5845140-7	Akram Ali	680	57	-	737	672	122	-	794	Personal Loan
96	Kashan Ur Rehman Raja Dera Raja Khush Bakht Ur Rehman, Mandiala Khurd P.O Mannupur, Sheikhupura	Kashan Ur Rehman Raja CNIC No. 35404-1938274-3	Raja Khush Bakht Ur Rehman	999	677	575	2,251	-	-	789	789	Agri Finance
97	Imran Ur Rehman Raja Dera Raja Khush Bakht Ur Rehman, Mandiala Khurd P.O Mannupur, Sheikhupura	Imran Ur Rehman Raja CNIC: 35202-4248871-3	Raja Khush Bakht Ur Rehman	997	672	581	2,250	-	-	788	788	Agri Finance
98	Siraj Uddin Daak Khana Augi Chatta Nakka Tehsil Augi District Mansehra	Siraj Uddin CNIC: 13504-5704697-7	Hakam Din	692	50	-	742	692	76	-	768	Personal Loan
99	Ghulam Abbas Basti Muhammad P/O Kahinow Jalalpur Kamlana Na Shorkot	Ghulam Abbas CNIC: 33203-4889439-9	Mehar Shahadat	635	100	-	735	635	132	-	767	Personal Loan
100	Muhammad Naveed Jaam House Mohallah Hashmi Colony Na Multan	Muhammad Naveed CNIC: 36304-3598312-7	Abdul Hameed	607	96	-	703	607	153	-	760	Personal Loan
101	Mansoor Alam Mohallah Mola Gori, Pirasdi, Takht Bhai, Mardan	Mansoor Alam CNIC: 16102-7978783-7	Zolan Khan	658	186	-	844	658	101	-	759	Personal Loan
102	Abdul Rehman House No. 86, Khawaja Banglos Amir Block, Abbasia Town, Near Baba Dilbar Shah Darbar, Rahim Yar Khan	Abdul Rehman CNIC: 31303-2349868-1	Maqsood Ahmed	618	136	-	754	618	136	-	754	Personal Loan
103	Muhammad Usman Iqbal H. No.109 Mohallah Channi Kahuta	Muhammad Usman Iqbal CNIC: 37402-7940920-7	Muhammad Iqbal Malik	652	85	-	737	652	99	-	751	Auto Finance
104	Qamar Javed & Co Comission Agent Grain Market, Bahawalnagar	Muhammad Javed CNIC: 31101-9695166-3	Haji Ilam Din	3,798	603	348	4,749	-	402	348	750	Current Finance Hypo
105	Muhammad Ibrahim Gopang H # D-12/2 Service Road Sadat Colony / Mohallah Pind Sangrial-Allah Dita Road D-12/2 Islamabad	Muhammad Ibrahim Gopang CNIC: 41306-0426618-3	Nazeer Hussain Gulshan	693	71	-	764	669	78	-	747	Auto Finance
106	Tariq Mehmood Mohallah Shaikhanwala, Dulewala, Darya Khan, Bhakkar	Tariq Mehmood CNIC: 38102-0917771-1	Muhammad Jevan	614	130	-	744	609	130	-	739	Personal Loan
107	Muhammad Imran House No. 06, Main Bazar, Shamas Town, Jaranwala Road, Near Jamia Tasheed Masjid, Faisalabad	Muhammad Imran CNIC: 33100-8495865-9	Abdullah	601	81	-	682	601	126	-	727	Personal Loan
108	Safdar Hussain Khan House No. Cb-37, Sir Syed Colony,27Th Area, Wah Cantt,Wah	Safdar Hussain Khab CNIC: 37406-5639741-3	Allah Ditta	399	244	-	643	399	327	-	726	Credit Card
109	Nadeem Iqbal St . 4, Cha Sarafa, Hafizabad Road,Baqhbanpura,Gujranwala	Nadeem Iqbal CNIC: 34101-2341811-3	Aman Ullah	444	282	-	726	444	282	-	726	Credit Card
110	Muhammad Akbar House No. 191, Insarian, Ghakkhar Wazirabad, Near Niazi Pco, Gujranwala	Muhammad Akbar CNIC: 34104-0981734-3	Abdul Rasheed	578	139	-	717	578	139	-	717	Personal Loan
111	M/S. Uroojh Rice Mills 2.7Km Phulekey Road, Off Multan Road, Near Jammer Ada	Ch. Arshad Mehmood CNIC: 35202-1347607-3	Barkat Ali	6,015	-	1,196	7,211	-	-	711	711	Current Finance
112	Muhammad Naeem House # Ih149, Falconcomplex Gulberg Lahore	Muhammad Naeem CNIC: 35202-0190634-7	Muhammad Yousaf	623	45	-	668	412	297	-	709	Credit Card

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1	2	3	4	5	6	7	8	9	10	11	12	13
113	Sahib Khan Near Al Hussnain Petrol Pump,-Jalalpur Road,Vaniky Tarar,Hafizabad	Sahib Khan CNIC: 34301-8848388-3	Nazar Muhammad	621	54	-	675	621	86	-	707	Auto Finance
114	Al Hamd Cng Filling Station Arifwala By Pass Chowk, Sahiwal	1. Shah Nawaz Zulfiqar CNIC: 36502-3139987-1 2. Mst. Rubina Zulfiqar CNIC: 35200-2577481-0	1. Muhammad Zulfiqar 2. Muhammad Zulfiqar	5,180	-	1,096	6,276	-	-	707	707	Forced DF (BG Encashment)
115	Rana Hassan Anwar House No. 10, Street No 104, Mohallah Madina Town , Block Y, Faisalabad	Rana Hassan Anwar CNIC: 33100-8419932-7	Anwar Ul Haq	589	74	-	663	589	108	-	697	Personal Loan
116	Saghir Ahmed Hashmi Building No.11-C 15t Floorlane-4 Ittihad Commercial Phase-6 DHA Karachi	Saghir Ahmed Hashmi CNIC: 42301-7281961-5	Bashir Ahmed Hashmi	527	34	-	561	560	124	-	684	Credit Card
117	Tariq Mehmood House No. 1597, Mohallah Malik Pura, Haripur	Tariq Mehmood CNIC: 13302-0527530-1	Abdul Sattar	578	104	-	682	578	104	-	682	Personal Loan
118	Abdul Manan Aziz Houes No. 95, Mohallah Lalazar Colony,Okara	Abdul Manan Aziz CNIC: 35302-4126983-1	Muhammad Saeed	627	33	-	660	445	234	-	679	Credit Card
119	Ashiq Kamal Street No. 3, Mohallah Hajipura Wara Sitara, Qauid E Azam Interchange Near Shairon Wali Kothi, Lahore	Ashiq Kamal CNIC: 35202-6302549-7	Sadiq Masih	586	-	-	586	598	80	-	678	Personal Loan
120	Ishrat Ali House No. 07, Street No. 95, Mehar Fiza Street Muzang Bazar Near Mama Kabab Wala, & Distt Lahore Punjab	Ishraq Ali CNIC: 14101-0798945-3	Mumtaz Ali	686	79	-	765	604	75	-	679	Auto Finance
121	Syed Zafar Abbas Gilani Haveli Peeran Di Arraiyan Pind Raiwind Road, Lahore	Ssyed Zafar Abbas Gilani CNIC: 35202-2431636-9	Syed Fazal Hussain Shah Gilani	553	123	-	676	553	123	-	676	Personal Loan
122	Nadeem Aslam House No P-82, Street No 4/5,Canal Road, Zia Town, Faisalabad	Nadeem Aslam CNIC: 91109-0111042-9	Muhammad Aslam	567	46	-	613	567	108	-	675	Personal Loan
123	Asif Zubair Mohallah Gulshan Abad, Street No. 5, Hafizabad Road, Near Union Council Office, 80/144, Gujranwala	Asif Zubair CNIC: 34101-2581534-7	Muhammad Zubair	527	139	-	666	497	177	-	674	Personal Loan
124	Abdul Jabbar House No. 371-E Ground Floor Shah Ruknyalam Cololny Multan	Abdul Jabbar CNIC: 33303-2168424-1	Muhammad Nawab Anjum	300	291	-	591	300	370	-	670	Credit Card
125	S Muzammil Aslam Abbasi Flat No. 2 2Nd Floor Federal	S Muzammil Aslam Abbasi CNIC: 31201-4995408-3	Sahibzada M Aslam	569	90	-	659	569	99	-	668	Personal Loan
126	Nazish Aqib House # 133-E-1, Gulberg Iii,Near Liberty Round About Anasummit Bank,Lahore	Nazish Aqib CNIC: 35202-1705427-8	Aqib Mahmood	506	112	-	618	531	131	-	662	Credit Card
127	Muhammad Saqib Sultan Afridi 17 D Gulshan E Lahore Raiwind Road, Near Shoukat Khanum Hospital, Lahore	Muhammad Saqib Sultan Afridi CNIC: 17301-2938287-9	Sultan Muhammad Afridi	609	50	-	659	609	50	-	659	Personal Loan
128	Sahi Brothers Petroleum Service Tillo Road, Sadiqabad District Rahim Yar Khan	1. Ashfaq Ahmad CNIC: 31304-4163009-1 2. Ilyas Ahmad CNIC: 31304-6207336-3	1. Bashir Ahmad 2. Bashir Ahmed	1,250	292	1,142	2,684	-	-	658	658	Current Finance Hypo
129	Irfan Ali House R 48 Sector C And Scheme 33 Amroha Society Na Karachi	Irfan Ali CNIC: 42101-1717729-3	Syed Karamat Ali Rizvi	524	101	-	625	524	124	-	648	Personal Loan
130	Muhammad Ikram Ul Haq Shah Block No. 35/1, Street No 84-Mohallah 84, Gujranwala Canttgujranwala	Muhammad Ikram ul Haq Shah CNIC: 42501-4964426-7	Muhammad Younas Umeed Shah	593	71	-	664	568	76	-	644	Auto Finance
131	Zohaib Iqbal Hazoori Bagh Road, House No 1445/B-51, Mohalla Ahmad Abad Colony, Near Sardar Milk Shop, Multan	Zohaib Iqbal CNIC: 36302-4625216-7	Sheikh Muhammad Iqbal	610	87	-	697	529	109	-	638	Personal Loan
132	M/S Zubair And Company New Grain Market, Khanpur	Muhammad Rashid Zubair CNIC: 31301-1447294-1	Muhammad Zubair Ahmad	7,999	1,204	1,034	10,237	-	-	637	637	Alfalah Karobar Finance
133	Usama Bin Yousaf House No. 20, Street No. 20, Mohallah Chah Pipple Wala , Dholanwal, Near Bright Star	Usama Bin Yousaf CNIC: 35202-3676551-5	Muhammad Yousaf	572	49	-	621	572	64	-	636	Personal Loan
134	Muneer H. No. A-49, Block J, North Nazimabad.Near Rainbow Bakery.Karachi	Muneer CNIC: 42401-5406376-3	Muhammad Riaz	470	16	-	486	502	133	-	635	Credit Card
135	Assiya Siddique House No. 72, St.No.3, Shahzad Town, Park Road, Isb.	Assiya Siddique CNIC: 37405-2838715-6	Haroon Bhatti	619	14	-	633	557	73	-	630	Personal Loan
136	Aamir Khizar Al Karam Textile Mills Pvt Ltd H-T/11 Landhi Industrial Area	Aamir Khizar CNIC: 82303-6662127-9	Khizar Hayyat Khan	500	95	-	595	500	123	-	623	Personal Loan
137	Syeda Sydra Naz Bukhari House # 69, Block D, Street # 1,Phase V, Dha,Lahore	Syeda Sydra Naz Bukhari CNIC: 42301-7044187-4	Bilal Ahmed Dogar	393	229	-	622	393	229	-	622	Credit Card
138	Khurram Altaf H. No. 4/6, Haider Town, Malir Halt. Nearrafa-E-Amam Society. Near Karachicollegiate School.Karachi	Khurram Altaf CNIC: 37201-7448575-1	Altaf Hussain	499	190	-	689	499	123	-	622	Amex Card
139	Waqar Khan 1st. Floor G 39 Shah Faisal Colony Na Karachi	Waqar Khan CNIC: 42201-9081262-7	Wali Dad Khan	500	87	-	587	500	108	-	608	Personal Loan
140	Hafiz Saghir Ahmad Khan House No. 36-A, Salee Town,Jorepur Cantt.,Lahore	Hafiz Ahmad Khan CNIC: 35201-1926642-3	Shahid Pervaiz Khan	471	85	-	556	471	126	-	597	Credit Card
141	Chaudhry Wahaj Hussain H. No 1756 Block A Central Park Houisng Scheme Ferozpur Road	Chaudhry Wahaj Hussain CNIC: 35202-2415695-1	Chaudhry Munawar Hussain	495	80	-	575	495	102	-	597	Personal Loan
142	Shahid Mahmud 46/2 1St Floor Main Khayaban -E Shahbazphase 6 Dha Karachi	Shahid Mahmud CNIC: 42301-7978165-7	Mohammad Gulzar	470	459	-	929	470	124	-	594	Credit Card
143	Muhammad Uzman House 516 Street 3 Awami Colony Behind Gernal Hospital Ferozpur Road Street 3 Lahore	Muhammad Uzman CNIC: 35202-4709597-7	Chaudhry Imdad Hussain	513	62	-	575	513	79	-	592	Personal Loan
144	Naeem Asif Mughal Muqhal Mahal, Street # 1,Jalil Town,Gujranwala	Naeem Asif Muqhal CNIC: 34101-2521548-9	Bashir Ahmad	1,052	434	-	1,486	117	474	-	591	Credit Card
145	Mst. Rehan Sarwat Gormani House No. 49/23 Street # 40 Mohala Z Block Phase Iii, Defence Housing Authority, Lahore Cantt, District Lahore	Rehan Sarwat Gormani CNIC: 61101-2838272-8	Khalid Ahmed Gormani	1,553	62	675	2,290	-	-	590	590	Alfalah Musalsal Zarai Sauhulat
146	Tauseef Ashraf : 1343-B, Peoples Colony,Faisalabad	Tauseef Ashraf CNIC: 33100-2578878-1	Ch Muhammad Ashraf	487	164	-	651	487	102	-	589	Credit Card
147	Samina Rabbani House No 211 Street No 74 Sector G 9 3 Islamabad Ground Floor Street No 74 Rawalpindi	Samina Rabbani CNIC: 61101-1774766-4	Ghulam Rabbani	464	59	-	523	460	126	-	586	Personal Loan
148	Malik Umair 630 A Block Central Park Housing Society Ferozpur Road	Malik Umair CNIC: 35202-6868250-1	Malik Muhammad Salim	-	-	-	-	498	84	-	582	Personal Loan
149	Naveed Ansir Chouhar Abu Bakar Street, Masjid Qubeztbl Allama Iqbal Town, Charah Road,Rahim Yar Khan	Naveed Ansir Chouhar CNIC: 31303-8731593-5	Muhammad Ansir Chouhar	431	27	-	458	462	117	-	579	Credit Card
150	Sardar Numair Khan Qaisrani Street No 10 Askari 14, Rawalpindi	Sardar Numair Khan Qaisrani CNIC: 35201-3398036-1	Sardar Saleem Sher Qaisrani	472	50	-	522	472	106	-	578	Personal Loan
151	Prince Jam Kaim Ali H.#10, A-Street,Khayaban-E-Shaheen,Phase#5, D.H.A.,Karachi	Prince Jam Kaim Ali CNIC: 42301-1109584-1	Karm Ali Khan	459	49	-	508	459	120	-	579	Credit Card

(Rupees in '000)

S.No.	Name and 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, 2021				Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Interest / Mark-up	Others than Interest / Markup	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
152	Asif Ejaz H # 42, St # 1, Phase-I, Model Town, Wah Cantt., Wah	Asif Ejaz CNIC: 37406-0119475-1	Ejaz Akhtar	729	107	-	836	506	72	-	578	Personal Loan
153	Muhammad Ali Tambra Bori Muhallah House 10 173 Muhallah Naika Pura Near Bori Wali Masjid	Muhammad Ali Tambra CNIC: 34603-3354619-7	Muhammad Jamil Ahmed Tambra	475	81	-	556	475	102	-	577	Personal Loan
154	Muhammad Adnan Iftikhar House No. 06 Farooq E Azam Chowk Chuhang Multan Road Na Lahore	Muhammad Adnan Iftikhar CNIC: 35202-9430376-5	Iftikhar Ali	468	102	-	570	458	109	-	567	Personal Loan
155	Muhammad Kashif Shamsi H. # B-7, Circular Road, Dha, Ph-2.Near Abu Baker Masjid.Karachi	Muhammad Kashif Shamsi CNIC: 42301-2478227-7	Abdul Samad Shamsi	454	300	-	754	454	113	-	567	Credit Card
156	Sheikh Asif Bashir House No. 1065, Umar Block, Sector-B,Bahria Town, Near Phasing Safari Villas,Lahore	Sheikh Asif Bashir CNIC: 34101-8166109-1	Sheikh Bashir Ahmad	913	45	-	958	117	450	-	567	Credit Card
157	Khurram Hussain House # 33/11, Sabri Mohallah	Khurram Hussain CNIC: 34401-6760331-3	Manzoor Hussain	693	69	-	762	495	71	-	566	Personal Loan
158	Muhammad Sajid Moh Shahpur Panjera,Near Govt Boys Primary School,-Kotli	Muhammad Sajid CNIC: 81202-1438593-3	Muhammad Fazil	568	63	-	631	518	47	-	565	Auto Finance
159	Babar Sultan H. No.Y-51, St No.2, Moh Masjid Mai Sharfam, Dhoek Ratta, Rawalpindi Punjab	Babar Sultan CNIC: 37405-7131523-5	Badar Sultan	506	51	-	557	490	70	-	560	Auto Finance
160	Yasir Abbas H # 1068 Moh Naveed Colony Aqab Qasimpur Multan	Yasir Abbas CNIC: 36302-3150826-7	Nasir Abbas	440	113	-	553	423	134	-	557	Personal Loan
161	Muhammad Shafique National Bank Bypass Teh Minchanabad Minchanabad	Muhammad Shafique CNIC: 31105-1574721-9	Muhammad Hanif	446	108	-	554	446	108	-	554	Personal Loan
162	Muhammad Asghar House No. 1145-C Street Chambay Shah Wali Mohalla Peer Gohar Sultan Outside Dehli Gate Multan	Muhammad Asghar CNIC: 36302-0422770-5	Sufi Jalal Deen Bhatti	437	87	-	524	427	126	-	553	Personal Loan
163	Ashfaq Ahmed 25-A Country Home Sialkot Road Na Gujranwala	Ashfaq Ahmed CNIC: 34104-7939696-1	Allah Ditta	464	66	-	530	464	88	-	552	Personal Loan
164	Liaquat Ali Channa House No. 23/24, Al Shahbaz Colony,Sindh Grammar Schoolqasimabad, Phase-II,Hyderabad	Liaquat Ali Channa CNIC: 41201-5890317-7	Muhammad Ameen Channa	482	46	-	528	482	68	-	550	Auto Finance
165	Muhammad Asif House No.1309, Street No.34, Phase 04, Bahria Town, Near Junior Ace Academy, Islamabad	Muhammad Asif CNIC: 34501-1948862-9	Khadim Hussain	448	103	-	551	448	103	-	551	Personal Loan
166	Amir E Rabbi Amir-E-Rabi,Wadood House Mehria Townblock E Street #12 House#113Near Taqdeer Colonyattock City	Amir Rabbi CNIC: 17301-7549745-5	Haji Abdul Wadood	329	11	-	340	455	92	-	547	Credit Card
167	Abu Bakar Ali Shinwari Appratmnetn No. 3, 1St Floor Salam Hieqts E-11 -2 Islamabad	Abu Bakar Ali Shinwari CNIC:17301-8419244-5	Ahmed Nawaz Khan Shinwari	1,869	500	463	2,832	-	-	539	539	Home Loan
168	Fine Almari House , Ashraf Mehmood , 6-B , New Civil Line Sargodha	Ashraf Mehmood CNIC: 38403-4021313-3	Mahmood Hassan	1,224	275	658	2,157	-	-	537	537	Current Finance Hypo
169	Umer Farooq H. No. 80-A, Rawal Road,Rawal Town,Islamabad	Umer Farooq CNIC: 13101-9420254-5	Khalid Latif	349	188	-	537	349	188	-	537	Credit Card
170	Allah Dad Allah Dad House, Mohallah Amirabad, Adalat Road, Hub Chowki. Hub. Blochistan	Allah Dad CNIC: 51101-3509484-3	Dad Muhammad	513	14	-	527	493	44	-	537	Auto Finance
171	Ali Ashraf House No.22/9 H-3,Second Link,Seven Street, Zaman Colony, Waltonroad, Lahore Cantt Lahore	ALI Ashraf CNIC: 31304-5501715-9	Muhammad Ashraf	237	296	-	533	237	296	-	533	Credit Card
172	Waqas Rasheed H. No 23 St No 04 Hussain Street Fateh Sher Rd New Mazang Samnabad	Waqas Rasheed CNIC: 35202-0629199-1	Rasheed Sardar	500	10	-	510	481	50	-	531	Personal Loan
173	Anusha Ahmad Umair House No. 3405s St Num 24 Phase 3 Dha Near Packages Mall St Num 24 Lahore	Anusha Ahmad Umair CNIC: 31202-4142494-0	Mian Ahmad Umair Walli Ullah	1,016	19	-	1,035	332	198	-	530	Personal Loan
174	Muhammad Asif House No.1309, Street No.34,Phase 04, Bahria Town,Near Junior Ace Academy, Islamabad	Muhammad Asif CNIC: 34501-1948862-9	Khadim Hussain	452	66	-	518	328	200	-	528	Credit Card
175	Hammad Hassan House No. H-1, Sadiq Street,Guru Nanak Nagar, Ichra,Near Mushtaq Medical Stoer, Lahore	Hammad Hassan CNIC: 35202-6551684-5	Masood Ul Hassan	377	35	-	412	403	122	-	525	Credit Card
176	Mian Ali Rehman : House No. 16-D, Street No. 15,State Life Housing Society,Lahore	Mian Ali Rehman CNIC: 35201-9969210-7	Mian Mazhar Zia	421	55	-	476	320	201	-	521	Credit Card
177	Atif Shaukat Ali House No. 277, Block C, Pia Housing Socity, Pia Road, Near Wapda Town, Opp. Allied Bank Lahore	Atif Shaukat Ali CNIC: 35201-9222009-1	Sheikh Shaukat Ali	484	36	-	520	484	36	-	520	Personal Loan
178	Faraz Hussain House No. 50,Main Khayaban E Janbaz, Dha,Phase-V, 26Th Street	Faraz Hussain CNIC: 42201-8156991-9	Mian Azmat Hussain	240	10	-	250	414	102	-	516	Credit Card
179	Shahbaz Uddin Siraj H. No.24, St No.65, Jinnah Garden,Near Abl,Islamabad	Shahbaz Uddin Siraj CNIC: 35200-1514518-9	Sheikh Siraj Uddin	294	120	-	414	294	221	-	515	Credit Card
180	Fazal Ur Rehman House No. 6, Street No. 21, Nabi Pura, Gulberg-Iii, Near MM Alam Road, Chashni Hotel, Fasalaabad Hotel, Lahore	Fazal ur Rehman CNIC: 33106-5402940-3	Habib Ur Rehman	321	185	-	506	321	193	-	514	Personal Loan
181	Tamseel Qureshi House # R-61 , Sindh Balouch Cooperativehousing Society, Block-12,Gulistan-E-Johar Karachi	Tamseel Qureshi CNIC: 42201-1054377-2	Muhammad Azeem Qureshi	400	233	-	633	400	108	-	508	Credit Card
182	Faiz Ul Hassan House No. 6 Street Number 6 Gulshan Ali Colony New Airport Road Cantt Near Water Filter St No. 1 Lahore	Faiz ul Hassan CNIC: 34501-1965617-1	Muhammad Maalik	380	94	-	474	380	126	-	506	Personal Loan
183	Baboo Vithal Dehli Colony, Punjab Chowrangi Karachi	Baboo Vithal CNIC: 42301-9917943-1	Vithal	542	61	-	603	492	10	-	502	Personal Loan
184	Majid Ali Village Aitbar Khan Chandio, Post-Office Chandio, Shahdadkot.Shahdadkot.	Majid Ali CNIC: 43406-0399151-7	Miandad Khaskheli	429	56	-	485	429	73	-	502	Auto Finance
185	Mohyuddin Khan Flat No C 403 4Th Floor Basera Tower Block 17 Gulistan E Johar NA Karachi	Mohyuddin Khan CNIC: 42000-1717913-5	Iqbal Khan	382	104	-	486	382	119	-	501	Personal Loan
186	Faisal Ashraf House No. 176-S, Imperfial Garden Homes, Paragon City Barki Road, Lahore Cantt., Lahore	Faisal Ashraf CNIC: 36502-4607060-5	Muhammad Ashraf	501	-	-	501	306	194	-	500	Personal Loan
187	Eshan Food Industry 37-Sp Road, Pakpattan	1. Syed Irfan Hussain shah CNIC: 36401-7172388-9 2. Aqdas Ali CNIC: 36401-8218900-1	1. Syed Umeed Hussain Shah 2. Mian Muhammad Ali	-	134	907	1,041	-	-	500	500	Current Finance Hypo & Pledge
	TOTAL			671,575	207,418	126,385	1,005,378	107,194	147,616	141,376	396,186	

ANNEXURE - JI

ISLAMIC BANKING BUSINESS

The Bank is operating 230 Islamic banking branches (December 31, 2020: 185 branches) and 2 sub branches (December 31, 2020: 1 sub branch) as at December 31, 2021.

STATEMENT OF FINANCIAL POSITION

	Note	2021	2020
		--------(Rupees in '000)--------	
ASSETS			
Cash and balances with treasury banks		15,428,071	13,519,229
Balances with other banks		805,107	1,260,886
Due from financial institutions	1	16,493,641	14,293,146
Investments	2	91,822,133	47,420,548
Islamic financing and related assets - net	3	133,102,677	103,279,192
Fixed assets		9,227,055	6,038,819
Intangible assets		18,002	23,038
Deferred tax assets		103,108	209,613
Other assets		12,289,789	10,501,020
Total Assets		279,289,583	196,545,491
LIABILITIES			
Bills payable		5,019,894	5,431,799
Due to financial institutions		31,305,163	23,967,885
Deposits and other accounts	4	200,390,388	133,037,813
Due to Head Office		-	-
Subordinated debt		-	-
Other liabilities		27,473,205	22,579,448
		264,188,650	185,016,945
NET ASSETS		15,100,933	11,528,546
REPRESENTED BY			
Islamic Banking Fund		3,800,000	1,800,000
Reserves		-	-
Surplus on revaluation of assets		2,376,812	1,762,634
Unappropriated/ Unremitted profit	6	8,924,121	7,965,912
		15,100,933	11,528,546
CONTINGENCIES AND COMMITMENTS	7		

PROFIT AND LOSS ACCOUNT

		2021	2020
		--------(Rupees in '000)--------	
Profit / return earned	8	13,420,192	13,417,568
Profit / return expensed	9	5,272,823	4,697,549
Net Profit / return		8,147,369	8,720,019
Other income			
Fee and Commission Income		874,325	773,924
Foreign Exchange Income		322,236	258,746
Loss on securities		(12,832)	(1,421)
Other Income		68,248	59,533
Total other income		1,251,977	1,090,782
Total Income		9,399,346	9,810,801
Other expenses			
Operating expenses		6,555,893	5,288,338
Workers Welfare Fund		31,396	87,724
Other charges		1,619	16,854
Total other expenses		6,588,908	5,392,916
Operating Profit		2,810,438	4,417,885
Provisions and write offs - net		1,272,031	1,077,476
Profit before taxation		1,538,407	3,340,409
Taxation		581,628	1,347,612
Profit after taxation		956,779	1,992,797

	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----------(Rupees in '000)----------					
1 Due from Financial Institutions						
Unsecured	14,500,061	-	14,500,061	10,800,061	-	10,800,061
Bai Muajjal Receivable - other Financial Institutions	1,993,580	-	1,993,580	3,493,085	-	3,493,085
	16,493,641	-	16,493,641	14,293,146	-	14,293,146

	2021				2020			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
2 By segment & type:	----------(Rupees in '000)----------							
Federal Government Securities								
Available-for-sale securities								
Ijarah Sukuks	68,508,229	-	(404,622)	68,103,607	20,486,855	-	(58,785)	20,428,070
Naya Pakistan Certificates	1,016,120	-	-	1,016,120	466,435	-	-	466,435
	69,524,349	-	(404,622)	69,119,727	20,953,290	-	(58,785)	20,894,505
Held-to-maturity securities								
Others Federal Government Securities	3,094,151	-	-	3,094,151	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Available-for-sale securities								
Sukuks - Unlisted	17,385,415	-	239,990	17,625,405	18,154,142	-	113,865	18,268,007
Held-to-maturity securities								
Sukuks - Unlisted	2,063,572	(80,722)	-	1,982,850	1,136,216	(94,546)	-	1,041,670
Total Investments	92,067,487	(80,722)	(164,632)	91,822,133	47,460,014	(94,546)	55,080	47,420,548

	Note	2021	2020
3 Islamic financing and related assets		------(Rupees in '000)------	
Ijarah	3.1	19,640,189	14,353,395
Murabaha	3.2	3,218,521	3,353,347
Musharaka		23,921,871	22,481,095
Diminishing Musharaka		3,700,611	2,179,926
Salam		8,323,762	3,658,498
Muajjal Financing		19,999,869	24,999,194
Musawama Financing		3,584,831	863,442
Islamic Staff financing		2,509,738	1,721,900
SBP Islamic Refinance		11,479,701	8,698,588
SBP Refinance Scheme For Wages & Salaries		2,721,556	4,793,796
Islamic Long Term Finance Facility Plant & Machinery		752,187	433,900
Islamic Refinance Renewable Energy		48,701	3,163
Islamic Temporary Economic Refinance Facility (ITERF)		1,536,776	-
Naya Pakistan Home Financing		1,147,252	-
Advances against Islamic assets		30,620,850	14,162,819
Inventory related to Islamic financing		3,261,485	3,948,460
Islamic Refinance Facility for combatting Covid		68,317	-
Other Islamic modes		235,125	23,278
Gross Islamic financing and related assets		136,771,342	105,674,801
Less: provision against Islamic financings			
- Specific		(3,551,597)	(2,321,391)
- General		(117,068)	(74,218)
		(3,668,665)	(2,395,609)
Islamic financing and related assets - net of provision		133,102,677	103,279,192

3.1 Ijarah

	2021							
	Cost			Depreciation				Book Value as at 31 Dec 2021
	As at Jan 01, 2021	Additions / (deletions)	As at Dec 31, 2021	As at Jan 01, 2021	Charge for the year	Depreciation on disposal	As at Dec 31, 2021	
	----------(Rupees in '000)----------							
Plant & Machinery	12,385	(3,074)	9,311	(893)	-	893	-	9,311
Vehicles	21,492,711	6,069,191	27,561,902	(7,150,808)	(780,216)	-	(7,931,024)	19,630,878
Total	21,505,096	6,066,117	27,571,213	(7,151,701)	(780,216)	893	(7,931,024)	19,640,189

	2020							
	Cost			Depreciation				Book Value as at 31 Dec 2020
	As at Jan 01, 2020	Additions / (deletions)	As at Dec 31, 2020	As at Jan 01, 2020	Charge for the year	Depreciation on disposal	As at Dec 31, 2020	
	----------(Rupees in '000)----------							
Plant & Machinery	1,360,536	(1,348,151)	12,385	(606,814)	(193,699)	799,620	(893)	11,492
Vehicles	18,210,425	3,282,286	21,492,711	(5,647,189)	(3,080,642)	1,577,023	(7,150,808)	14,341,903
Total	19,570,961	1,934,135	21,505,096	(6,254,003)	(3,274,341)	2,376,643	(7,151,701)	14,353,395

3.1.1 Future Ijarah payments receivable

	2021				2020			
	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	3,572,294	16,067,895	-	19,640,189	2,610,695	11,742,700	-	14,353,395

	Note	2021	2020
3.2 Murabaha		--------(Rupees in '000)--------	
Murabaha financing	3.2.1	3,218,521	3,353,347
Inventory for Murabaha	3.2 3	472,006	431,248
Advances for Murababa		433,571	666,339
		4,124,098	4,450,934
3.2.1 Murabaha receivable - gross	3.2.2	3,442,234	3,766,702
Less: Deferred murabaha income	3.2.4	(1,157)	(1,157)
Profit receivable shown in other assets		(222,556)	(412,198)
Murabaha financings		3,218,521	3,353,347
3.2.2 The movement in Murabaha financing (gross) during the year is as follows:			
Opening balance		3,766,702	9,092,834
Sales during the year		-	-
Adjusted during the year		(324,468)	(5,326,132)
Closing balance		3,442,234	3,766,702
3.2.3 Murabaha sale price		52,255,206	52,214,448
Murabaha purchase price		(51,783,200)	(51,783,200)
		472,006	431,248
3.2.4 Deferred murabaha income			
Opening balance		1,157	1,157
Less: Recognised during the year		-	-
Closing balance		1,157	1,157

4 Deposits	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	86,434,680	5,571,558	92,006,238	59,536,285	4,628,277	64,164,562
Savings deposits	58,259,099	2,668,502	50,927,601	50,866,656	2,396,749	53,263,405
Term deposits	27,442,176	284,050	27,726,226	13,534,046	475,505	14,009,551
Other deposits	1,607,719	352,555	1,960,274	820,136	245,643	1,065,779
	173,743,674	8,876,665	182,620,339	124,757,123	7,746,174	132,503,297
Financial Institutions						
Current deposits	23,180	-	23,180	88,381	-	88,381
Savings deposits	214,369	-	214,369	443,635	-	443,635
Term deposits	17,532,500	-	17,532,500	2,500	-	2,500
	17,770,049	-	17,770,049	534,516	-	534,516
	191,513,723	8,876,665	200,390,388	125,291,639	7,746,174	133,037,813

	2021	2020
	(Rupees in '000)	
4.1 Composition of deposits		
- Individuals	113,175,815	92,490,254
- Government / Public Sector Entities	5,867,418	4,771,030
- Banking Companies	14,280,269	72
- Non-Banking Financial Institutions	3,489,780	534,444
- Private Sector / Others	63,577,106	35,242,013
	200,390,388	133,037,813

4.2 Deposits include eligible deposits of Rs. 137,620.640 million (2020: Rs. 114,112.591 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

	Note	2021	2020
5 Charity Fund		(Rupees in '000)	
5.1 Pakistan Operations			
Opening Balance		30,475	25,272
Additions during the period			
Received from customers on account of delayed payment		24,598	39,860
Other Non-Shariah compliant income		512	777
Profit on charity saving account		437	716
		25,547	41,353
Payments / utilization during the period			
Education		(14,000)	(9,650)
Health		(12,100)	(9,200)
Others		(17,600)	(17,300)
	5.1.1	(43,700)	(36,150)
Closing Balance		12,322	30,475

	Note	2021	2020
		---------(Rupees in '000)--------	
5.1.1 Donations paid during the year are as follows:			
Afzaal Memorial Thalassemia Foundation (AMTF)		-	3,000
Akhuwat		3,000	4,500
Al Mustafa Welfare Society		650	1,200
Alif Noon Parents Foundation (ANPF)		5,500	6,000
Al-Khidmat Foundation Pakistan		-	2,000
Bahria University		4,000	-
Dar Us Shifa Foundation		-	5,000
Developments in Literacy (DIL)		-	900
Indus Hospital & Health Network		950	-
Institute of Business Administration, Karachi (IBA)		4,500	4,250
Karwan-e-Hayat		3,000	2,000
Milestone		1,000	-
Memon Health and Education Foundation(MHEF)		-	3,000
NUST		3,000	-
Pakistan Children's Heart Foundation		-	3,000
Parents Voice (Association of Parents of Mentally Handicapped Children)		-	1,300
Special Children Rehabilitation Welfare Organization		1,100	-
Sundas Foundation		1,000	-
The Citizen Foundation		15,000	-
Zubaida Machiyara Trust		1,000	-
		43,700	36,150
5.2 Overseas operations			
Opening Balance		8,297	2,198
Additions during the period			
Other Non-Shariah compliant income		6,158	7,373
Transfer from Net Profit as advised by Central Bank		5,695	-
Others - contribution by employees		-	359
Profit on charity saving account		11,853	7,732
Health		(513)	(521)
Others		(6,996)	(1,112)
	5.2.1	(7,509)	(1,633)
Closing Balance		12,641	8,297
5.2.1 Donations paid during the year are as follows:			
Gulshan Literary Programme		-	294
Social and Economic Enhancement Programme		-	228
Thengamara Mobila Sabuj Sangba		5,700	-
Direct distribution to underpriviledged people		1,809	1,111
		7,509	1,633
6 Islamic Banking Business Unappropriated Profit			
Opening Balance		7,965,912	11,472,207
Add: Islamic Banking profit before taxation for the period		1,538,407	3,340,409
Less: Taxation		(581,628)	(1,347,612)
Less: Transfer from surplus on revaluation of assets to unappropriated profit - net of tax		1,430	908
Less: Remitted to Head Office		-	(5,500,000)
Closing Balance		8,924,121	7,965,912
7 CONTINGENCIES AND COMMITMENTS			
-Guarantees		3,624,100	3,163,586
-Commitments		69,720,999	49,617,200
		73,345,099	52,780,786
8 Profit/Return Earned of Financing, Investments and Placement			
Financing		7,460,977	7,895,382
Investments		4,198,873	2,380,262
Placements		1,760,342	3,141,924
		13,420,192	13,417,568
9 Profit on Deposits and other Dues Expensed			
Deposits and other accounts		4,074,116	3,986,143
Due to Financial Institutions		588,184	254,209
Cost of foreign currency swaps against foreign currency deposits / borrowings		131,338	102,051
Borrowing cost on lease liability		461,310	345,803
Reward Points		17,875	9,343
		5,272,823	4,697,549

DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

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

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

Currently IBG is managing following pools:

1) General pool for LCY depositors
2) FCY pool for foreign currency (USD, GBP, EURO,AED, SAR and CAD) depositors
3) FIs pool for treasury purposes
4) IERS pool for islamic export refinance scheme facilities
5) Special pool
6) PMRC Musharikah Pool

All the Mudaraba based remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBG's own share of equity, which is also commingled in the pool. The applications of these funds are on Advances, Investments, and Placements for generating profits to be shared among the depositors as per the weightage system.

The IERS pool is maintained as per the guideline under SBP IERS scheme.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

2. Avenues/sectors where Mudaraba based deposits have been deployed.

	2021	2020
	--------(Rupees in '000)--------	
Agriculture, Forestry, Hunting and Fishing	21,074,345	25,488,613
Automobile and transportation equipment	3,037,316	2,436,479
Cement	4,320,169	4,462,768
Chemical and Pharmaceuticals	6,604,602	3,313,162
Construction	3,041,612	3,092,356
Electronics and electrical appliances	1,555,604	882,932
Exports / Imports	126,223	136,320
Financial	556,300	689,267
Food & Allied Products	5,165,571	5,054,946
Footwear and Leather garments	884,036	740,255
Glass and Ceramics	96,824	110,960
Individuals	29,000,086	18,409,257
Insurance	1,617	3,277
Metal & Allied industries	2,065,731	2,697,096
Mining and Quarrying	5,534	-
Oil and Allied	2,820,773	1,975,563
Paper and Board	767,537	769,653
Power (electricity), Gas, Water, Sanitary	9,040,180	7,024,324
Services	2,192,142	1,471,220
Sugar	1,799,775	1,665,422
Technology and Communication	41,158	21,352
Textile	33,613,974	19,921,320
Transport, Storage and Communication	592,580	545,157
Wholesale and Retail Trade	4,952,166	3,235,734
Others	3,515,488	1,527,368
Total Gross Islamic Financing and Related Assets	136,771,342	105,674,801
Total Gross Investments	92,067,487	47,460,014
Total Islamic Placements	16,493,641	14,293,146
Total Invested Funds	245,332,470	167,427,961

3. The major components of profit distribution and charging of the expenses.

Profit is distributed among the Mudaraha deposits on the basis of underlying principles of weightage mechanism which are announced before the beginning of the relevent period. Only direct attributable expenses such as depreciation on ijarah assets, brokerage, CIB charges, bad debts write off on advances and loss on sale of investments etc are charged to the pool. Expenses of pool(s) do not include general and specific provisioning created against non-performing financings and diminution in the value of investments.

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

Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share/Fee	Rabbul Maal Share	(Rupees in '000)			(Rupees in '000)
General Pool								
PKR Pool	Monthly	6.99%	50.00%	50.00%	3,093,472	4.02%	2.25%	74,360
USD Pool	Monthly	2.18%	85.00%	15.00%	42,168	0.30%	6.92%	816
GBP Pool	Monthly	3.63%	85.00%	15.00%	7,534	0.44%	0.14%	8
EUR Pool	Monthly	3.12%	85.00%	15.00%	6,475	0.37%	0.65%	23
AED Pool	Monthly	3.41%	85.00%	15.00%	242	0.28%	0.00%	-
SAR Pool	Monthly	2.61%	85.00%	15.00%	198	0.14%	0.00%	-
CAD Pool	Monthly	1.26%	85.00%	15.00%	13	0.00%	0.00%	-
Special Pool								
Special Pool (Saving)	Monthly	7.91%	25.49%	74.51%	12,049	6.00%	0.00%	-
Special Pool (TDR)	Monthly	8.17%	12.30%	87.70%	177,994	7.44%	0.00%	-
Special Pool FBA (Saving	Monthly	8.23%	25.83%	74.17%	15,535	6.56%	24.17%	7,686

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Bank Share	SBP Share	(Rupees in '000)			(Rupees in '000)
Islamic Export Refinance	Monthly	6.32%	85.13%	14.87%	1,169,786	Nil	0.83%	9,704

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						
Computer equipment	Computer	756	299	299	Insurance claim	Alfalah Insurance Company Limited
Computer equipment	Printer	237	170	105	Insurance claim	Alfalah Insurance Company Limited
Computer equipment	Scanner	102	37	53	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	Air Conditioners	1,881	1,028	1,647	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	UPS	1,110	570	666	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	Cash Sorting Machine	994	111	496	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	Generators	852	-	266	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	Queue Management System	446	230	163	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	Television	152	128	101	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	Solar System	89	37	10	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	Refrigerator	80	52	27	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	CCTV	69	28	22	Insurance claim	Alfalah Insurance Company Limited
Electronic equipment	Fire Alarm System	52	32	23	Insurance claim	Alfalah Insurance Company Limited
Laptop	Laptops	7,562	3,177	3,712	Insurance claim	Alfalah Insurance Company Limited
Laptop	Laptop	115	-	12	As Per Policy	Muhammad Ashraf
Laptop	Laptop	82	-	8	As Per Policy	Muhammad Azhar Khan
Laptop	Laptop	71	17	17	As Per Policy	Muhammad Imran
Laptop	Laptop	71	8	8	As Per Policy	Anjum Hai
Laptop	Laptop	71	15	17	As Per Policy	Ghulam Shabbir
Laptop	Laptops	69	-	7	As Per Policy	Khawaja Zia Abbas
Mobile	Apple Iphone	75	-	8	As Per Policy	Haroon Khalid
Mobile	Samsung Note	75	-	8	As Per Policy	Muhammad Yahya Khan
Mobile	Samsung smartphone	50	-	5	As Per Policy	Muhammed Farrukh Aslam
Mobile	Samsung smartphone	50	-	5	As Per Policy	Muhammed Farrukh Aslam
Mobile	Samsung smartphone	50	-	5	As Per Policy	Salman Lakhani
Mobile	Samsung smartphone	48	-	5	As Per Policy	Muhammad Nasir Khan
Mobile	Samsung smartphone	40	-	4	As Per Policy	Muhammad Adil Siddiqui
Mobile	Samsung smartphone	40	-	4	As Per Policy	Wasim Akhter
Mobile	Mobile phone	33	-	3	As Per Policy	Muhammad Nasir Khan
Mobile	Mobile phone	30	-	3	As Per Policy	Muhammed Farrukh Aslam
Tablet	Apple Ipad	85	-	9	As Per Policy	Tahir Khurshid
Tablet	Apple Ipad	84	-	24	Insurance claim	Alfalah Insurance Company Limited
Tablet	Apple Ipad	60	-	6	As Per Policy	Javed Iqbal
		15,581	5,939	7,748		
Furniture & Fixtures						
Furniture & Fixtures	Others	197	97	68	Insurance claim	Alfalah Insurance Company Limited
Furniture & Fixtures	Table	134	95	91	Insurance claim	Alfalah Insurance Company Limited
Furniture & Fixtures	Cabinet	81	53	9	Insurance claim	Alfalah Insurance Company Limited
		412	245	168		
Vehicle						
Vehicle	Mercedes Benz E-200	13,798	-	1,380	As Per Policy	Haroon Khalid
		29,791	6,184	9,296		

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 2021, 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 2021, 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
- ***Provision against Non-Performing Credit Exposure*** (Refer note 9.5 to the consolidated financial statements)	
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. As per the Group's accounting policy (refer note 4.4 to the consolidated financial statements), the Group periodically assesses the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involves use of management judgment, on a case-to-case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group. 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.	We applied a range of audit procedures including the following: - We reviewed the Group's process for identification and classification of non-performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be; - We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations; - In addition, we selected individually significant corporate loans and a representative sample of borrowers from the credit portfolios across various branches, and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' unconsolidated financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; - Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appears to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; - In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management; and - We also assessed adequacy of disclosures as included in note 9.4 and 9.5 to the consolidated financial statements regarding the non-performing loans and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Oirectors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Omer Chughtai.

EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 1st March 2022
UDIN: AR202110120halnqcXWi

Consolidated Statement of Financial Position

As at December 31, 2021

	Note	2021	2020
		----------(Rupees in '000)----------	
ASSETS			
Cash and balances with treasury hanks	5	105,606,930	99,348,862
Balances with other banks	6	9,981,307	6,373,472
Lendings to financial institutions	7	35,982,065	77,305,535
Investments	8	811,923,246	549,358,553
Advances	9	673,883,285	577,317,776
Fixed assets	10	39,561,952	30,994,793
Intangible assets	11	1,119,389	1,287,734
Oeferred tax assets	12	1,157,470	-
Other assets	13	57,557,447	45,687,678
		1,736,773,091	1,387,674,403
LIABILITIES			
Bills payable	14	22,825,500	22,571,122
Borrowings	15	384,108,872	315,054,817
Deposits and other accounts	16	1,139,009,620	881,750,162
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	7,000,000	7,000,000
Deferred tax liabilities	12	-	2,235,254
Other liabilities	18	81,955,000	66,402,548
		1,634,898,992	1,295,013,903
NET ASSETS		101,874,099	92,660,500
REPRESENTED BY			
Share capital	19	17,771,651	17,771,651
Reserves		29,953,963	27,680,022
Surplus on revaluation of assets	20	11,440,246	10,528,419
Unappropriated profit		42,578,350	36,572,971
Total equity attributahle to the equity holders of the Bank		101,744,210	92,553,063
Non-controlling interest	21	129,889	107,437
		101,874,099	92,660,500
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, 2021

	Note	2021	2020
		------(Rupees in '000)------	
Mark-up/Return/Interest Earned	24	100,192,331	92,623,231
Mark-up/Return/Interest Expensed	25	54,148,073	47,928,757
Net Mark-up/Return/ Interest Income		46,044,258	44,694,474
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	26	8,522,955	6,786,997
Dividend Income		492,297	313,526
Foreign Exchange Income		4,127,984	3,398,242
Gain / (loss) from derivatives		200,776	(21,366)
Gain on securities	27	3,143,609	2,285,043
Share of profit from associates		573,254	612,617
Other Income	28	175,973	170,731
Total non-markup/interest Income		17,236,848	13,545,790
Total Income		63,281,106	58,240,264
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	29	36,538,606	31,618,668
Workers Welfare Fund	30	498,436	494,432
Other charges	31	25,520	94,741
Total non-markup/interest expenses		37,062,562	32,207,841
Profit Before Provisions		26,218,544	26,032,423
Provisions and write offs - net	32	2,311,856	7,589,269
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		23,906,688	18,443,154
Taxation	33	9,446,220	7,599,914
PROFIT AFTER TAXATION		14,460,468	10,843,240
Profit attributable to:			
Equity holders of the Bank		14,436,704	10,832,130
Non-controlling interest		23,764	11,110
		14,460,468	10,843,240
		----------Rupees----------	
Basic and Diluted Earnings per share	34	8.12	6.10

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, 2021

	2021	2020
	-------(Rupees in '000)-------	
Profit after taxation	14,460,468	10,843,240
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	852,274	586,512
Movement in surplus / (deficit) on revaluation of investments - net of tax	(4,491,606)	(778,220)
Movement in surplus / (deficit) on revaluation of investments - net of tax (share of associates)	(12,136)	7,778
	(3,651,468)	(183,930)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	29,607	(205,782)
Remeasurement gain / (loss) on defined benefit obligations - net of tax (share of associates)	40	1,088
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	5,438,294	(75,839)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(16,259)	(361)
	5,451,682	(280,894)
Total comprehensive income	16,260,682	10,378,416
Total comprehensive income attributable to:		
Equity holders of the Bank	16,238,230	10,363,280
Non-controlling interest	22,452	15,136
	16,260,682	10,378,416

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, 2021

	Capital Reserves				Surplus/(Deficit) on revaluation						
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Investments	Fixed and Assets	Non Banking Assets	Unappropriated profit	Sub -total	Non Controlling Interest	Total
	(Rupees in '000)										
Balance as at January 1, 2020	17,771,651	4,731,049	6,772,303	14,542,667	4,054,471	7,115,247	206,799	33,996,699	89,190,886	92,301	89,283,187
Profit after taxation	-	-	-	-	-	-	-	10,832,130	10,832,130	11,110	10,843,240
Other comprehensive income - net of tax	-	-	586,512	-	(771,898)	66,620	(35,266)	(207,261)	(361,293)	4,026	(357,267)
Transfer to statutory reserve	-	-	-	1,047,491	-	-	-	(1,047,491)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(39,968)	(67,586)	107,554	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2019 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Interim cash dividend for the nine month ended September 30, 2020 - 20%	-	-	-	-	-	-		(3,554,330)	(3,554,330)	-	(3,554,330)
Balance as at December 31, 2020	17,771,651	4,731,049	7,358,815	15,590,158	3,282,573	7,141,899	103,947	36,572,971	92,553,063	107,437	92,660,500
Profit after taxation	-	-	-	-	-	-	-	14,436,704	14,436,704	23,764	14,460,468
Other comprehensive income - net of tax	-	-	852,274	-	(4,510,208)	5,499,855	(16,163)	37,345	1,863,103	(1,312)	1,861,791
Transfer to statutory reserve	-	-	-	1,421,667	-	-	-	(1,421,667)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(61,561)	(96)	61,657	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2020	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Final cash dividend for the year ended December 31, 2021	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balance as at December 31, 2021	17,771,651	4,731,049	8,211,089	17,011,825	(1,227,635)	12,580,193	87,688	42,578,350	101,744,210	129,889	101,874,099

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, 2021

	Note	2021	2020
		---------(Rupees in '000)---------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		23,906,688	18,443,154
Dividend income		(492,297)	(313,526)
Share of profit from associates		(573,254)	(612,617)
		22,841,137	17,517,011
Adjustments			
Depreciation		4,400,445	3,958,425
Amortisation		396,183	439,042
Provisions and write offs - net	32	2,311,856	7,589,269
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net		423,888	(91,890)
Gain on sale of operating fixed assets - net		(53,350)	(67,307)
Gain on termination of lease		(42,895)	-
Borrowing cost on lease liability		1,469,860	1,322,614
Workers' Welfare Fund		498,436	494,432
Charge for defined benefit plan		216,848	170,884
Charge for staff compensated absences		23,118	71,106
		9,644,389	13,886,575
		32,485,526	31,403,586
(Increase) / decrease in operating assets			
Lendings to financial institutions		47,896,801	(22,017,279)
Held for trading securities		(30,556,726)	(43,844,761)
Advances		(98,031,441)	(74,091,806)
Other assets (excluding advance taxation)		(12,179,113)	982,572
		(92,870,479)	(138,971,274)
Increase / (decrease) in operating liabilities			
Bills payable		254,378	5,402,063
Borrowings		68,812,670	211,327,531
Deposits		257,259,458	99,475,302
Other liabilities (excluding current taxation)		11,368,649	1,707,365
		337,695,155	317,912,261
		277,310,202	210,344,573
Contribution made to gratuity fund		(216,848)	(170,884)
Income tax paid		(8,345,657)	(6,191,613)
Net cash generated from operating activities		268,747,697	203,982,076
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(217,375,465)	(203,458,637)
Net investments in held-to-maturity securities		(22,479,891)	146,555
Dividends received from associated companies		111,000	90,000
Dividends received		494,680	312,213
Investments in operating fixed assets		(3,871,871)	(3,596,451)
Proceed from sale proceeds of fixed assets		70,908	118,331
Effect of translation of net investment in foreign branches		852,274	586,512
Net cash used in investing activities		(242,198,365)	(205,801,477)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of sub-ordinated debt		-	(4,987,000)
Payment of leased obligations		(3,259,508)	(2,804,016)
Dividend paid		(7,091,975)	(7,066,355)
Net cash used in financing activities		(10,351,483)	(14,857,371)
Increase in cash and cash equivalents		16,197,849	(16,676,772)
Cash and cash equivalents at beginning of the year		113,243,461	136,797,929
Effects of exchange rate changes on cash and cash equivalents		5,351,412	(1,526,284)
		118,594,873	135,271,645
Cash and cash equivalents at end of the year	35	134,792,722	118,594,873

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, 2021

1 STATHS 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 puhlic 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 770 branches (2020: 706 branches) and 20 sub-branches (2020: 24 sub-branches). Out of these, 529 (2020: 510) are conventional, 230 (2020: 185) are Islamic, 10 (2019: 10) are overseas and 1 (2019: 1) is an offshore banking unit.

	Percentage of Holding	
	2021	2020
Subsidiary		
Alfalah CLSA Securities (Private) Limited, Pakistan	61.20%	61.20%

1.2 In addition the Group maintains investments in the following:

Associates		
Alfalah Insurance Company Limited	30%	30%
Sapphire Wind Power Company Limited	30%	30%
Alfalah GHP Investment Management Limited, Pakistan	40.22%	40.22%

2 BASIS OF PRESENTATION

2.1 These consolidated financial statements represent financial statements of Holding Company - Bank Alfalah Limited and its subsidiary. The assets and liabilities of subsidiary have been consolidated on a line-by-line basis and the investment held by the Holding Company is eliminated against the corresponding share capital of subsidiary in these consolidated financial statements.

2.2 STATEMFNT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under Companies Act 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017.
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicahility of islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Further, SBP has deferred the applicabiity of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. SBP has directed hanks in Pakistan to implement IFRS 9 with effect from January 1, 2022. The Bank awaits final guidelines from SBP for application of some aspects of IFRS 9.

Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements; except for overseas branches and subsidiary where such standards are applicable.

2.2.1 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect those return through its power over the investee.

These consolidated financial statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.

Associates are those 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 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.

2.2.2 These financial statements have been prepared in accordance with forms for the preparation of the annual financial statements of the Holding company issued by SBP, vide its BPRD Circular No. 02 dated January 25, 2018.

2.2.3 The Holding company believes that there is no significant doubt on the Holding company's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on the going concern basis.

2.3 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, 2021 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

2.4 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2022:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16	April 01, 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS	January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -Amendments to IFRS 10 and IAS 28	Not yet finalized

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	July 01, 2009
IFRS 17 – Insurance Contracts	January 01, 2023

2.4.1 IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has calculated the impact of adoption of IFRS 9 on the financial statement of the Bank on the date of initial application, which will be finalized post issuance of IFRS 9 guidelines from SBP.

2.5 Critical accounting estimates and judgments

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

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

i) classification and provisioning against investments (notes 4.3.1 and 8)
ii) classification and provisioning against non-performing loans and advances (notes 4.4 and 9)
iii) income taxes (notes 4.11 and 33)
iv) accounting for defined benefit plan and compensated absences (notes 4.8 and 37)
v) depreciation of operating fixed assets (notes 4.5.2 and 10)
vi) amortisation of intangibles (notes 4.5.3 and 11)
vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.5.2, 4.5.5, 10 and 13.1)
viii) impairment of assets (note 4.12)
ix) fair value measurement of financial instruments (note 41)
x) other provisions and contingent liabilities (notes 22 and 32)
xi) determination of the lease term for lease contracts with renewal and termination options (Group as a lessee) (note 4.5.4.1)
xii) incremental borrowing rate (note 4.5.4.1)

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain fixed assets and non banking assets acquired in satisfaction of claims are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments are measured at fair value. Defined benefit obligation which are carried at present value. Right of use of asset and related lease liability are measured at present value.

3.2 Functional and Presentation Currency

3.2.1 These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

3.2.2 The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those of previous financial year except as disclosed in note 4.8 (d).

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as below:

4.2.1 Sale under repurchase agreements

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

4.2.2 Purchase under resale agreements

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

4.2.3 Bai Muajjal

The Bank enters into Bai Muajjal transactions of sale (lending) and purchase (borrowing). These are recorded as below:

Bai Muajjal Purchase

Bai Muajjal transactions represent purchase of shariah compliant instruments on deferred payment basis and are sbown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of tbe transaction.

Bai Muajjal Sale

Bai Muajjal transactions represent sale of sbariah compliant instruments on deferred payment basis and are sbown in borrowings. The credit price is agreed at the time of purchase and the proceeds are paid at tbe end of the credit period. The difference between the deferred payment amount payable and the carrying value at the time of purchase is accrued and recorded as borrowing cost over the life of the transaction.

4.3 Investments

4.3.1 Classification

The Group classifies its investments as follows:

Held for trading

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

Held to maturity

These are investments witb fixed or determinable payments and fixed maturities and the Group has the positive intent and ability to bold 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. Details of valuation techniques used in determination of fair value is included in note 41.1 of these consolidated financial statements.

4.3.5 Impairment

The Holding Company determines provision for diminution in the value of debt securities as per the Prudential Regulations issued by the SBP. When a debt security, other than a government security, is classified as available-for-sale and considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of a debt instrument increases the impairment loss is reversed through the profit and loss account. When a debt security, other than government security classified as held-to-maturity and considered to be impaired, the impairment is directly charged to the profit and loss account as held-to-maturity securities are carried at amortized cost. Any subsequent reversal of an impairment loss, up to the cost of the investment in the debt security is credited to the profit and loss

The Holding Company determines impairment on available-for-sale listed equity securities when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgement. A subsequent increase in the fair value of a previously impaired listed equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded threugh the profit and loss account when realised on disposal.

A decline in the carrying value of unlisted equity securities is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account.

The Group considers that a decline in the recoverable value of its investments in associates and joint ventures are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, higher of fair value less cost to sell and value in use, the investments in associates are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account Any subsequent reversal of an impairment loss, up to the cost of the investment in associates and joint ventures, is credited to the profit and loss account.

Provision against investments by the overseas branches is made as per the requirements of the respective countries in which overseas branches operates.

4.4 Advances

Loans and advances

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time and management assumptions. General reserve against Covid 19 is based on management's estimates as disclosed in note 9.5.4 .The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas loans and advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery or to clean up the balance sheet as allowed by SBP circular no. 06 of 2007 dated June 05, 2007.

Islamic Financing and Related Assets

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

Finance Lease Receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. The Group determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/ receivable on Ijarah under IFAS 2 are recorded as income / revenue. The Group charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

4.5 Fixed assets

4.5.1 Capital work in progress

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

4.5.2 Property and Equipment (owned and leased)

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 1D.2 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

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

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in OCI and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

4.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Intangible assets are assessed for impairment, if any, as described under note 4.12.

4.5.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.5.4.1 Group as a lessee

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Group recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

Incremental borrowing rate (IBR)

The IBR is the rate of markup that the 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.

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.

4.5.5 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted as per SBP's requirement, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the surplus on revaluation of non-banking assets in other comprehensive income, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account.

4.6 Deposits / Borrowings and their cost

a) Borrowings and deposits are recorded at the proceeds received.

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

c) Swap cost arises when surplus foreign currency funds are sold to purchase local currency funds from the market. Swap cost is recorded as an expense in the period in which it is incurred.

4.6.1 Deposits - Islamic Banking

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

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

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

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

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

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

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

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

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

4.7 Subordinated debts

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.8 Staff retirement / Employee benefits

a) Defined benefit plan

The Holding Company operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with Holding Company is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation.The actuarial valuations involve assumption and estimates of discount rates, expected rates of return on assets, future salary increases and future inflation rates as disclosed in note 37.1.3. Actuarial gains and losses are recognised immediately in other comprehensive income.

The Subsidiary - Alfalah CLSA Securities (Private) Limited operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The cost of providing benefits under the defined benefit scheme is determined using the Projected Unit Credit Method. Actuarial (remeasurement) gains and losses are recognised as income or expense in full in the year in which they occur in other comprehensive income.

b) Defined contribution plan

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

c) Compensated absences

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

d) Share Based Payment

The Bank has granted a cash award equivalent to the ordinary shares allotted to certain employees under Phantom Shares Award. The entitlement shall vest with the employees in three (3) equivalent proportions on the vesting dates over a period of three (3) years. The grant date is January 1, 2021 and the first vesting date is 365 calendar days from the grant date. Subsequently, second and third vesting dates to follow 365 calendar days from the preceding vesting dates. On each vesting date, the employees shall be entitled to a cash award for 33.33% (thirty-three and one third of one percent) of the total Phantom Shares Entitlement equivalent to fair market value of Bank's share on vesting date.

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

The Bank recognises compensation expense with corresponding liability at the fair value of the award. Until the liability is settled, the Bank re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

4.9 Foreign currencies

4.9.1 Functional and presentation currency

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

4.9.2 Transactions and balances

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

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

4.9.3 Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

4.9.4 Translation gains and losses

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

4.9.5 Commitments

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

4.10 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured.

4.10.1 Advances and investments

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Holding Company operates.

Murabaha income is recognised on deferred income basis.

4.10.2 Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

Ijarah income is recognised on an accrual basis as and when the rentals becomes due. Depreciation in case of Ijarah is netted off from markup income.

4.10.3 Non Markup / Interest income

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other

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

Other income is recognised on accrual basis.

4.11 Taxation

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

4.11.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebate, if any.

4.11.2 Prior years

This charge includes tax charge for prior years arising from assessments, changes in estimates and tax changes applied

4.11.3 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4.12 Impairment of non-financial assets

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

4.13 Provision for claims under guarantees

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

4.14 Other Provisions

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

4.15 Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under contingent liability is considered remote, it is not disclosed.

4.16 Off-setting

Financial assets and financial liabilities are off-set and the net amount reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.only when permitted by the approved accounting standards as applicable in Pakistan.

4.17 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions,deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

4.18 Derivative financial instruments

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

4.19 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as

4.20 Dividend and appropriation to reserves

Dividend declared and appropriations, except for transfer to statutory reserve ,are made subsequent to the date of Statement of Financial Position are considered as non adjusting events and are recorded as a liability in the Groups's financial statements in the year in which these are approved by the directors / shareholders, as appropriate.

4.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the 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, trade, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Bank. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

Corporate banking

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

Treasury

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

Digital banking

This segment includes branchless banking accounts, deposits and lending products, digital channels (including ATMs, internet banking, call centre and alfa app), corporate, G2P & SMME portfolio (including EOBI, BISP, payroll solutions), digital payments and digital products.

Islamic banking

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

International operations

This segment includes amounts related to Bank's overseas operations, namely, banking activities in Bangladesh, Afghanistan, United Arab Emirates and Kingdom of Bahrain.

Brokerage

It includes asset management activities mainly through the subsidiary Alfalah CLSA Securities (Private) Limited.

Others

This includes the head office related activities, and all other activities not directly tagged to the segments above.

4.22.2 Geographical segments

The Group operates in three geographical regions being:

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

	Note	2021	2020
		--------(Rupees in '000)--------	
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		21,886,083	18,110,677
Foreign currency		2,722,351	3,641,949
		24,608,434	21,752,626
With State Bank of Pakistan in			
Local currency current accounts	5.1	47,249,054	36,654,027
Foreign currency current accounts	5.2	5,231,881	4,865,316
Foreign currency deposit accounts	5.3	9,466,467	23,312,434
		61,947,402	64,831,777
With other central banks in			
Foreign currency current accounts	5.4	9,536,033	8,253,771
Foreign currency deposit accounts	5.5	2,589,553	681,448
		12,125,586	8,935,219
With National Bank of Pakistan in local currency current account		6,699,191	3,242,753
Prize bonds		226,317	586,487
		105,606,930	99,348,862

5.1 This represents local currency current account maintained under the cash reserve requirement of the State Bank of Pakistan.

5.2 These represent US Dollar and other foreign currency settlement accounts and a foreign currency current account maintained under the cash reserve requirement of the State Bank of Pakistan.

5.3 This represents foreign currency current account maintained under the special cash reserve of the State Bank of Pakistan. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry interest rate at 0.00% per annum (2020: 0.00% to 0.76% per annum).

5.4 These represent deposits with other central banks pertaining to the overseas operations of the Bank, to meet their minimum cash reserves and capital requirements .

5.5 These represent deposits with other central banks pertaining to the overseas operations of the Bank, in accordance with their regulatory requirements and carry interest rates ranging from 0.00% to 0.32% per annum (2020: 0.19% to 0.42% per annum).

	Note	2021	2020
		--------(Rupees in '000)--------	
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		159,395	87,328
In deposit accounts	6.1	57,615	53,455
		217,010	140,783
Outside Pakistan			
In current accounts	6.2	9,737,924	5,642,659
In deposit accounts	6.3	26,373	590,030
		9,764,297	6,232,689
		9,981,307	6,373,472

6.1 This represents funds deposited with various banks at profit rates ranging from 2.80% to 7.25% per annum (2020: 2.84% to 5.5% per annum).

6.2 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.

6.3 This includes placement of funds generated through foreign currency deposits scheme (FE-25) and non-contractual deposits at interest rates ranging from 0.10% to 1.00% per annum (2020: 2.00% to 3.00% per annum).

	Note	2021	2020
		--------(Rupees in '000)--------	
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	7.1	22,815,581	22,064,585
Repurchase agreement lendings(Reverse Repo)	7.2	11,172,904	51,747,865
Bai Muajjal receivable - other financial institutions	7.3	1,993,580	3,493,085
		35,982,065	77,305,535

7.1 These represent lendings to financial institutions at markup rates ranging from 0.15% to 10.75% per annum (2020: 0.05% to 9.70% per annum) having maturities upto March 2022 (2020: June 2021).

7.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 10.50% to 10.75% per annum (2020: 6.20% to 7.12% per annum) with maturities upto January 2022 (2020: January 2021).

7.3 This represents a Bai Muajjal agreement that carries markup rate of 7.50% per annum (2020: 6.85% to 6.95% per annum), and is due to mature by January 2022 (2020: April 2021).

	2021	2020
	--------(Rupees in '000)--------	
7.4 Particulars of lending - gross		
In local currency	26,097,190	66,041,011
In foreign currencies	9,884,875	11,264,524
	35,982,065	77,305,535

7.5 Securities held as collateral against lending to financial institutions

	2021			2020		
	Held hy Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----------(Rupees in '000)----------					
Market Treasury Bills	8,842,827	-	8,842,827	37,359,362	-	37,359,362
Pakistan Investment Bonds	2,330,077	-	2,330,077	14,388,503	-	14,388,503
Total	11,172,904	-	11,172,904	51,747,865	-	51,747,865

8 INVESTMENTS

8.1 Investments by type:

	Note	2021				2020			
		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		58,471,616	-	(20,039)	58,451,577	56,821,307	-	(9,388)	56,811,919
Pakistan Investment Bonds		38,043,325	-	993	38,044,318	7,510,169	-	30,229	7,540,398
Shares									
Ordinary shares / units - Listed		1,010,085	-	(13,039)	997,046	481,473	-	14,249	495,722
Foreign Securities									
Overseas Bonds - Sovereign		4,078,675	-	(391,803)	3,686,872	6,142,136	-	56,800	6,198,936
		101,603,701	-	(423,888)	101,179,813	70,955,085	-	91,890	71,046,975
Available-for-sale securities									
Federal Government Securities									
Market Treasury Bills		66,709,176	-	(31,162)	66,678,014	145,099,588	-	102,559	145,202,147
Pakistan Investment Bonds		421,777,608	-	(2,068,279)	419,709,329	187,006,839	-	2,381,275	189,388,114
Government of Pakistan Sukuks		70,415,751	-	(427,810)	69,987,941	24,322,881	-	(439)	24,322,442
Government of Pakistan Euro Bonds		1,172,284	-	109,704	1,281,988	1,956,045	-	147,772	2,103,817
Naya Pakistan Certificates		1,016,120	-	-	1,016,120	466,435	-	-	466,435
Shares									
Ordinary shares - Listed		4,228,215	(315,697)	50,388	3,962,906	3,401,744	(423,497)	2,326,352	5,504,599
Ordinary shares - Unlisted		1,211,363	(55,725)	-	1,155,638	1,201,285	(59,661)	-	1,141,624
Preference Shares - Listed		108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted		25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities									
Term Finance Certificates		2,426,778	(311,298)	(10,682)	2,104,798	1,596,910	(452,530)	(11,209)	1,133,171
Sukuks		17,481,926	(96,511)	239,990	17,625,405	18,250,653	(96,511)	113,865	18,268,007
Foreign Securities									
Overseas Bonds - Sovereign		17,350,342	-	292,949	17,643,291	16,552,071	-	813,215	17,365,286
Overseas Bonds - Others		30,356,529	-	403,361	30,759,890	17,326,311	-	716,255	18,042,566
Redeemable Participating Certificates	8.1.1	3,310,874	-	-	3,310,874	2,904,675	-	-	2,904,675
		637,590,801	(913,066)	(1,441,541)	635,230,194	420,219,272	(1,166,034)	6,589,645	425,642,883
Held-to-maturity securities									
Federal Government Securities									
Pakistan Investment Bonds		52,966,763	-	-	52,966,763	20,003,717	-	-	20,003,717
Other Federal Government Securities		3,094,151	-	-	3,094,151	7,216,366	-	-	7,216,366
Non Government Debt Securities									
Term Finance Certificates		431,347	(24,680)	-	406,667	398 013	(24,680)	-	373,333
Sukuks		2,063,572	(80,722)	-	1,982,850	1,136,216	(94,545)	-	1,041,671
Foreign Securities									
Overseas Bonds - Sovereign		13,106,228	-	-	13,106,228	19,629,502	-	-	19,629,502
Overseas Bonds - Others		-	-	-	-	798,356	-	-	798,356
		71,662,061	(105,402)	-	71,556,659	49,182,170	(119,225)	-	49,062,945
Associates (valued at equity method)	8.1.2	4,118,122	-	-	4,118,122	3,675,044	-	-	3,675,044
General provision and expected credit loss-			(167,542)	-	(167,542)				
Overseas operations						-	(69,294)	-	(69,294)
Total Investments		814,974,685	(1,186,010)	(1,865,429)	811,923,246	544,031,571	(1,354,553)	6,681,535	549,358,553

8.1.1 The adoption of IFRS 9 at Bahrain Operations of the Bank has resulted in Investments in Redeemable Participating Certificates held abroad, being mandatorily measured at "Fair Value through Profit and Loss Account". However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-16203 dated July 26, 2018, such investments have been reported and measured under "Available for Sale" investments in these consolidated financial statements.

8.1.2 Movement in values of investments accounted for under equity method of accounting

The details of investments accounted for under equity method of accounting is as follows.

	2021				
	Investment as at January 1	Share of Profit	Share of Other Comprehensive Income	Dividend received during the year	Balance as at December 31
	(Rupees in '000)				
Alfalah Insurance Company Limited	492,334	79,752	(19,176)	-	552,910
Sapphire Wind Power Company Limited	2,716,955	433,621	-	(111,000)	3,039,576
Alfalah GHP Investment Management Limited	465,755	59,881	-	-	525,636
	3,675,044	573,254	(19,176)	(111,000)	4,118,122

	2020				
	Investment as at January 1	Share of Profit	Share of Othar Comprehensive Income	Dividend received during the year	Balance as at December 31
	(Rupees in '000)				
Alfalah Insurance Company Limited	396,575	82,119	13,640	-	492,334
Sapphire Wind Power Company Limited	2,341,597	465,358	-	(90,000)	2,716,955
Alfalah GHP Investment Management Limited	400,615	65,140	-	-	465,755
	3,138,787	612,617	13,640	(90,000)	3,675,044

8.1.3 Particulars of assets and liabilities of associates

			2021			
	Audited / Un-audited	Financial statements date	Assets	Liabilities	Revenue	Profit for the year
			(Rupees in '000)			
Alfalah Insurance Company Limited	Audited	December 31, 2021	5,025,547	3,192,045	1,934,765	265,840
Sapphire Wind Power Company Limited	Un-audited	December 31, 2021	16,731,168	7,406,481	3,197,037	1,445,403
Alfalah GHP Investment Management Limited	Un-audited	December 31, 2021	1,553,666	246,762	408,689	148,883

			2020			
		Financial statements date	Assets	Liabilities	Revenue	Profit for the year
			(Rupees in '000)			
Alfalah Insurance Company Limited	Audited	December 31, 2020	4,233,623	2,602,042	1,726,381	273,729
Sapphire Wind Power Company Limited	Un-audited	December 31, 2020	16,562,413	8,313,129	3,381,695	1,551,192
Alfalah GHP Investment Management Limited	Un-audited	December 31, 2020	1,390,159	232,128	469,183	161,959

8.2 Investments by segments:	2021 Cost/ Amortised cost	2021 Provision for diminution	2021 Surplus / (Deficit)	2021 Carrying Value	2020 Cost/ Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value
	----------(Rupees in '000)----------							
Federal Government Securities:								
Market Treasury Bills	125,180,792	-	(51,201)	125,129,591	201,920,895	-	93,171	202,014,066
Pakistan Investment Bonds	512,787,696	-	(2,067,286)	510,720,410	214,520,725	-	2,411,504	216,932,229
Government of Pakistan Euro Bonds	1,172,284	-	109,704	1,281,988	1,956,045	-	147,772	2,103,817
Other Federal Government Securities	3,094,151	-	-	3,094,151	7,216,366	-	-	7,216,366
Government of Pakistan Sukuks	70,415,751	-	(427,810)	69,987,941	24,322,881	-	(439)	24,322,442
Naya Pakistan Certificates	1,016,120	-	-	1,016,120	466,435	-	-	466,435
	713,666,794	-	(2,436,593)	711,230,201	450,403,347	-	2,652,008	453,055,355
Shares:								
Listed Companies	5,347,135	(424,532)	37,349	4,959,952	3,992,052	(532,332)	2,340,601	5,800,321
Unlisted Companies	1,236,363	(80,725)	-	1,155,638	1,226,285	(84,661)	-	1,141,624
	6,583,498	(505,257)	37,349	6,115,590	5,218,337	(616,993)	2,340,601	6,941,945
Non Government Debt Securities								
Listed	15,387,120	(1,785)	169,318	15,554,653	15,063,010	(1,785)	21,381	15,082,606
Unlisted	7,016,503	(511,426)	59,990	6,565,067	6,318,782	(666,481)	81,275	5,733,576
	22,403,623	(513,211)	229,308	22,119,720	21,381,792	(668,266)	102,656	20,816,182
Foreign Securities								
Government securities	34,535,245	-	(98,854)	34,436,391	42,323,709	-	870,015	43,193,724
Non Government Debt securities	33,667,403	-	403,361	34,070,764	21,029,342	-	716,255	21,745,597
	68,202,648	-	304,507	68,507,155	63,353,051	-	1,586,270	64,939,321
Associates (valued at equity method)	4,118,122	-	-	4,118,122	3,675,044	-	-	3,675,044
General provision and expected credit loss- Overseas operations	-	(167,542)	-	(167,542)	-	(69,294)	-	(69,294)
Total Investments	814,974,685	(1,186,010)	(1,865,429)	811,923,246	544,031,571	(1,354,553)	6,681,535	549,358,553

8.2.1 Investments given as collateral

	2021	2020
	---------(Rupees in '000)---------	
Market Treasury Bills	34,714,491	99,091,373
Pakistan Investment Bonds	109,031,611	82,733,120
Overseas Bonds	10,749,672	-
	154,495,774	181,824,493

The market value of securities given as collateral is Rs. 154,163.013 million (2020: Rs. 181,215.233 million).

8.3 Provision for diminution in value of investments

		2021	2020
8.3.1 Opening balance		1,354,553	2,402,454
Exchange and other adjustments		6,183	495
Charge / reversals			
Charge for the year		421,889	1,042,001
Reversals for the year		(217,924)	(26,352)
Reversal on disposals		(374,755)	(1,564,459)
		(170,790)	(548,810)
Written off	8.3.2	(3,936)	(499,586)
Closing Balance		1,186,010	1,354,553

8.3.2 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, Agritech Limited TFC amounting to Rs. 499.586 million was written off in 2020 as part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.

8.3.3 Particulars of provision against debt securities

Category of classification	2021 NPI	2021 Provision	2020 NPI	2020 Provision
	(Rupees in '000)			
Domestic				
Loss	513,211	513,211	668,266	668,266
Overseas	-	-	-	-
Total	513,211	513,211	668,266	668,266

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	Note	2021	2020
		Cost	
		(Rupees in '000)	
8.4.1 Federal Government Securities - Government guaranteed			
Market Treasury Bills		66,709,176	145,099,588
Pakistan Investment Bonds		421,777,608	187,006,839
Government of Pakistan Sukuks		70,415,751	24,322,881
Government of Pakistan Euro Bonds		1,172,284	1,956,045
Naya Pakistan Certificates	8.4.1.1	1,016,120	466,435
		561,090,939	358,851,788

8.4.1.1 This represents intial investment made for the establishment of the modaraba pools in Naya Pakistan Company limited in accordance with S.R.O 964 (I) / 2020 dated October 05, 2020.

8.4.2 Shares	2021	2020
	Cost	
8.4.2.1 Listed Companies	(Rupees in '000)	
Ordinary Shares		
Automobile Parts & Accessories	180,523	119,848
Cement	267,096	254,111
Chemicals	139,828	109,420
Commercial Banks	1,197,699	1,312,929
Engineering	97,908	28,953
Fertilizer	772,194	488,153
Glass and Ceramics	5,424	-
Investment Banks	15,000	26,043
Oil and Gas Exploration Companies	855,084	436,504
Oil and Gas Marketing Companies	178,650	174,951
Pharmaceuticals	51,217	51,216
Power Generation & Distribution	465,182	62,826
Real Estate Investment Trust	-	336,790
Textile Composite	2,410	-
	4,228,215	3,401,744
Preference Shares		
Fertilizer	108,835	108,835
	4,337,050	3,510,579

8.4.2.2 Unlisted Companies	Break up value as at	2021 Cost	2021 Breakup value	2020 Cost	2020 Breakup value
		(Rupees in '000)			
Ordinary Shares					
Al-Hamara Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited*	Dec 31, 2019	-	-	22,235	80,303
Pakistan Mortgage Refinance Company Limited	Dec 31, 2020	300,000	503,350	300,000	385,098
Pakistan Corporate Restructuring Company Limited	Dec 31, 2020	32,313	30,310	-	-
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2020	4,095	21,667	4,095	11,754
TriconBoston Consulting Corporation (Private) Limited	June 30, 2021	769,230	1,770,787	769,230	1,389,619
I Link (Private) Limited	June 30, 2021	50,000	267,895	50,000	230,837
		1,211,363	2,641,895	1,201,285	2,145,497
Preference Shares					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,784
		1,236,363	2,669,679	1,226,285	2,173,281

*Disposed off during the year

	2021	2020
	Cost	
	(Rupees in '000)	
8.4.3 Non Government Debt Securities		
8.4.3.1 Listed		
Categorised based on long term rating by Credit Rating Agency :		
- A+, A, A-	100,000	100,000
- BBB+, BBB, BBB-	99,920	99,940
- Unrated	14,937,200	14,963,070
	15,137,120	15,163,010
8.4.3.2 Unlisted		
Categorised based on long term rating by Credit Rating Agency:		
- AAA	2,250,000	3,687,297
- AA+, AA, AA-	250,000	450,000
- A+, A, A-	677,000	-
- Unrated	1,594,584	547,256
	4,771,584	4,684,553
Total Non Government Debt Securities	19,908,704	19,847,563

8.4.4 Foreign Securities	2021 Cost	2021 Rating	2020 Cost	2020 Rating
8.4.4.1 Government Securities	(Rupees in '000)			
Kingdom of Saudi Arabia	1,746,106	A1	2,376,563	A
People's Republic of China	1,083,428	A+	1,916,025	A+
Sultanate of Oman	1,415,152	BB+	1,119,856	BB-
Abu Dhabi	2,388,531	AA	2,962,064	AA
Republic of Korea	867,954	AA	1,344,088	AA
Republic of South Africa	885,074	BB-	561,891	BB-
Italy	773,129	Baa3	937,350	BBB
United Mexican States	-	-	97,284	BBB
Republic of Kazakhstan	414,340	BBB-	391,844	BBB
Republic of Philipines	412,626	BBB	-	-
Sharjah	1,789,258	BBB-	1,622,414	BBB-
Republic Of Chile	19,557	A1	19,848	A+
Malaysia	-	-	325,852	A-
Dubai	1,235,596	Unrated	1,118,836	Unrated
Islamic Republic of Pakistan	333,531	Unrated	-	-
Area Republic of Egypt	353,009	B-	-	-
Indonesia	2,333,866	Unrated	-	-
Republic Of Turkey	1,299,185	Baa2	1,758,156	BBB
	17,350,342	B2	16,552,071	

8.4.4.2 Non Government Debt Securities - Overseas securities

Unlisted

Categorised based on long term rating by Credit Rating Agency	2020	2020
	-------(Rupees In '000)-------	
- AAA	-	479,508
- AA+, AA, AA-	5,904,607	800,502
- A+, A, A-	6,259,240	10,296,542
- BB8+, BBB, BBB-	7,687,329	5,510,005
- BB+, BB, BB-	-	239,754
- Baa1,B-	5,243,765	-
- A3	4,135,316	-
- Unrated	4,437,146	2,904,675
	33,667,403	20,230,986

8.5 Particulars relating to Held to Maturity securities are as follows:

8.5.1 Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	52,966,763	20,003,717
Other Federal Government Securities	3,094,151	7,216,366
	56,060,914	27,220,083

8.5.2 Non Government Debt Securities

Unlisted

Categorised based on long term rating by Credit Rating Agency

- AAA	1,482,850	1,041,670
- A+, A, A-	806,667	183,333
- Unrated	205,402	309,226
	2,494,919	1,534,229

8.5.3 Foreign Securities

8.5.3.1 Government Securities	2021		2020	
	Cost	Rating	Cost	Rating
	----------(Rupees in '000)----------			
Afghanistan	1,944,920	Unrated	4,680,536.00	Unrated
People's Republic of Bangladesb	10,283,250	BB-	13,360,321	BB-
State of Qatar	878,058	AA-	1,588,645	AA-
	13,106,228		19,629,502	

8.5.3.2 Non Government Debt Securities

Unlisted	2021	2020
	Cost	
	-------(Rupees in '000)-------	
- BBB+, BBB, BBB-	-	798,356

8.6 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 69,624.622 million (December 31, 2020 : Rs. 50,506.972 million).

9 ADVANCES

	Note	Performing		Non Performing		Total	
		2021	2020	2021	2020	2021	2020
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.2	515,836,257	458,637,062	20,346,565	20,822,483	536,182,822	479,459,545
Islamic financing and related assets	9.3	132,995,060	101,747,490	3,776,282	3,927,311	136,771,342	105,674,801
Bills discounted and purchased		25,534,513	14,657,071	588,182	1,111,055	26,122,695	15,768,126
Advances - gross		674,365,830	575,041,623	24,711,029	25,860,849	699,076,859	600,902,472
Provision against advances							
- Specific	9.6	-	-	(21,126,338)	(18,318,525)	(21,126,338)	(18,318,525)
- General	9.6	(4,067,236)	(5,266,171)	-	-	(4,067,236)	(5,266,171)
		(4,067,236)	(5,266,171)	(21,126,338)	(18,318,525)	(25,193,574)	(23,584,696)
Advances - net of provision		670,298,594	569,775,452	3,584,691	7,542,324	673,883,285	577,317,776

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2021				2020			
	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	359,992	3,403,198	170,854	3,934,044	405,674	2,995,404	38,109	3,439,187
Residual value	189,187	980,729	39,395	1,209,311	292,660	738,799	8,598	1,040,057
Minimum lease payments	549,179	4,383,927	210,249	5,143,355	698,334	3,734,203	46,707	4,479,244
Financial charges for future periods	(27,456)	(506,503)	(27,784)	(561,743)	(51,927)	(333,409)	(10,371)	(395,707)
Present value of minimum lease payments	521,723	3,877,424	182,465	4,581,612	646,407	3,400,794	36,336	4,083,537

9.2 Advances include an amount of Rs. 233.151 million (2020: Rs. 137.615 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry mark-up at the rates ranging from 10.17 % to 23.65 % (2020: 9.46% to 24.42%) with maturities up to October 2041 (2020: December 2039).

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

9.4 Particulars of advances (Gross)

	2021	2020
	(Rupees in '000)	
In local currency	631,768,509	559,358,878
In foreign currencies	67,308,350	41,543,594
	699,076,859	600,902,472

9.5 Advances include Rs. 24,711.029 million (2020: Rs. 25,860.849 million) which have been placed under non-performing status as detailed below:

Category of Classification	2021		2020	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees In '000)			
Domestic				
Other Assets Especially Mentioned	84,230	4,693	65,346	2,455
Substandard	2,466,916	566,982	3,576,300	885,085
Doubtful	2,743,571	1,423,199	7,895,994	3,332,683
Loss	18,790,302	18,655,497	13,770,907	13,657,279
	24,085,019	20,650,371	25,308,547	17,877,502
Overseas				
Not past due but impaired				
Overdue by:				
91 to 180 days	29,467	249	-	-
Above 365 days	596,543	475,718	552,302	441,023
	626,010	475,967	552,302	441,023
Total	24,711,029	21,126,338	25,860,849	18,318,525

9.6 Particulars of provision against advances

	Note	2021			2020		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		18,318,525	5,266,171	23,584,696	17,741,685	994,584	18,736,269
Exchange and other adjustments		39,420	20,227	59,647	15,076	2,408	17,484
Charge for the year		4,959,088	-	4,959,088	5,939,978	4,269,179	10,209,157
Reversals		(1,871,249)	(1,219,162)	(3,090,411)	(2,037,607)	-	(2,037,607)
		3,087,839	(1,219,162)	1,868,677	3,902,371	4,269,179	8,171,550
Amounts written off		(319,446)	-	(319,446)	(521,114)	-	(521,114)
Amounts charged off - agriculture financing		-	-	-	(35,051)	-	(35,051)
Amounts charged off - balance sheet cleaning	9.7.3	-	-	-	(2,784,442)	-	(2,784,442)
	9.7	(319,446)	-	(319,446)	(3,340,607)	-	(3,340,607)
Closing balance		21,126,338	4,067,236	25,193,574	18,318,525	5,266,171	23,584,696

9.6.1 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	19,527,416	3,756,618	23,284,034	16,775,621	5,055,610	21,831,231
In foreign currencies	1,598,922	310,618	1,909,540	1,542,904	210,561	1,753,465
	21,126,338	4,067,236	25,193,574	18,318,525	5,266,171	23,584,696

9.6.2 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2021 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 89.192 million (2020: Rs. 72.557 million).

9.6.3 During the year, non performing loans and provisions were reduced by Rs. Nil (2020: Rs. 1,049.600 million) due to debt property swap.

9.6.4 General provision includes:

(i) Provision held in accordance with SBP's prudential regulations against:

- Conventional consumer loans being maintained at an amount equal to 1% of the secured auto loans and 0.5% of secured house loans performing portfolio and 4% of the unsecured (personal loans and credit cards) performing portfolio;
- Islamic auto loans being maintained at an amount equal to 1% of the secured performing portfolio and for Islamic house loans, at an amount equal to 0.5% of the secured performing portfolio;
- Small Enterprises (SE) portfolio being maintained at an amount equal to 1% against unsecured performing SE portfolio;

(ii) Provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates;

(iii) Provision of Rs. 2,550.000 million (December 31, 2020: 4,250.000 million) representing Covid 19 general loan loss reserve. While restructured portfolio is performing, the continuing cycle of Covid 19 still poses risk.

9.6.5 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

		Note	2021	2020
9.7	**Particulars of Write Offs:**		------(Rupees in '000)------	
9.7.1	Against Provisions	9.7.2	319,446	3,340,607
	Directly charged to Profit & Loss account		-	-
			319,446	3,340,607
9.7.2	Write Offs of Rs. 500,000 and above			
	- Domestic	9.8	107,194	3,107,852
	- Overseas		-	-
	Write Offs of Below Rs. 500,000		212,252	232,755
			319,446	3,340,607

9.7.3 As allowed by the SBP circular no. 06 of 2007 dated June 05, 2007, loans and advances amounting to Rs. 2,784.442 million were written off in 2020 as part of the balance sheet cleanup exercise. The Bank holds enforceable collateral in the event of recovery through litigation.

9.8 Details Of Loan Write Off Of Rs. 500,000/- And Above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2021 is given as Annexure-I to the unconsolidated accounts.

		Note	2021	2020
10	**FIXED ASSETS**		-------(Rupees in '000)-------	
	Capital work-in-progress	10.1	1,117,186	748,769
	Property and equipment	10.2	26,588,783	20,694,822
	Right-of-use assets	10.3	11,855,983	9,551,202
			39,561,952	30,994,793
10.1	**Capital work-in-progress**			
	Civil works		692,766	416,527
	Equipment		414,857	301,903
	Others		9,563	30,339
			1,117,186	748,769

10.2 **Property and Equipment**

	2021								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold Improvement	Furniture and fixture	Office equipment	Vehicles	Total
	----------(Rupees in '000)----------								
At January 1, 2021									
Cost / Revalued amount	6,179,611	3,086,200	2,051,942	3,216,835	6,179,542	2,252,234	15,235,267	377,753	38,579,384
Accumulated depreciation	-	-	(114,757)	(193,241)	(4,391,397)	(1,836,488)	(11,112,512)	(236,169)	(17,884,562)
Net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	415,746	4,122,755	141,584	20,694,822
Year ended December 2021									
Opening net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	415,746	4,122,755	141,584	20,694,820
Additions	295,350	-	98,418	137,432	777,039	88,374	1,830,244	49,048	3,275,905
Movement in surplus on assets revalued during the year	2,198,668	1,212,044	344,068	940,765	-	-	-	-	4,695,545
Reversal of deficit on revaluation recognised in the profit and loss account - net	(2,000)	-	23,989	41,585	-	-	-	-	63,574
Disposals	-	-	-	-	(1,627)	(5,793)	(10,138)	-	(17,558)
Depreciation charge	-	-	(68,934)	(101,468)	(334,502)	(90,789)	(1,472,712)	(51,454)	(2,119,859)
Exchange rate adjustments	-	-	-	-	1,699	152	3,507	(185)	5,173
Other adjustments / transfers	-	-	-	(5,267)	(7,726)	56	4,507	(387)	(8,817)
Closing net book value	8,671,629	4,298,244	2,334,726	4,036,641	2,223,028	407,746	4,478,163	138,606	26,588,783
At December 31, 2021									
Cost / Revalued amount	8,671,629	4,298,244	2,334,726	4,036,641	6,939,239	2,283,352	16,580,115	406,835	45,550,781
Accumulated depreciation	-	-	-	-	(4,716,211)	(1,875,606)	(12,101,952)	(268,229)	(18,961,998)
Net book value	8,671,629	4,298,244	2,334,726	4,036,641	2,223,028	407,746	4,478,163	138,606	26,588,783
Rate of depreciation (percentage)	-	-	2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

	2020								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold Improvement	Furniture and fixture	Office equipment	Vehicles	Total
	(Rupees in '000)								
At January 1, 2020									
Cost / Revalued amount	6,151,946	3,086,200	1,655,333	3,174,993	5,881,693	2,108,507	13,272,506	367,227	35,698,405
Accumulated depreciation	-	-	(47,325)	(93,186)	(4,021,878)	(1,747,359)	(10,246,943)	(272,931)	(16,429,622)
Net book value	6,151,946	3,086,200	1,608,008	3,081,807	1,859,815	361,148	3,025,563	94,296	19,268,783
Year ended December 2020									
Opening net book value	6,151,946	3,086,200	1,608,008	3,081,807	1,859,815	361,148	3,025,563	94,296	19,268,783
Additions	27,665	-	34,527	56,499	271,318	153,126	2,366,468	115,076	3,024,679
Disposals	-	-	-	(13,927)	(8,552)	(1,043)	(11,913)	(15,589)	(51,024)
Depreciation charge	-	-	(61,085)	(100,785)	(334,829)	(97,922)	(1,260,410)	(53,746)	(1,908,777)
Exchange rate adjustments	-	-	-	-	542	547	2,233	1,550	4,672
Other adjustments / transfers	-	-	355,735	-	(149)	90	813	-	356,489
Closing net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	415,746	4,122,754	141,587	20,694,822
At December 31, 2020									
Cost / Revalued amount	6,179,611	3,086,200	2,051,942	3,218,835	8,179,542	2,252,234	15,236,267	377,753	38,579,384
Accumulated depreciation	-	-	(114,757)	(193,241)	(4,391,397)	(1,836,488)	(11,112,513)	(236,166)	(17,884,562)
Net book value	6,179,611	3,086,200	1,937,185	3,023,594	1,788,145	415,746	4,122,754	141,587	20,694,822
Rate of depreciation (percentage)			2.5%	2.5%	10% - 20%	10% - 25%	12.5% - 50%	25%	

10.2.1 Land and buildings were last revalued on December 31, 2021 on the basis of market values, determined by independent valuers M/s Akbani & Javed Associates, M/s Collier International Pakistan (Private) Limited, M/s Harvester Service (Private) Limited and M/s Hamid Mukbtar & Co. (Private) Limited. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2021 would have been Rs. 6,287.937 million (2020: Rs. 5,807.270 million).

	2021		2020	
	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	1,888,695	8,671,629	1,595,345	6,179,611
Leasehold land	1,291,138	4,298,244	1,291,138	3,086,200
Buildings on freehold land	1,543,595	2,334,764	1,472,210	1,937,185
Buildings on leasehold land	1,564,509	4,036,603	1,448,577	3,023,594
	6,287,937	19,341,240	5,807,270	14,226,590

10.2.2 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 13,605.727 million (2020: Rs. 12,678.428 million).

10.2.3 **Idle and held for sale properties**
The properties having book value of Rs. Nil (2020: Rs. 355.735 million) were transferred from non banking assets acquired under satisfaction of claims to operating fixed assets. Furthermore, the Bank transferred 'idle and held for sale properties' having book value of Rs. Nil (2020: Rs. 42.000 million) to 'owned properties' (land and building).

10.2.4 Sale of fixed assets to related parties are disclosed in Annexure III to the unconsolidated financial statements.

10.3 Right-of-use assets

	2021	2020
	-------(Rupees in '000)-------	
At January 1		
Cost / Revalued amount	13,402,033	10,996,707
Accumulated depreciation	(3,850,831)	(1,801,183)
Net book value	9,551,202	9,195,524
Year ended December		
Opening net book value	9,551,202	9,195,524
Additions	4,587,138	2,397,464
Depreciation charge	(2,276,236)	(2,049,648)
Exchange rate adjustments	(6,121)	7,862
Closing net book value	11,855,983	9,551,202
At December 31		
Cost / Revalued amount	17,983,050	13,402,033
Accumulated depreciation	(6,127,067)	(3,850,831)
Net book value	11,855,983	9,551,202
Rate of depreciation (percentage)	5% - 100%	5% - 100%

11 INTANGIBLE ASSETS

		2021	2020
		-------(Rupees in '000)-------	
Capital work-in-progress / Advance payment to suppliers		381,761	268,225
Software	11.1	735,128	1,017,009
Membership Card		2,500	2,500
		1,119,389	1,287,734

11.1

At January 1		
Cost	4,601,435	4,147,422
Accumulated amortisation and impairment	(3,584,426)	(3,143,085)
Net book value	1,017,009	1,004,337
Year ended December 31		
Opening net book value	1,017,009	1,004,337
		-
- developed internally		-
Additions - directly purchased	114,013	451,840
- through business combinations		
Impairment loss recognised in the profit and loss account - net		
Amortisation charge	(396,183)	(439,042)
Exchange rate adjustments	98	96
Other adjustments	191	(222)
Closing net book value	735,128	1,017,009
At December 31		
Cost	4,721,709	4,601,435
Accumulated amortisation and impairment	(3,986,581)	(3,584,426)
Net book value	735,128	1,017,009
Rate of amortisation (percentage)	20% - 25%	20% - 25%
Useful life	4 - 5 years	4 - 5 years

11.2 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 3,022.301 million (2020: Rs. 2,420.016 million).

12 DEFERRED TAX ASSETS / (LIABILITIES)

	2021			
	At January 1, 2021	Recognised in P&L (charge) / reversal	Recognised in OCI (charge) / reversal	At December 31, 2021
	----------(Rupees in '000)----------			
Deductible Temporary Differences on:				
- Provision against investments	444,440	19,355	-	463,795
- Provision against advances	3,056,275	(156,326)	-	2,899,949
- Unrealised gain / (loss) on revaluation of HFT investments	(31,461)	196,907	-	165,446
- Surplus on revaluation of available for sale investments	(2,303,001)	-	2,864,127	561,126
- Provision against other assets	354,366	376,606	-	730,972
- Provision against lending to financial institutions	-	81	-	81
	1,520,619	436,623	2,864,127	4,821,369
Taxable Temporary Differences on:				
- Surplus on revaluation of fixed assets	(1,277,421)	-	804,311	(473,110)
- Surplus on revaluation of non banking assets	(1,235)		(82,804)	(84,039)
- Share of profit and other comprehensive income from associates	(874,103)	(279,698)	7,000	(1,146,801)
- Accelerated tax depreciation	(1,603,114)	(356,835)	-	(1,959,949)
	(3,755,873)	(636,533)	728,507	(3,663,899)
	(2,235,254)	(199,910)	3,592,634	1,157,470

	2020			
	At January 1, 2020	Recognised in P&L (charge) / reversal	Recognised in OCI (charge) / reversal	At December 31, 2020
	----------(Rupees in '000)----------			
Deductible Temporary Differences on:				
- Provision against investments	682,296	(237,856)	-	444,440
- Provision against advances	566,205	2,490,070	-	3,056,275
- Provision against other assets	343,011	11,355	-	354,366
- Provision against lending to financial institutions	1,997	(1,997)	-	-
	1,593,509	2,261,572	-	3,855,081
Taxable Temporary Differences on:				
- Surplus on revaluation of fixed assets and non banking assets	(1,263,071)	21,522	(35,872)	(1,277,421)
- Surplus on revaluation of non banking assets	(35,959)	4	34,720	(1,235)
- Unrealised (loss) / gain on revaluation of HFT investments	7,438	(38,899)	-	(31,461)
- Surplus on revaluation of available for sale investments	(2,262,421)	-	(40,580)	(2,303,001)
- Share of profit and other comprehensive income from associates	(686,413)	(182,916)	(4,774)	(874,103)
- Accelerated tax depreciation	(1,490,488)	(112,626)	-	(1,603,114)
	(5,730,914)	(312,915)	(46,506)	(6,090,335)
	(4,137,405)	1,948,657	(46,506)	(2,235,254)

13 OTHER ASSETS

	Note	2021	2020
		-------(Rupees in '000)-------	
Income/ Mark-up accrued in local currency - net of provision		23,325,336	17,857,094
Income/ Mark-up accrued in foreign currency - net of provision		1,389,395	1,171,478
Advances, deposits, advance rent and other prepayments		2,636,643	1,846,113
Advance against subscription of share		-	32,312
Non-banking assets acquired in satisfaction of claims	13.1.1	1,435,191	1,445,960
Dividend receivable		-	2,383
Mark to market gain on forward foreign exchange contracts		2,249,270	1,319,187
Stationery and stamps on hand		25,415	28,390
Defined benefit plan	37.1.4	744,324	692,399
Due from card issuing banks		1,212,831	995,590
Account receivable		3,849,202	3,248,952
Receivable against fraud and forgeries	13.2	67,515	85,246
Acceptances		20,050,282	14,414,532
Receivable against DSC/SSC and overseas government securities		570,897	806,885
Receivable against marketable securities		1,623,912	2,416,928
Others		53,914	17,023
		59,234,127	46,380,472
Less: Provision held against other assets	13.3	(1,848,407)	(797,976)
Other Assets (Net of Provision)		57,385,720	45,582,496
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1.1	171,727	105,182
		57,557,447	45,687,678

		2021	2020
		-------(Rupees in '000)-------	
13.1	Market value of Non-banking assets acquired in satisfaction of claims - properties only	1,595,851	1,536,100

The Non-banking assets (properties) of the Bank have been revalued by independent professional valuers as at December 31, 2021. The revaluation was carried out by M/s. Harvestor Service (Private) Limited, M/s Akbani & Javed Associates and M/s. K.G Traders on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 66.641 million (2020: Rs. 32.506 million).

		Note	2021	2020
			-------(Rupees in '000)-------	
13.1.1	**Non-banking assets acquired in satisfaction of claims**			
	Opening Balance		1,551,142	1,006,694
	Additions		-	1,049,600
	Revaluation		66,641	32,506
	Disposals	13.1.2	(6,515)	(173,070)
	Transfer to Property and Equipment		-	(362,082)
	Depreciation		(4,350)	(2,506)
	Closing Balance		1,606,918	1,551,142
13.1.2	**Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims**			
	Disposal Proceeds		6,515	188,790
	less			
	- Cost		6,515	173,070
	- Impairment / Depreciation		-	(3,790)
			6,515	169,280
	Gain/Loss		-	19,510

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

		Note	2021	2020
13.3	**Provision held against other assets**		-------(Rupees in '000)-------	
	Expected credit loss (overseas)		134,891	75,642
	Non banking assets acquired in satisfaction of claims		300	6,815
	Impairment against overseas operation	13.3.2	1,000,000	-
	Others including fraud and forgeries		713,216	715,519
			1,848,407	797,976
13.3.1	**Movement in provision held against other assets**			
	Opening balance		797,976	769,355
	Charge for the year		1,060,710	35,298
	Reversals		(11,017)	(3,108)
			1,049,693	32,190
	Amount Written off		(7,655)	(4,813)
	Exchange and other adjustments		8,393	1,244
	Closing balance		1,848,407	797,976

13.3.2 The Bank, in light of uncertain political and economic conditions in one of the countries where the Bank operates, has taken an impairment charge of Rs. 1 billion against the cross border risk of that operations.

14 BILLS PAYABLE

In Pakistan	21,774,411	22,226,918
Outside Pakistan	1,051,089	344,204
	22,825,500	22,571,122

15 BORROWINGS

	Note	2021	2020
		-------(Rupees in '000)-------	
Secured			
Borrowings from State Bank of Pakistan			
Export Refinance Scheme	15.1	52,812,064	45,178,774
Long-Term Finance Facility	15.2	26,394,909	24,532,476
Financing Facility for Renewable Energy Projects	15.3	9,793,026	4,551,837
Financing Facility for Storage of Agriculture Produce (FFSAP)	15.4	685,931	490,748
Refinance for Wages & Salaries	15.5	14,332,866	29,170,716
Temporary Economic Refinance Facility	15.6	28,933,063	1,054,162
Other Refinance schemes	15.7	244,105	527,718
Repurchase agreement borrowings	15.8	97,506,050	93,965,252
		230,702,014	199,471,683
Repurchase agreement borrowings	15.9	55,219,084	42,126,121
Bai Muajjal	15.10	47,960,362	35,250,474
Medium Term Note	15.11	11,000,000	9,000,000
Others	15.12	300,000	94,631
Total secured		114,479,446	86,471,226
Unsecured			
Call borrowings	15.13	21,084,927	14,032,513
Overdrawn nostro accounts	15.14	1,774,249	1,532,864
Bai Muajjal	15.15	849,923	8,766,071
Others			
- Pakistan Mortgage Refinance Company	15.16	2,280,921	1,388,140
- Karandaaz Risk Participation	15.17	2,345,604	650,087
- Other financial institutions	15.18	10,591,788	2,742,233
Total unsecured		38,927,412	29,111,908
		384,108,872	315,054,817

15.1 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 0.00% to 2.00% per annum (2020: 1.00% to 2.00% per annum) payable on a quarterly basis having maturities in July 2030 (2020: July 2030).

15.2 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 4.50 % per annum (2020: 2.00% to 5.00% per annum) payable on a quarterly basis having maturities in December 2031 (2020: February 2031).

15.3 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 5.00% per annum (2020: 2.00% to 3.00% per annum) payable on a quarterly basis having maturities in January 2033 (2020: January 2033).

15.4 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 2.00% to 3.50% per annum (2020: 2.00% to 3.50% per annum) payable on a quarterly basis having maturities in December 2030 (2020: December 2030).

15.5 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. This is new scheme as part of COVID-19 relief to finance entities against payroll. The mark-up rate on this facility is 0% to 2.00% per annum (2020: 0.00% to 2.00%) payable on a quarterly basis having maturities in April 2025 (2020: April 2025).

15.6 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 1.00 % per annum (2020: 1.00%) payable on a quarterly basis having maturities upto December 2031 (2020 : November 2030).

15.7 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 0.00% per annum (2020: 0:00% to 3.00%) payable on a quarterly basis having maturities in November 2026 (2020: February 2026).

15.8 This represents repurchase agreement borrowing from SBP at the rate 9.8% to 10.26% per annum (2020: 7.1% per annum) having maturities in March 2022 (2020: January 2021).

15.9 This represents repurchase agreement borrowing from other banks at the rate of ranging from 9.75% to 10.70% per annum (2020: 7.00% to 7.02% per annum) having a maturity upto January 2022 (2020: January 2021).

15.10 This represents borrowings from financial institutions at mark-up rates ranging from 7.25% to 8.48% per annum (2020: 8.38% to 8.48%) having maturities upto July 2025 (2020: July 2025).

15.11 This represents Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates ("TFCs"). The instrument carries a markup of 9.03% and will mature on 15th January 2024. This instrument is secured against the government securities.

15.12 This represents long term loan facility to be repaid upon maturity. This facility carries quarterly mark-up at the rate 1 year KIBOR minus 2.23% valid upto November 2024 . The facility is secured by way of hypothetication over the current assets and promissory note of the Company amounting to Rs. 334 million. Last year the balance reprsented short term running finance to meet the working capital requirements. This facility carrying quarterly mark-up three month KIBOR plus 3% and valid upto January 31, 2024. The facility was secured against hypothecation charge over book debts / receivables of the Company amounting to Rs. 535 million.

15.13 This represents borrowings from financial institutions at mark-up rates ranging from 0.40% to 10.70% per annum (2020: 1.00% to 7.12%) having maturities upto March 2022 (2020: March 2021).

15.14 This represents book overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exist only due to timing differences. These do not carry any interest.

15.15 This represents borrowings from financial institutions at the mark-up rate of 7.10% per annum (2020: 6.85% to 7.06%) having maturities upto February 2022 (2020: May 2021).

15.16 This includes borrowing from Pakistan Mortgage Refinance Company Limited (PMRC) to extend housing finance facilities to the Bank's customers on the agreed terms and conditions. This borrowing carries mark-up rate ranging 7.50% to 8.00% per annum (2020: 7.77% to 10.79%) having maturities upto December 2023 (2020: December 2023).

15.17 This includes borrowing from Karandaaz Pakistan Limited under Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a mark-up rates ranging from 7.16% to 23.8% per annum (2020: 8.54% to 21.69%) having maturities upto March 2028 (2020 : December 2021).

15.18 This represents borrowing from other financial institutions at the rate ranging between 1.10% to 1.50% per annum (2020: 0% to 3.17% per annum) having maturity upto September 2022 (2020: July 2022).

	2021	2020
	-------(Rupees in '000)-------	
15.19 Particulars of borrowings with respect to Currencies		
In local currency	344,559,112	299,959,582
In foreign currencies	39,549,760	15,095,235
	384,108,872	315,054,817

16 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----------(Rupees In '000)----------					
Customers						
Current deposits	407,126,787	88,329,596	495,456,383	318,869,466	72,526,675	391,396,141
Savings deposits	249,702,928	34,000,491	283,703,419	236,071,010	29,757,610	265,828,620
Term deposits	169,741,023	42,871,078	212,612,101	114,847,092	51,044,885	165,891,977
Others	19,942,860	4,683,544	24,626,404	13,882,444	2,977,270	16,859,714
	846,513,598	169,884,709	1,016,398,307	683,670,012	156,306,440	839,976,452
Financial Institutions						
Current deposits	1,984,546	3,280,707	5,265,253	2,046,064	1,078,065	3,124,129
Savings deposits	90,175,266	900,203	91,075,469	26,590,246	197,558	26,787,804
Term deposits	24,170,116	988,200	25,158,316	8,803,246	1,161,129	9,964,375
Others	950,897	161,378	1,112,275	1,817,607	79,795	1,897,402
	117,280,825	5,330,488	122,611,313	39,257,163	2,516,547	41,773,710
	963,794,423	175,215,197	1,139,009,620	722,927,175	158,822,987	881,750,162

	2021	2020
	-------(Rupees in '000)-------	
16.1 Composition of deposits		
- Individuals	475,961,584	420,057,714
- Government (Federal and Provincial)	65,325,189	63,503,148
- Public Sector Entities	83,990,942	60,537,880
- Banking Companies	16,279,902	4,575,977
- Non-Banking Financial Institutions	106,331,411	37,197,733
- Private Sector	391,120,592	295,877,710
	1,139,009,620	881,750,162

16.2 Deposits include eligible deposits of Rs. 584,649.754 million (2020: Rs. 493,322.428 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

16.3 Current deposits include amount related to prepaid cards Rs. 53.876 million (2020: Rs. 42.164 million).

		2021	2020
		-------(Rupees In '000)-------	

17 SUBORDINATED DEBT

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) hy 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 he paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event; (ii) the point of non-viability Trigger Event; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.		
		7,000,000	7,000,000

		2021	2020
		-------(Rupees In '000)-------	
18 OTHER LIABILITIES			
Mark-up/ Return/ Interest payable in local currency		5,347,968	4,111,339
Mark-up/ Return/ Interest payable in foreign currency		784,610	534,341
Unearned fee commission and income on bills discounted and guarantees		1,386,030	962,482
Accrued expenses		8,478,693	5,795,511
Current taxation		10,497,948	9,577,044
Acceptances		20,050,282	14,414,532
Dividends payable		152,030	135,345
Mark to market loss on forward foreign exchange contracts		1,021,507	2,146,281
Mark to market loss on derivatives	23.1	191,189	921,919
Branch adjustment account		334,445	310,518
ADC settlement accounts		1,558,435	1,516,463
Provision for Compensated absences		634,224	611,106
Payable against redemption of customer loyalty / reward points		486,149	413,874
Charity payable		24,963	8,375
Provision against off-balance sheet obligations	18.1	137,639	127,428
Security deposits against leases, lockers and others		11,185,102	8,581,281
Worker's Welfare Fund		2,471,455	1,973,020
Payable to vendors and suppliers		722,986	846,433
Indirect Taxes Payable		1,284,540	1,144,088
Lease Liabilities	18.2	13,220,387	10,463,042
Payable against marketable securities		496,595	186,163
Others		1,487,823	1,621,963
		81,955,000	66,402,548

18.1 Provision against off-balance sheet obligations

Opening balance		127,428	129,249
Exchange adjustment and other adjustments		10,468	3,910
Reversals	32	(257)	(5,731)
Closing balance		137,639	127,428

18.1.1 The provision against off balance sheet obligations include general provision of Rs. 104.076 million (2020: Rs. 113.371 million) held in Bangladesh books, Rs. 0.613 million (2020: 2.107 million) held in Afghanistan books as required under the local regulation and specific provision of Rs. 32.950 million (2020: Rs. 11.950 million) held in Pakistan against defaulted letter of guarantees.

18.2 Lease liabilities

	2021	2020
	-------(Rupees in '000)-------	
As at January 1	10,463,042	9,374,239
Additions / renewals	4,551,430	2,570,205
Borrowing cost	1,469,860	1,322,614
Payments	(3,259,508)	(2,804,016)
Exchange Rate Adjustment	(4,437)	7,252
As at December 31	13,220,387	10,463,042
Current lease liability	3,039,073	2,357,366
Non current lease liability	10,181,314	8,105,676
	13,220,387	10,463,042

19 SHARE CAPITAL

19.1 Authorized Capital

2021	2020		2021	2020
----------(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

2021	2020		2021	2020
----------(Number of shares)----------			-------(Rupees in '000)-------	
		Ordinary shares		
891,453,153	891,453,153	Fully paid in cash	8,914,531	8,914,531
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
1,777,165,119	1,777,165,119		17,771,651	17,771,651

19.3 Statutory reserve

The banking company incorporated in Pakistan is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserve plus share premium equals the paid-up share capital. Thereafter, 10% of the profit after tax of the banking company is required to be transferred to this reserve. Accordingly, the Bank transfers 10% of its profit after tax every year to the statutory reserve.

20 SURPLUS ON REVALUATION OF ASSETS

	Note	2021	2020
		-------(Rupees in '000)-------	
Surplus/ (deficit) on revaluation of:			
- Available for sale securities	8.1	(1,441,541)	6,589,645
- Available for sale securities of associates		(7,142)	11,966
- Fixed Assets	20.1	13,053,303	8,419,320
- Non-banking assets acquired in satisfaction of claims	20.2	171,727	105,182
		11,776,347	15,126,113
Deferred tax (asset) / liability on surplus on revaluation of:			
- Available for sale securities		(562,201)	2,301,926
- Available for sale securities of associates		(2,784)	4,188
- Fixed Assets	20.1	473,110	1,277,421
- Non-banking assets acquired in satisfaction of claims	20.2	84,039	1,235
		(7,836)	3,584,770
Derivatives		(347,961)	(1,012,015)
Gain on sale of available for sale investment		11,399	-
Surplus on revaluation of available for sale securities attributable to non-controlling interest		(7,375)	(909)
		11,440,246	10,528,419

	2021	2020
	-------(Rupees in '000)-------	
20.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	8,419,320	8,378,317
Transferred from Non banking assets to owned property	-	66,620
Related deferred tax liability on surplus transfer to owned property	4,695,544	35,872
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(61,561)	(39,968)
Related deferred tax liability on incremental depreciation charged during the year	-	(21,521)
Surplus on revaluation of fixed assets as at December 31	13,053,303	8,419,320
Less: related deferred tax liability on:		
Revaluation as at January 1	1,277,421	1,263,070
- recognised during the year	(804,311)	-
- Surplus transferred to owned property		35,872
- incremental depreciation charged during the year	-	(21,521)
	473,110	1,277,421
	12,580,193	7,141,899
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 1	105,182	242,759
Recognised during the year	66,641	32,506
Transferred to owned property	-	(66,620)
Related deferred tax liability on surplus of transfer to owned property	-	(35,872)
Realised on disposal during the year - net of deferred tax	-	(67,577)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(96)	(9)
Related deferred tax liability on incremental depreciation charged during the year	-	(5)
Surplus on revaluation as at December 31	171,727	105,182
Less: related deferred tax liability on:		
- revaluation as at January 1	1,235	35,960
- revaluation recognised during the year	82,804	1,152
- surplus transferred to owned property	-	(35,872)
- incremental depreciation charged during the year	-	(5)
	84,039	1,235
	87,688	103,947

21 NON-CONTROLLING INTFREST

Name	Principal activity	Principal place of Business	Ownership interest held by NCI 2021	2020
Alfalah CLSA Securities (Private) Limited, Pakistan	Stock Brokerage	Pakistan	38.80%	38.80%

Key financial information of the subsidiary	2021	2020
	-------(Rupees in '000)-------	
Assets	985,710	616,192
Liabilities	650,986	339,327
Net Assets	334,724	276,865
Non-Controlling Interest (NCI)	129,889	107,437
Revenue	318,265	238,200
Expenses	257,025	209,571
Profit for the year	61,240	28,629
Other Comprehensive income	57,859	39,004
Cash Flows:		
Cash Flows from Operating Activities	(89,717)	54,246
Cash Flows from Investing Activities	(19,570)	85,149
Cash Flows from Financing Activities	278,616	(12,140)
Net increase / (decrease) in cash and cash equivalent	169,329	127,255

		Note	2021	2020
			-------(Rupees in '000)-------	
22	**CONTINGENCIES AND COMMITMENTS**			
	-Guarantees	22.1	99,914,966	69,451,917
	-Commitments	22.2	466,501,999	380,590,829
	-Other contingent liabilities	22.3	4,823,035	12,274,585
			571,240,000	462,317,331
22.1	**Guarantees:**			
	Financial guarantees		-	507,942
	Performance guarantees		41,041,271	36,636,998
	Other guarantees		58,873,695	32,306,977
			99,914,966	69,451,917
22.2	**Commitments:**			
	Documentary credits and short-term trade-related transactions			
	- Letters of credit		178,246,952	125,526,205
	Commitments in respect of:			
	- forward foreign exchange contracts	22.2.1	164,776,360	184,793,857
	- forward government securities transactions	22.2.2	39,784,849	12,239,653
	- derivatives	22.2.3	36,820,716	18,317,022
	- forward lending	22.2.4	43,921,848	38,125,107
	Commitments for acquisition of:			
	- operating fixed assets		2,054,239	895,707
	- intangible assets		447,035	243,278
	Other Commitments	22.2.5	450,000	450,000
			466,501,999	380,590,829
22.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		104,574,460	106,574,908
	Sale		60,201,900	78,218,949
			164,776,360	184,793,857
22.2.2	**Commitments in respect of forward government securities transactions**			
	Purchase		10,167,457	1,378,869
	Sale		29,617,392	10,860,784
			39,784,849	12,239,653
22.2.3	**Commitments in respect of derivatives (Interest Rate Swaps)**			
22.2.3.1	**Interest Rate Swaps**			
	Purchase		36,820,716	18,317,022
	Sale		-	-
			36,820,716	18,317,022
22.2.4	**Commitments in respect of forward lending**			
	Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.4.1	39,356,808	32,818,826
	Commitments in respect of investments		4,565,040	5,306,281
			43,921,848	38,125,107

22.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

22.2.5 **Other Commitments**

A commercial bank on behalf of Alfalah CLSA Securities (Private) Limited, Pakistan has given a guarantee of Rs 450 million (2020: 450 million) to National Clearing Company of Pakistan Limited (NCCPL) in respect of margin eligible securities The guarantee facility is for one year and is secured by 1st Pari Passu charge on current assets of the subsidiary.

	2021	2020
	-------(Rupees in '000)-------	
22.3 Other contingent liabilities	4,823,035	12,274,585

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

There were no tax related contingencies other than as disclosed in note .

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	2021 Interest Rate Swaps			2020 Interest Rate Swaps		
	No. of contracts	Notional Principal	Mark to market loss	No. of contracts	Notional Principal	Mark to market loss
	----------(Rupees in '000)----------					
With Banks for						
Hedging	50	36,820,716	(191,189)	31	18,317,022	(921,919)
	50	36,820,716	(191,189)	31	18,317,022	(921,919)

23.2 Maturity Analysis

	2021				
	----------(Rupees in '000)----------				
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Net
3 to 6 months	2	1,412,107	6,592	-	(6,592)
6 month to 1 Year	4	3,177,243	26,461	-	-
1 to 2 Year	2	1,412,108	14,085	-	(26,461)
2 to 3 Years	8	4,059,811	90,588	-	(14,085)
3 to 5 Years	8	8,490,299	37,013	65,488	(25,100)
5 to 10 years	25	18,092,634	161,793	79,168	42,155
Above 10 Years	1	176,514	-	687	(161,106)
Total	50	36,820,716	336,532	145,343	(191,189)

	2020				
	----------(Rupees in '000)----------				
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Net
3 to 6 months	2	719,255	5,946	-	(5,946)
6 month to 1 Year	1	319,669	4,263	-	(4,263)
1 to 2 Year	6	4,155,694	97,866	-	(97,866)
2 to 3 Years	2	1,278,675	35,534	-	(35,534)
3 to 5 Years	12	6,409,359	357,091	-	(357,091)
5 to 10 years	8	5,434,370	421,219	-	(421,219)
Total	31	18,317,022	921,919	-	(921,919)

23.3 Risk management related to derivatives is discussed in note 46.7

		Note	2021	2020
			------(Rupees in '000)------	
24	**MARK-UP/RETURN/INTEREST EARNED**			
	On:			
	a) Loans and advances		46,484,818	49,231,331
	b) Investments		49,976,159	37,990,320
	c) Lendings to financial institutions		2,150,410	3,751,139
	d) Balances with banks / Financial Institutions		36,877	66,720
	e) On securities purchased under resale agreements / Bai Muajjal		1,544,067	1,583,721
			100,192,331	92,623,231
25	**MARK-UP/RETURN/INTEREST EXPENSED**			
	On:			
	a) Deposits		30,690,215	31,399,109
	b) Borrowings		7,596,541	4,689,291
	c) Securities sold under repurchase agreements		11,285,998	5,551,541
	d) Subordinated debt		646,556	1,144,196
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings		2,309,881	3,724,569
	f) Borrowing cost on leased properties		1,469,860	1,322,614
	g) Reward points		149,022	97,437
			54,148,073	47,928,757
26	**FEE & COMMISSION INCOME**			
	Branch banking customer fees		925,408	1,034,701
	Consumer finance related fees		395,065	270,722
	Card related fees (debit and credit cards)		1,403,078	770,544
	Credit related fees		209,219	180,764
	Investment banking fees		182,635	223,497
	Commission on trade		1,896,302	1,386,019
	Commission on guarantees		372,664	314,187
	Commission on cash management		45,659	42,594
	Commission on remittances including home remittances		807,130	562,477
	Commission on bancassurance		568,539	490,545
	Card acquiring business		439,755	415,087
	Wealth Management Fee		71,163	85,229
	Commission on Employees' Old-Age Benefits Institution (EOBI)		35,484	78,386
	Commission on Benazir Income Support Programme (BISP)		271,456	331,928
	Alternate Delivery Channel (ADC)		432,764	301,654
	Brokerage/Commission income		280,364	221,116
	Others		186,270	77,547
			8,522,955	6,786,997
27	**GAIN ON SECURITIES**			
	Realised gain	27.1	3,567,497	2,193,153
	Unrealised gain / (loss) - held for trading	8.1	(423,888)	91,890
			3,143,609	2,285,043
27.1	**Realised gain/(loss) on:**			
	Federal Government Securities		1,282,868	2,848,496
	Shares		1,648,232	(558,849)
	Non Government Debt Securities		3,996	(39,291)
	Foreign Securities		632,401	(57,203)
			3,567,497	2,193,153
28	**OTHER INCOME**			
	Rent on property		25,372	24,470
	Gain on sale of fixed assets-net		53,350	67,307
	Gain on sale of non banking assets - net	13.1.2	-	19,510
	Profit on termination of leased contracts (Ijarah)		54,356	55,560
	Gain on termination of leases (IFRS 16)		42,895	-
	Subsidy received from Government (overseas)		-	3,226
	Others		-	658
			175,973	170,731

28.1 The bank earned an income of Rs. nil (2020: Rs. 19.510 million) against sale of following non - banking assets :

Open plot	-	15,720
Membership shares / cards	-	3,790
	-	19,510

		Note	2021	2020
			------(Rupees in '000)------	
29	**OPERATING EXPENSES**			
	Total compensation expense	29.1	16,979,512	14,628,850
	Property expense			
	Rent and taxes		132,684	137,619
	Utilities cost		1,354,792	1,122,329
	Security (including guards)		801,801	779,850
	Repair and maintenance (including janitorial charges)		873,249	672,580
	Depreciation on right-of-use assets	10.3	2,276,236	2,049,648
	Depreciation on non-banking assets acquired in satisfaction of claims		4,351	8,853
	Depreciation on owned assets	10.2	504,903	500,345
			5,948,016	5,271,224
	Information technology expenses			
	Software maintenance		1,495,198	1,201,880
	Hardware maintenance		408,823	671,349
	Depreciation	10.2	578,017	473,286
	Amortisation	11.1	396,183	439,042
	Network charges		404,599	404,394
	Consultancy and support services		141,845	1,254
			3,424,665	3,191,205
	Other operating expenses			
	Directors' fees and allowances	40.2	158,720	161,449
	Fees and allowances to Shariah Board	40.3	11,174	8,990
	Legal and professional charges		408,563	467,164
	Outsourced services costs	29.2	722,012	850,506
	Travelling and conveyance		499,077	425,875
	Clearing and custodian charges		119,833	107,637
	Depreciation	10.2	1,036,938	935,146
	Training and development		76,015	62,003
	Postage and courier charges		391,385	284,443
	Communication		499,205	470,297
	Stationery and printing		710,419	659,504
	Marketing, advertisement and publicity		940,328	603,209
	Donations	29.3	27,276	19,731
	Auditors Remuneration	29.4	49,949	44,879
	Brokerage and Commission		280,510	204,261
	Entertainment		295,271	218,558
	Repairs and maintenance		654,252	519,391
	Insurance		1,148,768	1,044,737
	Cash Handling Charges		994,845	719,447
	CNIC Verification		147,554	122,147
	Others		1,014,319	599,899
			10,186,413	8,527,389
			36,538,606	31,618,668
29.1	**Total compensation expense**			
	Managerial Remuneration			
	i) Fixed		12,294,938	10,796,309
	ii) Variable		-	
	Cash Bonus / Awards etc.		2,531,592	1,896,331
	b) Bonus and Awards in Shares etc.		142,500	-
	Charge for defined benefit plan	37.1.9	216,848	170,884
	Contribution to defined contribution plan	38	495,440	455,029
	Medical		747,124	570,666
	Conveyance		287,860	265,875
	Staff compensated absences		23,118	71,106
	Others		206,994	196,373
	Sub-total		16,946,414	14,422,573
	Sign-on Bonus		27,802	8,650
	Severance Allowance		5,296	197,627
	Grand Total		16,979,512	14,628,850
			------- No of persons --------	
	Sign- on Bonus		10	5
	Severance Allowance		2	6

29.2 The cost of outsourced activities included in other operating expenses is Rs 596.091 million (2020: Rs 703.244 million). This pertains to payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above.

29.3 Donations

	2021	2020
	-------(Rupees in '000)-------	
Alamgir Welfare Trust	5,000	
Association for Children with Emotional and Learning Problems	-	2,165
Aziz Jehan Begum Trust	1,000	-
Cancer Care Hospital	2,500	-
Child Aid Association	-	700
Ourbeen	3,000	-
Family Educational Services	1,000	1,000
Holy Family Hospital	1,000	-
Ida Rieu Welfare Association	2,166	-
Kaghan Development Authority	4,010	
Karachi Relief Trust	-	3,400
Kidney Foundation for Operation Theatres	1,500	-
Network of Organizations Working for Peoples with Disabilities Pakistan	1,500	-
Pakistan National Polio Plus Trust	-	900
Patients Aid Foundation for Emergency COVID Fund	1,500	1,500
Parents Voice Association (Ujala)	-	280
Prime Minister's Ehsaas Emergency Rashan Programme.	-	2,146
The Citizen Foundation	500	1,000
The Hunar Foundation	2,100	-
The Indus Hospital	-	3,000
The Milestone Society	-	3,640
Trust for Malnutrition	500	-
	27,276	19,731

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

	2021			2020		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	----------(Rupees in '000)----------					
Audit fee	16,008	14,080	30,088	16,008	14,889	30,897
Fee for other statutory certifications	6,353	1,083	7,436	6,353	-	6,353
Special certifications and sundry advisory services	5,576	3,182	8,758	2,327	2,070	4,397
Out-of-pocket expenses	2,297	482	2,779	1,943	283	2,226
Audit fee of Subsidiary	888	-	888	1,006	-	1,006
	31,122	18,827	49,949	27,637	17,242	44,879

30 WORKERS WELFARE FUND

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by Federal Government through Finance Act, 2008 for the levy of Workers Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. A legal advice was obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for Workers Welfare Fund since 2008 has not been reversed.

	Note	2021	2020
		------(Rupees in '000)------	
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		24,822	94,135
Penalties imposed by other regulatory bodies		698	606
		25,520	94,741

32 PROVISIONS & WRITE OFFS - NET			
Reversal against lending to financial institutions		-	(10,466)
Reversal of provision for diminution in value of investments	8.3.1	(170,790)	(548,810)
Provisions against loans & advances	9.6	1,868,677	8,171,550
Provisions against other assets	13.3.1	1,049,693	32,190
Reversal provisions against off-balance sheet obligations	18.1	(257)	(5,731)
Other provisions / operational loss - net		30,852	110,277
Recovery of written off / charged off bad debts		(402,745)	(159,741)
Reversal of deficit on revaluation of fixed assets		(63,574)	-
		2,311,856	7,589,269

	Note	2021	2020
		-------(Rupees in '000)-------	
33 TAXATION			
Current		9,754,864	9,595,343
Prior years		(508,554)	(46,772)
Deferred		199,910	(1,948,657)
	33.1	9,446,220	7,599,914
33.1 Relationship between tax expense and accounting profit			
Accounting Profit before taxation		23,906,688	18,443,154
Tax at the applicable rate of 39% (2020: 35%)		9,323,608	6,455,104
Effect of:			
- impact of different tax rate of subsidiary		(13,090)	(1,189)
- permanent differences		9,953	43,572
- tax charge pertaining to overseas branches		41,910	34,928
- Impact of change in tax rates		(157,193)	-
- Super tax		-	969,087
- others		241,032	98,412
Tax expense for the year		9,446,220	7,599,914

33.2 a) The income tax assessments of the Holding Company have been finalized upto and including tax year 2021. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Honourable Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014, 2017, 2019 and 2020 of the Holding Company, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business and disallowance of Leasehold improvements resulting in additional demand of Rs. 912.674 million (2020: Rs. 681.939 million) out of which addbacks of routine nature amounting to Rs. 230.735 million were added during the year through assessment order for TY 2020. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 198.411 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) During the year Holding Company received orders from a provincial tax authority for the periods from July 2014 to December 2020 wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.275.051 million [excluding default surcharge] by disallowing certain exemptions of sales tax on banking services. Previously, the Bank has received provincial sales tax orders wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.488.261 million [excluding default surcharge] by disallowing certain exemptions and allegedly for short payment of sales tax covering period from July 2011 to June 2014. Appeals against all these orders are pending before Commissioner Appeals. The Bank has not made any provision against these orders and the management is of the view that these matters will be settled in Bank's favour through appellate process.

c) The Holding Company has received an order from a tax authority wherein Sales tax and Further Tax amounting to Rs.8.601 million [excluding default surcharge and penalty] is demanded allegedly for non-payment of sales tax on certain transactions relating to accounting year 2016. Bank appeal against this order is pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that this matter will be favourably settled through appellate process.

33.3 In line with recent change in law for applicability of super tax in future years, the Bank has changed the rate of deferred tax from 35% to 39% during the year 2021.

	2021	2020
34 BASIC AND DILUTED EARNINGS PER SHARE	------(Rupees in '000)------	
Profit attributable to equity holders of the bank	14,436,704	10,832,130
	---(Number of shares in '000)--	
Weighted average number of ordinary shares	1,777,165	1,777,165
	----------Rupees----------	
Basic and diluted earnings per share	8.12	6.10

34.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.

	Note	2021	2020
35 CASH AND CASH EQUIVALENTS		-------(Rupees in '000)-------	
Cash and Balance with Treasury Banks	5	105,606,930	99,348,862
Balance with other banks	6	9,981,307	6,373,472
Call / clean money lendings	35.2	20,978,734	14,405,403
Overdrawn nostro accounts	15.14	(1,774,249)	(1,532,864)
		134,792,722	118,594,873

35.1 Reconciliation of debt arising from financing activities

	2021			
	Liability		Equity	
	(Rupees in '000)			
	Subordinated debt	Lease Liabilities	Share Capital	Dividend Payable
Balances as at January 01, 2021	7,000,000	10,463,042	17,771,651	135,345
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	-	-	-	-
Payment of leased liability	-	(3,259,508)	-	-
Dividend Paid				(7,091,975)
		(3,259,508)	-	(7,091,975)
Other changes				
Additions / renewals of leases	-	4,551,430	-	-
Borrowing cost on lease liability	-	1,469,860	-	-
Exchange Rate Adjustment	-	(4,437)	-	-
Final cash dividend for the year ended December 31, 2020 - 20%	-		-	3,554,330
Interim cash dividend for the half year ended June 30, 2021 - 20%	-	-	-	3,554,330
	-	6,016,853	-	7,108,660
Balances as at December 31, 2021	7,000,000	13,220,387	17,771,651	152,030

	2020			
	Liability		Equity	
	(Rupees in '000)			
Reconciliation of debt arising from financing activities	Subordinated debt	Lease Liabilities	Sbare Capital	Dividend Payable
Balances as at January 01, 2020	11,987,000	9,374,239	17,771,651	93,040
Changes from financing cash flows				
Issuance / (redemption) of sub-ordinated debt	(4,987,000)	-	-	
Payment of leased liability	-	(2,804,016)	-	-
Dividend Paid	-	-	-	(7,066,355)
	(4,987,000)	(2,804,016)	-	(7,066,355)
Other changes				
Additions / renewals of leases	-	2,570,205	-	-
Borrowing cost on lease liability	-	1,322,614	-	-
Final cash dividend for the year ended December 31, 2019 - 15%	-	-	-	3,554,330
Interim cash dividend for the half year ended September 30, 2020 - 20%	-	-	-	3,554,330
		3,892,819		7,108,660
Balances as at December 31, 2020	7,000,000	10,463,042	17,771,651	135,345

35.2 This represents call / clean money lendings having maturities upto three months.

36 STAFF STRENGTH	2021			2020		
	(Number of employees)					
	Domestic	Overseas	Total	Domestic	Overseas	Total
Permanent	11,906	203	12,109	10,496	210	10,706
On Group's contract	17	67	84	25	77	102
Group's own staff strength at the end of the year	11,923	270	12,193	10,521	287	10,808

36.1 In addition to the above, 208 (2020: 710) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services etc. Outsourced staff includes 184 (2020: 681) working in Pakistan and 24 (2020: 29) working at overseas branches.

37 DEFINED BENEFIT PLAN

37.1 Holding Company

37.1.1 General description

The Holding Company operates an approved funded gratuity scheme which cover all regular permanent employees. The liability of the Holding Company in respect of the plan is determined based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial valuation of the defined benefit plan is carried out every year and the latest valuation was carried out as at December 31, 2021. The significant assumptions are detailed below:

37.1.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2021	2020
	(Number)	
- Gratuity fund	11,830	10,442

37.1.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2021:

	2021	2020
	(Per annum)	
Withdrawal rates	Low	Low
Mortality rates	SLIC 2001 - 2005	SLIC 2001 - 2005
Valuation Discount rate (p.a)	12.25%	10.25%
Salary increase rate (p.a) - Short term (3 years)	7.25%	5.25%
Salary increase rate (p.a) - Long term	10.25%	8.25%
Expected rate of return on plan assets (p.a)	12.25%	10.25%
Normal retirement age	60 Years	60 Years
Duration	11 Years 3 months	.0 Years 3 months

37.1.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2021	2020
		(Rupees in '000)	
Present value of obligations	37.1.5	2,139,371	1,962,043
Fair value of plan assets	37.1.6	(2,883,695)	(2,654,442)
(Receivable) / payable	37.1.7	(744,324)	(692,399)

		Note	2021	2020
			-------(Rupees in '000)-------	
37.1.5	**Movement in defined benefit obligations**			
	Obligations at the beginning of the year		1,962,043	1,665,365
	Current service cost		314,483	301,303
	Interest cost		188,009	186,845
	Benefits paid by the Bank		(223,825)	(142,615)
	Re-measurement loss / (gain)		(101,339)	(48,855)
	Obligations at the end of the year		2,139,371	1,962,043
37.1.6	**Movement in fair value of plan assets**			
	Fair value at the beginning of the year		2,654,442	2,684,542
	Interest income on plan assets		285,644	317,264
	Contribution by the Bank - net		216,848	170,884
	Benefits paid		(223,825)	(142,615)
	Re-measurements: Net return on plan assets over interest income gain / (loss)	37.1.10	(49,414)	(375,633)
	Fair value at the end of the year	37.1.11	2,883,695	2,654,442
37.1.7	**Movement in (receivable) / payable under defined benefit plan**			
	Opening balance		(692,399)	(1,019,177)
	Charge / (reversal) for the year		216,848	170,884
	Contribution by the Bank - net		(216,848)	(170,884)
	Re-measurement loss / (gain) recognised in OCI during the year	37.1.10	(51,925)	326,778
	Closing balance		(744,324)	(692,399)
37.1.8	**Charge for defined benefit plans**			
37.1.9	**Cost recognised in profit and loss**			
	Current service cost	37.1.5	314,483	301,303
	Net interest on defined benefit asset / liability	37.1.5 & 37.1.6	(97,635)	(130,419)
			216,848	170,884
37.1.10	**Re-measurements recognised in OCI during the year**			
	(Gain) / loss on obligation			
	- Demographic assumptions		-	-
	- Financial assumptions		(13,561)	(67,624)
	- Experience adjustment		(87,778)	18,769
	Return on plan assets over interest income		49,414	375,633
	Total re-measurements recognised in OCI		(51,925)	326,778
37.1.11	**Components of plan assets**			
	Cash and cash equivalents - net		377,544	299,517
	Government Securities		-	201,140
	Non-Government Debt securities		602,365	602,365
	Ordinary shares		1,544,671	1,208,144
	Units of mutual funds		359,115	343,276
			2,883,695	2,654,442

37.1.12 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption are summarized below:

Particulars	2021	
	PV of Defined Benefit Obligation	Change
	-------(Rupees in '000)-------	
1% increase in discount rate	1,918,737	1,761,831
1% decrease in discount rate	2,398,727	2,161,637
1 % increase in expected rate of salary increase	2,415,364	2,175,829
1 % decrease in expected rate of salary increase	1,901,929	1,747,258
10% increase in withdrawal rate	2,141,680	1,953,601
10% decrease in withdrawal rate	2,137,049	1,938,239
1 year Mortality age set back	2,132,805	1,947,795
1 year Mortality age set forward	2,145,754	1,944,943

	2022 (Rupees. in '000)
37.1.13 Expected contributions to be paid to the fund in the next financial year	268,817
37.1.14 Expected charge for the next financial year	268,817

37.1.15 Maturity profile

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	98,156
Year 2	101,031
Year 3	134,705
Year 4	122,716
Year 5	124,452
Year 6 to Year 10	964,033
Year 11 and above	11,960,102
	13,505,195

37.1.16 Funding Policy

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

37.1.17 Risks Associated with Defined Benefit Plans

Asset Volatility

The risk arises due to the inclusion of the risky assets in the gratuity fund portfolio, inflation and interest rate volatility.

Changes in Bond yields

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

Inflation Risks

The risk arises if gratuity benefits are linked to inflation and the inflation is higher than expected, which results in higher liabilities.

Life expectancy / Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk:
The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases in salary are higher than expectation and impacts the liability accordingly.

37.2 Subsidiary - Alfalah CLSA Securities (Private) Limited

The 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 2021 using Projected Unit Credit Method and results of the valuation are as given below:

37.2.1 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the company as of December 31, 2021:

	Note	2021	2020
		--------'(Per annum)--------	
Valuation discount rate		11.75%	10.25%
Salary increase rate		10.00%	9.00%
Mortality rates		SLIC 2001 - 2005	
Rates of employee turnover		Moderate	Moderate

37.2.2 Amount recognised in the balance sheet

		2021	2020
		-------(Rupees in '000)-------	
Defined benefit obligation	37.2.3	29,385	21,985
Fair value of plan assets		-	-
Net liability		29,385	21,985

37.2.3 Reconciliation of payable to defined benefit plan

Opening net liability		21,985	20,786
Charge for the year	37.2.4	7,119	7,823
Other comprehensive income	37.2.5	2,067	(6,624)
Benefits paid during the period / year		(1,786)	-
Closing net liability		29,385	21,985

37.2.4 Charge for the defined benefit plan

Current service cost	4,957	5,381
Net interest	2,162	2,442
	7,119	7,823

37.2.5 Actuarial gain / (loss) on obligation

Unrecognized actuarial (loss) / gain as at 1 January	5,352	(1,272)
Actuarial loss on obligations - recognized in OCI	(2,067)	6,624
Unrecognized actuarial loss at 31 December	3,285	5,352

37.2.6 Sensitivity analysis on significant actuarial assumptions: actuarial liability

Discount rate +1%	26,763	19,861
Discount rate -1%	32,451	24,493
Salary increases +1%	32,621	24,618
Salary increases -1%	26,580	19,724

		2021	2020
		----------(Years)----------	
37.2.7	Weighted average duration of the present value of defined benefit obligation	9.68	10.53

37.2.8 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments (time in years)	2021	2020
	-------(Rupees in '000)-------	
Year 1	3,202	2,199
Year 2	1,153	930
Year 3	1,114	889
Year 4	1,153	853
Year 5	1,984	844
Year 6 to Year 10	23,814	18,321
Year 11 and above	116,340	71,748

37.2.9 The expected gratuity expense for the next one year works out to be Rs. 9.559 million.

37.2.10 Risks associated with defined benefit plans

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at 'the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

38 DEFINED CONTRIBUTION PLAN

38.1 Holding Company - Bank Alfalah Limited

The Holding Company operates an approved provident fund scheme for all its permanent employees to which both the Holding Company and employees contribute 8.33% of basic salary in equal monthly contributions.

During the year, the Holding Company contributed Rs. 495.440million (2020: Rs. 455.029 million) to the fund.

39 OTHER EMPLOYEE BENEFIT

39.1 Compensated Absences

The Holding Company operates compensated absences scheme in which employees can carry forward unutilized leaves up to maximum of 45 days.

39.2 Benefit Scheme for Overseas Branches

The Holding Company operates retirement benefit schemes for its employees at overseas branches in compliance with the local labour laws of the respective countries where the branches operate.

40 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total Compensation expense

40.1.1 Holding Company

2021

Sr. No.	Items	Chairman	Directors: Executives (other than CEO)	Directors: Non-Executive	Members Shariah Board *	President / CEO	Key Executives	Other MRTs / MRCs
		(Rupees in '000)						
1	Fees and Allowances etc.	-	-	158,720	11,174	-		
2	Managerial Remuneration		-	-				
	i) Fixed	-	-	-	2,609	60,350	255,415	720,694
	ii) Variable	-	-	-	-			
	Cash Bonus / Awards	-	-	-	-	77,142	147,000	291,766
3	Charge for defined benefit plan	-	-	-	-	-	14,331	43,755
4	Contribution to defined Contribution	-	-	-	-	5,027	14,331	39,738
5	Rent & House Maintenance	-	-	-	568	24,968	67,623	205,472
6	Utilities	-	-	-	142	8,096	16,906	49,949
7	Medical	-	-	-	-	-	-	2,800
8	Conveyance	-	-	-	-	-	-	78
9	Ex-Gratia	-	-	-	-	-	-	5,157
9	Others	-	-	-	718	11,681	1,120	20,869
10	Total (1 - 10)	-	-	158,720	15,211	187,264	516,726	1,380,278
	Number of Persons	1	-	8	5	1	15	129

2020

Sr. No.	Items	Chairman	Directors: Executives (other than CEO)	Directors: Non-Executive	Members Shariah Board *	President / CEO	Key Executives	Other MRTs / MRCs
		(Rupees in '000)						
1	Fees and Allowances etc.	-	-	161,449	8,990	-	-	-
2	Managerial Remuneration			-				
	i) Fixed	-	-	-	2,117	52,934	228,620	603,728
	ii) Variable							
	Cash Bonus / Awards	-	-	-	355	-	161,000	265,855
3	Charge for defined benefit plan	-	-	-	-	-	12,994	32,308
4	Contribution to defined Contribution	-	-	-	-	4,409	12,994	43,468
5	Rent & House Maintenance	-	-	-	438	22,156	63,587	175,676
6	Utilities	-	-	-	110	6,491	15,897	43,616
7	Medical	-	-	-	-	-	-	519
8	Conveyance	-	-	-	-	-	-	104
9	Others	-	-	-	-	36,785	6,505	34,131
10	Total (1 - 9)	-	-	161,449	12,010	255,308	512,779	1,202,255
11	Number of Persons	1	-	8	3	2	17	131

The Chief Executive and certain Executives have been provided with car(s), household equipment and fuel.

A certain portion of variable compensation of the CEO, Key Executives, MRTs/MRCs shall be subject to mandatory deferrals for a defined period of three years, whereas remaining portion of the bonus shall be paid upfront to the MRTs / MRCs. The deferred bonus shall vest proportionately over the deferral period following the year of variable remuneration award.

In case of malus and where accountability has been determined in accordance with the conduct & accountability framework of the Bank, the entire or certain portion of the deferred remuneration shall be withheld and not paid to the MRT / MRC on its becoming due.

During the year, amount of Rs. 86.625 million (2020: 101.854) was deferred. The deferred portion is managed internally within the Bank. The Bank provides for the return on deferred portion according to the rate of return earned on government securities according to the time horizon for deferral.

* includes salaries and allowance of resident member of Shariah Board who is an employee of the Bank.

40.1.2 Subsidiary - Alfalah CLSA Securities (Private) Limited

Total Compensation expense to the CEO and key executives of the subsidiary is Rs. 63.040 million (2020: 42.257 million).

40.2 **Remuneration Paid to Directors for Participation in Board and Board Committees Meetings - Holding Company**

2021

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings									
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Coronavirus-Crises Management Committee	Board Real Estate Committee	Total
		(Rupees in '000)									
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-	-	-
2	Mr. Abdullah Nasser Hawaileel Al Mansoori	4,800	-	-	-	-	-	-	-	-	4,800
3	Mr. Abdulla Khalil Al Mutawa	4,800	6,400	-	3,200	4,000	4,800	5,760	5,440	1,920	36,320
4	Mr. Khalid Mana Saeed Al Otaiba	4,800	6,400	-	3,200	4,000	5,760	4,800	4,800	1,600	35,360
5	Mr. Efstratios Georgios Arapoglou*	1,600	2,400	-	-	1,600	1,600	2,400	1,920	-	11,520
6	Dr. Gyorgy Tamas Ladics	4,800	-	-	3,200	-	-	1,600	4,800	-	14,400
8	Mr. Khalid Qurashi	4,800	7,680	-	3,200	4,800	4,800	4,800	4,800	-	34,880
9	Dr. Ayesha Khan	4,800	6,400	-	3,840	-	-	1,600	4,800	-	21,440
	Total	30,400	29,280	-	16,640	14,400	16,960	20,960	26,560	3,520	158,720

2020

Sr. No.	Name of Director	Meeting Fees Paid for Board and Board Committee Meetings									
		Board Meetings	Board Audit Committee	Board Compensation Committee	Board Human Resources & Nomination Committee	Board Information Technology Committee	Board Risk Management Committee	Board Strategy & Finance Committee	Board Coronavirus-Crises Management Committee	Board Real Estate Committee	Total Amount Paid
		(Rupees in '000)									
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	-	-	-	-	-	-	-	-	Committee formed in 2021	-
2	Mr.Abdullah Nasser Hawaileel Al Mansoori	4,879	-	-	-	-	-	-	-		4,879
3	Mr. Abdulla Khalil Al Mutawa	9,039	5,086	-	3,743	3,743	3,743	5,519	3,200		34,073
4	Mr. Khalid Mana Saeed Al Otaiba	9,039	5,086	-	3,743	3,743	4,559	4,543	3,200		33,913
5	Mr. Efstratios Georgios Arapoglou	8,083	5,086	-	-	3,743	3,743	4,543	3,840		29,038
6	Mr. Gyorgy Tamas Ladics	6,479	-	-	3,743	4,559	-	-	3,200		17,981
7	Mr. Shehzad Naqvi**	1,543	3,086	-	1,234	-	1,234	1,234	-		8,331
8	Mr. Khalid Qurashi***	5,760	1,920	-	800	-	1,600	2,400	800		13,280
9	Dr. Ayesha Khan	5,543	5,828	-	5,383	-	-	-	3,200		19,954
	Total	50,365	26,092	-	18,646	15,788	14,879	18,239	17,440		161,449

* Director resigned in 2021.
** Director resigned in 2020.
*** Director filled the casual vacancy.

40.3 **Remuneration paid to Shariah Board Members**

Sr. No.	Items	2021				2020			
		Chairman	Resident Member	Non-Resident Member	TOTAL	Chairman	Resident Member	Non-Resident Member	TOTAL
		(Rupees in '000)							
1	Fees/Remuneration and Allowances	6,697	-	4,477	11,174	6,224	-	2,766	8,990
2	Managerial Remuneration - Fixed	-	2,609	-	2,609	-	2,117	-	2,117
3	Rent & House Maintenance	-	568	-	568	-	438	-	438
4	Utilities	-	142	-	142	-	110	-	110
5	Others	-	718	-	718	-	355	-	355
	Total	6,697	4,037	4,477	15,211	6,224	3,020	2,766	12,010
	Total Number of Persons	1	1	3	5	1	1	1	3

41 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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

41.1 Fair value of financial assets

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

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

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

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

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

	2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----------(Rupees in '000)----------			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	655,169,287	-	655,169,287
Shares	4,959,952	-	-	4,959,952
Non-Government Debt Securities	12,180,000	7,550,203	-	19,730,203
Foreign Securities	-	55,400,927	-	55,400,927
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	69,624,622	-	69,624,622
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,249,270	-	2,249,270
Forward sale of foreign exchange	-	(1,021,507)	-	(1,021,507)
Forward purchase government securities	-	(46,547)	-	(46,547)
Derivatives purchases	-	(191,189)	-	(191,189)

	2020			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----------(Rupees in '000)----------			
Financial assets - measured at fair value				
- Investments				
Federal Government Securities	-	425,835,272	-	425,835,272
Shares	5,800,321	-	-	5,800,321
Non-Government Debt Securities	12,072,000	7,329,178	-	19,401,178
Foreign Securities	-	44,511,463	-	44,511,463
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	50,506,972	-	50,506,972
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,319,187	-	1,319,187
Forward sale of foreign exchange	-	(2,146,281)	-	(2,146,281)
Forward purchase government securities	-	(1,836)	-	(1,836)
Derivatives purchases	-	(921,919)	-	(921,919)

41.2 The Group's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer, occurred. There were no transfers between levels 1 and 2 during the current year.

41.3 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies and listed non government debt securities.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, GoP Euro Bonds, Overseas Government Sukuks, Overseas Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

41.3.1 Fair value of non-financial assets

Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 13. The valuations are conducted by the valuation experts appointed hy the Bank which are also on the panel of State Bank of Pakistan.

41.3.2 Valuation techniques

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
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 Sukuks, Overseas and GoP Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising of term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

42 SEGMENT INFORMATION

42.1 Segment Details with respect to Business Activities

	2021								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
	(Rupees in '000)								
Profit & Loss									
Net mark-up/return/profit	(3,409,489)	12,166,963	8,147,369	26,731,655	(50,425)	2,879,147	(4,174)	(416,788)	46,044,258
Inter segment revenue - net	27,202,228	(6,072,211)	(254,231)	(22,154,009)	564,472	925,954	-	(212,203)	-
Non mark-up / return / interest income	6,372,486	2,161,044	1,251,977	4,618,385	399,051	1,041,837	308,069	1,083,999	17,236,848
Total Income	30,165,225	8,255,796	9,145,115	9,196,031	913,098	4,846,938	303,895	455,008	63,281,106
Segment direct expenses	15,142,938	1,204,799	4,846,353	501,976	1,769,228	2,031,977	229,820	11,335,471	37,062,562
Inter segment expense allocation	7,235,541	1,034,835	1,742,555	413,579	606,933	309,272	-	(11,342,715)	-
Total expenses	22,378,479	2,239,634	6,588,908	915,555	2,376,161	2,341,249	229,820	(7,244)	37,062,562
Provisions/ (reversals)	537,430	1,054,684	1,272,031	(64,390)	10,112	1,201,989	-	(1,700,000)	2,311,856
Profit before tax	7,249,316	4,961,478	1,284,176	8,344,866	(1,473,175)	1,303,700	74,075	2,162,252	23,906,688

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
	(Rupees in '000)								
Balance Sheet									
Cash & Bank balances	59,681,508	11,541,859	16,233,178	6,799,542	494,255	20,606,452	231,443	-	115,588,237
Investments	-	2,072,227	91,822,133	645,414,966	-	69,050,718	26,166	3,537,036	811,923,246
Net inter segment lending	431,128,123	-	-	-	6,355,852	-	-	86,291,183	523,775,158
Lendings to financial institutions	-	-	16,493,641	11,172,904	-	8,315,520	-	-	35,982,065
Advances - performing	203,165,570	282,208,814	132,877,992	-	65,423	41,101,258	2,661	10,876,876	670,298,594
Advances - non-performing	1,069,060	2,138,566	224,685	-	2,337	150,043	-	-	3,584,691
Others	21,021,729	19,167,418	21,637,954	11,100,835	1,490,652	3,353,196	725,440	20,899,034	99,396,258
Total Assets	716,065,990	317,128,884	279,289,583	674,488,247	8,408,519	142,577,187	985,710	121,604,129	2,260,548,249
Borrowings	26,768,170	79,969,245	31,305,163	207,951,783	-	37,314,358	300,000	500,153	384,108,872
Subordinated debt	-	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	668,667,896	182,007,203	200,390,388	-	8,293,361	79,650,772	-	-	1,139,009,620
Net inter segment borrowing	-	26,502,870	12,724,121	464,701,513	-	19,846,654	-	-	523,775,158
Others	20,591,423	28,649,566	32,493,099	3,089,606	115,158	5,658,006	350,984	13,832,658	104,780,500
Total liabilities	716,027,489	317,128,884	276,912,771	675,742,902	8,408,519	142,469,790	650,984	21,332,811	2,158,674,150
Net Assets	38,501	-	2,376,812	(1,254,655)	-	107,399	334,726	100,271,318	101,874,099
Equity									101,874,099
Contingencies and Commitments	69,140,430	182,035,105	73,345,099	160,268,743	78,313	83,682,843	450,000	2,239,467	571,240,000

	2020								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
	(Rupees in '000)								
Profit & Loss									
Net mark-up/return/profit	(6,346,925)	17,521,037	8,720,019	22,929,818	(15,353)	2,894,025	(10,099)	(998,048)	44,694,474
Inter segment revenue - net	31,868,796	(11,073,679)	(925,284)	(21,685,904)	585,952	222,613	-	1,007,506	-
Non mark-up / return / interest income	3,582,080	1,764,742	1,090,782	5,348,692	437,159	580,866	230,680	510,789	13,545,790
Total Income	29,103,951	8,212,100	8,885,517	6,592,606	1,007,758	3,697,504	220,581	520,247	58,240,264
Segment direct expenses	13,595,917	962,884	3,965,455	551,378	1,721,273	1,877,685	178,365	9,354,884	32,207,841
Inter segment expense allocation	6,289,747	893,798	1,427,461	310,360	181,316	254,571	-	(9,357,253)	-
Total expenses	19,885,664	1,856,682	5,392,916	861,738	1,902,589	2,132,256	178,365	(2,369)	32,207,841
Provisions/ (reversals)	1,028,797	1,825,468	1,077,476	(605,563)	2,148	10,943	-	4,250,000	7,589,269
Profit before tax	8,189,490	4,529,950	2,415,125	6,336,431	(896,979)	1,554,305	42,216	(3,727,384)	18,443,154

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
	(Rupees in '000)								
Balance Sheet									
Cash & Bank balances	49,627,891	10,193,222	14,780,115	17,295,558	470,783	13,214,927	139,838	-	105,722,334
Investments	1,648,811	1,067,759	47,420,548	425,225,444	-	70,934,391	-	3,061,600	549,358,553
Net inter segment lending	367,340,730	-	-	-	8,236,238	-	-	86,790,920	462,367,888
Lendings to financial institutions	-	-	14,293,146	51,747,865	-	11,264,524	-	-	77,305,535
Advances - performing	153,956,442	283,141,506	101,673,272	-	16,596	25,085,003	1,831	5,900,802	569,775,452
Advances - non-performing	1,209,592	4,577,817	1,605,920	-	202	111,279	-	37,514	7,542,324
Others	22,501,621	11,194,130	16,562,877	7,069,505	1,562,319	3,689,654	390,564	14,999,535	77,970,205
Total Assets	596,285,087	310,174,434	196,335,878	501,338,372	10,286,138	124,299,778	532,233	110,790,371	1,850,042,291
									-
Borrowings	23,057,436	66,943,742	23,967,885	185,932,565	-	13,560,921	94,631	1,497,637	315,054,817
Subordinated debt	-	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	552,808,277	116,774,809	133,037,813	-	10,139,614	68,979,200	-	10,449	881,750,162
Net inter segment borrowing	-	105,134,794	9,765,912	309,835,466	-	37,631,716	-	-	462,367,888
Others	19,311,536	21,322,702	28,011,247	3,605,361	146,524	4,011,824	206,274	14,593,456	91,208,924
Total liabilities	595,177,249	310,176,047	194,782,857	499,373,392	10,286,138	124,183,661	300,905	23,101,542	1,757,381,791
Net Assets	1,107,838	(1,613)	1,553,021	1,964,980	-	116,117	231,328	87,688,829	92,660,500
Equity									92,660,500
Contingencies and Commitments	70,508,424	118,634,144	52,780,786	165,893,738	17,961	52,765,343	450,000	1,266,935	462,317,331

42.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2021				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	43,165,111	1,054,682	1,597,208	227,257	46,044,258
Inter segment revenue - net	(925,954)	409,515	347,316	169,123	-
Non mark-up / return / interest income	16,195,011	272,794	371,494	397,549	17,236,848
Total Income	58,434,168	1,736,991	2,316,018	793,929	63,281,106
Segment direct expenses	35,030,585	534,955	1,133,872	363,150	37,062,562
Inter segment expense allocation	(309,272)	98,266	148,224	62,782	-
Total expenses	34,721,313	633,221	1,282,096	425,932	37,062,562
Provisions/ (reversals)	1,109,867	167,480	13,051	1,021,458	2,311,856
Profit before tax	22,602,988	936,290	1,020,871	(653,461)	23,906,688

	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Balance Sheet					
Cash and Bank balances	94,981,785	6,637,739	3,223,304	10,745,409	115,588,237
Investments	742,872,528	43,572,211	13,970,123	11,508,384	811,923,246
Net inter segment lendings	523,775,158	-	-	-	523,775,158
Lendings to financial institutions	27,666,545	1,235,578	7,079,942	-	35,982,065
Advances - performing	629,197,336	16,462,333	24,638,925	-	670,298,594
Advances - non-performing	3,434,648	-	150,043	-	3,584,691
Others	96,043,062	2,615,391	1,669,213	(931,408)	99,396,258
Total Assets	2,117,971,062	70,523,252	50,731,550	21,322,385	2,260,548,249
Borrowings	346,794,514	33,118,198	5,102,179	(906,019)	384,108,872
Subordinated debt	7,000,000	-	-	-	7,000,000
Deposits and other accounts	1,059,358,848	28,145,664	31,161,489	20,343,619	1,139,009,620
Net inter segment borrowing	503,928,504	8,185,915	9,958,452	1,702,287	523,775,158
Others	99,122,494	1,076,917	4,509,430	71,659	104,780,500
Total liabilities	2,016,204,360	70,526,694	50,731,550	21,211,546	2,158,674,150
Net Assets	101,766,702	(3,442)	-	110,839	101,874,099
Equity					101,874,099
Contingencies and Commitments	487,557,157	64,164,006	11,897,761	7,621,076	571,240,000

	2020				
	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	41,800,449	693,831	1,710,571	489,623	44,694,474
Inter segment revenue - net	(222,613)	83,287	4,451	134,875	-
Non mark-up / return / interest income	12,964,924	138,293	264,500	178,073	13,545,790
Total Income	54,542,760	915,411	1,979,522	802,571	58,240,264
Segment direct expenses	30,330,156	474,777	1,025,797	377,111	32,207,841
Inter segment expense allocation	(254,571)	99,445	95,437	59,689	-
Total expenses	30,075,585	574,222	1,121,234	436,800	32,207,841
Provisions/ (reversals)	7,578,326	26,675	(7,423)	(8,309)	7,589,269
Profit before tax	16,888,849	314,514	865,711	374,080	18,443,154

	Pakistan	Middle East	Bangladesh	Afghanistan	Total
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	92,507,407	1,633,652	3,308,231	8,273,044	105,722,334
Investments	478,424,162	31,444,860	21,294,844	18,194,687	549,358,553
Net inter segment lendings	462,367,888	-	-	-	462,367,888
Lendings to financial institutions	66,041,011	3,063,608	5,995,179	2,205,737	77,305,535
Advances - performing	544,690,449	5,460,181	19,624,760	62	569,775,452
Advances - non-performing	7,431,045	-	111,279	-	7,542,324
Others	74,280,551	1,122,928	2,504,291	62,435	77,970,205
Total Assets	1,725,742,513	42,725,229	52,838,584	28,735,965	1,850,042,291
Borrowings	301,493,896	7,861,486	5,379,763	319,672	315,054,817
Subordinated debt	7,000,000	-	-	-	7,000,000
Deposits and other accounts	812,770,962	13,374,634	30,507,148	25,097,418	881,750,162
Net inter segment borrowing	424,736,172	21,097,027	13,043,579	3,491,110	462,367,888
Others	87,197,100	1,143,142	2,779,963	88,719	91,208,924
Total liabilities	1,633,198,128	43,476,291	51,710,453	28,996,919	1,757,381,791
Net Assets	90,901,202	(751,060)	1,128,131	(260,954)	92,660,500
Equity					92,660,500
Contingencies and Commitments	409,551,988	35,831,445	12,232,435	4,701,463	462,317,331

43 TRUST ACTIVITIES

The Holding Company undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Group and therefore, are not included as such in these consolidated financial statements.

44 RELATED PARTY TRANSACTIONS

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

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with 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, 2021				As at Dec 31, 2020			
	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Lendings to financial institutions								
Opening balance	-	-	-	1,745,830	-	-	-	-
Addition during the year	-	-	-	136,191,858	-	-	-	140,523,678
Repaid during the year	-	-	-	(133,658,672)	-	-	-	(138,777,848)
Transfer in / (out) - net	-	-	-	(1,948,938)				
Closing balance	-	-	-	2,330,078	-	-	-	1,745,830
Investments								
Opening balance	-	-	3,675,044	1,241,405	-	-	3,138,787	1,191,425
Investment made during the year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	(22,245)	-	-	-	(20)
Equity method adjustment	-	-	443,078	-	-	-	536,257	-
Transfer in / (out) - net	-	-	-	(99,930)	-	-	-	50,000
Closing balance	-	-	4,118,122	1,119,230	-	-	3,675,044	1,241,405
Provision for diminution in value of investments	-	-	-	-	-	-	-	3,936
Advances								
Opening balance	78,132	791,521	-	3,346,278	91,129	662,464	-	4,200,404
Addition during the year	-	681,118	-	1,954,966	87,827	286,114	-	7,713,243
Repaid during the year	(78,055)	(263,110)	-	(3,398,044)	(83,516)	(197,066)	-	(8,567,370)
Transfer in / (out) - net*	-	(25,472)	-	94,352	(17,308)	40,010	-	-
Closing balance	77	1,184,057	-	1,997,552	78,132	791,522	-	3,346,277
Fixed Assets								
Right-of-use assets					-	-	-	15,961
Other Assets								
Interest / mark-up accrued	-	109,318	-	20,294	2,580	88,905	-	45,434
Receivable from staff retirement fund	-	-	-	744,324	-	-	-	692,399
Prepayment / rent receivable	-	-	-	-	-	-	1,560	55,672
Advance against shares	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	763	-
Borrowings								
Opening balance				2,384,849	-	-	-	494,646
Borrowings during the year				29,725,920	-	-	-	44,475,567
Settled during the year				(29,829,848)	-	-	-	(42,585,364)
Closing balance	-	-	-	2,280,921	-	-	-	2,384,849

* Represents joiners and leavers during the year.

	As at Dec 31, 2021				As at Dec 31, 2020			
	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Deposits and other accounts								
Opening balance	103,392	397,194	5,586,652	3,706,519	12,076	257,120	588,149	4,584,694
Received during the year	1,313,242	2,777,580	191,394,108	34,036,364	323,082	2,222,012	117,408,368	70,878,153
Withdrawn during the year	(1,357,608)	(2,785,788)	(183,515,680)	(31,371,402)	(223,154)	(2,095,743)	(112,409,865)	(71,465,963)
Transfer in / (out) - net*	-	(17,127)	-	38,785	(8,612)	13,905	-	(290,366)
Closing balance	59,026	371,859	13,465,080	6,410,266	103,392	397,294	5,586,652	3,706,518
Other Liabilities								
Interest / mark-up payable	131	750	-	22,597	73	433	-	5,393
Lease Liabilities	-	-	-	-	-	-	-	9,216
Unearned rent	-	-	-	-	-	-	-	-
Others	-	23,141	-	67,830	-	5,143	-	2,747
Contingencies and Commitments								
Other contingencies	-	-	-	24,491	-	-	79,917	139,987

	For the year ended Dec 31, 2021				For the year ended Dec 31, 2020			
	(Rupees in '000)				(Rupees in '000)			
Income								
Mark-up / return / interest earned	283	43,863	-	224,613	7,996	40,726	-	378,845
Fee and commission income	-	1,504	82,382	-	-	-	77,810	-
Dividend Income	-	-	111,000	11,066	-	-	90,000	21,409
Other income	-	1,480	3,387	5502	560	3,638	12,515	20,374
Expense								
Mark-up / return / interest paid	1,305	12,853	515,815	547,700	572	11,384	133,387	428,162
Borrowing cost on leased properties	-	-	-	652	-	-	-	1,203
Operating expenses								
Directors fee	158,720	-	-	-	161,449	-	-	-
Managerial remuneration (including fee and allowances)	187,264	1,531,912	-	-	255,308	1,347,612	-	-
Depreciation on right-of-use assets	-	-	-		-	-	-	10,542
Software maintenance	-	-	-	101,469	-	-	-	34,936
Travelling and accommodation	-	-	-	-	-	-	-	2,187
Communication cost	-	-	-	45,362	-	-	-	57,804
Charge for defined benefit plan	-	-	-	216,848	-	-	-	170,884
Contribution to defined contribution plan	-	-	-	495,440	-	-	-	455,029
Others	-	-	-	8,785	-	-	-	-
Other Information								
Dividend paid	1,095,780	13,908	2,621	2,813,193	1,095,830	20,031	9,996	3,314,984
Insurance premium paid	-	-	731,184	-	-	-	706,920	-
Insurance claims settled	-	-	510,335	-	-	-	378,009	-

* Represents joiners and leavers during the year.

45 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2021	2020
	-------(Rupees in '000)------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	17,771,651	17,771,651
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	77,928,098	71,794,350
Eligible Additional Tier 1 (ADT 1) Capital	7,013,781	7,012,500
Total Eligible Tier 1 Capital	84,941,879	78,806,850
Eligible Tier 2 Capital	24,985,562	23,252,207
Total Eligible Capital (Tier 1 + Tier 2)	109,927,441	102,059,057
Risk Weighted Assets (RWAs):		
Credit Risk	659,974,433	536,528,874
Market Risk	13,389,075	11,821,313
Operational Risk	94,040,288	75,175,838
Total	767,403,796	623,526,025
Common Equity Tier 1 Capital Adequacy ratio	10.15%	11.51%
Tier 1 Capital Adequacy Ratio	11.07%	12.64%
Total Capital Adequacy Ratio	14.32%	16.37%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.50%	11.50%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit & Market Risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):		
Eligible Tier-1 Capital	84,941,879	78,806,851
Total Exposures	2,292,529,009	1,836,893,841
Leverage Ratio	3.71%	4.29%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	474,660,774	372,270,246
Total Net Cash Outflow	275,665,253	199,316,286
Liquidity Coverage Ratio	172%	187%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,017,917,252	850,376,458
Total Required Stable Funding	753,951,739	626,269,922
Net Stable Funding Ratio	135%	136%

45.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions has been placed on the website. The link to the full disclosure is available at https://www.bankalfalah.com/financial-reports/.

46 RISK MANAGEMENT

The variety of business activities undertaken hy the Bank require effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC) to supervise risk management activities within their respective scopes. CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee (IC), Information Technology Steering Committee (ITSC), Control & Compliance Committee (C&CC), Process Improvement Committee (PIC) and Board Corona Virus Crisis Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies, procedures, responsibilities ans accountabilities;
- Well constituted organizational structure, in the form of a separate risk management departments within Credit and Risk Management Group, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units; and;
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Holding Company 's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, information security risk, trade pricing, environment and social risk.Further, there is an advanced focus on optimal utilization of capital while ensuring compliance with capital requirements. The results of stress tests and internal capital adequacy assessment process are given due consideration in capital and business planning.

There was enhanced monitoring onset of COVID-19 details mentioned below :

Board Coronavirus Crisis Committee

The Coronavirus (COVID-19) pandemic has been an unprecedented and rapidly evolving catastrophe. Life has drastically changed as lockdowns, and social distancing have become the new norm. While the spread of COVID-19 has affected countries and economies across the world including Pakistan, swift action hy the Government has contained the crises and paid dividends as both reported cases and number of deaths from COVID-19 remained low.

A Crises Management Committee was formed by the Bank at the outset of the pandemic, and it continues to monitor the situation within the Bank as well as on local and international fronts, and implement appropriate response measures. A Board level Coronavirus Crisis Management Committee was set up to oversee and assist the Board of Directors and the Management in matters relating to COVID-19. The key objectives of the BCMC include providing oversight and guidance to the management on safety, health and wellbeing of our staff, staff's families and customers; ensuring operational capability and business continuity in line with regulatory requirements; protecting the assets of the Bank (e.g. Loan portfolio, fixed assets, etc.); implementing guidelines provided by WHO internationally; and; safeguarding culture and reputation of the Bank.

46.1 Credit Risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Group due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from lending, hedging , settlement and other financial transactions. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Group's exposure to credit risk. The Group's credit risk management philosophv is based on Bank's overall business strategy / direction as established by the Board. The Group is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Holding Company has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by Board of Oirectors (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 eligihility criteria as per product programs and they have separate credit risk unit.

The Holding Company manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Credit & Risk Management Group.

For domestic operations, the Holding Company determines the amount for specific and general provisions as per the Prudential Regulations issued by the State Bank of Pakistan (SBP) and management estimates. Provisions at overseas branches are held to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

A sophisticated internal credit rating system is in place, which is capahle of quantifying counter-party and transaction risk in accordance with the best practices. The risk rating system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates internal ratings at obligor and facility levels. The facility rating system, developed in line with SBP's guidelines, also provides expected LGD (Loss Given Default). This has been implemented for Corporate, Islamic and Retail pprtfolio. 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 is enhanced to compute the ECL calculation for IFRS 9 risk weighted assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular and fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD.

Credit Policy & Portfolio Management under Credit & Risk Management Group keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authorities with a view to address further deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Holding company has a separate client facing unit to negotiate repayment/ settlement of the Holding Company '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 (CIRS) and its related modules like Bank Alfalah CAR Kalculator (BACK). It also supports other credit related automation & optimization initiatives like eCIB automation and ECL calculation under IFRS 9.

46.1.1 Credit Risk - General Disclosures Basel Specific

The Holding Company is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, banks are allowed to take into consideration external rating(s) of counter-parties for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

46.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

46.1.2.1 External ratings

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely Pakistan Credit Rating Agency Limited (PACRA), Vital Information Services Credit Rating Co. Limited , Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and Credit Rating Information and Services Limited (CRISL). The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Holding Company uses external ratings for the purposes of computing the risk weights as per the Basel III framework. Where exposure is rated by two or more ratings agencies - the lowest rating is considered.

46.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

46.1.3.1 Credit risk mitigation policy

The Holding Company defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

46.1.3.2 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.

46.1.3.3 Types of collateral taken by the Holding Company

The Bank determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrowers and assignment of the underlying project contracts are generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be obtained. Moreover, in order to cover the entire exposure personal guarantees of directors / borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Hpusing loans and automobile loans are secured by the security of the property and automobile being

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

46.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by recognised credit rating agencies, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel.

46.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower, group borrowers and related parties. Moreover, in order to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category). Concentration in customers that are rated in high risk category is also monitored against the approved appetite set by the management.

Particulars of bank's on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

46.1.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public Sector	9,220,051	22,656,890	-	-	-	-
Private Sector	26,762,014	54,648,583	-	-	-	-
	35,982,065	77,305,473	-	-	-	-

46.1.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Textile	211,285	167,888	211,285	167,888	211,285	167,888
Chemical and Pharmaceuticals	151,477	65,301	51,477	65,301	51,477	65,301
Electronics and electrical appliances	1,785	1,785	1,785	1,785	1,785	1,785
Engineering	500,000	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	19,656,825	19,690,252	-	-	-	-
Transport, Storage and Communication	189,896	374,525	189,896	374,524	189,896	374,524
Financial	35,359,758	22,111,384	58,768	58,768	58,768	58,768
	56,071,026	42,411,135	513,211	668,266	513,211	668,266

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public Sector	19,656,825	19,690,252	-	-	-	-
Private Sector	36,414,201	22,720,883	513,211	668,266	513,211	668,266
	56,071,026	42,411,135	513,211	668,266	513,211	668,266

46.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	36,934,519	63,797,343	2,052,056	2,261,334	1,276,528	603,072
Automobile and transportation equipment	9,865,257	8,729,526	445,617	434,453	381,640	383,971
Cement	14,261,277	13,351,689	-	-	-	-
Chemical and Pharmaceuticals	25,348,268	20,765,414	312,415	228,450	303,522	127,453
Construction	13,949,755	11,267,378	442,485	505,053	438,745	500,406
Electronics and electrical appliances	12,664,994	11,639,948	1,091,722	1,303,888	654,958	720,082
Exports / Imports	5,791,296	4,660,724	613,203	646,112	592,340	629,030
Financial	15,443,092	13,156,063	691,577	774,807	691,577	774,807
Food & Allied Products	69,237,720	48,883,291	3,009,967	3,136,692	2,578,414	2,754,130
Footwear and Leather garments	3,311,734	2,836,086	139,790	153,748	138,222	153,748
Glass and Ceramics	139,387	311,572	42,563	42,563	42,563	42,563
Individuals	102,990,311	66,894,796	1,072,901	1,332,475	726,231	824,475
Insurance	1,359,010	1,630,670	-	-	-	-
Metal & Allied industries	31,941,307	26,633,187	1,091,683	1,195,795	1,048,175	1,191,801
Mining and Quarrying	3,696,043	3,383,560	-	-	-	-
Oil and Allied	20,064,650	13,415,544	1,768,014	1,831,119	1,768,014	931,119
Paper and Board	5,843,460	4,961,463	8,717	9,192	8,717	8,492
Power (electricity), Gas, Water, Sanitary	80,769,013	89,842,169	2,845,810	2,872,659	2,348,310	1,436,330
Services	13,087,420	10,778,694	67,441	62,158	56,952	54,602
Sugar	16,346,614	18,545,855	1,110,455	1,111,385	1,110,455	742,109
Technology and Communication	417,245	437,238	-	-	-	-
Textile	154,347,521	119,114,637	3,203,146	3,315,359	2,660,904	2,227,270
Transport, Storage and Communication	6,076,904	5,018,437	1,238,451	1,303,770	1,238,142	1,300,052
Wholesale & Retail Trade	29,457,497	21,864,457	2,030,407	1,908,521	1,872,134	1,756,215
Others	25,732,565	18,982,731	1,432,609	1,431,316	1,189,795	1,156,798
	699,076,859	600,902,472	24,711,029	25,860,849	21,126,338	18,318,525

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public Sector	74,133,800	109,222,826	955,809	1,176,029	263,780	-
Private Sector	624,943,059	491,679,646	23,755,220	24,684,820	20,862,558	18,318,525
	699,076,859	600,902,472	24,711,029	25,860,849	21,126,338	18,318,525

46.1.7 Contingencies and Commitments

	2021	2020
	(Rupees in '000)	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	652,576	343,736
Automobile and transportation equipment	12,231,880	11,205,017
Cement	5,344,761	2,270,712
Chemical and Pharmaceuticals	13,477,222	5,897,133
Construction	11,270,405	7,648,195
Electronics and electrical appliances	7,765,873	3,472,706
Exports / Imports	1,559,127	2,078,270
Financial	18,713,137	16,856,034
Food & Allied Products	12,663,066	14,149,391
Footwear and Leather garments	523,275	173,192
Glass and Ceramics	1,099,019	686,830
Individual	5,230,306	351,081
Insurance	987,918	907,247
Metal & Allied industries	15,201,077	11,311,487
Mining and Quarrying	790,224	93,326
Oil and Allied	35,780,921	14,957,611
Paper and Board	2,095,589	683,025
Power (electricity), Gas, Water, Sanitary	17,209,364	15,405,563
Services	2,581,095	3,448,195
Sugar	399,533	1,142,065
Technology ahd Communication	865,844	173,189
Textile	58,192,474	29,875,867
Transport, Storage and Communication	1,871,358	2,317,162
Wholesale and Retail Trade	13,287,313	11,396,218
Others	38,368,561	38,154,870
	278,161,918	194,978,122

Credit risk by public / private sector

Public/ Government	47,521,777	37,509,175
Private	230,640,141	157,468,947
	278,161,918	194,978,122

46.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 126.411 billion (2020: Rs. 144.993 billion) are as follows:

Funded	65,552,579	96,641,045
Non Funded	60,858,405	48,351,854
Total Exposure	126,410,984	144,992,899

The sanctioned limits against these top 10 exposures aggregated to Rs. 165.367 billion (2020: Rs. 206.053 billion).

Total funded classified therein	**2021**		**2020**	
	Amount	**Provision held**	**Amount**	**Provision held**
	----------(Rupees in '000)----------			
DAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-

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

46.1.9 Advances - Province/Region-wise Disbursement & Utilization

	2021						
		Utilization					
Province/Region	**Disbursements**	**Punjab**	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
Punjab	1,535,636,134	1,497,229,452	19,158,667	1,301,073	1,281	17,872,171	73,490
Sindh	1,452,628,374	21,380,293	1,430,999,299	24,345	81,166	140,384	2,887
KPK including FATA	18,436,472	-	-	18,434,073	-	2,399	-
Balochistan	9,324,591	-	18,727	-	9,305,864	-	-
Islamabad	110,736,834	45,577,717	9,750	25,640,122	191,174	39,318,071	-
AJK including Gilgit-Baltistan	905,447	-	-	-	27,886	-	877,561
Total	3,127,667,852	1,564,187,462	1,450,186,443	45,399,613	9,607,371	57,333,025	953,938

	2020						
		Utilization					
Province/Region	**Disbursements**	**Punjab**	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
Punjab	1,232,398,112	1,196,493,582	22,214,745	17,350	2,285	13,607,366	62,784
Sindh	1,154,152,784	20,855,321	1,132,853,291	321	48,781	394,978	92
KPK including FATA	16,513,609	-	-	16,513,609	-	-	-
Balochistan	6,803,650	-	62,511	-	6,741,139	-	-
Islamabad	136,343,697	58,631,449	-	10,406,322	67,886	67,238,040	-
AJK including Gilgit-Baltistan	806,536	-	-	-	42,103	-	764,433
Total	2,547,018,388	1,275,980,352	1,155,130,547	26,937,602	6,902,194	81,240,384	827,309

46.2 Market Risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a comprehensive Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines a well-defined risk control structure, responsibilities of relevant stakeholders with respect to market risk management and methods to measure and control market risk at a portfolio level. Furthermore, it includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors. This structure is reviewed, adjusted and approved periodically.

Under the BoD approved policy, the Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of market risk, supported by Market 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 portfolios through stress testing and the Internal Capital Adequacy Assessment processes.

46.3 Foreign exchange risk

Foreign exchange (FX) risk arises from fluctuation in the value of financial instruments due to changes in foreign exchange rates. FX risk is mainly managed through matched positions.

The Holdirig Company also manages FX risk by setting and monitoring dealer and currency-wise limits. currency risk is regulated and monitored against regulatory limits enforced by the State Bank of Pakistan. FX limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is 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:

	2021				2020			
	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 Doll	113,749,064	153,534,871	35,554,066	(4,231,741)	119,789,302	139,015,294	20,030,485	804,493
Great Britain	923,610	6,706,737	5,797,050	13,923	1,631,027	5,947,478	4,314,795	(1,656)
Euro	2,220,058	5,386,496	3,226,568	60,130	2,734,535	5,535,278	2,847,180	46,437
Japanese Yen	86,150	8,326	(77,120)	704	14,859	171	(13,057)	1,631
Other currencies	57,257,245	57,330,913	116,386	42,718	48,583,802	48,583,171	79,569	80,200
	174,236,127	222,967,343	44,616,950	4,114,266	172,753,525	199,081,392	27,258,972	931,105

	2021		2020	
	Banking book	Trading book	Banking bpok	Trading book
	(Rupees in '000)			
Impact of 1% adverse movement in foreign exchange rates on				
- Profit and loss account	-	(41,149)	-	(9,311)
- Other comprehensive	-	-	-	-

46.3.1 Balance sheet split by trading and banking boo

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	105,606,930	-	105,606,930	99,348,862	-	99,348,862
Balances with other banks	9,981,307	-	9,981,307	6,373,472	-	6,373,472
Lendings to financial institutions	35,982,065	-	35,982,065	77,305,535	-	77,305,535
Investments	710,743,433	101,179,813	811,923,246	478,311,578	71,046,975	549,358,553
Advances	673,883,285	-	673,883,285	577,317,776	-	577,317,776
Fixed assets	39,561,952	-	39,561,952	30,994,793	-	30,994,793
Intangible assets	1,119,389	-	1,119,389	1,287,734	-	1,287,734
Deferred tax assets	1,157,470	-	1,157,470	-	-	-
Other assets	57,557,447	-	57,557,447	45,687,678	-	45,687,678
	1,635,593,278	101,179,813	1,736,773,091	1,316,627,428	71,046,975	1,387,674,403

46.3.2 Equity position Risk

Equity position risk arises due to adverse movements in the prices of equities and instruments exhibiting behaviour similar to equities held by the bank. The Bank's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of classifying investments as HFT is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Unit of RMD monitors portfolio and scrip level internal and regulatory limits. The Bank also has dealer and management limits in place.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% adverse movement in equity prices on				
- Profit and loss account	-	(49,854)	-	(24,786)
- Other comprehensive income	(198,644)	-	(265,230)	-

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

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The 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 (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.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	2,455,659	(313,046)	2,315,270	(85,003)
- Other comprehensive income	(5,043,323)	-	(5,264,231)	-

46.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			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			(Rupees in '000)									
Assets												
Cash and balances with treasury banks	0.00%	105,606,930	11,498,201	-	-	-	-	-	-	-	-	94,108,729
Balances with other banks	0.21%	9,981,307	347,184	-	-	-	-	-	-	-	-	9,634,123
Lending to financial institutions	6.16%	35,982,065	33,381,356	2,600,709	-	-	-	-	-	-	-	-
Investments	7.56%	811,923,246	316,547,359	132,340,816	183,990,609	6,055,348	28,646,686	9,663,268	37,680,328	82,555,236	889,010	13 544,586
Advances	7.69%	673,883,285	217,158,409	159,928,637	112,974,943	57,037,377	7,882,908	9,568,054	27,563,621	60,069,631	18,117,715	3,581,990
Other assets	-	48,166,493	-	-	-	-	-	-	-	-	-	48,166,493
		1,685,543,326	578,932,509	294,870,162	296,965,552	63,102,725	36,529,594	19,231,322	65,243,949	142,624,867	19,006,725	169,035,921
Liabilities												
Bills payable	-	22,825,500	-	-	-	-	-	-	-	-	-	22,825,500
Borrowings	5 11%	384,108,872	70,040,897	140,864,221	24,713,954	25,975,133	1,765,859	17,240,189	46,294,521	54,132,946	3,081,086	-
Deposits and other accounts	3.25%	1,139,009,620	478,135,373	77,446,458	16,014,930	39,482,808	615,688	519,913	308,407	-	-	526,491,437
Subordinated debt	9.24%	7,000,000	-	7,000,000	-	-	-	-	-	-	-	-
Other liabilities		-	-	-	-	-	-	-	-	-	-	-
Lease liability against right-of-use asset	13.27%	13,220,387	164,641	410,782	822,356	1,621,294	59,799	244,333	1,507,468	6,836,299	1,533,415	-
Others		42,241,967	-	-	-	-	-	-	-	-	-	42,241,967
		1,608,406,346	548,361,517	225,715,461	41,551,240	67,079,301	2,441,346	18,004,435	48,110,396	60,969,245	4,614,501	591,558,904
On-balance sheet gap		77,136,980	30,570,992	69,154,701	255,414,312	(3,976,576)	34,088,248	1,226,887	17,133,553	81,655,622	14,392,224	(422,522,983)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		278,161,918	22,220,939	25,640,933	47,174,370	137,898,098	18,585,864	4,645,497	11,562,104	5,299,020	5,155,093	-
Commitments in respect of:												
- Forward exchange contracts - purchase		104,574,450	31,930,041	43,366,015	24,939,932	3,988,822	349,750	-	-	-	-	-
- Forward exchange contracts - sale		(60,201,900)	(21,440,406)	(21,753,720)	(16,583,327)	(424,447)	-	-	-	-	-	-
- Forward government security - purchase		10,167,457	20,613	501,383	-	3,645,455	-	-	-	-	-	-
- Forward government security - sale		(29,617,392)	(939,661)	(19,157,327)	-	(6,451,792)	(2,646,673)	(45,109)	-	(376,830)	-	-
- Interest Rate Swaps - purchase		36,620,716	12,444,203	15,903,866	8,472,647	-	-	-	-	-	-	-
- Interest Rate Swaps - Sale		(36,820,717)	-	(1,412,107)	-	(3,177,243)	(1,412,108)	(4,059,811)	(8,490,300)	(18,092,634)	(176,514)	-
Off-balance sheet gap		303,084,542	44,235,729	43,089,049	64,003,522	141,478,893	14,856,833	540,577	3,071,804	(13,170,444)	4,978,579	-
Total Yield/Interest Risk Sensitivity Gap			74,806,721	112,243,750	319,417,834	137,502,317	48,945,081	1,767,464	20,205,357	68,485,178	19,370,803	(422,522,983)
Cumulative Yield/Interest Risk Sensitivity Gap			74,806,721	187,050,471	506,468,305	643,970,622	692,915,703	694,683,167	714,888,524	783,373,702	802,744,505	380,221,522

	Effective Yield/ Interest rate	Total	2020 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	Non-interest bearing financial instruments
On-balance sheet financial instruments			(Rupees in '000)									
Assets												
Cash and balances with treasury banks	0.25%	99,348,862	23,491,896	-	-	-	-	-	-	-	-	75,856,966
Balances with other banks	1.63%	6,373,472	643,485	-	-	-	-	-	-	-	-	5,729,987
Lending to financial institutions	10.91%	77,305,535	64,920,055	9,541,724	2,643,756	-	-	-	-	-	-	-
Investments	9.77%	549,358,553	52,336,373	216,617,691	107,705,765	50,216,766	22,799,876	9,275,925	31,513,643	45,362,622	8,271	13,521,665
Advances	12.27%	577,317,776	200,381,612	163,345,740	128 561,589	35,712,158	8,082,717	3,052,848	8,496,225	23,485,008	3,923,724	2,276,155
Other assets	-	34,302,113	-	-	-	-	-	-	-	-	-	34,302,113
		1,344,006,311	341,773,427	383,505,155	239,111,110	85,928,924	30,882,543	12,328,773	40,009,868	68,847,630	3,931,995	131,606,886
Liabilities												
Bills payable	0.00%	22,571,122	-	-	-	-	-	-	-	-	-	22,571,122
Borrowings	4.90%	315,054,817	153,878,463	41,178,853	11,787,651	1,658 241	29,024,251	2,955,773	47,992,964	22,875,429	3,703,192	
Deposits and other accounts	5.00%	881,750,162	347,183,191	40,825,780	23,104,499	55,045,774	1,626,593	347,859	277,156	-	-	413,339,308
Subordinated debt	12.77%	7,000,000	-	7,000,000	-	-	-	-	-	-	-	-
Other liabilities												
Lease liability against right-of-use asset	11.30%	10,463,042	199,662	392,882	591,953	1,172,869	540,846	540,345	1,080,690	2,701,725	3,242,070	-
Others		41,991,461	-	-	-	-	-	-	-	-	-	41,991,461
		1,278,830,604	501,261,316	89,337,515	35,464,103	57,876,884	31,191,690	3,843,377	49,350,812	25,577,154	6,945,252	477,901,891
On-balance sheet gap		65,175,707	(159,487,889)	300,107,640	203,627,007	28,052,040	(309,147)	8,484,796	(9,340,944)	43,270,476	(3,013,267)	(346,215,005)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		194,978,122	14,190,028	21,329,475	29,143,207	93,096,429	11,988,242	11,287,823	1,598,463	7,522,593	4,821,862	-
Commitments in respect of:												
- Forward exchange contracts - purchase		106,574,908	54,142,271	26,398,092	24,384,394	1,650,151	-	-	-	-	-	-
- Forward exchange contracts - sale		(78,218,949)	(42,058,683)	(14,585,435)	(20,957,376)	(617,449)	-	-	-	-	-	-
- Forward government security - purchase		1,378,869	935,471	-	-	443,398	-	-	-	-	-	-
- Forward government security - sale		(10,860,784)	(4,796,769)	(3,048,008)	(489,820)	-	(2,028,992)	(497,200)	-	-	-	-
- Interest Rate Swaps - purchase		18,317,022	8,790,892	9,526,130	-	-	-	-	-	-	-	-
- Interest Rate Swaps - Sale		(18,317,022)	(719,255)	(319,669)	(4,155,694)	(1,278,675)	(6,409,359)	(5,434,370)	-	-	-	-
Off-balance sheet gap		213,852,166	30,483,949	39,300,590	27,924,711	93,293,854	3,549,891	5,356,253	1,598,463	7,522,593	4,821,862	-
Total Yield/Interest Risk Sensitivity Gap			(129,003,940)	339,408,230	231,551,718	121,345,894	3,240,744	13,841,049	(7,742,481)	50,793,069	1,808,595	(346,215,005)
Cumulative Yield/Interest Risk Sensitivity Gap			(129,003,940)	210,404,290	441,956,008	563,301,902	566,542,646	580,383,695	572,641,214	623,434,283	625,242,878	279,027,873

46.4.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

	2021	2020
	(Rupees in '000)	
Total financial assets as per note 46.4.1	1,685,543,326	1,344,006,311
Add: Non financial assets		
Operating fixed assets	39,561,952	30,994,793
Intangibles	1,119,389	1,287,734
Deferred tax assets	1,157,470	-
Other assets	9,390,954	11,385,565
Total assets as per statement of financial position	1,736,773,091	1,387,674,403
Total financial liabilities as per note 46.4.1	1,608,406,346	1,278,830,604
Add: Non financial liabilities		
Deferred tax liabilities	-	2,235,254
Other liabilities	26,492,646	13,948,045
Total liabilities as per statement of financial position	1,634,898,992	1,295,013,903

46.5 Operational Risk

Basel II defines Operational risk as, the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk management Framework policy and standards of the Bank duly approved by the Central Management Committee and Board, covers the processes, structure and functions of operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Holding Company.

46.5.1 Operational Risk Disclosures - Basel II Specific

The Holding Company is among the first few banks in the industry to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on operational risk in December 2013. The Bank started calculating its capital charge for operational risk using ASA from December 31, 2013.

The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial three years. These floors were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of capital floor for calculation of capital charge under ASA was extended in line with international developments and consultations of the Basel Committee on Banking Supervision (BCBS).

Embedding a sustainable risk culture remains our core objective which includes effective management of operational risk events and emerging risks across the bank and in our overseas operations via deployment of required resources, tools and continuous supervision. The new Operational Risk Framework, Policy and Standards have been rolled out along with new system platforms (Operational Risk System) for recording and tracking of operational losses along with risk events including non-financial risks. We aim to implement a new process based Risk and Control Self-Assessment method across the group in order to effectively manage operational risks in our business / functions and to continuously monitor effectiveness of defined controls through first line self-assessments. These reviews will primarily focus on the processes and activities which may significantly impact the bank's risk appetite. Further, new and amended products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation or launch.

46.5.2 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 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 though Security Operations Centre(24/7); investigation of reported information security incidents; reinforcement of Information security risk awareness to employees via periodic communications; following up on due dates with stakeholders responsible for remediation of open issues; and reporting the status of Information security risk to the management and Board IT Committee(BITC)/Information Technology Steering Committee(ITSC)/Board.

46.5.3 Environmental Risk Unit

The Bank has integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental & Social Management System (ESMS) have been put in place.

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

- International finance corporation exclusion list;
- Applicable national laws on environment, health, safety and social issues; and;
- International finance corporation performance standards.

This framework is an integral part of the credit approval process. All relevant credit proposals require review of Environmental Risk Unit prior to approval of the competent authority. The Environmental Risk Unit, part of RMD, is responsible for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

46.5.4 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 Bank, country risk arises as a result of the Bank's net investment in foreign operations, foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of country's willingness to honour its foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and managed at head office level and country risk exposures are reported to the relevant committees at a defined frequency.

46.6 Liquidity Risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital and reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, the Bank calculates Liquidity Coverage Ratio (LCR) on a monthly basis. Based on December 31, 2021 numbers Bank's LCR is 1.70 or 170% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 599,448.605 million and Net Cash Outflows of PKR 351,987.773 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2021 numbers the Bank's NSFR is 135% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 1,017,917.252 million and Total Required Stable Funding of PKR 753,951.739 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.

BoD 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 the Bank, 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 the Bank, 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, 2021.

HQLA*	Market Value	Weighted Amount
	-------(Rupees in '000)-------	
Level 1 Assets	593,609,555	593,609,555
Level 2A Assets	2,957,274	2,513,683
Level 2B Assets	6,528,389	3,325,367
	603,095,218	599,448,605

* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

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

	2021													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	105,606,930	105,606,930	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,981,307	9,981,307	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	35,982,065	63	22,529,649	6,318,676	4,532,968	2,000,000	600,709	-	-	-	-	-	-	-
Investments	811,923,246	54,472	1,177,217	26,167,758	973,097	42,682,801	90,880,684	12,684,283	4,519,999	1,545,349	269,518,549	14,608,614	133,355,864	213,754,559
Advances	673,883,285	66,782,185	8,771,946	14,773,731	47,330,779	87,660,856	49,059,507	77,435,095	19,842,263	29,402,651	24,880,395	36,267,252	68,421,452	143,255,173
Fixed assets	39,561,952	5,023	30,121	35,161	85,343	156,754	162,282	805,779	519,553	624,938	2,245,681	2,311,238	5,178,628	27,401,451
Intangible assets	1,119,389	600	3,601	4,202	10,204	18,608	18,607	55,823	55,822	55,857	223,625	223,288	446,652	2,500
Deferred tax assets	1,157,470	-	-	-	15,859	-	-	31,891	-	1,106,678	1,705	394	108	835
Other assets	57,557,447	1,671,763	10,771,583	11,955,619	27,324,441	199,376	241,173	579,314	592,729	725,563	2,012,700	370,422	557,132	555,632
	1,736,773,091	184,102,343	43,284,117	59,255,147	80,272,691	132,718,395	140,962,962	91,592,185	25,530,366	33,461,036	298,882,655	53,781,208	207,959,836	384,970,150
Liabilities														
Bills payable	22,825,500	22,825,500	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	384,108,872	1,774,248	56,415,611	4,879,316	6,971,722	121,746,564	19,117,657	25,463,954	12,915,364	13,059,835	1,765,859	17,240,189	46,294,521	56,464,032
Deposits and other accounts	1,139,009,620	910,770,730	20,730,420	7,272,827	47,158,892	39,609,845	55,585,601	16,076,983	14,032,001	26,169,575	597,966	665,078	339,702	-
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000,000
Other liabilities	81,955,000	715,301	4,291,807	5,007,109	11,444,820	1,579,685	1,930,727	5,310,880	10,694,654	13,386,565	2,632,379	2,389,303	13,778,610	8,793,160
	1,634,898,992	936,085,779	81,437,836	17,159,252	65,575,434	162,936,094	76,633,985	46,851,817	37,642,019	52,615,975	4,996,204	20,294,570	60,412,833	72,257,192
Net assets	101,874,099	(751,983,436)	(38,153,721)	42,095,895	14,697,257	(30,217,699)	64,328,977	44,740,368	(12,111,653)	(19,154,939)	293,886,451	33,486,638	147,547,003	312,712,958
Share capital	17,771,651													
Reserves	29,953,963													
Unappropriated profit	42,578,350													
Surplus on revaluation of assets	11,440,246													
Non-controlling interest	129,889													
	101,874,099													

	2020													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	99,348,862	99,348,862	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,373,472	5,783,442	-	-	590,030	-	-	-	-	-	-	-	-	-
Lending to financial institutions	77,305,535	60	59,236,679	1,567,938	4,115,378	8,100,616	1,441,108	2,843,756	-	-	-	-	-	-
Investments	549,358,553	914,507	5,487,027	14,122,032	29,369,153	38,549,639	85,819,534	47,511,083	46,244,628	3,172,100	22,799,826	22,669,158	62,916,000	169,783,866
Advances	577,317,776	2,654,642	7,217,321	6,166,654	144,063,108	48,196,077	66,233,890	44,682,395	14,973,201	12,056,938	42,423,105	33,353,571	60,017,649	95,319,225
Fixed assets	30,994,793	5,052	25,547	29,880	72,464	132,184	132,012	729,369	436,082	494,318	1,946,107	2,184,008	4,165,352	20,642,618
Intangible assets	1,287,734	692	4,144	4,834	11,740	21,409	21,409	64,646	64,227	64,273	257,137	256,907	513,816	2,500
Other assets	45,687,678	4,159,760	5,728,515	6,897,365	17,581,395	2,864,493	2,280,700	1,751,963	135,713	842,183	1,731,180	342,990	1,101,365	270,056
	1,387,674,403	112,767,017	77,699,233	28,788,503	195,803,268	97,864,418	155,988,653	97,583,212	61,853,851	16,629,812	69,157,355	58,806,634	128,714,182	286,018,265
Liabilities														
Bills payable	22,571,122	22,571,122	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	315,054,817	1,627,495	100,667,978	43,779,849	7,803,141	24,475,170	16,703,683	11,787,651	1,603,950	54,291	29,024,251	2,955,773	47,992,964	26,578,621
Deposits and other accounts	881,750,162	714,615,539	14,738,740	5,968,999	21,078,054	18,255,581	24,431,828	21,410,476	23,521,203	35,167,782	1,726,044	398,633	437,283	-
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000,000
Deferred tax liabilities	2,235,254	-	-	-	-	-	-	-	1,361,152	-	-	-	-	874,102
Other liabilities	66,402,548	595,986	4,946,106	5,959,845	13,519,973	3,338,654	4,352,978	4,412,598	1,758,072	13,911,000	1,876,843	1,644,471	4,120,251	5,965,771
	1,295,013,903	739,410,142	120,352,824	55,708,693	42,401,168	46,069,405	45,488,489	37,610,725	28,244,377	49,133,073	32,627,138	4,998,877	52,550,498	40,418,494
Net assets	92,660,500	(626,643,125)	(42,653,591)	(26,920,190)	153,402,100	51,795,013	110,500,164	59,972,487	33,609,474	(32,503,261)	36,530,217	53,807,757	76,163,684	245,599,771

Share capital	17,771,651
Reserves	27,680,022
Unappropriated profit	36,572,971
Surplus on revaluation of assets	10,528,419
Non-controlling interest	107,437
	92,660,500

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

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

	2021									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	105,606,930	105,606,930	-	-	-	-	-	-	-	-
Balances with other banks	9,981,307	9,981,307	-	-	-	-	-	-	-	-
Lending to financial institutions	35,982,065	33,381,356	2,600,709	-	-	-	-	-	-	-
Investments	811,923,246	28,372,544	133,585,526	12,684,283	6,065,348	266,813,011	14,608,614	133,355,864	208,959,514	7,478,542
Advances	673,883,285	137,659,331	136,721,617	77,435,006	49,244,007	24,879,447	36,267,252	68,421,452	103,933,059	39,322,114
Fixed assets	39,561,952	171,507	319,036	837,670	1,156,672	2,247,386	2,311,832	5,178,736	11,572,719	15,766,594
Intangible assets	1,119,389	18,607	37,215	55,823	111,879	223,625	223,288	446,652	2,500	-
Deferred tax assets	1,157,470	-	-	-	1,157,470	-	-	-	-	-
Other assets	57,557,447	51,755,415	441,956	579,403	1,319,199	1,978,288	370,422	557,132	555,632	-
	1,736,773,091	366,946,997	273,706,059	91,592,185	59,054,375	296,141,757	53,781,208	207,959,836	325,023,424	62,567,250
Liabilities										
Bills payable	22,825,500	22,825,500	-	-	-	-	-	-	-	-
Borrowings	384,108,872	70,040,897	140,864,221	25,463,954	25,975,199	1,765,859	17,240,189	46,294,521	53,382,946	3,081,086
Deposits and other accounts	1,139,009,620	97,606,002	120,583,510	54,838,836	117,657,712	159,601,604	42,683,728	84,320,448	209,871,718	251,846,062
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	7,000,000
Other liabilities	81,955,000	21,774,359	3,510,412	5,310,880	23,765,897	2,632,379	2,389,305	13,778,610	4,396,578	4,396,580
	1,634,898,992	212,246,758	264,958,143	85,613,670	187,398,808	163,999,842	62,313,222	144,393,579	267,851,242	266,323,728
Net assets	101,874,099	154,700,239	8,747,916	5,978,515	(108,344,433)	132,141,915	(8,532,014)	63,566,257	57,372,182	(203,756,478)

Share capital	17,771,651
Reserves	29,953,963
Unappropriated profit	42,578,350
Surplus on revaluation of assets	11,440,246
Non-controlling interest	129,889
	101,874,099

	2020									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	99,348,862	64,567,123	940,961	1,412,621	2,825,243	5,806,919	1,700,659	3,399,257	8,497,710	10,198,369
Balances with other banks	6,373,472	6,373,472	-	-	-	-	-	-	-	-
Lending to financial institutions	77,305,535	64,920,055	9,541,724	2,843,756	-	-	-	-	-	-
Investments	549,358,553	49,892,719	124,369,173	47,511,083	49,416,728	22,799,826	22,669,158	62,916,000	164,336,239	5,447,627
Advances	577,317,776	160,001,725	114,489,967	44,682,395	27,030,139	42,423,105	33,353,571	60,017,649	71,724,185	23,595,040
Fixed assets	30,994,793	132,741	284,196	729,369	930,400	1,946,107	2,184,008	4,165,354	9,170,704	11,471,914
Intangible assets	1,287,734	21,410	42,818	64,647	128,500	257,136	256,907	513,816	2,500	-
Other assets	45,687,678	34,367,035	5,145,193	1,751,963	977,896	1,731,180	342,990	1,101,365	270,056	-
	1,387,674,403	380,276,280	254,794,032	98,995,834	81,308,906	74,964,273	60,507,293	132,113,441	254,001,394	50,712,950
Liabilities										
Bills payable	22,571,122	22,571,122	-	-	-	-	-	-	-	-
Borrowings	315,054,817	153,878,463	41,178,853	11,787,651	1,658,241	29,024,251	2,955,773	47,992,964	22,875,429	3,703,192
Deposits and other accounts	881,750,162	60,380,909	61,690,419	51,980,119	112,925,629	117,958,535	34,432,670	68,460,289	169,954,202	203,967,390
Subordinated debt	7,000,000	-	-	-	-	-	-	-	-	7,000,000
Deferred tax liabilities	2,235,254	-	-	-	1,361,152	-	-	-	-	874,102
Other liabilities	66,402,548	25,021,900	7,691,632	4,412,598	15,668,571	1,877,344	1,644,471	4,120,251	2,701,725	3,264,056
	1,295,013,903	261,852,394	110,560,904	68,180,368	131,613,593	148,860,130	39,032,914	120,573,504	195,531,356	218,808,740
Net assets	92,660,500	118,423,886	144,233,128	30,815,466	(50,304,687)	(73,895,857)	21,474,379	11,539,937	58,470,038	(168,095,790)
Share capital	17,771,651									
Reserves	27,680,022									
Unappropriated profit	36,572,971									
Surplus on revaluation of assets	10,528,419									
Non-controlling interest	107,437									
	92,660,500									

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

46.7 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 risk.

Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bonds portfolio against interest rate swaps and futures on a periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/revisited in coordination with Treasury to align the outcomes with established risk parameters.

46.8 Trade Pricing Risk

Trade Pricing Risk – TPRD has been established under the umbrella of Risk Management Division – RMD and is responsible to ascertain commodity price of trade transactions to curb under / over invoicing on best effort basis through various reliable sources such as internet search, custom valuation ruling, newspaper, goods declaration, Bloomberg etc.

The unit has been established as required by SBP framework for managing risk of Trade Based Money Laundering and Terrorist Financing.

47 AFGHANISTAN OPERATIONS

The Holding Company operates two branches in Afghanistan which are fully operational. The evolving situation in Afghanistan is of concern and is being monitored by the Bank on a continuous basis. All staff including expats continue to discharge their duties onshore. The banking operations in Afghanistan are hampered due to country's frozen reserves and uncertainty regarding international recognition which prevents normal business flow in and out of Afghanistan. The Bank has enhanced oversight, both onshore and at HO, to ensure more stringent controls. The Bank remains in constant touch with the team in Afghanistan, Pakistan Embassy in Kabul, and all the key banking partners to ensure safety of staff and ensuring that it continues to meet the compliance and control requirements of banking partners.

48 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 2, 2022 has announced final cash dividend of Rs. 2.0 per share (20%) (2020: Rs. 2.0 per share (20%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2021 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2022. The Board had earlier declared and paid an interim cash dividend of Rs. 2.0 (2020: cash dividend: Rs. 2.0) per share.

49 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 2, 2022 by the Board of Directors of the Holding Company.

50 GENERAL

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

President & Chief Executive Officer **Chief Financial Officer** **Director** **Director** **Director**

Pattern of Shareholding

As at December 31, 2021

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1949	1	-	100	48,032
1834	101	-	500	526,140
1683	501	-	1000	1,231,714
3914	1001	-	5000	11,671,897
1003	5001	-	10000	7,341,635
284	10001	-	15000	3,522,364
129	15001	-	20000	2,289,957
123	20001	-	25000	2,817,414
74	25001	-	30000	2,062,725
46	30001	-	35000	1,519,456
33	35001	-	40000	1,246,921
28	40001	-	45000	1,193,247
46	45001	-	50000	2,241,974
35	50001	-	55000	1,881,882
20	55001	-	60000	1,155,939
21	60001	-	65000	1,310,106
18	65001	-	70000	1,220,034
13	70001	-	75000	951,792
10	75001	-	80000	775,694
11	80001	-	85000	917,473
12	85001	-	90000	1,053,330
4	90001	-	95000	368,577
20	95001	-	100000	1,988,519
5	100001	-	105000	516,311
21	105001	-	110000	2,297,250
4	110001	-	115000	449,875
6	115001	-	120000	706,778
9	120001	-	125000	1,108,204
7	125001	-	130000	895,075
3	130001	-	135000	401,522
10	135001	-	140000	1,378,175
3	140001	-	145000	429,227
15	145001	-	150000	2,219,490
4	150001	-	155000	610,796

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	155001	-	160000	158,000
4	160001	-	165000	650,259
2	165001	-	170000	334,600
4	170001	-	175000	693,778
3	175001	-	180000	533,262
6	180001	-	185000	1,099,583
1	185001	-	190000	186,500
1	190001	-	195000	191,875
9	195001	-	200000	1,795,350
4	200001	-	205000	807,731
1	205001	-	210000	205,612
5	210001	-	215000	1,061,774
5	215001	-	220000	1,093,181
1	220001	-	225000	224,766
3	230001	-	235000	695,246
3	235001	-	240000	713,787
2	240001	-	245000	486,048
4	245001	-	250000	1,000,000
5	250001	-	255000	1,262,911
7	255001	-	260000	1,798,055
1	260001	-	265000	265,000
9	270001	-	275000	2,456,746
2	280001	-	285000	560,449
2	285001	-	290000	575,456
3	290001	-	295000	877,274
2	295001	-	300000	600,000
3	300001	-	305000	907,735
2	305001	-	310000	618,636
2	310001	-	315000	626,812
1	315001	-	320000	319,000
1	320001	-	325000	325,000
5	325001	-	330000	1,650,000
1	330001	-	335000	333,500
3	335001	-	340000	1,013,800
1	340001	-	345000	345,000
1	345001	-	350000	350,000
2	350001	-	355000	706,724
1	355001	-	360000	359,500
1	360001	-	365000	363,376
1	365001	-	370000	369,613

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	370001	-	375000	373,777
1	375001	-	380000	376,500
2	380001	-	385000	765,526
2	385001	-	390000	776,321
1	390001	-	395000	393,000
2	395001	-	400000	793,454
1	410001	-	415000	412,164
1	425001	-	430000	426,800
1	430001	-	435000	434,344
3	435001	-	440000	1,320,000
2	445001	-	450000	900,000
2	465001	-	470000	937,500
2	470001	-	475000	948,264
1	480001	-	485000	484,000
1	485001	-	490000	490,000
4	495001	-	500000	2,000,000
1	510001	-	515000	514,080
1	515001	-	520000	518,100
2	520001	-	525000	1,044,893
1	525001	-	530000	528,243
2	545001	-	550000	1,100,000
2	550001	-	555000	1,101,831
1	560001	-	565000	561,801
1	575001	-	580000	580,000
1	580001	-	585000	580,232
2	595001	-	600000	1,200,000
1	600001	-	605000	602,550
3	605001	-	610000	1,820,944
3	610001	-	615000	1,837,395
1	615001	-	620000	616,000
1	630001	-	635000	632,498
2	645001	-	650000	1,299,710
1	660001	-	665000	661,100
1	685001	-	690000	686,187
1	690001	-	695000	692,875
1	695001	-	700000	700,000
1	755001	-	760000	757,639
1	760001	-	765000	762,000
1	770001	-	775000	770,100
1	780001	-	785000	784,400

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	800001	-	805000	803,000
1	815001	-	820000	817,700
1	820001	-	825000	824,999
1	830001	-	835000	831,911
1	845001	-	850000	850,000
1	855001	-	860000	857,004
1	865001	-	870000	865,748
1	870001	-	875000	873,000
1	875001	-	880000	875,736
1	905001	-	910000	909,700
2	920001	-	925000	1,845,392
2	985001	-	990000	1,977,800
2	990001	-	995000	1,987,359
3	995001	-	1000000	3,000,000
1	1020001	-	1025000	1,023,550
1	1025001	-	1030000	1,030,000
1	1030001	-	1035000	1,031,469
1	1035001	-	1040000	1,040,000
1	1045001	-	1050000	1,047,750
1	1060001	-	1065000	1,061,966
1	1075001	-	1080000	1,077,999
1	1090001	-	1095000	1,091,605
3	1095001	-	1100000	3,297,120
1	1125001	-	1130000	1,127,950
1	1185001	-	1190000	1,189,997
1	1205001	-	1210000	1,208,000
1	1230001	-	1235000	1,231,530
1	1245001	-	1250000	1,250,000
1	1280001	-	1285000	1,284,017
1	1285001	-	1290000	1,286,619
2	1320001	-	1325000	2,645,848
2	1330001	-	1335000	2,663,321
1	1345001	-	1350000	1,350,000
1	1355001	-	1360000	1,359,477
1	1370001	-	1375000	1,372,800
1	1400001	-	1405000	1,401,618
1	1435001	-	1440000	1,439,536
1	1450001	-	1455000	1,450,850
3	1495001	-	1500000	4,500,000
1	1520001	-	1525000	1,524,805

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	1525001	-	1530000	1,530,000
1	1540001	-	1545000	1,543,434
1	1605001	-	1610000	1,608,678
1	1675001	-	1680000	1,675,450
1	1710001	-	1715000	1,715,000
1	1715001	-	1720000	1,720,000
1	1795001	-	1800000	1,800,000
1	1935001	-	1940000	1,938,656
1	1955001	-	1960000	1,956,768
4	1995001	-	2000000	8,000,000
1	2060001	-	2065000	2,063,845
1	2070001	-	2075000	2,070,456
1	2170001	-	2175000	2,170,383
1	2305001	-	2310000	2,310,000
1	2315001	-	2320000	2,319,000
1	2365001	-	2370000	2,369,400
1	2380001	-	2385000	2,381,789
1	2510001	-	2515000	2,510,166
1	2600001	-	2605000	2,601,999
1	2765001	-	2770000	2,769,544
1	2820001	-	2825000	2,821,948
1	2875001	-	2880000	2,875,126
1	3250001	-	3255000	3,254,080
1	3610001	-	3615000	3,612,500
1	3815001	-	3820000	3,815,256
1	3820001	-	3825000	3,822,400
1	3880001	-	3885000	3,884,505
1	3900001	-	3905000	3,904,500
1	4050001	-	4055000	4,052,204
1	4495001	-	4500000	4,500,000
1	4630001	-	4635000	4,634,424
1	4790001	-	4795000	4,791,994
1	4795001	-	4800000	4,799,278
1	5080001	-	5085000	5,085,000
1	5380001	-	5385000	5,382,000
1	5445001	-	5450000	5,450,000
1	5495001	-	5500000	5,500,000
1	5940001	-	5945000	5,944,500
1	6075001	-	6080000	6,075,614
1	6120001	-	6125000	6,121,740

Number of Shareholders	From	Shareholding	To	Number of Shares Held
1	7355001	-	7360000	7,359,444
1	7580001	-	7585000	7,583,114
1	8135001	-	8140000	8,137,080
1	8165001	-	8170000	8,169,363
1	8585001	-	8590000	8,589,173
1	9005001	-	9010000	9,006,562
1	9155001	-	9160000	9,155,001
1	9195001	-	9200000	9,195,283
1	9995001	-	10000000	10,000,000
1	10235001	-	10240000	10,237,347
1	10475001	-	10480000	10,478,050
1	11295001	-	11300000	11,300,000
1	11365001	-	11370000	11,365,065
1	13005001	-	13010000	13,008,399
1	13465001	-	13470000	13,469,118
1	14535001	-	14540000	14,539,500
1	14845001	-	14850000	14,850,000
1	15715001	-	15720000	15,717,970
1	19175001	-	19180000	19,175,464
1	20200001	-	20205000	20,201,763
1	21040001	-	21045000	21,041,084
1	23200001	-	23205000	23,204,387
1	35360001	-	35365000	35,364,941
1	40360001	-	40365000	40,363,866
1	42420001	-	42425000	42,422,788
1	44640001	-	44645000	44,643,661
1	58395001	-	58400000	58,399,658
1	59360001	-	59365000	59,362,875
1	60545001	-	60550000	60,548,683
1	65350001	-	65355000	65,352,806
1	75685001	-	75690000	75,685,854
1	83255001	-	83260000	83,255,882
2	113525001	-	113530000	227,057,562
1	131185001	-	131190000	131,189,776
1	261895001	-	261900000	261,895,095
11702				**1,777,165,119**

Categories of Shareholders

As at December 31, 2021

S.No.	Categories of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer their Spouse(s) and Minor Children	292,218,244	16.44
2	Associated Companies, Undertakings and Related Parties	839,563,137	47.24
3	NIT and ICP	6,238,154	0.35
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	23,719,570	1.33
5	Insurance Companies	61,063,439	3.44
6	Modarabas and Mutual Funds	76,137,622	4.28
7	General Public		
	a) Local	187,765,047	10.57
	b) Foreign	77,826,072	4.38
8	Others		
	a Foreign Companies	88,856,249	5.00
	b) Joint Stock Companies	110,885,404	6.24
	c) Provident Funds, Pension Funds, Gratuity Funds and other entitie	12,892,181	0.73
		1,777,165,119	100.00

Shareholders holding 10% or more shares

	Shareholding	Percentage
H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman	189,589,434	10.67
M/S. International Finance Corporation	261,895,095	14.74

Sale/Purchase of Shares of the Bank

By directors/executives and their spouses and minor children during the year 2021

Sr. No.	Name	Date	No. of Shares		Nature of Transaction
			Sale	Purchase	
1	Mr. Abdulla Nasser Hawaileel Al Mansoori, Director	30-Jun-21	1	Rs. 31.44	Purchased
		30-Jun-21	216	Rs. 31.45	Purchased
		30-Jun-21	12	Rs. 31.75	Purchased
		30-Jun-21	273,562	Rs. 31.80	Purchased
		01-Jul-21	250,000	Rs. 31.41	Purchased
		01-Jul-21	239,700	Rs. 31.42	Purchased
		01-Jul-21	250,000	Rs. 31.43	Purchased
		01-Jul-21	100,000	Rs. 31.45	Purchased
		01-Jul-21	676,209	Rs. 31.47	Purchased
		01-Jul-21	257,895	Rs. 31.49	Purchased
		01-Jul-21	342,105	Rs. 31.50	Purchased
		01-Jul-21	200,000	Rs. 31.52	Purchased
		01-Jul-21	10,300	Rs. 31.59	Purchased
		01-Jul-21	100,000	Rs. 31.62	Purchased
		01-Jul-21	100,000	Rs. 31.68	Purchased
		01-Jul-21	100,000	Rs. 31.80	Purchased
		01-Jul-21	100,000	Rs. 31.85	Purchased
		06-Jul-21	250,000	Rs. 31.54	Purchased
		06-Jul-21	250,000	Rs. 31.55	Purchased
		06-Jul-21	10,000	Rs. 31.59	Purchased
		06-Jul-21	740,000	Rs. 31.60	Purchased
		06-Jul-21	450,000	Rs. 31.70	Purchased
		06-Jul-21	100,000	Rs. 31.79	Purchased
		06-Jul-21	300,000	Rs. 31.81	Purchased
		06-Jul-21	500,000	Rs. 31.86	Purchased
		06-Jul-21	200,000	Rs. 31.87	Purchased
		06-Jul-21	200	Rs. 31.98	Purchased
		06-Jul-21	2,500	Rs. 31.99	Purchased
		06-Jul-21	197,300	Rs. 32.00	Purchased
		08-Jul-21	174,964	Rs. 31.40	Purchased
		08-Jul-21	17,000	Rs. 31.50	Purchased
		08-Jul-21	10,782	Rs. 31.80	Purchased
		08-Jul-21	81,035	Rs. 31.82	Purchased
		08-Jul-21	38,900	Rs. 31.85	Purchased
		08-Jul-21	12,600	Rs. 31.88	Purchased
		08-Jul-21	4,600	Rs. 31.89	Purchased
		08-Jul-21	751,936	Rs. 31.90	Purchased
		09-Jul-21	310	Rs. 31.75	Purchased
		09-Jul-21	24,201	Rs. 31.81	Purchased

Sr. No.	Name	Date	No. of Shares		Nature of Transaction
			Sale	Purchase	
		09-Jul-21	10	Rs. 31.87	Purchased
		09-Jul-21	4,620	Rs. 31.88	Purchased
		09-Jul-21	74,090	Rs. 31.89	Purchased
		09-Jul-21	949,065	Rs. 31.90	Purchased
		09-Jul-21	14,500	Rs. 31.91	Purchased
		09-Jul-21	15,000	Rs. 31.92	Purchased
		09-Jul-21	15,000	Rs. 31.93	Purchased
		09-Jul-21	35,500	Rs. 31.94	Purchased
		09-Jul-21	156,189	Rs. 31.95	Purchased
		09-Jul-21	7,500	Rs. 31.98	Purchased
		09-Jul-21	15,500	Rs. 31.99	Purchased
		09-Jul-21	25,501	Rs. 32.00	Purchased
		12-Jul-21	600,000	Rs. 31.90	Purchased
		12-Jul-21	50,000	Rs. 31.91	Purchased
		12-Jul-21	100,000	Rs. 31.95	Purchased
		12-Jul-21	650,000	Rs. 32.00	Purchased
		13-Jul-21	64,980	Rs. 31.94	Purchased
		13-Jul-21	1,550,000	Rs. 31.95	Purchased
		13-Jul-21	250,000	Rs. 31.96	Purchased
		13-Jul-21	50,000	Rs. 31.97	Purchased
		13-Jul-21	350,000	Rs. 31.98	Purchased
		13-Jul-21	100,000	Rs. 32.00	Purchased
		14-Jul-21	1,175,000	Rs. 32.00	Purchased
		14-Jul-21	25,000	Rs. 32.02	Purchased
		14-Jul-21	75,335	Rs. 32.05	Purchased
2	Ms. Mehvish Waliany, Head – Investment Banking	22-Jan-21	24,000	Rs. 36.60	Sold
		08-Feb-21	10,000	Rs. 36.1	Sold
3	Mr. Kamran Mahmood, Head – Technology Services Division	12-Feb-21	1,000	Rs. 34.75	Sold
		12-Feb-21	5,500	Rs. 34.51	Sold
		12-Feb-21	3,350	Rs. 34.52	Sold
		12-Feb-21	150	Rs. 34.53	Sold
		01-Apr-21	20,000	Rs. 30.43	Sold
4	Mr. Muhammad Sharjeel Javed S/o Mr. Javed Iqbal, Head – SME & Commercial Division"	22-Apr-21	500	Rs. 30.15	Purchased
		27-Apr-21	500	Rs. 30.4162	Sold
5	Mr. Syed Talal Ali Raza, Business Head – Retail Central East Business	12-Oct-21	37,166	Rs. 32.2003	Sold
6	Mr. Amaar Naveed Ikhlas, Head – Retail Payment Solution Division	21-Oct-21	500	Rs. 36.7	Purchased

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 30TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 30th Annual General Meeting ("AGM") of Bank Alfalah Limited ("the Bank") will be held on Tuesday, March 29, 2022 at 10:00 AM at Ballroom, Movenpick Hotel, Karachi as well as through electronic means/web link to transact the following businesses:

Ordinary Business:

1. To confirm Minutes of the Extra-Ordinary General Meeting held on 27th May 2021.

2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended 31st December 2021 together with Chairman's Review Report, Directors' Report and Auditors' Report thereon including post-facto approval of remuneration paid to the non-executive directors for attending Board and Board Committees meetings as reported under Note No. 39 of the Annual Accounts, in compliance with SBP's Regulatory Framework.

   The Annual Report 2021 including Financial Statements of the Bank for the year ended 31st December 2021 has been placed at Bank's website at; www.bankalfalah.com/financial-reports/

3. To approve, as recommended by the Board of Directors, payment of Final cash dividend at the rate of Rs. 2/- per share i.e. 20% for the year ended 31st December 2021. 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 2022 and fix their remuneration.

5. To transact any other business with the permission of the Chair.

Special Business:

6. To consider and approve amendments in the Directors' Remuneration Policy of the Bank in accordance with SBP's Corporate Governance Regulatory Framework and to pass the following Ordinary Resolution:

   "**RESOLVED THAT** in order to align the policy document with the updated regulatory requirements, the amendments to the Remuneration Policy for the Directors of Bank Alfalah Limited, as presented before the shareholders in the 30th Annual General Meeting, be and are hereby approved."

7. To consider and, if deemed fit, pass the following Special Resolution (with or without modification):

   "**RESOLVED THAT** in accordance with Section 199 of the Companies Act, 2017, and subject to compliance with necessary requirements and approvals, Bank Alfalah Limited ("the Bank") be and is hereby authorized to purchase 521,739 (Five Hundred Twenty One Thousand Seven Hundred Thirty Nine) ordinary shares of Alfalah CLSA Securities (Private) Limited, having face value of PKR 10/- (Pak Rupees ten each, from the Sellers, at an aggregate price of PKR 5,217,390/- (Pak Rupees Five Million Two Hundred Seventeen Thousand Three Hundred Ninety), on such terms and conditions as negotiated and finalized by the Authorized Representatives of the Bank.

FURTHER RESOLVED THAT the Group Head, Strategy, Transformation and Customer Experience, the Company Secretary and the Chief Financial Officer of the Bank ("the Authorized Representatives"), be and are hereby, jointly and severally, authorized to prepare, finalize, execute and file all necessary documents, take all necessary steps and to do all such acts deeds and things for and on behalf of, and in the name of the Bank, as may be necessary or required as they may think fit for or in connection with or incidental for the purposes of the above-mentioned resolution or for the proposed Purchase, as well as carry out any other act or step which may be ancillary and / or incidental to do the above and necessary to fully achieve the objects of the aforesaid resolution."

The Statement of material facts under Section 134(3) of the Companies Act, 2017 in respect of the aforesaid Special Businesses to be considered at the Annual General Meeting is being sent to the members along with the Notice.

Karachi
Dated: 8th March 2022

By Order of the Board

MUHAMMAD AKRAM SAWLEH
Company Secretary

NOTES:

1. **Closure of Share Transfer Books**
The Share Transfer Books of the Bank will be closed from March 22, 2022 to March 29, 2022 (both days inclusive). Transfers received at the office of the Share Registrar of the Bank, M/s. F. D. Registrar Services (Pvt.) Limited, Room No. 1705, 17th Floor, Saima Trade Tower "A", I.I. Chundrigar Road, Karachi-74000 Phone: (92-21) 32271905-6 and (92-21) 32213243 Fax: (92-21) 32621233 before the close of business on March 21, 2022 will be treated in time for the purpose of attending meeting by the transferees. Also, shareholders having shares in physical form are requested to notify any change in their address and/or email address, to our Share Registrar, in writing, whereas CDC account holders are requested to contact their CDC Participant/CDC Investor Account Services

2. **Participation in AGM through electronic means:**
The shareholders who wish to participate through online platform/facility (either in person or through proxy) are requested to please provide below information at Bank's designated Email: cosec@bankalfalah.com, at least 24 hours before the time of AGM i.e. latest by 10:00 am on 28th March, 2022.

Folio/CDC Account No.	Name	CNIC No.	Cell No.	Email address

The login details will be sent to such shareholders through email enabling them to join the AGM on given time through web/internet.

3. **Members' Right to Appoint Proxy**
Members appointing proxies are requested to submit their proxy forms along with attested copies of proxy's CNIC/Passport mentioning folio/CDC account # of proxy holder at the Office of Share Registrar of the Bank, not less than 48 hours before the time of the Meeting. A corporation appointing a proxy must also submit their proxy forms along with a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney.

4. Payment of Cash Dividend Electronically (e-Dividend)/Dividend Mandate

In accordance with the Companies (Distribution of Dividends) Regulations, 2017, the Bank is required to withhold dividend payment of those shareholders who have not yet provided their dividend mandate/bank account details and/or CNIC details. Such shareholders are requested to provide their CNIC details and/or their dividend mandate information including 1) IBAN number 2) Title of Bank Account; 3) Bank Account number; 4) Bank Code and Branch Code; 5) Bank Name, Branch Name and Address; 6) Cell Number; 7) CNIC number; and 8) Email Address to Bank's Share Register (if shares are held physically) or relevant CDC Participants/Brokers (if shares are held in electronic form).

5. Financial Statements and Notice of Annual General Meeting through email

In compliance with SECP's SRO No. 787(I)2014 dated 8th September 2014, the shareholders who desire to receive the audited financial statements and notice of Annual General Meeting through email are requested to provide their valid email address and their consent in writing to the Bank's Share Registrar.

6. Un-claimed Dividends/ Shares

In accordance with Section 244 of the Companies Act, 2017 and the Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are undelivered/ unclaimed for a period of three (3) years or more from the date it is due and payable. The notices to this fact have already been dispatched to the relevant shareholders. Shareholders who have not yet collected/received their dividends/shares are advised to contact our Share Registrar for details.

7. Withholding Tax on dividends

Withholding Tax on cash dividend of those shareholders, whose name will not appear (at the time of issuance/process of dividend) in the Active Tax Payers List, will be subject to higher rate of tax deduction as required under prevailing Income Tax Laws. Corporate shareholders are also required to update their NTN number in CDC records or provide copy of their NTN certificate to Bank's Share Registrar (if shares are held in physical form).

8. Tax in case of Joint Shareholders

In accordance with the instructions of Federal Board of Revenue, the tax on dividend income of joint holders of shares will be deducted in accordance with their shareholding proportion or in equal proportion, if such proportion is not provided. Therefore, shareholders are requested to provide, if not provided earlier, shareholding proportion of each joint shareholder(s) to the Bank's Share Registrar latest by 24th March 2022 in the following manner:

Folio / CDC A/c No.	Name of Shareholders (Joint Holders)	No. of shares (proportion)	CNIC No. (valid copy attached)	Signature
	1)			
	2)			
	. . . . .			
	Total Shares			

9. Conversion of Physical Shares into Book Entry Form

As per provisions of Section 72(2) of the Companies Act, 2017 and as per the instructions issued by SECP vide its Letter No. CSD/ED/Misc./2016-639-640 date March 26, 2021, every existing company is required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission. Physical shareholders are requested to arrange to convert their shares held in physical form into book-entry-form. For this purpose, the shareholder shall be required to have an account either with Central Depository Company of Pakistan Limited (CDC) or with any Trading Rights Entitlement Certificate holder of Pakistan Stock Exchange Limited/CDC Participant.

The benefits associated with the Book-Entry-Form Shares includes "readily available for trading, whereas trading of physical scrips is currently not permitted", "no risk of damaged, lost, forged or duplicate certificates", "reduced stamp duty on physical to book-entry-form transfers", "no stamp duty on electronic transfers in CDS", "Instantaneous transfer of ownership", "Instant receipt/credit of dividends and other corporate entitlements (i.e. bonus, rights and new issues etc.)" and convenient pledging of securities etc.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 PERTAINING TO THE SPECIAL BUSINESSES BEING TRANSACTED:

Agenda Item No. 6:

Remuneration Policy for Directors:

The shareholders of the Bank in 28th Annual General Meeting held on 27th March 2020 at Karachi had unanimously approved the 'Remuneration Policy for Directors' ("the Policy") as required under the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and SBP's BPRD Circular No. 03 of 2019 dated August 17, 2019 ("SBP Circular").

The State Bank of Pakistan has recently promulgated 'Corporate Governance Regulatory Framework' ("the Framework") vide its BPRD Circular No. 5 of 2021 dated November 22, 2021 which has repealed the said SBP Circular and consolidated its contents into the Framework. The existing Policy has references of the repealed SBP Circular, therefore, the same is being updated in accordance with the Framework. There is no material change in the Policy. However, an additional clause is being inserted into the Policy to cover and apply any maximum limits that may be prescribed by the regulator from time to time, while determining remuneration of a director for attending a board and/or its committee meetings.

As per regulatory requirements, the Policy is required to be approved by the shareholders of the Bank on pre or post facto basis in an Annual General Meeting. Therefore, the Board Human Resources, Remuneration & Nomination Committee of the Bank has reviewed the proposed amendments to the Policy and recommended the same to the Board of Directors, for onward recommendation to the shareholders for approval. The Board of Directors of the Bank in its meeting held on 2nd February 2022 has reviewed the proposed amendments and recommended the same to the shareholders for their approval in 30th Annual General Meeting being held on 29th March 2022:

Below are the proposed amendments in the said Policy:

S. No.	Ref No		Approved Term	Proposed Amendment	Rationale
	Page	Point			
1	2	1	With reference to the Chapter V of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Code") and Circular of the Banking Policy and Regulations Department (BPRD) of the State Bank of Pakistan (the "State Bank") on "Guidelines and Disclosures on Governance and Remuneration Practices" bearing BPRD	This policy is devised to encapsulate the guidelines, directions and instructions by the regulators and to ensure transparency and fairness to provide a framework for the remuneration of directors within the regulatory requirements/limits and disclosure requirements.	As this policy always requires approval from shareholders, hence references of specific sections and/or clauses of relevant regulations are being removed and replaced with generalized references. So that, the text of
			Circular No. 1 of 2017 dated January 25th, 2017 (the "Guidelines") and BPRD Circular No. 03 of 2019 dated August 17, 2019 ("Circular"), this policy is devised to ensure transparency and fairness as per the said Guidelines of SBP and to provide a framework for the remuneration of Directors within the prescribed limits, with recommended policy measures and disclosures on the compensation practices as per regulatory requirements.		the Policy is amended only if any future regulatory instructions come in conflict with the text of the policy and not because of mere change in the serial/regulation numbers and/or any particular circular etc.

S. No.	Ref No		Approved Term	Proposed Amendment	Rationale
	Page	Point			
2	3	4	The evaluation criteria for the performance of the directors shall be determined in accordance with the guidelines set out in BPRD Circular No. 11 of 2016. The remuneration of the directors shall be adjusted based on whether a particular director has excelled in his performance or has underperformed.	The evaluation criteria for the performance of the directors shall be determined in accordance with the regulatory requirements/ guidelines/instructions applicable from time to time. The remuneration of the directors shall be adjusted based on whether a particular director has excelled in his performance or has underperformed.	To make the text generalize, so that the prevalent applicable requirements by the regulator.
3	3	5.b	In terms of the SBP Circular, no remuneration for attending meetings of the Board and its committees shall be paid to the Executive Directors/CEO, except usual travel & disturbance allowance on actual basis, covering flight/ticket cost, accommodation and a standard disturbance allowance as per the Bank's policy.	In terms of applicable regulatory requirements, no remuneration for attending meetings of the Board and its committees shall be paid to the Executive Directors/CEO, except usual travel & disturbance allowance on actual basis, covering flight/ticket cost, accommodation and a standard disturbance allowance as per the Bank's policy.	To make the text generalize for adequate coverage.
4	3	5.c	In accordance with the provisions of Section 170 of the Companies Act, 2017, read with the Circular (referred in clause 1 above), the Non-Executive Directors may be paid remuneration for attending the meetings of the Board and its committees.	In accordance with the provisions of Section 170 of the Companies Act, 2017 and applicable regulatory requirements, the Non-Executive Directors may be paid remuneration for attending the meetings of the Board and its committees.	To make the text generalize for adequate coverage.
5	4	6.a	New clause inserted in policy	**Maximum Remuneration Amount** While determining remuneration of a director (including the Chairman) for attending a board and/or its committee meeting(s), the maximum limits shall not exceed the limits as fixed by the Regulator/SBP from time to time and any future limits and changes in terms of the amount of remuneration shall mutatis mutandis apply and be considered as part of this Policy and the Annexure-A. It is clarified that the Annexure-A is enclosed for information purposes. Any changes to the maximum limits prescribed by the regulator shall deem to amend the Annexure – A accordingly.	This clause has been inserted to cover and apply any maximum limits that are prescribed by the regulator from time to time.

6	4	Last para of 5(c)(i)	There will be no discrimination in the payment of remuneration to the non-executive Directors (both foreign and Pakistani Directors) and the amount of remuneration paid to them for attending each Board/committee meetings should be the same.	There will be no discrimination in the payment of remuneration to the non-executive Directors (both foreign and Pakistani Directors) and the amount of remuneration paid to them for attending each Board/committee meetings should be the same.	For more clarity in respect of remuneration of Non-Executive director, when he/she chair a meeting of the Board or Committee.
			However, the remuneration of a non-executive director for performing extra services including holding the office of Chairman of the Board, may additionally be determined with the approval of the shareholders, as the case may be, up to 20% of the remuneration set for him/her under in terms of above stated, with proper justification.	However, the remuneration of a non-executive director for performing extra services including chairing the meeting of the Board or Board Committee or holding the office of Chairman of the Board, may additionally be determined with the approval of the shareholders, as the case may be, up to 20% of the remuneration set for him/her under in terms of above stated, with proper justification.	

<table>
<tr><th>S. No.</th><th colspan="2">Ref No</th><th>Approved Term</th><th>Proposed Amendment</th><th>Rationale</th></tr>
<tr><td>1</td><td>5</td><td>Annx -A</td><td>New Annexure</td><td>Annexure – A
The existing maximum remuneration limits (as fixed by the regulators) of a director (including the Chairman) for attending a board and/or its committee meeting(s) are as follows:
<table>
<tr><th>Category</th><th>Parameters to Determine Category</th><th>Maximum Limits of Remuneration for a Board/ Committee Meetings (per meeting)</th></tr>
<tr><td>First</td><td>When the Assets Size of the Bank is above Rs. 500 billion Assets Size
OR
Above Rs. 1 billion after tax profit
(As per last audited annual accounts of the Bank)</td><td>Up to Rs. 800,000/-</td></tr>
<tr><td>Second</td><td>When the Bank do not fall in the first category</td><td>Up to Rs. 500,000/-</td></tr>
</table></td><td>To make disclosure of the remuneration scale</td></tr>
</table>

As the Policy for Remuneration of Directors pertains to the Directors of the Bank, therefore, the Non-Executive Directors of the Bank are interested in the above Special Business.

Agenda Item No. 7:

Special Business / Investment in Associated Company:

The Bank seeks approval from its Shareholders' to pass the Special Resolutions provided in item no. 7 of the Notice allowing an investment of upto Rs. 5,217,390 in its associated company i.e. Alfalah CLSA Securities (Private) Limited ("Alfalah Securities") pursuant to Section 199 of the Companies Act, 2017. The investment shall be made through acquisition of 521,739 (Five Hundred Twenty One Thousand Seven Hundred Thirty Nine) ordinary shares of Alfalah Securities from certain individual shareholders of Alfalah Securities.

The above acquisition / investment has been approved by the Board of Directors of the Bank in its meeting held on February 2, 2022.

In compliance with the relevant provisions of the Companies Act 2017, and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 ("Regulations"), information about the proposed investment is as under:

Name of associated company or associated undertaking	Alfalah CLSA Securities (Private) Limited (Alfalah Securities)
Basis of relationship	The relationship is established based on 61.2% shareholding of the Bank in Alfalah Securities.
Earnings per share for the last three years	2021: PKR 1.53 per share 2020: PKR 0.72 per share 2019: PKR (0.82) per share
Break-up value per share, based on latest audited financial statements	Break-up value based on audited financial statements for the year ended December 31st, 2021 is 8.37 per share.

Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per audited financial statements on December 31st, 2021:

Description	PKR in Million
Non-Current Assets	65.92
Current Assets	919.79
Equity	334.72
Current Liabilities	290.95
Net Turnover	318.26
Gross Profit	94.98
Profit before tax	74.08
Profit after tax	61.24

In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,	Not Applicable.
description of the project and its history since conceptualization;	Not Applicable.
starting date and expected date of completion of work;	Not Applicable.
time by which such project shall become commercially operational;	Not Applicable.
expected time by which the project shall start paying return on investment; and	Not Applicable.
funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not Applicable.
Maximum amount of investment	The aggregate purchase price for acquisition of shares is PKR 5,217,390.
Purpose, benefits and period of investments	The purpose of the additional equity is to consolidate the shareholding of the Bank in Alfalah Securities by acquiring 1.3% shares being offered by minority shareholders.
Source of fund from which securities will be acquired; and where the investment is intended to be made using borrowed funds, (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Source of funds will be the funds of the Bank.
Salient features of the agreement(s), if any, entered into with its associated company with regards to the proposed investment	Not Applicable.
Direct or indirect interest of Directors, Sponsors, Majority Shareholders and their relatives, if any, in the associated company or the transaction under consideration.	None.

In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs.	The Bank subscribed to 97.91% of the issued and paid-up share capital of Alfalah Securities at the time of incorporation of Alfalah Securities in 2003. In 2018, the Bank booked an impairment loss of PKR 42.98 Mn pertaining to its investment in Alfalah Securities which is currently being carried in the Bank's book. In 2019, the Bank entered into a strategic agreement in which certain strategic investors acquired shares in Alfalah Securities by way of a rights issue diluting the Bank's holding to 61.2% of the issued and paid-up share capital of Alfalah Securities. The business has recovered in 2020 and 2021 and has started to make profits. The company now plans to expand its operations in Lahore and Islamabad. It has also recently received approval for fixed income and foreign exchange interbank brokerage license which is expected to further enhance profitability. The performance of Alfalah Securities in last five (5) financial years can be ascertained from the information in the table below:

Particulars	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Turnover (PKR Mn)	318.3	238.2	134.4	130.8	192.9
Growth (%)	34%	77%	3%	-32%	109%
Profit before Tax (PKR Mn)	74.1	42.2	(28.1)	(62.1)	31.0
Growth (%)	75%	-	55%	-300%	-
Equity (PKR Mn)	334.7	276.9	237.9	134.4	231.7
Growth (%)	21%	16%	77%	-42%	2%

Any other important details necessary for the members to understand the transaction.	None.
Maximum price at which securities will be acquired.	Rs. 10/- per share.
In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	The fair value of Alfalah Securities as at 31st December 2021 is determined by KPMG Taseer Hadi & Co. Chartered Accountants is PKR 13.1 per share. The Bank is acquiring shares at PKR 10/- per share from the minority shareholders.

Maximum number of securities to be acquired Number of securities and percentage thereof held before and after the proposed investment	521,739 (Five Hundred Twenty One Thousand Seven Hundred Thirty Nine) ordinary shares. Bank Alfalah Limited holds 24,478,195 ordinary shares of Alfalah Securities which entitled it to 61.2% shareholding in Alfalah Securities. After the investment, Bank Alfalah Limited shall hold 24,999,934 ordinary shares of Alfalah Securities increasing its shareholding to 62.5% of the share capital of Alfalah Securities.
Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities. Fair value determined in terms of sub-regulation (1) of regulation 5 of the Regulations	Not Applicable PKR 13.1 per share (as determined by KPMG Taseer Hadi and Co. Chartered Accountants.

Other Information:

The associated company or associated undertaking or any of its sponsors or directors is also a member of the investing company	Bank Alfalah Limited holds 24,478,195 shares in Alfalah Securities. None of the Bank's sponsors is a member in Alfalah Securities.

The directors of the Bank have no personal interest in the Resolutions except in their capacity as shareholders of the Bank to the extent of their respective shareholding.

Glossary and Definition of Terms

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words 'accepted' above his signature and a designated payment date.

Activity/Turnover Ratios

Evaluate the operational efficiency of the company to convert inventory and receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales

Basel III

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk.

Basis Point

One hundredth of a percent i.e. 0.01 per cent. 100 basis points is 1 percent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per Share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets, excluding the impact of revaluation on fixed assets, divided hy the total number of shares outstanding at year end.

Bonus Issue (Scrip issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is the process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

Call Money Rate

Interbank clean (without collateral) lending/borrowing rates are called Call Money Rates

Capital Structure Ratios

Provide an indication of the long-term solvency of the Company and its cost of debt, in relation to equity and profits.

Coupon Rate

Interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

Call Deposits

These include short notice and special notice deposits.

Computer Software (intangible fixed assets)

An asset consisting of computer programmes, programme descriptions and supporting materials for both systems and applications software; included are purchased software and software developed on own account, if the expenditure is large.

Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

CAGR

An abbreviation for Compound Annual Growth Rate.

Corporate Governance

It is 'the system by which companies are directed and controlled' by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

Commitment to Extend Credit

Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

Cost to Income Ratio

The proportion of admin expenses to total income, represented as combination of net interest income and non interest income.

Currency (cash in hand)

Notes and coins that are of fixed nominal values and accepted as legal tender in an economy that are issued by the central bank and/or government. This category should also include currency that is no longer legal tender, but that can be exchanged immediately for current legal tender.

Credit Risk Spread

The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets
- Requires no or very little initial net investment
- It is settled at a future date

Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age and other factors. The risks of paying for the plan rest entirely with the plan.

Deferred Taxation

Sum set aside for tax in financial statements that will become payable/receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

Discount Rate

The rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Dividends

Distribution of earnings to shareholders prorated by the class of security and paid in the form of money, stock, scrip, and rarely company products or property.

Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio

Dividend per share (DPS) divided by the market value of share.

Earnings per Share (EPS)

Profit after taxation divided by the weighted average number of ordinary shares in issue.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Electrical, Office and Computer Equipment

All office equipment, other than those acquired through financial leases, that are used for the business, including counting and computing equipment, printers, scanners, photocopiers, fax machines, etc.

Finance Lease

The one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

The value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged/pledged assets in a forced/distressed sale conditions.

Forward Exchange Contract

Agreements between two parties to exchange two designated currencies at a specific time in the future.

Forward Purchase Contract

Forward purchase contract is one in which the exporter enters into the forward booking contract to protect himself from the exchange rate fluctuation at the time of receiving payment.

Forward Sale Contract

In a forward sale contract the importer enters into a transaction to buy foreign currency from the Bank at the predetermined rate to protect himself from the exchange fluctuation at the date the payment.

Furniture and Fixture

All type of furniture and fixtures other than those acquired under financial leases for business are included.

Government Securities

Government Securities shall include such types of Pak. Rupee obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be Government Securities.

Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

Head Office/Branch Adjustment Account

All adjustments made with head offices or branches and are payable.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

Impairment Provisions

A provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be identified or unidentified and individual or collective.

Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is usually 'fixed to floating' or 'floating to floating' exchanges of interest rate between two parties. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating/floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter-party.

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest in Suspense

Interest suspended on non-performing loans and advances.

Investment/Market Ratios

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the Company's ability to generate profits.

KIBOR (Karachi Interbank Offered Rate)

The Interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

The interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association. Liquid Assets

Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

Liquidity Ratios

The Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

Medium Enterprise

A Medium Enterprise (E) is a business entity which meets both the following parameters:

Number of employees* more than 50 less than 250

Annual Sales Turnover more than Rs. 150 million but less than Rs. 800 million

*includes contract employees

Non-Performing Loan

A loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

Non-Performing Loan-Substandard Category

Where mark-up/interest or principal is overdue by 90 days or more from the due date.

Non-Performing Loan-Doubtful Category

Where mark-up/interest or principal is overdue by 180 days or more from the due date.

Non-Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

NPLs to Gross Advances/Loans

Represents the infected portfolio of the bank and is calculated by dividing the total non-performing loans by gross advances.

Nostro Account

An accounts held with a bank outside Pakistan

Net interest income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

Off Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the statement of financial position, but which give rise to contingencies and commitments.

Other Deposits

All claims of customers on banks/OFIs other than transferable or restricted deposits in national currency or in foreign currency that are represented by evidence of deposits. Banks/OFIs commonly raise funds through issuing certificate of deposits. This category also includes call deposits and special notice deposits.

Pakistan Investment Bonds (PIBs)

They are the long-term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 year.

Profitability Ratios

Used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer, and resale back to the seller at a future date and specified price.

Return on Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Return on Average Assets

Profit after tax divided by the average assets.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Retained Earnings

The category of retained earnings shows all earnings (after tax profit) from the overall operations of the banks/DFIs less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks of the banks/DFIs.

Revenue Reserves

Reserves set aside for future distribution and investment.

Small Enterprise

A Small Enterprise (SE) is a business entity which meets both the following parameters:

Number of employees* Up to 50

Annual Sales Turnover Up to Rs. 150 million

*includes contract employees

Subordinated Loans

Funds raised by the banks/DFIs from subsidiary companies, managed modarabas, associated undertakings, director or holders have priority in the event of failure of the institution. Such debts are created by a subordination agreement under which a creditor acknowledges that his claim is secondary to the claim of other creditors, such as depositors.

Strategic Investment

Strategic Investment is an investment which a bank / DFI makes with the intention to hold it for a period of minimum 5 years.

Subsidiary Company

A company is a subsidiary of another company, if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

Treasury bills

These are short-term debt instrument issued by the government treasury to raise funds for the government or to regulate money supply through open market operations of the central bank. The market transactions are managed by the State Bank of Pakistan on behalf of the treasury.

Unrealised Gain on Forward Foreign Exchange Contracts

In a forward contract, the counter parties agree to exchange, on a specified date, a specified quantity of an underlying item (real or financial) at an agreed-upon contract price. Either party to a forward contract is a potential debtor. The unrealised gain to be received due to difference between the rates agreed upon and the rate prevailing in the market should be reported under this item. You lock in today's exchange rate instead of a volatile currency exchange rate in the future that could significantly devalue your purchasing power.

Unrealised Gain on Interest Rate Swaps

It is the exchange of one set of cash flows for another. A pre-set index, notional amount and set of dates of exchange determine each set of cash flows. The most common type of interest rate swap is the exchange of fixed rate flows for floating rate flows.

Vehicles

Vehicles (as assets) other than those acquired through financial leases consist of equipment for moving people and objects, other than any such equipment acquired by households for final consumption. Transport equipment such as motor vehicles, trailers, ships, aircrafts, motorcycles, bicycles, etc.

Weighted Average Cost of Deposits

Percentage of the total interest expense on average deposits of the bank for the period.

Glossary – Acronyms

AGM	Annual General Meeting
BAC	Board Audit Committee
BAFL	Bank Alfalah Limited
BCC	Board Compensation Committee
BHRNC	Board Human Resource and Nomination Committee
BRMC	Board Risk Management Committee
BSFC	Board Strategy and Finance Committee
BCP	Business Continuity Planning
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
HRLG	Human Resource and Learning Group
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretation Committee
ITG	Information Technology Governance
NFI	Non Funded Income
NII	Non Interest Income

BANK ALFALAH LIMITED

FORM OF PROXY

Folio/CDC Account No.

I/We, _____ of _____, being a member of Bank Alfalah Limited, holder of _____ Ordinary Share(s) as per Register Folio No./CDC Account No. _____ hereby appoint Mr. _____ Register Folio No. / CDC Account No. (if member) _____ of _____ or failing him Mr. _____ Register Folio No./CDC Account No. _____ (if member) of _____, as my/our proxy in my/our absence to attend and vote for me/us, on my/our behalf at the 30th Annual General Meeting of the Bank to be held on 29th March, 2022 at 10:00 am and at any adjournment thereof.

Signed under my/our hand this _____ day of _____ 2022.

_____
(Member's signature on Rs. 5/- Revenue Stamp)

Signed in the presence of:

_____	_____
Signature of Witness	Signature of Witness
Name: _____	Name: _____
CNIC/Passport No. _____	CNIC/Passport No.
Address: _____	Address: _____
_____	_____

1. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.

2. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M/s. F. D. Registrar Services (Pvt.) Limited, Office No: 1705, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi-74000, not less than 48 hours before the time of the Meeting.

3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's Computerized National Identity Card, Account and Participant's ID numbers must be deposited along with the form of proxy with the Share Registrar. The proxy must produce his/her original identity card at the time of the Meeting. In case of proxy for corporate members, he/she should bring the usual documents required for such purpose.

بینک الفلاح لمیٹڈ

نمائندگی کا فارم (پراکسی فارم)

فولیو/سی ڈی سی اکاؤنٹ نمبر

میں مسمیٰ/مسماۃ _____ فولیو/سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____

ضلع _____ بحیثیت ممبر بینک الفلاح لمیٹڈ مسمیٰ/مسماۃ _____

فولیو/سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____ یا ان کی غیر حاضری کی صورت میں مسمیٰ/مسماۃ

_____ فولیو/سی ڈی سی اکاؤنٹ نمبر _____ ساکن _____

کو بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 30 ویں سالانہ اجلاسِ عام جو بتاریخ 29 مارچ 2022 بروز منگل کو صبح 10:00 بجے منعقد ہو رہا ہے، میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

بتاریخ _____ 2022 کو گواہان کی موجودگی میں دستخط کئے۔

گواہ (وِٹنس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

گواہ (وِٹنس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

(ممبر/رکن کے دستخط
5 روپے کی رسیدی ٹکٹ پر)

اہم نکات

1۔ ایسا ممبر جو میٹنگ میں شمولیت اور ووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر کو اپنے/اپنی پراکسی کے طور پر میٹنگ میں شمولیت اور ووٹ دینے کے لیے نامزد کر سکتا ہے۔ علاوہ ازیں، کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔

2۔ ہر لحاظ سے مکمل پراکسی فارم اور پاور آف اٹارنی یا کوئی اور متعلقہ اتھارٹی جس کے تحت اس فارم کو مکمل کیا گیا ہو، لازمی طور پر بینک کے شیئر رجسٹرار ایف ڈی رجسٹرار سروسز پرائیویٹ لمیٹڈ کے دفتر واقع، آفس نمبر 1705، سترہویں منزل، صائمہ ٹریڈ ٹاور اے، آئی آئی چندریگر روڈ، کراچی پر میٹنگ سے 48 گھنٹے قبل جمع کروا دیا جائے۔

3۔ سی ڈی سی اکاؤنٹ ہولڈر فرد کے لیے ضروری ہے کہ وہ ممبر کی تصدیق شدہ شناختی کارڈ کی کاپی بمع سی ڈی سی اکاؤنٹ کی تفصیل شیئر رجسٹرار کو جمع کروائے۔ جبکہ پراکسی کا میٹنگ کے وقت اصل شناختی کارڈ مہیا کرنا ضروری ہے۔

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Bank Alfalah Limited
B. A. Building, I. I. Chundrigar Road
Karachi, Pakistan.
111 777 786