



PAKISTAN STOCK EXCHANGE LIMITED

Stock Exchange Building, Stock Exchange Road, Karachi-74000

UAN: 111-001-122

PSX/N-1343

NOTICE

December 2, 2020

SEEKING PUBLIC COMMENTS ON THE DRAFT SHELF PROSPECTUS FOR THE ISSUANCE OF TERM FINANCE CERTIFICATES OF PKR 50,000 MILLION OF BANK ALFALAH LIMITED

This is to inform all concerned that Bank Alfalah Limited has applied to the Exchange for the listing of its Rated, Secured, Fixed Rate and Redeemable Term Finance Certificates (TFCs) having a total Issue Size of up to PKR 50,000 Million. The TFCs shall be issued in multiple tranches over a period of five (5) years.

The Issue Size of Tranche Series-A is PKR 11,000 million (inclusive of Green Shoe Option of PKR 1,000 million), out of which TFCs of PKR 9,000 million (82% of the Issue Size) have already been issued to and subscribed by Pre-IPO investors, while the remaining TFCs of PKR 2,000 million (18% of the Issue Size), inclusive of Green Shoe Option of PKR 1,000 million, are being offered to the General Public by way of an Initial Public Offering through this Shelf Prospectus. Details about the Total Issue and the Tranche Series-A can be reviewed through the attached Draft Shelf Prospectus of Bank Alfalah Limited.

Pursuant to PSX Regulation No. 5.2.1(e), and Regulation 3 (11) of the Public Offering Regulations, 2017, the Draft Shelf Prospectus of the TFC Issue of Bank Alfalah Limited is being placed on the PSX Website for seeking public comments. All concerned are requested to provide their written comments on the Draft Prospectus, if any, to the Listing Department by emailing at comments.draftprospectus@psx.com.pk latest by **COB Friday, December 11, 2020**.

Asmaa Saleem Malik

Asmaa Saleem Malik
General Manager
Listing Department

Copy to:

Additional Director / HOD, PMADD, SMD - SECP

ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS ESPECIALLY THE RISK FACTORS GIVEN AT PART 6 OF THIS PROSPECTUS BEFORE MAKING ANY INVESTMENT DECISION.
SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICANT'S MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015



SHELF PROSPECTUS FOR THE ISSUANCE OF TERM FINANCE CERTIFICATES OF PKR 50,000 MILLION

Date and Place of Incorporation: Karachi, June 21st, 1992, **Incorporation Number:** 0027580, **Registered and Corporate Office:** B.A. Building, I.I. Chundrigar Road, Karachi, **Contact Person:** Muhammad Zeeshan, **Contact Number:** +92 21 3312 2126, **Website:** <https://www.bankalfalah.com/>, **Email:** m.zeeshan@bankalfalah.com

Issue and Total Approved Issue Size: The Issue consists of Rated, Secured, Listed, Fixed Rate, Redeemable Term Finance Certificates (TFCs) having a Total Approved Issue Size of up to PKR 50,000 million.

Time Period of Shelf Registration: The TFCs shall be issued in multiple tranches over a period of five (5) years.

Size of Current Tranche Series A: Issue Size of Current Tranche Series A is PKR 11,000 million (inclusive of Green Shoe Option of PKR 1,000 million), out of which TFCs of PKR 9,000 million (82% of Issue Size) have been issued to and subscribed by Pre-IPO investors and TFCs of PKR 2,000 million (18% of Issue Size), inclusive of a Green Shoe Option of PKR 1,000 million, are being offered to the general public by way of an Initial Public Offering through this Shelf Prospectus.

Tenor: 3 years

Rate of Return: fixed rate instrument @ [TBD] % per annum

Instrument Rating: AAA (Triple A) by The Pakistan Credit Rating Agency

Long-Term Entity Rating: AA+ (Double A plus) by The Pakistan Credit Rating Agency and VIS Credit Rating Company Limited

Short-Term Entity Rating: A1+ (A One Plus) by The Pakistan Credit Rating Agency and VIS Credit Rating Company Limited

Public Comments: The Draft Prospectus was placed on PSX's website for seeking public comments starting from [DD/MM/2020] to [DD/MM/2020], "however, no public comments were received"/ "and public comments received were duly reviewed and necessary changes were incorporated in the Prospectus."

Date of Public Subscription: From [DD/MM/2020] to [DD/MM/2020] (both days inclusive) during banking hours

JOINT LEAD MANAGERS & ARRANGERS



Bankers for the Retail Portion of the Issue:

Allied Bank Limited	Askari Bank Limited	Bank Alfalah Limited	Faysal Bank Limited
Habib Bank Limited	MCB Bank Limited	Soneri Bank Limited	

Online applications can be submitted through Centralized e-IPO system (CES) of Central Depository Company of Pakistan Limited (CDC). CES can be accessed via the weblink, 'www.cdceipo.com'. For details please refer to Part X of the Prospectus.

Underwriters for the Retail Portion of the Issue:	Agent

Agent: Mr. Hamidullah Khan – Head Trustee & Agency Services, Phone: +92 21 3536 1215-19 Ext: 131, Email: hamid.ullah@pakbrunei.com.pk

Date of Publication of this Prospectus: DD/MM/2020

Prospectus and Subscription Form can be downloaded from the following websites: <https://www.bankalfalah.com/>, <http://www.arifhabiblttd.com>, <https://www.alfalahclsa.com/>, www.psx.com.pk & www.cdceipo.com

For further queries, you may contact:

Bank Alfalah Limited: Muhammad Zeeshan, Phone: +92 21 3312 2126, E-mail: m.zeeshan@bankalfalah.com, Muzammil Bhatti, Phone: +92 21 3212 2123; E-mail: Muzammil.bhatti@bankalfalah.com, **Arif Habib Limited:** Mr. Ammad Tahir, Phone: +92 21 3243 3542, E-mail: ammad.tahir@arifhabiblttd.com, Ms. Tooba Zafar, Phone: +92 21 3889 9226, Email: tooba.zafar@arifhabiblttd.com, **Alfalah CLSA Securities (Pvt.) Limited:** Imran Sherani, Phone: +92 21 3564 5068, E-mail: Imran.sherani@alfalahclsa.com, Sukaina Fatima, Phone: +92 21 3564 5090 (Ext: 344); E-mail: sukaina.fatima@alfalahclsa.com

UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Date: DD/MM/2020

WE, ATIF BAJWA, THE CHIEF EXECUTIVE OFFICER (CEO), AND ANJUM HAI, THE CHIEF FINANCIAL OFFICER (CFO), OF BANK ALFALAH LIMITED, HEREBY CERTIFY THAT:

1. THE PROSPECTUS CONTAINS FULL AND COMPLETE INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
2. THE INFORMATION CONTAINED IN THE PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF;
3. THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
4. THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
5. ALL REQUIREMENTS OF THE SECURITIES ACT, 2015; THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS, RELATING TO DISCLOSURES AND APPROVALS HAVE BEEN FULFILLED.
6. NO CHARGES, FEE, EXPENSES, PAYMENTS ETC. HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN THIS PROSPECTUS.

For and on behalf of **Bank Alfalah Limited**

-Sd-

Atif Bajwa

Chief Executive Officer

-Sd-

Anjum Hai

Chief Financial Officer

SUPPLEMENT TO THE SHELF PROSPECTUS

Note: This is a draft of the Supplement(s) to the Shelf Prospectus to be published for the issuance of subsequent tranche(es).

This Supplement is being published pursuant to The Public Offering Regulations, 2017, in continuation of the Shelf Prospectus for the issuance of Term Finance Certificates (TFCs) of Bank Alfalah Limited of PKR 50,000 Million published earlier on DD/MM/2020 and in continuation of the Supplement to the Shelf Prospectus published earlier on DD/MM/YYYY, IF ANY.

ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE SHELF PROSPECTUS ESPECIALLY THE RISK FACTORS GIVEN AT PART 6 OF THE SHELF PROSPECTUS BEFORE MAKING ANY INVESTMENT DECISION

SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICANT'S MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015

TERMS AND CONDITIONS OF THE SUBSEQUENT TRANCHE OF THE ISSUE

Issuer	
Size Tranche Series [•]	
Pre-IPO Portion of Tranche Series [•]	
IPO Portion of Tranche Series [•]	
Issue Date	
Tranche Series [•] Tenor	
Issuer Rating (Long term and Short term)	
Instrument Rating	
Coupon Rate/Interest Rate	
Payment of Profit	
Coupon Payment Date	
Payment of Principal	
Redemption Schedule	
Call/ Put/ Conversion Option (If any)	
Security	
Redemption Reserve (If any)	
Face Value	PKR 5,000/- (Pakistan Rupees Five Thousand only)
Issue Price	At Par PKR 5,000/- (Pakistan Rupees Five Thousand only)
Minimum Investment	TFCs will be offered in denominations of PKR 5,000/- or multiples thereof to the investors subject to a minimum investment amount of PKR 5,000/-
Underwriters to the Issue	
Bankers to the Issue	

Agent	
Joint Lead Managers & Arrangers	
Amount Raised Through Earlier Tranche(s)	From Tranche Series [•] = PKR [•] From Tranche Series [•] = PKR [•]

Date of Public Subscription of Tranche Series [•]: From [DD/MM/YEAR] to [DD/MM/YEAR] (both days inclusive) during banking hours

Date of Publication of Supplement to the Shelf Prospectus for Tranche Series [•]: DD/MM/YEAR

Name of Securities Exchange: The Issue is proposed to be listed at the Pakistan Stock Exchange Limited

Shelf Prospectus, the Supplement to the Shelf Prospectus earlier published (if any), Supplement to Shelf Prospectus and Subscription Form can be downloaded from the following websites: <https://www.bankalfalah.com/>, <http://www.arifhabibltd.com>, <https://www.alfalahclsa.com/>, www.psx.com.pk & www.cdceipo.com

Hard copy of the Shelf Prospectus, the Supplement to the Shelf Prospectus earlier published (if any), Supplement to Shelf Prospectus and Subscription Form can be obtained from the following addresses from DD/MM/YYYY to DD/MM/YYYY (both days inclusive) during banking hours: Bank Alfalah: [Address], Arif Habib Limited: [Address], Alfalah CLSA Securities (Pvt.) Limited: [Address], Pakistan Stock Exchange Limited: [Address]

For further queries, you may contact:

Bank Alfalah Limited	Arif Habib Limited	Alfalah CLSA Securities (Pvt.) Limited	Contact details of Underwriter(s)
[Name] [Email] [Phone]	[Name] [Email] [Phone]	[Name] [Email] [Phone]	[Name] [Email] [Phone]

APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities and Exchange Commission of Pakistan (the "Commission" or the "SECP") as required under Section 87(2), read with Section 88(1) of the Securities Act, 2015 (the "Act") had obtained for the issue, circulation and publication of the Shelf Prospectus which was published earlier on DD/MM/2020 vide their letter no. [•], and approval for the issue, circulation and publication of the Supplement to the Shelf Prospectus for Tranche Series [•] has been obtained vide their letter no. [•] dated DD/MM/2020

Disclaimer

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARD TO THEM BY THE COMPANY IN THIS SUPPLEMENT TO THE SHELF PROSPECTUS.

SECP HAS NOT EVALUATED THE QUALITY OF THE ISSUE AND ITS APPROVAL FOR THE ISSUE, CIRCULATION AND PUBLICATION OF THIS SUPPLEMENT TO THE SHELF PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC/INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.

APPROVAL OF THE SHELF PROSPECTUS BY PAKISTAN STOCK EXCHANGE LIMITED

The Shelf Prospectus for the issue of the Term Finance Certificates was approved by the Pakistan Stock Exchange Limited ("PSX") vide their letter no. [•] dated [•]. The Supplement to the Shelf Prospectus has been approved by the Pakistan Stock Exchange Limited ("PSX") vide their letter no. [•] dated [•].

Disclaimer

- PSX HAS NOT EVALUATED THE QUALITY OF THE ISSUE AND ITS APPROVAL SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC/INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT INVESTIGATION AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.
- THE PUBLICATION OF THIS DOCUMENT DOES NOT REPRESENT SOLICITATION BY PSX.
- THE CONTENTS OF THIS DOCUMENT DO NOT CONSTITUTE AN INVITATION TO INVEST IN THE TFCS OR SUBSCRIBE TO ANY SECURITIES OR OTHER FINANCIAL INSTRUMENT BY PSX, NOR SHOULD IT OR ANY PART OF IT FORM THE BASIS OF, OR BE RELIED UPON IN ANY CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER OF PSX.
- IT IS CLARIFIED THAT INFORMATION IN THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ADVICE ON ANY PARTICULAR MATTER BY PSX AND MUST NOT BE TREATED AS A SUBSTITUTE FOR SPECIFIC ADVICE.
- PSX DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THIS DOCUMENT TO ANYONE, ARISING FROM ANY REASON, INCLUDING, BUT NOT LIMITED TO, INACCURACIES, INCOMPLETENESS, AND/OR MISTAKES, FOR DECISION AND/OR ACTIONS TAKEN BASED ON THIS DOCUMENT.
- PSX NEITHER TAKES RESPONSIBILITY FOR THE CORRECTNESS OF CONTENTS OF THIS DOCUMENT NOR THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS THEREUNDER.
- ADVICE FROM A SUITABLY QUALIFIED PROFESSIONAL SHOULD ALWAYS BE SOUGHT BY INVESTORS IN RELATION TO ANY PARTICULAR INVESTMENT.

RISK FACTORS RELATED TO THE BANK: [•]

RISK FACTORS RELATED TO THE ISSUE: [•]

FINANCIAL HIGHLIGHTS:

Unconsolidated Financial Statements				
Audited (PKR in Millions)				
Income Statement				
Mark-up / Return / Interest Earned				
Mark-up / Return / Interest Expensed				
Total Income				
Operating Expenses				
Operating Profit before Tax and Provision				
Provisions/ Write-Offs				
Profit before Tax				
Profit after Tax				
Authorised Capital				
Paid up Capital				
Reserves				

Unconsolidated Financial Statements				
Audited (PKR in Millions)				
Unappropriated Profit				
Surplus on revaluation of Assets – Net of Tax				
Shareholders' Equity				
Total Assets				
Earning Assets				
Gross Advances				
Advances – Net of Provision				
Non- Performing Loans				
Investments- at Cost				
Investments – Net				
Total Liabilities				
Deposits & Other Accounts				
Borrowings				

Note: Financial Information disclosed herein is based on available audited financial statements.

AUDIT REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS 2017

[•]

AUDITOR'S CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

[•]

AUDITOR'S CERTIFICATE ON BREAK-UP VALUE PER SHARE

[•]

SUMMARY OF THE ENTITY RATING REPORT

[•]

SUMMARY OF THE INSTRUMENT RATING REPORT

[•]

STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Date: _____

On behalf of Bank Alfalah Limited ("BAFL" or the "Bank"), we hereby confirm that this Supplement to the Shelf Prospectus contains a fair summary of the information disclosed in the Shelf Prospectus and that whatever is stated in the Supplement is true and correct to the best of our knowledge and belief, and that nothing has been concealed.

For and on behalf of **Bank Alfalah Limited**

Atif Bajwa
Chief Executive Officer

Anjum Hai
Chief Financial Officer

GLOSSARY OF ABBREVIATIONS

ADC Services	Alternate Delivery Channel Services
ADG	Abu Dhabi Group
ADR	Advances to Deposit Ratio
AFS	Available for Sale
ALCO	Asset Liability Committee
ATM	Automated Teller Machine
Bank or Issuer or BAFL	Bank Alfalah Limited
Bn	Billion
BoD	Board of Directors
Bps	Basis Points. One Hundred Basis Points Equal 1 Percent.
BTI	Banker to the Issue
Capex	Capital Expenditure
CAR	Capital Adequacy Ratio
CASA	Current Account and Savings Account
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
CEO	Chief Executive Officer
CES	Centralized e-IPO System
CIB	Credit Information Bureau
COM	Credit Operational Manual
CPM	Credit Policy Manual

CY	Calendar Year
DFIs	Development Financial Institutions
DSL	Debt Security Legislation
ESMS	Environmental and Social Management System
ESOS	Employee Stock Option Scheme
ESRM	Environmental and Social Management Risk
FI	Financial Institution
FIS	Financial Institutions
FX	Foreign Exchange
GoP	Government of Pakistan
HFT	Held for Trading
IBAN	International Bank Account Number
IC	Investment Committee
IFC	International Finance Corporation
IPO	Initial Public Offering
IRRM	Interest Rate Risk Management
LCR	Liquidity Coverage Ratio
Mn	Million
NIT	National Investment Trust
NBFC	Non-Banking Finance Companies
NBFI	Non-Banking Finance Institutions
NCCPL	National Clearing Company of Pakistan Limited
NPL	Non-Performing Loan

NSFR	Net Stable Funding Ratio
p.a.	Per annum
PACRA	The Pakistan Credit Rating Agency
PBA	Pakistan Bank's Association
PIB	Pakistan Investment Bond
PKR or Rs.	Pakistani Rupees
PKRV	Pakistan Revaluation Rate
POS	Point of Sale
PSE	Public Sector Entities
RMD	Risk Management Division
ROA	Return on Asset
ROE	Return on Equity
RMA	Relationship Management Application
SBP	State Bank of Pakistan
SECP	Securities & Exchange Commission of Pakistan
SGL	Subsidiary General Ledger
SME	Small and Medium Enterprises
The Companies Act	The Companies Act, 2017
The Securities Act	The Securities Act, 2015
TFCs	Term Finance Certificates
Trl	Trillion
VaR	Value at Risk
VIS	VIS Credit Rating Co. Ltd

Yr

Year

A) Summary of the Issue

Instrument Tranche Series A	Listed, Secured, Rated, Fixed Rate, Medium Term Finance Certificate
Size of Tranche Series A	PKR 11,000 million, inclusive of a Green Shoe Option of PKR 1,000 million
IPO Portion of Tranche Series A	PKR 2,000 million, inclusive of a Green Shoe Option of PKR 1,000 million
Purpose	To hedge the Issuer's fixed rate assets, i.e. staff loans, consumer loan portfolio etc., with fixed rate liabilities
Utilization of Proceeds	The amount raised through the Instrument shall be primarily utilized in investing in Government of Pakistan ("GoP") issued securities, including but not limited to Treasury Bills, Pakistan Investment Bonds (Fixed and/ or Floater), Ijarah Sukuk or any other GoP issued securities
Issue Date	(i) In case the TFCs are fully subscribed, the date of closing of the subscription list for the public offering of the relevant TFCs, or (ii) In the case of undersubscription, the date on which the entire amount of the relevant TFCs has been fully subscribed, which shall be achieved by the Issuer by no later than 15 (fifteen) days from the date of closing of the subscription list for the public offering of the TFCs
Tenor of Tranche Series A	3 years
Issuer Rating	Long Term Rating: AA+ (double A plus) Short Term Rating: A1+ (A one plus) Issuer Rating by PACRA & JCRVIS
Instrument Rating	AAA (Triple A) by PACRA
Coupon Rate/Interest Rate	[TBD]
Payment of Profit	Profit will be payable semi-annually in arrears on the outstanding principal amount, based on 365 days a year (366 days for a leap year) basis
Coupon Payment Date	The first profit payment will fall due six months from the Issue Date and subsequently every six months thereafter ("Coupon Payment Date")
Payment of Principal	Principal payment will be redeemed as Bullet Payment at the end of three years
Security	Lien over 10 year PIB floater of PKR 10,500,000,000/- (Pak Rupees Ten Billion Five Hundred Million) maintained in the SGL Account No. 10016-1, being the amount equal to 105% of the Tranche Series A issue amount
Face Value	PKR 5,000/- (Pakistan Rupees Five Thousand only)
Issue Price	At Par PKR 5,000/- (Pakistan Rupees Five Thousand only)
Minimum Investment	TFCs will be offered in denominations of PKR 5,000/- or multiples thereof to the investors subject to a minimum investment amount of PKR 5,000/-
Risk Factors	For details, please refer to Part VI of the Prospectus
Joint Lead Managers & Arrangers	Arif Habib Limited & Alfalah CLSA Securities (Pvt.) Limited

Agent to the Issue	Pak Brunei Investment Company Limited
Transaction Legal Counsel	Mohsin Tayebaly & Co.
Compliance Officer	Mr. Haroon Khalid, Group Head- Compliance & Control Group Bank Alfalah Limited
Underwriters to the Issue	Alfalah CLSA Securities (Pvt.) Limited Arif Habib Limited
Bankers to the Issue	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited MCB Bank Limited Soneri Bank Limited
Transferability	The TFCs will be inducted into the CDC; transfer shall be made in accordance with the Central Depository Act, 1997 and CDC Regulations
Governing Law	The TFCs shall be subject to the laws of Islamic Republic of Pakistan and non-exclusive jurisdiction of the Pakistan Courts

B) Summary of Risk Related to the Issue**Risk factors related to the issue****Interest Rate Risk/Reinvestment Risk**

Increase in market interest rates and underlying inflation, may affect the comparative return and/or the real (inflation adjusted) return for the investors.

Price Risk

TFCs will be listed on PSX and the TFC Holders will be able to sell or buy the TFCs through the TREC Holders of the Stock Exchange. Price of TFCs will largely depend on the bond market behavior and interest rate regime. Hence, price may rise or fall and result in increase or decrease in the value of TFCs

Liquidity risk

By investing in the TFC, the investor assumes the risk of not being able to sell the TFC without adversely affecting the price of the instrument. It is pertinent to note that the TFC is to be listed on PSX, subsequent to which PSX will provide a trading platform for investors during the life of the instrument.

Details on Risk Factors related to the TFC Issue and the Bank are provided in Part 6 of this Prospectus.

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PART I

1 APPROVALS, CONSENTS AND LISTING ON THE STOCK EXCHANGE**1.1 APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**

Approval of the Securities and Exchange Commission of Pakistan (the "Commission" or the "SECP"), as required under Section 87(2), read with Section 88(1) of the Securities Act, 2015 (the "Securities Act"), has been obtained for the issue, circulation and publication of this Shelf Prospectus vide their letter no. [•] dated [•].

Disclaimer

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARD TO THEM BY THE COMPANY IN THIS PROSPECTUS.

SECP HAS NOT EVALUATED QUALITY OF THE ISSUE AND ITS APPROVAL FOR THE ISSUE, CIRCULATION AND PUBLICATION OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC/INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.

1.2 APPROVAL OF THE SHELF PROSPECTUS BY PAKISTAN STOCK EXCHANGE LIMITED

The Shelf Prospectus for the issue of Rated, Secured and Listed Term Finance Certificates has been approved by the Pakistan Stock Exchange Limited ("PSX") vide their letter no. [•] dated [•].

Disclaimer

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- THE PUBLICATION OF THIS DOCUMENT DOES NOT REPRESENT SOLICITATION BY PSX.
- THE CONTENTS OF THIS DOCUMENT DO NOT CONSTITUTE AN INVITATION TO INVEST IN THE TFCS OR SUBSCRIBE TO ANY SECURITIES OR OTHER FINANCIAL INSTRUMENT BY PSX, NOR SHOULD IT OR ANY PART OF IT FORM THE BASIS OF, OR BE RELIED UPON IN ANY CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER OF PSX.
- IT IS CLARIFIED THAT INFORMATION IN THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ADVICE ON ANY PARTICULAR MATTER BY PSX AND MUST NOT BE TREATED AS A SUBSTITUTE FOR SPECIFIC ADVICE.
- PSX DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THIS DOCUMENT TO ANYONE, ARISING FROM ANY REASON, INCLUDING, BUT NOT LIMITED TO, INACCURACIES, INCOMPLETENESS, AND/OR MISTAKES, FOR DECISION AND/OR ACTIONS TAKEN BASED ON THIS DOCUMENT.
- PSX NEITHER TAKES RESPONSIBILITY FOR THE CORRECTNESS OF CONTENTS OF THIS DOCUMENT NOR THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS THEREUNDER.
- ADVICE FROM A SUITABLY QUALIFIED PROFESSIONAL SHOULD ALWAYS BE SOUGHT BY INVESTORS IN RELATION TO ANY PARTICULAR INVESTMENT.

1.3 FILING OF SHELF PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF THE COMPANIES

The Bank has delivered to the Registrar of Companies, Karachi as required under Sections 57 (1) of the Companies Act, 2017 (the 'Companies Act'), a copy of this Shelf Prospectus signed by all the Directors of the Bank, together with the expert reports and contracts mentioned in the Shelf Prospectus, with the Registrar of Companies.

1.4 LISTING ON THE STOCK EXCHANGE

Application has been submitted by the Issuer to PSX for listing of the TFCs. If for any reason the application for formal listing is not accepted by PSX or approval for formal listing is not granted by PSX before the expiration of the twenty one-day period from the date of closing of the subscription period/list or such longer period not exceeding forty-two days as may, within the said twenty one days, be notified to the applicants for permission by the securities exchange, the Issuer undertakes that a notice to that effect will immediately be published in the press and it will refund Subscription Money to the applicants without surcharge as required under the provisions of Section 69 of the Companies Act.

If any such money is not repaid within eight (08) days after the Bank becomes liable to repay it, the Directors of the Bank shall be jointly and severally liable to repay that money from the expiration of the eighth day together with surcharge at the rate of two per cent (2.0%) for every month or part thereof from the expiration of the eight-day period and, in addition, shall be liable to a penalty of level 3 on the standard scale in accordance with the provisions of sub-section (2) of Section 69 of the Companies Act.

The surcharge mechanism has been mentioned here in order to ensure regulatory compliance.

As required under sub-section (3) of Section 69 of the Companies Act, the subscription money shall be deposited and kept in a separate bank account in a scheduled bank so long as the Bank may become liable to repay it under sub-section (2) of Section 69 of the Companies Act.

1.5 COMPLIANCE OFFICER

Haroon Khalid
Group Head - Compliance & Control Group
Bank Alfalah Limited
2nd Floor, B.A. Building,
I.I Chundrigar Road, Karachi
Email address: haroonkhalid@bankalfalah.com
Tel: +92 21 111 777 786 Ext: 2424
Fax: +92 21 3242 3962

PART II

2 SUMMARY OF THE SHELF PROSPECTUS

2.1 PRIMARY BUSINESS OF THE ISSUER AND THE INDUSTRY IN WHICH IT OPERATES

The Bank is a banking company incorporated in Pakistan on June 21st, 1992 as a public limited company under the Companies Act, 2017 (earlier the Companies Ordinance, 1984). It commenced its banking operations on November 1st, 1992. The Bank's registered office is located at B.A. Building, I.I Chundrigar Road, Karachi and is listed on PSX.

The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating in the Commercial Banks' sector. As of the end of September 30, 2020, the Bank is operating through 686 branches (December 31, 2019: 674 branches) and 24 sub-branches (December 31, 2019: 24 sub-branches); out of these, 505 branches (December 31, 2019: 501) are conventional, 170 (December 31, 2019: 162) are Islamic, 10 (December 31, 2019: 10) are overseas and 1 (December 31, 2019: 1) is an offshore banking unit.

The Bank provides financial solutions to consumers, corporations, institutions and governments through a broad spectrum of products and services, including Treasury solutions, Corporate and Investment Banking, Consumer Banking and Credit, SME, Agri-finance, Islamic and Asset financing solutions.

2.2 NAME OF THE SPONSORS

The Bank is majority owned and operated by the Abu Dhabi Group who has an ownership of 49.03% in the Bank. The International Finance Corporation ("IFC"), an investment arm of the World Bank, partnered with the Bank in 2014, and holds 14.74% stake in the Bank.

Name of Shareholders	Shares Held	Percentage (%)
Abu Dhabi Group	871,314,533	49.03
International Finance Corporation	261,895,095	14.74
Other Shareholders	643,955,491	36.23
Total	1,777,165,119	100

2.3 SALIENT FEATURES OF THE ISSUE

The Issue consists of Rated, Secured, Listed, Fixed Rate, Redeemable Term Finance Certificates (TFCs) having a total Approved Issue Size of up to PKR 50,000 Million. The TFCs shall be issued in multiple tranches over a period of five (5) years.

The Bank is issuing Tranche Series A which comprises of Listed, Rated, Secured, Fixed Rate, Redeemable Term Finance Certificates (TFCs). The salient features of the Issue are given below:



The Issue Size of Tranche Series A is PKR 11,000 million (Inclusive of Green Shoe Option of PKR 1,000 million), out of which TFCs of PKR 9,000 million (82% of Issue Size) have been issued to and subscribed by Pre-IPO investors and TFCs of PKR 2,000 million, inclusive of a Green Shoe Option of PKR 1,000 million (18% of Issue Size), are being offered to the general public through this Shelf Prospectus.

2.4 PRE AND POST ISSUE SHAREHOLDING OF THE SPONSORS

2.4.1 ORDINARY SHARES

Sr. No.	Sponsors	Pre-Issue Shareholding	Post-Issue Shareholding
1	Abu Dhabi Group	49.03%	49.03%
2	International Finance Corporation	14.74%	14.74%

2.5 PRINCIPAL PURPOSE AND UTILISATION OF PROCEEDS

The primary purpose of issuing the TFCs is to hedge the Issuer's fixed rate assets i.e. staff loans, consumer loan portfolio etc. with fixed rate liabilities, with the objective of increasing the maturity of the Bank's liability profile.

The amount raised through the Instrument shall be primarily utilized in investing in Government of Pakistan ("GoP") issued securities including but not limited to Treasury Bills, Pakistan Investment Bonds (Fixed and/ or Floater), Ijarah Sukuk or any other GoP issued securities.

2.6 QUALIFIED OPINION, IF ANY, GIVEN BY THE AUDITOR DURING THE LAST THREE FINANCIAL YEARS:

Nil

2.7 FINANCIAL INFORMATION

Unconsolidated Financial Statements				
PKR in Millions	Audited CY 2017	Audited CY 2018	Audited CY 2019	Un-Audited 3Q CY 2020
Income Statement				

Mark-up / Return / Interest Earned	56,920	59,672	92,481 ¹	71,736
Mark-up / Return / Interest Expensed	27,354	27,746	47,623	37,269
Net Mark-up / Interest Income	28,976	31,926	44,857 ²	34,467
Total Income	38,946	42,357	55,253	44,491
Operating Expenses	25,425	24,713	29,843	23,877
Operating Profit before Tax and Provision	13,522	17,645	25,410	20,614
Provisions/ Write-Offs	(523)	27	3,029 ³	6,279
Profit before Tax	14,045	17,618	22,382	14,355
Profit after Tax	8,367	10,625	12,696	8,331
Statement of Financial Position				
Authorized Capital	23,000	23,000	23,000	23,000
Share Capital/ Paid up Capital	16,076	17,744	17,772	17,772
Net Worth (i.e. T. Assets – T. Liabilities)	65,800	75,647	88,027	93,734
Reserves	18,157	23,051	26,046	28,193
Unappropriated Profit	24,283	27,470	32,843	36,817
Surplus on revaluation of Assets – Net of Tax	7,285	7,383	11,367	10,952
Shareholders' Equity	65,800	75,647	88,028	93,733
Total Assets	998,828	1,006,218	1,065,311	1,243,782
Gross Advances	417,182	518,392	529,971	520,475
Advances – Net of Provision	400,655	501,636	511,236	495,888
Non- Performing Loans	17,579	18,822	22,417	25,176
Investments- at Cost	398,188	279,135	295,103	534,766
Investments – Net	400,733	277,660	299,098	539,707
Total Liabilities	933,028	930,571	977,284	1,150,048
Deposits & Other Accounts	644,985	702,895	782,284	820,066
Borrowings	207,194	123,738	102,842	234,175
Cash Flow Statements				
Cash Flow from Operations	30,800	(142,470)	80,948	194,169
Key Ratios				
Net Interest Margin ⁴	3.6%	4.0%	5.3%	N/A
Earnings per Share	4.74	5.99	7.15	4.69
Breakup Value per Share	40.93	42.63	49.53	52.74

Note: Financial Information disclosed herein is based on available audited financial statements except 3QCY2020 report.

¹ Increase in policy rate resulted in higher interest / mark-up earned during the years

² Higher spreads and average earning assets along with effective balance sheet management contributed to rise in the net interest income

³ The major increase is due to provision for diminution in value of investments and provisions against loans & advances

⁴ The bank posted increased in net interest margin due to improvement of CASA mix over the period

FINANCIAL HIGHLIGHTS – CONSOLIDATED

PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Income Statement				
Mark-up / return / interest earned	56,183	59,677	92,490 ¹	71,741
Mark-up / return / interest expensed	27,200	27,752	47,628	37,281
Net Mark-up/ interest income	28,983	31,926	44,862	34,461

FINANCIAL HIGHLIGHTS – CONSOLIDATED

PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Total Income	38,746	43,291	55,924	45,125
Operating Expenses	24,995	24,719	29,203	24,003
Operating Profit before tax and provision	13,455	18,167	25,944	21,122
Provisions / write-offs ²	(616)	(16)	3,029	6,279
Profit before tax	14,071	18,184	22,915	14,843
Profit after tax	8,614	10,991	13,032	8,663
Statement of Financial Position				
Authorized Capital	23,000	23,000	23,000	23,000
Share Capital/ Paid up Capital	16,076	17,744	17,772	17,772
Net Worth (i.e. T. Assets – T. Liabilities)	66,830	77,022	89,283	95,334
Reserves	18,157	23,051	26,046	28,193
Unappropriated Profit	24,866	28,324	33,997	38,295
Surplus on revaluation of assets - net of tax	7,309	7,389	11,377	10,972
Shareholders' equity	66,408	76,507	89,191	95,232
Total Assets	1,001,034	1,008,605	1,067,749	1,246,662
Gross Advances	417,188	518,398	529,974	520,479
Advances - net of Provision	400,660	501,640	511,238	495,890
Non-Performing Loans	17,580	18,824	22,418	25,178
Investments - at Cost	399,168	280,678	296,863	536,934
Investments – Net	401,742	279,252	300,906	541,935
Total Liabilities	934,204	931,583	978,466	1,151,328
Deposits & Other Accounts	644,925	702,847	782,275	820,060
Borrowings	207,537	124,018	103,134	234,406
Cash Flow Statements				
Cash Flow from Operating Activities ³	30,580	(142,509)	81,073	194,110
Key Ratios				
Earnings per Share	4.88	5.99	7.15	4.87
Breakup Value per Share	41.30	43.12	50.19	53.59

¹ Higher spreads and average earning assets along with effective balance sheet management contributed to a strong rise in the net interest income.

² In 2019, the major increase is due to provision for diminution in value of investments and provisions against loans & advances.

³ The significant differential between 2018 and 2019 is due to lower percentage increase in advances and decrease in borrowings.

2.8 LEGAL PROCEEDINGS AND OVERDUE LOANS

For legal proceedings and overdue loans, refer to Part IX of the Shelf Prospectus.

2.9 RISK FACTORS

For key risk factors that would have an impact on the Bank, its business operations and the Issue, please refer to part VI of the Shelf Prospectus.

2.10 RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to 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 are given below and in the audited financial statements of the Bank available on the Bank's website:

PKR'000	September 30, 2020 (Un-Audited)				
	Directors/CEO	Key Management Personnel	Subsidiaries	Associates	Other Related party
Lending to financial institutions - Closing					1,881,309
Investments – Closing			300,000	1,177,606	1,191,405
Provision for diminution in value of investments			42,981		3,936
Advances	81,235	727,516			2,388,565
Other Assets:					
Interest accrued	1,813	91,275			37,080
Receivable from staff retirement fund					891,116
Prepayment / rent receivable				780	43,400
Advance against shares					50,000
Borrowings – Closing					985,939
Deposits and other accounts – Closing	60,850	230,519	5,446	1,149,863	3,732,211
Other Liabilities:					
Interest / mark up payable	48	878			9441
Unearned rent					
Others			438		3
Contingencies and Commitments				82,851	22,991
Income:					
Markup/ return earned	6,943	31,447			376,105
Commission income				60,304	
Dividend income				45,000	17,136
Other Income				5,506	15,376
Expense:					
Markup paid	443	7,351	120	82,069	251,612
Operating Expenses	230,699	1,087,850	1,672		519,727
Dividend paid	547,914	10,070		6,415	1,657,492
Insurance premium paid				658,659	
Insurance claims settled				273,609	

PKR'000	December 31, 2019				
	Directors/CEO	Key Management Personnel	Subsidiaries	Associates	Other Related party
Investments – Closing			300,000	1,177,606	1,191,425
Provision for diminution in value of investments			42,981		3,936
Advances	91,129	661,838			4,200,405
Other Assets:					
Interest accrued	10,939	69,192			98,163
Receivable from staff retirement fund					1,019,178
Prepayment / rent receivable					8,517
Advance against shares					82,312
Borrowings – Closing					494,646
Deposits and other accounts – Closing	12,076	257,121	9,335	588,149	4,584,695
Other Liabilities:					
Interest / mark up payable		156			7,007
Unearned rent				1,560	
Others			283		3,962
Contingencies and Commitments				181,172	
Income:					
Markup/ return earned	5,431	30,251			613,453
Commission income				155,139	
Dividend income					12,511
Other Income				3,759	
Expense:					
Markup paid	44	13,687	285	81,883	243,840
Operating Expenses	362,750	1,297,908	1,004		585,239
Dividend paid	966,735	20,174		15,131	2,751,227
Insurance premium paid				566,033	
Insurance claims settled				391,015	

PKR'000	December 31, 2018				
	Directors/CEO	Key Management Personnel	Subsidiaries	Associates	Other Related party
Investments – Closing			430,493	1,816,343	992,661
Provision for diminution in value of investments			42,981		3,936
Advances	105,650	449,323			3,354,510
Other Assets:					
Interest accrued	5,507	42,368			134,900
Receivable from staff retirement fund					923,633
Prepayment / rent receivable				832	8,215
Profit receivable from Sukuk					1,858
Advance against shares					50,000
Borrowings – Closing					200,000
Deposits and other accounts – Closing	7,438	193,954	48,155	1,056,941	3,193,911
Other Liabilities:					
Interest / mark up payable	11	1,960	494	7,446	11,918
Unearned rent					
Others			201		3,961
Contingencies and Commitments				162,468	
Income:					

Markup/ return earned	5,507	18,229			482,333
Commission income			63,167		
Dividend income				219,000	2,109
Other Income				2,496	18,651
Expense:					
Markup paid	20	4,536	3,942	55,367	192,261
Operating Expenses	416,849	994,463	1,172		1,235,131
Dividend paid	640,921	11,584		5,454	1,538,460
Insurance premium paid				497,497	
Insurance claims settled				328,333	

PKR'000	December 31, 2017				
	Directors/CEO	Key Management Personnel	Subsidiaries	Associates	Other Related party
Lending to financial institutions					1,500,000
Investments			430,493	1,816,343	1,317,808
Provision for diminution in value of investments					53,936
Advances		458,240			7,591,327
Provision held against advances					1,540,029
Other Assets:					
Interest accrued		43,725			577,813
Receivable from staff retirement fund					729,546
Prepayment / rent receivable				2,496	
Profit receivable from Sukuk					1,819
Others					923
Borrowings – Closing					502,800
Subordinated Debt		19,964		45,044	
Deposits and other accounts – Closing	6,275	160,416	59,984	1,509,943	4,178,787
Other Liabilities:					
Interest / mark up payable		1,448	277	7,945	40,025
Unearned rent				8,936	
Others			316		
Contingencies and Commitments				129,188	2,589,842
Income:					
Markup/ return earned	2,319	22,197			452,954
Commission income			156,194		
Dividend income					9481
Net gain on sale of securities				323,375	
Other Income		2,027		6,478	18,608
Expense:					
Markup paid	119	19,668	5,748	79,015	274,682
Operating Expenses	680,153	1,356,377	967		983,646
Insurance premium paid				505,826	
Insurance claims settled				321,392	

PART III

3 OVERVIEW, HISTORY AND PROSPECTS

3.1 BACKGROUND AND HISTORY

Name of the Issuer	Bank Alfalah Limited
Date of Incorporation	June 21, 1992
Date of Commencement of Business	November 1, 1992
Registration Number	0027580
Listing Information	Listed on Pakistan Stock Exchange Limited in 2004

Bank Alfalah Limited is a banking company incorporated in Pakistan on June 21st, 1992 as a public limited company under the Companies Act, 2017 (earlier the Companies Ordinance, 1984). It commenced its banking operations on November 1st, 1992. The Bank's registered office is located at B.A. Building, I.I Chundrigar Road, Karachi and is listed on PSX.

The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating in the Commercial Banks' sector. As of the end of September 30, 2020, the Bank is operating through 686 branches (December 31, 2019: 674 branches) and 24 sub-branches (December 31, 2019: 24 sub-branches); out of these, 505 branches (December 31, 2019: 501) are conventional, 170 (December 31, 2019: 162) are Islamic, 10 (December 31, 2019: 10) are overseas and 1 (December 31, 2019: 1) is an offshore banking unit.

The Bank provides financial solutions to consumers, corporations, institutions and governments through a broad spectrum of products and services, including Treasury solutions, Corporate and Investment Banking, Consumer Banking and Credit, Securities Brokerage, SME, Agri-finance, Islamic and Asset financing solutions.

PACRA & VIS have assigned an entity rating of 'AA+' (double A plus) for the long-term and 'A1+' (A one plus) for the short-term, with outlook assigned as stable.

The Bank has 61.20% shareholding in Alfalah CLSA Securities (Private) Limited, which is engaged in the business of stock brokerage, investment counseling and fund placements. The Bank has 40.22% shareholding in Alfalah GHP Investment Management Limited, which is an asset management company and pension fund manager. It also manages portfolio of investors under non-discretionary portfolio management agreements.

3.2 PATTERN OF SHAREHOLDING OF THE BANK

The Bank is majority owned and operated by the Abu Dhabi Group. The International Finance Corporation ("IFC"), an investment arm of the World Bank, partnered with the Bank in 2014, and holds 14.74% stake in the Bank.

Pattern of Shareholders as on Sep 30, 2020 is as follows:

Name of Shareholders	Shares Held	Percentage
A. Abu Dhabi Group – ADG (including sponsors and directors)		
H.H. Nahayan Mabarak Al Nahayan	189,589,434	10.67%
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan	148,893,722	8.38%
H. E. Suroor Bin Mohammad Al Nahyan	126,537,180	7.12%
H. E. Saeed Bin Mohammad Al Nahyan	64,433,188	3.63%
Messrs Electro Mechanical Company LLC	96,726,938	5.44%

H. E. Dr. Mana Saeed Al Otaiba	40,363,866	2.27%
Mr. Abdulla Khalil Al Mutawa	12,464	0.00%
Dhabi One Investments Services LLC	42,422,788	2.39%
H.H. Sheikha Fakhira Saeed S Alnehayan	4,791,994	0.27%
Mr. Khalid Mana Saeed Al Otaiba	74,202	0.00%
Mr. Abdulla Nasser Hawaileel Al Mansoori	83,255,882	4.68%
H. E. Shaikh Mohammad Bin Butti Al Hamid	59,362,875	3.34%
H. E. Shaikh Saif Mohammad Bin Butti Al Hamid	14,850,000	0.84%
B. International Finance Corporation (IFC)	261,895,095	14.74%
C. Other Directors	1,025,700	0.06%
D. Associated Companies		
Total of A to D	1,134,235,328	63.82%
E. Mutual Funds	54,768,423	3.08%
F. NBFCs, FIS, DFIs, PSEs and other Companies	424,586,564	23.89%
G. All Other Shareholders	163,574,804	9.20%
Grand Total	1,777,165,119	100.00%

3.3 REVENUE AND COST DRIVERS

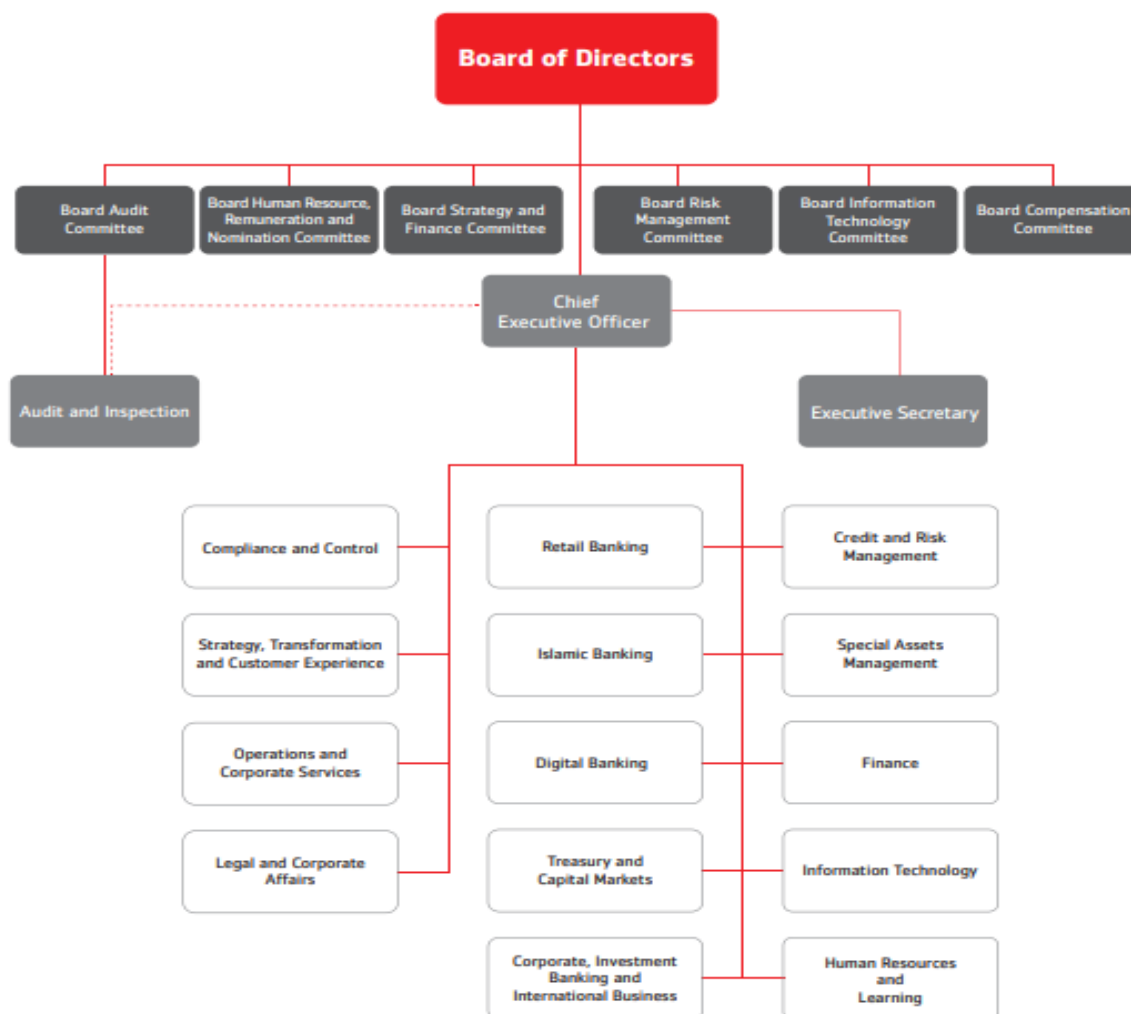
Key Revenue Drivers:

1. Bank's spreads are linked with SBP's policy rate and any change in this benchmark rate directly affects the pricing of Bank's assets and liabilities.
2. Growth in deposits contributes directly towards the liquidity available to the Bank to grow its financing, investment and placement book, which in turn contributes to increasing the top line for the Bank. In addition to this, higher portion of CASA base, which comprises of low-cost sticky deposits, provides the Bank an opportunity to enhance its earning capacity.
3. Fee and commission income is another revenue driver which represents Bank's income generated through non fund based activities such as trade business, branch banking service, wealth management services, ADC services, investment advisory, etc.

Key Cost Drivers:

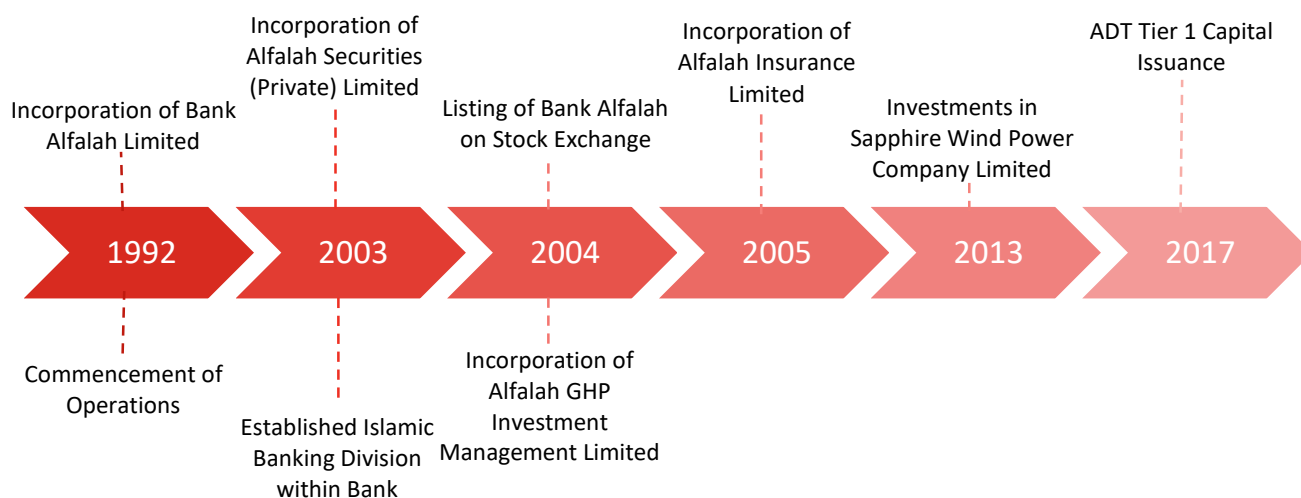
1. Since Bank is operating in the service industry, its major operating cost pertains to its human capital which includes cost associated with payroll, incentives, trainings, etc.
2. The next major expense item relates to the branch network of the Bank which operates primarily to provide services to customers and growing the overall balance sheet of the Bank. Significant investment is required for the Bank to maintain and grow its branch network. Branch expenses includes costs related to rent, utilities, communication, repair & maintenance of premises, technology, security, depreciation etc.
3. Significant portion of Bank's costs also pertain to information technology which includes expenses related to hardware & software maintenance, network, depreciation, IT security, etc.
4. Cost incurred by the Bank for marketing and advertisement of its products, services and brand is another key expense.
5. Provisions and write-offs related to non-performing assets of the Bank directly impact the profitability of the Bank.

3.4 ORGANISATIONAL STRUCTURE



The major shareholding of the Bank lies with the Abu Dhabi Group who has an ownership of 49.03% in the Bank. The Abu Dhabi Group is made up of individuals whose shareholding within the Bank is given in part 3.2 of this Prospectus.

3.5 MAJOR HISTORICAL EVENTS



3.5.1 KEY AWARDS AND ACHIEVEMENTS

The following awards and achievements highlight the outstanding banking and financial services provided by Bank Alfalah:

<ul style="list-style-type: none"> Best Bank 2019 awarded by Institute of Bankers of Pakistan Best Customer Franchise 2019 awarded by Institute of Bankers of Pakistan 	
<ul style="list-style-type: none"> Best SME Bank 2018 by Institute of Bankers of Pakistan Best Customer Franchise 2018 awarded by Institute of Bankers of Pakistan 	
<ul style="list-style-type: none"> Best Bank 2017 awarded by Institute of Bankers of Pakistan Best Customer Franchise 2017 and 2016 awarded by Institute of Bankers of Pakistan 	
<ul style="list-style-type: none"> Best Islamic Banking Window 2013, 2014 and 2015 by Global Islamic Finance Awards Shariah Authenticity Award 2015 by Global Islamic Finance Awards Best Research and Development 2015 by Global Islamic Finance Awards 	
<ul style="list-style-type: none"> Best Islamic Banking Window 2015 awarded by CFA Society of Pakistan Best Investor Relations 2013, 2014, 2015, 2016, 2017, 2018 & 2019 by CFA Society of Pakistan Corporate Finance House of the Year– Equity & Advisory 2015 & 2017 by CFA Society of Pakistan Runner-up Best Corporate Finance House Award for the Year 	
<ul style="list-style-type: none"> Best Credit and Debit Card 2016 by Consumer Choice Awards Best Corporate Credit Card 2016 by Consumer Choice Awards 	
<ul style="list-style-type: none"> Best Credit Cards Offerings 2016 by International Finance Magazine 	
<ul style="list-style-type: none"> Best Corporate Credit Card 2016 by Pakistan Society of Training and Development 	
<ul style="list-style-type: none"> Most Popular Bank for Conventional Auto Finance 2015 by People's Choice Awards 	
<ul style="list-style-type: none"> Most Popular Auto Financing Bank by Auto Finance Awards Best Bank for Auto Finance by Auto Finance Awards 	

3.6 PRODUCTS OR SERVICES OF THE ISSUER

The Bank provides financial solutions to consumers, corporations, institutions and governments through a broad spectrum of products and services, including Treasury Solutions, Corporate and Investment Banking, Consumer Banking, Commercial, SME, Agri-finance, Islamic and Asset Financing.

3.6.1 RETAIL BANKING

The Bank offers a range of personal banking and SME products through its retail network consisting of branches, ATMs, call centers and digital banking solutions. The Bank's diverse range of services and products include a range of deposit accounts, consumer loans, SME loans, wealth management products and other payment solutions.

Deposits Products:

Bank Alfalah offers a comprehensive deposit product suite, which is complemented through their vast branch network, and digital banking solutions. They offer from transactional current deposit products to structured savings products and term deposits in order to serve all kinds of customers.

Consumer Financing:

The Bank's consumer finance business consists of one of the most diverse product propositions in the market on both the secured and unsecured side, which include industry leading Credit Cards, Auto Loans, Personal Loans and Home Loans, all of which are widely renowned in the market.

SME lending/ Agri-financing/Trade:

The Bank provides one of the largest suite of financial and non-financial products and services to its SME customers. It has introduced formal Non-Financial Advisory Services for its SME customers. The Bank has products ranging from working capital to supply chain finance and cash-flow based clean lending products. Its unique product propositions and superior quality service enabled the Bank to receive the 'Best SME Bank Award' in 2018 at Pakistan's most prestigious banking award ceremony.

Wealth Management:

Bank Alfalah also has a vast portfolio of Bancassurance and Investment solutions which it offers to its clients through various types of mutual fund and insurance.

3.6.2 ISLAMIC BANKING

The Bank is geared towards exploring new markets with a view to diversify its client base and provide innovative financial solutions in Islamic Banking Portfolio. Currently it has 164 Islamic branches (June 30, 2020) and as of CY 2019, it had an Islamic Deposits and Advances of PKR 122 bn and PKR 87.5 bn respectively.

Deposit Products:

Bank Alfalah Islamic offers a wide range of deposit products ranging from as simple as current deposits to structured savings product. These products are designed in strict adherence to Shariah principles in order to comply with the Shariah regulations.

Asset Products:

It also provides financing facilities for purchasing of various kinds of assets for its retail segment as well as commercial segment. These assets range from Islamic Car Ijarah to Manufacturing Plants and Machineries and have been structured in such a way that it caters to needs from an individual to large corporations.

Wealth Management:

In addition, it also offers investment services which enables its customers to manage their investment needs through investments in Alfalah GHP's Shariah compliant funds.

3.6.3 CORPORATE BANKING

Bank Alfalah provides corporate banking solutions that comprise of credit, transaction banking, syndication and investment banking. As of CY 2019, the Bank had Corporate Deposits and Advances of PKR 103 bn and PKR 243 bn respectively.

Credits:

Credit facilities include loan and fee-based products and services such as cash and credit facilities, demand and short term loans, export credits, guarantees, time deposits etc which Bank Alfalah introduced in order to facilitate the financial requirements of medium and large sized corporate clients.

Investment Banking:

The Bank is a key market player in the Project Finance and Syndications segments with a key focus on power, sugar and electronics. Its service suite comprises of long-term and short-term lending with flexibility for structured products, syndications, project finance and advisory service.

Transaction Banking:

Trade Finance and Supply Chain Finance are the two key pillars of the Transaction Banking Division, which in tandem with Cash Management propositions, strengthens Bank Alfalah's Transaction Banking Products' Suite. Apart from this, it also offers online banking solution within the segment.

Financial Institutions:

The Division offers solutions to its clients via its Financial Institution desk, NBFI, Home Remittance and International Business desks. The FI desk manages strategic relationships with banks globally via over 600 RMAs while NBFI desk offers structured financing, bilateral Credit facilities, and structured finance for NBFIs.

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

3.6.4 GLOBAL TREASURY AND CAPITAL MARKETS

Treasury is an established and active player in the Interbank Money and the FX markets, with major focus on client centric solutions for both conventional and Islamic franchises. It also contributes significantly to the Bank's bottom line, whilst managing its balance sheet risk exposures. In CY2019, the Bank earned PKR 2.8 bn through Foreign Exchange.

While on the other hand, leveraging its active role in Capital Markets and their development, the Bank has also established an award winning Equity Advisory and Investor Relation franchise and offers comprehensive solutions to its clientele.

3.6.5 DIGITAL BANKING

Bank Alfalah believes banking can be simpler, faster and more effortless for all and thereby it is innovating the way it engages with its consumers across their financial lifecycle. Therefore, as a thought leader in the industry, it has positioned its digital services to grow beyond the core banking services with an annual throughput of USD 3 bn as per CY2019. They are continuously improving digital processes and user experiences and investing more in mobile-centric digital customer experience to cater to a larger ecosystem of services and lead the digital wave.

3.7 END USERS, DEMAND FOR THE PRODUCTS AND NAMES OF COMPETITORS

End users of the Bank's products are individuals and corporates. Financial inclusion and banking penetration levels in the country are well below regional averages; however, this presents an opportunity for the Bank to experience growth backed by population expansion, improving regulatory environment, rising income levels and increasing awareness and a growing

preference for Shariah-compliant modes of finance. Moreover, structural factors, such as the expansion of private-sector employment, are expected to enhance demand and increase the banking penetration rate.

The Bank has the following competitors in the commercial banks' sector:

1. Public Sector Commercial Banks

- First Women Bank Limited
- National Bank of Pakistan
- Sindh Bank Limited
- The Bank of Khyber
- The Bank of Punjab

2. Local Private Banks

- | | |
|---------------------------------------|--|
| ▪ AlBaraka Bank (Pakistan) Limited | ▪ MCB Bank Limited |
| ▪ Allied Bank Limited | ▪ MCB Islamic Bank Limited |
| ▪ Askari Bank Limited | ▪ Meezan Bank Limited |
| ▪ Bank Al Habib Limited | ▪ SAMBA Bank Limited |
| ▪ BankIslami Pakistan Limited | ▪ Silk Bank Limited |
| ▪ Dubai Islamic Bank Pakistan Limited | ▪ Soneri Bank Limited |
| ▪ Faysal Bank Limited | ▪ Standard Chartered Bank (Pakistan) Limited |
| ▪ Habib Bank Limited | ▪ Summit Bank Limited |
| ▪ Habib Metropolitan Bank Limited | ▪ United Bank Limited |
| ▪ JS Bank Limited | |

3. Foreign Banks

- Citibank N.A.
- Deutsche Bank AG
- Industrial and Commercial Bank of China Limited
- Bank of China Limited

3.8 INTELLECTUAL PROPERTY RIGHTS

None

3.9 FUTURE PROSPECTS OF THE BANK, AND DEMAND OUTLOOK

The Bank remains well positioned for sustainable growth and building long-term shareholder value in these testing times. BAFL will continue to invest in Digital Banking, technology infrastructure, human capital and strengthening of its compliance and controls environment. The actions of the Bank during this global crisis are essential to keeping the economy going. Being an essential service provider, Bank Alfalah will continue to play a lead role in the economic growth and providing financial services to the masses. The Bank is working very closely with its customers to assist them in their banking needs and minimize the risk of credit headwinds in these unprecedented times. At the same time, it will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimizing returns from the banking book, enforcing a strong cost discipline across the bank and maximizing value for its stakeholders.

3.10 RESPONSE TO COVID 19 PANDEMIC

Pakistan has been successful in mitigating the effects of COVID-19 by taking a preemptive action and reducing the impact on the country's economy. The federal and provincial governments have implemented a range of measures to delay/ contain the spread of the virus which included closure of school, social distancing measures, and smart lockdowns in cities and provinces across the country.

Despite the measures taken by government and the regulators, the ongoing Covid pandemic, might impact the credit quality across certain sectors. The Bank continues to monitor the credit risk and the potential impact on the Bank's Risk Weighted Assets. To help our customers during the pandemic, the Bank made access to SBP debt relief program convenient. So far, the Bank has provided assistance to over 6,387 customers through deferment/rescheduling of loans. Furthermore, fresh loans backed by SBP refinance scheme (wage and salaries) were given to over 300 customers.

So far SBP have taken several measures both on Monetary & Fiscal side to provide stimulus to economy. Details of these measures are available on State Bank of Pakistan's website. Some of the measures are;

i) Monetary Policy & Macro Measures:

A reduction of policy rate by 625bps; (ii) Temporary Economic Refinancing Facility' (TERF) worth PKR 100 billion in bank refinancing to stimulate investment in new manufacturing plants and machinery at 7 percent fixed for 10 years (iii) the Refinance Facility for Combating COVID-19 worth PKR 5 billion to support hospitals and medical centers.

SBP also taken several regulatory measures to maintain banking system soundness and sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increase the regulatory limit on extension of credit to SMEs and (iii) allowing banks to defer clients' payment of principal on loan obligations by one year

ii) Fiscal Measures:

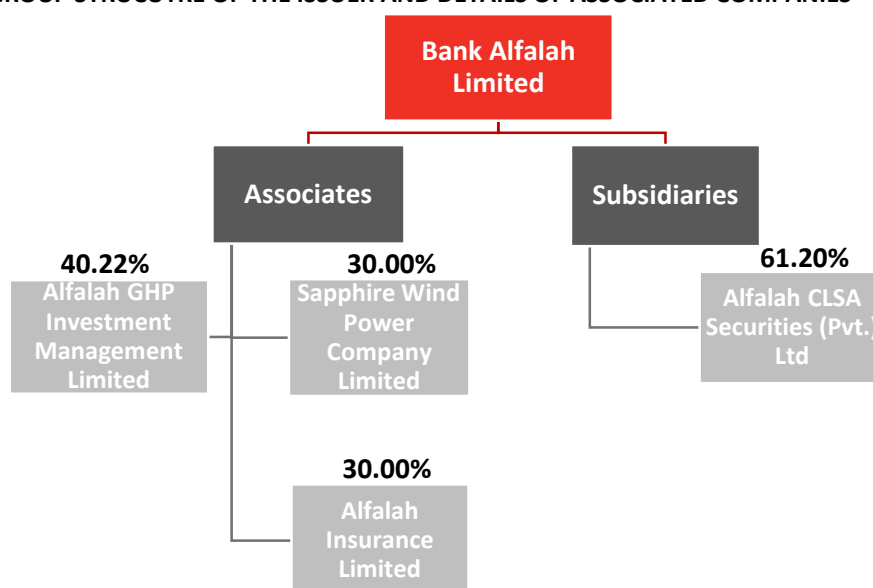
A relief package worth PKR 1.2 trillion has been implemented. Key measures include: (i) an elimination of the import duties on imports of emergency health equipment; (ii) relief to daily wage workers of PKR 200 billion (iii) cash transfers to low-income families amount worth of PKR 150 billion (iv) accelerated tax refunds to the export industry of PKR 100 billion (v) financial support to SMEs of PKR 100 billion. The economic package also includes accelerated procurement of wheat of PKR 280 billion.

3.11 APPROVALS

Bank Alfalah Limited is regulated by State Bank of Pakistan and holds a valid license from SBP to conduct its business

Issue of License to Commence Banking Business	
License Number	No.B.L.8
Issuance Date	1 st October, 1992
Issuing Authority	State Bank of Pakistan

3.12 GROUP STRUCTURE OF THE ISSUER AND DETAILS OF ASSOCIATED COMPANIES



Name of the Company	Nature of Business	Relationship	Shareholding	Value*
Alfalah CLSA Securities (Pvt.) Ltd	Alfalah CLSA Securities (Private) Limited is engaged in the business of stock brokerage, investment counseling, fund placements and investment consultancy. It promises to offer exceptional service to its clients based on its strong research and execution capability.	Subsidiary	61.20%	257,019
Alfalah GHP Investment Management Limited	Alfalah GHP Investment Management Limited is an asset management company and pension fund manager. It also manages portfolio of investors under non-discretionary portfolio management agreements. It has the right solutions to match the needs of individuals, corporates and retirement funds.	Associate	40.22%	130,493
Sapphire Wind Power Company Limited	Sapphire Group and Bank Alfalah took the lead in entering the nascent wind energy sector in Pakistan and established Sapphire Wind Power Company Limited for undertaking independent development of a wind farm in the country. It is committed to be part of the revolutionary shift in the energy paradigm by offering clean, green and affordable energy solutions.	Associate	30.00%	978,123

Name of the Company	Nature of Business	Relationship	Shareholding	Value*
Alfalah Insurance Limited	Alfalah Insurance Company Limited is a general non-life insurance company, which also works as a window Takaful operator. Alfalah Insurance Limited offers best in class insurance services to the insuring public, which is comparable to international standards.	Associate	30.00%	68,990

*Carrying value as at December 31, 2019

3.13 RELATED PARTIES TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans and its directors and Key Management Personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to 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 are as follows:

PKR'000	September 30, 20 20 (Un-Audited)				
	Directors/CEO	Key Management Personnel	Subsidiaries	Associates	Other Related party
Lending to financial institutions - Closing					1,881,309
Investments – Closing			300,000	1,177,606	1,191,405
Provision for diminution in value of investments			42,981		3,936
Advances	81,235	727,516			2,388,565
Other Assets:					
Interest accrued	1,813	91,275			37,080
Receivable from staff retirement fund					891,116
Prepayment / rent receivable				780	43,400
Advance against shares					50,000
Borrowings – Closing					985,939
Deposits and other accounts – Closing	60,850	230,519	5,446	1,149,863	3,732,211
Other Liabilities:					
Interest / mark up payable	48	878			9441
Unearned rent					
Others			438		3
Contingencies and Commitments				82,851	22,991
Income:					
Markup/ return earned	6,943	31,447			376,105
Commission income				60,304	
Dividend income				45,000	17,136
Other Income				5,506	15,376
Expense:					

Markup paid	443	7,351	120	82,069	251,612
Operating Expenses	230,699	1,087,850	1,672		519,727
Dividend paid	547,914	10,070		6,415	1,657,492
Insurance premium paid				658,659	
Insurance claims settled				273,609	

PKR'000	December 31, 2019				
	Directors/CEO	Key Management Personnel	Subsidiaries	Associates	Other Related party
Investments – Closing			300,000	1,177,606	1,191,425
Provision for diminution in value of investments			42,981		3,936
Advances	91,129	661,838			4,200,405
Other Assets:					
Interest accrued	10,939	69,192			98,163
Receivable from staff retirement fund					1,019,178
Prepayment / rent receivable					8,517
Advance against shares					82,312
Borrowings – Closing					494,646
Deposits and other accounts – Closing	12,076	257,121	9,335	588,149	4,584,695
Other Liabilities:					
Interest / mark up payable		156			7,007
Unearned rent				1,560	
Others			283		3,962
Contingencies and Commitments				181,172	
Income:					
Markup/ return earned	5,431	30,251			613,453
Commission income				155,139	
Dividend income					12,511
Other Income				3,759	
Expense:					
Markup paid	44	13,687	285	81,883	243,840
Operating Expenses	362,750	1,297,908	1,004		585,239
Dividend paid	966,735	20,174		15,131	2,751,227
Insurance premium paid				566,033	
Insurance claims settled				391,015	

PKR'000	December 31, 2018				
	Directors/CEO	Key Management Personnel	Subsidiaries	Associates	Other Related party
Investments – Closing			430,493	1,816,343	992,661
Provision for diminution in value of investments			42,981		3,936
Advances	105,650	449,323			3,354,510
Other Assets:					
Interest accrued	5,507	42,368			134,900
Receivable from staff retirement fund					923,633
Prepayment / rent receivable				832	8,215

Profit receivable from Sukuk					1,858
Advance against shares					50,000
Borrowings – Closing					200,000
Deposits and other accounts – Closing	7,438	193,954	48,155	1,056,941	3,193,911
Other Liabilities:					
Interest / mark up payable	11	1,960	494	7,446	11,918
Unearned rent					
Others			201		3,961
Contingencies and Commitments				162,468	
Income:					
Markup/ return earned	5,507	18,229			482,333
Commission income			63,167		
Dividend income				219,000	2,109
Other Income				2,496	18,651
Expense:					
Markup paid	20	4,536	3,942	55,367	192,261
Operating Expenses	416,849	994,463	1,172		1,235,131
Dividend paid	640,921	11,584		5,454	1,538,460
Insurance premium paid				497,497	
Insurance claims settled				328,333	

PKR'000	December 31, 2017				
	Directors/CEO	Key Management Personnel	Subsidiaries	Associates	Other Related party
Lending to financial institutions					1,500,000
Investments			430,493	1,816,343	1,317,808
Provision for diminution in value of investments					53,936
Advances		458,240			7,591,327
Provision held against advances					1,540,029
Other Assets:					
Interest accrued		43,725			577,813
Receivable from staff retirement fund					729,546
Prepayment / rent receivable				2,496	
Profit receivable from Sukuk					1,819
Others					923
Borrowings – Closing					502,800
Subordinated Debt		19,964		45,044	
Deposits and other accounts – Closing	6,275	160,416	59,984	1,509,943	4,178,787
Other Liabilities:					
Interest / mark up payable		1,448	277	7,945	40,025
Unearned rent				8,936	
Others			316		
Contingencies and Commitments				129,188	2,589,842
Income:					
Markup/ return earned	2,319	22,197			452,954
Commission income			156,194		
Dividend income					9481

Net gain on sale of securities				323,375	
Other Income		2,027		6,478	18,608
Expense:					
Markup paid	119	19,668	5,748	79,015	274,682
Operating Expenses	680,153	1,356,377	967		983,646
Insurance premium paid				505,826	
Insurance claims settled				321,392	

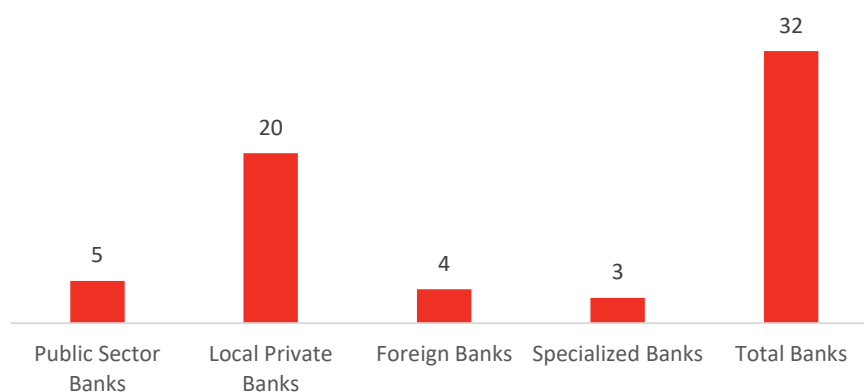
3.14 PERFORMANCE OF ASSOCIATED LISTED COMPANIES OVER WHICH THE ISSUER HAS CONTROL:

The Issuer does not have any associated listed companies over which it has control.

3.15 INDUSTRY ANALYSIS & PEER COMPARISON

Pakistan's banking industry comprises of 32 banks out of which 20 are listed on PSX. The industry is regulated by the State Bank of Pakistan and is highly concentrated of private commercial banks. A distribution of the Pakistan's banking sector as of September 2020, is provided below:

Structure of Pakistan's Banking Industry



Source: State Bank of Pakistan | Statistics of the Banking System

1. Commercial Banks: Provide services such as maintaining deposits, disbursing payments, collecting funds, maintaining accounts and extending loans. They can also provide secondary services such as financial advisory, foreign exchange and asset management.
2. Foreign Banks: The principal activities of foreign banks are generally the same as private commercial banks, except that some foreign banks may be licensed to provide custodian services to foreign investment funds.
3. Specialized Banks: They concentrate mainly on financing specialized economic and social activities or sectors.

3.15.1 SECTOR FINANCIALS

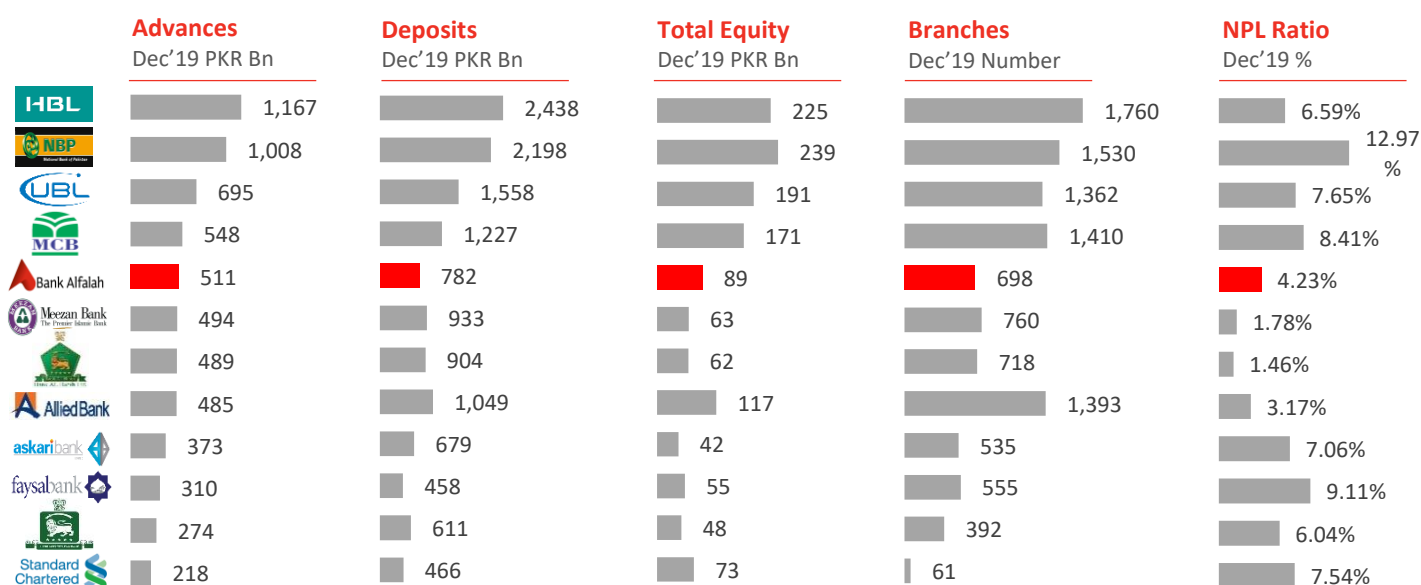
Performance of the banking industry over the past few years has been robust as indicated by considerable growth in asset base, deposits, advances accompanied by sound financial indicators. Some of the key performance highlights of the Public sector banks, Local Private banks, Foreign banks and Specialized banks taken from Banking Compendium of June 2020 released by State Bank of Pakistan are depicted in the table below:

(Amount in PKR Billion)	CY15	CY16	CY17	CY18	CY19	June 20
Total Assets	14,143	15,831	18,342	19,682	20,718	23,705
Investments (Net)	6,881	7,509	8,729	7,914	8,939	10,979
Advances (Net)	4,816	5,499	6,512	7,955	8,249	8,065

Deposits	10,389	11,798	13,012	14,254	15,953	17,404
CAR	17.3%	16.2%	15.8%	16.2%	17.0%	18.7%
Gross NPL Ratio	11.4%	10.1%	8.4%	8.0%	8.6%	9.7%
ROA (Before Tax)	2.5%	2.1%	1.6%	1.3%	1.5%	1.9%
ROE (Before Tax) ¹	25.8%	23.9%	19.5%	17.4%	20.1%	25.2%
ADR	46.4%	46.6%	50.1%	55.8%	51.7%	46.3%

Source: Banking Compendium by State Bank of Pakistan June 2020

3.15.2 PEER ANALYSIS



Source: Financial Statements

3A. SHARE CAPITAL AND RELATED MATTERS

3A.1 SHARE CAPITAL

Issued, subscribed and paid up Capital		
Number of Shares	Fully paid up ordinary shares of Rs. 10/ each	Rupees
891,453,153	Fully paid in Cash	8,914,531,530
885,711,966	Issued as bonus shares	8,857,119,660
1,777,165,119		17,771,651,190

3A.2 PATTERN OF SHAREHOLDING

Pattern of Shareholders as on September 30, 2020 is as follows:

Name of Shareholders	Shares Held	Percentage
A. Abu Dhabi Group – ADG (including sponsors and directors)		
H.H. Nahayan Mabarak Al Nahayan	189,589,434	10.67%
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan	148,893,722	8.38%

¹ Based on Average Equity Plus Surplus on Revaluation.

H. E. Suroor Bin Mohammad Al Nahyan	126,537,180	7.12%
H. E. Saeed Bin Mohammad Al Nahyan	64,433,188	3.63%
Messrs Electro Mechanical Company LLC	96,726,938	5.44%
H. E. Dr. Mana Saeed Al Otaiba	40,363,866	2.27%
Mr. Abdulla Khalil Al Mutawa	12,464	0.00%
Dhabi One Investments Services LLC	42,422,788	2.39%
H.H. Sheikha Fakhira Saeed S Alnehayan	4,791,994	0.27%
Mr. Khalid Mana Saeed Al Otaiba	74,202	0.00%
Mr. Abdulla Nasser Hawaileel Al Mansoori	83,255,882	4.68%
H. E. Shaikh Mohammad Bin Butti Al Hamid	59,362,875	3.34%
H. E. Shaikh Saif Mohammad Bin Butti Al Hamid	14,850,000	0.84%
B. International Finance Corporation (IFC)	261,895,095	14.74%
C. Other Directors	1,025,700	0.06%
D. Associated Companies		
Total of A to D	1,134,235,328	63.82%
E. Mutual Funds	54,768,423	3.08%
F. NBFCs, FIS, DFIs, PSEs and other Companies	424,586,564	23.89%
G. All Other Shareholders	163,574,804	9.20%
Grand Total	1,777,165,119	100.00%

3A.3 SHARES ISSUED IN PRECEDING YEARS

Details of shares issued in the history of the Bank are as follows:

Shares Issued in Preceding Years					
Sr. No	Description of Shares Issued	Number of Shares Issued		Par Value (PKR)	Date of Allotment
		Redeemable Preference Shares	Ordinary Shares		
1	Opening balance	-	15,000,000	10	31-Dec-97
2	25% Right Share Issue (R-1)	-	25,000,000	10	27-Dec-01
3	33.33% Bonus Share Issue (B-1)	-	100,000,000	10	28-Dec-02
4	100% Bonus Share Issue (B-2)	-	50,000,000	10	30-Sep-03
5	25% Bonus Share Issue (B-3)	-	49,980,000	10	24-Dec-04
6	25% Right Share Issue (R-2)	-	20,000	10	4-Apr-05
7	Balance of 25% Right Share Issue (R-2)	-	100,000,000	10	13-Mar-06
8	33.33% Bonus Share Issue (B-4)	-	100,000,000	10	28-Apr-06
9	25% Right Share Issue (R-3)	-	150,000,000	10	27-Sep-06
10	30% Bonus Share Issue (B-5)	-	149,500,000	10	25-Apr-07
11	23% Bonus Share Issue (B-6)	-	399,750,000	10	21-Apr-08
12	50% Right Share Issue (R-4)	-	149,906,250	10	7-Apr-09
13	12.50% Bonus Share Issue (B-7)	-	238,086,450	10	18-May-09
14	IFC's equity Investment	-	2,563,487	10	22-Dec-14
15	Employees Stock Option Scheme	-	5,401,367	10	11-May-15
16	Employees Stock Option Scheme	-	12,364,420	10	9-May-16

Shares Issued in Preceding Years					
Sr. No	Description of Shares Issued	Number of Shares Issued		Par Value (PKR)	Date of Allotment
		Redeemable Preference Shares	Ordinary Shares		
17	Employees Stock Option Scheme	-	5,485,184	10	4-May-17
18	Employees Stock Option Scheme	-	161,305,716	10	4-May-18
19	10% Bonus Share Issue (B-8)	-	2,802,245	10	4-Oct-18
20	Employees Stock Option Scheme	-	15,000,000	10	6-May-19
Present Paid-up Capital			1,777,165,119		

3A.4 EMPLOYEE STOCK OPTION SCHEME

The Bank has granted share options to certain critical employees, (the “employees”) under the Employee Stock Options Scheme (ESOS) as approved by the shareholders and Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SMD/CIW/ESOS/02/2013 dated December 27th, 2013.

PKR ('000)	Granted in the year 2016	Granted in the year 2015	Granted in the year 2014
Option Issued	13,737	12,614	11,331
No. of Employees to whom shares were allocated under ESOS	96	84	72
Exercise price per share	14.95	15.15	16.32
Adjusted exercise price per share for final tranche of year 2016	13.59	N/A	N/A
For the Year Ended Dec 31, 2019			
Options Exercised	9,444	9,320	9,599
Options available for exercise	-	-	-
Options lapsed	4,294	3,294	1,732
For the Year Ended Dec 31, 2018			
Options Exercised	3,058	2,428	N/A
Options available for exercise	2,905	-	-
Options vested	3,113	2,407	N/A
For the Year Ended Dec 31, 2017			
Options Exercised	3,838	6,892	9,599
Options available for exercise	6,718	2,703	-
Options vested	4,415	7,811	9,919

3A.5 BONUS SHARES, RIGHT SHARES AND NON-CASH SHARES ISSUED DURING THE PRECEDING YEARS

Details of shares issued in the preceding years is given in part 3.14.3.

3A.6 UNDERTAKING FOR UTILISATION OF PROCEEDS

The President & CEO of the Bank has undertaken that that IPO proceeds shall be utilized as per the purpose disclosed in the Prospectus.

UNDERTAKING FOR UTILISATION OF IPO PROCEEDS ON BEHALF OF THE SPONSORS

On behalf of the Sponsors of Bank Alfalah Limited ("BAFL" or the "Bank"), I, Atif Bajwa, President and CEO of the Bank holding CNIC No. xxxxxx, resident of xxxxx, do hereby state on solemn affirmation as under:

- (1) That the IPO Proceeds of the Rated, Secured, Listed, Fixed Rate, Redeemable Term Finance Certificates of the Bank having a Total Approved Issue Size of up to PKR 50,000 Million shall be utilized as per the purpose disclosed in the Shelf Prospectus.

-Sd-

Atif Bajwa
President and Chief Executive Officer
Bank Alfalah Limited

PART IV**4 PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS**

4.1 PRINCIPAL PURPOSE OF THE ISSUE AND UTILISATION OF PROCEEDS

The primary purpose of issuing the TFCs is to hedge the Issuer's fixed rate assets i.e. staff loans, consumer loan portfolio etc. with fixed rate liabilities, with the objective of increasing the maturity of the Bank's liability profile.

The amount raised through the Instrument shall be primarily utilised in investing in Government of Pakistan ("GoP") issued securities including but not limited to Treasury Bills, Pakistan Investment Bonds (Fixed and/ or Floater), Ijarah Sukuk or any other GoP issued securities.

PART V

5 THE ISSUE

5.1 STRUCTURE OF THE ISSUE

The Issue consists of Rated, Secured, Listed, Fixed Rate, Redeemable Term Finance Certificates (TFCs) having a total Approved Issue Size of up to PKR 50,000 Million. The TFCs shall be issued in multiple tranches over a period of five (5) years.

The Issue Size of Tranche Series A is PKR 11,000 million (Inclusive of Green Shoe Option of PKR 1,000 million), out of which:

- Allocation of capital to the Pre-IPO investors is PKR 9,000 million
- Allocation of capital to General Public is up to PKR 2,000 million (inclusive of a Green Shoe Option of PKR 1,000 million)

Profit rate on Tranche Series A is [TBD] per annum. Profit will be payable semiannually in arrears on the outstanding principal amount, based on 365 days a year basis. Complete terms and conditions of the current issue to be disclosed are disclosed in detail in Part 5.3.

To bring the IPO and Pre-IPO investors at par before the credit of TFC certificates, profit for the interim period, i.e. from the disbursement of the funds by the Pre-IPO investors until the day before the Issue Date shall be paid separately to the pre-IPO investors.

5.2 PRE-IPO INVESTORS

PKR 9,000 million has been raised from Pre-IPO investors. List of Pre-IPO investors along with their participation amount is as follows:

Pre-IPO Investors			
S. No.	Investors	PKR in Million	% Allocation of the Total Issue*
1	Adamjee Life Assurance Company Limited - IMF	75	0.75%
2	Adamjee Life Assurance Company Limited - NUIL	25	0.25%
3	Allied Bank Limited	500	5.00%
4	Allied Bank Limited Staff Provident Fund	100	1.00%
5	Askari Bank Limited	750	7.50%
6	Askari Bank Limited Employees Gratuity Fund	20	0.20%
7	Babar Ali Foundation	20	0.20%
8	Barrett Hodgson Pakistan (Pvt) Ltd Gratuity Fund	5	0.05%
9	Barrett Hodgson Pakistan (Pvt) Ltd Provident Fund	10	0.10%
10	Bata Pakistan Limited Employees Provident Fund	10	0.10%
11	Bulleh Shah Packaging Pvt. Ltd Employees Provident Fund	6	0.06%
12	Bulleh Shah Packaging Pvt. Ltd Management Staff Pension Fund	14	0.14%
13	CDC Trustee Punjab Pension Fund Trust	100	1.00%
14	CDC Trustee UBL Asset Allocation Fund	45	0.45%
15	CDC Trustee UBL Growth & Income Fund	27	0.27%

Pre-IPO Investors			
S. No.	Investors	PKR in Million	% Allocation of the Total Issue*
16	CDC Trustee UBL Income Opportunity Fund	35	0.35%
17	CDCPL Employees Gratuity Fund	75	0.75%
18	CSAP Staff Benevolent Fund	10	0.10%
19	EFU life Assurance Limited	500	5.00%
20	Fauji Fertilizer Company Limited	200	2.00%
21	FINCA Microfinance Bank Limited - Employee Provident Fund	100	1.00%
22	Habib Bank Limited (HBL Pakistan)	1,000	10.00%
23	HBL Income Fund	38	0.38%
24	HBL Pension Fund Debt Sub Fund	12	0.12%
25	IGI General Insurance Limited	100	1.00%
26	Institute of Business Management	50	0.50%
27	Interloop Holdings Private Limited	150	1.50%
28	JS Income Fund	100	1.00%
29	JS Pension Savings Fund Debt Sub Fund	14	0.14%
30	Jubilee Life Insurance Company Limited	500	5.00%
31	Karachi Golf Club	33	0.33%
32	Karandaz Pakistan	500	5.00%
33	Lahore University of Management Sciences	100	1.00%
34	Mari Petroleum Company Limited	1,000	10.00%
35	Muller & Phipps Pakistan (Private) Limited – Staff Provident Fund	20	0.20%
36	National Clearing Company of Pakistan Limited	100	1.00%
37	National Management Foundation	335	3.35%
38	ORIX Leasing Pakistan Limited – Employees Provident Fund	15	0.15%
39	ORIX Leasing Pakistan Limited – Staff Gratuity Fund	6	0.06%
40	Packages Limited Management Staff Pension Fund	25	0.25%
41	Pak Brunei Investment Company Limited	150	1.50%
42	Pakistan Kuwait Investment Company (Private) Limited	250	2.50%
43	PSOCL Defined Contribution Pension Fund	100	1.00%
44	PSOCL Employees Gratuity Fund	200	2.00%
45	PSOCL Management Employees Pension Fund	110	1.10%
46	PSOCL Workmen Staff Pension Fund	110	1.10%
47	Samba Bank Limited	250	2.50%
48	Soneri Bank Employees Provident Fund Scheme	25	0.25%
49	Soneri Bank Limited	250	2.50%
50	Soneri Bank Limited Employees Gratuity Fund	10	0.10%
51	The Aga Khan University Employees Gratuity Fund	50	0.50%
52	The Aga Khan University Employees Provident Fund	100	1.00%
53	The Bank of Khyber	250	2.50%
54	The Citizens Foundation	250	2.50%

Pre-IPO Investors			
S. No.	Investors	PKR in Million	% Allocation of the Total Issue*
55	Trustees Anwar Khawaja Ind (Pvt) Ltd Employees Provident Fund	10	0.10%
56	Trustees Crescent Steel and Allied Products Limited G.F (Gratuity Fund)	15	0.15%
57	Trustees Crescent Steel and Allied Products Limited-Pension Fund	15	0.15%
58	Unit Trust of Pakistan	30	0.30%
59	US Mission FSN staff Provident Fund	100	1.00%
Pre-IPO Total		9,000	

*Calculated on base issue size of Tranche Series A of PKR 10,000 million.

5.3 TERM SHEET OF THE ISSUE

Bank Alfalah Limited is offering Listed, Rated, Secured, Fixed Rate, Redeemable Term Finance Certificates of up to PKR 50,000 million in multiple tranches over a period of three years through this Shelf Registered Prospectus, in denomination of PKR 5,000/- or multiples thereof, to the investors subject to the minimum investment amount of PKR 5,000/-.

The Issue Size of Tranche Series A is PKR 11,000 million (Inclusive of Green Shoe Option of PKR 1,000 million), out of which TFCs of PKR 9,000 million have been issued to and subscribed by the Pre-IPO investors, while the remaining up to PKR 2,000 million (including Green Shoe Option of PKR 1,000 million) are being offered to the general public (IPO portion).

Key features of the Issue are as follows:

Instrument Tranche Series A	Listed, Secured, Rated, Fixed Rate, Medium Term Finance Certificate
Tranche Series A Issue Size	PKR 11,000 million, including a Green Shoe Option of PKR 1,000 million
Initial Public Offering (IPO) (IPO Portion) of Tranche Series A	PKR 2,000 million, including a Green Shoe Option of PKR 1,000 million
Purpose	To hedge the Issuer's fixed rate assets i.e. staff loans, consumer loan portfolio etc. with fixed rate liabilities
Utilization of Proceeds	The amount raised through the Instrument shall be primarily utilized in investing in Government of Pakistan ("GoP") issued securities including but not limited to Treasury Bills, Pakistan Investment Bonds (Fixed and/ or Floater), Ijarah Sukuk or any other GoP issued securities
Issue Date	(i) In case the TFCs are fully subscribed, the date of closing of the subscription list for the public offering of the relevant TFCs, or (ii) In the case of undersubscription, the date on which the entire amount of the relevant TFCs has been fully subscribed, which shall be achieved by the Issuer by no later than 15 (fifteen) days from the date of closing of the subscription list for the public offering of the TFCs
Tenor of Tranche Series A	3 years
Issuer Rating	Long Term Rating: AA+ (double A plus) Short Term Rating: A1+ (A one plus) Issuer Rating by PACRA & JCRVIS
Instrument Rating	AAA (Triple A) by PACRA

Coupon Rate /interest Rate	[TBD]
Payment of Coupon	Coupon will be payable semi-annually in arrears on the outstanding principal amount, based on 365 days a year (366 days for a leap year) basis
Coupon Payment Date	The first coupon payment will fall due six months from the Issue Date and subsequently every six months thereafter ("Coupon Payment Date")
Payment of Principal	Principal payment will be redeemed as Bullet Payment at the end of three years
Security	Lien over 10 year PIB floater of PKR 10,500,000,000/- (Pak Rupees Ten Billion Five Hundred Million) maintained in the SGL Account 10016-1, being the amount equal to 105% of the Tranche Series A issue amount
Face Value	PKR 5,000/- (Pakistan Rupees Five Thousand only)
Issue Price	At Par PKR 5,000/- (Pakistan Rupees Five Thousand only)
Minimum Investment	TFCs will be offered in denominations of PKR 5,000/- or multiples thereof to the investors subject to a minimum investment amount of PKR 5,000/-
Joint Lead Managers & Arrangers	Arif Habib Limited & Alfalah CLSA Securities (Pvt.) Limited
Agent to the Issue	Pak Brunei Investment Company Limited
Transaction Legal Counsel	Mohsin Tayebaly & Co.
Compliance Officer	Mr. Haroon Khalid, Group Head- Compliance & Control Group Bank Alfalah Limited
Underwriters to the Issue	Alfalah CLSA Securities (Pvt.) Limited Arif Habib Limited
Bankers to the Issue	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Faysal Bank Habib Bank Limited MCB Bank Limited Soneri Bank Limited
Transferability	The TFCs will be inducted into the CDC; transfer shall be made in accordance with the Central Depository Act, 1997 and CDC Regulations
Governing Law	The TFCs shall be subject to the laws of Islamic Republic of Pakistan and non-exclusive jurisdiction of the Pakistan Courts

5.4 OUTSTANDING DEBT SECURITIES ISSUED IN PRECEDING YEARS

Details of the Bank's debt securities outstanding as of June 30, 2020 issued in preceding years is given below:

Description of Issue	Term Finance Certificates – Additional Tier I (ADT-1)
Date of Issue	March, 2018
Issue Size	PKR 7,000 million
Amount Redeemed	Nil
Amount Outstanding	PKR 7,000 million
Amount of Profit Paid	PKR 2,165 million
Tenor	Perpetual
Credit Rating	AA- (Double A minus) by VIS Credit Rating Company Limited

5.5 REDEMPTION SCHEDULE

Tranche Series A of the Issue will be redeemed at maturity in bullet i.e. 36 months after its issuance date. Tentative redemption schedule for TFC of an aggregate amount of PKR 5,000/- based on fixed profit rate of 9.0% is set out in the table below (only for calculation purpose):

Months	Principal Repayment	Profit Payment	Total Payment	Outstanding Amount
0	-	-	-	5,000
06	-	225	225	5,000
12	-	225	225	5,000
18	-	225	225	5,000
24	-	225	225	5,000
30	-	225	225	5,000
36	5,000	225	5,225	-

Notes:

- The above schedule does not include Withholding Tax and will be applied as per the relevant law, if the investors are not exempted.

5.6 INTEREST OF PRE-IPO INVESTORS

Except as provided below, the Pre-IPO Investors only have interest in this TFC as TFC Holders:

1. Habib Bank Limited, Askari Bank Limited, Allied Bank Limited and Soneri Bank Limited are acting as Bankers to the Issue for the IPO portion and have also participated in the Pre-IPO portion of Series A Term Finance Certificates.
2. Pak Brunei Investment Company is acting as an Agent to the Issue for the entire Transaction and have also participated in the Pre-IPO portion of Series A Term Finance Certificates.

5.7 DEDUCTION OF ZAKAT

Zakat is deductible in case of the TFC being held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trust Funds, etc., (subject to being qualified for non-deduction of Zakat under the Zakat and Ushr Ordinance, 1980). Zakat is withheld at 2.5% of the redeemed principal amount.

5.8 INCOME TAX

Any income derived from investment in TFC shall be subject to income tax as per the Income Tax Ordinance, 2001. Withholding tax, as specified in Part III Division IA of the First Schedule of the said ordinance shall be applicable.

5.9 DEDUCTION OF WITHHOLDING TAX

Profit paid to TFC Holders will be subject to withholding tax under section 151 of the Income Tax Ordinance, 2001 specified in Part III Division IA of the First Schedule of the said Ordinance or any time to time amendments therein. Rates of tax specified under Division IA are as follows:

1. For persons appearing in Active Tax Payer List: 15.0%
2. For persons not appearing in Active Tax Payer List: 30.0%

5.10 CAPITAL GAIN

Any capital gain derived from the sale of the TFC shall be subject to capital gain tax as per section 37A of the Income Tax Ordinance, 2001. Applicable capital gain tax rates are as follows:

1. For persons appearing in Active Tax Payer List: 15.0%
2. For persons not appearing in Active Tax payer List: 30.0%

5.11 DISCLOSURE OF DEFERRED TAXATION

Deferred tax is recognized 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 realization 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 recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liability is not recognized 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. The balance of deferred tax liability as of June 30, 2020 was PKR 3,234 million.

5.12 MODE OF PAYMENT

The payment of profit shall be credited in TFC Holders' bank accounts electronically on semiannual basis. The applicants, therefore, must provide their International Bank Account Number ("IBAN") in the TFC Subscription Form.

PART VI**6 RISK FACTORS****6.1 RISK FACTORS RELATED TO THE BANK****EXTERNAL RISK FACTORS****6.1.1 MARKET RISK**

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a well-defined risk management structure, under Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines methods to measure and control market risk which are carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

Market risk department is actively involved in identifying, measuring, and setting risk control limit to optimize the risk and return of the bank. Treasury Middle Office has the responsibility to monitor and report the compliance status of risk limits to senior management on regular basis. The Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Management Unit 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. Currently, the Bank calculates 'Value at Risk (VaR)' on a regular basis. Moreover, the Bank also carries out stress testing on regular intervals by applying shocks on fixed income, equity and foreign exchange positions.

6.1.2 INTEREST RATE RISK

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 and liabilities and off-balance sheet instruments within a certain range of maturity due to 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 1bps) limits to manage interest rate risk within the Board approved risk appetite. Treasury and FI 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 Management Unit of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and repricing of the assets and liabilities on a regular basis.

6.1.3 FOREIGN EXCHANGE RISK

Foreign exchange (FX) risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer and currency-wise limits. FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps. VaR analyses are conducted on regular basis to measure and monitor the FX risk. The currency risk

is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

6.1.4 EQUITY INVESTMENT RISK

Equity investment risk arises due to the risk of changes in the prices of individual stocks held by the bank. The Bank's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD monitors and reports portfolio and scrip level internal and external limits.

6.1.5 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 foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to monitor and mitigate 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 relative certainty of payment of 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 controlled at Head Office level and country risk exposures are reported to Central Credit Committee at a defined frequency.

6.1.6 SYSTEMIC RISK

Systemic risk is the risk of a total or partial collapse of the financial system. Such a collapse could be due to technical factors or market driven (psychological reasons). Systemic risk is reduced by the activities of both national and international regulatory authorities. The Bank actively supports these organizations through its membership of the relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Bank also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

6.1.7 ENVIRONMENTAL RISK

Environmental risk is actual or potential threat of adverse effects on the environment arising out of the organization's activities.

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

INTERNAL RISK FACTORS

6.1.8 STRATEGIC RISK

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters. The Bank follows a deliberate low-risk strategy. Within the general constraints of its niche market, the Bank is aware of the need of reducing risk. The Bank has a well-established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

6.1.9 CREDIT RISK

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities.

The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly identified and analyzed, also ensuring that the credit commitments are appropriately structured, priced (in line with market practices) and documented. Bank Alfalah has approved Credit Operational Manual (COM) and Credit Policy Manuals (CPM) in place to strategize and govern the Bank's overall lending strategy, thereby addressing the credit risk embedded in the process. Further, the portfolios and well-defined parameters are actively reviewed and, if required, corrective actions are taken at a nascent stage.

6.1.10 LIQUIDITY RISK

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital & reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

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

6.1.11 IT SECURITY RISK

It is the risk of damage that may be caused due to loss of confidentiality and/or integrity of the Bank's sensitive electronic data and IT systems.

As per the Bank's IT Security Risk Management policy and procedures, the IT Security Risk Management unit caters to the regulatory requirements for IT Security Risk Management, maintains the framework which enables the Bank's management and staff to mitigate IT security risks to acceptable levels, provides feedback on IT solution designs, performs review of IT solutions before go-live by reviewing against the seven categories of IT Risk and Information Security Management System, performs periodic monitoring of access rights administration, reviews the output of IT security log and monitoring systems, investigates IT security incidents, reinforces IT security risk awareness among staff, gathers and records IT systems inventory from all groups, and performs IT security risk management reporting.

6.1.12 RISK OF NEGATIVE CASHFLOW

The Bank has negative cashflow from operations for CY 2018. The major reasons for having negative cashflow are i) increase in advances and ii) decrease in borrowings as payments were made to SBP for repurchase agreement maturing.

6.2 RISK FACTORS RELATED TO THE ISSUE

EXTERNAL RISK FACTORS

6.2.1 MARKET INTEREST RATE

Market Interest rates and the TFC value, in general, carry an inverse relationship; as interest rates fall, the price of instruments in the market place generally rises. Conversely, when interest rates rise, the price of instruments will tend to fall.

Price of TFC will largely depend on the bond market behavior and interest rate regime. Hence, price may rise or fall and result in increase or decrease in the value of TFC.

6.2.2 LIQUIDITY RISK

By investing in the TFC, the investor assumes the risk of not being able to sell the TFC without adversely affecting the price of the instrument. It is pertinent to note that the TFC is to be listed on PSX, subsequent to which PSX will provide a trading platform for investors during the life of the instrument.

6.2.3 CHANGES IN TAX REGIME

Any adverse change in the existing Tax regime for investment in TFC may affect the redemption and profit for the TFC investors.

6.2.4 RISK OF NON-COMPLIANCE WITH REGULATIONS OF SECP AND PSX

In the event of non-compliance with any regulatory requirements of SECP or PSX, the TFC Issue may be placed on the Defaulter Segment of PSX, which may potentially hamper trading in the Bank's TFC leading up to potential suspension in trading as well.

DISCLAIMER:

IT IS STATED THAT ALL MATERIAL RISK FACTORS WITH RESPECT TO THIS ISSUE HAVE BEEN DISCLOSED TO THE BEST OF OUR KNOWLEDGE AND BELIEF, AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.

6.3 STATEMENT BY THE ISSUER

The General Manager

Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi

On behalf of Bank Alfalah Limited ("BAFL" or the "Bank"), we hereby confirm that all material information as required under the Companies Act, 2017, the Securities Act, 2015, the Public Offering Regulations, 2017 and the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited has been disclosed in the Prospectus and that whatever is stated in the Prospectus and the supporting documents is true and correct to the best of our knowledge and belief, and that nothing has been concealed.

For and on behalf of **Bank Alfalah Limited**

-sd-

Atif Bajwa

Chief Executive Officer

-sd-

Anjum Hai

Chief Financial Officer

6.4 STATEMENT BY JOINT LEAD MANAGERS AND ARRANGERS (CONSULTANTS TO THE ISSUE)**The General Manager**

Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi

Being mandated as Joint Lead Managers to the Issue to the Initial Public Offering of Bank Alfalah Limited's Listed, Rated, Secured Fixed Rate Term Finance Certificates, we hereby confirm that all material information as required under the Companies Act, 2017, the Securities Act, 2015, the Public Offering Regulations, 2017 and the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited has been disclosed in the Prospectus and that whatever is stated in the Prospectus and the supporting documents is true and correct to the best of our knowledge and belief, and that nothing has been concealed.

For and on behalf of **Joint Lead Managers & Arrangers**

-sd-

Imran Sherani

Head of Investment Banking
Alfalah CLSA Securities (Pvt.) Limited

-sd-

Syed Saquib Ali

Director
Arif Habib Limited

PART VII

7 FINANCIAL INFORMATION

7.1 AUDITOR CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP CAPITAL OF THE BANK



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Chartered Accountants
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AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED, AND PAID-UP SHARE CAPITAL

We have been requested to provide you with the certificate on issued, subscribed, and paid-up share capital of Bank Alfalah Limited (the Bank) as at 31 December 2019.

Scope of Certificate

The engagement is to summarise the issued, subscribed, and paid-up capital of the Bank as at 31 December 2019 in accordance with the requirement under 'Public Offering Regulations, 2017'.

Management's Responsibility

It is management's responsibility to provide the information relating to the issued, subscribed, and paid-up share capital of the Bank.

Auditor's Responsibility

Our responsibility is to review the information provided to us by the management and certify the issued, subscribed, and paid-up capital of the Bank as at 31 December 2019 in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to agreeing the issued, subscribed, and paid up capital of the Bank as at 31 December 2019, disclosed in the annexed statement.

Certification

Based on the procedures mentioned above, we certify that the issued, subscribed, and paid-up share capital of the Bank as at 31 December 2019, disclosed in the annexed statement (Annexure II), is in agreement with the audited financial statements of the Bank for the year ended 31 December 2019.

Restriction on use and distribution

This certificate is issued in relation to the requirements mentioned under 'Public Offering Regulation, 2017' for the purpose of inclusion in the prospectus for the proposed issue and listing of Medium Term Notes on Pakistan Stock Exchange Limited. Accordingly, this should not be used for any other purpose without our prior consent.


Chartered Accountants

Place: Karachi

Date: 09 November 2020



Bank Alfalah

ANNEXURE II INFORMATION AS REQUIRED UNDER SECTION 2, FIRST SCHEDULE OF PUBLIC OFFERING REGULATIONS, 2017

ISSUED, SUBSCRIBED AND PAID UP CAPITAL AS AT DECEMBER 31, 2019

	Number of shares issued by the Bank	Amount in '000
Fully paid in cash Ordinary shares of Rupees 10 each	891,453,153	8,914,531
Issued as bonus shares	885,711,966	8,857,120
	<u>1,777,165,119</u>	<u>17,771,651</u>

For and on behalf of Bank Alfalah Limited


Chief Financial Officer


Chief Executive Officer

7.2 AUDITOR'S CERTIFICATE ON BREAK-UP VALUE PER SHARE



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
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AUDITORS' CERTIFICATE ON BREAK-UP VALUE OF SHARES

We have been requested to provide you with a certificate on break-up value of shares of Bank Alfalah Limited (the Bank) as at 31 December 2019.

Scope of Certificate

The engagement is to provide a certificate on break-up value of shares of the Bank as at 31 December 2019 in accordance with the requirement under 'Public Offering Regulations, 2017'.

Management's Responsibility

The responsibility for computation of break-up value of the Bank, based on the financial statements for the year ended 31 December 2019, in accordance with the requirements of Technical Release - 22 (TR - 22) of the Institute of Chartered Accountants of Pakistan (ICAP), is primarily that of the management of the Bank. The required break-up value per share, as calculated from the audited consolidated and un-consolidated financial statements of the Bank, is summarised in the attached annexure (Annexure III).

Auditor's Responsibility

Our responsibility is to certify the break-up value of shares as at 31 December 2019 in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan (ICAP). Our verification was limited to the following procedures:

- checked the relevant financial information used by the management for the purpose of calculating the break-up value of shares of the Bank from the consolidated and un-consolidated financial statements of the Bank for the year ended 31 December 2019; and
- checked that the break-up value is computed in accordance with the requirements of TR - 22 of the Institute of Chartered Accountants of Pakistan (ICAP). According to TR - 22, the book value per share in the equity capital of the Bank is the amount each share is worth on the basis of carrying value per Balance Sheet, prepared in accordance with the approved accounting standards as applicable in Pakistan.

Certification

Based on the procedures mentioned above, we certify that the break-up value per share of the Bank as appearing in the attached annexure is accurately calculated in accordance with the TR - 22 issued by the Institute of Chartered Accountants of Pakistan (ICAP).

Restriction on use and distribution

This certificate is issued in relation to the requirements mentioned under 'Public Offering Regulation, 2017' for the purpose of inclusion in the prospectus for the proposed issue and listing of Medium Term Notes on Pakistan Stock Exchange Limited. Accordingly, this should not be used for any other purpose without our prior consent.



Chartered Accountants

Place: Karachi

Date: 09 November 2020



Bank Alfalah

ANNEXURE III INFORMATION AS REQUIRED UNDER SECTION 2, FIRST SCHEDULE OF PUBLIC OFFERING REGULATIONS

BREAKUP VALUE PER SHARE AS AT DECEMBER 31, 2019

	UNCONSOLIDATED	CONSOLIDATED
	----- Rupees in '000 -----	
Share capital	17,771,651	17,771,651
Reserves	26,046,019	26,046,019
Surplus on revaluation of assets	11,367,004	11,376,517
Unappropriated profit	32,842,902	33,996,699
Non-controlling interest	-	92,301
	<u>88,027,576</u>	<u>89,283,187</u>
	----- No. of shares issued by the Bank-----	
Number of shares outstanding	<u>1,777,165,119</u>	<u>1,777,165,119</u>
	----- Rupees -----	
Breakup value per share including surplus	<u>49.53</u>	<u>50.24</u>
Breakup value per share excluding surplus	<u>43.14</u>	<u>43.84</u>

For and on behalf of Bank Alfalah Limited


Chief Financial Officer


Chief Executive Officer

7.3 AUDIT REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS



EY Ford Rhodes
Chartered Accountants
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AUDITORS' CERTIFICATE UNDER SECTION 2(1) OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017 FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS FOR PROPOSED ISSUE OF MEDIUM TERM NOTES BY BANK ALFALAH LIMITED

We have been requested to provide you with a certificate summarizing consolidated profits and losses and assets and liabilities of Bank Alfalah Limited (the Bank) and its subsidiary concerns and details of dividend paid by the Bank (the financial information) for each of the five years preceding the issue of the prospectus.

Scope of Certificate

The Securities and Exchange Commission of Pakistan (SECP) under Section 2(1) of the First Schedule to the Public Offering Regulations, 2017 requires a report to be made by the auditors (who shall be named in the prospectus) with respect to the following:

- profits and losses and assets and liabilities of the Bank as a whole with combined profits and losses of its subsidiaries, and individually with profits and losses of subsidiary concerns for each of the five years immediately preceding the issue of the prospectus; and
- details of dividend (date, rate, class of shares) paid by the Bank during last five financial years immediately preceding the issue of prospectus of the Bank.

We as auditors are required to issue a certificate on the accuracy of the information summarised in the attached annexure (Annexure I).

Management's Responsibility

It is the management's responsibility to prepare the required financial information in compliance with Section 2(1) of the First Schedule to the Public Offering Regulations, 2017. The required financial information is summarised in Annexure I.

Auditor's Responsibility

Our responsibility is to certify the accuracy of the information summarised as required by Section 2(1) of the First Schedule to the Public Offering Regulations, 2017 about profits and losses and assets and liabilities after taking into account the effect of changes in accounting policies made subsequent to the year ended 31 December 2017 of Bank Alfalah Limited and profits and losses of its subsidiaries, and dividend distributed for each of the five years preceding the issuance of prospectus accurately from its audited financial statements in accordance with the 'Guidelines for issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan (ICAP). Our verification was limited to the procedures as mentioned below:

- checked the information about profits and losses and assets and liabilities of the Bank with consolidated financial statements of the Bank for the years ended 31 December 2019, 2018, 2017, 2016, and 2015, after taking into account the changes in accounting policy made subsequent to the year ended December 31, 2017, as required by Section 2(1) of the First Schedule to the Public Offering Regulations, 2017; and
- checked the information about the profits and losses of the subsidiary concerns for the years ended 31 December 2019, 2018, 2017, 2016, and 2015 with the financial statements of the respective subsidiaries.
- checked the details of the dividend paid during the years ended 31 December 2019, 2018, 2017, 2016, and 2015 with the audited financial statements of the Bank.





-: 2: -

Certification

Based on the information provided, we certify that the annexed financial information related to profits and losses and assets and liabilities of the Bank after taking into account the changes in accounting policy made subsequent to the year ended December 31, 2017, profits and losses of the subsidiaries, and the details of the dividend paid by the Bank for each of the five years preceding the issue of the prospectus are in agreement with the financial statements of the Bank (consolidated and un-consolidated) and its subsidiary concerns individually. No financial statements of the Bank have been audited by us subsequent to the audit of the financial statements of the Bank for the year ended December 31, 2019.

Restriction on use and distribution

This certificate is issued in relation to the requirements of Section 2(1) of the First Schedule to the Public Offering Regulations, 2017 for the purpose of inclusion in the prospectus for the proposed issue of Medium Term Notes and is not to be used or distributed for any other purpose without our prior consent. This certificate is restricted to the facts stated herein and the attached annexure.

**Chartered Accountants****Place: Karachi****Date: 09 November 2020**



Bank Alfalah

ANNEXURE I INFORMATION AS REQUIRED UNDER SECTION 2, FIRST SCHEDULE OF PUBLIC OFFERING REGULATIONS, 2017

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019	2018	2017 Restated	2016 Restated	2015 Restated
	(Rupees in '000)				
ASSETS					
Cash and balances with treasury banks	100,731,903	82,407,736	70,381,480	74,071,394	62,368,827
Balances with other banks	4,926,851	3,911,554	3,993,054	9,498,787	16,583,138
Lendings to financial institutions	71,434,895	62,172,287	48,895,828	30,149,029	27,626,350
Investments	300,905,557	279,251,731	401,742,398	389,666,922	423,518,968
Advances	511,237,779	501,639,727	400,659,922	378,724,300	334,160,478
Fixed assets	29,107,720	18,317,042	16,198,902	16,919,627	16,237,446
Intangible assets	1,260,320	1,317,271	1,508,765	1,297,310	1,080,245
Deferred tax assets	-	-	-	-	-
Other assets	47,505,354	35,998,315	30,831,827	31,300,165	37,637,466
Assets held for sale	-	23,589,489	26,821,724	-	-
	1,067,110,379	1,008,605,152	1,001,033,900	931,627,534	919,212,918
LIABILITIES					
Bills payable	17,169,059	35,988,225	20,882,970	19,090,990	13,058,929
Borrowings	103,133,573	124,017,735	207,536,939	178,710,629	172,393,198
Deposits and other accounts	782,274,860	702,847,125	644,924,984	634,650,225	636,812,161
Liabilities against assets subject to finance lease	-	-	-	-	-
Subordinated debt	11,987,000	11,989,000	4,991,000	8,317,670	9,983,000
Deferred tax liabilities	4,137,405	2,500,097	3,443,012	2,911,531	1,826,270
Other liabilities	59,125,295	33,805,722	27,665,519	27,021,619	31,046,624
Liabilities directly associated with the assets held for sale	-	20,435,396	24,759,096	-	-
	977,827,192	931,583,300	934,203,520	870,702,664	865,120,182
NET ASSETS	89,283,187	77,021,852	66,830,380	60,924,870	54,092,736
REPRESENTED BY					
Share capital	17,771,651	17,743,629	16,075,720	15,952,076	15,898,062
Reserves	26,046,019	23,050,754	18,156,669	15,895,652	14,164,120
Surplus on revaluation of assets	11,376,517	7,389,127	7,309,372	11,005,315	10,971,605
Unappropriated profit	33,996,699	28,323,585	24,865,838	17,747,600	12,784,815
Total equity attributable to the equity holders of the Bank	89,190,886	76,507,095	66,407,599	60,600,643	53,818,602
Non-controlling Interest	92,301	514,757	422,781	324,227	274,134
	89,283,187	77,021,852	66,830,380	60,924,870	54,092,736

* The numbers are based on latest published financial statements.





Bank Alfalah

1.2 CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2019	2018	2017 Restated	2016 Restated	2015 Restated
	(Rupees in '000)				
Mark-up/Return/Interest Earned	92,489,828	59,677,459	56,926,964	57,144,601	61,404,178
Mark-up/Return/Interest Expensed	47,627,878	27,751,714	27,354,683	28,558,973	33,594,079
Net Mark-up/ Interest Income	44,861,950	31,925,745	29,572,281	28,585,628	27,810,099
NON MARK-UP/INTEREST					
Fee and Commission Income	7,153,220	6,984,004	6,696,570	5,581,599	4,570,382
Dividend Income	339,149	357,296	461,125	479,251	349,963
Foreign Exchange Income	2,826,363	2,183,186	1,461,833	1,409,017	2,162,707
(Loss) / gain from derivatives	(68,293)	28,095	(58,908)	18,258	(86,916)
Gain on securities	84,611	949,749	987,018	1,519,444	1,764,057
Share of profit from associates	547,198	646,093	434,834	531,852	309,017
Other Income	180,209	216,358	84,633	123,000	586,027
Total non-markup/interest Income	11,062,457	11,364,781	10,067,105	9,662,421	9,655,237
Total Income	55,924,407	43,290,526	39,639,385	38,248,049	37,465,336
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29,203,218	24,718,963	25,453,353	23,968,153	22,119,740
Workers Welfare Fund	507,668	396,390	263,697	112,709	286,897
Other charges	269,503	7,693	34,650	5,690	42,892
Total non-markup/interest expenses	29,980,389	25,123,066	25,751,700	24,086,552	22,449,529
Profit Before Provisions	25,944,018	18,167,460	13,887,686	14,161,497	15,015,807
Provisions and write offs - net	3,028,585	(16,442)	(523,203)	807,442	2,358,635
Extra ordinary / unusual items	-	-	-	-	-
PROFIT BEFORE TAXATION	22,915,433	18,183,902	14,410,889	13,354,055	12,657,172
Taxation	9,883,626	7,192,627	5,797,085	5,414,929	5,142,843
PROFIT AFTER TAXATION	13,031,807	10,991,275	8,613,804	7,939,126	7,514,329
Profit / (loss) attributable to:					
Equity holders of the Bank	13,046,800	10,898,845	8,521,374	7,889,794	7,502,660
Non-controlling interest	(14,993)	92,430	92,430	49,332	11,669
	13,031,807	10,991,275	8,613,804	7,939,126	7,514,329

* The numbers are based on latest published financial statements.





Bank Alfalah

ANNEXURE I INFORMATION AS REQUIRED UNDER SECTION 2, FIRST SCHEDULE OF PUBLIC OFFERING REGULATIONS, 2017

1.3 UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019	2018	2017 Restated	2016 Restated	2015 Restated
	(Rupees in '000)				
ASSETS					
Cash and balances with treasury banks	100,731,873	82,407,700	70,381,435	74,071,384	62,368,790
Balances with other banks	4,709,968	3,874,955	3,753,954	9,373,123	16,552,207
Lendings to financial institutions	71,434,895	62,172,287	48,895,828	30,149,029	27,626,350
Investments	299,098,115	277,660,403	400,733,286	389,092,637	423,099,734
Advances	511,235,949	501,636,452	400,655,424	378,720,349	334,158,739
Fixed assets	29,087,028	18,272,215	16,155,727	16,476,271	16,202,597
Intangible assets	1,257,361	1,283,516	1,472,270	1,656,996	1,039,371
Deferred tax assets	-	-	-	-	-
Other assets	47,116,896	35,320,826	29,958,291	30,105,955	37,356,894
Assets held for sale	-	23,589,489	26,821,724	-	-
	1,064,672,085	1,006,217,843	998,827,939	929,645,744	918,404,682
LIABILITIES					
Bills payable	17,169,059	35,988,225	20,882,970	19,091,201	13,058,929
Borrowings	102,842,330	123,738,241	207,193,686	178,311,035	172,393,198
Deposits and other accounts	782,284,196	702,895,280	644,984,967	634,740,043	636,863,735
Liabilities against assets subject to finance lease	-	-	-	-	-
Subordinated debt	11,987,000	11,989,000	4,991,000	8,317,670	9,983,000
Deferred tax liabilities	3,450,993	2,070,702	3,153,750	2,650,428	1,824,054
Other liabilities	58,910,931	33,454,124	27,062,729	26,410,605	30,928,591
Liabilities directly associated with the assets held for sale	-	20,435,396	24,759,096	-	-
	976,644,509	930,570,968	933,028,198	869,520,982	865,051,507
NET ASSETS	88,027,576	75,646,875	65,799,741	60,124,762	53,353,175
REPRESENTED BY					
Share capital	17,771,651	17,743,629	16,075,720	15,952,076	15,898,062
Reserves	26,046,019	23,050,754	18,156,669	15,895,652	14,164,120
Surplus on revaluation of assets	11,367,004	7,382,950	7,285,248	10,969,713	10,957,070
Unappropriated profit	32,842,902	27,469,542	24,282,104	17,307,321	12,333,923
Total equity attributable to the equity holders of the Bank	88,027,576	75,646,875	65,799,741	60,124,762	53,353,175

* The numbers are based on latest published financial statements.





Bank Alfalah

1.4 UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

	2019	2018	2017 Restated	2016 Restated	2015 Restated
	(Rupees in '000)				
Mark-up/Return/Interest Earned	92,480,855	59,672,279	56,919,089	57,144,032	61,437,872
Mark-up/Return/Interest Expensed	47,623,373	27,746,216	27,354,085	28,558,176	33,594,332
Net Mark-up/ Interest Income	44,857,482	31,926,063	29,565,004	28,585,856	27,843,540
NON MARK-UP/INTEREST					
Fee and Commission Income	7,034,345	6,479,721	6,166,498	5,238,974	4,384,496
Dividend Income	338,989	576,034	460,319	584,805	514,401
Foreign Exchange Income	2,826,363	2,183,186	1,461,833	1,409,017	2,162,707
(Loss) / gain from derivatives	(68,293)	28,095	(58,908)	18,258	(86,916)
Gain on securities	83,940	950,302	1,266,715	1,681,730	1,835,814
Other Income	180,209	213,988	84,540	117,802	582,941
Total non-markup/interest Income	10,395,553	10,431,326	9,381,097	9,050,586	9,393,443
Total Income	55,253,035	42,357,389	38,946,101	37,636,442	37,236,983
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29,065,738	24,312,745	25,130,730	23,683,609	21,956,115
Workers Welfare Fund	507,668	392,089	258,875	112,709	286,897
Other charges	269,203	7,693	34,650	5,690	42,892
Total non-markup/interest expenses	29,842,609	24,712,527	25,424,255	23,802,008	22,285,904
Profit Before Provisions	25,410,426	17,644,862	13,521,846	13,834,434	14,951,079
Provisions and write offs - net	3,028,585	26,607	(523,138)	811,275	2,347,009
Extra ordinary / unusual items	-	-	-	-	-
PROFIT BEFORE TAXATION	22,381,841	17,618,255	14,044,984	13,023,159	12,604,070
Taxation	9,686,324	6,993,035	5,677,688	5,123,251	5,081,260
PROFIT AFTER TAXATION	12,695,517	10,625,220	8,367,296	7,899,908	7,522,810

* The numbers are based on latest published financial statements.

1.5 PROFIT/(LOSS) FROM SUBSIDIARIES	(39,983)	89,343	184,276	53,373	(9,023)
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1.6 DIVIDENDS

Cash dividend on ordinary shares of Bank					
- Interim	20%	10%	-	-	-
- Final	20%	15%	15%	-	10%
Stock dividend on ordinary shares of Bank	-	10%	-	-	-





Bank Alfalah

1.7 The financial statements of the Group are 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 Companies Act 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under 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.

1.8 Consolidated financial statements of the Group for the years ended December 31, 2019 and 2018 were audited by EY Ford Rhodes, Chartered Accountants and for the years ended December 31, 2017, 2016 and 2015 were audited by KPMG & Co., Chartered Accountants. Unmodified opinions were issued thereon on 03 March 2020, 21 February 2019, 25 February 2018, 23 February 2017 and 29 February 2016 for the years 2019, 2018, 2017, 2016 and 2015 respectively.

1.9 Unconsolidated financial statements of the Bank for the years ended December 31, 2019 and 2018 were audited by EY Ford Rhodes, Chartered Accountants and for the years ended December 31, 2017, 2016 and 2015 were audited by KPMG & Co., Chartered Accountants. Unmodified opinions were issued thereon on 03 March 2020, 21 February 2019, 25 February 2018, 23 February 2017 and 29 February 2016 for the years 2019, 2018, 2017, 2016 and 2015 respectively.

1.10 Changes in the accounting policies

1.10.1 The SBP vide BPRD Circular No. 02 of 2018 dated January 25, 2018 amended the format of annual financial statements of banks. All banks were directed to prepare their annual financial statements on the revised format effective from the accounting year ended December 31, 2018. Accordingly, the Bank prepared these statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contained recognition requirements, reclassification of comparative information and additional disclosures, and resulted in the following significant changes:

- Acceptances which were previously part of contingencies and commitments are now recognised on balance sheet and presented as part of other assets and other liabilities;
- Surplus on revaluation of assets which was previously shown below equity has now been made part of equity;
- Intangibles previously shown as part of fixed assets are now presented separately on the statement of financial position;
- Cost of foreign currency swaps disclosed as part of Markup expense, previously clubbed under Foreign exchange income;
- Gain / loss on derivatives shown as a separate line in profit and loss account, previously disclosed under other income; and
- Bad debts recovered against written off advances which were previously reported under other income, is now reported in provisions.

1.10.2 The Companies Ordinance, 1984 (the repealed Ordinance) was repealed through the enactment of the Companies Act, 2017 on May 30, 2017. The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit is to be taken to the profit and loss account as an impairment. Consequently, the Bank has changed its policy to account for a deficit arising on revaluation of fixed assets and non-banking assets acquired in satisfaction of claims. The effect of change in accounting policy has been applied retrospectively and all prior periods presented have been restated.

1.10.3 Assets held for sale

The Bank signed a business transfer agreement with the potential buyer for sale of its Afghanistan operations in 2018 and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as "Asset held for sale". However, during 2019, the DAB declined the application for approval. Consequently, the plan for the disposal was withdrawn. In line with the requirements of IFRS 5 'Non-current assets held for sale and Discontinued Operations', the results of the Afghanistan operations are included in income from continuing operations in respective lines for all periods presented in these profit and loss statements. The assets and liabilities of Afghanistan operations in the statement of financial position for the years 2018 & 2017 have been disclosed separately as 'held for sale' in line with the requirements of IFRS 5.

1.10.4 The Bank adopted the accounting standards, amendments and interpretations to the accounting standards as and when adopted by SECP and SBP during the course of last 5 years. The significant being: IFRS 16, 'Leases', IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'. As allowed under these standards, the impacts were recorded in retained earnings, wherever applicable, in the year of adoption.

For and on behalf of Bank Alfalah Limited


Chief Financial Officer




Chief Executive Officer

B. A. Building, I. I. Chundrigar Road, Karachi-74000, Pakistan.
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7.4 LATEST MANAGEMENT UNAUDITED ACCOUNTS OF THE BANK

Unconsolidated September 2020 Financial Statements (Un-Audited)

Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	7	79,502,047	100,731,873
Balances with other banks	8	3,192,441	4,709,968
Lendings to financial institutions	9	53,161,086	71,434,895
Investments	10	539,706,654	299,098,115
Advances	11	495,887,663	511,235,949
Fixed assets	12	30,912,228	29,087,028
Intangible assets	13	1,358,708	1,257,361
Deferred tax assets		-	-
Other assets	14	40,060,703	47,755,956
		1,243,781,530	1,065,311,145
LIABILITIES			
Bills payable	15	22,391,152	17,169,059
Borrowings	16	234,175,080	102,842,330
Deposits and other accounts	17	820,065,829	782,284,196
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,000,000	11,987,000
Deferred tax liabilities	19	1,941,139	3,450,993
Other liabilities	20	64,475,058	59,549,991
		1,150,048,258	977,283,569
NET ASSETS		93,733,272	88,027,576
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		28,192,648	26,046,019
Surplus on revaluation of assets	21	10,952,174	11,367,004
Unappropriated profit		36,816,799	32,842,902
		93,733,272	88,027,576
CONTINGENCIES AND COMMITMENTS		22	

The annexed notes 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the nine months period ended September 30, 2020

	Note	Quarter ended September 30, 2020	Quarter ended September 30, 2019	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	24	21,787,098	24,818,777	71,735,552	66,464,962
Mark-up/Return/Interest Expensed	25	10,681,394	13,146,174	37,268,752	33,123,609
Net Mark-up/Interest Income		11,105,704	11,672,603	34,466,800	33,341,353
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	26	1,831,792	1,726,110	4,791,401	5,221,003
Dividend Income		57,290	80,868	253,943	250,645
Foreign Exchange Income		753,743	691,488	2,762,357	1,955,256
Gain / (loss) from derivatives		1,592	(49,413)	(59,636)	(62,305)
Gain / (loss) on securities	27	452,294	(373,823)	2,184,953	(438,021)
Other income	28	45,548	21,909	91,092	149,118
Total non-mark-up / interest income		3,142,259	2,097,139	10,024,110	7,075,696
Total income		14,247,963	13,769,742	44,490,910	40,417,049
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	7,843,806	7,468,763	23,382,886	21,356,649
Workers' Welfare Fund	30	130,349	124,463	406,124	379,847
Other charges	31	45,164	62,352	87,667	171,644
Total non-mark-up / interest expenses		8,019,319	7,655,578	23,876,677	21,908,140
Profit before provisions		6,228,644	6,114,164	20,614,233	18,508,909
Provisions and write offs - net	32	1,490,364	1,032,607	6,278,815	2,012,435
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		4,738,280	5,081,557	14,335,418	16,496,474
Taxation	33	1,991,040	2,048,079	6,003,958	7,254,037
PROFIT AFTER TAXATION		2,747,240	3,033,478	8,331,460	9,242,437
-----Rupees-----					
Basic earnings per share	34	1.55	1.71	4.69	5.20
Diluted earnings per share	35	1.55	1.71	4.69	5.20

The annexed notes 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period ended September 30, 2020

	Quarter ended September 30, 2020	Quarter ended September 30, 2019	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019
	----- (Rupees in '000) -----			
Profit after taxation for the period	2,747,240	3,033,478	8,331,460	9,242,437
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	(303,685)	(359,180)	1,313,483	2,081,548
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,213,688)	1,338,503	(384,917)	1,878,516
	(1,517,373)	979,323	928,566	3,960,064
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	(48,929)	(8,239)	(29,907)	(57,611)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(836)	(502)	(6)	(1,109)
	(49,765)	(8,741)	(29,913)	(58,720)
Total comprehensive income	1,180,102	4,004,060	9,230,113	13,143,781

The annexed notes 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the nine months period ended September 30, 2020

	Capital Reserves				Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Employee share option compensation reserve	Investments	Fixed and Non Banking Assets		
(Rupees in '000)									
Balances as at January 01, 2019	17,743,629	4,695,500	5,051,449	13,273,115	30,590	43,730	7,339,220	27,469,542	75,646,875
Changes in equity for the nine months period ended September 30, 2019									
Profit after taxation	-	-	-	-	-	-	-	9,242,437	9,242,437
Other comprehensive income - net of tax	-	-	2,081,548	-	-	1,878,516	648	-	3,960,712
Transfer to statutory reserve	-	-	-	924,244	-	-	-	(924,244)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(59,368)	59,368	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,201)	-	-	-	(5,201)
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2018 at 15%	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)
Interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Shares issued under stock option scheme during the period	28,022	10,060	-	-	-	-	-	-	38,082
Balance as at September 30, 2019	17,771,651	4,731,049	7,132,997	14,197,359	-	1,922,246	7,280,900	29,631,229	82,667,031
Changes in equity for three months ended December 31, 2019									
Profit after taxation	-	-	-	-	-	-	-	3,453,080	3,453,080
Other comprehensive income - net of tax	-	-	(360,694)	-	-	2,122,712	83,343	62,104	1,907,465
Transfer to statutory reserve	-	-	-	345,308	-	-	-	(345,308)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(41,797)	41,797	-
Balance as at December 31, 2019	17,771,651	4,731,049	6,772,303	14,542,667	-	4,044,958	7,322,046	32,842,902	88,027,576
Changes in equity for the nine months period ended September 30, 2020									
Profit after taxation	-	-	-	-	-	-	-	8,331,460	8,331,460
Other comprehensive income - net of tax	-	-	1,313,483	-	-	(384,917)	-	-	928,566
Transfer to statutory reserve	-	-	-	833,146	-	-	-	(833,146)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(29,913)	29,913	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at September 30, 2020	17,771,651	4,731,049	8,085,786	15,375,813	-	3,660,041	7,292,133	36,616,799	93,733,272

The annexed notes 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2020

Note	Nine month period ended	
	September 30, 2020	September 30, 2019
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,335,418	16,496,474
Dividend income	(253,943)	(250,645)
	14,081,475	16,245,829
Adjustments		
Depreciation	2,790,166	2,443,372
Amortisation	331,720	360,757
Provisions and write offs - net	6,278,815	2,012,435
Unrealised (gain) / loss on revaluation of investments classified as held for trading-net	5,022	27,797
Gain on sale of operating fixed assets - net	(33,215)	(98,008)
Borrowing cost on lease liability	1,043,818	1,034,746
Workers' Welfare Fund	406,124	379,847
Charge for defined benefit plan	128,062	90,000
Charge for staff compensated absences	72,000	90,000
	11,022,512	6,340,946
	25,103,987	22,586,775
Decrease / (increase) in operating assets		
Lendings to financial institutions	20,129,156	(4,832,673)
Held for trading securities	(35,675,493)	(17,190,141)
Advances	9,180,299	29,677,435
Other assets (excluding advance taxation)	7,275,730	(8,341,574)
	909,692	(686,953)
Increase / (decrease) in operating liabilities		
Bills payable	5,222,093	(20,435,779)
Borrowings	129,964,139	49,479,316
Deposits	37,781,633	8,366,267
Other liabilities (excluding current taxation)	(877,003)	3,939,928
	172,090,862	41,349,732
	198,104,541	63,249,554
	(3,935,996)	(2,910,362)
	194,168,545	60,339,192
Income tax paid		
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(210,294,892)	(46,078,462)
Net investments in held-to-maturity securities	5,250,660	(6,982,571)
Dividends received	239,336	212,712
Investments in operating fixed assets	(2,691,149)	(2,381,775)
Proceeds from sale of fixed assets	82,287	303,685
Effect of translation of net investment in foreign branches	1,313,483	2,081,548
Net cash used in investing activities	(206,100,275)	(52,844,863)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payment) / receipts of subordinated debt	(4,987,000)	(2,000)
Payment of leased obligations	(1,815,784)	(2,203,370)
Issuance of share capital	-	38,082
Dividend paid	(3,526,103)	(2,494,760)
Net cash used in financing activities	(10,328,887)	(4,662,048)
(Decrease) / Increase in cash and cash equivalents	(22,260,617)	2,832,281
Cash and cash equivalents at beginning of the year	138,093,859	104,599,163
Effects of exchange rate changes on cash and cash equivalents	(3,039,127)	(4,097,767)
	135,054,732	100,501,396
Cash and cash equivalents at end of the period	112,794,115	103,333,677

The annexed notes 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated September 2020 Financial Statements (Un-Audited)

Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	7	79,502,220	100,731,903
Balances with other banks	8	3,337,104	4,926,851
Lendings to financial institutions	9	53,161,086	71,434,895
Investments	10	541,934,603	300,905,557
Advances	11	495,889,977	511,237,779
Fixed assets	12	30,934,438	29,107,720
Intangible assets	13	1,361,975	1,260,320
Deferred tax assets		-	-
Other assets	14	40,540,121	48,144,414
		1,246,661,524	1,067,749,439
LIABILITIES			
Bills payable	15	22,391,152	17,169,059
Borrowings	16	234,406,192	103,133,573
Deposits and other accounts	17	820,060,384	782,274,860
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,000,000	11,987,000
Deferred tax liabilities	19	2,799,888	4,137,405
Other liabilities	20	64,670,652	59,764,355
		1,151,328,268	978,466,252
NET ASSETS		95,333,256	89,283,187
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		28,192,648	26,046,019
Surplus / (deficit) on revaluation of assets	21	10,972,329	11,376,517
Unappropriated profit		38,294,887	33,996,699
Total equity attributable to the equity holders of the Bank		95,231,515	89,190,886
Non-controlling interest		101,741	92,301
		95,333,256	89,283,187
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited)

For the nine months period ended September 30, 2020

	Note	Quarter ended September 30, 2020	Quarter ended September 30, 2019 (Restated)	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019 (Restated)
----- (Rupees in '000) -----					
Mark-up/Return/Interest Earned	24	21,788,645	24,818,702	71,741,314	66,464,738
Mark-up/Return/Interest Expensed	25	10,685,012	13,149,126	37,280,646	33,129,999
Net Mark-up/ Interest Income		11,103,633	11,669,576	34,460,668	33,334,739
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	26	1,906,024	1,742,481	4,948,377	5,291,578
Dividend Income		57,290	80,868	209,193	250,645
Foreign Exchange Income		753,743	691,488	2,762,357	1,955,256
Gain / (loss) from derivatives		1,592	(49,413)	(59,636)	(62,305)
Gain / (loss) on securities	27	452,788	(373,571)	2,185,561	(436,665)
Share of profit from associates		183,426	232,887	527,075	391,955
Other Income	28	45,572	24,145	91,128	157,426
Total non-markup/interest income		3,400,435	2,348,885	10,664,055	7,547,890
Total Income		14,504,068	14,018,461	45,124,723	40,882,629
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	7,895,027	7,504,298	23,509,281	21,444,894
Workers Welfare Fund	30	130,349	124,463	406,124	379,847
Other charges	31	45,164	62,352	87,667	171,644
Total non-markup/interest expenses		8,070,540	7,691,113	24,003,072	21,996,385
Profit before provisions		6,433,528	6,327,348	21,121,651	18,886,244
Provisions and write offs - net	32	1,490,364	1,032,607	6,278,815	2,012,435
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		4,943,164	5,294,741	14,842,836	16,873,809
Taxation	33	2,058,761	2,129,929	6,180,146	7,392,594
PROFIT AFTER TAXATION		2,884,403	3,164,812	8,662,690	9,481,215
Profit / (loss) attributable to:					
Equity holders of the Bank		2,877,443	3,172,589	8,655,751	9,496,600
Non-controlling interest		6,960	(7,777)	6,939	(15,385)
		2,884,403	3,164,812	8,662,690	9,481,215
----- (Rupees) -----					
Basic earnings per share - Restated	34	1.62	1.79	4.87	5.35
Diluted earnings per share - Restated	35	1.62	1.79	4.87	5.35

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period ended September 30, 2020

	Quarter ended September 30, 2020	Quarter ended September 30, 2019 (Restated)	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019 (Restated)
	----- (Rupees in '000) -----			
Profit after taxation for the period	2,884,403	3,164,812	8,662,690	9,481,215
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	(303,685)	(359,184)	1,313,483	2,081,548
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,203,109)	1,329,807	(378,477)	1,868,735
Movement in share of surplus / (deficit) on revaluation of investments of associate - net of tax	1,538	-	6,703	-
	(1,506,794)	970,623	941,709	3,950,283
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	(10,885)	(8,239)	(29,907)	(57,611)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	824	(502)	(6)	(1,109)
	(10,061)	(8,741)	(29,913)	(58,720)
Total comprehensive income	1,367,548	4,126,694	9,574,486	13,372,778
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	1,358,020	4,137,845	9,565,046	13,391,958
Non-controlling interest	11,066	(11,151)	9,440	(19,180)
	1,367,548	4,126,694	9,574,486	13,372,778

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Quarterly Report September 30, 2020 55

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period ended September 30, 2020

	Quarter ended September 30, 2020	Quarter ended September 30, 2019 (Restated)	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019 (Restated)
	----- (Rupees in '000) -----			
Profit after taxation for the period	2,884,403	3,164,812	8,662,690	9,481,215
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	(303,685)	(359,184)	1,313,483	2,081,548
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,203,109)	1,329,807	(378,477)	1,868,735
Movement in share of surplus / (deficit) on revaluation of investments of associate - net of tax	1,538	-	6,703	-
	(1,506,794)	970,623	941,709	3,950,283
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	(10,885)	(8,239)	(29,907)	(57,611)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	824	(502)	(6)	(1,109)
	(10,061)	(8,741)	(29,913)	(58,720)
Total comprehensive income	1,367,548	4,126,694	9,574,486	13,372,778
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	1,358,020	4,137,845	9,565,046	13,391,958
Non-controlling interest	11,066	(11,151)	9,440	(19,180)
	1,367,548	4,126,694	9,574,486	13,372,778

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Quarterly Report September 30, 2020 55

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the nine months period ended September 30, 2020

	Capital Reserve			Statutory reserve	Revenue Reserve		Surplus/(Deficit) on revaluation			Non Controlling Interest	Total
	Share capital	Share premium	Exchange translation reserve		Employee share option expense reserve	Investments	Fixed and Non Banking Assets	Unappropriated profit	Subsidiary		
(Figures in '000)											
Balance as at January 01, 2019	17,436.29	4,885,600	5,051,440	13,273,315	30,580	49,907	7,339,220	28,322,585	76,507,006	53,4757	77,023,852
Changes in equity for the nine months period ended September 30, 2019											
Profit after taxation	-	-	-	-	-	-	-	9,496,600	9,496,600	(5,385)	9,481,215
Other comprehensive income - net of tax	-	-	2,081,548	-	-	1,8725.30	6.48	-	3354,726	(17.95)	3,959,338
Transfer to statutory reserve	-	-	-	924,244	-	-	-	(924,244)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(59,398)	59,398	-	-	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,202)	-	-	-	(5,202)	-	(5,202)
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,383	-	-	(25,383)	-	-	-	-	-	-
Cost of issuance of shares by the subsidiary company	-	-	-	-	-	-	-	(26,288)	(26,288)	(9,708)	(36,000)
Movement in reserves due to capital injection by non-controlling interest	-	-	-	-	-	-	-	47,035	47,035	(47,035)	-
Reclassification of subsidiary and associate - net of tax	-	-	-	-	-	-	-	(98,033)	(98,033)	(58,247)	(156,280)
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2018 at 15%	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)	-	(2,661,544)
Interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	87,500	87,500
Shares issued under stock option scheme whereby the Bank during the period	28,022	30,060	-	-	-	-	-	-	38,082	-	38,082
Balance as at September 30, 2019	17,771,651	4,735,049	7,232,987	14,197,559	-	1,922,437	7,380,900	30,880,938	83,785,138	83,686	83,799,997
Changes in equity for three months ended December 31, 2019											
Profit after taxation	-	-	-	-	-	-	-	3,550,200	3,550,200	392	3,550,992
Other comprehensive income - net of tax	-	-	(980,694)	-	-	2,132,054	8,3343	6,9872	1,924,555	8,043	1,922,598
Transfer to statutory reserve	-	-	-	345,303	-	-	-	(345,308)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(41,797)	41,797	-	-	-
Balance as at December 31, 2019	17,771,651	4,735,049	6,772,303	14,542,862	-	4,054,471	7,382,046	31,996,699	86,190,886	82,301	86,283,987
Changes in equity for the nine months period ended September 30, 2020											
Profit after taxation	-	-	-	-	-	-	-	8,615,750	8,615,750	6,339	8,662,939
Other comprehensive income - net of tax	-	-	1,351,403	-	-	(374,275.08)	-	-	939,208	2,501	941,709
Transfer to statutory reserve	-	-	-	833,46	-	-	-	(833,46)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(29,315)	29,313	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balance as at September 30, 2020	17,771,651	4,735,049	8,085,798	15,376,83	-	3,680,196	7,292,033	38,294,887	89,221,915	108,741	89,333,256

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2020

	Note	Nine months period ended	
		September 30, 2020	September 30, 2019 (Restated)
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		14,842,836	16,873,809
Dividend income		(209,193)	(250,645)
Share of profit from associates		(527,075)	(391,955)
		14,106,568	16,231,209
Adjustments			
Depreciation		2,801,013	2,446,980
Amortisation		331,933	361,358
Provisions and write offs - net		6,278,815	2,012,435
Unrealised (gain) / loss on revaluation of investments classified as held for trading - net	32	3,816	27,797
Gain on sale of operating fixed assets - net		(33,251)	(106,316)
Borrowing cost on lease liability		1,044,026	1,034,746
Workers' Welfare Fund		406,124	379,847
Charge for defined benefit plan		128,062	90,000
Charge for Staff compensated absences		72,000	90,000
		11,032,538	6,336,847
		25,139,106	22,568,056
Decrease / (Increase) in operating assets			
Lendings to financial institutions		20,129,156	(4,832,673)
Held for trading securities		(35,595,962)	(17,182,393)
Advances		9,179,815	29,680,710
Other assets (excluding advance taxation)		7,184,773	(7,765,517)
		897,782	(99,873)
Increase / (decrease) in operating liabilities			
Bills payable		5,222,093	(20,435,779)
Borrowings		129,904,008	49,201,849
Deposits		37,785,524	8,412,212
Other liabilities (excluding current taxation)		(898,731)	3,710,216
		172,012,894	40,888,498
		198,049,782	63,356,681
Income tax paid		(3,940,141)	(2,916,819)
Net cash generated from operating activities		194,109,641	60,439,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(210,294,896)	(46,078,462)
Net investments in held-to-maturity securities		5,250,660	(6,982,571)
Dividends received		239,586	212,712
Investments in operating fixed assets		(2,714,291)	(2,381,815)
Proceed from sale proceeds of fixed assets		82,331	311,993
Effect of translation of net investment in foreign branches		1,313,483	2,081,548
Net cash used in investing activities		(206,123,127)	(52,836,595)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of sub-ordinated debt		(4,987,000)	(2,000)
Payment of leased obligations		(1,806,105)	(2,277,184)
Issuance of share capital		-	38,082
Dividend paid		(3,526,103)	(2,494,760)
Net cash used in financing activities		(10,319,208)	(4,735,862)
(Decrease) / Increase in cash and cash equivalents		(22,332,694)	2,867,405
Cash and cash equivalents at beginning of the year		138,310,772	104,635,798
Effects of exchange rate changes on cash and cash equivalents		(3,039,127)	(4,097,767)
		135,271,645	100,538,031
Cash and cash equivalents at end of the period		112,938,951	103,405,436

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

7.5 SUMMARY OF FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS - UNCONSOLIDATED				
PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Income Statement				
Mark-up / return / interest earned	56,920	59,672	92,481 ¹	71,736
Mark-up / return / interest expensed	27,354	27,746	47,623	37,269
Net Mark-up / Interest Income	28,976	31,926	44,857 ²	34,467
Total Income	38,946	42,357	55,253	44,491
Operating Expenses	25,425	24,713	29,843	23,877
Operating Profit before tax and provision	13,522	17,645	25,410	20,614
Provisions / write-offs	(523)	27	3,029 ³	6,279
Profit before tax	14,045	17,618	22,382	14,335
Profit after tax	8,367	10,625	12,696	8,331
Statement of Financial Position				
Authorized Capital	23,000	23,000	23,000	23,000
Paid up Capital	16,076	17,744	17,772	17,772
Reserves	18,157	23,051	26,046	28,193
Unappropriated Profit	24,283	27,470	32,843	36,817
Surplus on revaluation of assets - net of tax	7,285	7,383	11,367	10,952
Shareholders' equity	65,801	75,648	88,028	93,733
Total Assets	998,828	1,006,218	1,065,311	1,243,782
Gross Advances	417,182	518,392	529,971	520,475
Advances - net of Provision	400,655	501,636	511,236	495,888
Non-Performing Loans	17,579	18,822	22,417	25,176
Investments - at Cost	398,188	279,135	295,103	534,766
Investments – Net	400,733	277,660	299,098	539,707
Total Liabilities	933,028	930,571	977,284	1,150,048
Deposits & Other Accounts	644,985	702,895	782,284	820,066
Borrowings	207,194	123,738	102,842	234,175
Cash Flow Statement				
Cash and Cash Equivalents at the Beginning of the Year	88,751	93,421	100,501	138,094
Cash Flow from Operating Activities ⁴	30,800	(142,470)	80,948	194,169
Cash Flow from Investing Activities ⁵	(22,993)	146,470	(37,948)	(206,100)
Cash Flow from Financing Activities ⁶	(3,137)	3,080	(8,447)	(10,329)
Net Increase in Cash and Cash Equivalents	4,670	7,080	34,553	(22,261)
Cash and Cash Equivalents at the End of the Year	93,421	100,501	135,054	112,794
Key Ratios				
Profitability Ratios				
Net Interest Margin ⁷	3.6%	4.0%	5.3%	N/A

FINANCIAL HIGHLIGHTS - UNCONSOLIDATED

PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Profit before tax ratio (PBT / Gross Markup Income) (%)	24.67%	29.53%	24.20%	19.98%
Gross Spread (%)	51.94%	53.50%	48.50%	48.05%
Non-Interest income to total income (%)	14.15%	14.88%	10.10%	12.26%
Return on equity (ROE) (%) ⁸	13.22%	15.33%	15.65%	N/A
Return on average assets (ROA) (%)	0.87%	1.11%	1.26%	1.00%
Return on Capital Employed (ROCE) (%)	11.90%	13.30%	13.64%	N/A
Cost to income ratio (Total Operating Expense / Revenue) (%) ⁹	65.28%	58.34%	54.01%	53.67%
Investment Ratios				
Earnings per share (PKR)	4.74	5.99	7.15	4.69
Diluted Earnings per share (PKR)	4.72	5.98	7.15	4.69
Breakup value per share - with revaluation on Fixed assets and Investment (PKR)	40.93	42.63	49.53	52.74
Breakup value per share - without revaluation on Fixed assets and Investment (PKR)	36.40	38.47	43.14	46.58
Market Ratios				
Cash Dividend (PKR)	1.50	2.50	4.00	2.00
Stock Dividend (%)	-	10%	-	-
Dividend Yield ratio (based on cash dividend) (%)	3.53%	6.16%	8.75%	N/A
Dividend Payout ratio (%)	31.65%	41.74%	55.94%	42.64%
Price to book value ratio (Times)	1.04	0.95	0.92	0.66
Price to Earnings ratio (Times)	8.97	6.78	6.39	N/A
Dividend cover ratio (Times)	3.16	2.40	1.79	2.35
Asset Quality and Liquidity Ratios				
Gross Advances to Deposits ratio (%)	64.68%	73.75%	67.75%	63.47%
Net Advances to Deposits ratio (%) ¹⁰	62.12%	71.37%	65.35%	60.47%
Net Investments to Deposits ratio (%)	62.13%	39.50%	38.23%	65.81%
Cost of Deposits (%)	2.70%	3.10%	5.00%	4.43%
NPLs to Gross Advances ratio (%) ¹¹	4.21%	3.63%	4.23%	4.84%
Coverage Ratio (Specific provision / NPLs) (%)	89.22%	84.39%	79.14%	8.00%
Deposits to shareholders equity (Times)	9.8	9.29	8.89	8.75
Assets to Equity (Times)	15.18	13.3	12.10	13.27
Risk Adequacy				
Tier 1 Capital (PKR Mn)	53,662	66,810	73,650	78,538
Total Eligible Capital (PKR Mn)	65,779	82,050	93,677	102,021
Risk Weighted Assets (RWA) (PKR Mn)	491,228	549,173	554,836	555,839
RWA to Total Assets (%)	49.18%	54.58%	52.08%	44.69%
Tier 1 to RWA (%) ¹²	10.92%	12.17%	13.27%	14.13%
Capital Adequacy Ratio (%) ¹³	13.39%	14.94%	16.88%	18.35%

¹ Increase in policy rate resulted in higher interest / mark-up earned during the years

² Higher spreads and average earning assets along with effective balance sheet management contributed to rise in the net interest income

³ The major increase is due to provision for diminution in value of investments and provisions against loans & advances.

⁴ The significant differential between 2018 and 2019 is due to lower percentage increase in advances and decrease in borrowings

⁵ The amount positive in 2018 was mainly due to cash flowing from sale of AFS Securities while in 2019 the cash was used to purchase AFS and Held-to-Maturity Securities leading to cash flowing out of the company making it negative

⁶ In 2018, issuance of sub-ordinated debt led to a positive cash flow in financing activities while this amount turned negative in 2019 due to cash disbursements in terms of dividend paid and payment of lease liability

⁷ The bank posted increased in net interest margin due to improvement of CASA mix over the period

⁸ Due to increase in profitability over the period, ROE increased from 13.22% from CY17 to 15.65% in CY19 and similarly ROA increased from 0.87% from CY17 to 1.23% in CY19

⁹ Despite of increase in operating expenses, cost to income ratio has improved from 65.28% in CY17 to 54.01% in CY19, as revenue outpaced costs

¹⁰ Advance to deposit ratio have shown a slim increase due to absence of Advances growth

¹¹ NPL to Gross advances ratio remained stagnant compared from CY17-CY19, showing good asset quality, however coverage ratio declined from 89.22% (CY17) to 79.14% in CY19

¹² Increase in common equity and stagnant RWA led to improved CAR

¹³ The Bank Capital Adequacy Ratio has improved from 13.39% in CY17 to 16.88% in CY19, ample cushion as compare to regulatory limits. The ratio improved due to increase in eligible capital from PKR 65.8bn in CY17 to PKR 93.67bn in CY19

FINANCIAL HIGHLIGHTS – CONSOLIDATED

PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Income Statement				
Mark-up / return / interest earned	56,183	59,677	92,490 ¹	71,741
Mark-up / return / interest expensed	27,200	27,752	47,628	37,281
Total Income	38,746	43,291	55,924	45,125
Operating Expenses	24,995	24,719	29,203	24,003
Operating Profit before tax and provision	13,455	18,167	25,944	21,122
Provisions / write-offs ²	(616)	(16)	3,029	6,279
Profit before tax	14,071	18,184	22,915	14,843
Profit after tax	8,614	10,991	13,032	8,663
Statement of Financial Position				
Authorized Capital	23,000	23,000	23,000	23,000
Paid up Capital	16,076	17,744	17,772	17,772
Reserves	18,157	23,051	26,046	28,193
Unappropriated Profit	24,866	28,324	33,997	38,295
Surplus on revaluation of assets - net of tax	7,309	7,389	11,377	10,972
Shareholders' equity	66,408	76,507	89,191	95,232
Total Assets	1,001,034	1,008,605	1,067,749	1,246,662
Gross Advances	417,188	518,398	529,974	520,479
Advances - net of Provision	400,660	501,640	511,238	495,890
Non-Performing Loans	17,580	18,824	22,418	25,178
Investments - at Cost	399,168	280,678	296,863	536,934

FINANCIAL HIGHLIGHTS – CONSOLIDATED

PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Investments – Net	401,742	279,252	300,906	541,935
Total Liabilities	934,204	931,583	978,466	1,151,328
Deposits & Other Accounts	644,925	702,847	782,275	820,060
Borrowings	207,537	124,018	103,134	234,406
Cash Flow Statement				
Cash and Cash Equivalents at the Beginning of the Year	88,751	93,660	100,538	138,311
Cash Flow from Operating Activities ³	30,580	(142,509)	81,073	194,110
Cash Flow from Investing Activities ⁴	(23,027)	146,307	(37,881)	(206,123)
Cash Flow from Financing Activities ⁵	(2,644)	3,080	(8,458)	(10,319)
Net Increase in Cash and Cash Equivalents	4,909	6,878	34,734	(22,333)
Cash and Cash Equivalents at the End of the Year	93,660	100,538	135,272	112,939
Key Ratios				
Profitability Ratios				
Profit before tax ratio (PBT / Gross Markup Income) (%)	25.04%	30.47%	24.78%	20.69%
Gross Spread (%)	51.59%	53.50%	48.50%	48.03%
Non-Interest income to total income (%)	14.80%	16.00%	10.68%	12.94%
Cost to income ratio (Total Operating Expense / Revenue) (%)	64.51%	57.10%	52.22%	53.19%
Investment Ratios				
Earnings per share (PKR)	4.88	5.99	7.15	4.87
Diluted Earnings per share (PKR)	4.86	5.98	7.15	4.87
Breakup value per share - with revaluation on Fixed assets and Investment (PKR)	41.3	43.12	50.19	53.59
Breakup value per share - without revaluation on Fixed assets and Investment (PKR)	36.8	38.95	43.79	47.41
Market Ratios				
Cash Dividend (PKR)	1.50	2.50	4.00	2.00
Stock Dividend (%)	-	10%	-	-
Dividend Yield ratio (based on cash dividend) (%)	3.53%	6.16%	8.75%	5.75%

¹ Higher spreads and average earning assets along with effective balance sheet management contributed to a strong rise in the net interest income.

² In 2019, the major increase is due to provision for diminution in value of investments and provisions against loans & advances.

³ The significant differential between 2018 and 2019 is due to lower percentage increase in advances and decrease in borrowings.

⁴ The amount positive in 2018 was mainly due to cash flowing from sale of AFS Securities while in 2019 the cash was used to purchase AFS and Held-to-Maturity Securities leading to cash flowing out of the company making it negative.

⁵ In 2018, issuance of sub-ordinated debt led to a positive cash flow in financing activities while this amount turned negative in 2019 due to cash disbursements in terms of dividend paid and payment of lease liability.

7.6 SUMMARY OF MAJOR ITEMS OF REVENUE AND EXPENDITURE

MAJOR REVENUE ITEMS				
PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Breakup of Profit / Return Earned				
Profit earned on:				
Loan and Advances	28,274	37,213	58,516	39,279
Investments	25,297	19,125	21,187	28,063
Lending to Financial Institution	2,065	1,549	5,639	2,960
Balance with Banks	52	89	50	55
On securities purchased under resale agreement / Bai Muajjal	495	1,698	7,087	1,384
Total Interest Income	56,183	59,672	92,481	71,741

MAJOR REVENUE ITEMS (IN PERCENTAGE % TERMS)				
PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Breakup of Profit / Return Earned				
Profit earned on:				
Loan and Advances	50.3%	62.4%	63.3%	54.8%
Investments	45.0%	32.1%	22.9%	39.1%
Lending to Financial Institution	3.7%	2.6%	6.1%	4.1%
Balance with Banks	0.1%	0.1%	0.1%	0.1%
On securities purchased under resale agreement / Bai Muajjal	0.9%	2.8%	7.7%	1.9%
Total Interest Income	100.0%	100.0%	100.0%	100.0%

MAJOR EXPENDITURE ITEMS				
PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Breakup of Return / Interest Expensed				
Interest Expense on:				
Deposits	15,815	19,711	35,181	25,095
Borrowings	1,035	1,305	2,197	2,458
Securities sold under Repurchase Agreements	8,802	4,356	2,257	4,614
Subordinated Debt	626	989	1,530	990
Cost of foreign currency swaps against foreign currency deposits / borrowings	853	1,282	5,105	3,010
Borrowing cost on lease liability	-	-	1,227	1,044
Reward points	68	102	126	70
Total Costs	27,200	27,746	47,623	37,281

MAJOR EXPENDITURE ITEMS (IN PERCENTAGE % TERMS)				
PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Breakup of Return / Interest Expensed				
Interest Expense on:				
Deposits	58.1%	71.0%	73.9%	67.3%
Borrowings	3.8%	4.7%	4.6%	6.6%
Securities sold under Repurchase Agreements	32.4%	15.7%	4.7%	12.4%
Subordinated Debt	2.3%	3.6%	3.2%	2.7%
Cost of foreign currency swaps against foreign currency deposits / borrowings	3.1%	4.6%	10.7%	8.1%
Borrowing cost on lease liability	0.0%	0.0%	2.6%	2.8%
Reward points	0.3%	0.4%	0.3%	0.2%
Total Costs	100.0%	100.0%	100.0%	100.0%

7.7 BREAK-UP OF OTHER INCOME

BREAK-UP OF OTHER INCOME				
PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Other Income				
Rent on Property	-	22	24	19
Gain on Sale of Fixed Assets – Net	51	136	123	33
Gain on Sale of Non-Banking Assets - Net	4	25	7	-
Profit on termination of leased contracts (Ijarah)	-	31	43	39
Unrealized Profit / (Loss) on short sale transactions	39	-	(19)	-
Others	-	-	1	-
Total	85	214	180	91

BREAK-UP OF OTHER INCOME (IN PERCENTAGE % TERMS)				
PKR in Millions	Audited 2017	Audited 2018	Audited 2019	Un-Audited 3Q CY 2020
Other Income				
Rent on Property	0.0%	10.3%	13.3%	20.9%
Gain on Sale of Fixed Assets – Net	60.0%	63.6%	68.3%	36.3%
Gain on Sale of Non-Banking Assets - Net	4.7%	11.7%	3.9%	0.0%
Profit on termination of leased contracts (Ijarah)	0.0%	14.5%	23.9%	42.9%
Unrealized Profit / (Loss) on short sale transactions	45.9%	0.0%	(10.6)%	0.0%
Others	0.0%	0.0%	0.6%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

7A. REVALUATION OF FIXED ASSETS OF THE BANK

Details of revaluation of fixed assets of the Bank is as follows:

REVALUATION OF FIXED ASSETS				
Asset Class	Revaluation Year	External Valuer	Written Down Value ² (PKR in Millions)	Revalued Amount (PKR in Millions)
Freehold Land	2018	M/s Akbani & Javed Associates, M/s Harvester Service (Pvt) Ltd and M/s Hamid Mukhtar & Co. (Pvt) Ltd.	1,568	6,152
Leasehold Land	2018	M/s Akbani & Javed Associates, M/s Harvester Service (Pvt) Ltd and M/s Hamid Mukhtar & Co. (Pvt) Ltd.	1,282	3,086
Buildings on Freehold Land	2018	M/s Akbani & Javed Associates, M/s Harvester Service (Pvt) Ltd and M/s Hamid Mukhtar & Co. (Pvt) Ltd.	1,223	1,608
Buildings on Leasehold Land	2018	M/s Akbani & Javed Associates, M/s Harvester Service (Pvt) Ltd and M/s Hamid Mukhtar & Co. (Pvt) Ltd.	1,507	3,082

7B. DIVIDEND POLICY

Over the years, the Bank has had a consistent dividend payout stream and in its general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board. Dividend, if declared in the general meeting, shall be paid according to the provisions of the Companies Act.

The Board of Directors may from time to time declare dividends as appear to it to be justified by the profits of the Bank. No dividend shall be paid otherwise than out of the profits of the Bank for the year or any other undistributed profits of prior years.

No unpaid dividend shall bear interest or markup against the Company. The dividends shall be paid within the period laid down in the Companies Act. The last dividend paid to shareholders was in 2019 in the form of cash dividends.

² On revaluation date

7C. RATING REPORTS AND RATING HISTORY

7C.1 ENTITY RATING REPORT

THE PAKISTAN CREDIT RATING AGENCY LIMITED



The Pakistan Credit Rating Agency Limited

Rating Report

Bank Alfalah Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Jun-2020	AA+	A1+	Stable	Maintain	-
28-Dec-2019	AA+	A1+	Stable	Maintain	-
28-Jun-2019	AA+	A1+	Stable	Maintain	-
28-Dec-2018	AA+	A1+	Stable	Maintain	-
14-Jun-2018	AA+	A1+	Stable	Maintain	-
29-Dec-2017	AA+	A1+	Stable	Maintain	-
22-Jun-2017	AA+	A1+	Stable	Upgrade	-
30-Jun-2016	AA	A1+	Positive	Maintain	-
30-Jun-2015	AA	A1+	Positive	Maintain	-
30-Jun-2014	AA	A1+	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The ratings reflect the bank's sustained performance, good asset quality, strong financial profile and healthy liquidity. The bank has maintained its position as one of the large banks, in terms of market share. The bank's advances has been maintained at a notable level, resulting in a distinguished ADR of ~65.4%, which is the highest among the universe of large banks. The mix of deposits improved as the bank added a few percentage points to the CA portion in the CASA mix. In line with the industry, BAFL's cost of funds also gained some momentum during 2019. Being customer centric Bank with focus towards technological advancement, BAFL has a sound foothold with a considerable presence across the country - enabling its deposit base growth. The Bank has sustained good profit base while in-hand countering the macroeconomic imbalances. As CPI index doubled during 2019 on YoY basis Bank's operating cost took a toll, which is in line with the industry. Overall infection ratio remained at the lower edge yet stable. Effective implementation of the envisaged long term business strategy has played an important role in business growth. The rating draws comfort from the bank's stable ownership, experienced management team, prudent risk management policies and distinct emphasis on sustaining the position. From the start of current year 2020, Covid-19 has posed challenges to the banking sector, almost all segments of the economy, worldwide and domestically, are getting negatively impacted. The ramifications would continue to unfold, warranting vigilance and timely actions where needed. The bank has also formed a board level Corona Crisis Management Committee in order to formulate future strategies for diminishing the financial and business risks.

The rating is dependent on the bank's sustained risk profile. The equity base of the bank and CAR are satisfactory and expected to remain the same in view of the uncertainties prevailing due to COVID-19. Augmentation of the Bank's capitalization backed by strong sponsors and adding granularity to its advances and deposits book are essential. Continued effective management of spreads remains important, meanwhile, holding the asset quality is a pre-requisite.

Disclosure

Name of Rated Entity	Bank Alfalah Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	PACRA_Methodology_FI(Jun-19),Methodology Correlation Between Long-Term And Short-Term Rating Scale(Jun-19),Criteria Rating Modifier(Jun-19)
Related Research	Sector Study Commercial Bank(Jun-20)
Rating Analysts	Raniya Tanawar raniya.tanawar@pacra.com +92-42-35869504



The Pakistan Credit Rating Agency Limited

Commercial Bank

Profile
<p>Structure Bank Alfalah Limited (hereinafter referred as "BAFL" or "the bank") was incorporated as a public limited company, in 1992, and is listed on Pakistan Stock Exchange (PSX).</p> <p>Background Bank commenced operations in 1992. Since its inception, Bank Alfalah has grown rapidly to become Pakistan's one of the largest private bank, the largest issuer and acquirer of credit cards, and one of the largest Islamic Banking businesses in the country. The Bank has a network of 698 branches spanning in more than 200 cities in Pakistan.</p> <p>Operations In collaboration with International Finance Corporation (IFC) - a member of the World Bank Group - the bank altered its model from only offering credit services to providing a complete range of banking services to SME customers.</p>
Ownership
<p>Ownership Structure BAFL is majority owned by the Abu Dhabi Group (ADG) (49.03%), rest is owned by IFC (14.74%), Mutual funds, other NBFI's (27.5%) and General public (8.73%).</p> <p>Stability HR committee designs succession planning policies for the CEO and Key executives. Internal successors were highlighted in addition to earmarking key potential external resources to ensure a robust pipeline across all levels at the Bank.</p> <p>Business Acumen ADG consists of some of the prominent members of UAE's ruling family and leading businessmen of UAE.</p> <p>Financial Strength Sponsors, being prominent ruling family of UAE, possess strong financial ability to support BAFL in case of need.</p>
Governance
<p>Board Structure At present, BAFL's board comprises of eight members including President/CEO and seven non-executive directors, out of which four are representatives of ADG, one is an IFC nominee, while two members are independent. Recently, Mr Shehzad Naqvi resigned from the position of Independent Director.</p> <p>Members' Profile Chairman of the board, H.H. Sheikh Nahayan Mubarak Al Nahayan, is a prominent member of the ruling family of Abu Dhabi, UAE. He owns substantial business interests, hotels and other investments in the UAE, Pakistan, Africa, USA and Central Asia.</p> <p>Board Effectiveness The board actively participates in strategy formulation and effectively monitors the managerial affairs of the bank. To ensure effective and independent oversight of the bank's overall operations, the Bank has constituted six committees. Five meetings were held during the year CY19 with good level of attendees.</p> <p>Financial Transparency The external auditors of the Bank, EY Ford Rhodes, Chartered Accountants, issued an unqualified audit opinion pertaining to annual financial statements for 2019.</p>
Management
<p>Organizational Structure BAFL has a lean organizational structure that clearly defines responsibilities, authority and reporting lines with proper monitoring and compliance mechanism.</p> <p>Management Team Bank's senior management team comprises experienced bankers having national and international exposure. Mr Atif Bajwa has recently joined the Bank's Board as President & CEO of Bank Alfalah whereas Mr. Nauman Ansari, resigned from the same position in Feb'20.</p> <p>Effectiveness Bank Alfalah has three main management committees for the purpose of strategic planning and decision-making under the Chairmanship of the CEO.</p> <p>MIS The bank uses Temenos (T-24) as its core banking software across all branches. The Bank's core banking system is well recognized for its high stability and efficiency; a result of carefully planned performance-enhancements, architectural redesigning, optimization along with a large number of successfully in-house developed T24 new products</p> <p>Risk Management Framework The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank.</p>
Business Risk
<p>Industry Dynamics As a result of general economic slowdown most indicators of the banking sector reflected mixed trend. Deposits of the banking sector stood at (CY19: PKR 15,953bln; CY18: PKR 14,254bln), showing a growth of ~12% as compared to 9.5% growth in CY18. Deployment of funds was largely skewed towards investments and particularly towards government instruments due to favorable interest rate dynamics (CY19: PKR 8,939bln; CY18: PKR 7,914bln). Meanwhile, advances witnessed a slowdown owing to subdued demand, cautious lending approach and monetary tightening. This was only a growth of 3.7% as compared to expansion of 22.2% in CY18. Asset quality saw deterioration – increased NPLs (CY19: PKR 761bln; CY18: PKR 680bln). The profitability of the banking sector improved due to an increase in Net Interest Income, which translated positively in other profitability indicators. The overall risk profile of the banking sector remained satisfactory.</p> <p>Relative Position BAFL is ranked among the large banks of the country, on the basis of its strong growth trajectory in net advances and deposits. During CY19, Bank's customer deposits (CY19: PKR 734 bln) increased by ~12%. BAFL upheld its position in the banking sector with share in customer deposits of the sector at 5.1%.</p> <p>Revenues On the revenue front, net markup income and non markup income show combined growth of 30.4%. Net markup income was ~40.5% higher than last year and closed at PKR. 44.9 bln. Non-markup income for CY19 was reported at PKR 10.4bln, nearly remained the same to corresponding period last year.</p> <p>Performance The Bank recorded a growth of 19.5% CY19 in profit after tax, stood at PKR 12.7bln as against PKR 10.6bln CY18, amid challenging operating environment. The Bank's PBT for the year stands at PKR 22.4bln as against PKR 17.6bln last year CY18, showing improvement of 27.3%. The growth in PBT was not effectively translated in the PAT due to additional Super Tax charge levied through the mini budget and higher provisioning. In line with the industry, Banks cost of funding has increased to 5.5% in CY19 from last year 3.3%, still lower in the industry, on account of hike in interest rates.</p> <p>Sustainability Looking ahead, Bank Alfalah is well-positioned for strong growth and building long-term shareholder value. The Bank will continue to focus on building a low-cost deposit base, improving the return on capital on risk assets, optimizing returns from the banking book and enforcing a strong cost discipline across the Bank. The Bank is focusing on expanding its outreach with increased number of branches. Focus on recoveries from the infected portfolio after the COVID-19 outbreak will be a foreground for the Bank</p>
Financial Risk
<p>Credit Risk As of CY19 net advances of the Bank were reported at PKR 511 bln constituting around 48% of the Bank's total assets; largely remaining at same level on YoY basis as compared to net advances of PKR 502bln for CY18. The gross advances grew by ~2% as against growth of 25% in CY18. The Non-performing loan base of the Bank witnessed an increase of PKR 3.6 bln, on the basis of subjective classification and prudence, and was reported at PKR 22 bln. Additionally, the NPL ratio was recorded at 4.2% as compared to CY18 ratio of 3.6%; yet continuing to remain one of the lowest infection ratios in the industry.</p> <p>Market Risk Following the significant investment in PIBs, the investment portfolio (including investments in debt instruments of PKR 7.5bln) depicted an increase of 7.9%, amounting to PKR 299 bln during CY19 (CY18: PKR 277 bln). The government securities continue to dominate the overall investment book (~78%) Net investments for the period have increased with a corresponding increase in Lending to Financial Institutions by PKR 9.2bln to capitalize on evaluating the opportunities.</p> <p>Liquidity And Funding Bank's focus has been on improving deposit profile and managing spreads throughout, Total Deposits were reported at PKR 782 bln as of CY19 against PKR 703 bln in CY18; growth is mainly driven by surge in current account part of CASA mix. ADR ratio stood at 65.4% in CY19, as compared to 71% in CY18. During CY19, with a prudent approach BAFL has built a fair liquidity position: Liquidity coverage ratio: ~163% (CY18: ~156%) and Net stable funding ratio of ~138% (CY18: ~133%).</p> <p>Capitalization As on CY19, Bank's CAR stood at 16.88% (CY18: 14.95%, CY17: 13.39%), which is well-above the end-Dec'19 regulatory requirement of ~12.50%. The increase in CAR level from CY18 to CY19 is mainly due to reduction in credit risk RWAs and increase in Eligible Capital Base. Higher Quality of capital is evident from Bank's ratio; Common Equity Tier-1 (CET-1) to Total Risk Weighted Assets (RWA), which comes to ~12.01% against the regulatory requirement of 6.00%.</p>



Bank Alfalah Limited Listed Public Limited	PKR mln		
	Dec-19 12M	Dec-18 12M	Dec-17 12M

A BALANCE SHEET

1 Total Finances - net	515,092	508,254	408,224
2 Investments	291,560	268,977	392,112
3 Other Earning Assets	87,143	75,107	59,786
4 Non-Earning Assets	167,195	151,814	137,653
5 Non-Performing Finances-net	3,682	2,066	1,052
Total Assets	1,064,672	1,006,218	998,828
6 Deposits	782,284	702,895	644,985
7 Borrowings	114,829	135,727	212,185
8 Other Liabilities (Non-Interest Bearing)	79,531	91,948	75,859
Total Liabilities	976,645	930,571	933,028
Equity	88,028	75,647	65,800

B INCOME STATEMENT

1 Mark Up Earned	92,481	59,672	56,176
2 Mark Up Expensed	(47,623)	(27,746)	(27,199)
3 Non Mark Up Income	10,396	10,431	9,277
Total Income	55,253	42,357	38,253
4 Non-Mark Up Expenses	(29,843)	(24,713)	(24,964)
5 Provisions/Write offs/Reversals	(3,029)	(27)	616
Pre-Tax Profit	22,382	17,618	13,906
6 Taxes	(9,686)	(6,993)	(5,539)
Profit After Tax	12,696	10,625	8,367

C RATIO ANALYSIS**1 Performance**

Net Mark Up Income / Avg. Assets	4.3%	3.2%	3.0%
Non-Mark Up Expenses / Total Income	54.0%	58.3%	65.3%
ROE	15.5%	15.0%	13.3%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	8.3%	7.5%	6.6%
Capital Adequacy Ratio	16.9%	15.0%	13.8%

3 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings Net of Repo)	42.6%	39.5%	43.3%
(Advances + Net Non-Performing Advances) / Deposits	65.4%	71.4%	62.1%
CA Deposits / Deposits	43.4%	40.9%	45.3%
SA Deposits / Deposits	32.4%	34.5%	33.6%

4 Credit Risk

Non-Performing Advances / Gross Advances	4.2%	3.6%	4.2%
Non-Performing Finances-net / Equity	4.2%	2.7%	1.6%

#	Notes
A	*2017 and 2018 balance sheet numbers do not include Bank's Afghanistan Operation, which was held for sale, whereas 2019 numbers include the same as it has been declassified.



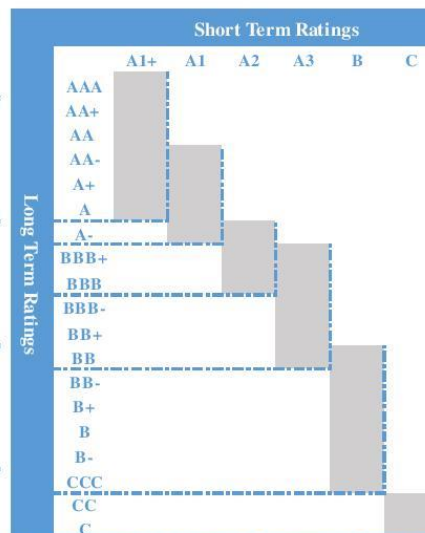
Rating Scale | Corporate

2019

Credit Rating Scale & Definitions

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long Term Ratings		Short Term Ratings	
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments	A1+	The highest capacity for timely repayment.
AA+	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	A1	A strong capacity for timely repayment.
AA		A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
AA-		A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A+	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	B	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
A		C	An inadequate capacity to ensure timely repayment.
A-			
BBB+	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.		
BBB			
BBB-			
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.		
BB			
BB-			
B+	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.		
B			
B-			
CCC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.		
CC			
C			
D	Obligations are currently in default.		



Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults, or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Disclaimer: PACRA's ratings are an assessment of the credit standing of entities/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations, 2016)

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

- (22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

Proprietary Information

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VIS Credit Rating Company Limited

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www.vis.com.pk

RATING REPORT

Bank Alfalah Limited

REPORT DATE:

July 08, 2020

RATING ANALYSTS:

Arsal Ayub, CFA

arsal.ayub@vis.com.pk

RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA+	A-1+	AA+	A-1+
Rating Outlook	Stable		Stable	
Rating Date	30 th June 2020		2 nd July, '19	
TFC (Tier-1)	AA-		AA-	
Rating Outlook	Stable		Stable	
Rating Date	30 th June 2020		2 nd July, '19	

COMPANY INFORMATION

Incorporated in 1992	External auditors: EY Ford Rhodes & Co. Chartered Accountants.
Public Limited Company	Chairman of the Board: H.H. Sheikh Nahayan Mubarak Al Nahayan.
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Atif Bajwa.
H.H. Sheikh Nahayan Mubarak Al Nahayan, Chairman – 10.67%	
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan – 8.38%	
H.E. Sheikh Suroor Bin Mohammad Al Nahyan – 7.12%	
M/s. Electro Mechanical Company LLC – 5.44%	
M/s. International Finance Corporation – 14.74%	

APPLICABLE METHODOLOGY

VIS Commercial Banks Rating – March 2018

<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/Meth-CommercialBanks201803.pdf>

*2017 and 2018 balance sheet numbers do not include Bank's Afghanistan Operation, which was held for sale, whereas 2019 numbers include the same as it has been declassified.

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Bank Alfalah Limited

OVERVIEW OF
THE INSTITUTION

RATING RATIONALE

Bank Alfalah Limited (BAFL) was established as a privately held bank in 1992. Currently the bank operates as a public limited company with majority shareholding held by Abu Dhabi Group.

Profile of CEO

Mr. Atif Bajwa was appointed as the President and CEO of Bank Alfalah in February 2020. Mr. Bajwa has diversified and rich experience in Banking and has held various senior positions. He has been the President of the Abu Dhabi Group, President of MCB Bank and Soneri Bank in Pakistan, Regional Head for Citigroup for the Central and Eastern Europe region, Head of Consumer Banking for ABN AMRO's Asia Pacific region as well as Country Manager for ABN AMRO. Mr. Bajwa received his education at Columbia University, New York.

Profile of Chairman

His Highness Sheikh Nahayan Mubarak Al Nahayan is a prominent member of the ruling family of Abu Dhabi, United Arab Emirates. Currently, His Highness is UAE Cabinet Member and Minister of State for Tolerance. Prior to his current responsibility, he served as Minister of Culture and Knowledge Development; Minister of Culture, Youth, and Social Development, and Minister of Higher Education and Scientific Research.

Strong sponsors, diversified operations and established franchise.

Ranked eighth largest in the commercial banking sector, Bank Alfalah Limited ('BAFL' or 'the bank') is sponsored by the Abu Dhabi Group (ADG), comprising some of the prominent members of UAE's ruling family and leading businessmen. Over the years, the bank has developed a strong franchise recall, and diversified its operations across various business areas such as Asset Management (Alfalah GHP Investment Management), Insurance (Alfalah Insurance) and Brokerage (Alfalah CLSA Securities). BAFL also has overseas operations in Bahrain, Afghanistan, Bangladesh and United Arab Emirates; these overseas operations cumulatively contributed 8.3% of the bank's pre-tax profits for 2019 (2018: 8.6%).

Asset growth has picked up on the back of resumption in ranch expansion; ADR has been reduced, albeit continues to trend above the peer median.

BAFL posted asset growth of 5.8% in 2019, exceeding prior year's growth of 0.7%. Historically, the bank's asset growth has lagged the growth in sector assets, with its 4-year CAGR standing at 4.2% vis-à-vis sector's 11.7%. This can mainly be attributed to its slower branch growth and a cost of fund rationalization strategy. In 2019, BAFL resumed branch expansion, growing its branch network to 698, including 24 sub-branches (Dec'18: 649 branches, including 25 sub-branches). However, in the ongoing year, further plans of new branches have been revisited and limited branch opening is planned due to the novel coronavirus outbreak.

BAFL's asset mix has depicted slight change, as growth in lending operations remained relatively muted; resultant asset base composition depicts a higher tilt towards liquid assets. Consequently, BAFL's ADR has dropped from 68.4% in Dec'18 to 61.2%, as of Mar'20, albeit it still continues to trend higher than the 'AA+' rated peer median.

Lending operations remained relatively muted during 2019. Portfolio infection has risen on a timeline; as per management, this was mainly driven by subjective provisions prudently taken by the management.

Akin to the industry, BAFL's lending operations remained relatively muted in 2019. In terms of segment exposures, corporate financing remains the mainstay of the bank's lending operations. Trade business grew by 1.2%, significantly lower than the growth witnessed in 2018 (15%). Given a heightened credit risk environment, on the back of high interest rates and prevailing macroeconomic adjustments during the period, the bank's non-performing portfolio grew by 25% during the period Dec'18-Mar'20; as per management, this was mainly driven by subjective provisions prudently taken by the management. Resultantly portfolio (gross) infection has risen. However provisioning coverage is adequate and net infection is considered to be low, at 1%.

Going forward, the oncoming pandemic-induced headwinds are expected to test the portfolio asset quality. So far, SBP has taken notable measures to ease the expected credit crisis, resulting from the pandemic. However, the SBP-mandated relaxations are expected to delay the impact of prevailing headwinds on the portfolio asset quality indicators. The operating environment remains precarious, amidst intermittent lock downs with no definite deadline. In view of the same, the full impact of the pandemic on the industry is uncertain.

Overall liquidity risk of the institution, is considered manageable, in view of the sizable liquidity buffers

Given a slowdown in lending, liquidity indicators have depicted notable improvement. The bank's LCR and NSFR have been maintained well above the regulatory requirement. As branch expansion resumed in the preceding year, the bank was able to sustain its market share at 5.3%, unlike prior years when the bank was losing market share. In 2019, improvement was noted in BAFL's deposit mix, which was partly on account of reclassification of Afghanistan Operations as 'continuing operations'. As of Dec'19, the bank's CA & CASA proportion compared favorably

to peers. The overall liquidity risk of the institution is considered manageable, in view of the sizable liquidity buffers.

Profitability indicators compare favorably to peers; however, akin to the industry, profitability is expected to weaken going forward

The bank's profitability indicators compare favorably to peers, with the banking spread and the overall RoAA comfortably standing in excess of peer median. Conversely, the bank does not fare as well in the area of intermediation cost, which is the highest amongst peers. As per management, this is partly due to full menu of consumer & SME products and services being offered at branches, unlike peers; focus on low-cost current & saving accounts; and partly on account of the ongoing branch expansion, investment in IT & digital channels, the cost of which will be recovered over subsequent years.

In 2019, growth in profitability was driven by the net spread income. Amidst depressed growth in lending operations, better spread mainly emanated from the increase in benchmark rates. The cost of funding of the bank has also trended up, albeit the increase was not as marked. For 2019, BAFL's cost of funding was the lowest amongst peers. At 52.8%, the bank's efficiency ratio compares favorably to peers.

Going forward, the sector profitability is expected to weaken on account of the following; i) So far, the interest rate has already dropped by 625 basis points; this sharp drop in interest rates and narrowing of the interest rate corridor is expected to negatively affect banking spread. A review of historical banking spread in low interest regime indicates that spread shrinkage is likely going to be ~50 basis points; however, in the near term (Q2 & Q3), the spreads may post short term improvement, as a result of faster re-pricing on liabilities vis-à-vis assets. This short-term spread improvement will likely keep the spreads intact for the ongoing year; ii) the adverse credit risk environment – on account of the novel coronavirus outbreak – is expected to translate in increased provisioning burden. However, the charge of the same is expected to be rolled forward as a result of the SBP relief measures; iii) in view of the reduced economic activity, fee-related income and overall ancillary income will shrink; this, along with projected spread shrinkage, will likely have an adverse impact on efficiency ratios across the industry and iv) the SBP maintains its deadline for IFRS 9 implementation at January 1 2021, with deadline for pro-forma accounts preparation being Oct'20. The full provisioning impact of the same is expected to be sizable.

Capitalization metrics remain strong vis-à-vis peers; capitalization buffers are likely to experience some weakening in the short to medium term

The bank's capitalization metrics remain strong vis-à-vis peers, as reflected by the comfortable capital adequacy buffer wherein both tier I and total CAR exceed the peer median. However, the bank's net-NPLs to net equity ratio has increased on a timeline.

Given higher loan loss projections, on account of pandemic-induced heightened credit risk environment, and additional IFRS 9-related provisioning, the bank's capital adequacy buffer is expected slightly recede going forward. However, capitalization buffers, built up over the past few years, are expected to provide adequate cushion to absorb projected credit impairment. Our credit impairment expectations are conservative, albeit there is significant degree of deviation from expectations, amidst an uncertain economic environment. VIS will continue to closely monitor the capitalization ratios on quarterly basis.

FINANCIAL SUMMARY (Appendix I)			(Rupees in millions)		
BALANCE SHEET	Dec'17	Dec'18	Dec'19	Mar'20	
Investments - Net	400,733	277,660	299,098	366,830	
Advances - Net	400,655	501,636	511,236	500,865	
Total Assets	998,828	1,006,218	1064,672	1,081,803	
Borrowings	207,194	123,738	102,842	146,893	
Deposits & other accounts	644,985	702,895	782,284	755,135	
Subordinated Loans	4,991	11,989	11,987	11,986	
Tier-1 Capital	53,662	66,810	73,650	72,614	
Paid-up Capital	16,076	17,744	17,772	17,772	
Net Equity (excluding deficit on revaluation of assets)	58,514	68,264	76,661	77,474	
INCOME STATEMENT	2017	2018	2019	Q1'19	Q1'20
Net Mark-up Income	28,976	31,926	44,857	11,165	11,781
Net Provisioning/ (Reversal)	(616)	27	3,029	446	1,528
Non-Markup Income	9,076	10,431	10,396	2,290	2,709
Administrative Expenses	24,672	24,313	29,066	6,742	8,054
Profit Before Tax	14,045	17,618	22,382	6,134	4,757
Profit After Tax	8,367	10,625	12,696	3,122	2,821
RATIO ANALYSIS	Dec'17	Dec'18	Dec'19	Mar'20	
Gross Infection (%)	4.2%	3.6%	4.2%	4.5%	
Total Provisioning Coverage (%)	94.0%	89.0%	82.2%	83.3%	
Net Infection (%)	0.5%	0.6%	1.0%	1.0%	
Cost of Deposits (%)	2.70%	3.10%	5.00%	5.80%	
Net NPLs to Tier-1 Capital (%)	3.5%	4.4%	6.8%	6.7%	
CET 1 Capital Adequacy Ratio (CAR) (%)	10.92%	10.90%	12.01%	12.25%	
Tier 1 CAR (%)	10.92%	12.17%	13.27%	13.56%	
CAR (%)	13.39%	14.94%	16.88%	17.25%	
Markup Spreads (%)	3.20%	4.00%	5.40%	5.30%	
Efficiency (%)	66.9%	59.1%	52.8%	55.3%	
ROAA (%)	0.8%	1.1%	1.2%	1.1%	
ROAE (%)	14.1%	16.8%	17.5%	14.6%	
Liquid Assets to Deposits & Borrowings (%)	41.0%	41.7%	48.6%	48.1%	

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

Medium to Long-Term**AAA**

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC

A high default risk

C

A very high default risk

D

Defaulted obligations

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities

Short-Term**A-1+**

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C

Capacity for timely payment of obligations is doubtful.

and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURE					Appendix III
Name of Rated Entity	Bank Alfalah Limited (BAFL)				
Sector	Commercial Bank				
Type of Relationship	Solicited				
Purpose of Rating	Entity and TFC Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	06/30/2020	AA+	A-1+	Stable	Reaffirmed
	07/02/2019	AA+	A-1+	Stable	Reaffirmed
	06/29/2018	AA+	A-1+	Stable	Reaffirmed
	08/31/2017	AA+	A-1+	Stable	Reaffirmed
	02/14/2017	AA+	A-1+	Stable	Initial
	Rating Date	Medium to Long Term		Rating Outlook	Rating Action
	RATING TYPE: TFC (Tier 1)				
	06/30/2020	AA-		Stable	Reaffirmed
	07/02/2019	AA-		Stable	Reaffirmed
	06/29/2018	AA-		Stable	Reaffirmed
	1/17/2018	AA-		Stable	Final
	11/8/2017	AA-		Stable	Preliminary
Instrument Structure	Basel III compliant Tier 1, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments amounting up to Rs. 7.0b (inclusive of Green Shoe Option of Rs. 2.0b).				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2020 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meetings Conducted	Name	Designation	Date		
	Ms. Anjum Hai	CFO	June 5, 2020		
	Mr. Faisal Rabbani	CRO	June 5, 2020		
	Mr. Bilal Asghar	Head of Corporate, Investment Banking and International Business	June 8, 2020		

7C.2 INSTRUMENT RATING REPORT – TRANCHE SERIES A TERM FINANCE CERTIFICATES

The Pakistan Credit Rating Agency Limited



The Pakistan Credit Rating Agency Limited

Rating Report

Bank Alfalah Limited | TFCs | First Tranche

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
06-Aug-2020	AAA	-	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

The rating of the TFCs reflect the supreme security structure of the Instrument. The Instrument shall be secured through lien over GoP issued securities - PIBs (Fixed & Floating). The maturity of the securities will match / be higher than the maturity of the Instrument. The securities marked under lien will be 105% of the issue, reflecting comprehensive coverage including any unforeseen fluctuation in prices. The Securities will be placed in SGL account maintained with the State Bank of Pakistan. The bank has entity ratings of "AA+/A1+". The ratings of the bank reflect its strong positioning in the market. With this issuance, the bank is expected to boost the market of covered instruments. The bank is well positioned to benefit from the ensuing advantages. The bank's ratings take comfort from its maintained advances book. The bank's advances has been maintained at a notable level. The mix of deposits improved as the bank added a few percentage points to the CA portion in the CASA mix. BAFL has a sound foothold with a considerable presence across the country, enabling its deposit base growth. The Bank has sustained good profit base. Overall infection ratio remained at the lower edge yet stable. Effective implementation of the envisaged long term business strategy will continue to play an important role in business growth. The rating draws comfort from the bank's stable ownership, experienced management team, prudent risk management policies and distinct emphasis on sustaining the position. Covid-19 has posed challenges to the banking sector, almost all segments of the economy, worldwide and domestically, are getting negatively impacted. The ramifications would continue to unfold, warranting vigilance and timely actions where needed. The bank has also formed a board level Corona Crisis Management Committee in order to formulate future strategies for diminishing the financial and business risks.

Augmentation of the Bank's capitalization backed by strong sponsors and adding granularity to its advances and deposits book are essential. Continued effective management of spreads remains important, meanwhile, holding the asset quality is a pre-requisite.

Disclosure

Name of Rated Entity	Bank Alfalah Limited TFCs First Tranche
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology FI (Jun-20), Methodology Debt Instrument (Jun-20)
Related Research	Sector Study Commercial Bank (Jun-20)
Rating Analysts	Sehar Fatima sehar.fatima@pacra.com +92-42-35869504



The Pakistan Credit Rating Agency Limited

Commercial Bank

Profile
<p>Structure Bank Alfalah Limited (hereinafter referred as "BAFL" or "the bank") was incorporated as a public limited company, in 1992, and is listed on Pakistan Stock Exchange (PSX).</p> <p>Background Bank commenced operations in 1992. Since its inception, Bank Alfalah has grown rapidly to become Pakistan's one of the largest private bank, the largest issuer and acquirer of credit cards, and one of the largest Islamic Banking businesses in the country. The Bank has a network of 698 branches spanning in more than 200 cities in Pakistan.</p> <p>Operations In collaboration with International Finance Corporation (IFC) - a member of the World Bank Group - the bank altered its model from only offering credit services to providing a complete range of banking services to SME customers.</p>
Ownership
<p>Ownership Structure BAFL is majority owned by the Abu Dhabi Group (ADG) (49.03%), rest is owned by IFC (14.74%), Mutual funds, other NBFI's (27.5%) and General public (8.73%).</p> <p>Stability HR committee designs succession planning policies for the CEO and Key executives. Internal successors were highlighted in addition to earmarking key potential external resources to ensure a robust pipeline across all levels at the Bank.</p> <p>Business Acumen ADG consists of some of the prominent members of UAE's ruling family and leading businessmen of UAE.</p> <p>Financial Strength Sponsors, being prominent ruling family of UAE, possess strong financial ability to support BAFL in case of need.</p>
Governance
<p>Board Structure At present, BAFL's board comprises of eight members including President/CEO and seven non-executive directors, out of which four are representatives of ADG, one is an IFC nominee, while two members are independent. Mr. Shehzad Naqvi resigned since Feb-20 and casual vacancy is refilled with appointment of Mr. Khalid Qurashi.</p> <p>Members' Profile Chairman of the board, H.H. Sheikh Nahayan Mubarak Al Nahayan, is a prominent member of the ruling family of Abu Dhabi, UAE. He owns substantial business interests, hotels and other investments in the UAE, Pakistan, Africa, USA and Central Asia.</p> <p>Board Effectiveness The board actively participates in strategy formulation and effectively monitors the managerial affairs of the bank. To ensure effective and independent oversight of the bank's overall operations, the Bank has constituted six committees. Five meetings were held during the year CY19 with good level of attendees.</p> <p>Financial Transparency The external auditors of the Bank, EY Ford Rhodes, Chartered Accountants, issued an unqualified audit opinion pertaining to annual financial statements for 2019.</p>
Management
<p>Organizational Structure BAFL has a lean organizational structure that clearly defines responsibilities, authority and reporting lines with proper monitoring and compliance mechanism.</p> <p>Management Team Bank's senior management team comprises experienced bankers having national and international exposure. Mr. Atif Bajwa has recently joined the Bank's Board as President & CEO of Bank Alfalah whereas Mr. Nauman Ansari, resigned from the same position in Feb'20.</p> <p>Effectiveness Bank Alfalah has three main management committees for the purpose of strategic planning and decision-making under the Chairmanship of the CEO.</p> <p>MIS The bank uses Temenos (T-24) as its core banking software across all branches. The Bank's core banking system is well recognized for its high stability and efficiency; a result of carefully planned performance-enhancements, architectural redesigning, optimization along with a large number of successfully in-house developed T24 new products.</p> <p>Risk Management Framework The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank.</p>
Business Risk
<p>Industry Dynamics As a result of general economic slowdown most indicators of the banking sector reflected mixed trend. Deposits of the banking sector stood at (CY19: PKR 15,953bln; CY18: PKR 14,254bln), showing a growth of ~12% as compared to 9.5% growth in CY18. Deployment of funds was largely skewed towards investments and particularly towards government instruments due to favorable interest rate dynamics (CY19: PKR 8,939bln; CY18: PKR 7,914bln). Meanwhile, advances witnessed a slowdown owing to subdued demand, cautious lending approach and monetary tightening. This was only a growth of 3.7% as compared to expansion of 22.2% in CY18. Asset quality saw deterioration – increased NPLs (CY19: PKR 761bln; CY18: PKR 680bln). The profitability of the banking sector improved due to an increase in Net Interest Income, which translated positively in other profitability indicators. The overall risk profile of the banking sector remained satisfactory.</p> <p>Relative Position BAFL is ranked among the large banks of the country, on the basis of its strong growth trajectory in net advances and deposits. BAFL upheld its position in the banking sector with share in customer deposits of the sector at 5.1%.</p> <p>Revenues On the revenue front, net markup income witnessed growth of ~40.4% on YoY basis to stand at (1QCY20: PKR 11.7bln; CY19: PKR 44.8bln; CY18: PKR 31.9bln) wherein Non-markup income stayed largely the same when compared YoY (1QCY20: PKR 2.7; CY19: PKR 10.3bln; CY18: PKR 10.4bln).</p> <p>Performance The reported bottomline recorded a growth of 19.5% in CY19, stood at PKR 12.7bln (CY18: PKR 10.6bln), amid challenging operating environment. The Bank's PBT also witnessed growth of 27.3% on YoY basis (CY19: PKR 22.4bln (CY18: PKR 17.6bln) while stood at PKR 4.7bln in 1QCY20. The growth in PBT was not effectively translated in the PAT due to additional Super Tax charge levied through the mini budget and higher provisioning & increased cost of funding due to hike in interest rates.</p> <p>Sustainability Looking ahead, Bank Alfalah is well-positioned for strong growth and building long-term shareholder value. The Bank will continue to focus on building a low-cost deposit base, improving the return on capital on risk assets, optimizing returns from the banking book and enforcing a strong cost discipline across the Bank. The Bank is focusing on expanding its outreach with increased number of branches. Focus on recoveries from the infected portfolio after the COVID-19 outbreak will be a foreground for the Bank.</p>
Financial Risk
<p>Credit Risk As of CY19, net advances were reported at PKR 511bln (CY18: PKR 502bln) constituting around 48% of the Bank's total assets; largely remaining at same on YoY levels. The gross advances merely grew by ~2% as against growth of 25% in CY18. The Non-performing loan base witnessed an increase of PKR 3.6bln YoY (1QCY20: PKR 23.5bln; CY19: PKR 22.4; CY18: PKR 18.8bln), on the basis of subjective classification and prudence. Additionally, the NPL ratio was recorded as (1QCY20: 4.5%; CY19: 4.2%; CY18: 3.6%); yet continuing to remain one of the lowest infection ratios in the industry.</p> <p>Market Risk Following the significant investment in PIBs, the investment portfolio (including investments in debt instruments of PKR 7.5bln) depicted an increase of 7.9%, amounting to PKR 299bln during CY19 (CY18: PKR 277bln). The government securities continue to dominate the overall investment book (~78%) Net investments for the period have increased with a corresponding increase in Lending to Financial Institutions by PKR 9.2bln to capitalize on evaluating the opportunities.</p> <p>Liquidity And Funding Bank's focus has been on improving deposit profile and managing spreads throughout, total Deposits were reported at (1QCY20: PKR 755bln; CY19: PKR 782bln; CY18: PKR 703bln); growth mainly in current deposits on YoY basis. ADR ratio stood at (1QCY20: 66.3%; CY19: 65.4%; CY18: 71%). With a prudent approach, BAFL has built a fair liquidity position during the period depicted through its liquidity coverage ratio (1QCY20: 171%; CY19: 163%; CY18: 156%).</p> <p>Capitalization As on 1QCY20, Bank's CAR stood at 17.9% (CY19: 16.88%; CY18: 14.95%), which is well-above the end-Dec'19 regulatory requirement of ~12.50%. Higher Quality of capital is evident from Bank's ratio; Common Equity Tier-I (CET-I) to Total Risk Weighted Assets (RWA), which comes to ~12.25% against the regulatory requirement of 6.00%. The Bank is planning to issue Listed, Rated and Secured Fixed Rate Redeemable TFCs up to PKR 50bln - Tranche-I comprise of PKR 10bln with the tenor of 3years.</p>



	PKR mln			
Bank Al Falah Limited	Mar-20	Dec-19	Dec-18	Dec-17
Listed Public Limited	3M	12M	12M	12M

A BALANCE SHEET

1 Total Finances - net	508,178	515,092	508,254	408,224
2 Investments	355,585	291,560	268,977	392,112
3 Other Earning Assets	64,994	87,143	75,107	59,786
4 Non-Earning Assets	149,114	167,195	151,814	137,653
5 Non-Performing Finances-net	3,931	3,682	2,066	1,052
Total Assets	1,081,803	1,064,672	1,006,218	998,828
6 Deposits	755,135	782,284	702,895	644,985
7 Borrowings	158,879	114,829	135,727	212,185
8 Other Liabilities (Non-Interest Bearing)	79,700	79,531	91,948	75,859
Total Liabilities	993,714	976,645	930,571	933,028
Equity	88,089	88,028	75,647	65,800

B INCOME STATEMENT

1 Mark Up Earned	25,906	92,481	59,672	56,176
2 Mark Up Expensed	(14,125)	(47,623)	(27,746)	(27,199)
3 Non Mark Up Income	2,709	10,396	10,431	9,277
Total Income	14,490	55,253	42,357	38,253
4 Non-Mark Up Expenses	(8,206)	(29,843)	(24,713)	(24,964)
5 Provisions/Write offs/Reversals	(1,528)	(3,029)	(27)	616
Pre-Tax Profit	4,757	22,382	17,618	13,906
6 Taxes	(1,936)	(9,686)	(6,993)	(5,539)
Profit After Tax	2,821	12,696	10,625	8,367

C RATIO ANALYSIS

1 Performance

Net Mark Up Income / Avg. Assets	4.4%	4.3%	3.2%	3.0%
Non-Mark Up Expenses / Total Income	56.6%	54.0%	58.3%	65.3%
ROE	12.8%	15.5%	15.0%	13.3%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	8.1%	8.3%	7.5%	6.6%
Capital Adequacy Ratio	17.9%	16.9%	15.0%	13.8%

3 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings Net of Repo)	44.9%	42.6%	39.5%	43.3%
(Advances + Net Non-Performing Advances) / Deposits	66.3%	65.4%	71.4%	62.1%
CA Deposits / Deposits	44.2%	43.4%	40.9%	45.3%
SA Deposits / Deposits	35.1%	32.4%	34.5%	33.6%

4 Credit Risk

Non-Performing Advances / Gross Advances	4.5%	4.2%	3.6%	4.2%
Non-Performing Finances-net / Equity	4.5%	4.2%	2.7%	1.6%



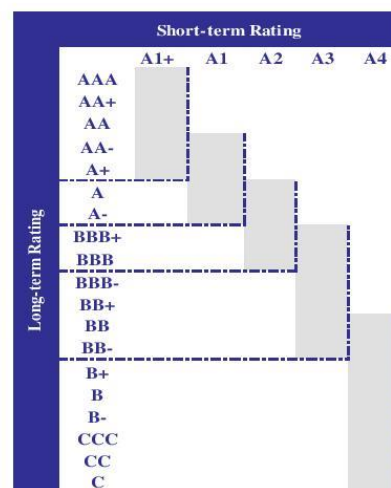
Scale – Debt Instrument Rating

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying debt instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA	
AA-	
A+	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A	
A-	
BBB+	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB	
BBB-	
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B	
B-	
CCC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
CC	
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*The correlation shown is indicative and, in certain cases, may not hold.

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion on debt instrument is carried out on an ongoing basis till the maturity of the instrument or cessation of contract. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

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Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations, 2016)

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

- (22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

Proprietary Information

- (23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent



Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets (PKR mln)
Listed, rated and secured fixed rate redeemable capital instrument	10Bln Exclusive of Green Shoe option of PKR 5Bln	3 Years	Instrument will be secured and the maturity of the lien marked securities will match / be higher than the maturity of the Instrument. For first tranche, securities provided under lien shall be combination of 5Yr & 10Yr PIBs (fixed & floater) of 105% of Issuance.	PKR 10.5Bln	N/A	Pak Brunei Investment Company Ltd.	N/A

Bank Alfalah Limited | Secured TFC | Preliminary

Name of Issuer	Bank Alfalah Limited
Issue size	PKR 10Bln - Exclusive of Green Shoe option of PKR 5Bln
Tenor	3 Years
Maturity	3 Years from the date of Issuance
Profit Rate	9%
Principal Repayment	At maturity (Bullet Payment)
Security	Instrument will be secured against GoP issued securities - PIBs (Fixed And Floating)

Bank Alfalah Limited | Secured TFC | Redemption Schedule

Due Date Principle	Opening Principal	Principal Repayment	Due Date Markup/ Profit	Markup/Profit Rate - p.a.	Markup/Profit Payment	Installment Payable	Principal Outstanding
		PKR in mln					PKR in mln
Issuance			Interim Coupon Payment*				10,000.00
6 months from issuance	10,000.00	-	6 months from issuance	9%	450.00	450.00	10,000.00
12 months from issuance	10,000.00	-	12 months from issuance	9%	450.00	450.00	10,000.00
18 months from issuance	10,000.00	-	18 months from issuance	9%	450.00	450.00	10,000.00
24 months from issuance	10,000.00	-	24 months from issuance	9%	450.00	450.00	10,000.00
30 months from issuance	10,000.00	-	30 months from issuance	9%	450.00	450.00	10,000.00
36 months from issuance	10,000.00	10,000.00	36 months from issuance	9%	450.00	10,450.00	-
		10,000.00			2,700.00	12,700.00	-

*The Profit Rate @ 9% on the investment amounts invested by each investor from the date on which such investment amounts are received by the Issuer until the date which is one day prior to the Issue Date.

7C.3 ENTITY RATING HISTORY**The Pakistan Credit Rating Agency Limited**

No.	Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action
1	26-Jun-2020	AA+	A1+	Stable	Maintain
2	28-Dec-2019	AA+	A1+	Stable	Maintain
3	28-Jun-2019	AA+	A1+	Stable	Maintain
4	28-Dec-2018	AA+	A1+	Stable	Maintain
5	14-Jun-2018	AA+	A1+	Stable	Maintain
6	29-Dec-2017	AA+	A1+	Stable	Maintain
7	22-Jun-2017	AA+	A1+	Stable	Upgrade
8	30-Jun-2016	AA	A1+	Positive	Maintain

VIS Credit Rating Company Limited

NAME	DATE	RATING TYPE	LONG TERM	SHORT TERM	OUTLOOK	ACTION
Bank Alfalah Ltd. Press Release Rating Report	6/30/2020	TFC-1	AA-		Stable	Reaffirmed
Bank Alfalah Ltd. Press Release Rating Report	7/2/2019	TFC-1	AA-		Stable	Reaffirmed
Bank Alfalah Ltd. Press Release Rating Report	6/29/2018	TFC-1	AA-		Stable	Reaffirmed
Bank Alfalah Ltd. Press Release Rating Report	1/17/2018	TFC-1	AA-		Stable	Final
Bank Alfalah Ltd. Press Release Rating Report	11/8/2017	TFC-1	AA-		Stable	Preliminary

7C.4 INSTRUMENT RATING HISTORY – TRANCHE SERIES A TERM FINANCE CERTIFICATES

The Pakistan Credit Rating Agency Limited

No.	Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action
1	06-Aug-2020	AAA	-	Stable	Preliminary

7D. SECURITY OF THE ISSUE

The **Agent** is entitled with a lien over 10 year PIB floater of PKR 10,500,000,000/- (Pak Rupees Ten Billion Five Hundred Million) in the SGL Account 10016-1 maintained with the SBP for the benefit of the TFC Holder, being the amount equal to 105% of the Tranche Series A issue amount. These instruments shall be registered with the SECP.

The **Agent** may from time to time request other documents or accept additional assets, instruments, encumbrances as may reasonably be requested/ offered for the purpose of fully perfecting the Security created in favour of the **Agent**.

7D.1 TFC AGENT

In order to safeguard the interests of the TFC holders, Pak Brunei Investment Company Limited has been appointed to act as an **Agent**. The Issuer shall pay to the **Agent** an annual fee of PKR 3,000,000. The fee shall be payable at the beginning of each year commencing from the date of signing of the TFC Issuance Agreement and on each subsequent anniversary thereof. **The Bankers to the Issue have been instructed to inform the **Agent** on a daily basis of the subscriptions received for issuance of TFC.**

7D.2 EVENTS OF DEFAULT & CIRCUMSTANCES UNDER WHICH SECURITY BECOMES ENFORCEABLE AND ENFORCEMENT PROCEDURE

An Event of Default will constitute each of the following events if declared as such by the Majority TFC Holders or by virtue of an Extraordinary Resolution for a particular Series:

- (i) Default of the Issuer in paying on the due date for payment, or within any period stipulated herein, in the TFC Investor Agreement and / or Prospectus or within any period stipulated in the demand of the Agent of any sum payable under the TFC Issuance Agreement, the TFC Investor Agreement and / or Shelf Prospectus, including but not limited to the Redemption Amounts on the Redemption Dates;
- (ii) Default by the Issuer in performance of any of its commitments, obligations and/or covenants under the TFC Issuance Agreement and such default is not rectified where it is capable of being rectified within 15 (fifteen) days of a notice received from the Agent;
- (iii) Any statement, representation or warranty made or repeated by the Issuer in or pursuant to the TFC Issuance Agreement is or proves to have been incorrect or misleading in any material respect, or any statement, representation or warranty made or repeated by the Issuer in any notice, certificate or statement referred to or delivered under the TFC Issuance Agreement is or proves to have been incorrect or misleading in any material respect, or any such statement, representation or warranty becomes incorrect in any material respect at any time;
- (iv) Liquidation, bankruptcy, cessation of business activities or cessation of the payment of debts of the Issuer, or any other legal or factual situation, including judicial or amicable settlement of debts, which may affect the ability of the Issuer to perform in accordance with the TFC Issuance Agreement;
- (v) Attachment or assignment or transfer of delivery to or takeover of any properties or assets of the Issuer by any receiver, encumbrancer, assignee, or any other person or body whether appointed by the Issuer or a Court or the government under any law or regulation;
- (vi) Making of any order or passing of a resolution for the winding up of the Issuer;
- (vii) Any transformation of the form, nature or corporate objects of the Issuer which has not been authorized by the TFC Issuance Agreement;
- (viii) One or more judgments, decrees or orders for the payment of money rendered against the Issuer which is likely to have a Material Adverse Effect on it in the opinion of the Agent (acting on the instructions of the Majority TFC Holders), and such judgments, decrees or order shall continue unsatisfied and in effect for a period of 15 (fifteen) consecutive days without being vacated, discharged, satisfied or stayed;
- (ix) The taking of any step by the Issuer for the purpose of entering into a compromise or arrangement with any of its members/shareholders, or creditors, generally or any class of them whereby the interests of Agent / TFC Holders are affected in any manner;
- (x) If subsequent to the listing of the TFCs in terms and conditions of the Shelf Prospectus, the Stock Exchange suspends the trading of the TFCs pursuant to the DSL Regulations and / or any other applicable laws and regulations and the same is not reversed within a period of 60 (sixty) days;
- (xi) Failure to procure listing of the TFCs in terms and conditions of the Shelf Prospectus;
- (xii) If subsequent to the listing of the TFCs in terms and conditions of the Shelf Prospectus, if the Issuer fails to comply with or contravenes with any of the provisions of the DSL Regulations and/or any other laws and regulations which may be applicable from time to time including any conditions imposed on it by the Stock Exchange once listed pursuant to the DSL Regulations and the same is not rectified within the prescribed time period;

- (xiii) The Security created and/or furnished by the Issuer deteriorates in quality or becomes inadequate in the judgement of the Agent (acting on the instructions of the Majority TFC Holders);
- (xiv) Any Security Document executed or furnished by the Issuer for any reason whatsoever ceases to be in full force and effect or is declared to be void or is repudiated;
- (xv) The occurrence of any event whatsoever which is likely to have a Material Adverse Effect on the Issuer in the opinion of Agent (acting on the instructions of the Majority TFC Holders);
- (xvi) The occurrence of any of the following:
 - (a) any amount whatsoever becomes due and payable or becomes capable of being declared due and payable in respect of any Financial Indebtedness of the Issuer before the stated maturity of that Financial Indebtedness;
 - (b) any facility or obligation granted or owed by any person to the Issuer to provide or underwrite financial accommodation, or to acquire or assume any risk in respect of any Financial Indebtedness, is prematurely terminated;
 - (c) any amount owing by the Issuer in respect of any Financial Indebtedness is not paid when due for payments (having regard to any applicable grace period);
 - (d) any Security Interest granted by the Issuer in respect of any Financial Indebtedness is enforced or becomes capable of being enforced before its stated maturity; or
 - (e) any bond, debenture, note, certificate, redeemable securities or similar instrument issued by the Issuer is required to be redeemed prior to its stated maturity;
- (xvii) If the Issuer claims that all or any material provision of the TFC Issuance Agreement:
 - (a) do not have effect or cease to have effect in accordance with its terms; or
 - (b) are or become void, voidable, illegal or unenforceable;
- (xviii) If all or any material part of the properties of the Issuer is compulsorily acquired or expropriated by the federal government or any provincial governments; or
- (xix) Any litigation proceedings being commenced against the Issuer which may have a Material Adverse Effect in the opinion of the Agent (acting on the instructions of the Majority TFC Holders).

Enforcement Procedure:

At any time after the occurrence of an Event of Default, the Agent on the basis of an Extraordinary Resolution (subject to the Agent being indemnified by the TFC Holders or at its option paid by them an estimated amount in advance to its satisfaction against all proceedings, claims and demands to which the Agent may be liable and all costs, charges and expenses which may be incurred by the Agent in connection therewith), take such actions against the Issuer as it may deem fit or as instructed by the TFC Holders in terms hereof including but not limited to declaring the TFCs as having become immediately due and payable and the Security created by the Security Documents as becoming enforceable upon failure to make such payment.

Moreover, the Agent shall be entitled to prove in any winding-up of the Issuer in respect of any amounts payable in relation to the TFCs or other money payable under any provision of the TFC Issuance Agreement and the Security Documents subject to priority of claims established and applicable as per law.

No TFC Holder shall in any circumstances be entitled to file the Winding up Application and Legal Proceedings unless the Agent having become entitled to file the Winding up Application and Legal Proceedings in accordance with terms of Events of Default mentioned hereto fails to do so. In such eventuality, the TFC Holders representing more than 50% (fifty percent) of the total outstanding face value TFCs may, by giving the Agent a prior written notice of 30 (thirty) days, file the Winding up Application and Legal Proceedings against the Issuer and the indemnity of the Issuer provided to the Agent under the TFC Issuance Agreement shall be available to the TFC Holder taking such action, mutatis mutandis.

Note: It is confirmed that all events of default mentioned in the security documents have been disclosed in this Shelf Prospectus in the same manner as per the TFC Issuance Agreement dated November 9th, 2020.

7D.3 QUORUM AND EXTRAORDINARY RESOLUTION

7D.3.1 QUORUM

At any meeting at which TFC Holders, for a particular Series, holding or representing in the aggregate more than 50% (fifty percent) of the total outstanding face value of TFCs for that particular Series, shall form a quorum for the transaction of any business. No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

In terms of paragraph 5 of Schedule I of TFC Issuance Agreement, if within 15 (fifteen) minutes from the time appointed for the meeting, a quorum is not present, the meeting if convened on the requisition of TFC Holders for that particular Series shall be dissolved. In any other case, it shall stand adjourned to such day and time being not less than 14 (fourteen) days or more than 42 (forty-two) days thereafter and to such place as may be appointed by the chairman and at such adjourned meetings a quorum as specified above shall be a quorum for the transaction of business. At least 7 (seven) days' notice exclusive as aforesaid of any adjourned meeting of TFC Holders (for a particular Series) at which an Extraordinary Resolution is to be submitted shall be given in the same manner as for an original meeting.

7D.3.2 EXTRAORDINARY RESOLUTION

The expression “**Extraordinary Resolution**” means a resolution passed by TFC Holders for a particular Series representing at least 66.67% (sixty-six point six seven fifty percent), or such percentage as may be required as per applicable laws, of the total outstanding face value of the TFCs of that particular Series at a meeting of TFC Holders for that particular Series duly convened and held in accordance with the provisions of the TFC Issuance Agreement.

An Extraordinary Resolution passed by the TFC Holders for a particular Series in accordance with the TFC Issuance Agreement shall be binding on all the TFC Holders for that particular Series, whether or not present at the meeting. Each of the TFC Holders for that particular Series and the Agent (subject to the provisions for its indemnity contained in the TFC Issuance Agreement) shall be bound to give effect to it accordingly.

A meeting of the TFC Holders for each Series shall, in addition to all other powers, have the following powers exercisable by Extraordinary Resolution only:

- (i) power to sanction any scheme for the reconstruction of the Issuer or for the amalgamation of the Issuer with any other company;

- (ii) power to sanction the release of the Issuer from the payment of all or any part of any amounts owing upon the total value of the TFCs for a particular Series and other moneys payable pursuant to the TFC Issuance Agreement;
- (iii) power to sanction any modification, abrogation or compromise of or arrangement in respect of the rights of the TFC Holders against the Issuer whether such rights shall arise under the TFC Issuance Agreement or the TFCs or otherwise;
- (iv) power to assent to any modification or abrogation of the covenants or provisions contained in the TFC Issuance Agreement proposed or agreed to by the Issuer and to authorize the Agent to concur in and execute any supplemental deed embodying any such modifications; and
- (v) power to agree to the release of any Agent from any liability in respect of anything done or omitted to be done by such Agent before the giving of such release.

However, the provisions of the TFC Issuance Agreement pertaining to events of default, enforcement of the security by the Agent and application of the proceeds shall not be capable of modification in the manner set out above.

PART VIII

8 BOARD AND THE MANAGEMENT OF THE BANK

8.1 BOARD OF DIRECTORS OF THE BANK

The Bank's affairs are governed by the Board of Directors (the "Board"), which comprises of nine directors, including the Chairman and the President and CEO. The Board is responsible for policy related issues and is headed by the Chairman. The President and CEO has overall responsibility for the Bank's strategic direction and for managing the Bank's business and its functions.

Board of Directors

Name	Designation	CNIC No.	Address	Present Directorship in Other Companies	Date of Appointment/ Association with BAFL	Board Experience (Over All)
HH Sheikh Nahayan Mabarak Al Nahayan	Chairman	JYNH14441	P.O. Box No. 969 Abu Dhabi, UAE	<ul style="list-style-type: none"> Chairman, Alfalah Insurance Company Ltd Director, Taavun (Pvt) Limited Director, Pakistan Mobile Communications Ltd Proprietor, Dhabi Group, UAE Chairman, Dhabi One Investment Services LLC, UAE Director, Dhabi Holdings PJSC, UAE Director, MAB Investment Inc Director, Salsal Petroleum LLC, UAE Director, Warid Telecom Pakistan LLC, UAE Director, Wincom Services Pakistan LLC, UAE JSC TeraBank, Georgia <p>Other entities (Ministries / NGO etc)</p> <ul style="list-style-type: none"> Minister of State for Tolerance in the Cabinet of UAE 	Co-opted on 15-Jan-2017 (he was associated with the Bank from 07-Jul-1997 to 3-Nov-2002 and From 15-Jan-2017 to date)	More than 20 years

				<ul style="list-style-type: none"> ▪ Future Rehabilitation Center, Abu Dhabi (Honorary President) ▪ Emirates Natural History Group (Patron) ▪ Abu Dhabi Cricket Club (Chairman & Patron) ▪ Emirates Cricket Board (Chairman) ▪ Abu Dhabi Music and Arts Foundation (Patron & President) ▪ Mediciens Sans Frontiers UAE (Patron) 		
Abdulla Nasser Hawaileel Al Mansoori	Non-Executive Director	H8F521399	P.O. Box No. 46611, Abu Dhabi, UAE	<ul style="list-style-type: none"> ▪ Chairman of the Board, Al Nasser Holdings and Group Companies ▪ Director, Al Qahtani Investments LLC 	7-Jul-97	More than 20 years
Abdulla Khalil Al Mutawa	Non-Executive Director	Z6K989587	P.O. Box No. 225, Abu Dhabi, UAE	<ul style="list-style-type: none"> ▪ General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahyan (Private Office) ▪ Director, Abu Dhabi Commercial Bank Ltd ▪ Director, Makhazen Investment Company ▪ Director, EFG Hermes Holding S.A.E. ▪ Director, Abu Dhabi National Hotels Company 	7-Jul-97	More than 20 years
Khalid Mana Saeed Al Otaiba	Non-Executive Director	H1FL03225	P.O. Box No. 9, Abu Dhabi, UAE	<ul style="list-style-type: none"> ▪ Office Manager of H.E. Dr. Mana Saeed Al Otaiba (Personal Advisor, H.H. the President of UAE) 	8-Mar-03	More than 17 years

				<ul style="list-style-type: none"> ▪ Deputy Chairman, Al Otaiba Group of Companies ▪ Director, Alfalah Insurance Company Limited ▪ Chairman, Liwa International Investment Tourism ▪ Chairman, Royal Mirage Hotel & Resorts Ltd, Morocco ▪ Director, Ghantout International ▪ Director, EFG Hermes Holding S.A.E. 		
Efstratios Georgios Arapoglou	Non-Executive Director	AN0087047	18, Mimosas Street, Ekali, Athens, Greece 14578	<ul style="list-style-type: none"> ▪ Board member, EFG Hermes Holding SAE, Egypt ▪ Chairman, Titan Cement, Athens, Greece ▪ Chairman, International Tanker Shipping Company TEN (Tsakos Energy Navigation) Limited (NYSE Listed) ▪ Member, International Advisory Board of Tufts University, Medford, Boston, MA ▪ Member of Business Advisory Board, MBA program of the Athens University of Economics and Business ▪ Chairman, Bank of Cyprus 	27-May-15	More than 20 years
Dr. Gyorgy Tamas Ladics	Independent Director	BS0747198	NO 27 SPG 716 KG Salambigar, Jalan	<ul style="list-style-type: none"> ▪ COO, Bank Islam Brunei Darussalam 	27-May-18	11 years

			Muara, Bandar Seri Begawan, Brunei Darussalam BC1515	<ul style="list-style-type: none"> International Director, Fajr Capital (private equity) in Dubai 		
Dr. Ayesha Khan	Independent Director	42301-2166275-2	House 27; Street 22; Off Khayaban e Tanzeem, DHA, Karachi	<ul style="list-style-type: none"> CEO and Pakistan Country Director, Acumen Pakistan Director, NRSP Microfinance Bank Director Nasra Public Schools 	27-May-18	6 years
Khalid Qurashi	Independent Director	UK-554492949	Villa 4, Al Ashram Villas Yamoor Street, Umm Suqueim 1 Dubai, UAE	<ul style="list-style-type: none"> Q- Power Corporation KayTee Holdings Ltd. Pitlochry Associates DMCC Member of investment committee, SIDRA Capital, Saudi Arabia 	Co-opted on 14-May-2020 (he was associated with the Bank from 27-May-2015 to 26-Feb-2018 and from 14-May-2020 to date)	More than 11 years
0000Atif Aslam Bajwa	CEO/Executive Director	35200-1562060-5	A-1 Zamzama Link Road Naval Housing Society Clifton Karachi	<ul style="list-style-type: none"> Alfalah Insurance Company Limited Punjab Board of Investment and Trade Sarmaya e Pakistan PIA Investments Limited and its subsidiaries, namely Roosevelt Hotel Corporation N.V., Minhal France S.A & Avant Hotels (Pvt.) Ltd 	Co-opted on 19-Feb-2020 (he was associated with the Bank from 25-Oct-2011 to 15-Jul-2017 and from 19-Feb-2020 to date)	More than 20 years

Profile 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 UAE Cabinet Member and Minister of State for Tolerance. Prior to his current responsibility, he served as Minister of Culture and Knowledge Development; Culture, Youth, and Social Development and Minister of Higher Education and Scientific Research.

Besides his ministerial responsibilities, he has been playing a leading and distinguished part in the education sector through owning substantial business advancements, focusing on the role of education in achieving development, progress and scientific research.

His Highness owns substantial business interests, hotels and other investments in UAE, Pakistan, Africa, US and Central Asia. His Highness also holds various offices as Chairman and Director at boards and trusts along with patronship of various local and foreign organizations and affiliates. His direct and indirect business interest spread throughout various industry sectors such as banking, telecom, insurance, hospitality, healthcare, construction, project financing and investment management.

Moreover, he supports many charitable institutions and devotes special attention to the disabled children as the Honorary President of Abu Dhabi Future Rehabilitation Center, formerly known as Future Center for Special Needs. His Highness is also recipient of Pakistan's highest civilian award, the 'Hilal-e-Pakistan', which was conferred upon him in 2005 for his contribution to the economic growth of Pakistan. His Highness received his education from the British Midfield School until the high secondary level before joining Magdalen College at Oxford University, UK.

Abdulla Nasser Hawaileel Al Mansoori

Abdulla Nasser Hawaileel Al Mansoori is a prominent businessman of Abu Dhabi, UAE. He is Chairman of Al Nasser Holdings and Group Companies. He was also Director of the National Investor, Abu Dhabi, UAE.

In the past, Hawaileel Al Mansoori was Director of United Arab Bank, Water & Electricity Department of Abu Dhabi, Director of Projects, ADNOC, General Industries Corporation, Abu Dhabi, and Director General and Vice Chairman of General Industrial Corporation, Abu Dhabi.

In addition, he held other Board positions and Chairmanship of Abu Dhabi Ship Building Co., PJSC. He was also a nominated member of Federal National Council. Abdulla Nasser Hawaileel holds a B.Sc. (Hons.) degree in Electrical Engineering from Swansea University, UK.

Mr. Abdulla Khalil Al Mutawa

Abdulla Khalil Al Mutawa is the General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahayan. He is also Director of the Abu Dhabi Commercial Bank Ltd, and Chairman of Makhazen Investment Company in Abu Dhabi.

Abdulla Khalil Al Mutawa is a non-Executive Member of the Board of EFG Hermes Holding, S.A.E. and Abu Dhabi National Hotels Company. Abdulla Khalil Al Mutawa holds a B.Sc. degree in Business Administration from the University of North Carolina, USA.

Mr. Khalid Mana Saeed Al Otaiba

Khalid Mana Saeed Al Otaiba is the Office Manager of His Excellency Dr. Mana Saeed Al Otaiba (Personal Advisor to His Highness, the President of UAE). He is also Deputy Chairman of Al Otaiba Group of Companies.

Khalid Mana is Director of Alfalah Insurance Company Limited, Pakistan and EFG Hermes Holding, S.A.E. He is also Chairman of Liwa International Investment Tourism and Royal Mirage Hotel & Resort Ltd, Morocco. He is also Director of Ghantout International.

Khalid Mana Saeed Al Otaiba holds a Bachelor of Arts & Science degree in International Economics from Suffolk University of Massachusetts, Boston, USA

Mr. Efstratios Georgios Arapoglou

Efstathios Georgios Arapoglou is a Corporate Advisor, with an international executive career in corporate and investment banking, international capital markets, and in managing, restructuring and advising financial institutions. He has been CEO of Commercial Banking at EFG Hermes Holding, S.A.E. Group, operating in the Middle East and Africa (2010-2013).

Earlier, he was Chairman and CEO of the National Bank of Greece Group (2004-2009), Chairman of the Hellenic Banks Association (2005-2009), and Managing Director and Global Head of the Banks and Securities Industry for Citigroup (1999-2004). He has served on several boards of publicly listed companies in Europe, the Middle East and Africa, as well as on boards of educational foundations, including the Institute of Corporate Culture Affairs in Frankfurt as Chairman.

He is currently holding the following non-executive board positions: Chairman of Tsakos Energy Navigation (TEN) Ltd., listed in the NYSE; Chairman of Titan Cement SA, listed in the Athens SE; board member of EFG Hermes Holding, S.A.E., listed in Cairo and the London SE, board member of Bank of Cyprus and board member of Bank Alfalah Ltd., listed in Pakistan, representing the International Finance Corporation (IFC). He is a member of the International Advisory Board of Tufts University in Boston, MA, and a member of the Business Advisory Board for the International MBA program of Athens University of Economics and Business.

He has degrees in Mathematics, Naval Architecture & Ocean Engineering and Management from Greek and British Universities.

Mr. Khalid Qurashi

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

Dr. Gyorgy Tamas Ladics

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

In the past, he has worked as Chief Technology Officer with Barclays Bank, Emerging Market, Regional Technology Office, Dubai, Chief Operating Officer, Prague, Citibank Central Europe Cluster, Head of Operations Citibank Hungary, Budapest etc. Dr. Gyorgy holds Doctorate Degree in Economics and Master's Degree in Electrical Engineering and Informatics from

Budapest University of Technology and Economics. He also has qualifications on Foreign Trade – Advance Business Administration and Advanced Banking Financial Management Program.

Dr. Ayesha Khan

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

Mr. Atif Bajwa – Director and CEO

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

Profile of Management**Syed Ali Sultan – Group Head Treasury and Capital Markets**

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

Anjum Hai – Chief Financial Officer

Anjum Hai joined Bank Alfalah as Chief Financial Officer in November 2017. She has over 25 years of work experience with financial institutions like Soneri Bank Limited, Citibank N. A. Pakistan, Faysal Bank Limited and A. F. Ferguson & Company. She is a Fellow Member of the Institute of Chartered Accountants of Pakistan as well as Fellow Member of Associated Chartered Certified Accountants and holds Accelerated Certificate in Company Direction from Institute of Directors, UK.

Muhammad Akram Sawleh – Company Secretary and Head of Legal and Corporate Affairs Group

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

He holds a LLB degree from University Law College, Punjab University, Lahore.

Bilal Asghar – Group Head Corporate, Investment Banking and International Business

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

Mehreen Ahmed – Group Retail Banking

Mehreen Ahmed is currently heading the Retail Banking Group of Bank Alfalah. She joined Bank Alfalah in April 2012 as Group Head Consumer Business and New Initiatives.

She carries 31 years of banking and non-banking experience with financial institutions like Soneri Bank, MCB Bank and Standard Chartered Bank. She holds an MBA degree in Finance and Marketing from the Institute of Business Administration (IBA).

Muhammad Yahya Khan – Group Head Digital Banking

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

Dr. Muhammad Imran – Group Head Islamic Banking

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

Hafsa Abbasy – Group Head of Human Resources and Learning Group

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

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

Aasim Wajid joined Bank Alfalah as Head Strategy in June 2013. Prior to this, he served various senior and leading positions in institutions like United Bank Limited, Associated Industries Garments Pakistan Pvt. Limited, Ernst & Young LLP (London), Deloitte & Touche LLP (London), RSM Robson Rhodes LLP, Chartered Accountants (London) and Blick Rothenberg, Chartered Accountants (London).

He is a Fellow Chartered Accountant and holds a Bachelor of Science degree from London School of Economics.

Khawaja Muhammad Ahmad – Group Head Operations and Corporate Services

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

Mohib Hasan Khan – Chief Information Officer

Mohib Hasan Khan joined Bank Alfalah as Chief Information Officer in January 2016. He holds over 26 years of rich experience in information technology, including with financial institutions like Habib Bank Limited and Bank Al Habib Limited along with international work experience of handling IT affairs globally in 28 countries.

He holds a Bachelor of Engineering in Computer Systems and an MS degree in Electrical Engineering from NED University.

Haroon Khalid – Group Head Compliance and Control

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

Tahir Khurshid – Group Head Audit and Inspection

Tahir Khurshid is currently heading the Audit and Inspection Division of Bank Alfalah. He has over 23 years of experience. Prior to joining Bank Alfalah in August 2002, he worked at MCB Bank Limited and Ford Rhodes Robson Morrow.

He holds an M.Com. degree from the University of Lahore and done his MBA (Finance) from American International University

Zahid Anjum – Group Head Special Assets Management Group

Zahid Anjum joined Bank Alfalah in August 2018. Zahid has over 26 years of diversified experience with leading commercial banks; his main area of expertise being management of special assets, credit management and structuring, and relationship management.

Prior to joining Bank Alfalah, Zahid was associated with Faysal Bank Limited as Head Special Assets Management and Government Relations. He holds a Master's degree in Business Administration and Law from Punjab University, Lahore.

Faisal Rabbani – Chief Risk Officer

Faisal Rabbani joined Bank Alfalah in November 2018. Faisal has over 26 years of extensive banking experience with renowned financial institutions like Abu Dhabi Islamic Bank (UAE), Noor Bank (UAE), Commercial Banking Group (UAE) and Citibank Pakistan. He has been heading credits, risk management, commercial banking, trade finance and cash management products. Faisal holds a Master's degree in Business Administration from IBA, Karachi.

8.2 ELECTION OF DIRECTORS

The Directors of the Bank are elected for a term of 03 years in accordance with the procedure laid down in section 159 of the Companies Act, 2017 and Banking Companies Ordinance, 1962.

The Directors shall comply with the provisions of Sections 154 to 159 and Sections 161 and 167 of the Companies Act, 2017 relating to the election of Directors and matters ancillary thereto.

Subject to the provisions of the Companies Act, 2017 and Banking Companies Ordinance, 1962, the Bank may from time to time increase or decrease the number of Directors.

Any casual vacancy occurring on the Board of Directors may be filled up by the Directors, but the person so appointed shall be subject to retirement at the same time as if he / she had become a Director on the day on which the Director in whose place he / she is chosen was last elected as Director.

A Director may be removed in accordance with the provisions of the Banking Companies Ordinance, 1962 and the Companies Act, 2017.

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

8.3 INTEREST OF DIRECTORS AND THEIR SHAREHOLDING

The directors may deem to be interested to the extent of fees payable to them for attending Board meetings. The Director performing whole time services in the Bank may also be deemed interested in the remuneration payable to them by the Bank.

The shareholdings of the Board of Directors as of September 30, 2020 in the Bank is as disclosed below:

Name of Director	No. of Shares Held	% of Shareholding
H.H. Sheikh Nahayan Mabarak Al Nahayan	189,589,434	10.67%
Mr. Abdulla Nasser Hawaileel Al Mansoori	83,255,882	4.68%
Mr. Abdulla Khalil Al Mutawa	12,464	0.00070%
Mr. Khalid Mana Saeed Al Otaiba	74,202	0.00418%
Mr. Atif Aslam Bajwa	1,023,550	0.05759%
Mr. Efstratios Georgios Arapoglou	550	0.00003%
Mr. Khalid Qurashi	500	0.00003%
Dr. Ayesha Khan	550	0.00003%
Dr. Gyorgy Tamas Ladics	550	0.00003%
Total	273,957,682	15.42%

8.4 BOARD AUDIT COMMITTEE

The Board Audit Committee supervises the internal audit function of the Bank and comprises of the following members:

1. Mr. Khalid Qurashi, Chairman
2. Mr. Abdulla Khalil Al Mutawa, Member
3. Mr. Khalid Mana Saeed Al Otaiba, Member
4. Mr. Efstratios Georgios Arapoglou, Member
5. Dr. Ayesha Khan, Member

8.5 BOARD HUMAN RESOURCE, REMUNERATION & NOMINATION COMMITTEE

The Board Human Resource, Remuneration and Nomination Committee comprises the following members

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

8.6 NUMBER OF DIRECTORS

Pursuant to Section 154 of the Companies Act, 2017, a listed Company shall not have less than seven (7) directors. At present, the Board consists of nine (9) directors, including the Chief Executive Officer.

8.7 QUALIFICATION OF DIRECTORS

No person shall be appointed as a Director of the Bank who is ineligible to be appointed as Director on any one or more of the grounds enumerated in Section 153 of the Companies Act or any other law for the time being in force.

8.8 REMUNERATION OF DIRECTORS

As per regulatory requirement, the Bank has formulated "Remuneration Policy for Directors" which has been unanimously approved by the shareholders of the Bank in the 28th Annual General Meeting held on 27th March 2020. The remuneration is paid to the non-executive directors of the bank for every meeting of the Board and its Committees attended by them.

Remuneration paid to all directors for participation in Board and Board Committees meetings for CY2019 are as follows:

Meeting Fees Paid for Board and Board Committee Meetings	
PKR ('000)	
Board Meetings	46,654
Board Audit Committee	36,839
Board Compensation Committee	10,583
Board Human Resources & Nomination Committee	30,328
Board Information Technology Committee	20,455
Board Risk Management Committee	29,692
Board Strategy & Finance Committee	29,692
Total	204,243

8.9 AMOUNT OF BENEFITS TO SPONSOR SHAREHOLDER AND DIRECTORS DURING THE LAST THREE YEARS

No amount of benefits has been paid or given during the last three years or is intended to be paid or given to any sponsor shareholders or to any officer of the Bank other than dividends on their shareholdings and as remuneration for services rendered as whole-time executives of the Bank or as meeting fee for attending Directors Committee meetings to nonexecutive directors as per the approved scale of fee.

8.10 POWER OF DIRECTORS

The Board of Director may exercise all such powers for the Bank in accordance with the Companies Act, 2017 or the Articles of Association of the Bank or by a special resolution.

8.11 BORROWING POWERS OF DIRECTORS

Pursuant to Article 30 of the Articles of Association, the directors may, from time to time at their discretion, raise or borrow or secure the payment of, any sum or sums of money or make any arrangement for finance for the purposes of the bank.

The conditions on which the money may be borrowed are provided under clause 31 of the Articles of Association of the Bank.

Furthermore, it is pertinent to point out that since the promulgation of the Companies Act, 2017 directors now are deemed to have borrowing powers whether the same are stated or not stated in the Memorandum & Articles of Association; Section 30 of the Companies Act, 2017 provides:

"Notwithstanding anything contained in this Act or in any other law for the time being in force or the memorandum and articles, the memorandum and articles of a company shall be deemed to include and always to have included the power to

enter into any arrangement for obtaining loans, advances, finances or credit, as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and to issue other securities not based on interest for raising resources from a scheduled bank, a financial institution or general public."

8.12 INDEMNITY AVAILABLE TO DIRECTORS AND OTHER EMPLOYEES OF THE BANK

In this regard, Articles 127 and 128 of the Articles of Association state as follow, which are self-explanatory:

"127. Every officer or agent for the time being of the Bank may be indemnified out of the assets of the Bank against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of his dealings in relation to the affairs of the Bank, except those brought by the Bank against him in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 488 of the Companies Ordinance in which relief is granted to him by the court."

Section 488 of the Companies Ordinance, 1984 is now Section 492 of the Companies Act, 2017, which effectively provides power to Court to grant relief to any such directors and officers where the same have been held liable for any negligence, default, breach of duty or trust.

"128. Subject to the provisions of Section 194 of the Companies Ordinance, every Director, manager, auditor, secretary and other officer or servant of the Bank shall be indemnified by the Bank against all costs, actions, charges, losses, damages and expenses which they or any of them may incur or sustain and it shall be the duty of the Directors out of the funds of the Bank to pay all costs, losses and expenses which any such Officer or servant may incur or become liable by reason of any contract entered into, or act or thing done by him as such officer or servant or in any way in the discharge of his duties and the amount for which such indemnity is provided shall immediately attach as between the members over all other claims and no Director, auditor or other Officer of the Bank shall be liable for the acts, receipts, neglects or defaults of any other Director or Officer, or for joining in any receipt or other act for conformity, including or for any loss or expense happening to the Bank through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Bank or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Bank shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person with whom any moneys securities or effects shall be deposited or for any loss occasioned by any error of judgment, or omission, default or oversight on his part or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of the duties of his Office or in relation thereto, unless the same happens through his own dishonesty."

Section 194 of the Companies Ordinance, 1984 is now Section 180 of the Companies Act, 2017, which provides the general limitations of indemnity provisions as stated above.

8.13 CORPORATE GOVERNANCE

The Bank is compliant with all the rules and regulations applicable to the Bank with regards to the Listed Companies (Code of Corporate Governance) Regulation, 2019.

8.14 THE BANK MAKES ALL OUT EFFORTS TO COMPLY WITH THE APPLICABLE RULES AND REGULATIONS INTER ALIA INCLUDING LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATION, 2019. FURTHER, STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 FOR THE YEAR ENDED DECEMBER 30, 2019 IS MENTIONED IN THE ANNUAL REPORT OF THE BANK.

PART IX**9 LEGAL PROCEEDINGS AND OVERDUE LOAN**

9.1 LEGAL PROCEEDINGS

There are no pending legal proceedings other than the ordinary routine litigation incidental to banking business.

9.2 OVERDUE LOANS & CONTINGENCIES

The Bank, its Chief Executive, sponsor, directors and associated group companies over which the Bank has control have no overdue loan (local and/or foreign).

9.3 DETAILS OF OVERDUE AMOUNT

There are no overdue balances to any financial institutions established in Pakistan appearing in the Credit Information Bureau (CIB) report of the Issuer, its sponsors, substantial shareholders, directors and associated group companies over which the Issuer has control.

PART X

10 UNDERWRITING ARRANGEMENT, COMMISSION, BROKERAGE AND OTHER EXPENSES**10.1 UNDERWRITING ARRANGEMENT**

The IPO portion for public issue for Tranche Series A is of PKR 2,000 million (inclusive of a Green Shoe Option of PKR 1,000 million). As per the PO Regulation, the base issue of PKR 1,000 million has been fully underwritten as follows:

S.No	Name of Underwriter	Number of TFCs	Amount (PKR)
1.	Alfalah CLSA Securities (Pvt.) Limited	100,000	500,000,000
2.	Arif Habib Limited	100,000	500,000,000
	Total	200,000	1,000,000,000

In the opinion of the Directors of the Bank, the resources of the Underwriters are sufficient to discharge their underwriting obligations.

10.2 UNDERWRITING EXPENSES

The underwriters will be paid an underwriting expense of [•] on the amount of the public issue underwritten by them. Further in case of take-up, a take-up commission of [•] of the take-up amount will be paid to the underwriters.

10.3 NO BUYBACK/REPURCHASE AGREEMENT

THE UNDERWRITERS NOR ANY OF THEIR ASSOCIATES HAVE ENTERED INTO ANY BUYBACK OR REPURCHASE AGREEMENT WITH THE SPONSORS, THE BANK OR ANY OTHER PERSON IN RESPECT OF THIS PUBLIC ISSUE.

ALSO, NEITHER THE BANK NOR ANY OF ITS ASSOCIATES HAVE ENTERED INTO ANY BUY BACK / REPURCHASE AGREEMENT WITH THE UNDERWRITERS OR THEIR ACCOCIATES.

THE BANK AND ITS ASSOCIATES SHALL NOT BUY BACK / RE-PURCHASE CERTIFICATES FROM THE UNDERWRITERS AND THEIR ASSOCIATES.

10.4 FEES AND EXPENSES FOR CENTRALISED E-IPO (CES) SYSTEM

The commission on application received through CES will be paid to CDC, which shall not be more than 0.8% of the amount of successful applications. CDC will share the fee with other participants of CES at a ratio agreed amongst them.

10.5 COMMISSION TO THE BANKERS TO THE ISSUE

A commission at the rate of 0.25% of the amount collected, in respect of successful applications will be paid to the Bankers to the Issue for services to be rendered by them in connection with the IPO.

10.6 BROKERAGE COMMISSION

Brokerage shall be paid to the TREC holders of PSX, at the rate of 0.4% of paid-up value of TFC actually sold through them.

10.7 EXPENSES TO THE ISSUE

The initial expenses of the issue paid or payable by the Bank inclusive of commission to the Bankers to the Issue and members of the PSX, etc. are estimated to be as follows:

Expenses to the Issue	Rate	Amount (PKR)
Commission to the Bankers to the Issue Including Out-of-Pocket Expenses	0.25%	5,350,000
CDC E-IPO Services ¹	0.8%	1,600,000
Underwriting Commission – General Public	[•]	[•]
Commission to the TREC Holders of PSX	0.4%	8,000,000
Consultant to the Issue Fee / Advisor and Arranger Fee ²	0.35%	39,000,000
Agent Fee	p.a.	3,000,000
Rating Fee		3,150,000
Transaction Legal Counsel		3,800,000
CDC Annual Fee for Eligible Security	p.a.	750,000
CDC Fresh Issue Fee		1,000,000
PSX Initial Listing Fee		3,000,000
SECP Processing Fee		100,000
SECP Supervisory Fee		300,000
Auditors Fee for Preparation of Various Certificates		1,000,000
Printing, Publication of Prospectus/Application Forms		6,000,000
Marketing		3,000,000
Balloter & Share Registrar Fee etc.		850,000
Miscellaneous Costs		4,000,000
Total		84,400,000

Notes:

- Stamp duty fee (if any) will be paid as per applicable law.
- All fees are excluding Sales Tax/FED

¹CDC E-IPO fee is 0.8% of the general portion. The actual cost is dependent on the subscriptions received through E-IPO

²Based on Series Tranche A base issue size of PKR 10,000 million

PART XI

11 MISCELLANEOUS INFORMATION**11.1 REGISTERED OFFICE/CORPORATE OFFICE**

Address: B.A. Building, I.I. Chundrigar Road

Tel: +92 (21) 32414030-10

Fax: +92 (21) 111 777 786

Website: <https://www.bankalfalah.com/>

11.2 BANKERS TO THE ISSUE FOR GENERAL PORTION

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Faysal Bank Limited

Habib Bank Limited

MCB Bank Limited

Soneri Bank Limited

11.3 AUDITORS OF THE BANK**EY Ford Rhodes, Chartered Accountants**

Progressive Plaza,

601, Beaumont Road, Civil Line, Karachi

Tel: +92 (21) 35650007

Fax: +92 (21) 35681965

Website: www.ey.com

11.4 LEGAL COUNSEL OF THE BANK**Mandviwalla & Zafar Advocates**

C-15, Block 2, Clifton, Karachi,

Pakistan

Tel: +92 (21) 35867041

Fax: +92 (21) 35860895

Website: <https://www.mandviwallaandzafar.com/>

11.5 LEGAL COUNSEL TO THE ISSUE**Mohsin Tayebaly & Company**

Dime Centre, Khayaban-e-Iqbal,

Block 9, Clifton, Karachi, Sindh

Tel: +92 (21) 111-682-529

Fax: +92 (21) 35870240

Website: <http://mtclaw.com.pk>

11.6 AGENT TO THE ISSUE

Pak Brunei Investment Company Limited

Horizon Vista, Commercial 10,
Block No. 4, Scheme No. 5, Clifton, Karachi.
Tel: (92-21) 35361215-19
Fax: (92-21) 35361213, 35370873
Website: www.pakbrunei.com.pk

11.7 JOINT LEAD MANAGERS & ARRANGERS/ CONSULTANTS TO THE ISSUE

Arif Habib Limited

Arif Habib Center
23, MT Khan Road, Karachi
Tel: +92 (21) 38899226
Fax: +92 (21) 32429653
Email: tooba.zafar@arifhabibltd.com
Website: www.arifhabibltd.com

Alfalah CLSA Securities Private Limited

Bahria Complex III
MT Khan Road, Karachi
Tel: +92 (21) 35645090-5
Fax: +92 (21) 35645096
Email: lmran.sherani@alfalahclsa.com
Website: www.alfalahclsa.com

11.8 COMPUTER BALLOTTER AND SHARES REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi
Tel: +92 (21) 111 111 500
Website: <http://cdcpakistan.com/>

11.9 CREDIT RATING AGENCY

VIS Credit Rating Company Limited

VIS House, 128/C, 25th Lane, off Khayaban-e-Ittehad,
Phase VII, DHA, Karachi
Tel: +92-21-35311861-66
Fax: +92-21-35311873
Website: <http://jcrvis.com.pk/>

The Pakistan Credit Rating Agency Limited

FB1 Awami Complex, Usman Block
New Garden Town, Karachi
Tel: +92 (42) 3586 9504 - 6
Fax: +92 (42) 3583 0425
Website: <http://pacra.com/>

PART XII

12 MATERIAL CONTRACTS AND DOCUMENTS RELATED TO THE ISSUE

12.1 INVESTORS AGREEMENTS

S. No.	Pre-IPO Investors	Amount (PKR Mn)	Agreement Date
1	Adamjee Life Assurance Company Limited - IMF	75	16-11-2020
2	Adamjee Life Assurance Company Limited - NUIL	25	16-11-2020
3	Allied Bank Limited	500	12-11-2020
4	Allied Bank Limited Staff Provident Fund	100	17-11-2020
5	Askari Bank Limited	750	16-11-2020
6	Askari Bank Limited Employees Gratuity Fund	20	16-11-2020
7	Babar Ali Foundation	20	13-11-2020
8	Barrett Hodgson Pakistan (Pvt) Ltd Gratuity Fund	5	11-11-2020
9	Barrett Hodgson Pakistan (Pvt) Ltd Provident Fund	10	11-11-2020
10	Bata Pakistan Limited Employees Provident Fund	10	12-11-2020
11	Bulleh Shah Packaging Pvt. Ltd Employees Provident Fund	6	13-11-2020
12	Bulleh Shah Packaging Pvt. Ltd Management Staff Pension Fund	14	13-11-2020
13	CDC Trustee Punjab Pension Fund Trust	100	11-11-2020
14	CDC Trustee UBL Asset Allocation Fund	45	13-11-2020
15	CDC Trustee UBL Growth & Income Fund	27	13-11-2020
16	CDC Trustee UBL Income Opportunity Fund	35	13-11-2020
17	CDCPL Employees Gratuity Fund	75	17-11-2020
18	CSAP Staff Benevolent Fund	10	13-11-2020
19	EFU life Assurance Limited	500	13-11-2020
20	Fauji Fertilizer Company Limited	200	16-11-2020
21	FINCA Microfinance Bank Limited - Employee Provident Fund	100	13-11-2020
22	Habib Bank Limited (HBL Pakistan)	1,000	11-11-2020
23	HBL Income Fund	38	18-11-2020
24	HBL Pension Fund Debt Sub Fund	12	18-11-2020
25	IGI General Insurance Limited	100	13-11-2020
26	Institute of Business Management	50	17-11-2020
27	Interloop Holdings Private Limited	150	13-11-2020
28	JS Income Fund	100	12-11-2020
29	JS Pension Savings Fund Debt Sub Fund	14	12-11-2020
30	Jubilee Life Insurance Company Limited	500	16-11-2020
31	Karachi Golf Club	33	18-11-2020
32	Karandaaz Pakistan	500	18-11-2020
33	Lahore University of Management Sciences	100	12-11-2020

S. No.	Pre-IPO Investors	Amount (PKR Mn)	Agreement Date
34	Mari Petroleum Company Limited	1,000	17-11-2020
35	Muller & Phipps Pakistan (Private) Limited – Staff Provident Fund	20	12-11-2020
36	National Clearing Company of Pakistan Limited	100	12-11-2020
37	National Management Foundation	335	16-11-2020
38	ORIX Leasing Pakistan Limited – Employees Provident Fund	15	11-11-2020
39	ORIX Leasing Pakistan Limited – Staff Gratuity Fund	6	11-11-2020
40	Packages Limited Management Staff Pension Fund	25	13-11-2020
41	Pak Brunei Investment Company Limited	150	13-11-2020
42	Pakistan Kuwait Investment Company (Private) Limited	250	13-11-2020
43	PSOCL Defined Contribution Pension Fund	100	16-11-2020
44	PSOCL Employees Gratuity Fund	200	16-11-2020
45	PSOCL Management Employees Pension Fund	110	16-11-2020
46	PSOCL Workmen Staff Pension Fund	110	16-11-2020
47	Samba Bank Limited	250	16-11-2020
48	Soneri Bank Employees Provident Fund Scheme	25	12-11-2020
49	Soneri Bank Limited	250	12-11-2020
50	Soneri Bank Limited Employees Gratuity Fund	10	12-11-2020
51	The Aga Khan University Employees Gratuity Fund	50	13-11-2020
52	The Aga Khan University Employees Provident Fund	100	13-11-2020
53	The Bank of Khyber	250	12-11-2020
54	The Citizens Foundation	250	12-11-2020
55	Trustees Anwar Khawaja Ind (Pvt) Ltd Employees Provident Fund	10	12-11-2020
56	Trustees Crescent Steel and Allied Products Limited G.F (Gratuity Fund)	15	13-11-2020
57	Trustees Crescent Steel and Allied Products Limited-Pension Fund	15	13-11-2020
58	Unit Trust of Pakistan	30	12-11-2020
59	US Mission FSN staff Provident Fund	100	17-11-2020
		9,000	

12.2 LONG TERM FINANCING AGREEMENT

Term Finance Certificates – Additional Tier I – Quoted, Unsecured	
Issue Amount	PKR 7,000,000,000
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

12.3 OTHER MATERIAL DOCUMENTS

S. No.	Description	Date
1.	TFC Issuance Agreement	09-11-2020
2.	Letter of Lien	09-11-2020

12.4 INSPECTION OF DOCUMENTS AND AGREEMENTS

All the Balance Sheets and Profit & Loss Accounts, Copies of the Memorandum and the Articles of Association, the Auditor's Certificates, Trust Deeds, Letter of Lien, the Credit Rating Report by VIS Credit Rating Agency and The Pakistan Credit Rating Agency Limited, Clearance letter from PSX and the approval letter from Securities & Exchange Commission of Pakistan, and the copies of agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Bank from the date of publication of this Prospectus until the closing of the Subscription Period.

12.5 MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which the Bank was incorporated and the business which the Company is authorized to undertake. A copy of the Memorandum of Association is annexed to this Prospectus and with every issue of the Prospectus except the one that is released in newspapers as advertisement.

12.6 FINANCIAL YEAR OF THE COMPANY

The financial year of the Bank commences on January 1st and ends on December 31st.

PART XIII

13 APPLICATION AND ALLOTMENT INSTRUCTION**13.1 ELIGIBLE INVESTORS INCLUDE:**

1. Pakistani citizens' resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
2. Foreign nationals whether living in or outside Pakistan;
3. Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
4. Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the TFC Issuance Agreement and existing regulations); and
5. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan

13.2 OPENING AND CLOSING OF THE SUBSCRIPTION PERIOD

The Public Subscription Period for Series A Term Finance Certificates will start on **DD/MM/2020 and end on DD/MM/2020** (both days inclusive) during banking hours for investors submitting physical applications with Bankers to the Issue and 24 hours for investors opting E-IPO services

13.3 COPIES OF PROSPECTUS

Copies of the Prospectus and Application Forms can be obtained from the Trading Rights Entitlement Certificate (TREC) holders of Pakistan Stock Exchange Limited, the Bankers to the Issue and their branches, the Consultant to the Issue and the registered office of the Bank. The Prospectus and the Application Forms can also be downloaded from the website: <http://www.bankalfalah.com>, www.arifhabiblttd.com, <https://www.alfalahclsa.com/> & <https://eipo.cdcaccess.com.pk/public/index.xhtml>

The Applicants are required to complete the relevant sections of the application to get the TFC in scrip-less form. In accordance with provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such TFC is allowed ONLY in the applicant's own CDC Account OR in CDC's IPO Facilitation Account. (IPO Facilitation Account is an Investor Account opened by CDC under its Regulations for the purpose of crediting and holding of Securities on behalf of individual Pakistani investors who have subscribed to such Securities offered by an Issuer/Offeror).

13.4 NAME(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH, AND SHOULD NOT BE ABBREVIATED.**13.5 ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THAT RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANIS (NICOP) OR PASSPORT BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.****13.6 APPLICATIONS MADE BY INDIVIDUAL INVESTORS**

1. In case of individual investors, a photocopy of the CNIC (in case of resident Pakistanis)/NICOP or Passport (in case of non-resident Pakistanis) as the case may be, should be enclosed and the number of CNIC/NICOP/Passport should be written against the name of the applicant.

2. Original CNIC/NICOP/Passport, along with a photocopy, must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting an application. The photocopy will, after verification, be retained by the branch along with the application.

13.7 APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

1. Applications made by companies, corporate bodies, mutual funds, provident/pension/gratuity funds/trusts and other legal entities must be accompanied by a photocopy of their memorandum and articles of association or equivalent instrument/document. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.
2. Photocopies of the documents mentioned in paragraph 13.7(1) above must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The copies, will after verification, be retained by the bank branch along with the application.

13.8 ADDITIONAL INSTRUCTIONS FOR INVESTORS

1. Only one application will be accepted against each account, however, in case of joint accounts, one application may be submitted in the name of each joint account holder.
2. Joint application in name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit copies of their CNICs/NICOP/Passports. The securities will be credited to the CDS account mentioned on the face of the form OR in CDC's IPO Facilitation Account and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit, or return. Please note that application will be considered as a single application for the purpose of allotment of securities.
3. Subscription money must be paid by cheque drawn on applicant's own bank account or pay order/bank draft payable to one of the Bankers to the Issue in favor of **"BAFL TFC Subscription Account"** and crossed **"A/C PAYEE ONLY"**.
4. For the application made through pay order/bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order/bank draft individually for each application.
5. The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of securities.
6. Applications are not to be made by minors and/or persons of unsound mind.
7. Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
8. Applicants should retain the bottom portion of their application forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of securities for which the application has been made.
9. Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.

10. Banker to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.
11. It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
12. Submission of false and fictitious applications is prohibited and such Application Money may be forfeited under section 87(8) of Securities Act, 2015.
13. عوام الناس کو مطلع کیا جاتا ہے کہ سیکورٹیز ایکٹ 2015 کی شق نمبر (7) 87 کے تحت جھوٹی یا جعلی درخواستیں دینا قانوناً ناجرم ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سیکورٹیز ایکٹ 2015 کی شق نمبر (8) 87 کے تحت ضبط کی جاسکتی ہے۔

13.9 ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS

- a) In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.
- b) Foreign/non-resident investors should follow the payment instructions given in para 13.12 of this Prospectus.

13.10 E-IPO SYSTEM

E-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of E-IPO. The following system is available for E-IPO:

i. Centralized e-IPO Systems

In order to facilitate investors, the Central Depository Company of Pakistan ("CDC") in collaboration with 1LINK (Private) Limited (1LINK) has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered to the general public can be made electronically/online. CES has been made available in this Initial Public Offering (IPO) and can be accessed through the web link <https://eservices.cdcaccess.com.pk>. Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above-mentioned website.

For making application through CES, investors must be registered with CES. Registration with CES is a one-time activity, free of cost and can be done under a self-registration process by filling the CES registration form, which is available 24/7 all-round the year. Investors who have valid Computerized National Identity Card (CNIC), International Bank Account Number (IBAN) with any of the commercial bank, email address, mobile phone number and CDS Account (Investor account or sub account) can register themselves with CES.

In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) will request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities of a specific company by authorizing (adding the details of) their respective Participant(s) in CES.

Consequently, authorized Participants will electronically subscribe on behalf of their sub-account holder(s) in securities offered through Initial Public Offerings (IPOs) and will also be able to make payment against such electronic subscriptions through all the available channels mentioned on CES only after receiving the subscription amount from the sub-account holder(s). To enable this feature, the CDS Participant may request CDC to activate his ID on the CES portal.

The securities will be credited directly in Investors' sub-account. In case the sub-account of the investor has been blocked or closed, after the subscription, then securities shall be parked into the CDC's IPO Facilitation Account and investor can contact CDC for credit of securities in its respective account.

Investors who do not have CDS account can visit www.cdcpakistan.com for information regarding opening CDS account. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or Mr. Farooq Ahmed Butt at Phone 111-111-500 and email: farooq_butt@cdcpak.com. Investors who are registered with CES can submit their applications through the web link www.cdceipo.com 24 hours a day during the subscription period which will close at midnight on August 20, 2020.

13.11 BENEFITS OF E-IPO

E-IPO has the following benefits:

1. It enables the investors to make application for subscription of TFC through the internet without going to the bank and waiting in long queues.
2. It is efficient and simultaneously facilitative for both the Issuer and the investors.
3. It is available for use 24 hours during the subscription period.
4. If you are registered with CES or account holder of a bank providing e-IPO facility, you may get SMS for new IPOs.
5. By applying through CES, you can also track your application status.

13.12 INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS

1. Companies are permitted under paragraph 6 (with specific reference to sub para (B) (I)) of Chapter 20 of the State Bank of Pakistan's ("SBP") Foreign Exchange Manual (the "Manual") to issue TFC on repatriation basis to non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual, i.e. (I) A Pakistan national resident outside Pakistan, (II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan; (III) A foreign national, whether living in or outside Pakistan; and (IV) A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government, provided the Issue price, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan.
2. Non-residents who wish to subscribe TFC out of the general public portion may contact any of the Bankers to the Issue (retail portion) for taking instructions regarding payment of subscription money against TFCs offered to general public/retail investors. List of Bankers to the Issue for retail portion is available on page 1, summary of the Issue, para 11.2 and para 13.17 of this Prospectus.
3. The TFCs issued to non-resident investors shall be intimated by the Bank to the designated Authorized Dealer, along with the documents prescribed in the Manual within 30 days of issue.
4. Non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual do not require SBP's approval to invest in the TFCs being issued in terms of this Prospectus. Furthermore, under paragraph 7 (vii) of Chapter 20 of the Manual the Authorized Dealer shall allow repatriation of profit, net of applicable taxes and proceeds on sale of listed

TFCs (i.e. divestment proceeds) not exceeding the market value less brokerage/commission on provision of prescribed documents.

5. Payments made by non-residents shall be supported by proof of receipt of foreign currency through normal banking channels. Such proof shall be submitted along with the Application by the non-residents.
6. In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.

13.13 MINIMUM SUBSCRIPTION AMOUNT AND BASIS OF ALLOTMENT

The basis and conditions of transfer of TFC to the General Public shall be as follows:

1. The Public Subscription Period for Series A TFC will start on **DD/MM/2020 and end on DD/MM/2020** (both days inclusive) during banking hours for investors submitting physical applications with Bankers to the Issue and 24 hours for investors opting E-IPO services
2. Minimum subscription of at least 1 TFC Certificate of PKR 5,000 will be applicable; whereas the upper limit on the maximum subscription by one investor shall be the total IPO Portion i.e. PKR 2,000 million (inclusive of green shoe option of PKR 1,000 million)
3. Application for subscription must be made for PKR 5,000/- or in multiple thereof only. Applications, which are neither for PKR 5,000/- TFC nor for multiple thereof, shall be rejected.
4. BAFL is offering IPO portion of PKR 2,000 million (inclusive of a Green Shoe Option of PKR 1,000 million) of its Series A TFC Issue of up to PKR 11,000 million (inclusive of Green Shoe option of PKR 1,000 million) through appointing seven banks as Bankers to the Issue (BTIs) along with CDC E-IPO.
5. **Allotment/Transfer of TFCs to successful applicants shall be made in accordance with the allotment criteria/instructions disclosed in the Prospectus.**
 - i. If the TFCs to be issued to the general public are sufficient for the purpose, all applications shall be accommodated.
 - ii. If the issue is oversubscribed in terms of amount, then all applications shall be accommodated initially for TFCs of face value of PKR 5,000/- each and the balance TFCs shall be allotted on pro-rata basis to all applicants who applied for TFCs in multiple of PKR. 5,000/-.
 - iii. If the issue is over-subscribed in terms of number of applications and the amount, the TFCs shall be allotted through computer balloting in the presence of representatives of PSX.
6. The allotment of TFCs shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.

7. Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are therefore required to fill in all data fields in the Application Form.
8. The Bank will credit the respective CDS accounts of the successful applicants.

13.14 REFUND OF MONEY TO UNSUCCESSFUL APPLICANTS

BAFL shall take a decision within ten (10) working days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications as required under Chapter VII Regulation No. 13(8) of the Public Offering Regulations, 2017.

As per sub-section (2) of Section 68 of the Companies Act, 2017, if a refund is not made within the time specified therein, the Directors of the Company shall be jointly and severally liable to repay the money with surcharge at the rate of 2.00%, for every month or part thereof from the expiration of the 15th day and, in addition, shall be liable to a penalty of level 3 on the standard scale.

13.15 ISSUE AND CREDIT OF TFC CERTIFICATES

BAFL shall credit TFC to the successful allottees within 10 working days of closure of public subscription in compliance with the requirements of the Public Offering regulations, 2017. TFC will be issued only in the Book-Entry Form through credit in their CDS Accounts. The applicants, therefore, must provide their CDS Account Number (Investor Account Number or Sub-Account Number) in the TFC Subscription Form.

The TFC issued shall be subject to the terms & conditions for the issuance of the TFC specified in the TFC Issuance Agreement dated November, 9th 2020.

If the Bank defaults on complying with the requirements of the Listing Regulations, it will pay to PSX a penalty of PKR 5,000/- per day during which the default continues. PSX may also notify the fact of such default and the name of the Bank by notice and also by publication, in the Daily Quotations.

The surcharge mechanism has been mentioned here in order to ensure regulatory compliance.

13.16 TRANSFER OF TFC

The TFC will be inducted into the CDC, transfer shall be made in accordance with the Central Depository Act, 1997 and CDC Regulations.

13.17 LIST OF BANKERS TO THE ISSUE

Code	Name of Bank
01	Allied Bank Limited
02	Askari Bank Limited
03	Bank Alfalah Limited
04	Faysal Bank Limited
05	Habib Bank Limited
06	MCB Bank Limited
07	Soneri Bank Limited

13.18 CODE OF OCCUPATION OF INVESTORS/APPLICANTS

Code	Occupation
01	Business
02	Business Executive
03	Service
04	Housewife
05	Household
06	Professional
07	Student
08	Agriculturist
09	Industrialist
10	Other

13.19 NATIONALITY CODE

Code	Name of Country
001	U.S.A.
002	U.K.
003	U.A.E.
004	K.S.A.
005	Oman
006	Bangladesh
007	China
008	Bahrain
009	Other

13.20 DEDUCTION OF ZAKAT

Zakat is deductible in case of the TFC being held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trust Funds, etc., (subject to being qualified for non-deduction of Zakat under the Zakat and Ushr Ordinance, 1980). Zakat is withheld at 2.5% of the redeemed principal amount.

13.21 INCOME TAX

Any income derived from investment in TFC shall be subject to income tax as per the Income Tax Ordinance, 2001. Withholding tax, as specified in Part III Division IA of the First Schedule of the said ordinance shall be applicable.

13.22 DEDUCTION OF WITHHOLDING TAX

Profit paid to TFC Holders will be subject to withholding tax under section 151 of the Income Tax Ordinance, 2001 specified in Part III Division IA of the First Schedule of the said Ordinance or any time to time amendments therein. Rates of tax specified under Division IA are as follows:

1. For persons appearing in Active Tax payer List: 15.0%
2. For persons not appearing in Active Tax payer List: 30.0%

13.23 CAPITAL GAIN

Any capital gain derived from the sale of the TFC shall be subject to capital gain tax as per section 37A of the Income Tax Ordinance, 2001. Applicable capital gain tax rates are as follows:

1. For persons appearing in Active Tax payer List: 15.0%
2. For persons not appearing in Active Tax payer List: 30.0%

PART XIV

14 SIGNATORIES TO THE PROSPECTUS

S. No.	Name of Directors	Designation	Signature
1	Nahayan Mabarak Al Nahayan	Chairman/ Director	-sd-
2	Abdulla Nasser Hawaileel Al Mansoori	Director	-sd-
3	Abdulla Khalil Al Mutawa	Director	-sd-
4	Khalid Mana Saeed Al Otaiba	Director	-sd-
5	Efstratios Georgios Arapoglou	Director	-sd-
6	Dr. Gyorgy Tamas Ladics	Director	-sd-
7	Dr. Ayesha Khan	Director	-sd-
8	Khalid Qureshi	Director	-sd-
9	Atif Aslam Bajwa	President/ CEO and Director	-sd-

Witness 1:

-sd-

Name:

Designation:

CNIC:

Date:

Witness 2:

-sd-

Name:

Designation:

CNIC:

PART XV

15 MEMORANDUM OF ASSOCIATION

THE COMPANIES ORDINANCE 1984
COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

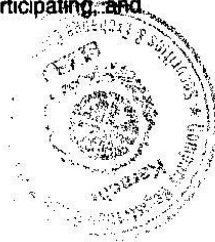
BANK ALFALAH LIMITED

- I. The name of the Company is BANK ALFALAH LIMITED.
- II. The Registered Office of the Company/Bank will be situated in Karachi in the Province of Sindh.
- III. The objects for which the Company/Bank is established are to carry on in Pakistan and all other parts of the world the business of a "banking company" as defined by Banking Companies Ordinance, 1962 or any amendment thereto or substitution thereof, and without prejudice to such generality, to accept, for the purposes of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise and particularly the following forms of business:-
 - i. The borrowing, raising or taking up of money, the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debenture certificates, scrips, participation term certificates, term finance certificates, musharika



certificates, modaraba certificates and such other instruments as may be approved by State Bank of Pakistan and other instruments, and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, travellers' cheques and circular notes; the buying, selling and dealing in bullion and species; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debentures Stock, Bonds, obligations, securities, participation term certificates, term finance certificates, Musharika certificates, Modaraba certificates and such other instruments as may be approved by the State Bank of Pakistan and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities, participation term certificates, term finance certificates, Musharika certificates, Modaraba certificates and such other instruments as may be approved by the State Bank of Pakistan on behalf of constituents or others the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit, or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities.

2. The providing of finance as defined in the Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997.
3. Acting as agents for any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a managing agent or treasurer of a company.
4. Acting as "Modaraba Company" under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.
5. Contracting for public and private loans and negotiating and issuing the same.
6. The effecting, insuring, guaranteeing, underwriting, participating, and



managing and carrying out of any issue, public or private, Government, Municipal or other loans or of shares, Stock, debentures, debentures stock or other securities of any company, corporation or association and the lending of money for the purpose of any such issue.

7. Carrying on and transacting every kind of guarantee and indemnity business.
8. Purchase or acquisition in the normal course of its banking business of any property, including commodities, patents, designs, trademarks and copyrights with or without buy back arrangements by the seller or for sale in the form of hire-purchase or on deferred-payment basis with mark-up or for leasing or licensing or for rent sharing or for any other mode of financing.
9. Managing, selling and realising any property which may come into the possession of the Bank in satisfaction or part satisfaction of any of its claims.
10. Acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form part of the security for any loans or advances or which may be connected with any such security.
11. Undertaking and executing trusts.
12. Undertaking the administration of estates as executor, trustee or otherwise.
13. Establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the Bank or the dependents or connections of such persons, granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object.
14. The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purpose of the Bank.



15. Selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account, or otherwise dealing with all or any part of the property and rights of the Bank.
 16. Acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in Section 7 of the Banking Companies Ordinance, 1962.
 17. Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Bank.
 18. Any other form of business which the Federal Government may by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage.
 19. The Company/Bank shall not form any subsidiary company except a subsidiary company formed for one or more of the purposes specified in Section 23 of the Banking Companies Ordinance, 1962 and subject to other restrictions as laid down in that section.
 20. To carry on, outside Pakistan and all other parts of the world, the business of a banking company and all or any of the businesses aforementioned in this Memorandum, including those incidental or allied thereto, and such other business as may be permitted by and in accordance with the laws and regulations applicable in such other parts of the world.
- (IV) The liability of the members is limited.
- (V) The Authorised Capital of the Company / Bank is Rs. 23,000,000,000/- divided into 2,300,000,000/= shares of Rs. 10/= each with the rights, privileges and conditions attaching thereto as are provided by the regulations of the Bank for the time being with power to increase the capital.



We, the several persons whose names, and addresses and descriptions are subscribed below, are desirous of being formed into a Company in pursuance of these Memorandum of Association and we respectively agree to take the number of shares in the Capital of the Company set opposite our respective names:-

Name and Surname (present & former) in full	Father's/Husband's Name	Occupation	Nationality	Residential Address in full	No. of Shares taken by each Subscriber	Signature
1. MR. MACBOOL A. SOOMRO	ABDUL REHMAN SOOMRO	Banker	Pakistani	17/1, Khayaban-e-Sohar, Phase-VI, Defence Housing Authority, Karachi.	1	
2. MR. FASIHUDDIN KHAN	SHAHZADA FEROUZUDDIN KHAN (LATE)	Banker	Pakistani	D-1, Marine Castle Apts. Bath Island, Clifton, Karachi.	1	
3. MR. M. SHAFI ARSHAD	MOHAMMAD SIDDIQUE	Banker	Pakistani	L-2, Marine Drive, Block VII, Clifton, Karachi.	1	
4. MR. S. IQBAL HUSSAIN	SYED ASHIQ HUSSAIN (LATE)	Banker	Pakistani	F-161/B, Kehkashan, Block VII, Clifton, Karachi.	1	
5. MR. MOHAMMAD SALEEM AKHTAR	SHAKH GHULAM HUSSAIN	Banker	Pakistani	87/1, Khayaban-e-Badshah, Phase-V, Defence Housing Authority, Karachi.	1	
6. MR. A. BASIR	ABDUL HAFEEZ	Banker	Pakistani	6-B, Sunset Boulevard, Defence Housing Authority, Karachi.	1	
7. MR. MOHAMMAD AFZAL	CH. GHULAM MOHAMMAD	Banker	Pakistani	D-8, 1st Glzi Lane, Defence Housing Authority, Karachi.	1	

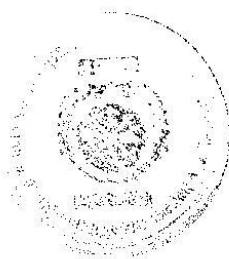
Witness to above signature :

(1) Mohammad Arif Zia
Senior Vice President
Law Division
HABIB BANK LIMITED

(2) Dhakam A. Hamid
Asst. Vice President
Law Division
HABIB BANK LIMITED

Dated:

Notified to be true copy
Deputy Registrar of Companies
15/5/14



16 APPLICATION FORM

Page 141 of 142

APPLICATION AND ALLOTMENT INSTRUCTIONS

1. **Eligible investors include:**
 - a) Pakistani citizens' resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
 - b) Foreign Nationals whether living in or outside Pakistan;
 - c) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
 - d) Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the TFC Issuance Agreement and existing regulations); and
 - e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.
2. **Copies of the Prospectus and Application Forms can be obtained from the Trading Rights Entitlement Certificate (TREC) holders of Pakistan Stock Exchange Limited, the Bankers to the Issue and their branches, the Consultant to the Issue and the registered office of the Company. The Prospectus and the Application Forms can also be downloaded from the website: <https://www.bankalfalah.com/>, www.arifhabibtd.com & <https://eipo.cdccaccess.com.pk/public/index.xhtml>**
The Applicants are required to complete the relevant sections of the application to get the Term Finance Certificate Tranche (Series A) in scrip-less form. In accordance with provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such TFC are allowed ONLY in the applicant's own CDC Account OR in CDC's IPO Facilitation Account. (IPO Facilitation Account is an Investor Account opened by CDC under its Regulations for the purpose of crediting and holding of Securities on behalf of individual Pakistani investors who have subscribed to such Securities offered by an Issuer/Offeror).
3. **NAME(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH, AND SHOULD NOT BE ABBREVIATED.**
4. **ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THAT RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANIS (NICOP) OR PASSPORT BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.**
5. **APPLICATIONS MADE BY INDIVIDUAL INVESTORS**
 - a) In case of individual investors, a photocopy of the CNIC (in case of resident Pakistanis) / NICOP or Passport (in case of non-resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / NICOP / Passport should be written against the name of the applicant.
 - b) Original CNIC / NICOP / Passport, along with a photocopy, must be produced for verification to the Banker to the issue and the applicant's banker (if different from the Banker to the issue) at the time of presenting an application. The photocopy will, after verification, be retained by the branch along with the application.
6. **APPLICATIONS MADE BY INSTITUTIONAL INVESTORS**
 - a) Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by a photocopy of their memorandum and articles of association or equivalent instrument / document. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.
 - b) Photocopies of the documents mentioned in paragraph 6(a) above must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the banker to the issue) at the time of presenting the application. The copies, will after verification, be retained by the bank branch along with the application.
7. **ADDITIONAL INSTRUCTIONS FOR INVESTORS**
 - a) Only one application will be accepted against each account, however, in case of joint accounts, one application may be submitted in the name of each joint account holder.
 - b) Joint application in name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit copies of their CNICs / NICOP / Passports. The securities will be credited to the CDS account mentioned on the face of the form [OR in CDC's IPO Facilitation Account] and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit, or return. Please note that application will be considered as a single application for the purpose of allotment of securities.
 - c) Subscription money must be paid by cheque drawn on applicants own bank account or pay order / bank draft payable to one of the Bankers to the Issue in favor of "BAFL TFC Subscription Account" and crossed "A/C PAYEE ONLY".
 - d) For the application made through pay order / bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.
 - e) The applicants should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of shares.
 - f) Applications are not to be made by minors and / or persons of unsound mind.
 - g) Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
 - h) Applicants should retain the bottom portion of their application forms as provisional acknowledgment of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of securities for which the application has been made.
 - i) Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
 - j) Banker to the issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the issue.
 - k) It would be permissible for a Banker to the issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
 - l) Submission of false and fictitious applications is prohibited and such Application Money may be forfeited under section 87(8) of Securities Act, 2015.
 - m)

عوام کو مطلع کیا جاتا ہے کہ سیکورٹیز ریگولیشن ایکٹ 2015 کی شق نمبر (7) 87 کے تحت رجسٹرڈ اور ایف ایچ سی کے تحت رجسٹرڈ بینکوں اور دیگر مالیاتی اداروں سے درخواست کرنا چاہیے۔ سیکورٹیز ریگولیشن ایکٹ 2015 کی شق نمبر (8) 87 کے تحت رجسٹرڈ بینکوں سے۔

8. **ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS**
 - a) In case of Foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.
 - b) Foreign / Non-resident investors should follow the payment instructions given in Para 13.1.2 of the Prospectus.
9. **MINIMUM SUBSCRIPTION AMOUNT AND BASIS OF ALLOTMENT**
 - a) The Public Subscription Period for Series A TFC will start on DD/MM/2020 and end on DD/MM/2020 (both days inclusive) during banking hours for investors submitting physical applications with Bankers to the Issue and 24 hours for investors opting E-IPO services.
 - b) Minimum subscription of at least 1 TFC Certificate of PKR 5,000 will be applicable; whereas the upper limit on the maximum subscription by one investor shall be the total IPO Portion i.e. PKR 2,000 million (inclusive of green shoe option of PKR 1,000 million).
 - c) Application for subscription must be made for PKR 5,000/- or in multiple thereof only. Applications, which are neither for PKR 5,000/- TFC nor for multiple thereof, shall be rejected.
 - d) BAFL is offering IPO portion of PKR 2,000 million (inclusive of a Green Shoe Option of PKR 1,000 million) of its Series A TFC Issue of up to PKR 11,000 million (inclusive of Green Shoe option of PKR 1,000 million) through appointing seven banks as Bankers to the Issue (BTIs) along with CDC E-IPO.
 - e) Allotment/Transfer of TFCs to successful applicants shall be made in accordance with the allotment criteria/instructions disclosed in the Prospectus.
 - i. If the TFCs to be issued to the general public are sufficient for the purpose, all applications shall be accommodated.
 - ii. If the issue is over-subscribed in terms of amount, then all applications shall be accommodated initially for TFCs of face value of PKR 5,000/- each and the balance TFCs shall be allotted on pro-rata basis to all applicants who applied for TFCs in multiple of PKR 5,000/-.
 - iii. If the issue is over-subscribed in terms of number of applications and the amount, the TFCs shall be allotted through computer balloting in the presence of representatives of PSX.
 - f) The allotment of TFCs shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.
 - g) Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are therefore required to fill in all data fields in the Application Form.
 - h) The Bank will credit the respective CDS accounts of the successful applicants.
10. **BANKERS TO THE ISSUE**

Code	Name of Banks	Code	Name of Banks
01	Allied Bank Limited	06	MCB Bank Limited
02	Askari Bank Limited	07	Sonari Bank Limited
03	Bank Alfalah Limited		
04	Faysal Bank Limited		
05	Habib Bank Limited		

11. OCCUPATION CODE OF OCCUPATIONS

Code	Occupation	Code	Occupation
01	Business	06	Professional
02	Business Executive	07	Student
03	Service	08	Agriculturist
04	Housewife	09	Industrialist
05	Household	10	Other

12. **PUBLIC SUBSCRIPTION THROUGH e-IPO:**
e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following system is available for e-IPO:
 - i. **Centralized e-IPO System (CES):**
The Central Depository Company of Pakistan Limited (CDC) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this IPO and can be accessed through the web link (www.cdcseip.com). Payment of subscription money can be made through ILINK's member banks available for CES, list of which is available on above website.
For making application through CES, investors must be registered with CES. Registration with CES is free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) OR CDC's IPO Facilitation Account may register themselves with CES. Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com. For further detail on CES, please refer to para 12.9.2 of the Prospectus.
13. **NATIONALITY CODE**

Code	Name of Country	Code	Name of Country
001	U.S.A	006	Bangladesh
002	U.K	007	China
003	U.A.E	008	Bahrain
004	K.S.A	009	Other
005	Oman		

For further queries you may contact

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