

On behalf of the Board of Directors of the Al Baraka Bank (Pakistan) Limited (the Bank), we are pleased to present the 15th annual report along with the audited financial statements of the Bank and Auditors' report for the year ended 31 December 2020.

Economic Overview

Pakistan's current account deficit has decreased by 78% YoY to USD 2.97 billion as of FY20 as compared to USD 13.4 billion last year. The country's exports were recorded at USD 27.9 billion while imports were recorded at USD 50.7 billion during the FY20. The remittances for FY20 were recorded at USD 23 billion as compared to USD 21.7 billion in FY19. Current account surplus of first six months of FY21 (from July - Dec 2020) is USD 1.13 billion which was USD 2 billion in deficit in corresponding period last year.

The GDP growth rate witnessed a decline of 0.38% in FY20 as compared to 1.91% growth in FY19. The slowdown led by the global pandemic has affected the economy severely. The Government is utilizing all resources to provide stimulus to the public and taking drastic policy measures to revive industrial and economic growth.

SBP's foreign exchange reserves have increased to about USD 13.412 billion during December 2020. Increase in remittances have attributed more to the reduction in current account deficit and reflects the confidence that foreign investors presently have in the creditworthiness of Pakistan. The total reserves including foreign exchange held by banks reached USD 20.545 billion by December 2020.

The State Bank of Pakistan (SBP) in its latest monetary policy statement, announced in January 2021, has maintained the policy rate at 7%. The cumulative policy rate reduction since start of 2020 is 625 BPS.

The average CPI inflation during FY20 stood at 10.7% as compared to 6.8% recorded in FY19. These pressures on inflation are on account of higher government borrowing from SBP, adjustments in the administered prices of electricity, gas and fuel, significant increase in perishable food prices, along with the devaluation of rupee against major currencies. As per the new inflation base of 2015-16, CPI recorded at 8.3% YoY in November 2020 as compared to 9.9% YoY during the same period last year.

The benchmark PSX-100 Index had touched a high of 43,468 in January 2020. However, following news of the first confirmed Covid-19 case in Pakistan on 25 February 2020, the index gradually dropped to 27,228 by 25 March 2020 (the duration in which lockdowns had started to be imposed). As a result of effective measure taken by the government to deal with Covid-19 challenges and to put the economy back on track, the stock market started to depict an improved performance, closing at 43,755 points as at 31 December 2020. PSX 100 Index also becomes the best performing stock market in Asia and fourth best performer globally as per global financial markets research firm.





The financial highlights of the Bank are given below:

Financial Highlights	2020	2019	Growth
Deposits	Rs. 159.4 Billion	Rs. 129.7 Billion	23% ↑
Financing (net)	Rs. 90.3 Billion	Rs 75.4 Billion	20% ↑
Investments	Rs. 57.1 Billion	Rs.24.2 Billion	136% ↑
Total assets	Rs. 193 Billion	Rs 162 Billion	19% ↑
Equity	Rs. 13 Billion	Rs 12.7 Billion	2.4% ↑

PROFIT AND LOSS ACCOUNT	2020	2019	%
	<i>Rs. In million</i>		
Profit/return on financing, investments and placements	14,052	12,923	8.7%
Return on deposits and other dues expensed	(7,676)	(7,912)	(3%)
Net spread earned	6,376	5,011	27%
Fee and commission income	669	748	(11%)
Foreign exchange income	966	735	31%
Gain / (loss) on securities	174	(95)	283%
Dividend and other income	77	42	83%
Total other income	1,886	1,430	32%
Administrative expenses and other charges	(5,516)	(5,243)	5%
Operating profit	2,746	1,198	129%
Provision against non performing financing, investments and other assets	(1,208)	(1,190)	1.5%
Profit before tax	1,538	8	191 times
Taxation	(774)	(199)	289%
Profit / (loss) after tax	764	(191)	5 times

Financial Performance

The Bank recorded various notable improvements in terms of Balance Sheet growth, profitability from core business operations and capital strengthening. The Bank reported operating profit of Rs 2,746 million depicting an increase of 129% from last year. The profit after tax of Rs 764 million also showed increase of five times from last year. The increase in operating profit is mainly attributable to increase in average earning assets by 26%, which stood at Rs 136 billion for the year 2020 as compared to Rs 108 billion last year. Deposit of the Bank closed at Rs 159 billion as at 31 December 2020 as compared to Rs 130 billion recorded at 2019 year end.

The investment portfolio of the Bank grew to Rs 57 billion as of December 2020 from Rs 24 billion as of December 2019. The increase is mainly due to additional investment made in GOP Ijarah sukuk and Pakistan's Energy Sukuk second issue duly guaranteed by Government of Pakistan.

The Bank continued to follow cautious approach in growing financing portfolio and closed its net financing at Rs 90.3 billion as compared to Rs 75.4 billion reported at 31 December



2019. The focus of the Bank is to build a high quality and well-diversified financing portfolio.

In profit and loss account, the net spread earned by the Bank increased significantly by 27% and was recorded at Rs 6,376 million as compared to Rs 5,011 million in 2019.

Other income increased to Rs 1,886 million as compared to Rs 1,430 million recorded last year mainly on account of increase in income from dealing in foreign currencies and gain realized on sale of federal government securities. Administrative expenses and other charges have increased to Rs 5,516 million from Rs 5,243 million which is on account of staff annual increments, contractual increase in rents of branch premises, high electricity and other operational expenses. The Bank continues to follow disciplined cost management strategy and enhancing business synergies.

During the year, the Bank recorded additional provision of Rs 1,208 million on its non-performing assets portfolio which includes net reversal of impairment of Rs 43 million on capital market portfolio. The Bank is making concrete efforts to regularize certain old chronic accounts.

Earnings per share (EPS) of the Bank for 2020 was recorded at Re 0.56 (2019: loss per share Re 0.14).

Information Technology

The Bank is committed towards developing high-end technology platforms that will help in improved performance, high efficiencies and offer innovative products and services to its customers. This is in-line with the Digital Transformation Strategy and Al Baraka Banking Group (ABG) guidelines.

During the year 2020, the Bank made following progress in the field of information technology:

- Launched PayPak Debit Card which is Pakistan's first domestic card payment scheme to support State Bank of Pakistan's vision 2020 towards financial inclusion. The newly launched debit card is a dual interface card supporting NFC (contactless) and EMV / Chip technology, thus ensuring utmost security along with tap and pay facility.
- The Bank launched its new Internet Banking & Mobile Banking application which is developed on a more secure and advanced platform. These applications are launched with additional features, customer friendly interface and will result in improved customer's experience.
- Launched "1Bill" Facility for the customers which is part of 1Link's Over The Counter (OTC) bill payment facility that allow customers to conveniently make real time payments to over 600 billing companies such as utilities, Telco's, internet service providers and educational institutes through all branches of the Bank across Pakistan. This service will also be extended on our mobile and internet banking facility.
- As part of Internet & Mobile Banking enhancement project, Enterprise Service Bus has been deployed which is directly integrated with the Middleware and Core Banking infrastructure to manage digital channels. We are in process of introducing additional features in the mobile banking app.



- To facilitate customer in conducting e-commerce transactions, the Bank has enabled e-Commerce facility for its debit Mastercard holders allowing secure online payments. Now, the Bank is working to extend this facility to its UPI (UnionPay International) cardholders as well.

Green Banking

The Bank understands its responsibility in protecting the environment and conserving natural resources. In line with the SBP suggested framework, the Bank has established a Green Banking Office and has designated 'Chief Green Banking Manager'. In this respect, the Bank has established a policy approved by Board of Directors and Environmental procedures for Environmental Risk Management. The Bank has also established environmental risk mitigation mechanism through Environmental Risk Avoidance List, Environmental Improvement Plans and Environmental General and Specific Checklists for the customers. The Bank also performs due diligence while extending financial services to customers dealing in hazardous substances.

In addition to this, the Bank has also taken following initiatives during 2020 to promote sustainable use of resources including usage of energy, water and paper:

- Recycling of unused (waste) paper through collaboration with a Waste Management Company certified by Sindh Environmental Protection Agency (SEPA) to reduce carbon footprint.
- Installation of energy efficient air conditioning system to reduce energy consumption of the Bank.
- Promoting "Green Banking" awareness among staff members through regular communications. Moreover, the Bank has also taken the initiative of "Reduce, Reuse & Recycling" of paper through awareness via emails and attached precautions on the printers to conserve paper usage.
- Creating awareness about Green Banking through different posts on social media, ATMs and through training of staff on regular basis.

Corporate Social Responsibility (CSR)

During the year 2020, the Bank won following CSR awards:

- "Collaboration & Partnership" at the "9th Annual Corporate Social Responsibility Summit & Awards 2020".
- "Health & Safety Award" at 6th International Environment Health & Safety Awards 2020.

Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of its responsibility under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP) and adopted by the State Bank of Pakistan (SBP) and related regulations issued by SBP.



The following statements are manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement:

- The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies as stated in notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards and other such standards as applicable in Pakistan have been followed in preparation of the financial statements and any departure from these has been adequately disclosed.
- The system of internal control is sound and has been effectively implemented and monitored.
- There are no doubts upon bank's ability to continue as going concern.
- There has been no material departure from the best practices of Corporate Governance.
- Investments of the Bank's recognized Provident Fund and Gratuity Fund based on un-audited accounts as at 31 December 2020 amounted to Rs 1,018 (2019: Rs 955) million and Rs 329 (2019: Rs 307) million respectively.

During the year four (04) Board meetings, five (05) meetings of the Board Executive Committee (BEC), four (04) meetings of the Board Risk Committee (BRC), Board Audit and Compliance Committee (BACC), Board Human Resource and Remuneration Committee (BHR&RC) and (03) meetings of the Board Sustainability & Social Responsibility Committee (BSSRC) were held. The attendance of the members was as follows:

Name of Directors	Board	BEC	BA&C C	BRC	BHR &RC	BS&SRC
Mr. Adnan Ahmed Yousif, Chairman	4/4	-	-	-	-	-
Mr. Tareq Mahmood Kazim, Deputy Chairman	4/4	5/5	-	-	4/4	3/3
Mr. Abdulrahman Shehab, Director	4/4	-	4/4	-	4/4	-
Mr. Salman Ahmed, Director	4/4	5/5	-	4/4	-	-
Mr. Zahid Rahim, Director	4/4	5/5	-	4/4	-	-
Mr. Ahmed Rehman, Director	4/4	-	-	4/4	4/4	-
Mr. Azhar Hamid, Director	4/4	-	4/4	-	-	3/3
Mr. Shafqaat Ahmed, Director	4/4	-	-	4/4	-	3/3
Mr. Mohammed Tareq Sadeq, Director	4/4	-	4/4	-	-	-
Mr. Mohammed Asheque Moyeed	4/4	4/5	-	-	3/4	-

Note: Denominator showed total number of meetings entitled to attend / meetings attended.

Further (04) four meetings were held of Shariah Board during 2020 which were attended by following Shariah Board Members:



Name of Shariah Board Members	Meetings held	Meetings attended
Sheikh Esam Ishaq	4	4
Mufti Abdullah Siddiqi	4	4
Mufti Bilal Ahmed Qazi	4	4

Shareholding Pattern as on 31 December 2020

Shareholders category	No. of share holders	Shares held	%age
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Directors

Mr. Adnan Ahmed Yousif	1	500	0.00%
Mr. Tariq Mahmood Kazim	1	500	0.00%
Mr. Abdulrahman Shehab	1	500	0.00%
Mr. Salman Ahmed	1	500	0.00%
Mr. Mohammed Tareq Sadeq	1	500	0.00%
Mr. Ahmed Rehman	1	500	0.00%
Mr. Azhar Hamid	1	500	0.00%
Mr. Zahid Rahim	1	500	0.00%
Mr. Shafqaat Ahmed	1	500	0.00%
Mr. Ahmed Shuja Kidwai - CEO	1	500	0.00%

Associated companies, undertakings and related parties

Al Baraka Islamic Bank, Bahrain B.S.C (c)	1	812,446,082	59.13%
Islamic Corporation For The Development of The private Sector	1	162,847,717	11.85%
Mal Al Khaleej Investments LLC	1	158,360,039	11.53%

Public Sector Companies, Corporations, Banks, Development Financial Institutions and Non-Banking Financial Institutions, Mutual Funds & Other Organizations

Gargash Enterprises L.L.C	1	5,882,352	0.43%
State Life Insurance Corporation of Pakistan	1	4,941,176	0.36%
Amanah Investment Limited	1	2,938,823	0.21%
Bank of Punjab	1	2,000,000	0.15%
Al-Hoqani Securities & Investment Corporation (Pvt) Ltd.	1	1,470,588	0.11%
Dossa Cotton & General Trading (Pvt) Ltd.	1	788,235	0.06%
Orix Leasing Pakistan Ltd	1	705,882	0.05%
Descon Holding (Private) Limited	1	588,235	0.04%
B.R.R Guardian Modaraba	1	100,000	0.01%

**Shareholding ex-Directors and others**

Sheikh Tariq Bin Faisal Khalid Al Qassemi	1	103,018,177	7.50%
Mr. Mubarak Bulaswaad	1	4,860,000	0.35%
Mr. Syed Tariq Husain	1	3,300,284	0.24%
Mr. Abdul Ghaffar Fancy	1	978,468	0.07%
Other (Shareholders with less than 10% Shareholding)	56	108,731,702	7.91%
Total Shareholding	82	1,373,962,760	100%

Shareholders with 10% or more voting interest

Name of Share holders	No. of share holders	Shares held	%age
Al Baraka Islamic Bank, Bahrain B.S.C (c)	1	812,446,082	59.13%
Islamic Corporation For The Development of The Private Sector	1	162,847,717	11.85%
Mal Al Khaleej Investments LLC	1	158,360,039	11.53%

Except as disclosed above, no Executive of the Bank or their spouses / minor children was shareholder of the Bank as of 31 December 2020.

Risk Management Framework

The Bank's Risk Management Framework encompasses culture, policies, processes & structure and is directed towards the effective management of potential opportunities and threats that the Bank might face. The range of business activities undertaken by the Bank requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board keeps an oversight on Bank-wide risk management framework and approves the risk management strategies, policies and risk appetite. The Board Risk Committee (BRC) has been mandated by the Board of Directors (BOD) to assist in the design, regular evaluation and timely updation of the risk management framework of the Bank. The BRC aims to ensure that the Bank maintains a complete and prudent integrated risk management framework at all times and exposures are maintained within acceptable levels. The Board approved risk management policy has been developed strictly in line with the principles of Shariah and covers all major types of risks that the Bank may be exposed to.

The authority to monitor and manage different risks has been further delegated to the specialized committees comprising of senior members of management with relevant experience and expertise. The committees include:

1. Asset and Liability Management Committee (ALCO)
2. Credit Committee (CC)
3. Credit Risk Management Committee (CRMC)



The Bank has setup functions of asset booking and credit approval in which financing exposures and their related risks are analyzed in the light of credit limits, applicable controls and segment exposures.

Credit decision-making is a collective and consultative process in the Bank. All credit exposures approval authority rests with Credit Committee/Sub-Committees. The Credit Committee (CC)/Sub-Committees comprising of staff having relevant experience and knowledge of credit operation and associated risks.

Credit Risk Management Committee (CRMC) of the Bank is mandated to monitor and review Credit Portfolio exposures in a proactive manner and is responsible for developing action plans to safeguard from any adverse / unwanted situation which may affect performance of the Bank.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets & liability management function. ALCO monitors the maintenance of liquidity ratios, depositors' concentration both in terms of overall funding mix and avoidance of reliance on large deposits.

The primary objective of this architecture is to inculcate risk management culture into the organization to ensure that risks are appropriately identified and assessed, properly documented, approved and adequately monitored; and managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

For effective implementation, the Risk Management function operates independently within the Bank. The function is also responsible for development and oversight of risk policies and plays a pivotal role in monitoring the risks associated with various activities of the Bank. Risk Management function is headed by the Chief Risk Officer (CRO), who administratively reports to the CEO with an independent functional reporting line to the BRC.

To ensure the independence of this position, following areas are critical to the Bank's sustainability & profitability placed under the umbrella of RM function:

- Credit Risk
- Credit Administration
- Credit Operations
- Credit Monitoring
- Risk Policies and Industry Analysis
- Enterprise Risk Management
- IT Security

Credit Risk under Risk Management Group (RMG) is playing its due role in conducting due diligence and review of Corporate/Commercial, SME, Agri, FI and Consumer as well as Infrastructure Project Financing related credit applications and presents its observations to CC/respective approving authorities of the Bank. Credit Risk function adds value to the approval process by validation and assurance to the affect that the financing/investment proposals are in compliance with different policy parameters, regulatory instructions and adherence to the risk appetite of the Bank. Besides, it also conducts assessment of credit proposals on concentration levels of the Bank in terms of large exposures, industry limits, and impact on CAR and also identify/record if there are exceptions. Independent validation is helpful for the Credit Committee/ approving authorities in decision making process. The structure of the Credit Risk function is designed in view of the nature, complexity of business activities of the Bank.



Credit Administration is primarily responsible for the Bank's Credit Limit Management (i.e. limit input and control), perfection of securities, issuance of Disbursement Authorization Certificate (DAC), drawdown monitoring, documentation review, safe custody of collateral and security documents, monitoring of covenants and compliance thereof, maintenance of credit files / record retention functions as well as adherence to established regulatory and internal policy guidelines / SOPs.

Credit Monitoring is an essential tool for Bank to maintain a sustainable portfolio. For this purpose, the risk takers (Business Segments as well as the supporting departments) are equally responsible for maintaining the health of the portfolio. A Special Asset Management (SAM) function handles stressed assets to ensure a focused remedial strategy in compliance with the regulatory requirements.

Risk policies and Industry Analysis Unit of RMG formulates and updates credit and risk policies of the Bank besides preparing comprehensive industry analysis and its updates from time to time.

Enterprise Risk Management function is responsible for ensuring authenticity, accuracy and timely identification of risks in credit portfolio & market, liquidity and operational risks inherent in Bank's activities and develop policies and procedures to control these risks. Main functions of Enterprise Risk cover Credit Portfolio Risk Management, Basel & IFRS 9 implementation, Market & Liquidity Risk Management, Operational Risk Management and Environmental Risk Management.

Credit Portfolio Risk Management function performs periodic analysis on credit portfolio to provide Credit Risk Management Committee an objective assessment of the portfolio health. This function is also responsible for the implementation of Basel Capital Adequacy Standards as per SBP's requirements as well as adoption of IFRS 9 - Financial Instruments in line with best industry practices and Group's initiatives. Currently, the Bank has adopted Standardized Approach for the calculation of capital charge against credit and market risk in which risk weights are assigned taking into consideration external ratings of the counterparties for the purpose of calculating Risk Weighted Assets while Basic Indicator Approach has been adopted for Operational Risk.

For the preparation of Basel Internal Rating Based Approach for Credit Risk and future implementation of IFRS 9, the Bank has made significant progress through migration to new Internal Risk Rating System i.e. Moody's CreditLens, a world's renowned internal credit rating system and workflow based Credit lifecycle management solution. Internal Risk Rating Module of CreditLens takes into consideration qualitative and quantitative factors of the counter-party, transaction structure and collaterals and generates ratings at Obligor and Facility levels as required by Internal Rating Based (IRB) approach under Basel regulations. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making.

Treasury Middle Office (TMO) manages risks relating to treasury operations and reports its findings to ACLO for prompt remedial actions. The Bank's ALCO is responsible for the formulation of overall strategy and oversight of asset and liability management. Liquidity Risk measures are chosen using a range of metrics, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), liquidity gaps and various liquidity ratios regularly monitored by Market Risk Management. Liquidity Risk is reviewed by ALCO on a monthly basis and an update is provided to the BRC on a quarterly basis. The Liquidity Risk



Management Policy of the bank encompasses contingency funding plan for actions to be taken in case of liquidity stress conditions.

For effective management of Operational Risk, the Bank has established an exhaustive operational risk management framework and covers business lines & support units/departments.

Risk Control and Self-Assessment (RCSAs) exercises for each business line and key control functions periodically performed. Through the RCSA exercise, the Bank has been able to develop inventory of risks, controls and key risk indicators (KRI) and mitigation plans are devised for effective control over operational risk.

The Bank is using Operational Risk Management suite i.e. Risk Nucleus for operational loss data collection, RCSAs and KRIs. The system keeps a detailed track of all operational loss events with complete audit trail. The Bank has a Board approved BCP Policy and plans for all functional areas.

It is the policy of the Bank to maintain a well-defined business continuity program which comprises of policy and procedures with clearly defined roles, responsibilities and ownership for Crisis Management, Emergency Response, Business Recovery and IT Disaster Recovery Planning. The Bank's Business Continuity Steering Committee, represented by the senior management of the Bank, meets on a periodic basis and reviews key initiatives, testing results and related action plans for strengthening the Bank's ability to manage crisis situations.

The Bank has adopted Basel III guidelines issued by SBP and relevant disclosures are made in the financial statement for the year ended 31 December 2020.

Information Security plays a pivotal role in protecting ABPL's Information assets from both internal and external threats through security risk assessments. These are supported by preventive and detective controls capable of responding to emerging and ever changing threat landscape.

During 2020, a centralized vulnerability assessment and penetration testing program was established with enhanced coverage of IT Assets. Cyber security awareness for staff and customers continued to be a prime focus area. A formal risk assessment program covering sensitive areas, third parties and IT assets was also accomplished. Cybersecurity resilience was enhanced through the roll-out of security solutions such as anti-malware, deployment of next generation firewall, and enhanced security monitoring operations.

The Bank being cognizant of the importance of risks associated with Money Laundering, Terror financing and Proliferation financing, is continuously aligning its operational strategies, policies & procedures with FATF recommendations and related regulatory requirements. The Bank in this respect has taken number of initiatives including but not limited to acquiring robust Regulatory technology solutions for transaction monitoring, screening against Targeted Financial Sanctions, eKYC, etc. We are also closely monitoring risks associated with all above risks associated with Trade business.

COVID-19 Global Pandemic

COVID-19 reached Pakistan in February 2020 and started to spread rapidly in Pakistan. Till 18 March 2020, cases had been registered in all four provinces and by 17 June 2020, each district of Pakistan had recorded at least one confirmed case of COVID 19. In response, both the federal and provincial governments have implemented a range of measures to



contain and mitigate the spread of the virus which include quarantines in localized areas, border closures with neighboring countries, international travel restrictions, school and university closures, cancellation and banning of public events, social distancing measures, and varying levels of lockdown in cities and provinces across the country.

The collective efforts from the platform of National Command and Operation Centre, Pakistan not only proved all international estimates regarding the number of cases wrong but also minimized the death rate and cases. Number of confirmed cases as at 8 February 2021 stands at 556,519 with death cases of 12,066. World Health Organization (WHO) praised Pakistan by saying that International community should learn from Pakistan how to deal with COVID 19 pandemic. Government has also now ordered to reopen all educational institutions across Pakistan with SOPs implemented after closure of almost 6 months due to COVID 19.

The Bank is constantly assessing the Covid-19 situation and implementing number of measures to ensure the continuity of banking services during these difficult times as under:

- Alternative Distribution Channels (ADC) services are being promoted to limit the use of currency notes and restrict customers' branch visits for routine transactions. Financial transactions from Digital Banking (Internet and Mobile Banking) reached Rs 2.9 billion during the fourth quarter (Oct - Dec) of 2020 against Rs 2.4 billion in the third quarter (Jul - Sept) of 2020. In terms of growth, financial transactions conducted through Mobile Banking increased by 13% in the fourth quarter (Oct - Dec) of 2020 compared to the previous quarter.
- Providing Free IBFT (Inter Bank Funds Transfer) facilities to all customers.
- Restructuring and deferment of the existing financing facilities as per directives of SBP, On customers request, principal repayment amount is deferred for one year, However, profit due is continued to be received / collected during the grace period.
- Adding new financing (refinance) scheme for the ease of payment of 3 months wages and salaries for the employees of the businesses in our product suits, to be repaid by December 2022. This facility is being provided as per directives of SBP.
- Communicate with our employees and customers to take all necessary precautions to help prevent the spread of this deadly virus.
- Promoting culture of online training to keep staff operating from branches in different geographical location abreast with recent changes in banking regulations.

Financial Consumer Protection

The Bank believes in providing quality banking experience to all its customers with complete fairness and clarity. To strengthen this objective, the Bank has devised a framework of Financial Consumer Protection under regulatory guidelines. The framework comprises of the monitoring of different products & services, such as retail banking products, consumer banking products, customer services and handling of customer grievances; this helps our customers in making informed financial decisions, understand and exercise their rights and have effective recourse for their grievances.

The journey for the year 2020 of Financial Consumer Protection comprised the following:



- Customers were encouraged to provide their valuable feedback about banking products and services through a Customer Satisfaction Survey, where overall customer satisfaction score was 92.58%.
- The Bank ensured that Fair Treatment to Customers (FTC) was practiced across the Bank without exception, where customers were treated fairly at all stages of their banking relationship.
- The Bank assured that complete information about products and services were provided to customers in clear and simple manner.
- The Bank arranged different awareness/training sessions for empowering its employees to comprehend and promote the concept of Fair Treatment to Customer. Further to this, the post training evaluations were also carried out, so as to gauge the retention level of training knowledge.
- In order to focus on resolving customer complaints/grievances with complete transparency and impartiality, the Bank has initiated post complaint closure survey where the experience of complainants with their complaint handling was analyzed. The aggregated result for 2020 was 90.81%.
- The Bank celebrated Service Excellence week in October'2020, where focus was to instill sense of service at all levels.

Statement of Compliance with the Code of Corporate Governance

The Bank has adopted the requirements of the Code of Corporate Governance as issued by the SECP and adopted by SBP. A statement to this effect is annexed to this report.

Statement of Internal Controls

The management of the Bank is responsible for establishing and maintaining adequate controls and procedures and fully recognizes this responsibility and appreciates its value and significance. The placement of staff within and other integration such as IT system, policies, procedures and processes have been streamlined. The Board is pleased to endorse the management's statement relating to Internal Controls as annexed to this report.

Future Outlook

Pakistan economy is witnessing improved indications as the pandemic recedes and domestic demand returns to normal. The recovery in economic activities was evident across the agriculture, industry, and services sectors. A timely and effective economic policy response to the Covid crisis from the government and the SBP helped to prevent a deeper fallout laid the foundation for economic recovery. Real GDP growth is projected to be in the range of 1.5 to 2.5 percent in FY 2021. Inflation rate is expected to remain within the range of 7%-9% in FY 2021 whereas current account deficit is expected to remain in the range of 0.5% to 1.5% of GDP in FY 2021.

The Bank is keenly aware of its responsibilities towards its customers, staff and other stakeholders. We intend to maintain sufficient liquidity to meet our business and customers' needs without compromising on our credit discipline. Efforts are being made to target new market segments, widening of customer base and improving efficiency and



productivity by leveraging on the investment in technology made by the Bank in recent years.

The Bank will take following new initiatives in 2021:

- Improved mobilization of low cost deposits.
- Deepening in SME, Agriculture and Consumer Finance including Auto Financing, Debit Cards.
- Focus on increasing customer base for Home Mortgage through Prime Minister housing scheme 2020 “Mera Pakistan Mera Ghar”.
- Focus on IT driven products to increase business volumes and customer satisfaction.
- Recovering old and stuck up financing.
- Fresh Investment Banking mandates and advisory services to increase revenues.

We are confident that all of the above mentioned initiatives cumulatively will add more value to the Bank’s services and contribute to the overall growth of the Bank.

Credit Rating

Based on the financial statements of the Bank for the year ended 31 December 2020, VIS has maintained the long-term rating to ‘A+’ and the short-term rating at ‘A1’. Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank’s long-term rating at ‘A’ and short term rating at ‘A1’.

External Auditors

Our existing auditors M/s EY Ford Rhodes, Chartered Accountants is eligible to offer themselves for reappointment for the accounting year ending December 31, 2021 and we have received their consent to continue to act as auditors of the Bank.

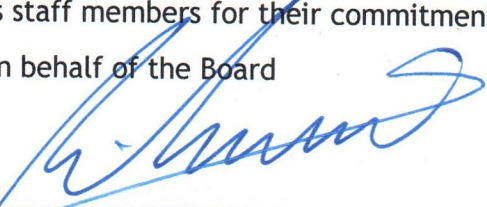
The external auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants, Guidelines on Code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

The external auditor’s re-appointment shall be subject to approval in the forthcoming Annual General Meeting.

Acknowledgement

The Board wish to place on records its sincere thanks and gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the Shariah Board for their continued guidance and support. We would also like to thank our valued customers, shareholders and business partners for their continued patronage and confidence as well as staff members for their commitment and devotion.

On behalf of the Board



Adnan Ahmed Yousif
Chairman
04 March 2021
Karachi