

A photograph of a modern conference room. A long, light-colored wooden conference table is the central focus, surrounded by several black office chairs with silver armrests and casters. On the table, there are several white tissue boxes and blue placemats. The room has large windows with dark frames and a patterned carpet. The lighting is soft and even.

A FORCE TO BE RECKONED WITH
**PERFORMANCE
AND POSITION**

Performance Evaluation Against Targets / Budgets

The Company prepares Annual Business Plan which mainly comprises of Annual Budget for the coming year. The objective of Annual Budget is to use it as a control tool to periodically gauge the operational performance of the Company against the preset annual targets. The Budget objectives are communicated to the relevant managers at the start of the year which also acts as a yard stick for evaluating the performance of different functions and departments on periodic basis and to make corrective decisions and actions where needed. Annual Budget is also broken down into monthly budget to compare the actual results with budgeted figures to identify monthly variances together with their reasons which are subject to rigorous review and follow up in subsequent monthly performance reviews. The process enables the management to ensure all the functions and departments are aligned towards the achievement of overall Company objectives.

During the year, the Company reassessed the Initial Budget figures and flexed it based on changes in initial high level assumptions.

Business Growth

The business growth during the year stayed negative compared with both initial yearly target and last year figures. This was mainly attributed to overall negative growth of economy and challenging conditions due to Covid-19 pandemic. The decline in premium is largely due to drop in retail portfolios whereas the Company continued to retain its majority portion of the corporate portfolio by offering best professional services to its customers.

Investment Income

Current year witnessed a decline in investment income both from last year and initial budgeted investment income. This is largely owed to lower dividend payout from the banking segment of the equity portfolio due to temporary restrictions on dividend distribution imposed by the State Bank of Pakistan for two quarters (2nd & 3rd) during Covid-19 situation. The Company cautiously followed the development of the changing conditions and flexed its initial Budget to make it more realistic. Management ensures that revised targets are met by careful monitoring the investment returns against the revised targets and carry out actions, if required.

Operational Profitability

The Company succeeded in meeting its operational profitability objectives based on revised profitability targets adjusted for changes in assumptions of business growth and overall economic indicators brought about by volatility in the overall economic environment surrounding the business. The Company had to make adjustments in initial forecasts due to unforeseen circumstances creative by Covid-19 pandemic as well as torrential rains and floods during August 2020.

Six Years Financial Performance (2015 - 2020)

		2020	2019	2018	2017	2016	2015
Balance Sheet							
Paid Up Capital	Rs. Mln	3,500	3,500	3,500	3,500	3,500	3,500
Reserves	""	4,487	4,555	3,784	5,001	6,278	1,409
Equity	""	22,235	21,380	19,663	20,364	21,872	14,561
Investments (Book Value)	""	22,589	21,781	21,006	18,649	17,359	16,220
Investments (Market Value)	""	26,596	25,888	24,114	23,749	24,337	20,780
Investment Property	""	402	402	-	-	-	-
Fixed Assets	""	4,556	4,301	3,593	2,632	1,250	1,301
Cash & Bank Deposits	""	1,312	1,177	2,211	2,279	3,811	2,072
Other Assets	""	16,654	17,770	17,926	18,727	16,242	12,787
Total Assets	""	49,520	49,538	47,845	47,388	45,640	32,380
Total Liabilities	""	27,285	28,158	28,182	27,023	23,768	17,819
Operating Data							
- Conventional							
Gross Premium	""	18,279	22,507	20,387	18,522	16,270	13,639
Net Premium	""	13,295	15,434	13,806	11,535	9,615	7,747
Net Claims	""	7,987	9,877	8,386	7,434	6,210	5,223
Net Commission	""	1,833	1,507	1,280	1,090	763	558
Underwriting Result	""	376	654	816	557	1,078	242
Financial Charges	""	15	8	-	-	-	-
Total Expenses	""	3,161	3,100	3,438	2,683	2,329	2,178
Investment Income	""	1,093	1,372	1,285	1,494	3,502	2,404
Profit Before Tax	""	1,910	2,533	2,174	2,121	4,054	2,214
Profit After Tax	""	1,876	1,813	1,239	1,221	3,492	1,943
- Window Takaful Operations							
Gross contribution written	""	1,526	1,213	1,102	743	187	-
Net contribution revenue	""	745	617	669	262	19	-
Net takaful claims - reported / settled	""	692	531	402	300	29	-
Underwriting Result - PTF	""	46	72	(8)	(38)	(5)	-
Surplus / (Deficit) - PTF	""	92	110	7	(31)	(5)	-
Wakala fee	""	409	324	253	176	23	-
Profit before taxation	""	164	108	79	67	4	-
Profit after taxation	""	116	77	53	47	3	-
Cash Flow Summary							
Operating activities	""	648	(93)	1,892	1,060	222	838
Investing activities	""	280	3	(1,274)	(1,210)	2,225	254
Financing activities	""	(793)	(944)	(685)	(1,383)	(1,036)	(1,071)
Share Information							
Break-Up Value Per Share	Rs.	63.53	61.09	56.18	58.18	62.49	45.00
No. of Shares	Rs. Mln	350	350	350	350	350	350
Share Price at Year End	Rs.	39.32	42.09	42.02	52.00	74.14	56.51
Highest Share Price During Year	Rs.	47.45	47.70	60.25	82.50	79.79	61.12
Lowest Share Price During Year	Rs.	24.10	26.00	38.10	43.02	46.70	38.08
KSE 100 Index		43,755.38	40,735.08	37,066.67	40,471.48	47,806.97	32,816.00
Market Price to Break-Up Value	Times	0.62	0.69	0.75	0.89	1.19	1.26
Face Value	Rs.	10.00	10.00	10.00	10.00	10.00	10.00
Market Capitalization - Amount	Rs. Mln	13,762.00	14,731.50	14,707.00	18,200.00	25,949.00	19,778.50
Distribution							
Dividend Per Share	Rs.	2.75	2.50	2.00	4.00	3.00	3.00
Total Dividend - Amount	Rs. Mln	962.50	875.00	700.00	1,400.00	1,050.00	1,050.00
Cash Dividend	%	27.50	25.00	20.00	40.00	30.00	30.00
Bonus Shares	%	-	-	-	-	-	-
Total Dividend	%	27.50	25.00	20.00	40.00	30.00	30.00

Six Years Financial Performance (2015 - 2020)

Horizontal Analysis - Balance Sheet and Income Statement

	2020	2019	2018	2017	2016	2015	2020	2019	2018	2017	2016	2015
	Rs. Mln						% increase /(decrease) over preceding year					
Balance sheet												
Assets												
Cash and Bank Deposits	1,312	1,177	2,211	2,279	3,811	2,898	11.5	(46.8)	(3.0)	(40.2)	31.5	0.7
Loans to Employees	45	49	45	43	18	17	(9.1)	10.0	4.7	138.9	5.9	21.4
Investments	26,596	25,888	24,114	23,749	24,337	15,393	2.7	7.4	1.5	(2.4)	58.1	14.2
Deferred Taxation	-	-	-	-	-	84	-	-	-	-	(100.0)	(13.4)
Current Assets-others	16,020	17,295	17,499	18,444	16,125	12,687	(7.4)	(1.2)	(5.1)	14.4	27.1	11.8
Fixed Assets	4,556	4,301	3,594	2,632	1,250	1,301	5.9	19.7	36.6	110.6	(3.9)	16.8
Investment Property	402	402	-	-	-	-	-	100.0	-	-	-	-
Total assets of WTO-OP	589	426	382	241	99	-	38.2	11.6	58.5	143.4	100.0	-
Total Assets	49,520	49,538	47,845	47,388	45,640	32,380	(0.0)	3.5	1.0	3.8	41.0	11.9
Total Equity	22,235	21,380	19,663	20,365	21,872	14,561	4.0	8.7	(3.4)	(6.9)	50.2	6.6
Underwriting Provisions	19,380	20,848	20,784	20,639	17,184	13,125	(7.0)	0.3	0.7	20.1	30.9	11.7
Deferred Taxation	1,375	1,330	944	1,567	2,223	-	3.4	40.9	(39.8)	(29.5)	100.0	-
Deferred Liabilities	212	225	199	154	81	116	(5.8)	13.1	29.2	90.1	(30.4)	9.6
Borrowings	166	-	-	-	-	-	100.0	-	-	-	-	-
Creditors and Accruals	1,806	1,719	2,206	1,884	1,661	4,502	5.1	(22.1)	17.1	13.4	(63.1)	35.6
Other Liabilities	4,103	3,840	3,819	2,638	2,573	75	6.8	0.5	44.8	2.5	3,340.2	(21.6)
Total liabilities of WTO-OP	243	196	230	141	46	-	24.0	(14.8)	63.1	206.5	100.0	-
Total Equity and Liabilities	49,520	49,538	47,845	47,388	45,640	32,380	(0.0)	3.5	1.0	3.8	41.0	11.9
Profit and Loss Account												
Revenue account												
Net Premium Revenue	13,295	15,434	13,806	11,535	9,615	7,747	(13.9)	11.8	19.7	20.0	24.1	22.9
Net claims	7,987	9,877	8,386	7,434	6,210	5,223	(19.1)	17.8	12.8	19.7	18.9	15.2
Underwriting Expenses	3,099	3,397	3,324	2,576	1,615	1,556	(8.8)	2.2	29.0	59.5	3.8	4.9
Net Commission	1,833	1,507	1,280	1,090	763	558	21.6	17.8	17.4	42.9	36.7	54.1
Unexpired risk reserve	-	-	-	(122)	(50)	169	-	-	(100.0)	142.5	(129.8)	100.0
Underwriting Result	376	654	816	557	1,078	242	(42.5)	(19.9)	46.5	(48.3)	346.0	(422.2)
Investment Income	1,093	1,372	1,285	1,494	3,502	2,404	(20.4)	6.8	(14.0)	(57.3)	45.7	16.7
Rental Income	113	30	7	9	6	6	275.2	329.1	(22.2)	39.6	1.7	5.7
Other income	231	64	95	96	178	185	260.6	(32.7)	(1.0)	(46.0)	(3.7)	51.4
Change in fair value of investment property	-	12	-	-	-	-	(100.0)	100.0	-	-	-	-
Other / General And Administration Expenses	62	59	73	44	630	571	5.7	(19.2)	65.9	(93.0)	10.4	17.7
Exchange Gain / (Loss)	12	5	6	5	(2)	6	167.3	(23.1)	20.0	(412.5)	(127.1)	100.0
Finance Charges on Lease Liabilities	15	8	-	-	-	-	80.1	100.0	-	-	-	-
Workers' welfare fund charge / (reversal)	-	(356)	41	63	83	58	100.0	(967.7)	(34.9)	(23.8)	43.4	37.3
Profit before tax from WTO-OP	164	108	79	67	4	-	52.1	36.3	17.9	1,559.2	100.0	-
Profit Before Tax	1,910	2,533	2,174	2,121	4,054	2,214	(24.6)	16.5	2.5	(47.7)	83.1	39.5
Provision for taxation	35	720	935	900	561	272	(95.2)	(23.0)	3.9	60.4	106.3	80.1
Profit after Tax	1,875	1,813	1,239	1,221	3,493	1,942	3.4	46.3	1.5	(65.0)	79.8	35.3

Six Years Financial Performance (2015 - 2020)

Vertical Analysis - Balance Sheet and Income Statement

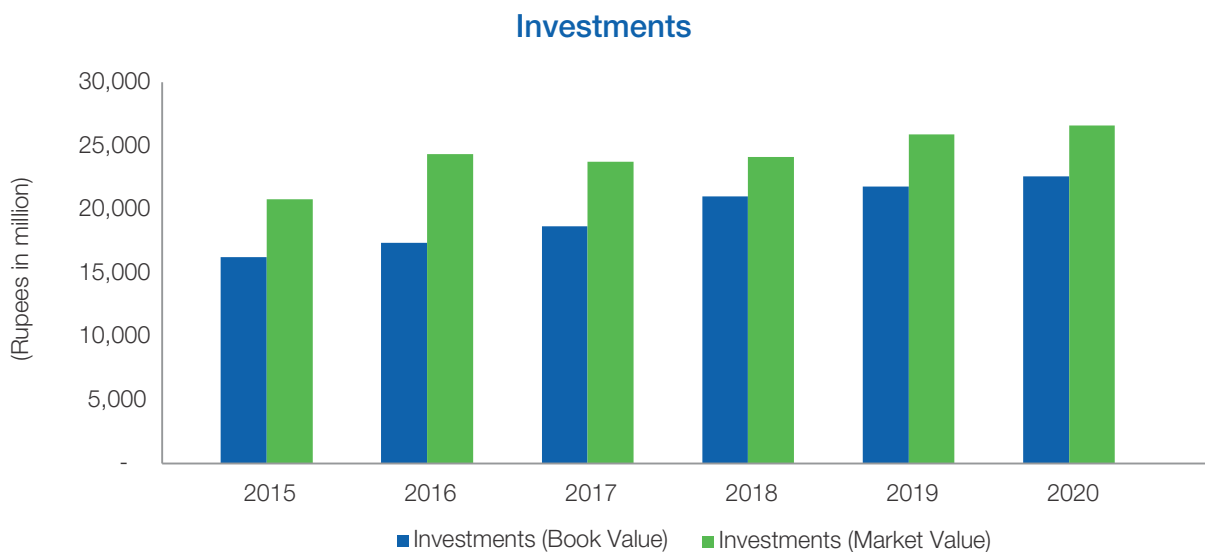
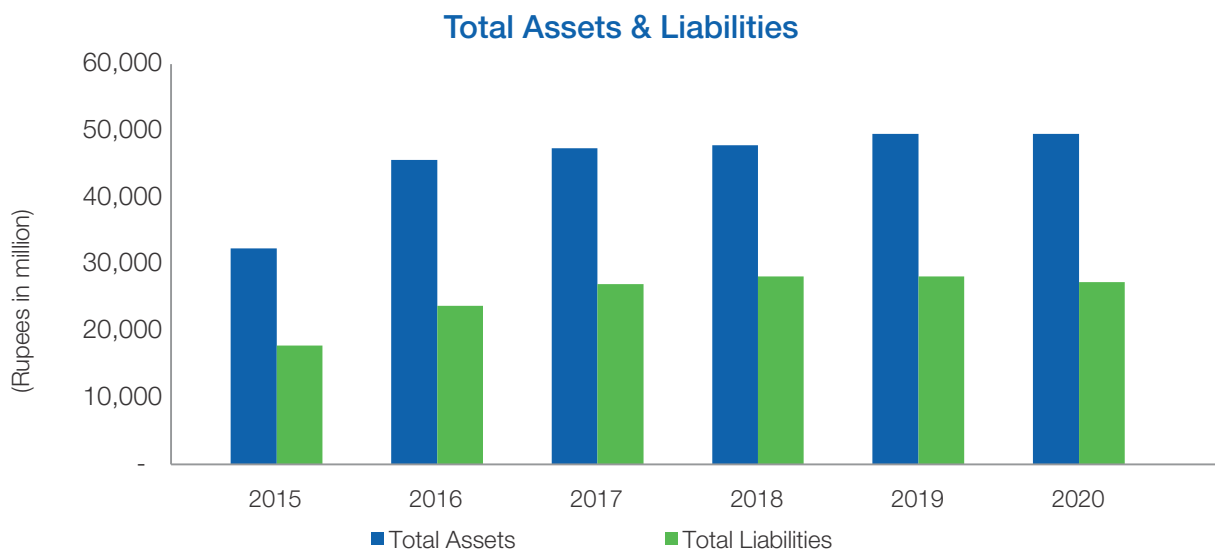
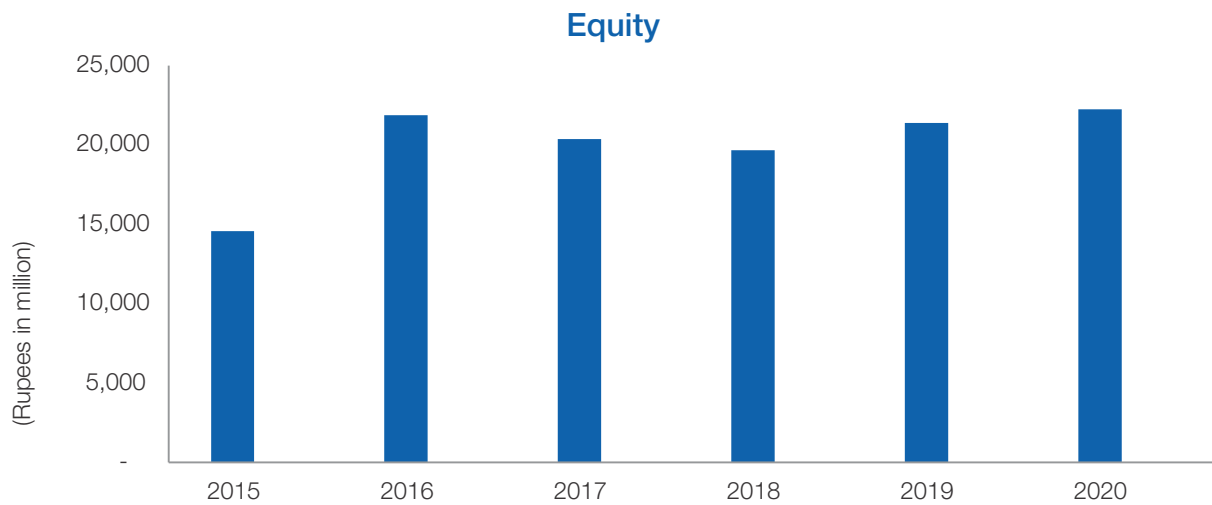
	2020		2019		2018		2017		2016		2015	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Balance sheet												
Assets												
Cash and Bank Deposits	1,312	2.6	1,177	2.4	2,211	4.6	2,279	4.8	3,811	8.4	2,898	8.9
Loans to Employees	45	0.1	49	0.1	45	0.1	43	0.1	18	0.0	17	0.1
Investments	26,596	53.7	25,888	52.3	24,114	50.4	23,749	50.1	24,337	53.3	15,393	47.5
Deferred Taxation	-	-	-	-	-	-	-	-	-	-	84	0.3
Current Assets-others	16,020	32.4	17,295	34.9	17,499	36.6	18,444	38.9	16,125	35.3	12,687	39.2
Fixed Assets	4,556	9.2	4,301	8.7	3,594	7.5	2,632	5.6	1,250	2.7	1,301	4.0
Investment Property	402	0.8	402	0.8	-	-	-	-	-	-	-	-
Total assets of WTO-OP	589	1.2	426	0.9	382	0.8	241	0.5	99	0.2	-	-
Total Assets	49,520	100.0	49,538	100.0	47,845	100.0	47,388	100.0	45,640	100.0	32,380	100.0
Liabilities and Equity												
Total Equity	22,235	44.9	21,380	43.2	19,663	41.1	20,365	43.0	21,872	47.9	14,561	45.0
Underwriting Provisions	19,380	39.1	20,848	42.1	20,784	43.4	20,639	43.6	17,184	37.7	13,125	40.5
Deferred Taxation	1,375	2.8	1,330	2.7	944	2.0	1,567	3.3	2,223	4.9	-	-
Deferred Liabilities	212	0.4	225	0.5	199	0.4	154	0.3	81	0.2	116	0.4
Borrowings	166	0.3	-	-	-	-	-	-	-	-	-	-
Creditors and Accruals	1,806	3.6	1,719	3.5	2,206	4.6	1,884	4.0	1,661	3.6	4,502	13.9
Other Liabilities	4,103	8.3	3,840	7.8	3,819	8.0	2,638	5.6	2,573	5.6	75	0.2
Total liabilities of WTO-OP	243	0.5	196	0.4	230	0.5	141	0.3	46	0.1	-	-
Total Equity and Liabilities	49,520	100.0	49,538	100.0	47,845	100.0	47,388	100.0	45,640	100.0	32,380	100.0
Profit and Loss Account												
Revenue Account												
Net Premium Revenue	13,295	100.0	15,434	100.0	13,806	100.0	11,535	100.0	9,615	100.0	7,747	100.0
Net Claims	7,987	60.1	9,877	64.0	8,386	60.7	7,434	64.4	6,210	64.6	5,223	67.4
Underwriting Expenses	3,099	23.3	3,397	22.0	3,324	24.1	2,576	22.3	1,615	16.8	1,556	20.1
Net Commission	1,833	13.8	1,507	9.8	1,280	9.3	1,090	9.4	763	7.9	558	7.2
Unexpired risk reserve	-	-	-	-	-	-	(122)	(1.1)	(50)	(0.5)	169	2.2
Underwriting Result	376	2.8	654	4.2	816	5.9	557	4.8	1,078	11.2	242	3.1
Investment Income	1,093	8.2	1,372	8.9	1,285	9.3	1,494	13.0	3,502	36.4	2,404	31.0
Rental Income	113	0.8	30	0.2	7	0.1	9	0.1	6	0.1	6	0.1
Other income	231	1.7	64	0.4	95	0.7	96	0.8	178	1.9	185	2.4
Change in fair value of investment property	-	-	12	0.1	-	-	-	-	-	-	-	-
General And Administration Expenses	62	0.5	59	0.4	73	0.5	44	0.4	630	6.6	571	7.4
Exchange Gain / (Loss)	12	0.1	5	0.0	6	0.0	5	0.0	(2)	(0.0)	6	0.1
Finance Charges on Lease Liabilities	15	0.1	8	0.1	-	-	-	-	-	-	-	-
Workers' welfare fund charge / (reversal)	-	-	(356)	(2.3)	41	0.3	63	0.5	83	0.9	58	0.7
Profit before tax from WTO-OP	164	1.2	108	0.7	79	0.6	67	0.6	4	0.0	-	-
Profit Before Tax	1,910	14.4	2,533	16.4	2,174	15.7	2,121	18.4	4,054	42.2	2,214	28.6
Provision for Taxation	35	0.3	720	4.7	935	6.8	900	7.8	561	5.8	272	3.5
Profit After Tax	1,875	14.1	1,813	11.7	1,239	9.0	1,221	10.6	3,493	36.3	1,942	25.1

Six Years Financial Performance (2015 - 2020)

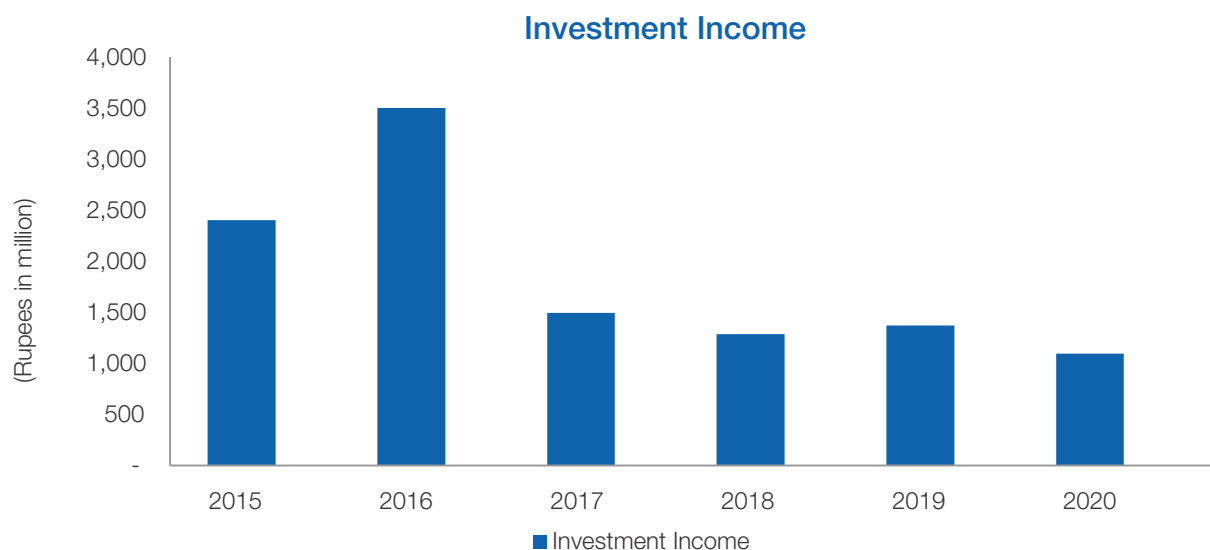
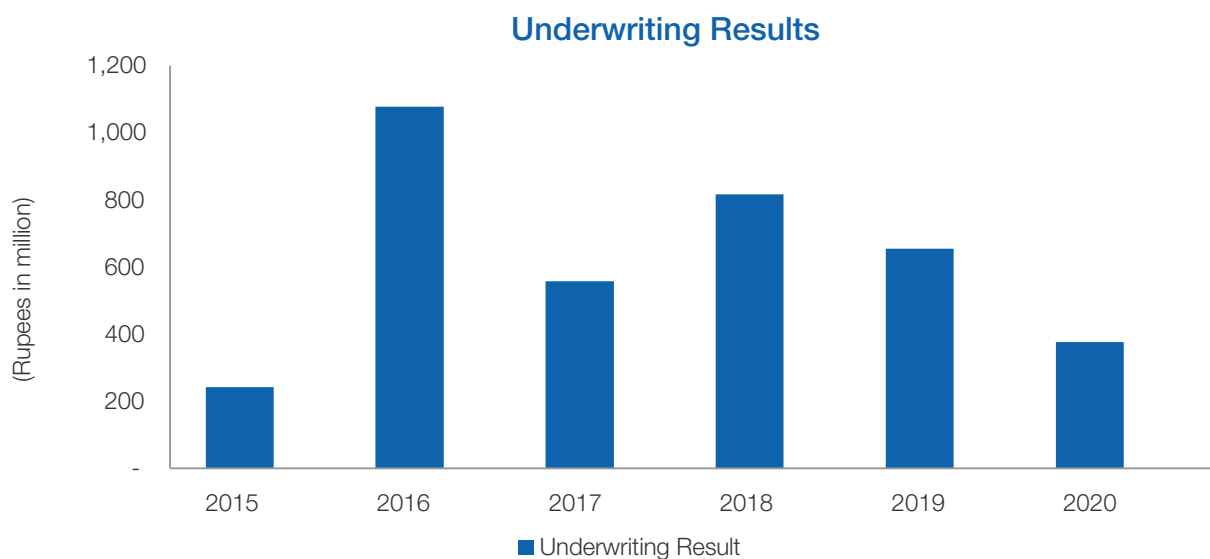
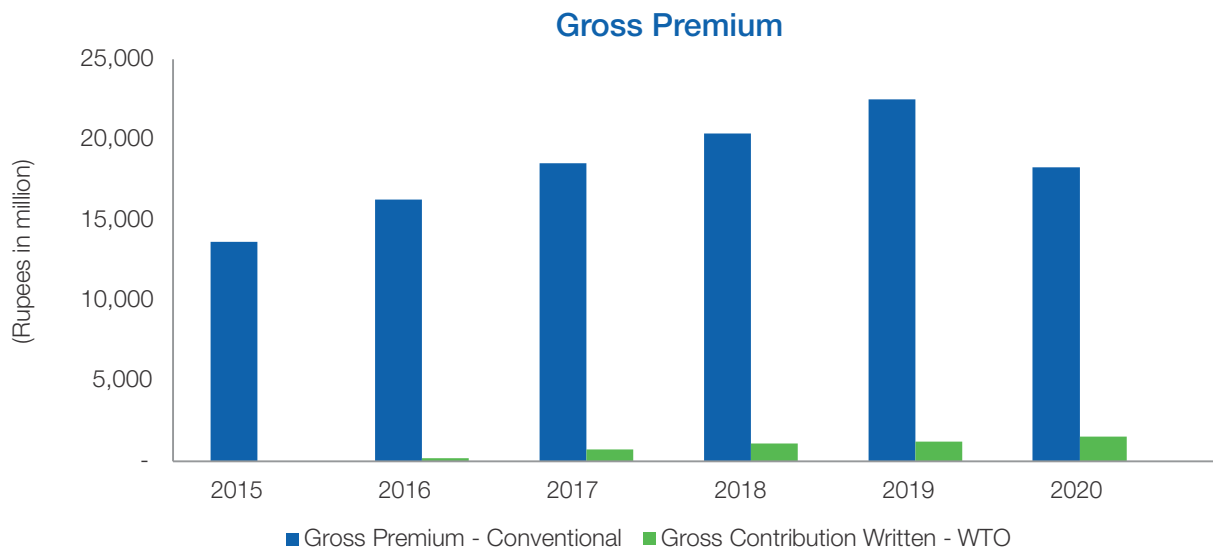
Financial Ratios

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Profit / (Loss) Before Tax / Gross Premium	(%)	10.4	11.3	10.7	11.5	24.9	16.2
Profit / (Loss) Before Tax / Net Premium	(%)	14.4	16.4	15.7	18.4	42.2	28.6
Profit After Tax / Gross Premium	(%)	10.3	8.1	6.1	6.6	21.5	14.2
Profit After Tax / Net Premium	(%)	14.1	11.7	9.0	10.6	36.3	25.1
Combined Ratio	(%)	97.2	95.8	94.1	95.2	88.8	96.9
Expenses / Gross Premium	(%)	17.3	13.8	16.9	14.5	14.3	16.0
Expenses / Net Premium	(%)	23.8	20.1	24.9	23.3	24.2	28.1
Underwriting Result / Net Premium	(%)	2.8	4.2	5.9	4.8	11.2	3.1
Net Claims / Net Premium	(%)	60.1	64.0	60.7	64.4	64.6	67.4
Investment Income / Net Premium	(%)	8.2	8.9	9.3	12.9	36.4	31.0
Underwriting Result / Written Premium	(%)	2.1	2.9	4.0	3.0	6.6	1.8
Profit / (Loss) Before Tax / Total Income	(%)	12.8	14.9	14.4	16.1	30.5	21.4
Profit / (Loss) After Tax / Total Income	(%)	12.6	10.6	8.2	9.3	26.3	18.8
Net Commission / Net Premium	(%)	13.8	9.8	9.3	9.4	7.9	7.2
Return To Shareholders Ratios							
Return On Equity - PBT	(%)	8.6	11.8	11.1	10.4	18.5	15.2
Return On Equity - PAT	(%)	8.4	8.5	6.3	6.0	16.0	13.3
Earnings Per Share	(Rs.)	5.36	5.18	3.54	3.49	9.98	5.55
P/E Ratio	(Times)	7.3	8.1	11.9	14.9	7.4	10.2
Return On Capital Employed	(%)	8.6	11.8	11.1	10.4	18.5	15.2
Dividend Yield	(%)	7.0	5.9	4.8	7.7	4.0	5.3
Dividend Payout	(%)	51.3	48.3	56.5	114.7	30.1	54.1
Dividend Cover	(Times)	1.9	2.1	1.8	0.9	3.3	1.9
Return On Total Assets	(%)	3.8	3.7	2.6	2.6	7.7	6.0
Earnings Growth	(%)	3.5	46.3	1.4	(65.0)	79.8	2.8
Liquidity / Leverage Ratios							
Current Ratio	(Times)	1.7	1.7	1.6	1.8	1.7	1.8
Cash / Current Liabilities	(%)	6.0	4.8	8.2	9.0	20.2	16.4
Earning Assets / Total Assets	(%)	56.9	55.3	50.4	50.1	53.3	50.1
Liquid Ratio	(Times)	1.3	1.2	1.1	0.9	1.0	1.0
Liquid Assets / Total Assets	(%)	66.5	66.7	48.5	44.2	46.4	56.5
Total Assets Turnover	(Times)	0.3	0.3	0.3	0.2	0.2	0.2
Fixed Assets Turnover	(Times)	2.9	3.6	3.8	4.4	7.7	6.0
Total Liabilities / Equity	(%)	122.7	131.7	143.3	132.7	108.7	122.4
Paid Up Capital / Total Assets	(%)	7.1	7.1	7.3	7.4	7.7	10.8
Equity / Total Assets	(%)	44.9	43.2	41.1	43.0	47.9	45.0

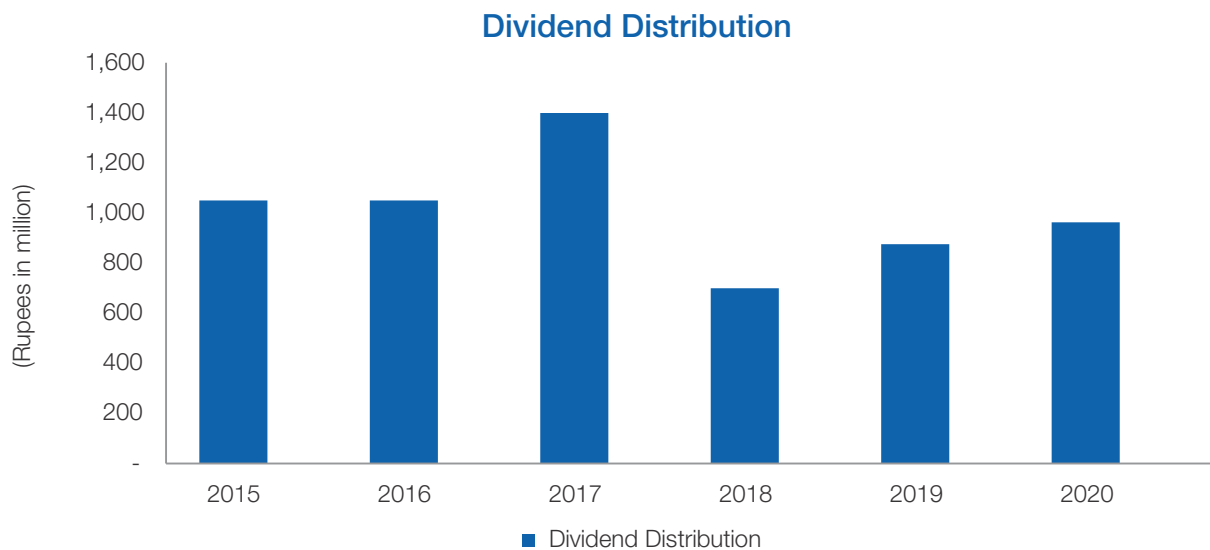
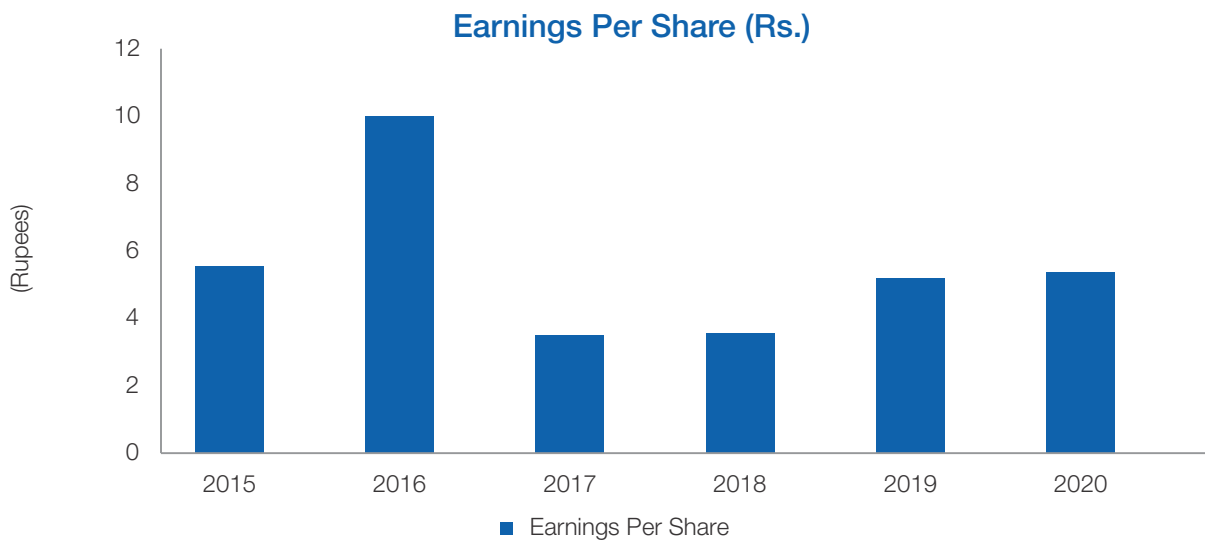
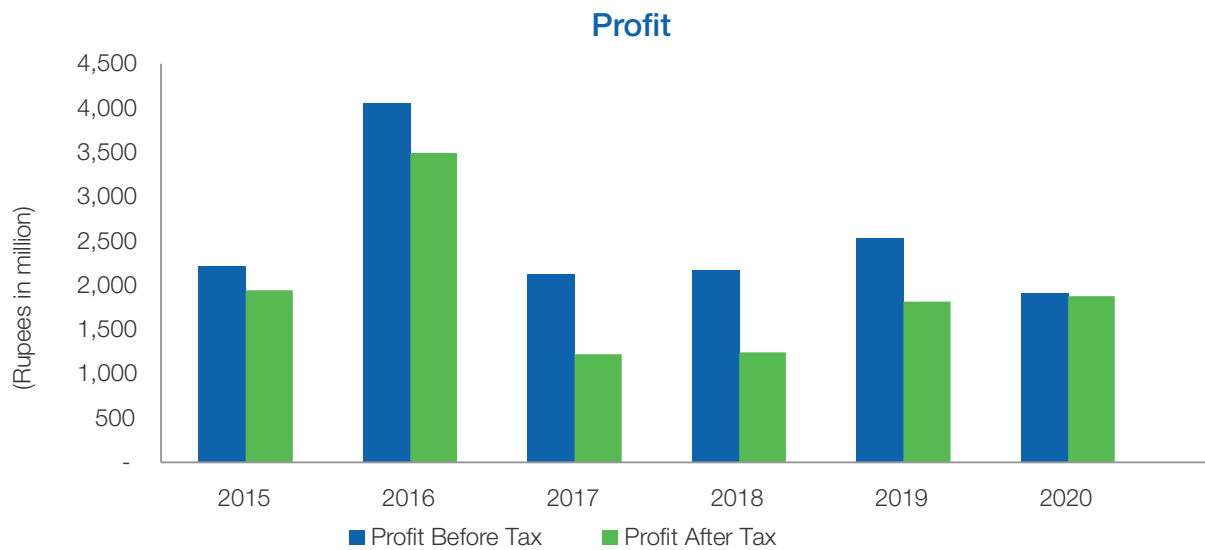
Six Years Graphical Summary (2015 - 2020)



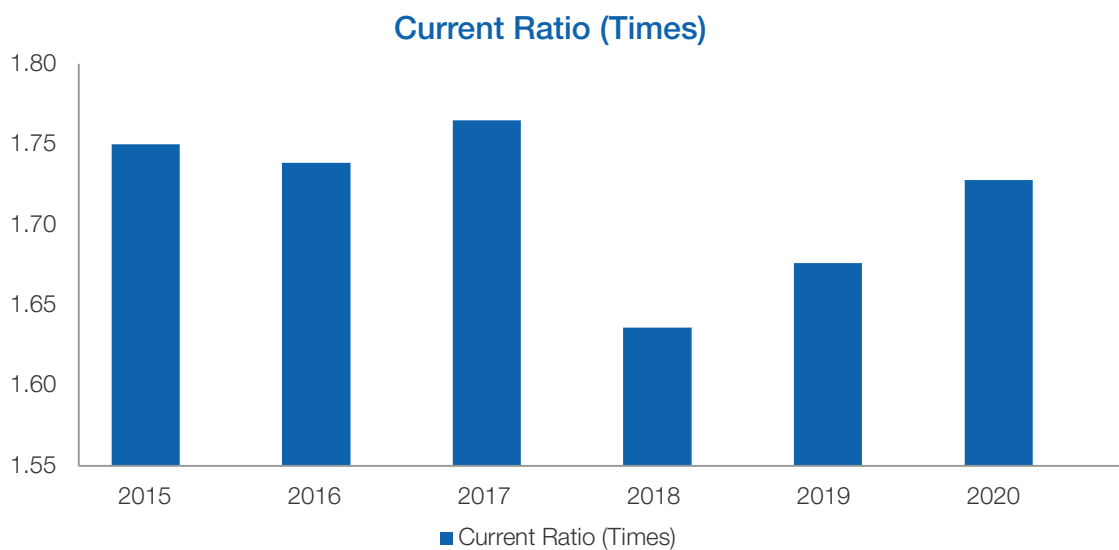
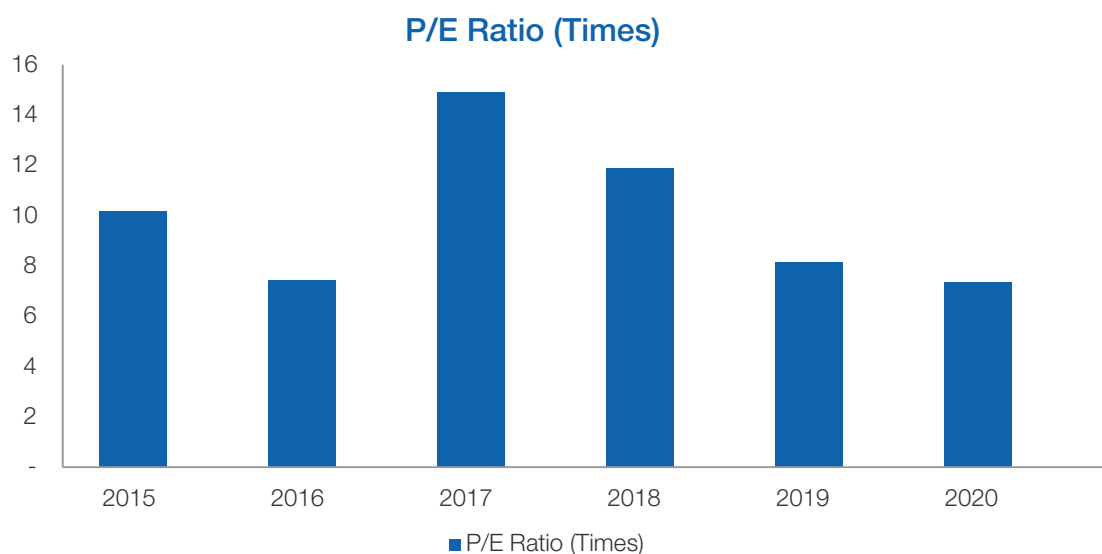
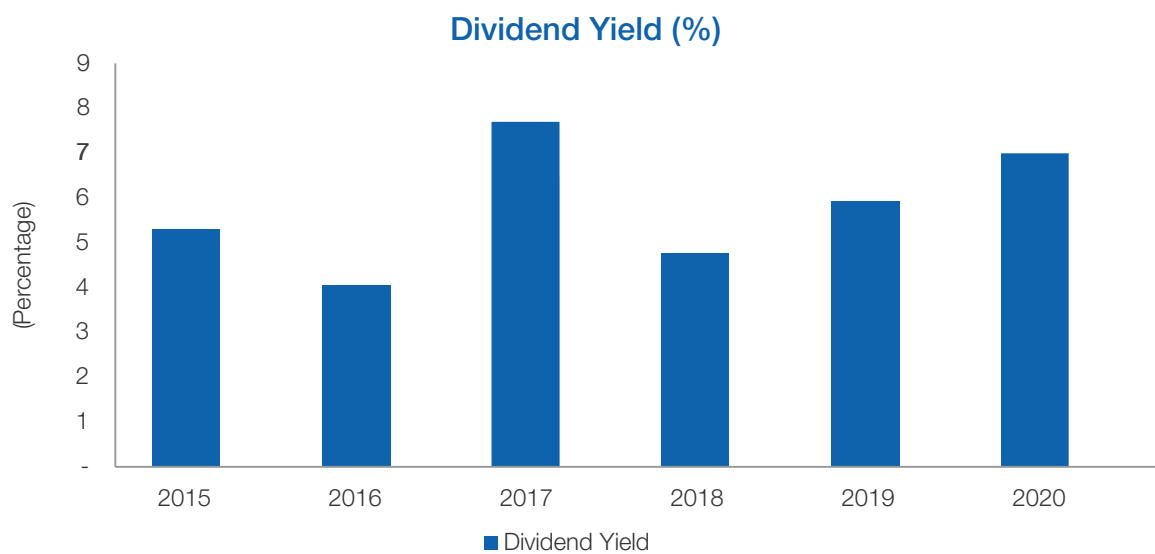
Six Years Graphical Summary (2015 - 2020)



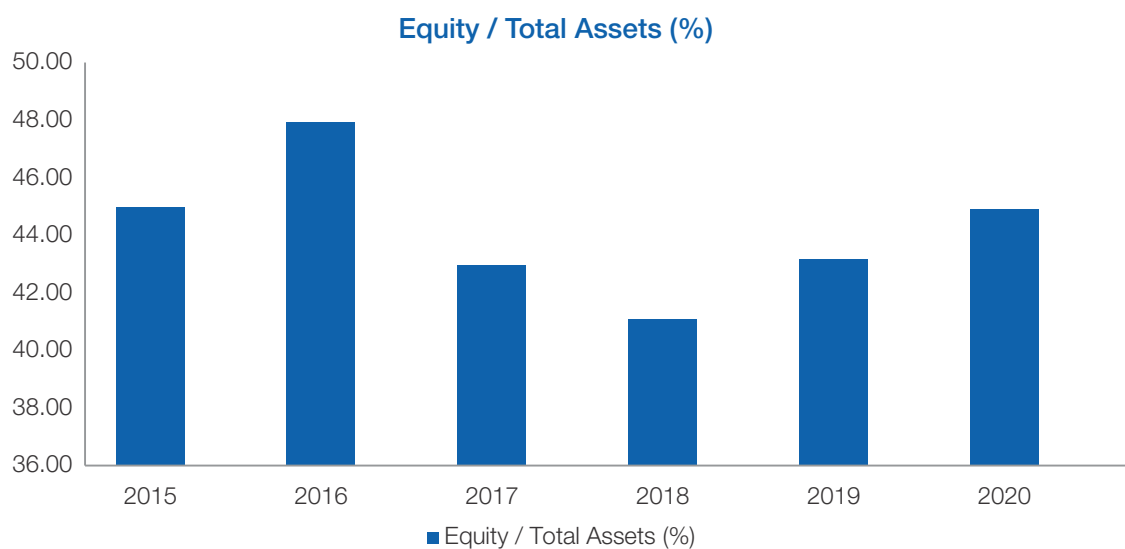
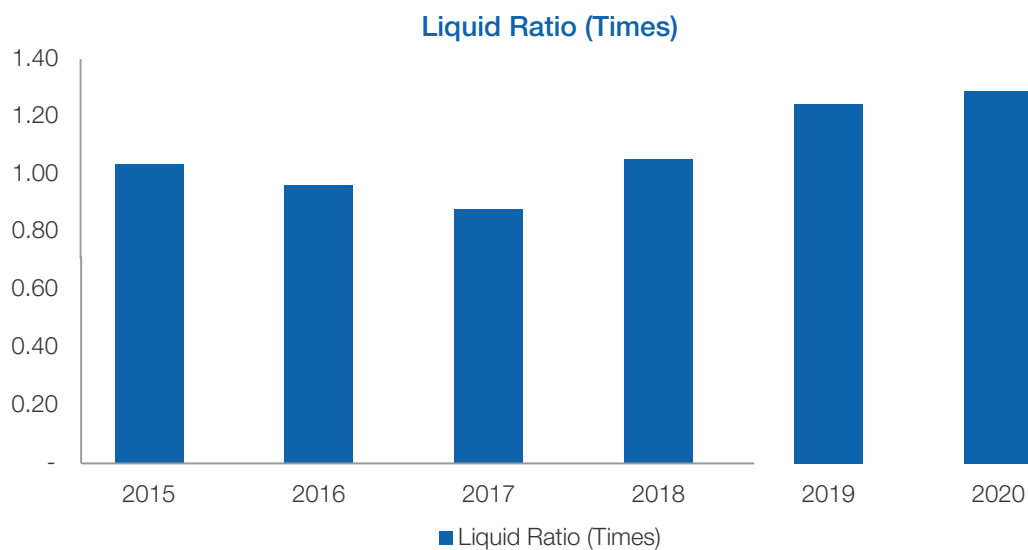
Six Years Graphical Summary (2015 - 2020)



Six Years Graphical Summary of Ratios (2015 - 2020)



Six Years Graphical Summary of Ratios (2015 - 2020)



Comments on Horizontal and Vertical Analysis

Profit & Loss Account

Over the years 2015 to 2019, the Company continued to grow its business at a healthy rate. However, owing to the unforeseen circumstances caused by the Covid-19 pandemic, the gross written premium of the Company's conventional business witnessed a 19% decrease from last year. Major decrease was witnessed in Outside Pakistan Operation where gross written premium decreased by 37% year on year. This contraction in top line resulted in 14% decline in Net Premium Revenue over last year.

Net claims expense decreased by 19% during the year resulting in 'Claim ratio' to reduce to 60% in current year as against 64% in last year. Management / underwriting expenses also decreased by 9% in current year as compared to year 2019.

Underwriting profit of the Company decreased by 42.5% in the current year, while Investment income of the Company also witnessed a decline of 20%, year on year.

On the other hand, The Window Takaful Operations (WTO) of the Company, showed significant increase in gross contribution which increased to Rs. 1.5 billion in 2020 as against Rs. 1.2 billion in 2019. WTO operator's fund contributed Rs. 164 million towards the profit before tax to the overall profits of the Company.

Profit after tax for the year 2020 has increased by 3% amounting to Rs. 1,875 million as against Rs. 1,813 million in 2019 resulting in Earning per Share (EPS) of Rs. 5.38 in current year as against Rs. 5.18 in last year.

Balance Sheet

The Company has the largest paid up capital in the industry amounting to Rs. 3,500 million.

Overall asset base of the Company declined by 0.04% (Rs. 18 million) reaching at Rs. 49,520 million as compared to Rs. 49,538 million in 2019.

Investments are the biggest asset which constitute approximately 54% of the total assets of the Company. With an increase of 2.7%, investments of the Company stood at Rs. 26,596 million as against Rs. 25,888 million in 2019. The Company's Investments have shown continuous growth over the last six years, except for 2017 where a slight decline was witnessed, due to adverse market conditions.

Cash and Bank balance of the Company increased by 12% approximately amounting to Rs. 1,312 million in current year as against Rs. 1,177 million in 2019 (excluding cash and bank balance of Window Takaful Operations).

Equity & Reserves increased by 4% amounting to Rs. 22,235 million in current year as against Rs. 21,380 million which reflects the improving strength of the Company.

Underwriting liabilities decreased by 7% amounting to Rs. 19,380 million in current year as against Rs. 20,848 million in 2019.

Net Assets of the Company's 'Window Takaful Operations - Operator's Fund' increased significantly from Rs.230 million to Rs. 346 million registering a growth of 50% year on year.

Comments on Ratios

Profitability Ratios

Profitability Ratios during the year depicted downward trends. Underwriting results stood at 2.58% of net premium in current year as against 4.2% in last year. Investment income decreased to 4% in current year as against 5% in last year. Profit after tax ratio, however, improved to 12.6% in current year as against 10.6% in last year. This is mainly related to reversal of tax charge amounting to Rs. 579 million as explained in note 35.2 to the unconsolidated financial statements of the Company.

Return to Shareholders Ratios

Return to shareholders / investors' Ratios depicted mixed trends during the year. 'Return on equity' slightly decreased to 8.4% in current year as against 8.5% in last year. While 'Return on total assets' increased to 3.8% in current year as against 3.7% in last year.

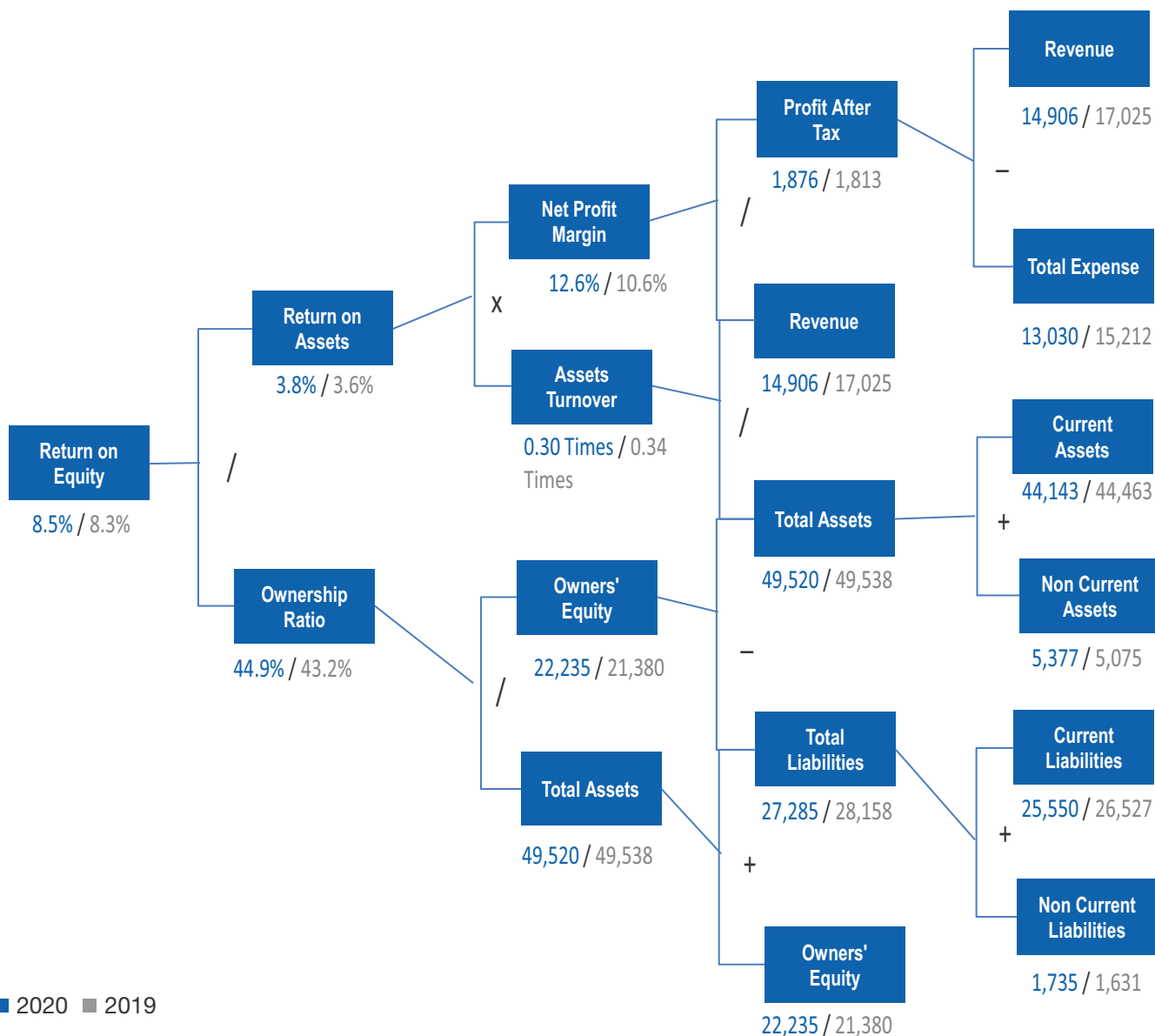
During the year, the Company has distributed Rs. 2.75 per share as dividend (Rs. 1.5/- per share as final dividend relating to year 2019 and Rs. 1.25/- per share as interim dividend relating to year 2020). Total dividend distribution amounted to Rs. 962.5 million.

Liquidity Ratios

Liquidity Ratios of the Company improved from last year which reflects a better working capital and cash flow management of the Company. The Company was able to maintain current ratio at 1.7 times while cash and bank balance to current liabilities ratio improved to 6% in current year as against 4.8% last year. The proportion of 'Earning assets' to 'Total assets' also improved to 56.9% as against 55.3% while the proportion of 'Liquid assets' to 'Total assets', however, slightly declined to 66.5% in current year as against 66.7% last year.

DuPont Analysis

Rupees in Million



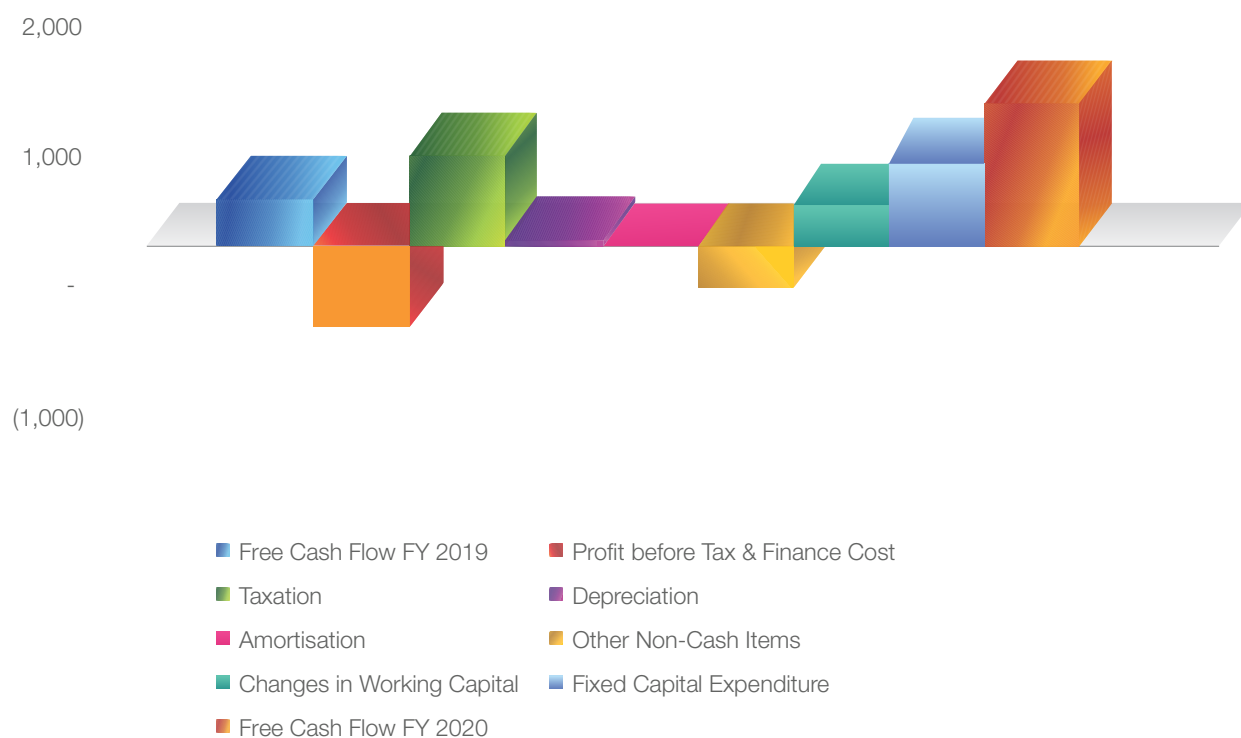
■ 2020 ■ 2019

Analysis

- The Net Profit Margin has increased by 2% in year 2020 due to decrease in net claims ratio and decrease in management expenses from last year.
- Return on assets and return on equity have marginally increased from last year by 0.2% showing Company's improved profitability despite slow economic growth.
- Owners' equity and ownership ratio have also improved from last year despite higher dividend distribution of 27.5% during current year as compared with 25% of last year.
- The Company has shown growth in profitability despite negative growth in top line revenues brought in by economic down-turn and uncertainty caused by Covid-19 pandemic.

Free Cashflows to the Company

	2020	2019
	Rupees in Million	
Profit before Tax & Finance Cost	1,925	2,541
Less: Taxation	(35)	(720)
	1,890	1,821
Add: Depreciation	264	226
Add: Amortisation	23	25
Add: Other Non-Cash Items	85	411
Changes in Working Capital	(657)	(963)
Less: Fixed Capital Expenditure	(521)	(1,168)
	(806)	(1,469)
Free Cash flow to the Company	1,084	352



Six Years' Summary of Cashflow Statements

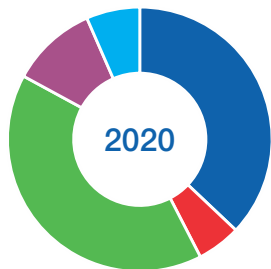
	2020	2019	2018	2017	2016	2015
	Rupees in Million					
Cashflow Summary						
Cash inflow / (outflow) from operating activities	648	(93)	1,892	1,060	222	838
Cash inflow / (outflow) from investing activities	280	3	(1,275)	(1,210)	2,225	254
Cash outflow from financing activities	(793)	(944)	(685)	(1,382)	(1,035)	(1,071)
Net cash inflow / (outflow) from all activities	135	(1,034)	(68)	(1,532)	1,412	21
Cash and cash equivalent at beginning of the year	1,177	2,211	2,279	3,811	2,889	2,868
Cash and cash equivalent at end of the year	1,312	1,177	2,211	2,279	4,301	2,889

Analysis

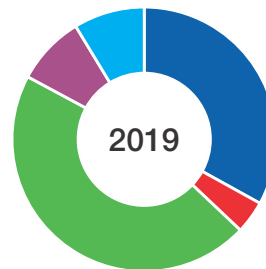
Analysis of the last 6 years cashflow statements reveals that the Company has been able to maintain sufficient liquidity in the form of cash and highly liquid assets ensuring Company's strong ability to timely discharge its short term obligations mainly involving claims, reinsurance cessions and commission payments in addition to maintaining cash reserves for CAPEX, additional investments and dividend payout requirements as they arise.

Graphical Presentation of Financial Statements

Gross Premium

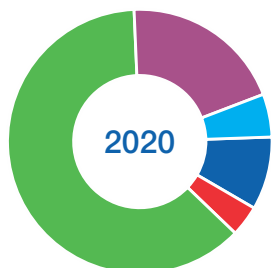


■ Fire and property damage 37% ■ Accident & Health 11%
 ■ Marine, aviation and transport 5% ■ Miscellaneous 7%
 ■ Motor 40%

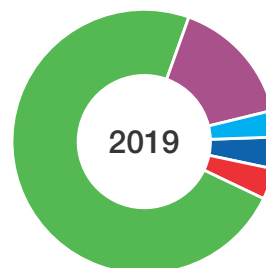


■ Fire and property damage 33% ■ Accident & Health 8%
 ■ Marine, aviation and transport 4% ■ Miscellaneous 9%
 ■ Motor 46%

Net Claims

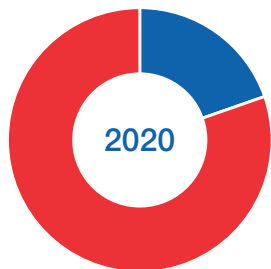


■ Fire and property damage 9% ■ Accident & Health 20%
 ■ Marine, aviation and transport 4% ■ Miscellaneous 5%
 ■ Motor 62%

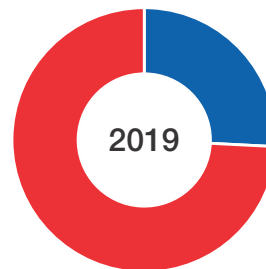


■ Fire and property damage 4% ■ Accident & Health 16%
 ■ Marine, aviation and transport 4% ■ Miscellaneous 3%
 ■ Motor 73%

Analysis of Income

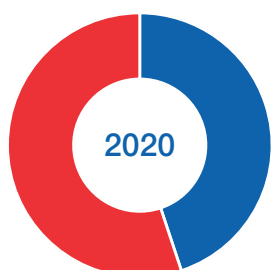


■ Underwriting profit 20% ■ Other income 80%

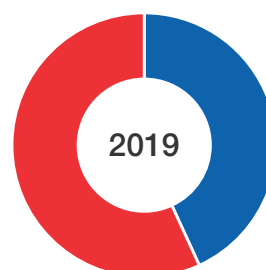


■ Underwriting profit 26% ■ Other income 74%

Total Equity and Liabilities



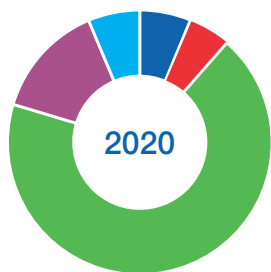
■ Equity 45% ■ Liabilities 55%



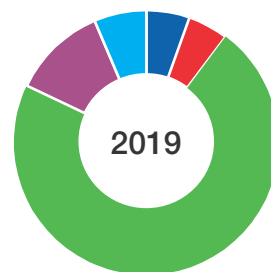
■ Equity 43% ■ Liabilities 57%

Graphical Presentation of Financial Statements

Net Premium Revenue

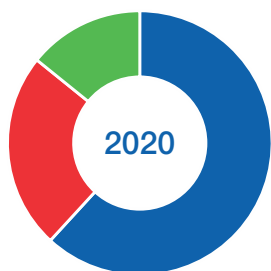


- Fire and property damage 6%
- Accident & Health 14%
- Marine, aviation and transport 5%
- Miscellaneous 7%
- Motor 68%

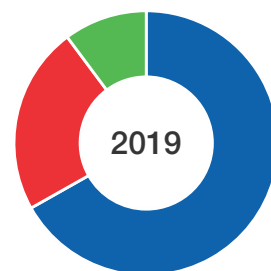


- Fire and property damage 5%
- Accident & Health 12%
- Marine, aviation and transport 5%
- Miscellaneous 6%
- Motor 72%

Combined Expenses

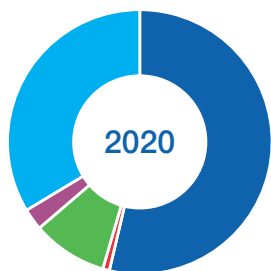


- Net claims 62%
- Expenses 24%
- Net commission 14%

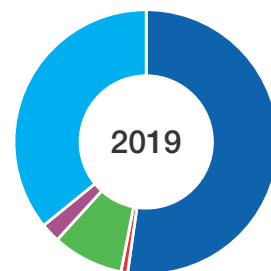


- Net claims 67%
- Expenses 23%
- Net commission 10%

Total Assets

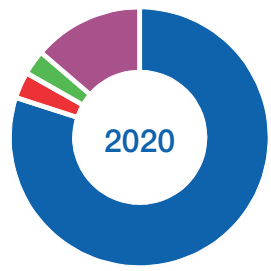


- Investments 54%
- Investment Property 1%
- Fixed assets 9%
- Cash and bank deposits 3%
- Other Assets 33%

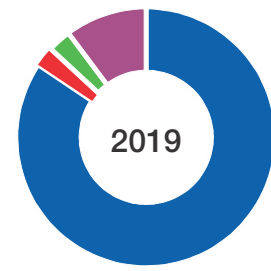


- Investments 52%
- Investment Property 1%
- Fixed assets 9%
- Cash and bank deposits 2%
- Other Assets 36%

Investment Income

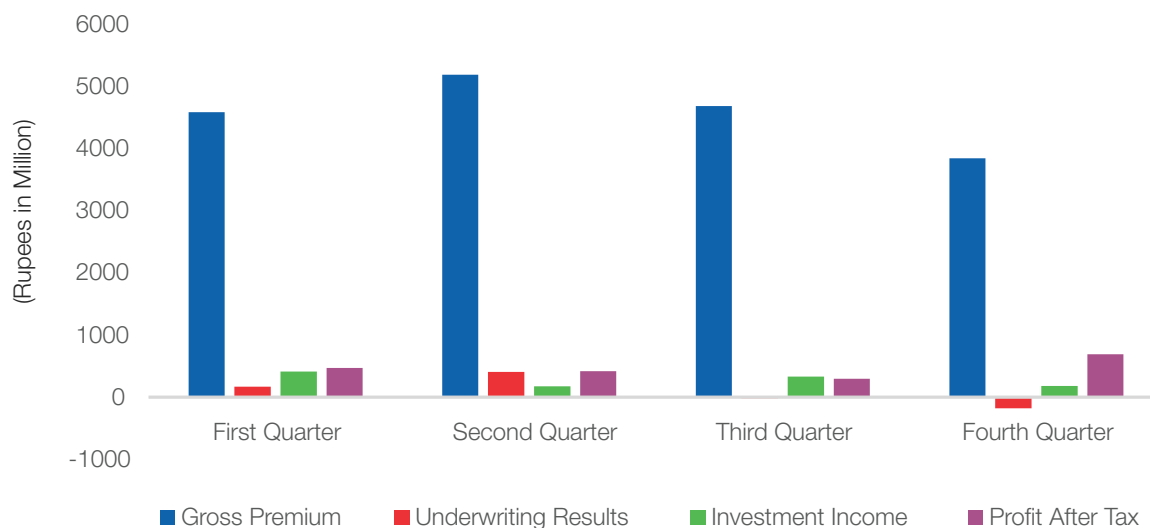


- Dividend Income 80%
- Income from Govt. Securities 3%
- Capital Gains 3%
- Income from Term Deposits 14%



- Dividend Income 84%
- Income from Govt. Securities 3%
- Capital Gains 3%
- Income from Term Deposits 10%

Quarterly Performance Analysis 2020



Gross Premium

The gross premium written at entity level decreased by 19% from last year due to economic slowdown and uncertainty brought about by Covid-19 pandemic. In contrast to last year trend, fourth quarter only contributed 21% to overall gross premium written compared with 37% contribution of corresponding period of last year.

Investment Income

Current year witnessed 20% decline in investment income mainly due to decrease in dividend income of Rs. 406 million. This is largely because of the lower dividend payout from the banking segment of the equity portfolio due to temporary restrictions on dividend distribution imposed by the State Bank of Pakistan for two quarters (2nd & 3rd) during Covid-19 situation.

Profitability Analysis

Quarter wise profitability remained volatile during the year with fourth quarter being the major contributor towards annual profit after tax of Rs. 1,876 million as compared to Rs. 1,813 million of last year showing growth of 3% from last year. This increase is largely contributed to tax charge reversal of Rs. 579 million during the current year which pertains to tax assessments of prior years.

Methods and Assumptions in Compiling Indicators

The Company takes into account both internal and external performance measuring tools and sector specific KPIs in opting for indicators that objectively evaluate Company's performance against standard benchmarks.

Financial

Operating Performance

For evaluating the Company's operating performance, the management analyses for each line of business and its subsidiary classes the premium growth trends, loss ratio, commission ratio, combined ratio, operating profitability ratio and net margin ratio across the sector to gauge its own standing and identify the possible areas of improvement.

Investor KPIs

To analyze the Company's performance with regards to return to shareholders, the indicators mainly used involve return on equity, P/E ratio, price to book value, dividend yield, return on assets and earnings growth.

Liquidity Strength

Company's liquidity strength is measured by KPIs such as current ratio, quick ratio, liquid ratio, assets turnover and equity to total assets ratio.

Non-Financial

Underwriting

The management realizes the importance of customer satisfaction and measures its performance by client reviews, client retention rate and client turnover ratio.

Claims

The Company closely monitors the claim turn around time to ensure claims are timely processed once they are intimated to the Company. These turn around time are set for each class of business.

Human Resource

The Company is keen to engage and develop Human Resource that adds value to the Company and to ensure the overall corporate objectives are achieved. The Company periodically evaluates employee turnover and employee satisfaction for each department whilst investing in employee training and development drills to facilitate job rotation, job enrichment and succession planning.

Change in Indicators and Performance Measures

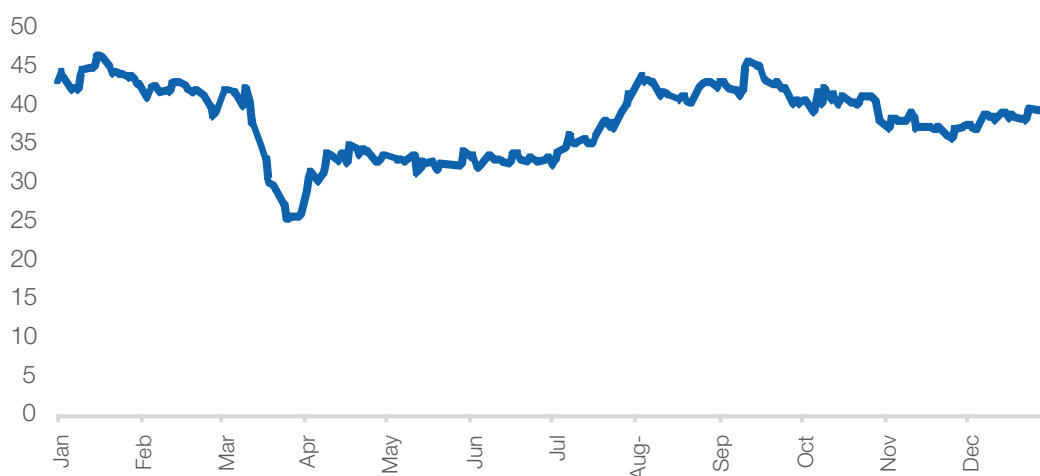
The performance measures are subject to periodic reviews and are regularly updated to help management scale the competitive environment. Revised KPIs are agreed with functional managers to ensure management/employee have their buy-in.

Market Statistics of AICL Share

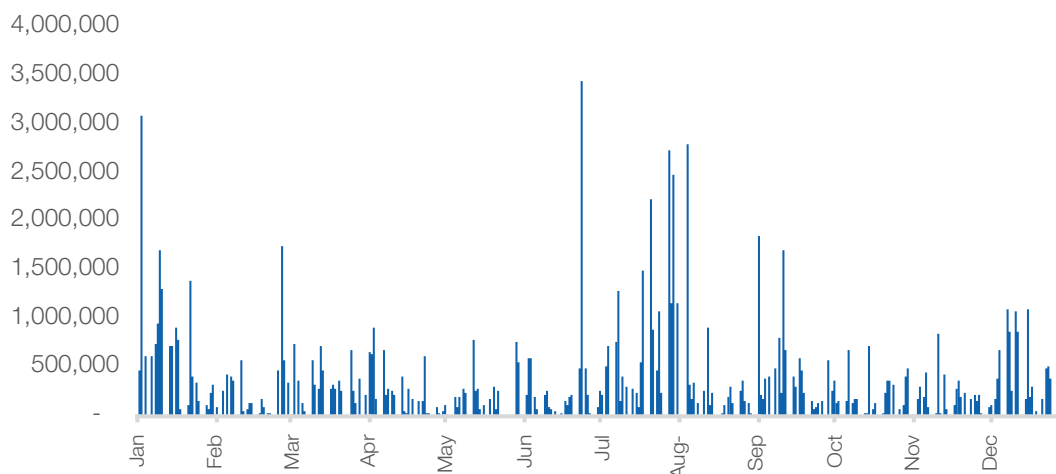
AICL's share price along with daily trading volume from Pakistan Stock Exchange (PSX) on key dates during the year 2020 are given below:

	High	Low	Closing	Daily Trading Volume
	Rupees			No of shares
December 31, 2020	39.74	38.56	39.32	154,500
September 30, 2020	41.95	40.00	40.10	356,500
June 30, 2020	33.49	32.80	33.11	245,000
March 31, 2020	27.00	25.25	26.63	652,500

Share Price in 2020



Trading Volume in 2020



Share price sensitivity analysis

The Company's share price is affected by various internal and external factors as below:

- a. Operating performance of the Company
- b. Performance of entities in which Company has invested (impacts investment income of the Company)
- c. Announcement of dividends
- d. Political stability
- e. Law & Order situation
- f. General economic conditions
- g. Changes in regulatory environment
- h. Stock market sentiment

Sensitivity analysis of change in market capitalization

Market capitalization is the aggregate value of a company based on its share price and total number of outstanding shares. It simply refers to how much a company is worth as determined by its share price.

Below is market capitalization of AICL along with sensitivity analysis with change in market share price:

Share price on December 31, 2020 (PSX)	Rs. 39.32
Market capitalization on December 31, 2020	Rs. 13,762 million

10% change in share price would have the following impact on the market capitalization of AICL:

10% increase	Rs. 1,376 million
10% decrease	Rs. (1,376) million

Sensitivity to Foreign Currency Fluctuations

The Operations of the Company within Pakistan, at present are not materially exposed to fluctuations in foreign currency exchange rates as all transactions within Pakistan are carried out and financial statements prepared in Pak Rupees (PKR). The amount of asset, liabilities, revenues and expenditures are also not sensitive to the fluctuation in exchange rates of foreign currencies. The branches at United Arab Emirates (UAE) and Export Processing Zone (EPZ) are however considered as “exchange translation reserve”, because these branches operate in foreign currencies, i.e. United Arab Emirates Dirham (AED) and US Dollar respectively.

Transactions in foreign currencies (other than the results of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction and exchange differences are taken to the profit and loss account.

The assets and liabilities of foreign branches are translated into Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated into Pak Rupees at the average rate of exchange for the year.

Translation gains and losses arising on the translation of the Company's net investments in foreign branches are taken to the capital reserves 'Exchange Translation Reserve'.

Major Capital Expenditures:

During the year, the Company has incurred Rs. 521 million (2019: Rs. 1,168 million) on capital items relating to both tangible and intangible infrastructure. Major portion of this expenditure was incurred on the construction of Adamjee House Lahore Building and renovation of Adamjee House Karachi Building along with office furniture and equipments. Before construction of Adamjee House Lahore Building, the Company was operating in Lahore through rented premises at different locations. Both the buildings have enabled the Company to consolidate all offices in one place to save operational cost, all rental income from spare office space and to improve coordination among the staff.

The Company has planned capital expenditure for the year 2021. This expenditure would primarily be relating to IT related projects and routine replacements of tangible capital nature items.

Major Events during the year

Financial Results	Announcement Date	Dividend Declared/Proposed
First Quarter Ended 31 March 2020	22 May 2020	Nil
Half Year Ended 30 June 2020	24 August 2020	@ 12.5% (Rs. 1.25 per share)
Third Quarter Ended 30 September 2020	28 October 2020	Nil
Year Ended 31 December 2020	23 February 2021	@ 12.5% (Rs. 1.25 per share)

Investor Relations Events	Month/Year
Corporate Briefing Session	03 December 2020
60th Annual General Meeting Scheduled on	27 April 2021

Company Events	Month/Year
Farmers Meetings at Vehari, Multan & Muzaffargarh for Agriculture Insurance Development	January 2020
Farmers Awareness Campaign with Partner Banks	February 2020
Livestock Insurance Awareness Sessions with Farms Managements in Lahore, Faisalabad and Chiniot	March 2020
Webinar on Sales Development Program by Head of Window Takaful Operations on Takaful Market Development	July 2020
Webinar on Management Development Program	July 2020
Webinar Training Session for Employees on Cyber Security Awareness	September 2020
Webinar Training Session on Motor Insurance Portal with Automobile Industry	October 2020
Cyber Security Insurance Awareness Session in Collaboration with Partner Banks	December 2020

